



OTRA INFORMACIÓN RELEVANTE

PLÁSTICOS COMPUESTOS, S.A.

15 de julio de 2021

En virtud de lo previsto en el artículo 17 del Reglamento (UE) nº 596/2014 sobre abuso de mercado y en el artículo 228 del texto refundido de la Ley del Mercado de Valores, aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre, y disposiciones concordantes, así como en la Circular 3/2020 de BME MTF Equity, Plásticos Compuestos, S.A. ("**Kompuestos**" o la "**Sociedad**") pone en su conocimiento la siguiente información:

Kompuestos ha obtenido la decisión favorable del Comité de Admisiones del Euronext para su inicio de cotización en Euronext Growth en París el día 19 de julio de 2021. En dicha fecha, a la apertura del mercado (9:00), tendrá lugar el toque de campana y el inicio de negociación en la Bolsa de París. En este sentido, la Sociedad cotizará en la modalidad de "*dual listing*" permitiendo así que los inversores puedan operar en ambos mercados (Euronext Growth o BME Growth) por igual.

Se adjunta como anexo el "*Information Document*" aprobado por el comité de admisiones de Euronext.

De conformidad con lo dispuesto en la Circular 3/2020 del BME MTF Equity se deja expresa constancia de que la información comunicada por la presente ha sido elaborada bajo la exclusiva responsabilidad de la Sociedad y sus administradores.

Quedamos a su disposición para cuantas aclaraciones consideren oportunas.

En Palau-Solità i Plegamans (Barcelona), a 15 de julio de 2021.

Corporation Chimique International S.P.R.L.
P.p. D. Ignacio Duch Tuesta
Presidente del Consejo de Administración



PLÁSTICOS COMPUESTOS, S.A.

c/ Orfebrería 3 - Polígono Industrial Riera de Caldes - Palau-Solità i Plegamans
(Barcelona - Spain)

Registro Mercantil de Barcelona, número A-58327446

(hereinafter “Kompuestos” or “the Company”)

INFORMATION DOCUMENT

EURONEXT GROWTH PARIS

DIRECT ADMISSION TO TRADING

Euronext Growth is a market operated by Euronext. Companies on Euronext Growth, a multilateral trading facility (MTF), are not subject to the same rules as companies on a Regulated Market (a main market). Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in a company on Euronext Growth may therefore be higher than investing in a company on a Regulated Market. Investors should take this into account when making investment decisions.

The present Information Document does not constitute a prospectus within the meaning of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71.

The present Information Document has been drawn up under the responsibility of Kompuestos. It has been reviewed by the Listing Sponsor and has been subject to an appropriate review of its completeness, consistency and comprehensibility by Euronext.

This Information Document is available free of charge on Kompuestos’ website (<https://www.kompuestos.com>)

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1. RESPONSIBILITY STATEMENT

Corporation Chimique International S.P.R.L., represented by its legal representative Mr. Ignacio Duch Tuesta, in the name and on behalf of the Company, in the exercise of the authority expressly conferred by the Board of Directors on June 10th, 2021, declares that, to the best of my knowledge, the information provided in the Information Document (hereinafter the “Information Document”) is fair and accurate and that, to the best of my knowledge, the Information Document is not subject to any material omissions, and that all relevant information is included in the Information Document.

Palau-Solità i Plegamans (Barcelona), July 8th, 2021.

Corporation Chimique International, S.P.R.L.
(represented by Mr Ignacio Duch Tuesta)
Chief Executive Officer

2. GENERAL INFORMATION OF KOMPUESTOS AND ITS BUSINESS

2.1 Company name and complete identification of the Company and its social object

Plásticos Compuestos, S.A. is a public limited company established on February 20th, 1987, by virtue of a public deed granted on the same date before the Notary Public of Barcelona Mr. Juan Veciana Vila, with protocol number 390.

The current registered office is located in Palau-Solità i Plegamans (Barcelona), calle Orfebrería 3, Polígono Industrial Riera de Caldes with tax identification number A-58327446.

The Company is currently duly registered in the Barcelona Commercial Registry, volume 46706, page 111, sheet B-89380, 1st entry.

The corporate purpose of the Company is set out in Article 2 of its articles of association (the “Articles of Association” or “Bylaws”), the literal wording of which, as of the date of this Information Document, is as follows:

“The purpose of the Company is the manufacture, production and sale of plastics. The Company may carry out the activities comprising the corporate purpose specified in the preceding paragraph, in whole or in part, directly or by holding

shares and/or interests in companies with an identical or similar purpose. CNAE C2016¹”

2.2 Reasons to request incorporation into Euronext Growth

The main reasons that have led Kompuestos to request its admission on Euronext Growth are the following:

- Expanding its shareholder base by facilitating the acquisition of its shares by international investors.
- Providing a mechanism to enable the Company to obtain financing and diversify its sources of funding, in order to execute its investment and research, development and innovation (“R&D&I”) policy and take advantage of the new opportunities that are emerging in the markets in which it operates.
- Increasing liquidity for existing and new shareholders, and specifically for international investors.
- Increasing its notoriety, brand image, transparency, and solvency, strengthening its relationship with the investment community, customers, suppliers, and financing entities.
- Improving the visibility of the market valuation of the Company as a reference to determine management value creation and as an instrument in potential future corporate operations.

2.3 Company Auditor

On June 25, 2020, the Ordinary General Shareholders’ Meeting appointed Grant Thornton, S.L.P. as the Company’s auditor for the fiscal years 2020 to 2022.

Previously, KPMG Auditores, S.L. was the Company’s auditor, reviewing and auditing Kompuestos’ financial accounts for the years 2015 to 2019.

2.4 Description of the issuer

2.4.1 Description of the issuer, including the business model, organization, and most significant markets

Kompuestos designs and manufactures masterbatches of colour, mineral fillers, and additives, polymer compounds, including compostable resins, for creating

¹ CNAE is the Spanish National Classification of Economic Activities. Activity C: refers to Manufacturing industry; Division 20: refers to Chemical industry; Group 201: refers to Manufacture of basic chemicals, nitrogen compounds, fertilizers, plastic and synthetic rubber in primary forms; Class 2016: refers to Manufacture of plastics in primary forms

plastics, biodegradable and bio-based products (“BIO solutions”), and other compounds for the plastics processing industry. In order to increase the use of recycled products in its manufacturing processes, Kompuestos is also developing plastics recycling technologies, based on “reactive compounding²”.

The products manufactured by Kompuestos are used by customers across the world in the agriculture, packaging, construction, household products, toys and sports, interior and garden furniture, automotive and hygiene industries.

In August 2019, Kompuestos was admitted to trading on BME Growth (Spanish growth market for small and medium-sized companies), in a transaction that included a capital increase of EUR 5 million to finance the increase of production and commercial capacity for BIO solutions and the complete divestment of financial investors, which held a 21% stake of the Company’s equity. Kompuestos intends to expand its shareholder base with international investors and increase liquidity for shareholders by requesting its admission on Euronext Growth.

2.4.1.1 Plastics and their applications

Plastics are synthetic or semi-synthetic materials, created from organic substances such as cellulose, starch, oil or natural gas. Plastics are characterised by their mouldability (“plasticity”), which allows them to be processed by heat or pressure to obtain different shapes and properties, their lightness, their resistance to corrosion and their ability to take on complex shapes and be integrated with other materials. In addition, plastics can be treated to receive a wide range of physical properties, including modifications in their thermal or electrical insulation capabilities, hardness, and colouration.

The plastics manufacturing process begins by obtaining natural raw materials or refining oil, natural gas, or coal to obtain monomers, the simple molecules that form plastics. Monomers are combined through a process called polymerisation: the polymers thus obtained, in the form of resin, paste, powder or grain, are the basic ingredient for the manufacture of plastics.

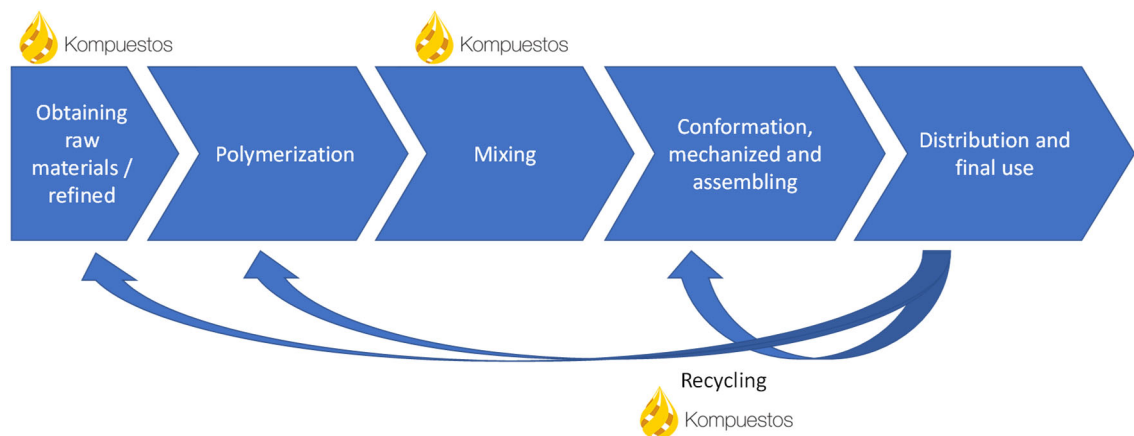
Polymers are usually combined with minerals as talk or calcium carbonate (“fillers”) to improve their characteristics, lower their manufacturing costs, and decrease their environmental effects by reducing both polymer consumption and carbon footprint. In addition, polymers can also be mixed with additional components (“additives”) to achieve specific properties, such as hardness, colour, or weather resistance.

² *Reactive compounding* is a process of intensive mixing of polymers in a molten state where a chemical reaction takes place simultaneously, resulting in the generation of a new product.

Finally, plastics are processed into their final form (“transformation”) by techniques such as extrusion, moulding, calendering or blow moulding. Depending on the end use of the plastic, additional processing such as machining or assembly may also be required.

In principle, plastics can be recycled after use. Recent technological developments have also led to the creation of biodegradable resins, which break down into natural chemical elements through the action of biological agents or water.

The following chart illustrates the production process of plastics.



Source: Kompuestos based on Germany Trade & Invest, Plastics Europe Deutschland e.V.

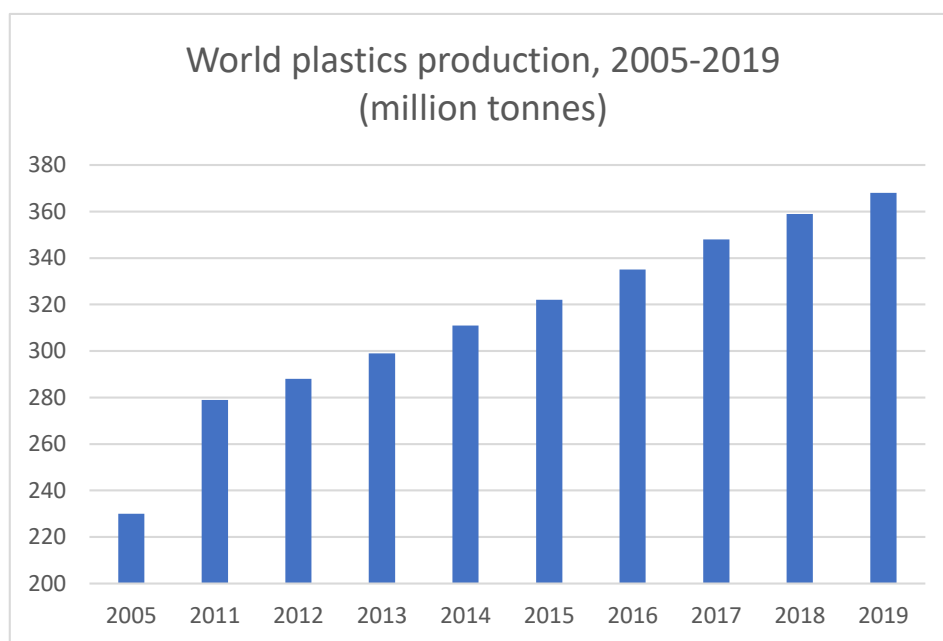
Kompuestos operates in the following phases of the plastics manufacturing process:

- In the mixing phase, by producing fillers, additives and colour masterbatches that reduce the carbon footprint and manufacturing costs of plastic products (fillers) and / or add colours or special properties to plastics (masterbatches of colours and additives).
- In the recycling phase by providing biodegradability to the final products.
- In the raw materials phase, by producing resins that are based on natural and renewable resources (such as starch) and represent a sustainable alternative to the use of oil in plastics manufacturing.

2.4.1.2 The global plastics market

Plastics Europe, the European association of plastics manufacturers, estimates that in 2019, global plastics production reached 368 million tonnes, with a

compound annual growth rate of 3.4% since 2005³. China is the world's leading plastics processor, with 31% of total volume; Asia-Pacific accounts for 51% of production, while Europe represents 16%. Despite the global market growth, over the past few years, plastics production in Europe has decreased slightly to 57.9 million tonnes in 2019, from a peak of 64.4 million tonnes in 2017.



Source: "Plastics- the Facts". Plastics Europe.

As of 2019, the main end-use demand for plastics in Europe was generated by the packaging industry (39.6% of total demand), followed by the building and construction (20.4%), automotive (9.6%) and electrical and electronics (6.2%) sectors. Germany was the largest user of plastics within the EU, with 24.2% of total European demand; Italy (13.8% of total European demand), France (9.5%), Spain (7.8%), the United Kingdom (7.1%) and Poland (7.0%) were the other European markets with demand above 3 million tonnes in 2018 and 2019⁴.

In terms of future market prospects, Grand View Research expects the global plastic market to reach a value of USD 722.6 billion by 2027, from a total value of USD 568.9 billion in 2019⁵. According to Grand View Research, the key driver of growth is expected to be increased plastic consumption in the construction,

³ Plastics Europe. "Plastics- the Facts", 2016 to 2020. Includes thermoplastics, polyurethanes, thermosets, elastomers, adhesives, coatings and sealants and PP-fibres.

⁴ Source: Plastics Europe. "Plastics- the Facts", 2020.

⁵ Source: Grand View Research, "Plastic Market Size, Share & Trends Analysis Report By Product (PE, PP, PU, PVC, PET, Polystyrene, ABS, PBT, PPO, Epoxy Polymers, LCP, PC, Polyamide), By Application, By Region, And Segment Forecasts, 2020 – 2027" report overview available at <https://www.grandviewresearch.com/industry-analysis/global-plastics-market> and <https://www.grandviewresearch.com/press-release/global-plastics-market-analysis>.

automotive and electrical and electronics industries. More restrictive rules on the recyclability of conventional materials such as wood and metal should drive demand in the construction sector, while regulations to decrease vehicle weight to reduce carbon emissions should support the substitution of metals by plastics in the automotive industry.

2.4.2 Kompuestos' product portfolio

The operations of Kompuestos are organised around three product lines:

- ***“Traditional products”***, which includes the manufacturing of mineral loads (“fillers”), colour masterbatches and additives.
- ***“BIO Solutions”***, which focuses on the research, development and production of compostable resins and other components for creating biodegradable resins based on biological, renewable raw materials. This product line started sales in 2019 and is expected to generate significant growth over the coming years.
- ***“Raw materials”***, which covers the development of plastics recycling technologies (such as “reactive compounding”) for the use of both Kompuestos and third parties.

2.4.2.1 Traditional products

2.4.2.1.1. Mineral loads (“fillers”)

“Fillers” are materials that are added to plastic polymers to reduce the cost of the final product, improve its properties and/or reduce its carbon footprint by incorporating natural components. The most used mineral charge is calcium carbonate, obtained from limestone, marble and chalk. The advantages of calcium carbonate fillers include:

- Low cost, which allows to reduce end-product production costs.
- Increased sustainability: according to research by Heritage Plastics⁶, the use of calcium carbonate mineral fillers in the manufacture of plastic bags can reduce greenhouse gas emissions by 13%, fossil fuel use by 15% and energy consumption by 19%. Calcium carbonate is a natural substance, which comprises more than 4% of the earth’s crust in the form of chalk, limestone, and marble, and is used by living organisms to create their bone structures.

⁶ Source: <http://heritage-plastics.com/en/sustainability.htm> and <http://heritage-plastics.com/pdfs/HPI-environmental-brochure.pdf>.

- Colouring: provides higher opacity to the final product.
- Mechanical properties: improves the strength, rigidity, and ability to act as a barrier of the final plastic.
- Thermal properties: increases the speed of heating and cooling in the plastic transformation process, which allows for improved productivity and a reduction in the impact on carbon footprint as less energy is consumed in the transformation.

Other commonly used fillers include talc, which provides rigidity, hardness, form stability and scratch resistance, and carbon black, produced by the incomplete combustion of oil or natural gas, which is used as a reinforcement in rubber compounds, as a pigment and as an antioxidant.

Grand View Research estimates the size of the plastic filler market at USD 10.3 billion as of 2019, and projects it to increase at c. 5% p.a. until 2026 to reach over 14.5 billion by that year⁷. This increase should be driven by demand for lightweight materials for packaging and auto manufacturing. The market share of calcium carbonate as a filler should also grow during this period, pushed by its stability and high performance in the manufacturing of plastic products.

Kompuestos produces the Exfill® range of concentrates, which is a combination of 100% treated ultra-fine minerals (including calcium carbonate from natural sources) and high-performance polymer resins to be used as fillers with different types of plastics (polyethylene, polypropylene, polystyrene and specialised elastomers). Exfill® fillers are produced in 25 different grades depending on the final use of the plastic, are fully recyclable and have been sustainably formulated to reduce consumption of petrochemical-based products.

2.4.2.1.2. Colour and additive masterbatches

As previously noted, basic plastic polymers are combined with pigments or additives to obtain special properties such as colour, hardness, or strength. To achieve optimal results, the additives or pigments are initially dispersed at high concentration in a carrier substance (thermoplastic resin) which is then mixed with the main plastic. These concentrates, which give plastics specific characteristics, are called “masterbatches”.

⁷ Source: Grand View Research, “Plastic Fillers Market Size By Type (Calcium Carbonate [Ground, Precipitated], Talc, Kaolin, Glass Fibers, Carbon Black), By Form (Continuous, Discontinuous, Nanofillers), By Application (Automotive, Building & Construction, Electrical & Electronics, Packaging), Industry Analysis Report, Regional Outlook, Application Potential, Price Trends, Competitive Market Share & Forecast, 2020 – 2026” report summary, available at <https://www.gminsights.com/industry-analysis/plastic-fillers-market>

Masterbatches provide significant advantages over the use of powders or other techniques for adding colours or additives to plastics including lower costs, easier storage, lower contamination risk, better dispersion and integration of the pigment or additive, greater consistency of colours and properties across different production series, and a simplified manufacturing process which allows for the simultaneous combination of colorants and additives.

The research firm Markets and Markets estimates the size of the global masterbatch market to be USD 11.1 billion in 2020, with an expected compounded annual growth of 5.1% to reach USD 14.3 billion by 2025⁸. This growth will be driven by increasing demand for plastic packaging and building and construction materials and replacement of metals by plastics in the auto industry. Europe is forecasted as the second largest market within this period. Within the “masterbatch” segment, Kompuestos offers the following product lines:

Colour masterbatches:

Black and white. These masterbatches can also be combined with additives to provide the product with other characteristics such as UV protection or conductivity or to incorporate treatments that allow its application in food-grade plastics.

Other colours. Kompuestos has developed more than 20,000 formulations for the creation of standardised and special (pearlescent, fluorescent, interference, etc.) coloured plastics.

Monopigments (colour concentrates manufactured for other masterbatch producers).

Additive masterbatches

Additive masterbatches improve the performance of plastics, providing protection against degradation by heat, ultraviolet light, oxidation or other agents or adding specific functions depending on the application of the final product (such as desiccants, antistatics, ultraviolet, fragrances, antioxidants, anti-blocking or anti-fogging).

⁸ Source: Markets and Markets, “Masterbatch Market by Type (Color, Additive, White, Black, Filler), Polymer (PP, LDPE & LLDPE, HDPE, PVC, PET, PUR, PS), Application (Packaging, Building & Construction, Automotive, Consumer Goods, Textile, Agriculture) - Global Forecast to 2025” report summary, available at https://www.marketsandmarkets.com/Market-Reports/masterbatches-market-168014686.html?gclid=EAlaIqObChMI2ve0qLHd7wIVSdTtCh0XSAU0EAAAYASAAEgLtAPD_BwE

According to research by Market Data Forecast, the additive masterbatch market had an overall size of USD 2.6 billion in 2019 and is expected to grow at a compound annual rate of 6.2% to reach a size of USD 3.3 billion in 2025⁹. Data Bridge Market Research projects a faster growth of 6.6% p.a. to reach a size of USD 3.84 billion by 2027¹⁰.

Among the recent developments of Kompuestos in additive masterbatches, we can highlight the manufacture of masterbatches to maintain the properties of plastics during the recycling process; antimicrobial and antibacterial masterbatches for plastics in contact with foodstuffs; insect repellents for agricultural and outdoor plastics; advanced protection systems against ultraviolet and infrared radiation, maintaining the transparency of the plastic resins; anti-fog solutions to prevent water droplets from forming on food packaging; mineral concentrates and compounds for paper replacement applications; and antioxidants to reduce the degradation of the physical properties of plastics and extend their life.

The capabilities of Kompuestos to innovate and combine additives with other products are evidenced by “Repelplas”, a European project led by Kompuestos to develop plastic sheets with microcapsules of insect repellents. This product is especially relevant for agricultural use, replacing pesticides with Repelplas plastic films to protect crops from bug pests; it has also found application in protecting water pools from insects. The Repelplas project has received the Eurostars Award¹¹.

2.4.2.2 BIO solutions

2.4.2.2.1. The “circular economy” of plastics

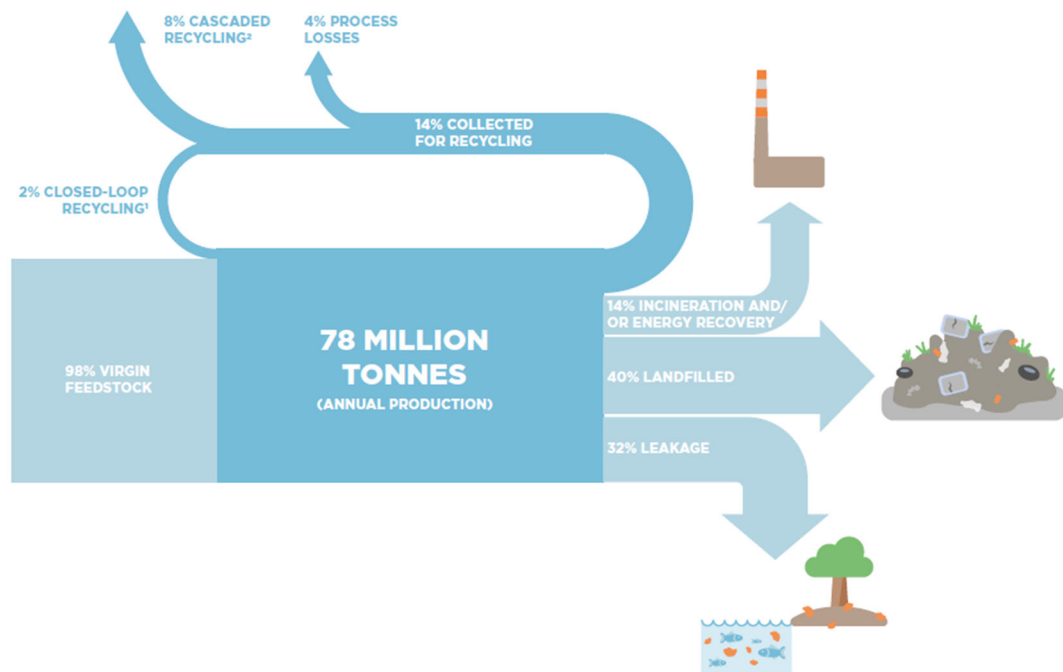
Between 1964 and 2019, the production of plastics worldwide increased from 15 million tonnes to 368 million tonnes: a total increase of over 2,000% at an annual rate of 6.1%. Plastics production is expected to continue growing, doubling in 20

⁹ Source: Market Data Forecast, “Additive Masterbatch Market by Type (Antimicrobial, Antioxidant, Flame Retardants), Carrier Resin (PE, PP, PS), and End-use Industry (Packaging, Building & Construction, Consumer Goods, Automotive, Agriculture) - Global Analysis on Size, Share, Growth, Trends & Forecast (2020-2025)” summary, available at <https://www.marketdataforecast.com/market-reports/additive-masterbatch-market>.

¹⁰ Source: Data Bridge Market Research, “Global Additive Masterbatch Market – Industry Trends and Forecast to 2027” report summary, available at <https://www.databridgemarketresearch.com/reports/global-additive-masterbatch-market>.

¹¹ Eurostars is a joint program between the European R&D network EUREKA and the European Commission to support international research and innovation projects developed by European SMEs. See <https://www.eurostars-eureka.eu/about-eurostars>, and, for the Repelplas project, <https://www.eurostars-eureka.eu/project/id/11983>

years, and quadrupling by 2050¹². Despite the advantages provided by plastics, this growth is also causing significant problems, including a strong dependence on non-renewable fossil raw materials (more than 90% of plastics manufacturing uses oil and gas; between 4 and 8% of the world's oil production is used by the plastics industry) and major environmental issues, such as greenhouse gas production and the degradation of natural ecosystems. The following chart shows the flows of plastic packaging in the traditional plastics industry, before the incorporation of the principles of the circular economy:



Source: “The New Plastics Economy – Rethinking the Future of Plastics & Catalysing Action”, Ellen McArthur Foundation, 2017.

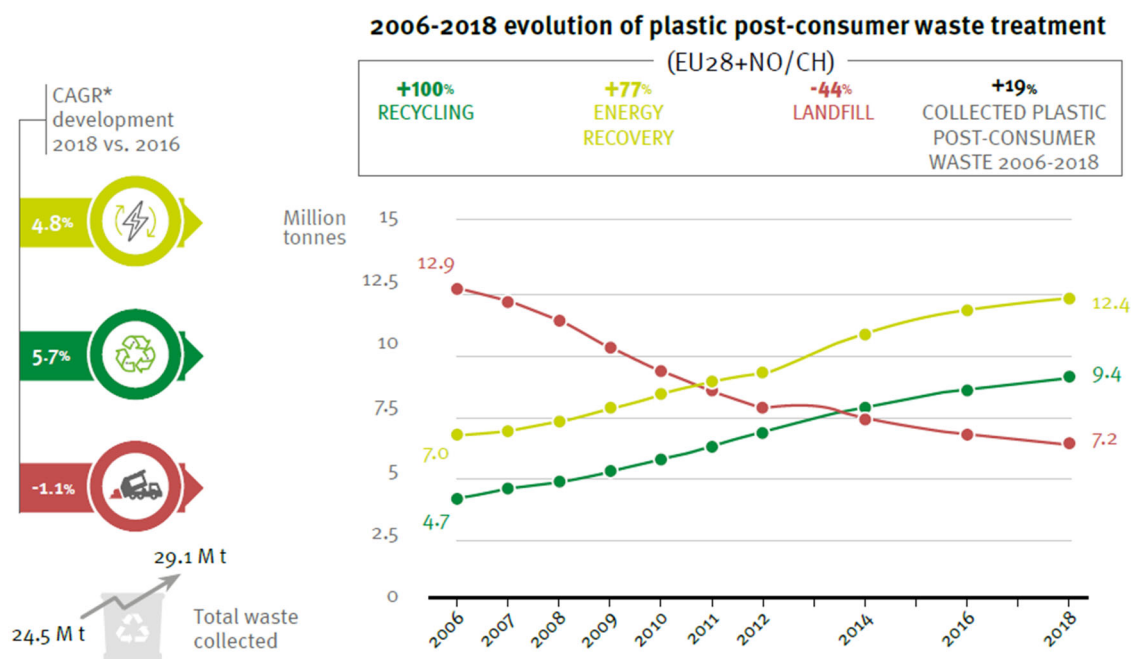
These environmental problems lead to a growing need to change the cycle of production and consumption of plastics and base it on the following principles:

- **Recycling and reuse:** only 5% of the value of the plastic packaging that has been used is recovered: this implies that USD 80-120 billion of plastic packaging material value is lost annually¹³. An increase in the recycling and reuse of plastics would increase the recovery of economic value and productivity in the plastics industry and reduce the proportion of plastics dumped into nature, facilitating a transition to the manufacture of plastics from renewable materials by reducing the amount of raw materials needed.

¹² “Plastics- the Facts 2020” Plastics Europe; “The New Plastics Economy – Rethinking the Future of Plastics & Catalysing Action”, Ellen McArthur Foundation, 2017.

¹³ “The New Plastics Economy – Rethinking the Future of Plastics & Catalysing Action”, Ellen McArthur Foundation, 2017.

Europe is a pioneer in the recycling of plastics: in the 2006 - 2018 the amount of plastic recycled has doubled, as shown in the following chart.

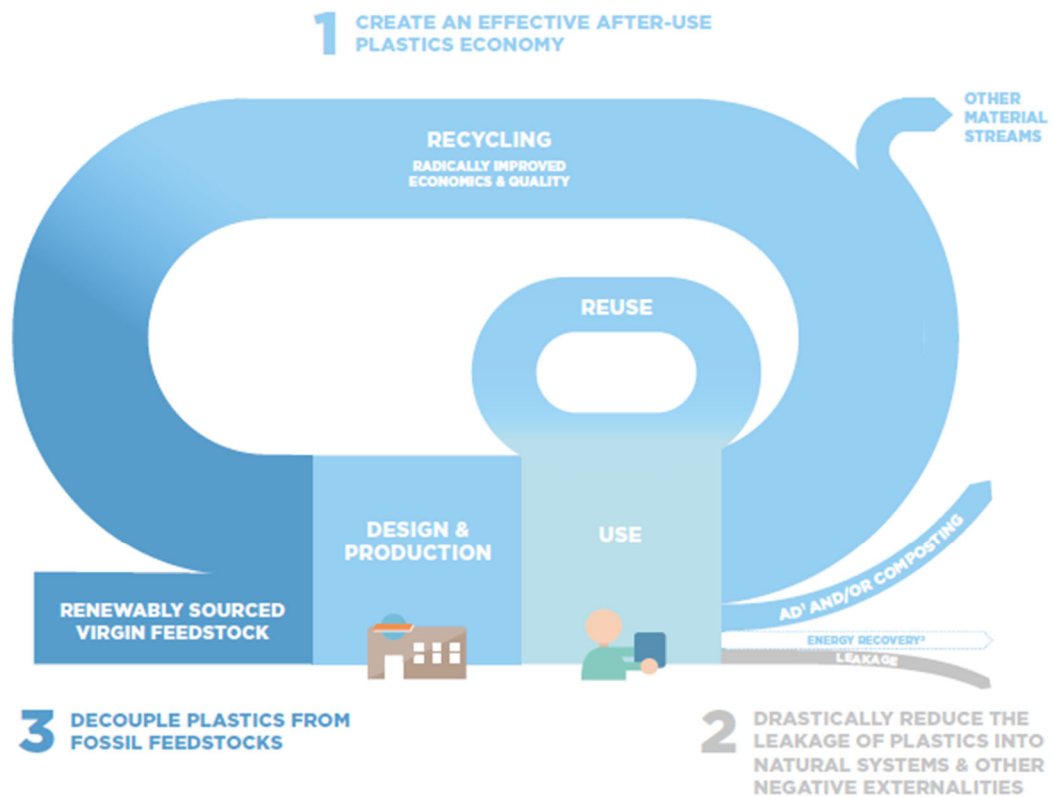


Source: "Plastics – the Facts 2020". Plastics Europe.

- **Reducing the disposal of plastics into natural ecosystems and increasing the amount of bio-benign plastics:** according to the Ellen McArthur Foundation report "The New Plastics Economy – Rethinking the Future of Plastics & Catalysing Action", each year at least 8 million tonnes of plastic leak into the ocean. Even if the plastics leakage rate were to be reduced to 1%, around 1 million tonnes of plastics would avoid collection and reprocessing to end up in nature. Thus, the objective should be to develop "bio-benign" plastics that are biodegradable under natural conditions.
- **Plastics manufacturing based on renewable sources:** at the current growth rate in plastic usage, by 2050, the plastics sector would account for 20% of total oil consumption¹⁴. As a result, the plastics industry needs to incorporate renewable raw materials to replace fossil sources that will gradually run out.

¹⁴ "The New Plastics Economy – Rethinking the Future of Plastics & Catalysing Action", Ellen McArthur Foundation, 2017.

The combination of these three principles creates a new economic dynamic called “circular economy”, which implies an industrial system that is, by design, restorative and regenerative, as per the following graph:



Source: “The New Plastics Economy – Rethinking the Future of Plastics & Catalysing Action”, Ellen McArthur Foundation, 2017.

Kompuestos has joined the Global Commitment to the New Economy of Plastics to reduce waste and pollution generated by plastics at the source and support the circular economy of plastics, promoted by the Ellen McArthur Foundation in collaboration with the United Nations Environmental Programme (UN Environment). Companies that have also signed up to this Global Commitment include Nestlé, Pepsico, Unilever, Coca-Cola, Danone, Henkel, Johnson and Johnson, L’Oréal, Mars, Walmart and Carrefour. Kompuestos is one of 7 Spanish companies and regional governments to have signed the commitment, alongside entities such as the Government of Catalonia and Inditex¹⁵.

As a signatory of the Global Commitment to the New Economy of Plastics, Kompuestos has agreed to achieve the following objectives by 2023:

¹⁵ A complete list of signatories can be found at the following link: <https://www.ellenmacarthurfoundation.org/resources/apply/global-commitment-progress-report/signatories>

- Increase the percentage of raw materials from recycling from the current 16% to 20%.
- Increase the use of compostable and renewable products from 0% to 20%.
- Increase the production of low carbon footprint mineral fillers (Exfill) from the current 55% to 70%.
- Reduce the percentage of production destined to single-use plastics from 53% to 30%.
- Increase the portfolio of sustainable solutions from 55% to 70% of the total.
- Establish a sustainable product portfolio with 70% low carbon footprint products, 20% reusable products and 20% compostable products¹⁶.
- Collaborate with its clients to implement more environmentally friendly plastic products.

For additional details see

<https://www.ellenmacarthurfoundation.org/assets/downloads/13319-Global-Commitment-Definitions.pdf>.

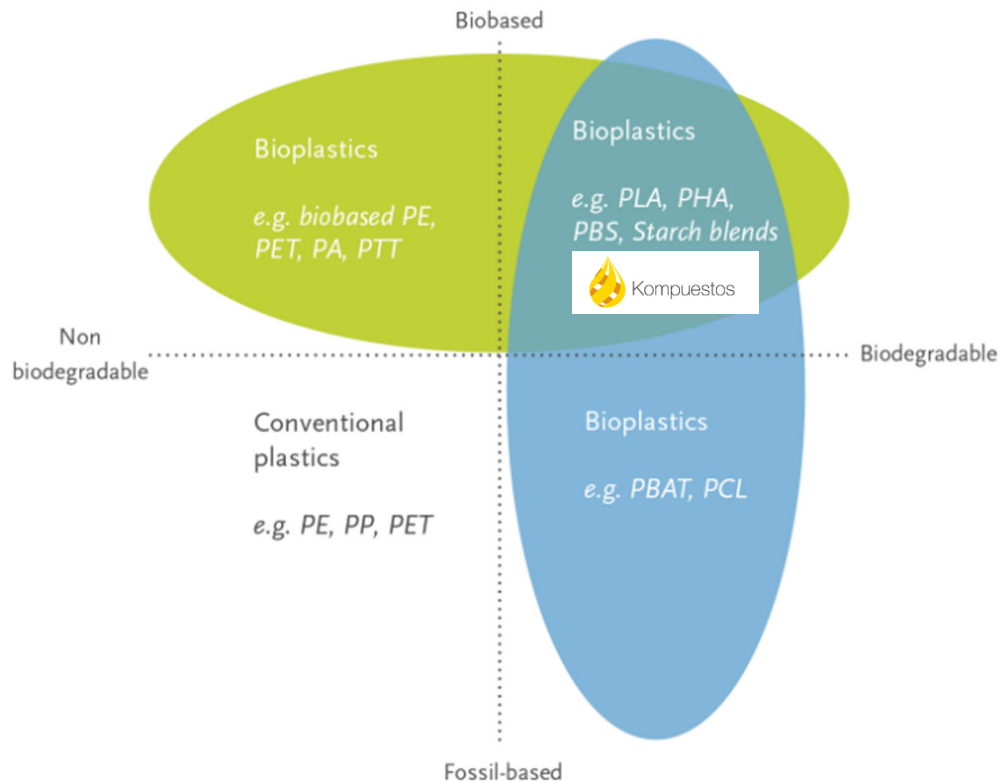
2.4.2.2.2. Bioplastics, biodegradable plastics, and compostable plastics

The “circular economy” of the plastics industry classifies plastics according to two characteristics:

- Plastics made from renewable raw materials (“bio-based”) versus plastics made from fossil materials: The “circular economy” is based on plastics produced from raw materials of natural and organic origin, such as cellulose, starch and lactic acid, which can be replenished to maintain the sustainability of the plastics industry. Fossil raw materials such as oil or natural gas do not generate circularity since they need cycles of millions of years to be created.
- Biodegradable vs. non-biodegradable plastics: Biodegradation is the decomposition of materials into their natural elements through a natural and non-polluting process caused by the action of microorganisms. Biodegradable plastics decompose under various temperature and environmental conditions; non-biodegradable plastics do not decompose and can remain in nature for hundreds of years.

¹⁶ The sum is higher than 100% because a product can belong simultaneously to more than one category.

Accordingly, the classification of plastics based on biodegradability attributes and origin of raw materials is as follows:

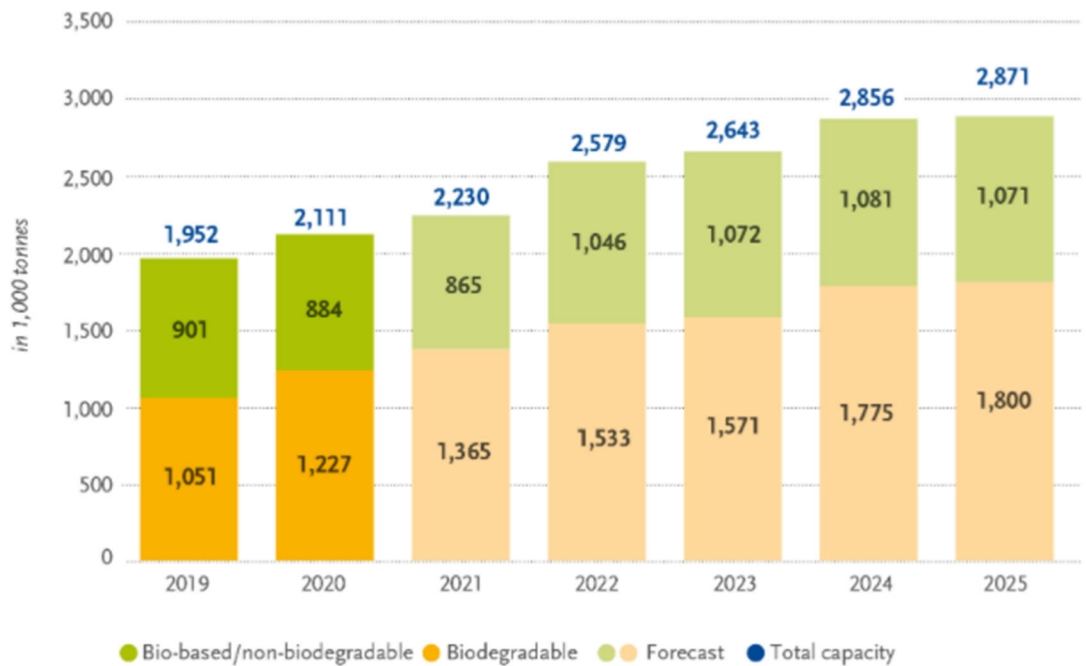


Source: European Bioplastics

European Bioplastics, an association representing the interests of the European bioplastics industry, estimates that as of 2020, bioplastics represented under 1% of all plastics produced. This organisation predicts that global bioplastics production capacities will grow from c. 2.1 million tonnes in 2020 to around 2.9 million tonnes in 2025¹⁷.

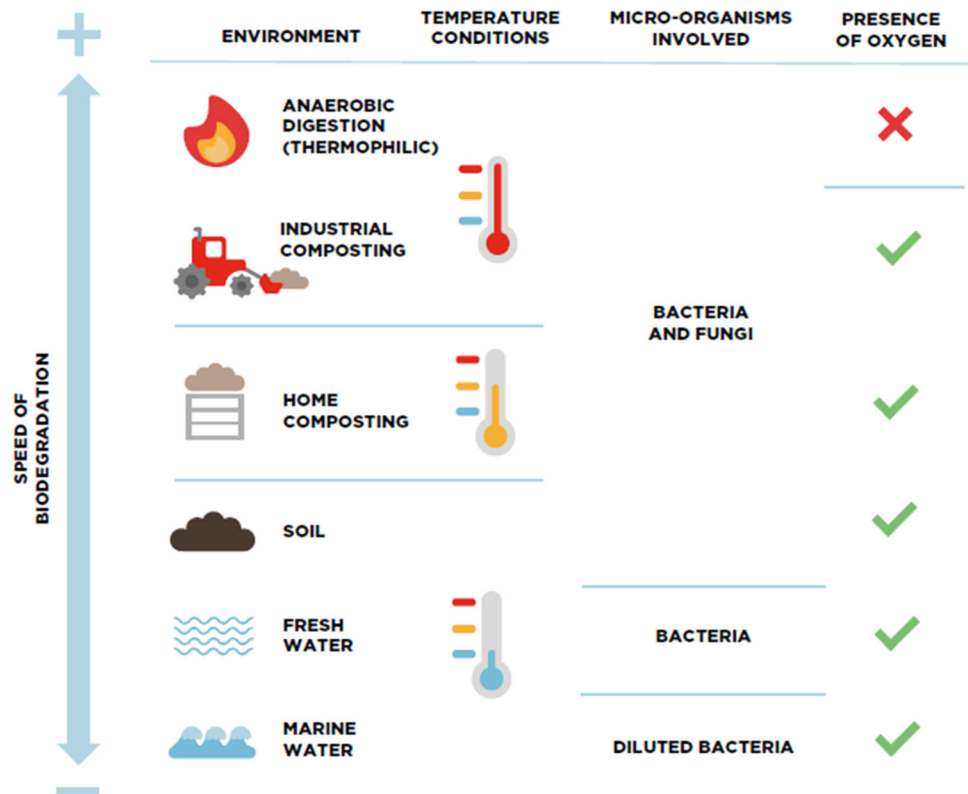
¹⁷ <https://www.european-bioplastics.org/market/>

Global production capacities of bioplastics



Source: Nova Institute & European Bioplastics

Biodegradable plastics present varying degrees of biodegradability depending on the conditions and timeframe required to achieve decomposition into natural elements.



Source: “The New Plastics Economy – Rethinking the Future of Plastics”, Ellen McArthur Foundation, 2016.

European Bioplastics indicates that in order to classify a plastic as “biodegradable” it should be necessary to specify the conditions under which biodegradability is achieved. There are several certification agencies, such as TÜV Austria or DIN CERTCO, that verify compliance with standard conditions of biodegradability.

One of the most relevant subcategories within biodegradable plastics is that of compostable plastics. Compostability implies degradation according to certain standards, of which the best known is the European standard for industrial compostability (UNE EN 13432) which requires the fulfilment of the following requirements:

- Biodegradability in an industrial composting plant under controlled conditions of temperature, humidity, and ventilation: at least 90% of the material must be converted into CO₂ within six months; the remaining 10% is converted into water and biomass.
- Disintegrability: after a composting period of 12 weeks and processing through a 2mm sieve, the remaining residue must be less than 10% of the original mass.

- The composting process must not produce toxic waste.
- The material resulting from composting must allow for germination and plant growth.

International standards for home composting involve biodegradability at lower temperatures. For example, the French standard requires a CO₂ degradation of at least 90% of the material within 12 months at ambient temperature. The “OK Compost HOME” certification from TÜV Austria requires a CO₂ degradation of at least 90% and a disintegration of 90% within six months at a temperature of between 20°C and 30°C.

2.4.2.2.3. Regulatory pressure to implement the circular economy

The search for a new dynamic in the plastics industry, based on renewability, recyclability, and respect for the environment, is becoming more important, as is the creation of new standards for manufacturers and users of plastics. Within the European Union, the following regulatory initiatives can be highlighted:

- Communication from the Commission to the European Parliament, the Council of the European Union, the Economic and Social Committee and the Committee of the Regions of 2 December 2015: 'Closing the circle: an EU Action Plan for the Circular Economy'. Although not directly applicable, this communication recognises the concept of the 'circular economy' and states that the Commission will adopt a strategy for the plastics sector based on this concept and focusing on issues such as recyclability, biodegradability, the disposal of hazardous substances from plastics and marine waste.
- European Directive on reducing the consumption of lightweight plastic carrier bags (EU 2015/720). In 2015, the European Union approved a Directive that aims to reduce the use of plastic bags to 90 per person per year from 2020 and 40 per person per year from 2040. To achieve this goal, member countries have to choose to take on usage reduction targets or impose charges on retail outlets for these bags. This Directive has been transposed into Spanish law by Royal Decree 293/2018 of 18 May, which bans light (<50 microns) and very light carrier bags that are not compostable. This prohibition is applicable from 2021 onwards. Similarly, France adopted in 2015 the Energy Transition Law for Green Growth, which banned non-compostable plastic bags from 2017 onwards. Bans of non-compostable plastic bags have also been approved by Austria, Belgium, Germany, Italy, and Romania, while other EU countries have addressed the Directive requirements by imposing a tax on plastic bags.
- European Directive (EU) 2019/904 on single use plastics. This Directive bans plastic cutlery, plates, straws cotton bud sticks, beverage stirrers, sticks for

balloons and food containers made of expanded polystyrene across the European Union. It also bans products made from oxo-degradable plastics¹⁸. Furthermore, the Directive requires countries to take measures to reduce the consumption of single-use plastics for which there is currently no viable alternative, such as drinking cups including covers and lids, and containers of prepared food for immediate consumption. Finally, the Directive sets a collection target of 90% recycling for plastic bottles by 2029 (with an interim target of 77% by 2025) and determines that plastic bottles should contain at least 25% recycled plastic in their manufacture by 2025 (for PET bottles), and 30% by 2030 (for all bottles). The Directive has to be implemented as local law in the EU countries by July 2021. The draft regulation to transpose this Directive to Spanish law contemplates a tax of EUR 0,45 / kg on single use plastic containers not manufactured from recycled plastic, sets targets for the reduction in usage of several categories of single use plastics and restricts the marketing of certain single use plastics.

- Tax on nonrecycled plastic package waste. On July 2020, the European Council approved a tax on member states calculated on the weight of nonrecycled plastic packaging waste at a rate of EUR 0.80 per kilogram. The revenues generated by this tax will go directly into the EU budget to support the recovery of member states from the coronavirus pandemic.

2.4.2.3 The market for biodegradable plastics

The global market for biodegradable plastics was estimated at USD 3.27 billion in 2019, with a projected increase to USD 7.6 billion by 2027¹⁹. This growth will be supported by rising awareness about the negative impact of plastic waste, government prohibitions on the use of single plastics, the development of “green marketing” strategies for customer acquisition and increased use of biodegradable plastics in packaging and agriculture. Geographically, Europe leads in the usage of biodegradable plastics, with a market share of 42% in 2019, although high growth is expected in Asia-Pacific, due to overall regional growth, and Latin America, due to the availability of raw materials.

2.4.2.3.1. *Kompuestos’ BIO solutions*

¹⁸ Oxo-degradable plastics are traditional plastics to which additives are added so that they decompose under the action of heat or ultraviolet rays. However, a study by OWS and Plastics Europe indicates that there is no evidence that the fragments resulting from this decomposition are biodegradable; thus, the fragments resulting from the degradation of oxo-plastics could increase the level of microplastics in the environment and especially in the oceans.

¹⁹ Source: Grand View Research, Biodegradable Plastic Market Size, Share & Trends Analysis Report By Type (Starch-based, PLA, PHA, PBAT, PBS), By End-use (Packaging, Consumer Goods, Agriculture), By Region, And Segment Forecasts, 2020 – 2027 report summary, available at <https://www.grandviewresearch.com/industry-analysis/biodegradable-plastics-market>.

Kompuestos is a market leader in identifying the transformation in the plastics industry arising from the circular economy. In view of this change, Kompuestos has developed a new line of products (“BIO solutions”) based on the renewability (manufacture from sustainable sources, biodegradability and / or compostability) and the reusability of plastics.

Kompuestos’ BIO solutions include:

- Biodegradable resins:
 - On land
 - In water (Okean)
- Plastics recycling processes (“reactive compounding”)

Resins biodegradable on land

Resins biodegradable on land is a family of biodegradable and compostable resins for plastic manufacturing, made from different starches such as corn, potato, cereals, and other biologically sourced polymers. These resins are designed to be used on standard industrial equipment, thus offering the opportunity to completely replace traditional plastics with a biodegradable alternative. Furthermore, they can be processed by conventional extrusion, cast film, blown, sheet, extrusion coating, and injection to create, among other products, bags, containers, and sheets similar to those obtained from traditional plastics.

These resins are biodegradable and compostable according to the UNE EN 13432 specification. After obtaining the relevant certifications, Kompuestos started sales of resins biodegradable on land during fiscal year 2019. Although sales of biodegradable resins remained subdued throughout 2020 due to the difficulties of marketing a new product during the COVID-19 pandemic, the Company expects demand to pick up in 2021.

These resins offer multiple applications for plastics manufacturing, including the following:

- ***Bag production.*** Bags manufactured using this technology are a biodegradable and compostable alternative to traditional plastic bags. Given their compostability, they are exempt from bans and taxes levied on single use bags by the EU 2015/720. Biodegradable resins-based bags also offer an optimal solution for the collection of organic waste, as both waste and bag can be processed together in composting plants. Furthermore, certain formulations of these resins meet more stringent requirements and have been certified or are in advanced certification process for home

compostability (OK Compost HOME label from the TÜV Austria certification agency and in line with the requirements of the French Energy Transition Law for Green Growth).

- ***Mulching application.*** Mulching sheets produced using biodegradable resins offer an ecological alternative to traditional plastics, while maintaining their mechanical and use properties. The compostability of these plastic sheets causes them to degrade in CO₂ and organic material, acting as a nutrient for future crops. The resins used for these applications have been certificated as OK Biodegradable SOIL by TÜV Austria.
- ***Fillers.*** Kompuestos has developed “Bioexfill”, a filler which has been certified both industrial and home compostability (“OK Compost INDUSTRIAL” and “OK Compost HOME” certifications).
- ***Other products:*** Other biodegradable resin applications may include packaging, trays, lids and sealing films.

The formulations of these biodegradable resins are trade secrets covered by Directive (EU) 2016/943.

Resins biodegradable in water (Okean)

As part of its leading role in advancing the sustainability of the plastics economy, Kompuestos has created “Okean”, a resin used to produce plastics that are completely biodegradable in water, converting themselves into carbon dioxide and water. Furthermore, the production of Okean is mainly based on renewable raw materials and requires less carbon dioxide than polymers based on fossil materials, thus contributing to the sustainability of the plastics economy and the prevention of global warming. Okean formulations are trade secrets covered by Directive (EU) 2016/943.

Environmental conformity certificates

The renewability or biodegradability of bioplastics is usually difficult to verify by consumers. Thus, third party certifications and the use of independent and internationally respected labels are important to provide market transparency and consumer orientation and to safeguard the positive image of bioplastics.

The objectives and benefits of certification and labelling include:

- To allow a clear differentiation of bioplastics from traditional plastics.
- To provide proof of biodegradability and / or bio-based content.
- To facilitate proper sorting in the collection and recovery of waste.

- To ensure the safety and quality of the product.

After undergoing successful certification, a product may become eligible to bear a quality label. Along these lines, it is mandatory for products that are marketed as biodegradable and / or compostable to obtain certificates attesting to the properties being advertised. This certification process may take between four and fourteen months depending on the level of compostability.

TÜV Austria is one of the best-known European certification agencies, with clients in 20 countries. The TÜV Austria compostability certifications have been confirmed by the Düsseldorf High Regional Court as being independent and based on defined and comprehensive criteria that follow the EU Commission industry standards. TÜV Austria provides, among others, the following certifications:

- TÜV Austria “OK Compost INDUSTRIAL”: certifies that the product meets the standards of compostability established by the UNE EN 13432, including:
 - Biodegradation > 90% within no more than six months
 - The material must disintegrate within three months. After composting for 12 weeks, no more than 10% of the original dry weight of the tested material can be found on a sieve with a fraction >2 mm.
 - The germination rate and plant biomass growing in the compost containing the test substance must be greater than 90% of the corresponding blank compost.
 - Low concentration of heavy metals and fluorine.
- TÜV Austria “OK Compost HOME”: similar to OK Compost INDUSTRIAL, but:
 - Biodegradation must be tested at room temperature (between 20°C and 30°C).
 - The period for the biodegradation test shall be a maximum of 12 months.
 - The material must disintegrate within six months. After composting for 24 weeks, no more than 10% of the original dry weight of the tested material can be found on a sieve with a fraction >2 mm.
- TÜV Austria “OK Biodegradable SOIL”: the test program for this certificate is in line with the European standard UNE EN 13432. For biodegradation, the

test is performed according to ISO 17556.2, ISO 11266 or ASTM D.5988-96; for ecotoxicity and heavy metals, the requirements are the same as for “OK Compost INDUSTRIAL” and “OK Compost HOME” standards. No disintegration requirements must be met; however, materials or products containing components that include risk of visual contamination are not accepted. This certification is especially relevant for materials used in agriculture, since after their use and biodegradation in the soil, they contribute nutrients to the soil instead of contaminating it.

- TÜV Austria “OK Biodegradable WATER”: The material is biodegradable in fresh water, so that the presence of plastic waste in rivers, lakes or any natural freshwater environment is reduced. At the biodegradation level, the materials must meet 90% of the relative or absolute biodegradation of the European standards EN ISO 14851 or EN ISO 14852 at a temperature between 20°C and 25°C after 56 days of testing. In addition, they must also comply with EN 13432 regarding the heavy metal content.
- “Seedling”: is a label for compostability created by European Bioplastics. Since this certification scheme is also based on the UNE EN 13432 standard, there is a large degree of overlap with the OK Compost INDUSTRIAL certificate. The certification process is offered by the Belgian certifier TÜV Austria and the German certifier DIN CERTCO.

The certifications obtained or in the process of being obtained for Kompuestos products as of 31/12/2020 were as follows:

Certifications awarded					
Compound name	Certificated to be used as:	OK compost AUSTRIA INDUSTRIAL	OK compost AUSTRIA HOME	OK bio-degradable AUSTRIA SOIL	OK bio-degradable AUSTRIA WATER
F3030	Raw material	✓			✓
F3010	Raw material	✓			✓
FS 1010	Raw material	✓			✓
FS 1047	Raw material	✓	✓		✓
FS 1038	Raw material	✓			
4901	Raw material	✓			✓
4903	Raw material	✓	✓		✓
TPSC	Raw material	✓	✓		✓
TPSC	Masterbatch	✓	✓	✓	✓
TPSP	Raw material	✓	✓		✓
TPSP	Masterbatch	✓	✓	✓	✓
TPSPA	Masterbatch	✓	✓	✓	✓
Okean TPSC	Masterbatch				✓
Okean TPSP	Masterbatch				✓
Okean TPSPA	Masterbatch				✓
Bioexfill 1 12	Masterbatch	✓			✓
Bioexfill 2 12	Masterbatch	✓	✓		✓

2.4.2.4 Raw materials

Kompuestos' raw materials operations include the production and marketing of polymers to be used in plastics processing, and the sale of recycled plastic polymers that the Company will produce and/or market. The amount of raw material sales has not exceeded 5% of total sales in any of the last three years.

The incorporation of the philosophy of the circular economy into the plastics industry has led Kompuestos to initiate research on the use of recycled plastics to produce masterbatches. This technique facilitates homogeneity between masterbatch and polymer, while at the same time reducing costs, via the reduction of the consumption of virgin polymer. Kompuestos is also developing new technologies to facilitate the overall process of recycling and reusing plastics.

2.4.3 Description of Kompuestos facilities and equipment

Kompuestos has two production facilities located in Palau-Solità i Plegamans (Barcelona, Spain). The first facility (“Palau I”) houses the logistics and engineering services, as well as the production lines for fillers, white, black, and high-volume masterbatches; the second facility (“Palau II”) quarters the central services, laboratories and R&D&I facilities and the production lines for colour masterbatches, additives and BIO solutions. The distance between the two facilities is less than 3 km.



Palau I: logistics and engineering services. Production lines of fillers, high volume black and white masterbatches



Palau II: central services, laboratories, R&D&I facilities and production lines of colour masterbatches, additives and compostable biopolymers

The manufacturing process utilised by Kompuestos has three phases:

- Intensive mixing: combination of raw materials (additives, fillers, pigments, etc.) and the base polymer that is used as a vehicle. In order to achieve a high degree of precision in its preparations, Kompuestos uses gravimetric dosing systems, although mixtures can be also prepared manually when required.
- Extrusion: plastification of the previously mixed materials.
- Cutting and drying: following extrusion, the material is micro-filtered and granulated in the form of lentils similar to the polymers supplied by the petrochemical industry.

The manufacturing capabilities of Kompuestos are organised around 30 production lines, with a maximum total capacity (sum of the maximum nominal capacity of the individual equipment) of up to 220,510 tonnes.

Except when undergoing maintenance or during a production shift, production lines operate continuously up to 360 days a year in up to five shifts. Machinery is maintained according to a preventive maintenance plan that exists for all assets.

Kompuestos has a system of silos with filters for the storage of raw materials, as well as bagging facilities to package finished products. There are various general facilities such as compressors, water pumps, cooling towers, boilers, compressors, transformers, and purification centres to support the production process.

Kompuestos is equipped with a quality control and R&D&I laboratory. This laboratory is furnished with single and twin-screw extruders, blowers, and injectors, as well as equipment for duplication, quantitative and qualitative analysis of additives, identification of polymers and measurement of mineral load characteristics.



Quality control and R&D&I laboratory

Kompuestos has a track record of cooperation with third-party laboratories and universities to complement its own R&D&I capabilities. Accordingly, the Company has signed agreements with the Instituto Tecnológico Plástico (“Aimplas”, www.aimplas.es) and the Centro Tecnológico Leitat (www.leitat.org).

Kompuestos is certified to the ISO 9001:2015 Quality Management Standard. This standard is based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement.

2.4.4 Description of significant contracts/patents, etc.

At the time of publication of this document, the Company’s operations do not rely on any industrial or intellectual property or licence.

The Company protects its technology through trade secrets, having signed several confidentiality agreements with third parties. The use of industrial secret as a technology protection system is based on the need to maintain the secrecy of the chemical formulations of its products: the disclosure required to obtain patents for these formulations would allow companies in distant markets to copy the developments using reverse engineering, while enforcement of the patents in these markets would be difficult and require significant time until a successful outcome could be achieved.

In any case, for multilateral R&D&I projects, such as those financed by the European Union, Kompuestos applies for patents on the final results, as laid down in the terms of reference of such projects.

Kompuestos has registered the following trademarks: Kompuestos™, Okean™, Exfill®, Paper Like®, Neofiller® and Kombact®. “Paper Like” and “Neofiller” are products for making plastics with textures and properties similar to paper.

As previously mentioned, when necessary, the Company sets up agreements to use third-party expert laboratories and universities for R&D&I. These agreements are protected by confidentiality contracts. Additionally, all employees working on the Company's R&D&I premises must also sign a confidentiality agreement; access to these premises is restricted by biometric (fingerprint) control systems.

Several of Kompuestos’ BIO products are certified or being certified to guarantee the compliance of European standard conditions of biodegradability, as described in section 2.4.2.3.1.

2.4.5 Level of diversification

Kompuestos has a broad and diversified portfolio of more than 450 clients, a majority of which are international players based in European countries. In 2020,

no single customer represented more than 10% of sales in EUR. Kompuestos' clients are usually industrial groups, which use the Company's products as an ingredient to produce final finished goods. As indication of the diversity of the Company's client base, we can highlight the following customers:

- A large Spanish plastic packaging producer which uses Kompuestos' products for the production of bags, greenhouses components, industrial containers, and similar end-products.
- A family-owned French group, which produces household packaging solutions, like trash bags.
- An Italian producer of reusable tableware.
- A German producer of flexible-packaging products with applications in the food industry (like bags, trays, etc.) and in non-food industry (like mailing bags, wrap films, etc).

The Company selects its suppliers based on the criteria of quality, price and availability of raw materials; however, in order to ensure business continuity and minimise dependence from individual suppliers, Kompuestos actively seeks to have multiple suppliers for the same raw materials. In 2020, Kompuestos used more than 80 suppliers of raw materials, of which only three represented more than 10% of purchases in EUR and none more than 20%.

Kompuestos' plans to use recycled materials in its manufacturing processes should further diversify the supplier base by reducing the usage of traditional raw materials. As indicated in section 2.4.2.2.1, Kompuestos has joined the Global Commitment to the New Economy of Plastics to reduce waste and pollution generated by plastics.

2.4.6 Strategy and competitive advantages of Kompuestos

Kompuestos presents a unique competitive profile within the plastics industry, as it combines an established "traditional" business, provided by its sales of mineral fillers, white, black and colour masterbatches and additives, with an emerging business, provided by its BIO solutions and recycling businesses.

Kompuestos traditional business provides a stable source of revenues, based on the increasing use of plastics and the Company's established market position and long-standing experience. On the other hand, the BIO solutions and recycling operations offer strong growth potential, based on the transformation of the plastics industry and the substitution of traditional plastics by a new generation of recyclable and environmentally integrated products. Kompuestos has been a pioneer in identifying the opportunity created by biodegradable plastics produced

from renewable raw materials and thus is very well positioned for the implementation of the new plastics economy.

2.4.6.1 Strategy and competitive advantages in the traditional business

The leading position of Kompuestos in the filler and masterbatch markets is based on the following competitive advantages:

- Privileged location. The Company's manufacturing facilities are located close to several quarries that produce top quality calcium carbonate for the manufacturing of mineral loads (fillers).
- Strong market position. The Company estimates that it enjoys a 10% market share in Europe level and 5% globally in calcium carbonate mineral loads. This allows Kompuestos to achieve economies of scale in the acquisition of raw materials and its production processes.
- Synergistic product mix. The simultaneous production of mineral fillers and black and white masterbatches allows Kompuestos to obtain significant synergies via shared production facilities and logistic supply lines. Furthermore, Kompuestos may also combine its additives with black or coloured masterbatches to develop unique proprietary products.
- Established customer base. Kompuestos has been operating in its traditional business for almost 30 years; this has allowed the Company to establish long-term relationships with a diverse first-class customer base that provides recurring orders.
- Strong R&D&I strategy, especially in plastic additives. As evidence of these capabilities, Kompuestos is leading the European project Repelplas, which seeks to develop plastic sheets with functional microcapsules that include insect repellents, and which has received a Eurostars Award.

The Company's strategy in traditional products is supported by repeated capacity increases to meet growing demand (increase of 55,900 nominal tonnes in 2015 and a further 51,000 nominal tonnes in 2019) and the strengthening of its commercial network implemented in 2017.

2.4.6.2 Strategy and competitive advantages in BIO solutions

The plastics market is undergoing a transformation process driven by an increasing emphasis on sustainability and the incorporation of the principles of the circular economy into the manufacture and use of plastics. This transformation process should lead to a bioplastics market growth in excess of 11% p.a. between 2019

and 2027²⁰, subject to the approval of Directives in the EU, their implementation in member countries and the willingness of the market to anticipate regulatory changes and adapt its operations to the circular economy on a voluntary basis. In a relevant part, this market will be a replacement market for plastics produced with traditional methods and technologies.

Kompuestos considers that it enjoys the following competitive advantage of the bioplastics market:

- Early mover. Kompuestos has been one of the first companies to perceive the opportunity created by the emergence of bioplastics to develop an innovative range of products. The range of BIO solutions created by Kompuestos has received the OK INDUSTRIAL Compost (composting under industrial conditions according to the UNE EN 13432 standard), OK Compost HOME (composting under home composting conditions), OK biodegradable WATER (biodegradable in fresh water), and OK Biodegradable SOIL (biodegrade in the soil without adversely affecting the environment under ISO 17556, ASTM D5988 or ISO 11266) certifications by the TÜV Austria Certification Agency. Kompuestos currently has 17 fully certified compounds²¹. These certifications provide the relevant compounds with immediate recognition as suitable for the production of compostable plastics and for compliance with regulations in force or in the process of implementation.
- Existing customer base to cross-sell BIO solutions. Kompuestos enjoys privileged access to a large and diversified portfolio of traditional business customers, a large number of which should be among the leaders in the manufacture of environmentally friendly plastics. For example, manufacturers of plastic bags that currently use Kompuestos' masterbatches, additives or mineral fillers, also need solutions for the implementation of European regulations on single-use plastic bags.
- R&D&I experience and capabilities. Throughout the years, Kompuestos has developed several successful projects for its additives business. Now, the Company can leverage the know-how thus acquired and its existing R&D&I facilities.

²⁰ From USD 3.27 billion in 2019 to USD 7.6 billion by 2027. See Grand View Research, Biodegradable Plastic Market Size, Share & Trends Analysis Report By Type (Starch-based, PLA, PHA, PBAT, PBS), By End-use (Packaging, Consumer Goods, Agriculture), By Region, And Segment Forecasts, 2020 – 2027 report summary, available at <https://www.grandviewresearch.com/industry-analysis/biodegradable-plastics-market>.

²¹ See table in section 2.4.2.3.1

After initiating its operations in BIO solutions in 2019, the Company's strategy in this segment is based on increasing sales which have been negatively affected by the difficulties of marketing new products during the pandemic, continuing the development of its product portfolio (at this moment, the Company is developing new solutions with higher percentages of starch) and investing on new facilities to meet expected growth in demand. Product rollout plans prioritise first Spain and then the European Union, due to the access to the Company's existing customer base and the prospect that these geographies will lead in the implementation of new regulations on the use, recycling, and biodegradability of plastics.

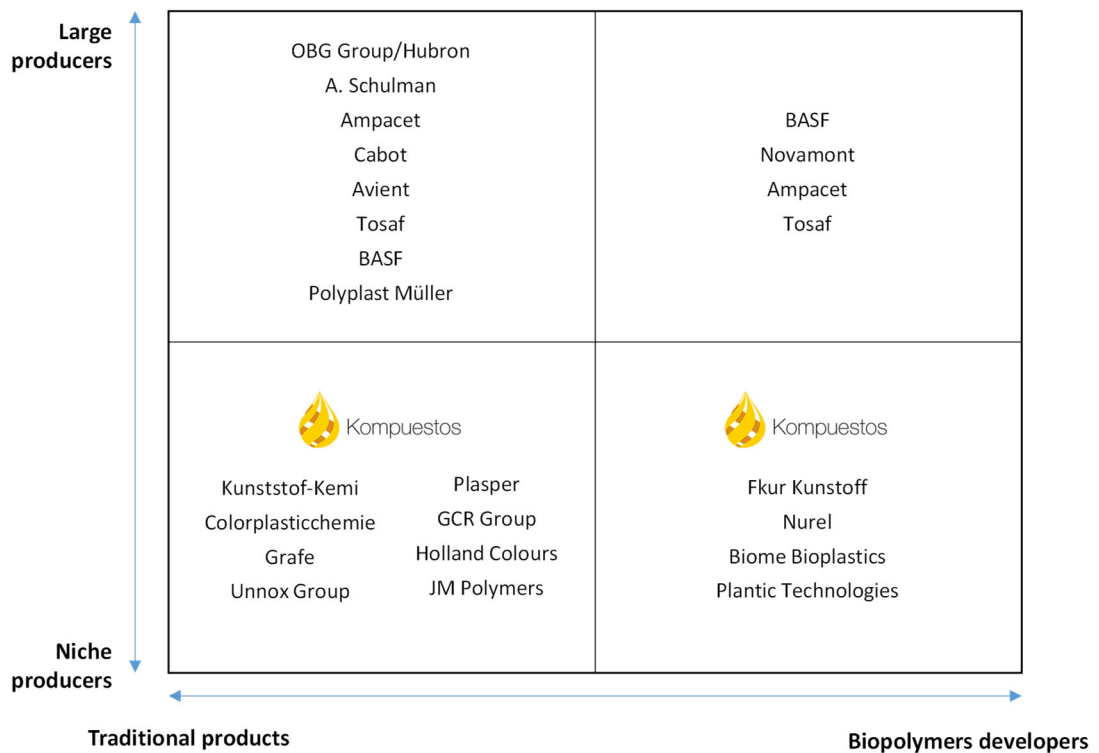
2.4.6.3 Strategy and competitive advantages in recycling

The shift towards a circular economy of plastics also emphasises the recycling and reusing of plastics. Thus, Kompuestos is developing processes that would allow the use of recycled polymers as raw materials, reducing the environmental impact and costs of the final product. Kompuestos also expects to supply these polymers to third parties.

The opportunities in recycling are evidenced by the “Bici-Sendas” project, which seeks to develop new bicycle lanes using sustainable materials from waste and industrial by-products. Seven companies, including Kompuestos, participate in the project, which is coordinated by FCC Construcción, S.A., and financed by the Centre for the Development of Industrial Technology (“CDTI”). The consortium collaborates with six research centres, including the Polytechnic University of Catalonia, the Higher Council of Scientific Research and the Catalan Institute of Nanoscience and Nanotechnology Foundation. Kompuestos' role is focused on the supply of sustainable materials, made from recycled plastics.

2.4.7 Competitive environment

The competitive profile of Kompuestos, that combines the production of traditional products and the development and production of BIO solutions, is evident in the following graph:



Source: Kompuestos

Traditional business

Kompuestos' competitors in this segment can be broadly classified into two large groups:

- Large global companies in the plastics sector, offering a wide variety of products for multiple industries. These companies leverage on the cost advantages provided by their size, their capacity to produce large quantities, their geographical location in various markets and their ability to make large investments in plant and technology.
- Small to medium sized companies operating in specific market niches and offering a limited range of products to a small number of customers with whom they have a close relationship. These companies base their strategy on their flexibility and ability to adapt, which allows them to offer differentiated, tailor-made solutions and to anticipate market needs.

Large global competitors include OBG Group and its subsidiary Hubron (<http://obg.co.uk/>, www.hubron.com and www.hubronspeciality.com), A. Schulman (www.aschulman.com), Ampacet (www.ampacet.com), Cabot (www.cabotcorp.com), Avient (www.avient.com/), Tosaf (www.tosaf.com), BASF (www.basf.com) and Polyplast Müller (www.polyplast.com). Although there is no

public information on market shares, it is estimated that in Europe the top 10 players account for more than 60% of the market.

Some of the small to medium sized competitors are:

- Kunststof-Kemi (Denmark; www.kunststof-kemi.dk). Manufacturer of single-pigment, colour and additive masterbatches.
- Colorplasticchemie (CPC) (Germany; www.colorplasticchemie.de). Manufacturer of clear and coloured PET masterbatches, additives and masterbatches to create specialised effects and textures.
- Grafe (Germany; www.grafe.com). Manufacturer of colour masterbatches (from black and white to special colours) and additives.
- Unnox Group (Spain; www.unnoxgroup.com). Manufacturer of colour (including black and white) and additive masterbatches.
- Plasper (Spain; www.plasper.com). Manufacturer of mineral fillers, as well as PVC and HFFR compounds from recycled products and offers recycling and industrial waste treatment services (“compounding”) for the plastics industry.
- GCR Group (Spain; www.gcrgroup.es). Manufacturer of mineral masterbatches (“fillers”). Also provides material from recycled sources, mainly polyolefins.
- Holland Colours (Netherlands; <https://hollandcolours.com/>). Manufacturer of solid and liquid colorants and additives. The company is listed on the Amsterdam Stock Exchange (ticker: HOLCO.AS); its financial information is available at <https://hollandcolours.com/investorrelations/annual-reports>.
- JM Polymers (France; <https://www.jmpolymers.fr/>). Manufacturer of mineral masterbatches (“fillers”) with calcium carbonate and talc.

BIO Solutions

The bioplastics market is still undergoing a major transformation based on the continuous appearance of new products and the entry of new competitors seeking to take over part of this attractive market. In this segment, competitors can be classified by differentiating between companies producing biopolymers for the manufacture of basic bioplastics (usually large international chemists) and those specializing in the preparation of biopolymers for specific applications through compounding.

Some of the large global chemical companies supplying biopolymers used for the development and production of bioplastics or in “compounding” are:

- BASF (Germany; www.basf.com). It has a division for the manufacture of biodegradable PBAT-type polyester.
- Novamont (Italy; www.novamont.com). Specialized in biodegradable PBAT polyester and compounds produced from it.
- Ampacet (US; www.ampacet.com). It has a business line of biodegradable and compostable masterbatches.
- Tosaf (Israel; www.tosaf.com). It has a biodegradable product line and through a subsidiary (www.topgreenpolymers.com) also offers solutions for recycling compounders.

Some of the most relevant companies specialized in the manufacture of niche biopolymer specialties and compounding are:

- Fkur Kunststoff (Germany; <https://fkur.com/>). Production of both biodegradable and non-biodegradable bio-based plastics and “bio” resins. The company's products can be used in a variety of processes (including extrusion, blow moulding, injection moulding, laminating and thermoforming) for the manufacture of trays, bags, containers, fibres, films and webs, consumer products, cosmetics, technical parts and paper coating.
- Nurel (Spain; <https://gruposamca.com/nurel>). Production of polymers and biopolymers for the production of plastics, as well as synthetic fibres. It has developed a bio-based and compostable biopolymer with applications in bags, containers and packaging, including food products, cups, plates and cutlery, hygiene, agriculture and single-use plastics.
- Biome Bioplastics (United Kingdom; <http://biomebioplastics.com/>). Production of a range of bioplastics with applications in high temperature plastics, films and plastic coatings segments.
- Plantic Technologies, subsidiary of Kuraray Co (Japan; www.kuraray.com and www.plantic.com.au), based in the UK and Germany. Production of Plantic, a biopolymer produced from starch with application in packaging, including for the food industry.

2.5 Reference to environmental aspects likely to affect the issuer’s business

The Company complies with all legal requirements in relation to environmental matters and waste management. The current activity of Kompuestos is not considered to be a contaminating activity in accordance with Royal Decree 9/2005 of 14 January, which establishes the list of potentially contaminating activities of the soil and the criteria and standards for the declaration of contaminated soil.

The facilities are equipped and comply with all regulations regarding chemicals handled in the facilities. The equipment passes routine controls and at the level of occupational hazards all applicable regulations are also complied with.

In line with its strategy to develop biodegradable and compostable plastics and to promote the use of recycled raw materials in the plastics industry, Kompuestos has joined the Global Commitment to the New Economy of Plastics to reduce waste and pollution generated by plastics at the source. Section 2.4.2.2.1. includes a detailed explanation of this important environmental commitment.

2.6 Description of the shareholder structure

As of the date of this Information Document, the Company has the following shareholder composition:

Shareholder	Number of shares	Percentage
CCP Masterbatch, S.L.	4,318,372	35.53
Corporation Chimique International, S.P.R.L.	3,236,770	26.63
Gestión y Administración Mobiliaria, S.A.	620,100	5.10
Gant Finance, S.A.	607,799	5.00
Associats TJ and 333, S.L.	607,799	5.00
Other shareholders (with less than 5% of the Company's equity)	2,652,702	21.82
Treasury stock ²²	112,158	0.92
Total	12,155,700	100.00

The shareholders of CCP Masterbatch S.L. are Corporation Chimique Internacional S.P.R.L. (50%) and Inversiones Zuribi S.L. (50%). The shareholders of Inversiones Zuribi S.L. are José Duch (50%) and Isabel Tuesta (50%), resulting in an indirect ownership in Kompuestos of 8.88% each.

Corporation Chimique International S.P.R.L. is wholly owned by Ignacio Duch Tuesta, which results in an indirect ownership in Kompuestos of 44.39% (26.63% through Corporation Chimique International, S.P.R.L.'s and 17.76% through Corporation Chimique International, S.P.R.L.'s stake in CCP Masterbatch, S.L.).

²² The regulations of the Spanish BME Growth require the Company to make available a certain amount of treasury stock to facilitate trading in the Company's shares.

2.7 Financial information

The following section includes the Company's main operating indicators ("Key Performance Indicators" or "KPIs"), income statement and balance sheet obtained from the Company's information management systems and its audited financial statements for the years ended on 31 December 2019 and 2020, with an analysis of trends and evolution of key items.

Furthermore, given the influence of the COVID-19 pandemic on the Company's financials, we have also included a quarterly analysis of selected unaudited financial data for 2020 and the first quarter of 2021. The objective of this analysis is to show in detail the impact of the pandemic on the company's operations, and to highlight the recovery in business experienced at the end of 2020 and the beginning of 2021.

2.7.1 KPIs

	<u>2020</u>	<u>2019</u>
Breakdown of sales and other operating income by line of business (EUR) *	43.729	46.286
- "Traditional products" **	42.889	44.684
Mass production (fillers and black & white masterbatches) **	35.912	37.947
Specialty products (additives, colour masterbatches & BIO products) **	6.977	6.737
- Raw materials **	840	1.602
Breakdown of sales and other operating income by line of business (tm) **	55.684	59.288
- "Traditional products" **	54.881	57.933
Mass production (fillers and black & white masterbatches) **	51.113	54.390
Specialty products (additives, colour masterbatches & BIO products) **	3.768	3.543
- Raw materials **	803	1.355
KPIs (EUR, except where otherwise stated)		
Gross margin ***	13.130	14.033
EBITDA ***	2.650	3.295
Adjusted EBITDA ***	2.909	3.715
Installed nominal capacity (thousand of tonnes) **	220	220
Employees (average number) *	78	79

* Data extracted from the audited annual accounts of the Company.

** Non-audited data extracted from the Company's internal information management systems.

*** Figures calculated from the Company's audited accounts, based on the following definitions:

Gross margin = Net turnover +/- Variation in stocks of finished products and manufacturing process + Supplies +/- Ancillary income and other current operations

EBITDA = Operating income + amortization of the fixed assets

Adjusted EBITDA = EBITDA + non-recurrent expenses as defined in the financing contracts.

In 2020, sales in EUR decreased by 5.5% relative to 2019. There are primarily two reasons for this decrease:

- During the first part of the year, the COVID-19 pandemic had a major negative impact on economic activity, and especially on the clients of the company that operate in the construction and automotive sectors.
- During the second part of the year, as the economic recovery started, there was a decrease in the prices of raw materials that drove down the prices of certain finished products, thus partially mitigating the positive impact of the increase in demand.

A detailed quarterly analysis of the Company's sales in 2020 and the first quarter of 2021 is included in section "Quarterly evolution of key financial data in 2020 and Q1 2021".

Despite the decrease in sales, those of specialty products (which include additives, colour masterbatches and BIO solutions) actually grew by 3.6%. Sales of fillers and black and white masterbatches, which account for the largest part of the Company's business, fell by -5.4%, while sales of raw materials (which represent a small amount of total sales) contracted by -47.6% as clients in this business area scaled back their production due to lower demand during the pandemic.

In general, sales volumes followed similar trends to those of sales in EUR. It should be noted that the growth in sales of specialty products grew more in terms of volume (+6.4%) than EUR sales (+3.6%) due to the evolution in prices of raw materials; in a similar manner, volume sales of raw materials decreased by -40.7% while the sales amount in EUR shrank by -47.6%.

From a business mix perspective, the mass production business (which includes mineral fillers and black and white masterbatches) remains as the largest source of sales, representing 82.1% of EUR sales and 91.8% of volume sales in 2020 (82.0% and 91.7% respectively in 2019). Additives, colour masterbatches and BIO products accounted for 16.0% of EUR sales and 6.8% of volume sales in 2020, vs 14.6% and 6.0% in 2019, as a consequence of the increasing demand for specialties and the decline in sales of raw materials.

Geographically, in 2020 62% of Kompuestos' sales were in international markets. The main markets for the Company's exports were Germany (21%) and France (11%). The remaining 30% of sales were distributed among several countries in Europe, America, Africa, and the Middle East.

Although in 2020 the Company's gross margin declined by 6.4% in absolute terms, it remained relatively stable as a percentage of sales (30.0% of sales in 2020 vs 30.3% of sales in 2019). EBITDA and "adjusted EBITDA" declined by 19.6% and 21.7% y-o-y, as, in addition to the decrease in sales and gross margin, the reduction in personnel and other operating expenses could not compensate for lower income from "Variation in stocks of finished products and manufacturing

process” and “Work carried out by the company for its assets”. A detailed analysis of key P&L line items is included in section 2.2, “Profit and loss account”.

Given the exceptional circumstances experienced in 2020 as a result of the COVID-19 pandemic, the Company considers that, in order to properly analyse business trends, it is convenient to examine the quarterly evolution of its financials for 2020 and the first quarter of 2021. This analysis is included in section 2.7.4, “Quarterly evolution of key financial data in 2020 and Q1 2021”.

2.7.2 Profit and loss account

(EUR)	<u>2020</u>	<u>2019</u>
Net turnover	43,704,042	46,239,055
Sales	43,704,042	46,239,055
Services rendered	-	-
Variation in stocks of finished products and manufacturing process	(129,519)	317,279
Work carried out by the company for its assets	1,243,286	1,628,965
Supplies	(30,469,679)	(32,570,135)
Consumption of raw materials and other consumables	(30,454,098)	(32,570,135)
Work performed by other companies	(15,581)	-
Other operating income	24,953	47,139
Ancillary income and other current operations	24,953	47,139
Personnel expenses	(3,593,170)	(3,702,788)
Salaries, wages and similar	(2,762,103)	(2,834,811)
Social Security expenses	(831,067)	(867,977)
Other operating expenses	(8,158,538)	(8,664,368)
External services	(8,084,471)	(8,577,414)
Taxes	(74,067)	(85,074)
Losses, impairment, and variation of provisions for commercial operations	-	(1,880)
Depreciation of fixed assets	(2,595,954)	(1,834,989)
Allocation of subsidies for non-financial fixed assets and others	28,382	-
Impairment and results from disposals of fixed assets	(410,163)	-
Results by disposals and others	(410,163)	-
Other results	(61,627)	(60,927)
Operating result	(417,988)	1,399,231
Financial income	318	1,914
Of marketable securities and other financial instruments	-	-
From third parties	318	1,914
Financial expenses	(1,133,635)	(1,109,889)
Group companies and associates	-	-
For debts to third parties	(1,133,635)	(1,109,889)
Variations in fair value of financial instruments	(20,237)	-
Trading portfolio and others	(20,237)	-
Exchange differences	(44,231)	(7,056)
Financial results	(1,197,785)	(1,115,031)
Profit before tax	(1,615,773)	284,200
Income tax	337,221	(71,624)
Result for the year	(1,278,552)	212,576

Source: audited annual accounts of Plásticos Compuestos as of December 31st, 2020 and December 31st, 2019.

The evolution of net turnover and sales has been explained in detail in the previous section, “KPIs”.

The negative figure in “Variation of stocks of finished products and manufacturing process” in 2020 was caused by the Company’s effort to minimise its inventory of finished products during a period of economic uncertainty. Another factor impacting this line item is the evolution of the price of raw materials, which pushed down the value of finished products that had not been sold by the end of the year.

“Work carried out by the company for its assets” decreased by 23.7% in 2020, from EUR 1.6 million to EUR 1.2 million. This decrease was caused by the unusually high figure recorded in 2019, as in that year the Company installed a new production line and had to incur into significant engineering, installation, and calibration expenses to make it operational.

Supplies expenditure fell by 6.4% in 2020, driven by changes in product mix (with mineral fillers representing a larger percentage of overall sales), and the decline in sales and prices of raw materials described in previous paragraphs.

The “Other operating income” line item corresponds to sales of raw materials to third parties and is influenced by similar factors to overall sales.

In terms of operating expenses, personnel expenses decreased by 3% in 2020, partially driven by the temporary reduction in hours worked during the initial part of the COVID-19 pandemic. Other operating expenses also decreased by 5.8%, as a consequence of the non-recurrence of the expenses incurred in 2019 to list the Company in the Spanish Alternative Stock Market and increase shareholder’s equity. Finally, depreciation grew by 41.5% due to certain changes in accounting criteria and the addition of new machinery.

The negative amount in “Impairment and results from disposals of fixed assets” (“Results from disposals and others”) in 2020 is a non-recurring item corresponding to the early amortisation of several small R&D projects, as the Company decided it was not efficient to continue tracking these projects on an individual basis.

Operating results amounted to EUR 1.4 million in 2019 and -0.4 million in 2020. The negative result is a consequence of the decline in sales due to the impact of COVID-19, the decline in value of raw materials and stocks due to the decrease in the price of raw materials, and the increase in depreciation and the early amortisation of certain assets. However, as will be explained later in the quarterly analysis of the unaudited P&L accounts, it should be noted that the temporary nature of these factors has allowed the Company to reverse the trend in the first

quarter of 2021 and register the largest positive operating result of the last 5 quarters.

Regarding “Financial results”, the growth in financial expenses in 2020 (+2.1%) was driven by the increased recourse to factoring and discounting during 2020, as the Company implemented a strategy of maximising its cash position and preserving its financial strength during a period of economic uncertainty and market turmoil. This increase in financial expenses, combined with the negative operating income in 2020, generated a negative result for the year of EUR -1.3 million, versus a positive result of EUR 0.2 million in 2019. The Company considers that the negative figure in 2020 is the consequence of extraordinary circumstances and expects to achieve positive net income in 2021; this expectation is confirmed by the positive evolution of business experienced in Q1 2021 as will be described in the quarterly analysis section.

2.7.3 Balance sheet

Assets (EUR)	<u>2020</u>	<u>2019</u>
Intangible assets	3,647,449	3,645,631
Research and development	3,184,684	3,167,270
Patents, licenses, trademarks, and similar items	182,337	182,227
Computer software	280,428	296,134
Tangible fixed assets	21,248,533	21,106,815
Land and buildings	195,389	208,041
Technical facilities, machinery, tools, furniture, and other tangible fixed assets	21,008,051	20,640,774
Fixed assets in progress and advances	45,093	258,000
Long-term financial investments	147,515	147,515
Credits to third parties	50,000	50,000
Other financial assets	97,515	97,515
Deferred tax assets	580,405	258,524
Total non-current assets	25,623,902	25,158,485
Stocks	7,398,199	7,072,979
Raw materials and other short-term supplies	2,562,527	2,095,788
Short cycle finished products	4,835,672	4,965,191
Advances to suppliers	-	12,000
Trade debtors and other receivables	2,672,371	4,330,900
Customers for short-term sales and services	1,455,510	3,321,299
Trade debtors- group and associated entities	-	-
Personnel	27,550	12,469
Current tax assets	-	50,700
Other credits with Public Institutions	1,189,311	946,432
Short-term financial investments	610,276	401,357
Equity instruments	14,701	34,938
Debt instruments	-	-
Other financial assets	595,575	366,419
Short-term accruals	55,261	242,381
Cash and other equivalent liquid assets	4,024,944	1,073,962
Treasury	4,024,944	1,073,962
Total current assets	14,761,051	13,121,579
Total assets	40,384,953	38,280,064

<i>Net equity and liabilities (EUR)</i>	<u>2020</u>	<u>2019</u>
Shareholders' funds	15,228,379	16,661,400
Share capital		
Subscribed capital	7,293,420	7,293,420
Issue premium	8,773,675	8,773,675
Reserves		
Legal and statutory	355,102	333,845
Other reserves	408,567	339,551
(Shares in own equity)	(323,833)	(291,667)
Prior years' profit and loss		
Retained earnings	-	-
Result for the year	(1,278,552)	212,576
Grants, donations, and legacies received	267,137	245,652
Total net equity	15,495,516	16,907,052
Long-term provisions	34,382	42,081
Other provisions	34,382	42,081
Long-term debts	13,176,845	8,827,055
Debts to financial institutions	7,448,422	3,287,369
Creditors for financial leasing	1,472,471	407,323
Other financial liabilities	4,255,952	5,132,363
Deferred tax liabilities	149,635	153,802
Total non-current liabilities	13,360,862	9,022,938
Short-term provisions	84,259	44,551
Other provisions	84,259	44,551
Short-term debts	2,366,064	4,115,141
Debts to financial institutions	1,714,229	3,624,443
Creditors for financial leasing	605,797	490,698
Other financial liabilities	46,038	-
Group companies and associates, current	-	-
Trade creditors and other accounts payable	9,078,252	8,190,382
Short-term suppliers	5,667,001	5,628,204
Suppliers, Group companies and associates, current	-	-
Sundry creditors	2,966,873	2,091,962
Personnel (wages pending payment)	252,174	137,628
Current tax liabilities	-	-
Other debts to Public Institutions	153,801	302,396
Customer advances	38,403	30,192
Total current liabilities	11,528,575	12,350,074
Total net equity and liabilities	40,384,953	38,280,064

Source: audited annual accounts of Plásticos Compuestos as of December 31st, 2020 and December 31st, 2019.

The overall evolution of the Company's balance sheet is generally aligned with the main trends and drivers described in the P&L analysis section. Nonetheless, the following items are still worth mentioning:

- Intangible and tangible fixed assets remained relatively stable (+0.0% and +0.7% respectively) as the Company implemented a policy of equalising activation and amortisation of fixed assets and R&D&I projects. Furthermore, the increase in "Technical facilities, machinery, tools, furniture, and other tangible fixed assets" in 2020 was partially compensated by a decrease in "Fixed assets in progress and advances".
- The increase in "Raw materials and other short-term supplies" in 2020 (+22.3% vs 2019) was driven by the Company's strategy of stockpiling raw materials to ensure business continuity during the pandemic. As the situation normalises, the Company expects to reduce its stock of raw materials.
- The decrease in "Trade debtors and other receivables" (-38.3% in 2020 vs 2019) was primarily caused by the increased use of factoring and confirming. This is also the main reason for the increase in "Other financial assets" (+62.5% y-o-y) as the Company must retain 10% of all the contracts factorised with one of its primary banks.
- The increase in the Company's cash position in 2020 (+274.8%) was driven by the Company's conservative approach to balance sheet management, as management decided to maintain a significant amount of surplus cash to cover potential contingencies during the COVID-19 crisis. As the situation normalises, the Company expects to return to a cash position more in line with that of 2019.
- Regarding net equity, the decrease experienced year-on-year is attributable to the negative net income figure for 2020.
- During 2020, the Company's funding has experienced a significant shift from short term debt (-42.5% y-o-y) to long term debt (+49.3% y-o-y). This shift is a consequence of the conservative balance sheet management implemented by the Company in the face of the COVID-19 pandemic. Throughout 2020, the Company complemented its traditional sources of funding with COVID-related funding lines provided by ICO, the Spanish Government-owned development bank, which has become a key monetary policy tool to mitigate the economic impact of the pandemic. The availability of these funding instruments has allowed the company to reduce the amount of short-term debt from financial institutions.

2.7.4 Quarterly evolution of key financial data in 2020 and Q1 2021

The exceptional circumstances derived from the COVID-19 pandemic had a major impact on the Company's financials for 2020. However, this impact was not distributed evenly across the year: it had lower relevance in the first quarter (only March impacted), became very significant in the second quarter as the lockdown ordered through March and April 2020 closed down non-essential economic activities, and then in the third and fourth quarters the trend gradually reversed as domestic restrictions were gradually loosened and the economy recovered globally. Furthermore, this recovery has continued in the first quarter of 2021 as the Company has achieved record sales and operating results figures. As a consequence, the Company considers that, in order to properly understand the general financial trend over the past two years, it is relevant to examine the quarterly financials for 2020 and the first quarter of 2021. This analysis is based on internal management data, as there are no audited quarterly figures.

EUR	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Net turnover	12,351,776	10,077,947	10,501,493	10,772,826	14,441,431
Sales	12,351,776	10,077,947	10,501,493	10,772,826	14,441,431
Variation in stocks of finished products and manufacturing process	(309,098)	1,036,843	89,082	(946,346)	(18,388)
Work carried out by the company for its assets	291,550	241,273	324,997	385,466	213,915
Supplies	(8,538,076)	(7,985,835)	(7,303,698)	(6,642,070)	(10,305,675)
Consumption of raw materials and other consumables	(8,522,495)	(7,985,835)	(7,303,698)	(6,642,070)	(10,305,675)
Work performed by other companies	(15,581)	-	-	-	-
Other operating income	14,954	3,591	2,307	4,101	90
Ancillary income and other current operations	14,954	3,591	2,307	4,101	90
Personnel expenses	(925,025)	(898,668)	(864,703)	(904,774)	(935,835)
Salaries, wages and similar	(708,315)	(699,364)	(719,309)	(635,115)	(739,062)
Social Security expenses	(216,710)	(199,304)	(145,394)	(269,659)	(196,773)
Other operating expenses	(2,261,452)	(2,042,907)	(2,073,863)	(1,780,316)	(2,428,455)
External services	(2,206,453)	(1,980,594)	(2,025,890)	(1,871,534)	(2,382,171)
Taxes	(54,999)	(55,287)	(54,999)	91,218	(21,940)
Losses, impairment, and variation of provisions for commercial operations	-	(7,026)	7,026	-	(24,344)
Depreciation of fixed assets	(589,012)	(634,312)	(614,016)	(758,614)	(779,170)
Allocation of subsidies for non-financial fixed assets and others	3,501	3,501	3,501	17,879	23,454
Impairment and results from disposals of fixed assets	-	-	-	(410,163)	-
Results by disposals and others	-	-	-	(410,163)	-
Other results	(431)	(6,811)	(25,757)	(28,628)	606
Operating result	38,687	(205,378)	39,343	(290,640)	211,973
Financial income	1	317	-	-	-
Of marketable securities and other financial instruments	-	-	-	-	-
From third parties	1	317	-	-	-
Financial expenses	(263,952)	(273,676)	(268,903)	(327,104)	(240,361)
For debts to third parties	(263,952)	(273,676)	(268,903)	(327,104)	(240,361)
Variations in fair value of financial instruments	-	-	-	(20,237)	-
Trading portfolio and others	-	-	-	(20,237)	-
Exchange differences	(240)	(1,365)	(6,180)	(36,446)	11,329
Financial results	(264,191)	(274,724)	(275,083)	(383,787)	(229,032)
Profit before tax	-	(705,606)	(235,740)	(674,427)	(17,059)
Income tax	-	176,285	(1)	160,937	-
Result for the year	(225,504)	(303,817)	(235,741)	(513,490)	(17,059)
EBITDA	628	436	679	907	991

Source: internal management data (unaudited).

On a quarterly basis, the Company only experienced a decline in sales on the second quarter of 2020 (-18.4% q-o-q). In addition to the greater impact that COVID-19 had on economic activity on this quarter, this decline was influenced by a surge in sales in March 2020, as certain clients increased their stocks of the Company's finished products to avoid a breakdown of their supply chain during the lockdown imposed as a consequence of the pandemic. As the Company continued its operations in a relatively normal way, these clients eventually normalised their stocks by reducing additional purchases throughout 2020.

Following the sharp decline in the second quarter, sales grew by 4.2% and 2.6% in the third and fourth quarters of 2020, supported by sustained, and even growing, demand from clients in the food and hygiene industries. However, over these two quarters, a reduction in prices of raw materials and finished products led the Company to be more selective in its sales in order to protect margins. Thus, it is only in Q1 2021 that the full operational recovery is clearly visible, with an increase in sales of 34.1% vs the fourth quarter of 2020 and of 16.9% relative to the first quarter of 2020. The Company expects this positive trend in sales to continue throughout 2021, as the global economy gradually recovers, although sales growth is expected to taper-off towards more normalised levels.

Despite the growth in sales, "Consumption of raw materials and other consumables" decreased q-o-q in the third and fourth quarters of 2020 (-8.5% and -9.1%) as a consequence of the previously mentioned decline in prices of raw materials. As raw materials prices return to more normalised levels in the first quarter of 2021, the increase in this item exceeded the overall increase in sales (+55.2% q-o-q increase in "Consumption of raw materials and other consumables" vs 34.1% increase in sales).

Personnel expenses decreased q-o-q in the second and third quarters of 2020 due to a programme of reduced working hours during the lockdown and the worst part of the pandemic. As the situation gradually improved in the fourth quarter of 2020 and the first quarter of 2021, personnel expenses gradually grew to return to pre-pandemic levels.

The quarterly evolution of "External services", which includes both services from external suppliers and transportation costs, is influenced by two key factors. On one hand, these costs are aligned with sales, so they decreased q-o-q on the second quarter of 2020 and then increased again in the third quarter. However, a part of these costs is provisioned over the full year; thus, when in the fourth quarter of 2020 it became evident that, as consequence of the decrease in activity due to the pandemic, the initial provision for the year was excessive, a part of the provision was reversed. This reversal of provisions explains the q-o-q decrease in the fourth quarter (-7.6%) despite the growth in sales. In the first quarter of 2021, this line item is once again aligned with sales growth.

As mentioned in the analysis of the annual audited P&L, the negative amount in “Impairment and results from disposals of fixed assets” (“Results from disposals and others”) in the fourth quarter of 2020 corresponds to a non-recurring item caused by the early amortisation of several small R&D projects.

The positive trend in the Company’s operations can be appreciated in the evolution of its operating result, which showed an increase of 448% in the first quarter of 2021 vs the first quarter of 2020. This is also evident when examining the Company’s EBITDA, which, following a -30.6% decline in the second quarter, grew by 55.9% and 33.5% q-o-q in the third and fourth quarters of 2020 and 9.2% in the first quarter of 2021. Furthermore, EBITDA in the first quarter of 2021 grew by 57.7% vs the first quarter of 2020.

Financial expenses grew in the fourth quarter of 2020 as a result of the Company’s policy of increasing factoring and discounting to maximise its cash position in the face of significant business uncertainty. As the situation improved, these expenses returned to pre-pandemic levels. Furthermore, in the first quarter of 2021 the Company amortised EUR 1 million of the loan received in 2018 from the Alteralia debt fund, a private debt investment vehicle managed by Alantra Partners, S.A. The Company expects this amortisation to reduce its overall financial expenses going forward.

Despite the positive EBITDA figures, the Company’s R&D efforts and the subsequent amortisation expenditures have generated negative net income in the quarters under review. However, it should be noted that in the first quarter of 2021 the company is close to break even, reporting a net loss of EUR 17.059, a -92.4% lower than that of the first quarter of 2020. The Company considers that this figure confirms the positive trend experienced by its operations over the past 3 quarters.

2.8 Description of the dividend policy

In December 2018, Kompuestos signed a EUR 5,000,000 seven-year loan, payable at the end of the period, granted by the Alteralia debt fund. Additionally, in March 2019, Kompuestos signed a EUR 4,000,000 seven-year loan with quarterly repayments, granted by a banking syndicate led by Deutsche Bank. Both loans establish that the distribution of dividends is conditional upon the compliance of some provisions.

In addition, as explained in note 3 to the Company’s audited financial statements for 2020 and in accordance with current legislation, until the Research and Development expenses have been fully amortised, the distribution of dividends is prohibited, unless the amount of available reserves is, at least, equal to the amount of unamortised balances. At the end of the year ended on December 31st

2020, the Company had Research and Development expenses recorded under this heading amounting to EUR 3,184,684 (EUR 3,167,270 in 2019).

The last dividend payment by the Company was in 2015, for an amount of EUR 400,000.

Once the investments in the BIO solutions business are completed, Kompuestos intends to establish a dividend policy in line with the necessary growth of the Company and subject to compliance with financial ratios set up in its financing transactions.

2.9 A cash position statement established within three months period to the scheduled date of first admission to trading

The Company considers it has sufficient financial resources to meet all its short-term liabilities for the 12-month following its admission to listing on Euronext Growth Paris.

The Company's conservative balance sheet management during the COVID-19 pandemic resulted in an increase of its cash position, in order to maintain a significant amount of excess cash, and a shift from short-term debt to long-term debt. During the first semester of 2021, Kompuestos maintained the same conservative approach, which led to a net financial debt of EUR 10,274,671 as of June 30th 2021, a decrease of 6% compared to December 31st 2020.

As of June 30th 2021, the Company had unused committed credit facilities under a syndicated loan agreement with a group of banks.

The detailed cash position of the Company is as follows:

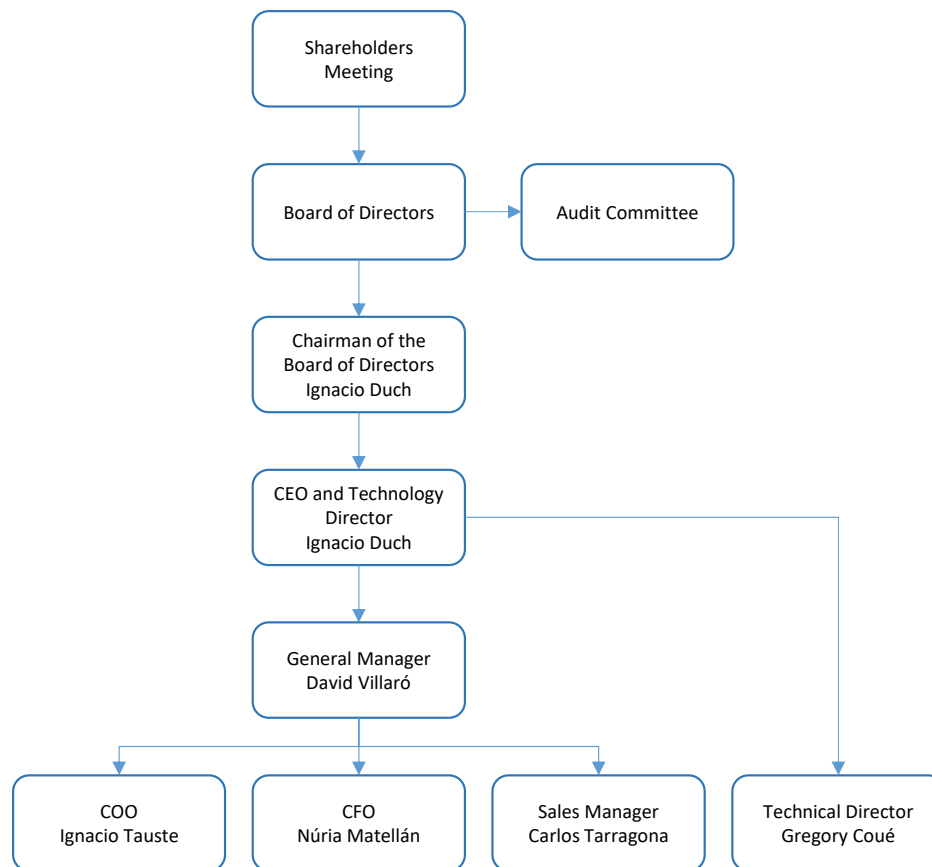
	30/06/2021	2020	2019
Short-term financial investments	561.089	610.276	401.357
Equity instruments	-	14.701	34.938
Other financial assets*	561.089	595.575	366.419
Cash and other equivalent liquid assets	2.866.398	4.024.944	1.073.962
Treasury	2.866.398	4.024.944	1.073.962
Long-term liabilities	12.384.470	13.176.845	8.827.055
Debts to financial institutions	7.528.544	7.448.422	3.287.369
Finance lease liabilities	1.605.278	1.472.471	407.323
Other financial liabilities	3.250.648	4.255.952	5.132.363
Short-term liabilities	1.317.688	2.366.064	4.115.141
Debts to financial institutions	943.469	1.714.229	3.624.443
Finance lease liabilities	328.181	605.797	490.698
Other financial liabilities	46.038	46.038	-
Net cash / (debt) position	(10.274.671)	(10.907.689)	(11.466.877)

Source: internal management data (unaudited) for June 30th 2021 figures, and audited annual accounts of Plásticos Compuestos as of December 31st, 2020 and December 31st, 2019.

* Other financial assets include 10% of all the contracts factorised with one of its primary banks, which have to be retained by the Company under the terms of the factoring agreement.

2.10 Organizational structure

The Company is organized according to the following organization chart:



2.10.1 Board of Directors

The composition of the Company's Board of Directors is as follows:

Board member	Position	Type
Ignacio Duch	Chairman	Proprietary director. Representative of Corporation Chimique International S.P.R.L
Clara Duch	Member of the Board	Executive director
Carlos Argenté	Member of the Board	Proprietary director. Representative of CCP Masterbatch, S.L.
David Villaró	Member of the Board	Executive director
Albert de la Riva	Member of the Board and Chairman of the Audit Committee	Independent director
Iñigo Gallo	Member of the Board and member of the Audit Committee	Independent director

Board member	Position	Type
Sandra Duch	Member of the Board and member of the Audit Committee	External director
Luís Vazquez	Member of the Board	Proprietary director. Representative of Gant Finance, S.A.
Lluís Clusella	Member of the Board	Proprietary director. Representative of Gestión y Administración Mobiliaria, S.A.

José Luis Palao is the non-director secretary of the Board and Naiara Bueno Aybar is non-director vice-secretary of the Board.

2.10.2 Management team

The management team is composed by the following persons:

- David Villaró Pontones, General Manager.
- Nuria Matellán Martín, Chief Financial Officer.
- Carlos Tarragona López, Sales Manager.
- Ignacio Tauste Campo, Chief Operations Officer.
- Dr. Grégory Coué, Technical Director.

David Villaró Pontones. Master's Degree in Chemical Engineering (UPC) and MBA by IESE. General Manager of Kompuestos since August 2016 and member of the Management Committee. Before joining Kompuestos, he had eight years of experience as an investment manager at Caixa Capital Risc (Criteria), especially in the industrial area, where he participated in more than 15 investment processes and more than 10 boards of directors. Previously he worked for over five years in consulting (Accenture and Arthur D. Little) and in companies in the chemical industry (Solvay). He has assisted to numerous courses on management, negotiation, strategy, operations, financing and commercial law.

Nuria Matellán Martín. Degree in Business Administration and Management, CFO of Kompuestos since 2011 and member of the Management Committee. Before joining the Company, she worked at Deloitte in the audit division. She has participated in tax and auditing seminars and several courses for executives, as well as financial management.

Carlos Tarragona López. Degree in Economics, Executive MBA by IESE. Member of Kompuestos since 2012, currently Sales Manager since 2018 and member of the Management Committee. In this period, he has focused on the opening of new markets for the Company, having been appointed as Director of Exports in December 2014. Before joining Kompuestos, he set up and managed a start-up and held several marketing positions.

Ignacio Tauste Campo. Chemical Engineer, Polytechnic University of Catalonia, Executive Master in Operations Management, ESADE. Member of Kompuestos since 2010, currently Chief Operating Officer since 2017 and member of the Management Committee. During this period, he has been managing all the industrial operations of the Company's two industrial facilities, with the aim of achieving compliance with the criteria of efficiency, production, and quality. Previous experience in Danone and Volskwagen.

Dr. Grégory Coué. PhD in Biomedical Chemistry, University of Twente (Netherlands). Master's Degree in Project Management, OBS Business School / University of Barcelona. Engineer, Ecole Nationale Supérieure de Chimie et de Physique de Bordeaux (France). MSc Science and Technology, speciality Polymers, University of Bordeaux I (France). Member of Kompuestos since 2015, currently Technical Director, where he coordinates the development of new products and the financing of projects at national and international level in direct relation with the company's management team. He is also member of the Management Committee. He has more than ten years of experience in international research projects for the development of plastics for the chemical and pharmaceutical industry. Prior to joining Kompuestos, he worked at Henkel and Sagetis Biotech.

2.10.3 Employees

During 2020, Kompuestos had an average of 78 employees (79 as of December 2019), with the following breakdown by category:

	2020	2019
Senior management	1	1
Technical personnel and middle managers	14	19
Commercial personnel	8	8
Administrative personnel and others	54	51
Total	78	79

Source: audited annual accounts of Plásticos Compuestos as of December 31st, 2020, and December 31st, 2019.

As of December 31, 2020, one of the 78 employees were located outside Spain.

2.10.4 Statement on historical, or on-going, bankruptcy, liquidation or similar procedure and also fraud related convictions or on-going procedures in which any person in the management and/or board of the Issuer has been involved

No member of the Board of Directors or Management has, or have had, as applicable, during the last five years preceding the date of the Information Document:

- any convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or was disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his or her capacity as a founder, member of the administrative body or supervisory body, director or senior manager of a company.

To the Company's knowledge, there are currently no actual or potential conflicts of interest between the Company and the private interests or other duties of any of the Board Members and members of the Management.

2.11 Information of operations with related parties

Except for the transactions mentioned below there are no additional transactions with related parties.

Spanish Corporation Law establishes that the Audit Committee should report on related-party transactions that must be approved by the Shareholders' Meeting or the board of directors. The Audit Committee also supervises the internal procedures put in place by the Company for transactions for which approval has been delegated.

Although it is not applicable to the Company due to the fact that their shares are not admitted to trade in a regulated market within the EU (BME Growth is not considered a regulated market under EU regulation), the Spanish Corporation Law defines related-party transactions for listed companies as transactions performed by the company or its subsidiaries with directors, with shareholders who hold 10% or more of the voting rights or are represented on the board of directors of the company, or with any other persons who must be considered related parties in accordance with the International Accounting Standards, adopted in accordance

with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards.

2.11.1 Transactions with significant shareholders

The following companies are considered to be related companies:

1) Melnik S.L.

- Ultimate beneficial owner: Ignacio Duch.
- Activity: operates in plastics processing, including flatbed plastic extrusion, thermoplastic extrusion and plastic sheets and panels.
- Operations with the Company: occasional supplier of raw material (PP, PE and/or recycled) and buyer of finished product ("masterbatch" and mineral loads).

2) Advance Color Systems S.L.

- Ultimate beneficial owner: Ignacio Duch.
- Activity: active in the trade of industrial chemicals mainly from Asia, including liquid dispersions and pigments, as well as concentrates for the colouring of asphalts and pavements.
- Operations with the Company: supplies pigments and products for the production of biopolymers of Asian origin.

3) Ferlevel S.L.

- Ultimate beneficial owner: Ignacio Duch and Duch Family.
- Activity: Real estate rental.
- Operations with the Company: rents buildings in which Palau I's facilities are located (see 2.4.3).

4) Sotal Premium S.L.

- Ultimate beneficial owner: Ignacio Duch.
- Activity: Real estate rental.
- Operations with the Company: rents buildings in which Palau II's facilities are located (see 2.4.3).

5) Corporation Chimique International S.P.R.L.

- Ultimate beneficial owner: Ignacio Duch.
- Significant shareholder.
- Operations with the Company: provides the Technological Director, CEO and Chairman of the Board of Directors of the Company.

The amounts of transactions with related parties in the last two years were as follows (in EUR):

	2020			2019		
	Directors	Other related parties	Total	Directors	Other related parties	Total
Income						
Net sales						
<i>Sales</i>		914.991	914.991		2.293.757	2.293.757
Total income	-	914.991	914.991		2.293.757	2.293.757
Expenses						
Net purchases						
<i>Purchases</i>		(3.994.701)	(3.994.701)		(4.430.080)	(4.430.080)
Expenses for operating leases		(969.281)	(969.281)		(955.029)	(955.029)
Other services received	(120.000)		(120.000)	(122.700)		(122.700)
Total expenses	(120.000)	(4.963.982)	(5.083.982)	(122.700)	(5.385.109)	(5.507.809)

Source: audited annual accounts of *Plásticos Compuestos* as of December 31st, 2020, and December 31st, 2019.

The Company has two long-term operating leases with related entities (Sotal Premium S.L. and Ferlevel S.L.). The rental prices are updated every three years through an appraisal carried out by top-level independent specialized companies. The next update is scheduled for 2022.

2.11.2 Transactions with directors and executives

As indicated in the audited financial statements, in 2018, 2019 and 2020 the Company's directors and senior management did not carry out any transactions with the Company that were not related to the ordinary course of business or that involved terms that differed from market conditions.

In 2020, the remuneration of the members of the Board (including the salaries of the executive directors) amounted EUR 228,144 (EUR 229,180 in 2019). In the General Shareholders' Meeting celebrated on May 14, 2021, it was agreed that the maximum remuneration of the Board members for 2021 would be EUR 420,000 (historically, the actual remuneration of the members of the Board has been lower than the maximum amount approved by the Shareholders' Meeting). During financial years 2020 and 2019, the members of the Board did not grant any advances or credits nor guaranteed any obligations.

In 2020, Kompuestos paid civil liability insurance premiums amounting to EUR 8,575 (EUR 7,796 in 2019). Kompuestos has pensions and life insurance commitments with current members of the Board for an amount of EUR 4,292 in 2020 (EUR 3,958 in 2019).

The directors of the Company and the persons related to them have not incurred in any conflict of interest that had to be reported in accordance with the provisions of Article 229 of the revised text of the Spanish Law on Limited Liability Companies.

2.11.3 Operations carried out between persons, companies or entities of the group

Kompuestos has not carried out transactions with persons, companies, or related entities other than those indicated in this section 2.11.

Transactions between group companies, except those relating to mergers, splits and non-monetary business contributions, are recognised at the fair value of the consideration given or received. The difference between this value and the agreed amount is recorded in accordance with the underlying economic substance.

Kompuestos has a set of procedures established in 2015 that determines the calculation of the market price applied to transactions with related entities according to the Comparable Uncontrolled Price (CUP) method. The CUP compares the price of the goods or services in a transaction between related persons or entities with the price of an identical good or service or one with similar characteristics in a transaction with or between third parties, making, if necessary, the necessary corrections to obtain equivalence and consider the particularities of the transaction. The calculation of the market price is updated annually.

2.12 Risk factors

Before making any investment decision, investors should carefully consider, among other things, the risk factors set out below, together with the other information contained in this Information Memorandum, which could adversely affect the business, performance, prospects or financial, economic or asset position of the Company. However, these risks are not the only ones that the Company may face.

The Company, however, gives no assurance that the list of risks provided below is exhaustive. Additional risks and uncertainties not currently known to the Company or that are currently deemed to be immaterial may (whether by themselves or in conjunction with others, whether identified in this Information Memorandum or otherwise) also materially and adversely affect the business, financial condition or results of operations of the Company. As a result of any of these risks, known or unknown, investors may lose all or part of their investment.

The materialization of any of these risks could have a negative effect on the value of the shares directly or on the business, financial condition and results of the Company, and thus indirectly cause the value of the shares to decline, resulting in the total or partial loss of any investment made in them.

The order in which the risk factors are described does not necessarily reflect a greater probability of their materialization. In most cases, the risk factors described represent contingencies, which may or may not materialize. The Company cannot express an opinion as to the probability of such contingencies materializing.

2.12.1 Risks associated with the market on which the Company operates

2.12.1.1 Risks related to the plastic's market cyclicality and volatility

The global plastics market is cyclical, as overall demand is usually associated with economic growth. Cyclical demand and the large investments and long timeframes required to increase capacity may combine to create volatility in sales volumes and prices. In order to mitigate this risk, the Company has a strategy of establishing long-term business relationships with well established clients; it has also developed a strong client base amongst manufacturers in sectors with lower cyclicality, such as the food packaging, medical and hygiene sectors. However, a global recession or imbalances between supply and demand may negatively impact the Company's sales and margins, its financial situation, and its share price.

2.12.1.2 Risks related to the availability and costs of raw materials

The Company's production depends on the availability and costs of raw materials and associated factors such as energy and transportation. The Company's facilities are close to several quarries that produce top quality calcium carbonate for the manufacturing of mineral loads, and thus enjoys increased access to raw materials and reduced transportation costs. Furthermore, the Company has a strategy of establishing long term purchase contracts with key suppliers to ensure an adequate supply at competitive costs. Finally, the Company manages its stocks in a prudent manner to avoid disruptions to its production processes. However, changes on the availability, delivery times, prices and/or conditions of supply of production inputs could affect the Company's operations and negatively impact its sales, margins financial position, and share price.

2.12.1.3 Risks related to the level of competition in the plastics market

The plastics market is characterised by a large number of players, including Asian and emerging markets players, strongly competing to gain market share. In order to face this competition, the Company focuses on specific segments of the plastics production chain on which it enjoys competitive advantages:

- *Mineral loads*, where its location near several top-quality calcium carbonate quarries and its significant market share provides both a cost and quality advantages²³.
- *Colour and additive masterbatches* where its smaller size, long-standing experience and R&D allows the Company to be more flexible and provide its customers with proven top-quality solutions.
- *BIO products and recycling* where the Company is a first mover and innovator.

If, despite these factors, competitors were to offer processes and/or products that are more efficient or cheaper than those produced by the Company, the Company's sales, margins financial position, and its share price could be adversely affected.

2.12.1.4 Risks arising from the regulation of the plastics market

Changes in regulations on the manufacture and use of plastics could lead to significant changes in the Company's business prospects, or to additional costs:

- Regulatory restrictions on the use of traditional plastics and growing concerns about their recovery and recycling could act as factors increasing the cost of producing and/or commercialising traditional plastics, limiting the growth of the Company's traditional business.
- The timetables and terms for implementing new standards on the recycling, reuse, reduction of waste, sustainability, and biodegradability of plastics, and, in general, the conditions and deadlines for incorporating the principles of the circular economy, could accelerate, limit, or delay the development of the BIO plastics segment.

The Company's combination of "traditional" and "BIO" business places it in a unique position to mitigate this risk: increased restrictions on the use of traditional plastics could negatively impact sales and margins of this business line, but should increase those for substitutive products such as bioplastics, while changes or delays in the implementation of the "circular economy" of plastics may negatively impact the sales and margins of "BIO" products but would boost those of the "traditional" segment.

2.12.1.5 Risks associated with international trade

²³ The Company estimates that it enjoys a 10% market share in Europe and 5% globally in calcium carbonate mineral loads.

The Company's business is highly international; changes in trade agreements may affect the Company's operations outside the Euro zone and the imports of specialised raw materials from non-EU countries. The Company has addressed this risk by developing a large core portfolio of clients within the Eurozone (in 2020, 70% of its sales were in Spain, Germany, and France) and diversifying its sales outside the EU amongst several countries in Europe, the Americas, Africa, and the Middle East. The Company also has a policy of diversifying its purchases of raw materials among different producers and countries. However, a change on the terms and conditions of international trade could adversely affect the Company's sales, margins, financial position, and/or its share price.

2.12.2 Risks associated with Company's operations and production processes

2.12.2.1 Risks arising from natural catastrophes

The Company is exposed to natural disasters, including pandemics, that may restrict, amongst others, the normal functioning of its plants, its access to raw materials, its capacity to deliver finished products to clients, its production and transportation costs and/or the overall demand for plastics. In preparation for these risks, the Company has in place a Business Continuity Plan and has also purchased various insurance policies; however, such plans and insurances may not fully hedge the risks or cover all losses and damages. Also, the current spread of COVID-19 infections worldwide and the continuing unstable social, economic, fiscal, and working environments have affected and may continue affecting the Company's performance and activities. Any natural disaster, including a pandemic, which is not fully mitigated by the Company's contingency plans and its insurance policies may cause a negative impact on the Company's operations, adversely affecting the Company's sales, margins, financial position, and/or its share price.

2.12.2.2 Risks related to investments in plant and capacity

The sector in which the Company operates requires high investments in plant, machinery, and equipment, as well as in modernization and capacity expansion.

In order to maximise the use of its production facilities, the Company enjoys built-in flexibility across its production processes: some of the Company's production lines can be allocated to different products based on market demand; in other cases, production is achieved via smaller lines so capacity can be increased, decreased, or shifted as required. Furthermore, the Company has significant experience in capacity expansion, having increased its nominal capacity by more than 100.000 tonnes between 2017 and 2019 and being one of the first movers into the bioplastics segment. However, the economic success of companies in the sector depends on the timing of the investments: failing to adapt its capacity to increasing demand could lead the Company's clients to move to other producers and have a negative impact on the Company's sales, margins, financial position

and/or share price; conversely, investing in capacity before a long-term market downturn could have a negative impact on the Company's financial position and/or its share price.

2.12.2.3 Risks related to the Company's customers and suppliers

A significant proportion of the Company's operations are generated with a relatively small number of suppliers. Furthermore, some of the Company's customers and suppliers are multinationals or large companies with strong negotiating positions in the markets in which they operate. In order to minimise this risk, the Company follows a strategy of actively diversifying both its suppliers and customers: in 2020 no supplier represented more than 20% of purchases in EUR, and only 3 exceeded 10%; while no customer represented more than 10% of EUR sales. Nonetheless, the total or partial loss of any of its largest customers or suppliers may negatively impact the Company's sales, margins, negotiating position and/or share price.

2.12.2.4 Risks related to the development of new products

The Company's operations are partially based on the development of new products, which may not be effective or may not receive the necessary authorizations for their commercialization. Alternatively, the process of developing and authorising new products may take longer than initially expected and/or the development costs may exceed initial forecasts. The Company has a long-standing experience in R&D and the development of bespoke products that address the evolving requirements of its clients; furthermore, the Company is an early mover in the production of bioplastics and is thus ideally positioned to launch products adapted to the requirements of the "circular economy" of plastics. However, if the Company failed to meet the market's requirements and/or its clients' expectations in the launching of new products, or the costs of development became excessive, the Company's sales, margins, financial position and/or share price might be negatively affected.

2.12.2.5 Risks related to the production of bioplastics

At the time of publishing this Information Document, bioplastics have generally higher manufacturing costs than conventional plastics, as the production processes for bio plastics are still being refined and economies of scale have not been equalized. Furthermore, bioplastics have not yet reached a level of technical development similar to conventional plastics, especially in areas such as heat and impact resistance and gas permeability. The Company considers that these factors are more than offset by the increasing demand for ecologically friendly and sustainable plastics and the growing body of regulations focused on the sustainability, biodegradability, and recyclability of plastics. However, delays or changes in the implementation of a "circular economy" of plastics could negatively

affect the sales and/or margins of the Company's BIO products and the Company's share price. It should be note that, at this time, most of the Company's sales correspond to non-BIO products; thus, this risk factor could negatively affect the Company's growth prospects but would have a limited impact on the Company's current sales and margins.

2.12.2.6 Risks related to the protection of the Company's intellectual property

Some of the Company's products and processes are based on proprietary confidential information. The Company protects these products and processes as trade secrets, covered by the Directive (EU) 2016/943 "on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure". This is a deliberate election by the Company, as the disclosure required to obtain patents for these formulations would allow competitors in distant markets to copy its products and processes, while enforcement of the patents in these markets would be uncertain and may require significant time and expense. If, despite the protection provided by EU regulations, the Company's intellectual property became known and was actively used by its competitors, the Company's sales, margins, financial position and/or share price could be negatively affected.

2.12.2.7 Risks related to the use of chemical products

The Company is subject to the risks associated with the use of chemical products, including those arising from the transport, handling and storage of raw materials, products, and waste, and to environmental safety regulations. The Company has in place protocols and processes to ensure the adequate manipulation, storage and disposal of these materials and its compliance with all regulations; however, a failure to follow these protocols and processes could produce damage to the Company's employees, assets and/or the environment and negatively impact its sales, financial position and/or share price.

2.12.2.8 Risks related to the use of IT systems

The Company uses information, data protection and technological systems in general for its business. The Company has put in place the appropriate mechanisms and processes to minimise this risk; however, an error or obsolescence of such systems could produce disruptions in the Company's operations and negatively impact its sales, margins, financial position and/or share price.

2.12.3 Financial risks

2.12.3.1 Funding risk

The Company plans to make investments in the future and may therefore require additional capital or financial debt. In order to ensure the stability of its funding, the Company has entered into long term financial agreements with financial institutions, including an EUR 5,000,000 seven-year loan (of which EUR 1.000.000 was amortised in the first quarter of 2021), granted by the Alteralia debt fund, an EUR 10.000.000 syndicated facility with a group of banks and several COVID-related funding lines provided by ICO, the Spanish Government-owned development bank. Some of these facilities require that the Company complies with specific financial ratios. If for any reason, including the failure to comply with the required financial ratios, the funding necessary to the Company was not available, the Company might be unable to undertake necessary investments or make payments, which would have a negative impact on the Company's financial position and its share price. Similarly, an increase in the cost of these resources may have a negative impact on the Company's cash flow, net income and/or share price.

2.12.3.2 Liquidity risk

The Company needs to maintain a minimum cash position in order to manage its daily operations and to maintain financial flexibility. As indicated in 2.12.3.1., the Company follows a policy of having in place long term funding facilities that provide stable funding; furthermore, the Company has a strategy of actively factoring customer debt in order to maximise its cash position. Finally, the Company's management actively monitors the Company's cash and net debt positions with a view to protect the Company from unexpected external shocks; this is evidenced by the increase in the cash position of the Company throughout 2020 in answer to the COVID-19 pandemic. However, if the Company was not able to maintain the cash position required to operate normally, it could default on its financial obligations, with the subsequent negative impact on its financial position and share price.

2.12.3.3 Counterparty risk

The Company's customers may experience financial difficulties, which could impact their ability to make any due payments to the Company. As noted in 2.12.3.2. the Company has a strategy of actively factoring customer debt in order to minimise counterparty risk and maximise its cash position; furthermore, several of the Company's clients are long-term, stable customers, and, in some cases, large multinationals, with solid financial positions. Finally, the Company follows a policy of diversifying its client base. However, if the Company's clients were unable to make a significant amount of due payments to the Company, the Company's financial position, cash flow and share price might be negatively affected.

2.12.3.4 Exchange rate risk

The Company buys its raw materials and sell its finished products in international markets, with a variety of currencies. Although the Company follows a strategy of geographically diversifying its suppliers and customers, and 97% of the Company's sales are denominated in EUR, fluctuations in exchange rates could lead to lower sales and margins and have a negative impact on the Company's financial position and its share price.

2.12.4 Legal and litigation risks

The Company could be affected by litigation and liability claims arising from its products and operations, including breaches due to error or omission by the Company itself or its professionals in the performance of their activities. Furthermore, the Company is exposed to product, occupational and environmental safety regulations. In case of any breach of these regulations, the Company may be subject to civil, regulatory, or criminal sanctions and damages which could negatively affect its cash flow, financial position and/or share price. As of the date of this Document, the Company is not involved in any legal and/or administrative proceedings.

2.12.5 Risks associated with the Company's shareholders and related parties

2.12.5.1 Risks arising from the influence of majority shareholders

CCP Masterbatch, S.L. and Corporation Chimique International, S.P.R.L. respectively hold 35.53% and 26.63% of the Company's shares. The operations of the Group are potentially subject to a substantial influence through the exercise by these shareholders of their voting rights. There are no guarantees that the positions of these shareholders will always coincide with the opinions and interests of the management of the Company and/or other shareholders.

2.12.5.2 Risks arising from conflicts of interest with related parties

During the course of its business, the Company may enter into transactions and relationships with related parties. If such transactions are not carried out on market terms, they could adversely affect the Company's margins, net income, financial position and/or share price. As indicated in 2.11.3, the Company has a set of procedures established in 2015 that determines the calculation of the market price applied to transactions with related entities according to the Comparable Uncontrolled Price (CUP) method.

2.12.6 Risks related to the ownership of the shares of the Company

2.12.6.1 Risks arising from the evolution of the share price

The price of the Company's shares can be volatile, both because of the risks associated with the business and because of the liquidity of the market in the

shares at any given time. Factors such as changes in the plastics and/or bioplastics market dynamics and outlook; fluctuations in the Company's net income, cash flows and/or financial position; failure to publish stock market analysis about the company; publication of unfavourable analysis about the company and/or the sector; and sales by the Company's main shareholders may have a negative impact on the Company's share price.

2.12.6.2 Risks arising from the liquidity of the Company's shares

The Company has a significant amount of its shares on the hands of long-term stable shareholders. This may result on limited free-float and liquidity that might exacerbate upswing and downswings on the price of the shares of the Company and/or impact the ability to divest a shareholding in the Company.

3. INFORMATION ABOUT THE ISSUER'S SHARES

3.1 Number of shares requested to be incorporated and their nominal value

As of the date of this Information Document, the share capital of the Company is seven million two hundred ninety-three thousand four hundred twenty euros (EUR 7,293,420), represented by 12,155,700 shares with a par value of EUR 0.60 each, belonging to a single class and series and conferring identical political and economic rights on their holders. The Company's share capital is fully subscribed and paid up.

The Shareholders General Meeting of the Company held on May 14th, 2021 agreed to request the admission to trading on Euronext Growth of all the shares representing its share capital.

3.2 Main characteristics of the shares and the rights they incorporate, including possible limitations on the right to Shareholders' Meeting attendance, vote and appointment of directors by the proportional system

The legal regime applicable to the shares is that provided for in Spanish law, and in particular, that provided for in the Corporations Law and in the Securities Market Law, as well as by any other regulation that may implement, amend or replace them.

The Company's shares are represented by book entry form and registered in the corresponding accounting records held by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. ("Iberclear"), with registered office in Madrid, Plaza Lealtad number 1, and its authorised participating entities.

The Company's shares are denominated in euros.

According to the Company's Bylaws, legitimation for the exercise of the shareholder's rights is obtained through registration in the accounting register held by Iberclear and its participating entities.

Right to receive dividends

All shares have the right to participate in the distribution of corporate earnings and in the equity resulting from the liquidation under the same conditions and are not entitled to receive a minimum dividend as they are all ordinary shares.

Right to attend and vote

In accordance with the Company's Bylaws, shareholders who hold at least 10,000 shares of the Company shall have the right to attend the General Meetings of Shareholders.

The rights of attendance, representation and information of shareholders in relation to the General Meeting will be governed by the regulations applicable to the Company at any given time and, where applicable, by the provisions of the Regulations of the General Shareholders' Meeting.

Pre-emptive rights

In case of increases in share capital with the issue of new shares, ordinary or preferred, charged to monetary contributions, the Company's shareholders may exercise, within the period granted to them for this purpose by the Board of Directors, which shall not be less than the minimum provided for by law, the right to subscribe a number of shares proportional to the par value of the shares they hold at that time.

The General Meeting of Shareholders may exclude, in whole or in part, the pre-emptive subscription right for reasons of corporate interest in the cases and under the conditions provided for in the applicable regulations.

There shall be no pre-emptive right when the increase in share capital is due to the conversion of bonds into shares or the absorption of another company or of all or part of the assets of another company that has been split up.

Right to appoint Directors

According to Spanish Corporation Law, shares that are voluntarily pooled so that they constitute an amount of capital greater than or equal to that which results from dividing total capital by the number of members of the board, shall have the right to appoint those that, exceeding whole fractions, result from the corresponding proportion.

Should this power be exercised by shareholders, shares so pooled shall not participate in the voting for the other members of the board.

3.3 Description of any statutory condition for the free transmission of the shares

As of the date of this Information Document, there are no statutory restrictions to the free transferability of the shares, except for the transfer of the shares through takeover bids that may result in a change of control (understood as the acquisition by a given shareholder of a holding of more than 50% in the Company's capital) which is subject to conditions or restrictions compatible with trading in the BME Growth, as is stated in the Company's Bylaws.

Any shareholder wishing to acquire a shareholding of more than 50% of the share capital, or who, with the proposed acquisition, reaches a shareholding of more than 50% of the share capital, must at the same time make a purchase offer addressed, under the same conditions, to all the other shareholders. A shareholder who receives, from a shareholder or from a third party, a purchase offer for its shares, from whose terms and other concurrent circumstances, it must reasonably be inferred that its purpose is to attribute to the acquirer a shareholding of more than 50% of the share capital, may only transfer shares which determine that the acquirer exceeds the indicated percentage if the potential acquirer proves that it has offered all the shareholders the purchase of its shares under the same conditions.

3.4 Statutory provisions regarding the obligation to notify significant shareholding, para-social agreements, requirements for requesting exclusion from trading and changes in control within the company

As of the date of this Information Document, there are no corporate agreements between shareholders or between the Company and shareholders that limit the share transfer or affect voting rights.

In addition, Company's Bylaws establishes an obligation by virtue of which shareholders must notify the Company of the signature, amendment, extension or termination of any agreement that restricts or seriously limits the transfer of the shares they own or affects the voting rights attached to such shares.

The Company will give publicity to such communications in accordance with the provisions of BME Growth regulations.

In the event that, while the Company's shares are listed on the BME Growth, the Shareholders' Meeting approves a resolution to delist the shares representing the Company's share capital from the BME Growth without the favourable vote of any of the Company's shareholders, the Company is required to offer those shareholders who have not voted for the delisting the acquisition of their shares

at the price established in the regulations governing takeover bids in the event of delisting.

3.5 Description of any share-based incentive programs

Currently, Kompuestos does not have any share-based incentive program.

The Company's Bylaws include the possibility of establishing compensation schemes for the Directors of the Company on the basis of the trade value of the Company's shares or option rights over shares of the Company. Any remuneration scheme based on shares addressed to Directors must be approved by the Shareholders' Meeting.

4. OTHER RELEVANT INFORMATION

4.1 Identification of the Listing Sponsor

Kompuestos appointed Impulsa Capital, S.L. as Listing Sponsor on March 8th, 2021.

Impulsa Capital, S.L. was incorporated in Barcelona on October 9th, 2001, for an indefinite period, and is registered in the Commercial Registry of Barcelona in volume 34027, page 57, and sheet B-240438, entry 1, with Tax ID number B-62694427. Impulsa Capital has its registered offices at calle Reina Victoria 28 bajos, 08021, Barcelona and central offices at calle Zurbano 34 5^oD 28010 Madrid.

Impulsa Capital, S.L. is a financial advisor formed by a team of professionals with proven experience and knowledge in investment banking, private equity and equity capital markets. Impulsa Capital, S.L. is also the Registered Advisor of Kompuestos on BME Growth since its initial public offering.

4.2 Main features of the stock on the BME Growth and Euronext Growth

IPO date: August 12, 2019.

ISIN code: ES0105425005.

Ticker (BME Growth): KOM.

Ticker (Euronext Growth): ALKOM.

Trading mode: fixing at 12.00 and 16.00 local time.

Central Securities Depository (BME Growth): Iberclear.

Central Securities Depository (Euronext Growth): Euroclear France.

4.3 Share price performance

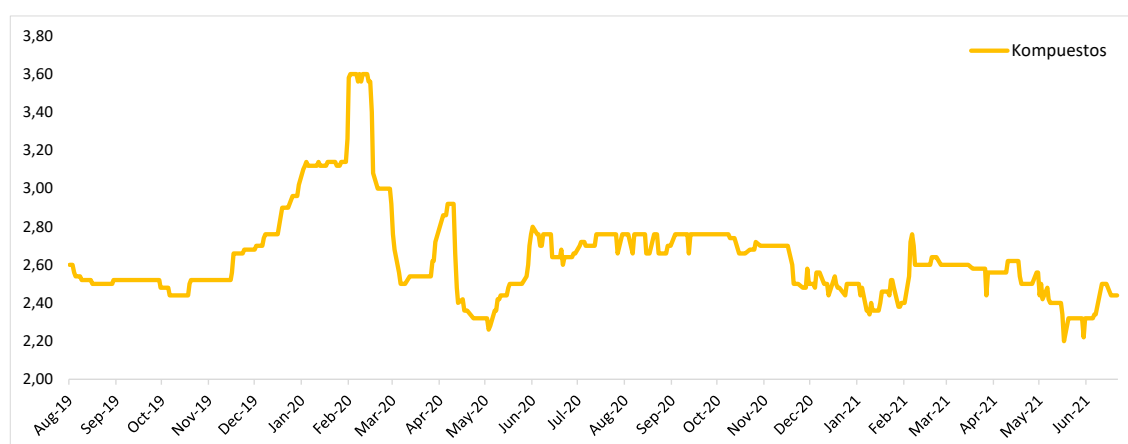
Kompuestos' shares were admitted to trading on BME Growth on August 12th, 2019 at a price of 2.48. Since then, the highest price was EUR 3.60 on February 12th, 2020 and the lowest price was EUR 2.20 on May 28th, 2021.

	2019 Aug.-Dec.	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2
PRICE (euros)							
Opening (*)	2,48	2,90	2,54	2,68	2,76	2,44	2,58
Minimum	2,44	2,50	2,26	2,60	2,44	2,34	2,20
Maximum	2,96	3,60	2,92	2,76	2,76	2,76	2,62
Closing	2,90	2,54	2,64	2,76	2,48	2,58	2,44
Average	2,55	3,05	2,55	2,70	2,64	2,53	2,45

(*) Kompuestos went public on 12-08-2019 at an opening price of 2,48€

STOCK MARKET INDICATORS	2019	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2
Market cap. (euros)	35.251.530	30.875.478	32.091.048	33.549.732	30.146.136	31.361.706	29.659.908
No. of ordinary shares outstanding	12.155.700	12.155.700	12.155.700	12.155.700	12.155.700	12.155.700	12.155.700
Share par value (euros/share)	0,6	0,6	0,6	0,6	0,6	0,6	0,6
Cumulative volume ('000 shares)	862	718	186	63	660	925	68
Cumulative volume ('000 euros)	2.138	2.117	470	114	1.697	2.255	164

The performance of the share price since IPO is shown in the following graph:



4.4 Market disclosures

Kompuestos has disclosed the following information in the twelve-month period prior to the admission to trading on Euronext Growth:

Date	Title	Link to the disclosure document
May 27, 2021	Corporate presentation for Medcap Forum	https://www.bmegrowth.es/docs/documentos/OtralnRelevante/2021/05/05425

Date	Title	Link to the disclosure document
		_OtraInfRelev_20210526.pdf?l61WKA!!
May 14, 2021	Resolutions approved by the General Shareholders' Meeting of May 14, 2021	https://www.bmegrowth.es/docs/documentos/OtraInfRelevante/2021/05/05425_OtraInfRelev_20210514_1.pdf
May 14, 2021	Preview of first four months results Jan-Apr 2021	https://www.bmegrowth.es/docs/documentos/OtraInfRelevante/2021/05/05425_OtraInfRelev_20210514.pdf
April 30, 2021	Report on the organizational structure and internal control system of the company	https://www.bmegrowth.es/docs/documentos/OtraInfRelevante/2021/04/05425_OtraInfRelev_20210430_1.pdf
April 14, 2021	Call for the General Shareholders' Meeting	https://www.bmegrowth.es/docs/documentos/OtraInfRelevante/2021/04/05425_OtraInfRelev_20210414_1.pdf
April 8, 2021	Financial results and audit report of full year 2020	https://www.bmegrowth.es/docs/documentos/OtraInfRelevante/2021/04/05425_OtraInfRelev_20210408.pdf
February 8, 2021	Corporate presentation for Frankfurt European Mid Cap Event	https://www.bmegrowth.es/docs/documentos/OtraInfRelevante/2021/02/05425_OtraInfRelev_20210208.pdf
February 3, 2021	Transactions carried out by directors	https://www.bmegrowth.es/docs/documentos/OtraInfRelevante/2021/02/05425_OtraInfRelev_20210203.pdf

Date	Title	Link to the disclosure document
January 26, 2021	Transactions carried out by directors	https://www.bmegrowth.es/docs/documentos/OtralnfRelevante/2021/01/05425_OtralnfRelev_20210126.pdf
January 25, 2021	Transactions carried out by directors	https://www.bmegrowth.es/docs/documentos/OtralnfRelevante/2021/01/05425_OtralnfRelev_20210125.pdf
January 14, 2021	Transactions carried out by directors	https://www.bmegrowth.es/docs/documentos/OtralnfRelevante/2021/01/05425_OtralnfRelev_20210114.pdf
January 10, 2021	Relevant shareholdings	https://www.bmegrowth.es/docs/documentos/OtralnfRelevante/2021/01/05425_OtralnfRelev_20210110.pdf
December 30, 2020	Transactions carried out by directors	https://www.bmegrowth.es/docs/documentos/OtralnfRelevante/2020/12/05425_OtralnfRelev_20201230.pdf
December 24, 2020	Transactions carried out by directors	https://www.bmegrowth.es/docs/documentos/OtralnfRelevante/2020/12/05425_OtralnfRelev_20201224.pdf
November 16, 2020	Transactions carried out by directors	https://www.bmegrowth.es/docs/documentos/OtralnfRelevante/2020/11/05425_OtralnfRelev_20201116.pdf
November 5, 2020	Transactions carried out by directors	https://www.bmegrowth.es/docs/documentos/OtralnfRelevante/2020/11/05425_OtralnfRelev_20201105.pdf

Date	Title	Link to the disclosure document
October 26, 2020	First six-months financial results	_OtralnfRelev_20201105.pdf https://www.bmegrowth.es/docs/documentos/OtralnfRelevante/2020/10/05425_OtralnfRelev_20201025.pdf
July 8, 2020	Relevant shareholdings	https://www.bmegrowth.es/docs/documentos/OtralnfRelevante/2020/06/05425_OtralnfRelev_20200622.pdf
June 25, 2020	Resolutions approved by the General Shareholders' Meeting of 25 June 2020	https://www.bmegrowth.es/docs/documentos/OtralnfRelevante/2020/06/05425_OtralnfRelev_20200625.pdf
June 22, 2020	Transactions carried out by directors	https://www.bmegrowth.es/docs/documentos/OtralnfRelevante/2020/06/05425_OtralnfRelev_20200622.pdf
May 25, 2020	Call for the General Shareholders' Meeting	https://www.bmegrowth.es/docs/documentos/OtralnfRelevante/2020/05/05425_OtralnfRelev_20200525_1.pdf
May 25, 2020	Report on the organizational structure and internal control system of the company	https://www.bmegrowth.es/docs/documentos/OtralnfRelevante/2020/05/05425_OtralnfRelev_20200525_2.pdf

**APPENDIX A: AUDITED FINANCIAL ACCOUNTS OF THE COMPANY FOR THE YEARS
ENDED 31 DECEMBER 2020 AND 2019**

PLÁSTICOS COMPUESTOS, S.A.

Annual Accounts as of December 31, 2020

Report of the Directors

(including Audit Report)

Financial year 2020

*(Translation of a report and accounts originally issued in Spanish and prepared
in accordance with Spanish generally accepted accounting principles.
In the event of a discrepancy, the Spanish-language version prevails.)*

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL ACCOUNTS

(Translation of a report and accounts originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles. In the event of a discrepancy, the Spanish-language version prevails.)

To the shareholders of Plásticos Compuestos, S.A.

Report on the annual accounts

Opinion

We have audited the annual accounts of PLÁSTICOS COMPUESTOS, S.A. (the Company), which comprise the balance sheet at 31 December 2020, the profit and loss account, the statement of changes in net equity, the cash flow statement, and the explanatory notes to the annual accounts for the year then ended.

In our opinion, the accompanying annual accounts present, in all material aspects, a true and fair view of the equity and the financial position of the Company at 31 December 2020, and of the results of its operations and cash flows for the year then ended, in accordance with the applicable framework of financial reporting standards (which is identified in note 2 to the annual accounts) and, in particular, in compliance with the accounting principles and criteria contained in that framework.

Basis for our opinion

We conducted our audit in accordance with the current Spanish standards for auditing accounts. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are applicable to our audit of the annual accounts in Spain, as required by the regulations governing the auditing of accounts. In this regard, we have not provided any services different to the audit of accounts and no situations or circumstances have arisen that, based on the aforementioned regulations, might have affected the required independence in such a way that it could have been compromised.

We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our audit opinion

Key audit matters

The key audit matters are those that, in our professional judgement, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Research and development expenses

The Company allocates a part of its resources to carry out research and development projects, using internal resources and on certain occasions subcontracting part of the activities to third parties. As of December 31, 2020, the balance of the heading "Research and Development" amounts to 3.185 thousand euros. As described in Note 4a of the explanatory notes to the annual accounts, the Company maintains the principle of capitalising research and development expenses that meet the requirements established in the financial reporting framework applicable to it, which requires, in some cases, the application of judgments and significant estimates, especially in the evaluation of the costs that must be capitalised, as well as in the evaluation of the technical, economic and commercial profitability of the projects in progress.

Given the high degree of judgment required in making the above estimates, we have considered the recording and valuation of research and development expenses to be a key audit matter.

In this regard, our audit procedures in response to this key audit matter have included, among others, the following procedures:

- Review of the activation process and analysis of recoverability of these costs, including the criteria applied in the process of identifying research and development works, as well as obtaining an understanding of the related internal controls implemented by the Company.
- Additionally, we have verified that the different projects recognised in the balance sheet were specifically individualised, their costs clearly established and calculated in accordance with the direct and indirect cost allocation method implemented by the Company. In this regard, we have obtained an adequate understanding of said method and we have evaluated the reasonableness of the criteria applied to distinguish between direct costs attributable to research projects and direct costs attributable to development projects.
- We have verified, on a selective basis, that the capitalised amounts meet the requirements so that they can be capitalised, and we have obtained and reviewed the analysis carried out by the Company on the existence of well-founded reasons for technical success and economic-commercial profitability, the reasonableness of the hypotheses considered as well as the existence of sufficient funds to complete the projects. Additionally, our specialists have reviewed the mathematical model of the cash-flow projections for each project prepared by the Company.
- Additionally, we have evaluated that the disclosures of information included in the explanatory notes to the annual accounts in relation to this aspect are adequate with the requirements of the applicable accounting regulations.

Stock valuation

Under the heading of stocks of the balance sheet as of December 31, 2020, the Company has registered raw materials, other supplies, and finished products for a total amount of 7.398 thousand euros.

In accordance with the applicable financial reporting regulatory framework and as indicated in note 4g) of the explanatory notes to the annual accounts, stocks are valued at the lower of their acquisition price, production cost or net realizable value. The net realizable value represents the estimate of the sale price deducting the estimated costs to finish its manufacture and the costs that will be incurred in the marketing, sale, and distribution processes.

Given the complexity of the process for determining the production cost of stocks and estimating their recoverable value, it makes us consider this aspect as a key audit matter.

In this regard, our audit procedures in response to this key audit matter have included, among others, the following procedures:

- Evaluation of the consistency of the accounting principles and criteria applied by the Company for the valuation of stocks as of December 31, 2020 with the applicable financial information regulatory framework and with those applied in the previous year.
- Obtaining production costs for the year 2020 and carrying out a critical assessment of the nature of the items included and checking their inclusion in the profit and loss account for said year, checking for a sample of statistically selected references, their correct valuation.
- Review of the estimates made by the Company's Management to determine the net realizable value and its consistency with Company policy and with other available information, such as subsequent sales and returns, having statistically selected a sample of references for which we have carried out the review of its correct net valuation.
- Obtaining and reviewing information on the rotation of products in stocks and conducting a critical review of the judgments and criteria applied by Management in determining the provision for registered obsolescence.
- Additionally, we have evaluated that the disclosures of information included in the annual accounts in relation to this aspect are adequate with the requirements of the applicable accounting regulations.

Compliance with financial ratios

As detailed in note 16 to the explanatory notes to the annual accounts, as of December 31, 2020, the Company has a syndicated loan and a loan with the entity Alteralia, S.C.A., SICAR that include conditions related to compliance with financial ratios.

These loans, with amounts drawn down as of December 31, 2020 of 3.294 and 4.000 thousand euros, respectively, are subject to certain obligations, the failure of which could cause the loans to be immediately due, which would eventually require their classification as current liabilities. We have considered this to be one of the key audit matters due to the significance of the amount of debt and its potential impacts on the annual accounts in the event of non-compliance with financial ratios. Management calculates the financial ratios and evaluates compliance with them on an ongoing basis.

In this regard, our audit procedures in response to this key audit matter have included, among others, the following:

- Obtaining financing contracts to understand the terms and conditions, as well as the obligations included therein.
- Obtaining waivers on certain financial ratios to understand the terms and conditions.
- Meeting with the Management and understanding of their interpretations on the terms and conditions of the financing contracts and the financial ratios associated with them.

- Obtaining the calculation of financial ratios as of December 31, 2020 prepared by the Management and checking the consistency of the data considered in the calculation with the accounting information and the arithmetic correction of the calculations made.
- Obtaining the projections and timely explanations from the Management regarding the expectations of compliance with the financial ratios for the financial year 2021. In relation to the one-year projections we have evaluated the reasonableness of the method, the assumptions used, the calculation made by the Management, as well as its consistency considering the financial information for the months of January and February 2021.
- Additionally, we have evaluated that the disclosures of information included in the explanatory notes to the annual accounts in relation to this aspect are adequate with the requirements of the applicable accounting regulations.

Emphasis of matter

We draw attention to what is stated in notes 2a and 2e of the explanatory notes to the annual accounts, in which the Company's Directors mention the health crisis caused by COVID-19 and its main effects as of the date of preparation of the attached annual accounts, as well as the high uncertainty associated with the magnitude of the potential future impacts that the situation caused by COVID-19 could have on the business, the operating result of the Company. Our opinion is not modified in respect of this matter.

Other matters

The Company's annual accounts for the year ended December 31, 2019 were audited by another auditor who expressed an unqualified opinion on said annual accounts on March 16, 2020.

Other information: Director's report

The other information relates exclusively to the Directors' report for 2020. The Directors of the Company are responsible for preparing this report, which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the directors' report. In accordance with the regulations governing the auditing of accounts, our responsibility regarding the directors' report includes evaluating and reporting on the consistency of the directors' report with the annual accounts, based on the knowledge of the Company obtained during our audit of those annual accounts, as well as evaluating and reporting on whether the content and presentation of the directors' report meet the requirements of the applicable regulations. If, as a result of our work, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in the preceding paragraph, the information reflected in the Directors' report is consistent with that of the 2020 annual accounts, and the content and presentation meet the requirements of the applicable regulations.

Responsibility of the directors and the audit committee for the annual accounts

The directors are responsible for the preparation of the accompanying annual accounts, so that they show a true and fair view of the equity, the financial position, and the results of the Company, in accordance with the framework of financial reporting standards applicable to the Company in Spain and for such internal control that they consider necessary to enable the preparation of annual accounts that are free from material misstatements, whether due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern

and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Audit committee is responsible for overseeing the process of preparing and presenting the annual accounts.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the current Spanish regulations for auditing accounts will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these annual accounts.

As part of an audit in accordance with current Spanish regulations for auditing accounts, we exercise our professional judgement, and we maintain an attitude of professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures to respond to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to this in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the audit committee of the Company regarding, among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and have communicated with the audit

committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Company, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are, therefore, the key audit matters.

We describe these matters in our auditor's report unless law or regulations prohibit public disclosure of the matter.

Additional report for the audit committee

The opinion expressed in this report is consistent with the content of our additional report to the audit committee dated March 17, 2021.

Appointment period

We were appointed as auditors for a period of 3 years, counted from the year ended December 31, 2020 by the Ordinary General Shareholders' Meeting held on June 25, 2020.

Grant Thornton, S.L.P. Sociedad Unipersonal
ROAC nº S0231

Isabel Perea Gaviria
ROAC nº 20226
March 17, 2021

PLÁSTICOS COMPUESTOS, S.A.

Balance sheet

as of December 31, 2020

(stated in Euros)

<i>Assets</i>	<i>Note</i>	<i>2020</i>	<i>2019</i>
Intangible assets	Note 5	3.647.449	3.645.631
Research and development		3.184.684	3.167.270
Patents, licenses, trademarks, and similar items		182.337	182.227
Computer software		280.428	296.134
Tangible fixed assets	Note 6	21.248.533	21.106.815
Land and buildings		195.389	208.041
Technical facilities, machinery, tools, furniture, and other tangible fixed assets		21.008.051	20.640.774
Fixed assets in progress and advances		45.093	258.000
Long-term financial investments	Note 11	147.515	147.515
Credits to third parties		50.000	50.000
Other financial assets		97.515	97.515
Deferred tax assets	Note 18	580.405	258.524
Total non-current assets		25.623.902	25.158.485
Stocks	Note 12	7.398.199	7.072.979
Raw materials and other short-term supplies		2.562.527	2.095.788
Short cycle finished products		4.835.672	4.965.191
Advances to suppliers		-	12.000
Trade debtors and other receivables	Note 11	2.672.371	4.330.900
Customers for short-term sales and services		1.455.510	3.321.299
Trade debtors- group and associated entities		0	-
Personnel		27.550	12.469
Current tax assets	Note 18	0	50.700
Other credits with Public Institutions	Note 18	1.189.311	946.432
Short-term financial investments	Note 11	610.276	401.357
Equity instruments		14.701	34.938
Other financial assets		595.575	366.419
Short-term accruals		55.261	242.381
Cash and other equivalent liquid assets		4.024.944	1.073.962
Treasury		4.024.944	1.073.962
Total current assets		14.761.051	13.121.579
Total assets		40.384.953	38.280.064

PLÁSTICOS COMPUESTOS, S.A.

**Balance sheet
as of December 31, 2020**

(stated in Euros)

<i>Net equity and liabilities</i>	<i>Note</i>	<i>2020</i>	<i>2019</i>
Shareholders' funds	Note 13	15.228.379	16.661.400
Share capital			
Subscribed capital		7.293.420	7.293.420
Issue premium		8.773.675	8.773.675
Reserves			
Legal and statutory		355.102	333.845
Other reserves		408.567	339.551
(Shares in own equity)		(323.833)	(291.667)
Result for the year		(1.278.552)	212.576
Grants, donations, and legacies received	Note 14	267.137	245.652
Total net equity		15.495.516	16.907.052
Long-term provisions		34.382	42.081
Other provisions		34.382	42.081
Long-term debts		13.176.845	8.827.055
Debts to financial institutions	Note 16	7.448.422	3.287.369
Creditors for financial leasing	Note 7	1.472.471	407.323
Other financial liabilities	Note 16	4.255.952	5.132.363
Deferred tax liabilities	Note 18	149.635	153.802
Total non-current liabilities		13.360.862	9.022.938
Short-term provisions		84.259	44.551
Other provisions		84.259	44.551
Short-term debts		2.366.064	4.115.141
Debts to financial institutions	Note 16	1.714.229	3.624.443
Creditors for financial leasing	Note 7	605.797	490.698
Other financial liabilities		46.038	-
Trade creditors and other accounts payable	Note 16	9.078.252	8.190.382
Short-term suppliers		5.667.001	5.628.204
Sundry creditors		2.966.873	2.091.962
Personnel (wages pending payment)		252.174	137.628
Other debts to Public Institutions	Note 18	153.801	302.396
Customer advances		38.403	30.192
Total current liabilities		11.528.575	12.350.074
Total net assets and liabilities		40.384.953	38.280.064

PLÁSTICOS COMPUESTOS, S.A.

Profit and loss account

as of December 31, 2020

(stated in Euros)

	<i>Note</i>	<i>2020</i>	<i>2019</i>
Net turnover	Note 21	43.704.042	46.239.055
Sales		43.704.042	46.239.055
Variation in stocks of finished products and manufacturing process		(129.519)	317.279
Work carried out by the company for its assets	Note 5 y 6	1.243.286	1.628.965
Supplies	Note 21	(30.469.679)	(32.570.135)
Consumption of raw materials and other consumables		(30.454.098)	(32.570.135)
Work performed by other companies		(15.581)	-
Other operating income		24.953	47.139
Ancillary income and other current operations		24.953	47.139
Personnel expenses		(3.593.170)	(3.702.788)
Salaries, wages, and similar expenses		(2.762.103)	(2.834.811)
Social Security expenses	Note 21	(831.067)	(867.977)
Other operating expenses		(8.158.538)	(8.664.368)
External services		(8.084.471)	(8.577.414)
Taxes		(74.067)	(85.074)
Losses, impairment, and variation of provisions for trade operations		-	(1.880)
Depreciation of fixed assets	Note 5 y 6	(2.595.954)	(1.834.989)
Allocation of subsidies for non-financial fixed assets and others	Note 14	28.382	-
Impairment and result from disposals of fixed assets	Note 21	(410.163)	-
Results by disposals and others		(410.163)	-
Other results	Note 21	(61.627)	(60.927)
Operating result		(417.988)	1.399.231
Financial income		318	1.914
Of marketable securities and other financial instruments			
From third parties		318	1.914
Financial expenses		(1.133.635)	(1.109.889)
For debts to third parties	Note 21	(1.133.635)	(1.109.889)
Variation in fair value of financial instruments		(20.237)	-
Trading portfolio and others		(20.237)	-
Exchange differences		(44.231)	(7.056)
Financial results		(1.197.785)	(1.115.031)
Profit before tax		(1.615.773)	284.200
Income tax	Note 18	337.221	(71.624)
Result for the year		(1.278.552)	212.576

PLÁSTICOS COMPUESTOS, S.A.

Statement of changes in net equity
as of December 31, 2020

A) Statement of recognised income and expenses (stated in Euros)

	<i>Note</i>	<i>2020</i>	<i>2019</i>
Result of the profit and loss account		(1.278.552)	212.576
Income and expenses charged directly to equity			
Grants, donations, and legacies	Note 14	57.028	245.652
Tax effect		(14.257)	(61.438)
Total income and expenses recognised directly in equity		42.771	184.214
Transfers to the profit and loss account			
Grants, donations, and bequests	Note 14	(28.382)	-
Tax effect		7.096	-
Total transfers to the profit and loss account		(21.286)	-
Total recognised income and expenses		(1.257.067)	396.790

PLÁSTICOS COMPUESTOS, S.A.
Statement of changes in net equity
as of December 31, 2020

B) Total statement of changes in equity (stated in Euros)

	Subscribed capital	Share premium	Reserves	Shares and equity holdings	Result for the year	Grants, donations, and legacies received	Total
Balance as of December 31, 2019	7.293.420	8.773.675	673.396	(291.667)	212.576	245.652	16.907.052
Adjustments for misstatements 2019 and prior years (note 2.d)			(134.331)				(134.331)
Recognised income and expenses	-	-	-	-	(1.278.552)	21.485	(1.257.067)
Transactions with shareholders or owners							
Shares in own equity (note 13)	-	-	12.028	(32.166)	-	-	(20.138)
Distribution of profit for the year 2019 (note 13)	-	-	212.576	-	(212.576)	-	-
Balance as of December 31, 2020	7.293.420	8.773.675	763.669	(323.833)	(1.278.552)	267.137	15.495.516

PLÁSTICOS COMPUESTOS, S.A.
Statement of changes in net equity
as of December 31, 2019

B) Total statement of changes in equity (stated in Euros)

	Subscribed capital	Share premium	Reserves	Shares and Equity holdings	Prior year results	Result for the year	Grants, donations, and legacies received	Total
Balance as of December 31, 2018	6,089,032	4,988,421	637,028	-	(96,527)	477,038	61,438	12,156,430
Recognised income and expenses	-	-	-	-	-	212,576	184,214	396,790
Transactions with shareholders or owners								
Capital increases (note 13)	1,214,520	3,785,254	-	-	-	-	-	4,999,774
Capital decreases (note 13)	(10,132)	-	10,132	-	-	-	-	-
Shares in own equity (note 13)	-	-	2,177	(291,667)	-	-	-	(289,490)
Other movements	-	-	380,511	-	96,527	(477,038)	-	-
Distribution of profit for the year 2017								
Other movements (note 13)	-	-	(356,452)	-	-	-	-	(356,452)
Balance as of December 31, 2019	7,293,420	8,773,675	673,396	(291,667)	-	212,576	245,652	16,907,052

PLÁSTICOS COMPUESTOS, S.A.

Cash flow statement

as of December 31, 2020

(stated in Euros)

	<i>Note</i>	<i>2020</i>	<i>2019</i>
<i>Cash flows from operating activities</i>			
Profit before taxes for the year		(1.615.773)	284.200
Result adjustments			
Depreciation of fixed assets	Notes 5 and 6	2.595.952	1.834.989
Valuation correction for impairment	Notes 5 and 6	410.163	
Variation of provisions		32.009	44.551
Financial income		-	(1.914)
Financial expenses		(1.197.785)	1.109.889
Exchange differences		-	7.056
Other income and expenses	Notes 5 and 6	(1.243.285)	(1.628.965)
Changes in working capital			
Stocks		(325.220)	(397.384)
Debtors and accounts receivable		1.615.319	1.460.597
Other current assets		-	(82.050)
Creditors and other accounts payable		887.869	654.033
Other cash flows from operating activities			
Interest payments		1.197.785	(1.109.889)
Interest collections		-	1.914
Payments (collections) for income taxes		54.383	54.463
Cash flows / (used in) from operating activities		4.027.190	2.231.490
<i>Cash flows from investing activities</i>			
Investment payments	Note 5		
Intangible assets	Note 6	(128.438)	(215.429)
Tangible fixed assets		(1.777.927)	(4.029.455)
Other financial assets		(208.919)	(366.018)
Divestment charges			
Other assets		187.120	-
Cash flows used in investing activities		(1.928.164)	(4.610.902)
<i>Cash flows from financing activities</i>			
Capital increase and issue premium	Note 13	12.028	4.645.499
Acquisition of own equity instruments	Note 13	(32.166)	(291.667)
Depreciation of equity instruments		(134.331)	
Grants, donations, and legacies received	Note 14	21.485	184.214
Collections and payments for financial liabilities			
Issue			
Debts to financial institutions		6.450.575	679.363
Other debts	Note 16	-	135.201
Return and depreciation of			
Debts to financial institutions		(3.019.489)	(4.084.108)
Other debts		(830.373)	-
Cash flows from financing activities		2.467.729	1.268.502
Net increase in cash or equivalents		2.950.982	(1.110.910)
Cash or equivalents at the beginning of the year		1.073.962	2.184.872
Cash or equivalents at the end of the year		4.024.944	1.073.962

PLÁSTICOS COMPUESTOS, S.A.
Explanatory Notes to the Annual Accounts
as of December 31, 2020

(1) Nature and activity of the Company

Plásticos Compuestos, S.A. (hereinafter the Company) is a company incorporated in Spain in accordance with the Capital Companies Act. Its main activity consists of the design and manufacture of mineral fillers ("fillers") and other "masterbatches" of colour concentrates and additives, including components for the creation of ecologically sustainable plastics.

Its registered office is at Calle Orfebrería, 3, Palau Solità i Plegamans (Barcelona), where it carries out its activities.

Due to the capital increase approved by the General Meeting of Shareholders on July 24, 2019 (see note 13), the Company ceased to be part of the group headed by CCP Masterbatch, S.L.

Plásticos Compuestos, S.A. has its shares admitted to trading on the BME Growth, a segment of Companies in Expansion since August 12, 2019.

The Company holds a stake in 3D Masterbatch, S.L., a company inactive since 2008, whose investment amounts to 1 thousand euros, and which is totally impaired. Because the Company participates exclusively in a dependent company without significant interest, the Company is exempt from presenting consolidated annual accounts.

As of December 31, 2020, and December 31, 2019, is not part of a decision unit according to the provisions of Rule 13 of the Regulations for preparing Annual Accounts with other companies domiciled in Spain.

(2) Basis of presentation of the annual accounts

(a) Application of the going concern principle

The outbreak of the COVID-19 pandemic and the measures taken by the governments of countries around the world to mitigate its spread have significantly affected the Company. Despite these measures, the Company has not been paralyzed by the declaration of the State of Alarm that was established according to RDL 463/2020, of March 14, 2020, nor in its subsequent revisions. As a result, the Company's productive activity has remained operational and has continued to supply products to manufacturers of essential products throughout the 2020 financial year. Notwithstanding, because of the health crisis caused by COVID-19, the volume of sales to customers who carry out non-essential activities has been affected because of the stoppage of the activity derived from the state of alarm and the non-total recovery of economic activity once the state of alarm has ended. This decrease in volume has meant that the Company's activity has been reduced. Therefore, the Company has been affected in a general way in its evolution and in a particular way in terms of its results.

In the year ended December 31, 2020, the Company recorded a net loss of 1.278.552 euros. The net current assets of the Company, as of December 31, 2020, was 14.761.051 euros. The Company has 13.320.116 euros of resources that include cash and cash equivalents, other highly liquid assets, and unused credit lines available at the date of preparation of these annual accounts.

The uncertainty surrounding the COVID-19 pandemic and its effects on the world economy, at the date of preparation of these annual accounts, is expected to have an impact on world growth and consequently on the growth of the Company's activity. This situation and its impact on the Company could be aggravated by a possible recession in Spain and the rest of Europe because of the COVID-19 pandemic.

(See below)

PLÁSTICOS COMPUESTOS, S.A.
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as of December 31, 2020

The magnitude of the impact of COVID-19 on the Company's business and operations will depend on future events, which are subject to significant uncertainty and cannot be predicted, including future economic conditions and measures to contain the pandemic or deal with its consequences, among others. Management has modelled a scenario considering at least a 12-month period from the date of formulation of these annual accounts. The assumptions considered are based on the estimated potential impact of restrictions and regulations to address the COVID-19 pandemic and expected levels of consumer demand, together with Management's proposed responses over the period considered.

The underlying assumptions include the results of measures already taken by Management to mitigate the trade disadvantages of pandemic management, e.g., CAPEX containment, strengthening of the liquidity position, and therefore it is expected that the Company will continue to have sufficient room for manoeuvre to meet its obligations given the funding available to it.

(b) True and fair view

The annual accounts and the accompanying notes have been prepared from the Company's accounting records. The annual accounts for the financial year ended December 31, 2020 have been prepared in accordance with current commercial legislation and with the standards established in the General Accounting Plan, to show the true and fair view of the assets and the financial situation as of December 31, 2020 and the results of its operations, changes in equity and cash flows corresponding to the period ended on said date.

The Directors of the Company estimate that the annual accounts for the year 2020, which have been formulated on March 11, 2021, will be approved by the General Shareholders' Meeting without any modification.

The annual accounts are presented for comparative purposes, with each of the items in the balance sheet, the profit and loss account, the statement of changes in equity, the statement of cash flows and the report, in addition to the figures of the financial year 2020, those corresponding to the previous financial year approved by the General Shareholders' Meeting on June 25, 2020.

(d) Correction of misstatements

An amount of 134.331 euros has recorded in reserves, which corresponds, among others, to operating leases activated as tangible fixed assets in previous years, and accumulated depreciation under the heading of machinery. The compensation of the highest amount is recorded under the heading of tangible fixed assets for an amount of 93.810 euros, and the amounts included in the annual accounts for 2019 have not been restated as they are not considered significant.

(e) Functional currency and presentation currency

The annual accounts are presented in euros, which is the Company's functional and presentation currency.

(f) Critical aspects of the valuation and estimation of uncertainties and relevant judgments in the application of accounting policies

The preparation of the annual accounts requires the application of relevant accounting estimates and the making of judgments, estimates and hypotheses in the process of applying the Company's accounting policies. In this sense, a detail of the aspects that have implied a greater degree of judgment, complexity, or in which the hypotheses and estimates are significant for the preparation of annual accounts are summarised below:

- Useful life of intangible fixed assets.
- Corrections for impairment of research and development projects.
- Analysis of compliance with certain financial ratios associated with the debt granted (see note 16).

(See below)

PLÁSTICOS COMPUESTOS, S.A.
Explanatory Notes to the Annual Accounts
as of December 31, 2020

- Recoverability of deferred tax assets.

Likewise, even though the estimates made by the Company's Directors have been calculated based on the best information available as of December 31, 2020, it is possible that events that may take place in the future require their modification in the next years. The effect on the annual accounts of the modifications that, where appropriate, derive from the adjustments to be made during the coming years would be recorded prospectively.

(3) Distribution of results

The distribution of the Company's profits and reserves for the year ended December 31, 2019, formulated by the Directors, and approved by the General Shareholders' Meeting on June 25, 2020, consisted of transferring 10% to the legal reserve, and the rest to other reserves.

The proposed distribution of the 2020 result to be presented to the General Shareholders' Meeting is as follows:

	Euros
Basis for distribution	
Loss for the year	<u>(1.278.552)</u>
Distribution	
Negative results from previous years	<u>(1.278.552)</u>

As of December 31, the amounts of the non-distributable reserves are as follows:

	Euros	
	2020	2019
Non-distributable reserves:		
Legal reserve	<u>355.102</u>	<u>333.845</u>

The reserves of the Company designated as free distribution are, however, subject to the limitations for their distribution that are set out below:

Until the Research and Development expenses have been fully depreciated, the distribution of dividends is prohibited, unless the amount of the available reserves is, at least, equal to the amount of the undepreciated balances. At the end of the year ended December 31, 2020, the Company has Research and development expenses recorded under the heading amounting to 3.184.684 euros (3.167.270 euros in 2019). Additionally, the distribution of dividends is linked to compliance with the ratios described in note 16 to these annual accounts.

(4) Registration and valuation standards

(a) Intangible fixed assets

Assets included in intangible fixed assets are recorded at their acquisition price or at their production cost, following the same principles as those established in determining the cost of production of stocks. The capitalisation of the cost of production is carried out through the heading "Work carried out by the company for its assets" in the profit and loss account. Intangible assets are presented on the balance sheet at their cost value minus the amount of accumulated depreciation and impairment adjustments.

(See below)

PLÁSTICOS COMPUESTOS, S.A.
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(i) Research and development

Expenses related to research and development activities are recognised as an expense in the profit and loss account as incurred.

The Company proceeds to capitalise the research expenses incurred in a specific and individualised project that meet the following conditions:

- The cost is clearly established so that it can be distributed over time.
- A strict relationship can be established between the research “project” and the objectives pursued and obtained. The assessment of this requirement is carried out generically for each set of interrelated activities due to the existence of a common objective.

The Company proceeds to capitalise the development expenses incurred in a specific and individualized project that meet the following conditions:

- The disbursement attributable to the completion of the project can be reliably valued.
- The allocation and temporal distribution of project costs are clearly established.
- There are well-founded reasons for technical success in carrying out the project, both in the case of direct exploitation and in the case of the sale to a third party of the result of the project once concluded if there is a market.
- The commercial economic profitability of the project is reasonably assured.
- The financing to complete the project, the availability of adequate technical or other resources to complete the project and to use or sell the intangible asset are reasonably assured.
- There is an intention to complete the intangible asset, to use it or sell it.

If the Company cannot distinguish the research phase from the development phase, the expenses incurred are treated as research expenses.

Expenses charged to results in previous years cannot be subject to subsequent capitalisation when the conditions are met.

At the time of registration in the corresponding Public Registry, development expenses are reclassified to the heading of patents, licenses, trademarks, and the like.

(ii) Computer software

Computer software acquired and produced by the company itself, including web page development expenses, are recognised to the extent that they meet the conditions set forth for development expenses. Computer software maintenance costs are expensed at the time they are incurred.

(iii) Subsequent costs

Subsequent costs incurred in intangible assets are recorded as an expense unless the expected future economic benefits of the assets increase.

(See below)

PLÁSTICOS COMPUESTOS, S.A.
Explanatory Notes to the Annual Accounts
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(iv) Useful life and depreciations

The depreciation of intangible assets is carried out by distributing the depreciable amount in a systematic way over their useful life by applying the following criteria:

	Depreciation method	Years of estimated useful life
Research and development	Linearly	2-5
Patents, trademarks, and the like	Linearly	5
Computer software	Linearly	4

Research expenses are depreciated linearly from the activation date and Development expenses are depreciated linearly from the date of completion of the projects.

The Company reviews the residual value, the useful life, and the depreciation method of intangible assets at the end of each year. Modifications to the initially established criteria are recognised as a change in estimate.

(v) Impairment of intangible fixed assets

The Company assesses and determines the valuation corrections for impairment and the reversals of losses due to impairment of intangible assets in accordance with the criteria mentioned in section (c) Impairment of non-financial assets subject to depreciation.

(b) Tangible fixed assets

(i) Initial recognition

Tangible fixed assets are recorded at their acquisition price or at their production cost following the same principles as those established in determining the cost of production of stocks. The production cost capitalisation is carried out through the heading "Work carried out by the company for its assets" in the profit and loss account. Tangible fixed assets presented in the balance sheet at its cost value minus the amount of accumulated depreciation and impairment adjustments.

The capitalisation of the production cost is carried out through the heading "Work carried out by the company for its assets" in the profit and loss account. Ancillary income obtained during the testing and start-up period is recognised as a reduction in the costs incurred. Tangible fixed assets is presented on the balance sheet at its cost value less the amount of accumulated depreciation and impairment adjustments.

(ii) Depreciation

The depreciation of tangible fixed assets is carried out by distributing their depreciable amount in a systematic way over their useful life. For these purposes, depreciable amount is understood to be the acquisition cost less its residual value. The Company determines the depreciation expense independently for each component, which has a significant cost in relation to the total cost of the item and a different useful life from the rest of the item.

(See below)

PLÁSTICOS COMPUESTOS, S.A.
Explanatory Notes to the Annual Accounts
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The depreciation of tangible fixed assets is determined by applying the following criteria:

	Depreciation method	Years of estimated useful life
Buildings	Lineal	25
Technical facilities and machinery	Lineal	18
Other facilities, tools, and furniture	Lineal	5-20
Other tangible fixed assets	Lineal	4

The Company reviews the residual value, the useful life and the depreciation method of tangible fixed assets at the end of each year. Modifications to the initially established criteria are recognised as a change in estimate.

(iii) Subsequent costs

After the initial recognition of the asset, only those costs incurred are capitalised to the extent that they involve an increase in their capacity, productivity or lengthening of the useful life, and the book value of the replaced items must be written off. In this sense, the costs derived from the daily maintenance of tangible fixed assets are recorded in results as they are incurred.

Substitutions of items of tangible fixed assets susceptible to capitalisation imply a reduction in the book value of the replaced items. In those cases, in which the cost of the replaced items has not been independently depreciated and it is not practicable to determine their book value, the replacement cost is used as an indication of the cost of the items at the time of their replacement, acquisition or construction.

(iv) Impairment of tangible fixed assets

The Company assesses and determines the valuation corrections for impairment and the reversals of losses due to impairment of tangible fixed assets in accordance with the criteria mentioned in section (c) Impairment of non-financial assets subject to depreciation.

(c) Impairment of non-financial assets subject to depreciation

The Company follows the criterion of evaluating the existence of indications that could reveal the potential impairment of the value of non-financial assets subject to depreciation, in order to verify whether the book value of the aforementioned assets exceeds their recoverable value, understood as the greater of fair value, less costs to sell and its value in use.

Likewise, and regardless of the existence of any indication of impairment in value, the Company checks, at least annually, the potential impairment in value that could affect intangible assets that are not yet in condition for use.

The calculation of the asset's value in use is carried out based on the expected future cash flows that will derive from the use of the asset, the expectations regarding possible variations in the amount or temporal distribution of the flows, the temporary value of money, the price to be paid for bearing the uncertainty related to the asset and other factors that market participants would consider in the valuation of future cash flows related to the asset.

Impairment losses are recognised in the income statement.

(See below)

PLÁSTICOS COMPUESTOS, S.A.
Explanatory Notes to the Annual Accounts
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On the other hand, if the Company has reasonable doubts about the technical success or the commercial economic profitability of the research and development projects in progress, the amounts recorded in the balance sheet are recognised directly in losses from intangible assets in the loss account and earnings, not being reversible.

The reversal of the loss due to impairment of value is recorded with a credit to the income statement. However, the reversal of the loss cannot increase the book value of the asset above the book value it would have had, net of depreciation, if the impairment had not been recorded.

Once the valuation correction for impairment or its reversal has been recognised, the depreciation of the following years is adjusted considering the new book value.

Notwithstanding the foregoing, if the specific circumstances of the assets reveal an irreversible loss, it is recognised directly in losses from fixed assets in the profit and loss account.

(d) Leasing

(i) Lessee accounting

The lease contracts, which at the beginning of the same, transfer to the Company substantially all the risks and benefits inherent to the ownership of the assets, are classified as financial leases and otherwise they are classified as operating leases.

- *Finance leases*

At the beginning of the lease term, the Company recognises an asset and a liability for the lower of the fair value of the leased asset or the present value of the minimum lease payments. The initial direct costs are included as the greater value of the asset. The minimum payments are divided between the financial burden and the reduction of the outstanding debt. Financial expenses are charged to the profit and loss account, by applying the effective interest rate method.

The accounting principles that are applied to the assets used by the Company by virtue of the subscription of lease contracts classified as financial are the same as those developed in section (b) (tangible fixed assets).

- *Operating leases*

The fees derived from operating leases, net of the incentives received, are recognised as an expense on a straight-line basis during the term of the lease, unless another systematic basis of distribution is more representative as it more adequately reflects the temporary pattern of lease benefits.

(e) Financial instruments

(i) Recognition

The Company recognises a financial instrument when it becomes an obligated party to the contract or legal business in accordance with its provisions.

(ii) Classification and separation of financial instruments

Financial instruments are classified at the time of their initial recognition as a financial asset, a financial liability or an equity instrument, in accordance with the economic substance of the contractual agreement and with the definitions of financial asset, financial liability or equity instrument.

(See below)

PLÁSTICOS COMPUESTOS, S.A.
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as of December 31, 2020

The Company classifies financial instruments into different categories according to the characteristics and intentions of the Company at the time of their initial recognition.

(iii) Compensation principles

A financial asset and a financial liability are subject to compensation only when the Company has the enforceable right to offset the recognised amounts and has the intention to settle the net amount or to realize the asset and settle the liability simultaneously.

(iv) assets and liabilities held for trading

Financial assets or financial liabilities held for trading are those that are classified as held for trading from the moment of their initial recognition.

A financial asset or liability is classified as held for trading if:

- It is originated or acquired or is issued mainly with the purpose of selling or reacquire it in the short term,
- it is part of a portfolio of identified financial instruments, which are managed jointly and for which there is evidence of a recent pattern of obtaining short-term profits or
- it is a derivative, except a derivative that has been designated as a hedging instrument and meets the conditions to be effective and is not a financial guarantee contract.

Financial assets and liabilities held for trading are initially recognised at fair value. Transaction costs directly attributable to the purchase or issue are recognised as an expense in the profit and loss account as they are incurred.

After their initial recognition, they are recognised at fair value, recording the variations in results. The fair value is not reduced by the transaction costs that may be incurred due to its eventual sale or disposal by other means. Interest and dividends accrued are included in the items by their nature.

(v) Loans and receivables

Loans and receivables are made up of credits for trade operations and credits for non-trade operations with fixed or determinable charges that are not quoted in an active market other than those classified in other categories of financial assets. These assets are initially recognised at fair value, including incurred transaction costs, and are subsequently valued at depreciated cost, using the effective interest rate method.

However, financial assets that do not have an established interest rate, the amount is due or is expected to be received in the short term and the effect of updating.

(vi) Interest

Interest is recognised by the effective interest rate method.

(vii) Disposal of financial assets

Financial assets are derecognised when the rights to receive cash flows related to them have expired or have been transferred and the Company has substantially transferred the risks and benefits derived from their ownership.

(See below)

PLÁSTICOS COMPUESTOS, S.A.
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(viii) Impairment of financial assets

A financial asset or group of financial assets is impaired, and an impairment loss has occurred, if there is objective evidence of impairment because of one or more events that have occurred after the initial recognition of the asset and that event or events causing the loss, they have an impact on the estimated future cash flows of the financial asset or group of financial assets, which can be estimated reliably.

The Company follows the criteria of recording the appropriate valuation corrections due to impairment of loans and receivables and debt instruments, when there has been a reduction or delay in the estimated future cash flows, motivated by the insolvency of the debtor.

(ix) Financial liabilities

Financial liabilities, including trade creditors and other accounts payable, that are not classified as held for trading or as financial liabilities at fair value with changes in the profit and loss account, are initially recognised at their fair value, less, in their case, the transaction costs that are directly attributable to the issuance of the same. After initial recognition, liabilities classified under this category are valued at depreciated cost using the effective interest rate method.

However, financial liabilities that do not have an established interest rate, the amount is due or is expected to be received in the short term and the effect of updating is not significant, are valued at their nominal value.

The Company values financial liabilities at depreciate cost provided that, in view of the contractual conditions, reliable estimates of cash flows can be made.

The Company values at cost, increased by the interest to be paid to the lender in accordance with the contractual conditions, the participating loans in which the interests are contingent because they are conditional on meeting a milestone of the Company, for example, obtaining benefits or because they are calculated exclusively by reference to the evolution of its activity. In these cases, the transaction costs are allocated linearly over the life of the loan.

(x) Deposits

The deposits delivered are valued following the criteria set out for financial assets. The difference between the amount delivered and the fair value is recognised as an advance payment that is charged to the profit and loss account during the lease period (during the period the service is provided). The advances whose application is going to take place in the long term, are subject to financial updating at the end of each year based on the market interest rate at the time of their initial recognition.

(xi) Disposals and modifications of financial liabilities

The Company derecognises a financial liability or a part of it when it has complied with the obligation contained in the liability or is legally exempt from the main responsibility contained in the liability, either by virtue of a judicial process or by the creditor.

(f) Equity instruments held by the Company

The acquisition by the Company of equity instruments is presented separately at the cost of acquisition as a reduction of equity in the balance sheet. In the transactions carried out with own equity instruments, no result is recognised in the profit and loss account.

The acquisition of shares in the Company is recognised at fair value, which, unless there is evidence to the contrary, will be the price of the transaction, which will be equal to the fair value of the consideration given, providing the corresponding reserve required by current legislation.

(See below)

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Subsequent depreciation of the instruments gives rise to a capital reduction by the nominal amount of said shares and the positive or negative difference between the acquisition price and the nominal value of the shares is charged or credited to reserve accounts.

Transaction costs related to own equity instruments, including issue costs related to a business combination, are recorded as a reduction in reserves, after considering any tax effect.

(g) Stocks

(i) General criteria

The cost of raw materials and other supplies, the cost of merchandise and the cost of transformation are allocated to the various units in stocks using the FIFO method. Advances on account of stocks are valued at cost.

The production costs are determined by adding to the purchase price of raw materials and other consumables, the costs directly attributable to the product, as well as the reasonable portion of indirect costs corresponding to the production period, based on the level of use of normal production capacity.

The cost value of stocks is subject to a valuation correction in those cases in which their cost exceeds their net realizable value. For these purposes, net realizable value is understood to be:

- For raw materials and other supplies, their replacement price. The Company does not recognise the valuation correction in those cases in which it is expected that the finished products to which raw materials and other supplies are incorporated are going to be disposed of for a value equivalent to or higher than their production cost.
- For goods and finished products, their estimated sale price, less the costs necessary for the sale, and
- for products in progress, the estimated sale price of the corresponding finished products, less the estimated costs to finish their production and those related to their sale.

The previously recognised valuation correction is reversed in results, if the circumstances that caused the reduction in value no longer exist or when there is clear evidence of an increase in net realizable value because of a change in economic circumstances. The reversal of the valuation adjustment is limited to the lower of the cost and the new net realizable value of stocks.

Valuation corrections and reversals due to impairment of stocks are recognised under the headings Variation in stocks of finished products and in progress of manufacture and Supplies, according to the type of stocks.

(h) Grants

Grants are accounted for as income and expenses recognised in equity when, where appropriate, they are officially awarded and the conditions for granting them have been met or there are no reasonable doubts about their receipt.

Grants granted to acquire an asset: if the conditions of the grant require that the investment be maintained for a certain number of years, it will be considered non-refundable when the investment has been made at the end of the year and there are no reasonable doubts that it will be maintained in the set period in the terms of the concession.

Monetary grants are valued at the fair value of the amount granted and non-monetary grants at the fair value of the asset received.

(See below)

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In subsequent years, grants, donations, and legacies are charged to income according to their purpose.

Capital grants are charged to income for the year in proportion to the depreciation corresponding to the assets financed with them or, where appropriate, when the disposal, derecognition or impairment of the same occurs.

In the case of non-depreciable assets, the grant is charged to income for the year in which the sale, derecognition or valuation correction for impairment occurs.

Grants awarded to finance specific expenses are charged to income in the year in which the financed expenses are accrued.

(i) Provisions

(i) General criteria

Provisions are recognised when the Company has a present obligation, whether legal, contractual, implicit, or tacit, because of a past event; it is probable that there will be an outflow of resources that incorporate future economic benefits to cancel such obligation; and a reliable estimate of the amount of the obligation can be made.

(j) Income from the sale of goods

Income from the sale of goods is recognised at the fair value of the consideration received or to be received derived from them. Discounts for prompt payment, volume, or any other type of discounts, as well as the interest incorporated into the face of the loans, are recorded as a reduction of the same.

Discounts granted to customers are recognised when it is probable that the conditions that determine their concession will be met as a reduction in sales revenue.

(i) Income from sales

Income from the sale of goods is recognised when the Company:

- Has transferred to the buyer the significant risks and benefits inherent in the ownership of the goods.
- It does not retain any involvement in the current management of the goods sold to the degree usually associated with ownership, nor does it retain effective control over them.
- The amount of income and costs incurred or to be incurred can be reliably assessed.
- It is probable that the economic benefits associated with the sale will be received.
- The costs incurred or to be incurred related to the transaction can be measured reliably.

(k) Income tax

The income tax expense or income includes both current tax and deferred tax.

Assets or liabilities for current income tax are valued at the amounts expected to be paid or recovered from the tax authorities, using the regulations and tax rates in force, or approved and pending publication on the year-end date.

(See below)

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Current or deferred income tax is recognised in income, unless it arises from a transaction or economic event that has been recognised in the same year or in a different one, in equity or a business combination.

(i) Recognition of deferred tax liabilities

The Company recognises deferred tax liabilities in all cases, except that they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and on the date of the transaction does not affect or the accounting result or taxable income.

(ii) Recognition of deferred tax assets

The Company recognises deferred tax assets whenever it is probable that there will be sufficient future tax earnings to offset them or when tax legislation contemplates the possibility of future conversion of deferred tax assets into a receivable from the Public Treasury.

The Company recognises the conversion of a deferred tax asset into an account receivable from the Public Treasury when it is required according to the provisions of current tax legislation. For these purposes, the derecognition of the deferred tax asset is recognised with a charge to the deferred income tax expense and the account receivable with a credit to current income tax.

However, the assets that arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and on the date of the transaction does not affect the accounting result or the taxable base, they are not recognised.

The Company only recognises deferred tax assets derived from compensable tax losses, to the extent that it is probable that future tax profits will be obtained that allow them to be compensated in a period not exceeding that established by the applicable tax legislation, with the maximum limit of ten years, unless there is evidence that their recovery is probable in a longer period, when the tax legislation allows compensation in a longer period or does not establish temporary limits to their compensation.

On the contrary, it is considered probable that the Company has sufficient tax earnings to recover the deferred tax assets, provided that there are temporary taxable differences in a sufficient amount, related to the same tax authority and referred to the same taxpayer, whose reversal is expected in the same financial year in which the deductible temporary differences are expected to revert or in years in which a tax loss, arising from a deductible temporary difference, can be offset with earlier or later earnings. When the only future tax gains are derived from the existence of taxable temporary differences, the deferred tax assets derived from compensable tax losses are limited to 70% of the amount of the recognised deferred tax liabilities.

The Company recognises deferred tax assets that have not been recognised for exceeding the ten-year recovery period, to the extent that the future reversal period does not exceed ten years from the year-end date or when there are temporary taxable differences in sufficient amount.

(iii) Valuation of deferred tax assets and liabilities

Deferred tax assets and liabilities are valued at the tax rates that will be applicable in the years in which it is expected to realize the assets or pay the liabilities, based on the regulations and rates that are in force or approved and pending of publication and once the tax consequences that will derive from the way in which the Company expects to recover assets or settle liabilities have been considered.

(iv) Compensation and classification

The Company only compensates the assets and liabilities for income tax if there is a legal right to their compensation before the tax authorities and it intends to settle the resulting amounts at their net amount or to realize the assets and settle the liabilities simultaneously.

(See below)

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Deferred tax assets and liabilities are recognised in the balance sheet as non-current assets or liabilities, regardless of the expected date of realization or settlement.

(l) Classification of assets and liabilities between current and non-current

The Company presents the balance sheet classifying assets and liabilities between current and non-current. For these purposes, current assets or liabilities are those that meet the following criteria:

- Assets are classified as current when they are expected to be carried out or they are intended to be sold or consumed during the normal cycle of the Company's operation, they are mainly held for trading purposes or they are expected to be carried out within a period of twelve months after the closing date.
- Liabilities are classified as current when they are expected to be settled in the normal operating cycle of the Company, they are held primarily for trading, they must be settled within a period of twelve months from the closing date, or the Company does not have the unconditional right to postpone the cancellation of the liabilities for the twelve months following the closing date.

(m) Environmental assets

The items of tangible fixed assets acquired to be used in a lasting way in their activity and whose main purpose is to minimise the environmental impact and protect and improve the environment, including the reduction or elimination of future pollution from the operations of The Company is recognised as assets by applying valuation, presentation, and breakdown criteria consistent with those mentioned in section (b) Tangible fixed assets.

(n) Transactions between related companies

Transactions between related companies, except those related to mergers, spin-offs, and non-monetary contributions of businesses, are recognised at the fair value of the consideration given or received. The difference between said value and the agreed amount is recorded according to the underlying economic substance.

(o) Cash flow statement

Cash flow statement has been prepared using the indirect method, and it uses the following expressions with the meaning indicated below:

- Operating activities: activities that constitute the ordinary income of the company, as well as other activities that cannot be classified as investment or financing.
- Investment activities: activities of acquisition, sale, or disposal by other means of long-term assets and other investments not included in cash and its equivalents.
- Financing activities: activities that produce changes in the size and composition of equity and liabilities that are not part of operating activities.

(See below)

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(5) Intangible fixed assets

The composition and movements in the headings included in Intangible fixed assets, except goodwill, have been the following:

	Euros			Total
	Research and development	Patents, licenses, trademarks, and similar items	Computer software	
2020				
Cost as of January 1, 2020	4.606.799	211.358	650.265	5.468.422
Additions	-	21.656	106.783	128.439
Internally generated registrations	1.163.603			1.163.603
Disposals	(1.505.805)	-	-	(1.505.805)
Cost as of December 31, 2020	4.264.597	233.014	757.048	5.254.659
Accumulated depreciation as of January 1, 2020	(1.439.529)	(29.131)	(354.131)	(1.822.791)
Depreciation	(736.026)	(21.546)	(122.489)	(880.061)
Disposals	1.095.642	-	-	1.095.642
Accumulated depreciation as of December 31, 2020	(1.079.913)	(50.677)	(476.620)	(1.607.210)
Net book value as of December 31, 2020	3.184.684	182.337	280.428	3.647.449
Euros				
	Research and development	Patents, licenses, trademarks, and similar items	Computer software	Total
2019				
Cost as of January 1, 2019	3.389.001	162.570	483.624	4.035.195
Additions	-	48.788	166.641	215.429
Internally generated registrations	1.217.798	-	-	1.217.798
Cost as of December 31, 2019	4.606.799	211.358	650.265	5.468.422
Accumulated depreciation as of January 1, 2019	(1.111.021)	(10.241)	(260.879)	(1.382.141)
Depreciation	(328.508)	(18.890)	(93.252)	(440.650)
Accumulated depreciation as of December 31, 2019	(1.439.529)	(29.131)	(354.131)	(1.822.791)
Net book value as of December 31, 2019	3.167.270	182.227	296.134	3.645.631

(See below)

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(a) Research and development

The capitalisation of Research and Development expenses is carried out through the heading "Work carried out by the company for its assets" in the profit and loss account. The Research and Development item is presented in the balance sheet at its cost value minus the amount of accumulated depreciation and impairment adjustments.

In 2020, an amount of 1.163.603 euros (1.217.798 euros during 2019) has been capitalised in projects mainly related to the development of biodegradable and compostable resins, and other biopolymers of renewable origin that can be processed using conventional extrusion lines.

Additionally, there are other ongoing projects in which the Company is working, relying on European programs (Eurostars) and cooperating internationally, to achieve solutions for plastic films with encapsulated active ingredients that generate a benefit to the natural environment.

The Company also participates in the 2018 National Business Research Consortiums (CIEN) strategic program of the Centre for Industrial Technological Development (CDTI) for a project based on the circular economy through Smart Society technologies. The subsidies associated with the Research and Development activity are shown in note 14.

The depreciation of Research and Development projects is carried out on a straight-line basis with an estimated useful life of two to five years. For Research expenses, the Company depreciates the project from the activation date and in the case of Development expenses, they are depreciated from the project completion date. Depreciation amounted to 736.026 euros as of December 31, 2020 (328.508 euros as of December 31, 2019).

Research and Development projects are periodically reviewed at the end of each financial year, and a two-year depreciation can be established for those projects that do not have an expected development or achievement.

Likewise, the Company assesses and determines the valuation corrections for impairment and the reversal of impairment losses. Once the valuation correction for impairment or its reversal has been recognised, the depreciations of the following years are adjusted considering the new book value.

If the Company has reasonable doubts about the technical success or the commercial economic profitability of the Research and Development projects in progress, the amounts recorded in the balance sheet are recognised directly in losses from intangible assets in the loss account, and earnings, not being reversible.

In the financial year 2020, several projects were permanently cancelled for a net amount of 410.163 euros, given that the Company has estimated uncertain success and its low economic-financial rate of return. These projects of various characteristics were mainly focused on specific developments for novel applications within the filler's product line. The Company continuously works on Research and Development aspects given its type of business.

(b) Computer software

The balance of "Computer software" mainly corresponds to the costs of implementation, development, and improvements of the corporate information system, as well as costs related to information technology infrastructures.

(See below)

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(c) Fully depreciated assets

The cost of intangible assets that are fully depreciated and that are still in use as of December 31, 2020 and December 31, 2019 is as follows:

	Euros	
	2020	2019
Patents, licenses, trademarks, and the like	3.608	7.009
Computer applications	205.263	186.447
Research and development	29.434	796.999
	238.305	990.455

(6) Tangible fixed assets

The composition and movements in the headings included in tangible fixed assets have been as follows:

2020	Euros					Total
	Buildings	Technical facilities and machinery	Other facilities, tools, and furniture	Fixed assets in progress and advances	Other fixed assets	
Cost as of January 1, 2020	331.239	34.335.618	5.192.688	258.000	458.865	40.576.410
Additions	-	1.676.788	463.917	45.093	13.106	2.198.904
Internally generated registrations	-	79.684	-	-	-	79.684
Disposals	-	-	-	(258.000)	-	(258.000)
Other movements	-	(109.425)	-	-	-	(109.425)
Cost as of December 31, 2020	331.239	35.982.665	5.656.605	45.093	471.971	42.487.573
Accumulated depreciation as of January 1, 2020	(123.198)	(16.755.466)	(2.156.615)	-	(434.316)	(19.469.595)
Depreciation	(12.652)	(1.413.905)	(273.422)	-	(15.914)	(1.715.893)
Other movements	-	(53.552)	-	-	-	(53.552)
Accumulated depreciation as of December 31, 2020	(135.850)	(18.222.923)	(2.430.037)	-	(450.230)	(21.239.040)
Net book value as of 31 December 31, 2020	195.389	17.759.742	3.226.568	45.093	21.741	21.248.533

Euros

(See below)

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2019	Buildings	Technical facilities and machinery	Other facilities, tools, and furniture	Fixed assets in progress and advances	Other fixed assets	Total
Cost as of January 1, 2019	331.239	30.330.976	4.631.193	398.804	443.576	36.135.788
Additions	-	3.194.671	561.495	258.000	15.289	4.029.455
Internally generated registrations	-	411.167	-	-	-	411.167
Transfers	-	398.804	-	(398.804)	-	-
Cost as of December 31, 2020	331.239	34.335.618	5.192.688	258.000	458.865	40.576.410
Accumulated depreciation as of January 1, 2019	(110.542)	(15.644.065)	(1.907.523)	-	(413.126)	(18.075.256)
Depreciation	(12.656)	(1.111.401)	(249.092)	-	(21.190)	(1.394.339)
Accumulated depreciation as of December 31, 2019	(123.198)	(16.755.466)	(2.156.615)	-	(434.316)	(19.469.595)
Net book value as of 31 December 31, 2019	208.041	17.580.152	3.036.073	258.000	24.549	21.106.815

(a) General

At the close of the financial year 2020, the most significant additions correspond to investments made in the heading of machinery for the production process, as well as investments made in technical facilities for the adaptation of new equipment. The Company has made advances amounting to 45.093 euros in 2020.

The other movements heading of the 2020 financial year table includes the corrections of misstatements mentioned in note 2 d.

At the end of the 2019 financial year, the most significant investments have been mainly in machinery, conditioning of fire-fighting facilities and other technical facilities associated with the new machinery. The Company made advances in the amount of 258.000 euros in 2019.

(b) Fully depreciated assets

The cost of the items tangible fixed assets that are fully depreciated and still in use as of December 31 is as follows:

	Euros	
	2020	2019
Buildings	18.796	18.796
Technical facilities and machinery	6.189.272	3.400.114
Other facilities, tools and furniture	603.257	618.310
Other fixed assets	423.310	386.248
	7.234.635	4.423.468

(See below)

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(c) Value impairment

There is no impairment in tangible fixed assets at the end of 2020 and 2019.

(d) Insurance

The Company has taken out various insurance policies to cover the risks to which the tangible fixed assets are subject. These policies more than cover the net book value of the Company's assets.

(e) Assets under finance lease

As of December 31, 2020, and 2019, the Company has contracted various financial leasing operations on its tangible fixed assets (see note 7 and note 16).

(7) Financial leases – As a lessee

The Company has the following classes of assets contracted under a financial lease:

	Euros	
	Machinery	Total
<i>Initially recognised by:</i>		
Fair value	3.390.263	3.390.263
Accumulated depreciation	(289.424)	(289.424)
Net book value as of December 31, 2020	3.100.839	3.100.839
<i>Initially recognised by:</i>		
Fair value	2.994.747	2.994.747
Accumulated depreciation	(317.489)	(317.489)
Net book value as of December 31, 2019	2.677.258	2.677.258

No contingent instalment for finance leases has been recognised as an expense in either the 2020 or 2019 financial years.

The reconciliation between the amount of the future minimum lease payments and their present value is as follows:

	Euros	
	2020	2019
Future minimum payments	2.123.832	903.306
Purchase option	123.411	48.514
Financial expenses not accrued	(168.975)	(53.799)
Current value	2.078.268	898.021

There is no impairment in the value of the assets contracted under a financial lease at the end of 2020 and 2019.

(See below)

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The breakdown of the minimum payments and present value of the financial lease liabilities by maturity terms is as follows:

	Euros			
	2020		2019	
	Minimum payments	Current value	Minimum payments	Current value
Until a year	675.254	605.797	521.467	490.698
Between one and five years	1.571.989	1.472.471	430.353	407.323
	2.247.243	2.078.268	951.820	898.021
Less current part	(675.254)	(605.797)	(521.467)	(490.698)
Total non-current payments	1.571.989	1.472.471	430.353	407.323

8) Operating leases – As a lessee

The description of the most relevant lease contracts is as follows:

- Leasing of a set of industrial buildings where the Company carries out its activity located in Palau Solità i Plegamans (Barcelona) with a total area of 10.602,72 m2. Said contract has a duration of fifteen years, being ten years of mandatory compliance, extendable until March 31, 2035.
- Leasing of an industrial and office building, located in Palau Solità i Plegamans (Barcelona), with a total area of 8.643 m2. Said lease contract has a duration of fifteen years, being ten years mandatory, extendable until September 20, 2034.

The amount of the operating lease instalments recognised as expenses is as follows:

	Euros	
	2020	2019
Minimum lease payments	1.322.504	1.088.363

The future minimum payments for non-cancellable operating leases, which mainly correspond to the leases of the industrial buildings located in Palau Solità i Plegamans (Barcelona), are the following:

	Euros	
	2020	2019
Until a year	969.281	955.029
Between one and five years	2.956.679	3.747.253
More than five years	-	124.125
	3.925.960	4.826.407

The future minimum payments for non-cancellable operating leases corresponding to the leases of industrial buildings were adjusted to the revision of prices to market value that was carried out the last time in financial year 2019.

(See below)

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(9) Risk policy and management

(a) Financial risk factors

The activities of the Company are exposed to various financial risks: market risk (including exchange rate risk, interest risk in fair value and price risk), credit risk, liquidity risk and interest rate risk in cash flows. The Company's global risk management program focuses on the uncertainty of the financial markets and tries to minimize the potential adverse effects on the Company's financial profitability.

The risk management policies of the Company are established to identify and analyse the risks faced by the Company, set appropriate risk limits and controls, and to control risks and compliance with limits. Risk management policies and procedures are regularly reviewed to reflect changes in market conditions and in the Company's activities. The Company, through its management rules and procedures, intends to develop a strict and constructive control environment in which all employees understand their functions and obligations.

The Audit Committee supervises the way in which management controls compliance with risk management policies and procedures and reviews whether the risk management policy is appropriate with respect to the risks faced by the Company.

The main risks faced by the Company are the following:

(i) Exchange rate

The Company operates at a global level and, therefore, is exposed to exchange rate risk due to foreign currency transactions.

The exchange rate risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the functional currency of the Company. The Treasury Department is responsible for managing the net position in each foreign currency.

Given the volatility that certain currencies may experience because of the global crisis, they have chosen to adopt certain policies to minimise exposure to the risk of these currencies. Foreign currency transactions have been minimal during the 2020 financial year.

(ii) Credit risk

Credit risk is the risk of financial loss if a customer or compensation of a financial instrument does not fulfil its contractual obligations and arises mainly from accounts receivable from customers and investments in debt instruments.

The Company has taken out credit policies to insure all the sales of products to customers with an adequate credit history and previously classified by the insurers. The coverage by credit policies is 90% both nationally and internationally, so the risk is almost completely covered.

Because of the COVID-19 pandemic, more exhaustive monitoring and control mechanisms have been established for decision-making when assuming risks related to the customer portfolio. The Company's Management together with the Risk Management Committee considers the factors that may influence the credit risk of its customer portfolio, including the risk of default associated with the industry and the country in which the customers operate, in addition to the individual characteristics of each customer when analysing the possibility of granting additional credit, extending payment terms, etc.

The Company does not have significant concentrations of credit risk.

Additionally, the Company has contracted non-recourse factoring products with certain financial entities, which considerably reduces credit risk.

(See below)

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(iii) Liquidity risk

The "liquidity risk" is the risk that the Company will find it difficult to meet the obligations associated with its financial liabilities that are settled through the delivery of cash or another financial asset. The objective of the Company when managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its liabilities at the time of maturity, without incurring defaults or risk of damage to the reputation of the Company.

The Company uses the available analytical information to calculate the cost of its products and services, which helps it to review its cash needs and optimise the performance of its investments.

The measures adopted by the Company to respond to possible future liquidity limitations derived from the COVID-19 pandemic have been the following (among others):

- Strengthen its liquidity position through access to financing under the protection of loans and working capital lines guaranteed by the Official Credit Institute (ICO). As a result, 8.075,000 euros have been obtained through these operations with the different banking entities with which the Company operates.
- Deficiencies in their first year of repayment in most loans.
- Request extension of deficiencies and payment terms.
- Early repayment of debt and improvement of associated financial expenses (see note 16)

In addition, the Company has unused credit lines as of December 31, 2020 for an amount of 8.684.896 euros that include foreign trade lines, national discount, confirming and credit policies (see note 16)

The classification of financial liabilities by category is shown in Appendix II. Likewise, the classification of financial liabilities by maturity is shown in Appendix III.

(iv) Interest rate risk on cash flows and fair value

As the Company does not have significant remunerated assets, the income and cash flows from the Company's operating activities are for the most part independent of changes in market interest rates. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Fixed rate loans expose it to fair value interest rate risks. Most of the debt contracted by the Company has a fixed interest rate (see detail in note 16).

(See below)

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(10) Financial assets by categories

(a) Classification of financial assets by categories

The classification of financial assets by categories and classes is as follows:

	Euros			
	Non-current		Current	
	Book value	Total	Book value	Total
2020				
<i>Assets held for trading</i>				
Equity instruments				
Listed	-	-	14.701	14.701
Total	-	-	14.701	14.701
<i>Loans and receivables</i>				
Credits to third parties	50.000	50.000	-	-
Deposits and bonds	97.515	97.515	-	-
Other financial assets	-	-	595.575	595.575
Customers for sales and provision of services	-	-	1.455.510	1.455.510
Other receivables	-	-	27.550	27.550
Total	147.515	147.515	2.078.635	2.078.635
Total financial assets	147.515	147.515	2.093.336	2.093.336

(See below)

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	Euros			
	Non-current		Current	
	Book value	Total	Book value	Total
2019				
<i>Assets held for trading</i>				
Equity instruments				
Listed	-	-	34.938	34.938
Total	-	-	34.938	34.938
<i>Loans and receivable</i>				
Credits to third parties				
Fixed rate	50.000	50.000	-	-
Deposits and bonds	97.515	97.515	-	-
Other financial assets	-	-	366.419	366.419
Customers for sales and provision of services	-	-	3.321.299	3.321.299
Other receivables	-	-	12.469	12.469
Total	147.515	147.515	3.700.187	3.700.187
Total financial assets	147.515	147.515	3.735.125	3.735.125

The fair value of financial assets does not differ significantly from their book value.

(11) Financial investments and trade debtors

(a) Financial investments

: The breakdown of financial investments is as follows:

	Euros			
	2020		2019	
	Non-current	Current	Non-current	Current
Equity instruments	-	14.701	-	34.938
Credits to third parties	50.000	-	50.000	-
Deposits and bonds	97.515	-	97.515	-
Other financial assets	-	595.575	-	366.419
Total	147.515	610.276	147.515	401.357

The Company has long-term guarantees established mainly related to the lease contracts of the facilities where it carries out its activity (see note 8). In the heading of other short-term financial assets there is part of the factored credits whose maturity is less than 90 days.

(See below)

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(b) Trade debtors and other receivables

The breakdown of this heading is as follows:

		Euros	
		2020	2019
		Current	Current
<i>Related parties</i>			
Customers (note 20)		231.686	157.704
<i>Not related</i>			
Customers		1.223.824	3.163.595
Personnel		27.550	12.469
Public Institutions for			
Corporation Tax (note 18)		43.209	50.700
Other credits with Public			
Institutions (note 18)		1.189.311	946.432
Total		2.715.580	4.330.900

(c) Classification by maturity

The classification of financial assets by maturity is shown in Appendix I.

(12) Stocks

(a) General

The breakdown of this heading is as follows:

		Euros	
		2020	2019
Raw materials and other supplies		2.562.527	2.095.788
Finished products		4.835.672	4.965.191
Advances		-	12.000
		7.398.199	7.072.979

(b) Insurance

The Company has contracted several insurance policies with sufficient coverage to cover the risks associated with stocks.

As of December 31, 2020, and December 31, 2019, there is no impairment in stocks.

(See below)

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(13) Shareholders' funds

The composition and movement of equity are presented in the statement of changes in equity.

(a) Share capital

On April 4, 2019, at the Extraordinary and Universal General Shareholders' Meeting, the share capital reduction was approved by 10.131,50 euros, by reducing the nominal value of each of the 202.630 social shares by 0,50 euros per share. Therefore, the share capital is set at 6.078.900 euros at a rate of 30,00 euros per value share.

Once the previous capital reduction was approved, on the same date it was agreed to approve an operation to reduce the nominal value of the Company's shares from 1 to 50 so that the nominal value of each of the shares went from 30,00 euros at a new nominal value of 0,60 euros per share.

As a result of this agreement, the share capital was established at 10.131.500 shares with a par value of 0,60 euros each, numbered consecutively from 1 to 10.131.500, both inclusive.

On July 24, 2019, the Extraordinary General Universal Meeting agreed to increase the share capital of the Company in the amount of 4.999.774 euros, 1.214.520 euros corresponding to share capital and 3.785.254 to share premium, through the creation of 2.024.200 new shares in the Company, each with a par value of 0,60 euros, belonging to a single class and series, which were fully subscribed and paid up. The subscription price for each new share was 2,47 euros.

As a result of this latest capital increase as of December 31, 2020, the Company's share capital was established in 7.293.420 euros corresponding to 12.155.700 shares with a par value of 0,60 euros each and which were numbered consecutively from 1 to 12.155.700.

On August 12, 2019, the Company listed all its shares listed on BME Growth, a Spanish stock market aimed at expanding SMEs.

The companies that participate directly or indirectly in the share capital of the Company in a percentage equal to or greater than 10% are the following (percentages calculated without considering treasury stock):

Company	2020	2019
	Share percentage	Share percentage
CCP Masterbatch, S.L.	42,44%	47,91%
CCI, S.P.R.L.	20,81%	18,65%
	63,25%	66,56%

The Capital Companies Act expressly allows the use of the share premium balance to increase capital and does not establish any specific restriction regarding the availability of said balance, except as detailed in note 3 to these annual accounts.

(c) Reserves

(i) Legal reserve

The legal reserve has been allocated in accordance with article 274 of the Consolidated Text of the Capital Companies Act, which establishes that, in any case, a figure equal to 10% of the profit for the year will be allocated to it until it reaches, at least 20% of the capital stock.

(See below)

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It cannot be distributed and if it is used to offset losses, if there are not enough other reserves available for this purpose, it must be replaced with future benefits.

As of December 31, 2020, and 2019, the Company has not set up this reserve with the minimum limit established in the Consolidated Text of the Capital Companies Act.

(ii) Treasury shares

As of December 31, 2020, the Company has 126,694 treasury shares on deposit in the liquidity account for a value of 323.833 euros.

During the financial year 2020, purchase and sale operations of 177.253 and 145.087 euros respectively have been carried out. During this period, the Company has not started any special transaction for the acquisition or sale of treasury shares. During the year 2019, purchase and sale operations of 322.800 and 31.133 euros respectively were carried out.

The movement in the treasury stock portfolio during the 2020 financial year is as follows:

	Number	Euros	
		Nominal value	Acquisition value
Balance at 31.12.2019	118.042	70.825	291.667
Acquisitions	65.866	39.519	177.253
Disposals	(57.214)	(34.328)	(145.087)
Balance at 31.12.2020	126.694	76.016	323.833

As a result of the disposals carried out during the 2020 financial year, a credit has been recognised in reserves amounting to 12.028 euros (2.177 euros in 2019).

(iii) Voluntary reserves

Voluntary reserves are freely available. However, they are subject to the limitations detailed in note 3 of these explanatory notes.

During financial year 2019, the costs, net of their tax effect, related to the capital increase operation (see note 13, section a) for the incorporation into the Alternative Stock Market (MAB), Expanding Companies segment, were charged to Reserves amounting to 356.452 euros, an amount that was presented in the Statement of Cash Flows reducing the amount of Capital Increase and issue premium, as this is considered a cash flow derived from financing activities. The rest of the costs associated with this operation were recognised directly in the profit and loss account, as well as other costs derived from the debt operation (see note 16, section a). All these costs amounted to 419.941 euros and were found under the heading of "Other operating expenses" included in the external services line of the profit and loss account.

(See below)

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(14) Grants

The movement of non-refundable subsidies received is as follows:

	Euros	
	2020	2019
Initial balance	245.652	61.438
Grants awarded in the year	42.771	184.214
Transfers to the profit and loss account	(21.286)	-
Final balance	267.137	245.652

The breakdown of the amounts recognised in the profit and loss account by type of grant is as follows:

Euros	
2020	2019
28.382	-

(15) Financial liabilities by categories

(a) Classification of financial liabilities by categories

The classification of financial liabilities by categories and classes is shown in Appendix II.

The fair value of financial liabilities does not differ significantly from their book value.

(16) Financial debts and other trade creditors

(a) Debts

The breakdown is as follows:

	Euros			
	2020		2019	
	Non-current	Current	Non-current	Current
<i>Not related</i>				
Debts to financial institutions	7.448.422	1.714.229	3.287.369	3.624.443
Creditors for financial leasing	1.472.471	605.797	407.323	490.698
Other financial liabilities	4.255.952	46.038	5.132.363	-
Total	13.176.845	2.366.064	8.827.055	4.115.141

(See below)

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The heading for long-term and short-term debts with financial institutions includes a syndicated loan formalised by the Company on March 7, 2019 for an amount of 10.000.000 euros, distributed in two tranches: the first for an amount of 4.000.000 euros, instrumented as a loan with a seven-year final maturity and gradual quarterly repayments with a six-month grace period. The second, for 6.000.000 euros, a credit line committed for three years, plus the possibility of two additional annual extensions available through short-term provisions. Said syndicated financing is associated with compliance with certain financial ratios at the end of the year (debt service leverage and the maximum CAPEX to be invested, considering for the latter, the non-existence of investment limitation in CAPEX for an eventual capital injection or financing granted by shareholders). Additionally, the possibility of distributing dividends is linked to compliance with financial ratios and may not exceed 50% of the net profit for the year against which said distribution is made. Compliance with said financial ratios will be annual. The outstanding balance as of December 31 is 3.293.520 euros.

Additionally, there is a waiver authorised by the syndicate, equating the leverage ratio for the close of the year 2020 to that stipulated in the contract of Alteralia, S.C.A. As of December 31, 2020, and December 31, 2019, the Company has met all the ratios contemplated in this contract.

Additionally, within this heading of debts with financial institutions are the loans formalised during the 2020 financial year with the support of the ICO COVID-19 Guarantee program, which amount to 5.025.000 euros as of December 31, 2020, have a maturity of five years and an average rate of 1,92%. Said loans have been obtained with a grace period of one year.

The other financial liabilities heading includes the debt granted by Alteralia, SCA, SICAR, formalised on December 20, 2018, for an amount of 5.000.000 euros, maturing on December 20, 2025. Ordinary depreciation will be full upon maturity. Said loan is referenced to Euribor plus a margin that will oscillate between 6% -7% depending on the leverage ratio. During the duration of the contract, the possibility of distributing dividends is linked to the fulfilment of a level of leverage. Additionally, the financing contract is associated with compliance with the leverage ratio, debt service and the maximum CAPEX to be invested, considering for the latter, the non-existence of investment limitation in CAPEX for an eventual capital injection or financing granted by Shareholders. Compliance with said financial ratios will be biannual and annual.

To comply with the ratios as of December 31, 2020, a waiver of the maximum CAPEX ratio to be invested has been requested, being authorised by Alteralia, S.C.A., at a maximum of 2.700.000 euros instead of 1,500.000 euros.

As of December 31, 2020, and December 31, 2019, the Company complies with all the ratios linked to the financing granted by Alteralia, S.C.A., SICAR.

Additionally, during the financial year 2020, an early cancellation for 1.000.000 euros has been carried out, leaving the amount of 4.000.000 euros pending, which expires on December 20, 2025.

In compliance with the contract, there is machinery owned by the Company that is mortgaged, and it must remain so throughout the duration of the financing up to an amount of 10.000.000 euros. The net book value as of December 31, 2020 of these assets is 3.252.887 euros (3.592.907 euros as of December 31, 2019).

Additionally, the heading of other financial liabilities includes loans granted by the Centre for Technological Development (CDTI) associated with Research and Development projects (see note 5) for an amount of 461.051 euros (323.263 euros as of 31 December 2019).

Creditors for finance leases correspond to long-term financing operations related to the investment of tangible fixed assets, mainly machinery (see note 7). During the financial year 2020 and under the protection of ICO Guarantees COVID-19, a new financial lease has been formalised whose amount pending at year-end amounts to 1.618.341 euros and whose expiration is June 26, 2025.

(See below)

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(b) Other information on debts

(i) Main characteristics of debts

The Company has the following credit policies, as well as working capital lines as of December 31

	Euros			
	2020		2019	
	Arranged	Limit	Arranged	Limit
Credit policy	509.642	820.000	-	220.000
Discount lines				
National discount	5.980	2.044.833	648.248	2.125.000
Export / Import Advances	83.182	5.818.867	2.547.844	5.825.000
Confirming	-	600.000	-	300.000
	598.804	9.283.700	3.196.092	8.470.000

As of December 31, 2020, the amount disposed corresponds to the use of the different discount lines, invoice advances, confirming, import and export advances, the amount of which amounts to 598.804 euros, which is included under the heading of short-term debts with financial institutions. As of December 31, 2019, the amount amounted to 3.196.092 euros.

(c) Trade creditors and other accounts payable

The breakdown of trade creditors and other accounts payable is as follows:

	Euros	
	2020	2019
	Current	Non-current
<i>Related</i>		
Suppliers (note 20)	702.340	861.647
<i>Not related</i>		
Suppliers	4.964.661	4.766.557
Creditors	2.966.873	2.091.962
Personnel	252.174	137.628
Other debts with Public Institutions (note 18)	153.801	302.396
Advances	38.403	30.192
Total	9.078.252	8.190.382

(d) Classification by maturity

The classification of financial liabilities by maturity is shown in Appendix III.

The fair value of financial liabilities does not differ significantly from their book value.

(See below)

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(17) Information on the average period of payment to suppliers. Third additional provision. "Duty of information" of Act 15/2010, of July 5

The average number of days of payment to suppliers for the year 2020 ended on December 31, 2020 is 72 days (68 days for the year ended December 31, 2019). To obtain said average, the resulting amount is divided by weight the number of days elapsed between the payment date and the issue date of each invoice with the amount of each one of the invoices, among the total of invoices.

During 2020, payments have been made for 39.074.607 euros (32.044.869 euros for the year ended December 31, 2019). During the 2020 financial year, the ratio of paid operations amounted to 81 days and the ratio of operations pending payment amounted to 34 (72 days and 34 days respectively in the year ended December 31, 2019). The total outstanding payments as of December 31, 2020 amounts to 8.907.696 euros (7.429.139 euros as of December 31, 2019).

(18) Tax situation

The breakdown of the balances with Public Institutions is as follows:

	Euros			
	2020		2019	
	Non-current	Current	Non-current	Current
Assets				
Deferred tax assets	580.405	-	258.524	-
Current tax assets	-	0	-	50.700
Value added tax and similar costs	-	1.189.311	-	946.432
	580.405	1.189.311	258.524	997.132
Liabilities				
Deferred tax liabilities	149.635	-	153.802	-
Value added and similar costs	-	-	-	147.389
Social Security	-	75.668	-	77.378
Withholdings	-	78.133	-	77.629
	185.422	153.801	153.802	302.396

The Company has open to inspection those taxes that are applicable during the period of four years until their prescription as stipulated by current tax legislation.

(a) Income tax

The Corporation Tax is calculated from the accounting result, which does not necessarily have to coincide with the tax result, understood as the taxable base of the tax.

The reconciliation between the net amount of income and expenses for the year and the tax base is detailed in Appendix IV.

The relationship between the income tax expense / (income) and the profit / (loss) for the year is detailed in Appendix V.

(See below)

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The breakdown of the income tax expense / (income) in the profit and loss account is as follows:

		Euros	
		2020	2019
Current tax			
For the year		-	87.654
		-	87.654
Deferred taxes			
Origin and reversal of temporary differences			
Tangible fixed assets		(24.418)	(16.030)
Activation of tax credits		361.639	-
		337.221	71.624

The breakdown of deferred tax assets and liabilities by types of assets and liabilities is as follows:

		Euros			
		Assets		Liabilities	
		2020	2019	2020	2019
Tangible fixed assets		150.413	165.457	60.621	75.961
Grants		-	-	85.004	77.115
Results of shares in own equity operations		-	-	4.010	726
Credits for losses to compensate		385.945	49.019	-	-
Rights for deductions and discounts		44.048	44.048	-	-
Total assets / liabilities		580.405	258.524	149.635	153.802

The Company has deductions (not capitalized) whose amounts and reversal terms are as follows:

Year	Euros		Last year
	2020	2019	
2006	2.186	2.186	2024
2007	3.249	3.249	2022
2008	1.088	1.088	2023
2009	84	84	2024
2010	4.310	4.310	2025
2011	307	307	2026
2012	8.609	8.609	2026
2013	2.303	2.303	2027
2014	9.792	9.792	2032
2015	23.717	21.843	2032
2016	107.933	106.603	2033
2017	155.607	155.607	2035
2018	188.137	188.137	2036
2019	354.467	4.879	2037
	861.789	508.997	

(See below)

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Additionally, the Company has capitalised deductions corresponding to the reversal of temporary measures (DT 37.1 of the Corporate Tax Act) for an amount of 44.048 euros in 2020 and 2019.

The breakdown of the negative tax bases accredited by the Company as of December 31, 2020 and 2019 are as follows:

Year	Euros	
	2020	2019
2015	71.438	71.438
2019	25.783	25.783
2020	1.171.458	-
	1.268.679	97.221

As established in accounting policies, the Company only recognises deferred tax assets on the balance sheet, if they are recoverable within a reasonable period, also considering the legally established limitations for their application. Specifically, the requirements of the applicable financial reporting regulatory framework to recognise a tax credit are as follows:

- It will be probable that the Company will obtain future taxable profits sufficient to be able to apply said tax credits.
- The obtaining of sufficient future taxable profits is not considered probable when:
 - o It is expected that its future recovery will take place in a period of more than ten years from the closing date of the year, regardless of the nature of the tax credit.
 - o It is not probable that the requirements demanded by the tax regulation for their recovery will be met when it is estimated that they can be recovered.

To verify the recoverability of tax credits pending offset, the Company makes a business plan on which the necessary adjustments are made to determine future tax earnings with which to offset said tax credits. In addition, the Company considers the limitations to the compensation of taxable bases established by the jurisdiction. The Company also assesses the existence of deferred tax liabilities with which to offset these tax losses in the future. In preparing the projections in the business plans, the Company considers the financial and macroeconomic circumstances appropriate to the entity's own operating environment. Parameters such as expected growth, use of installed production capacity, prices, etc., are projected considering forecasts, as well as historical data and the objectives set by Management.

The Company's Management estimates that the impact of the pandemic on these estimates has not meant that any tax credit activated in previous years must be cancelled. Additionally, it has proceeded to the activation of a new tax credit for the negative tax bases for financial year 2020, as shown in the previous detail.

(19) Environmental information

Given the activity in which the Company is engaged, it has no liabilities, expenses, assets, provisions, and contingencies of an environmental nature that could be significant in relation to equity, financial situation, and results thereof. For this reason, no specific breakdowns are included in these explanatory notes regarding information on environmental issues.

There are currently no contingencies of an environmental nature that the Company may incur, being, if any, covered by a specific environmental liability insurance, which, among other contingencies, covers those arising from this fact.

(See below)

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(20) Balances and transactions with related parties

(a) Balances with related parties

The breakdown of balances by category is as follows:

	Euros	
	Other related parties	Total
2020		
Trade debtors and other receivables Customers of group companies and other parties related to c / p (note 11)	231.686	200.846
Total current assets	231.686	200.846
Total assets	231.868	200.846
Trade creditors and other accounts payable Suppliers of group companies and other related parties (Note 16)	702.340	702.340
Total current liabilities	702.340	702.340
Total liabilities	702.340	702.340
	Euros	
	Other related parties	Total
2019		
Trade debtors and other receivables Customers of group companies and other parties related to c / p (note 11)	157.704	157.704
Total current assets	157.704	157.704
Total assets	157.704	157.704
Trade creditors and other accounts payable Suppliers of group companies and other related parties (Note 16)	861.647	861.647
Total current liabilities	861.647	861.647
Total liabilities	861.647	861.647

(See below)

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(b) Transactions with related parties

The amounts of the Company's transactions with related parties are as follows:

	Euros	
	Other related parties	
2020	Directors	Total
Income		
Net sales		
Sales	- 914.991	632.732
Total income	- 914.991	632.732
Expenses		
Net purchases		
Purchases	- (3.994.701)	(3.964.651)
Expenses for operating leases	- (969.281)	(969.281)
Other services received	- (120.000)	(120.000)
Total expenses	- (5.053.932)	(5.053.932)
	Euros	
	Other related parties	
2019	Directors	Total
Income		
Net sales		
Sales	- 2.293.757	2.293.757
Total income	- 2.293.757	2.293.757
Expenses		
Net purchases		
Purchases	- (4.430.080)	(4.430.080)
Expenses for operating leases	- (955.029)	(955.029)
Other services received	(122.700) -	(122.700)
Total expenses	(122.700) (5.385.109)	(5.507.809)

As of December 31, 2020, and 2019, for the purposes of this information, other related parties are considered:

- Melnik S.L.
- Advance Color Systems S.L.
- Ferlevel S.L.
- Sotal Premium S.L.
- CCP Masterbatch, S.L
- Corporation Chimique International, S.P.R.L

(See below)

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(c) Information related to the Directors and Senior Management of the Company

The remuneration for the members of the Board of Directors during the financial year 2020 amounts to a total amount of 110.608 euros for membership of the same (95.000 euros in financial year 2019).

The total remuneration accrued as of December 31, 2020 by the Company's Senior Management, who in turn are members of the Board of Directors, amounts to 117.536 euros in terms of salaries and remuneration to the board (134.180 euros in the financial year 2019).

During financial years 2020 and 2019, the Company's Directors have not granted advances or credits nor have any obligations been assumed on their behalf as collateral. The Company has obligations in terms of pensions and life insurance with respect to current Directors of the Company for an amount of 4.292 euros in 2020 (3.958 euros in 2019)

In financial year 2020, the Company has made payment of premiums for civil liability insurance for damages caused by acts or omissions in the exercise of the position for 8.575 euros (7.796 euros in financial year 2019), being effective as of December 31, 2020.

(d) Transactions unrelated to ordinary traffic or under different market conditions carried out by the Directors and by the Senior Management of the Company.

During the financial years 2020 and 2019, the Directors and Senior Management have not carried out operations other than ordinary traffic or under conditions other than those of the market.

(e) Situations of conflict of interest of the Directors

The Directors of the Company and the persons related to them have not incurred in any situation of conflict of interest that has had to be communicated in accordance with the provisions of art. 229 of the Consolidated Text of the Capital Companies Act.

(21) Income and expenses

(a) Net turnover

During the health crisis of COVID-19 suffered in financial year 2020, the activity of the Company was not paralysed by the declaration of the State of Alarm established by RDL 463/2020, of March 14, 2020, nor in its subsequent revisions.

Consequently, the Company's productive activity has remained operational, and it has continued to supply products to manufacturers of essential products. Notwithstanding this, because of the health crisis caused by COVID-19, the volume of sales to customers who carry out non-essential activities has been affected because of the stoppage of the activity derived from the state of alarm and the non-total recovery of economic activity.

This decrease in volume has meant that the activity of the Company was reduced by 5,52%. Therefore, the Company has been affected in a general way in its evolution and in a particular way in terms of its results.

The detail of the net amount of turnover by categories of activities and geographic markets is shown in Appendix VI.

Due to the incoterm used by the Company in its international trade, a regularisation of its sales for 46.000 euros is deduced, considering that these sales should not be attributed to the year 2020 because the total transfer of risks and obligations between the seller and buyer is not recognised. In the same way, the sales of the previous year that would be attributable to the year 2020 amount to 37.070 euros. The Company considers the impact immaterial and has not been reflected in these annual accounts.

(See below)

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(b) Supplies

The breakdown of the consumption of raw materials and other supplies is as follows:

	Euros	
	2020	2019
Consumption of raw materials and others		
Purchases	30.960.653	32.607.161
Discounts and returns for purchases	(39.816)	(28.285)
Variation of stocks	(466.739)	(8.741)
	30.454.098	32.570.135

(c) Social charges

The breakdown of social charges and provisions is as follows:

	Euros	
	2020	2019
Social charges		
Social Security in charge of the company	799.685	859.040
Other social expenses	31.382	8.937
	831.067	867.977

The Company reached, on April 15, 2020, a unanimous agreement with the representatives of the Company's workers to present a File of Temporary Employment Regulation for productive, organisational, and technical reasons under Royal Decree-Act 8 / 2020, of March 17, of extraordinary urgent measures to face the economic and social impact of COVID-19 with a maximum duration of until December 31, 2020.

With the aim of having wide degrees of flexibility in the face of uncertainty in 2020, the agreement with the representatives of the Company's workers included different scenarios and degrees of impact for a total of 76 workers depending on the evolution of the impact of the COVID-19 health crisis. Finally, the average impact of this mechanism has been 12%, its application was for five and a half months, so its average annual impact has been 5.5% of the wage bill.

(22) Information on personnel

The average number of employees of the Company during the years 2020 and 2019, broken down by category, is as follows:

	Number of employees	
	2020	2019
Senior Management	1	1
Technical personnel and middle Managers	14	19
Commercial personnel	8	8
Administrative personnel and other personnel	54	51
	78	79

(See below)

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The distribution by gender at the end of June 30, 2020 and December 31, 2019, of the personnel and the Directors is as follows:

	Number of employees			
	2020		2019	
	Female	Male	Female	Male
Senior Management	2	7	2	7
Technical personnel and middle managers	3	10	4	11
Commercial, sellers and similar personnel	2	6	2	5
Administrative personnel and other personnel	10	46	9	46
	17	70	17	68

As of December 31, 2020, and December 31, 2019, there are no hired personnel with disabilities equal to or greater than 33%.

(23) Audit fees

The fees corresponding to the services provided by the auditing company (Grant Thornton and KPMG Auditores, S.L., respectively) during financial years 2020 and 2019, regardless of their billing, are the following:

	Euros	
	2020	2019
For audit services	24.000	38.500
For other accounting verification services	14.600	56.700
	38.600	95.200

Other accounting verification services correspond to the fees related to the limited review of Interim financial statements for the period ended June 30, 2020, translation services, as well as Reports of agreed upon procedures on compliance with covenants provided by Grant Thornton, and to the fees related to the limited review of interim financial statements in 2019, as well as Reports on agreed upon procedures on compliance with covenants, Comfort Letters in relation to the issuance of securities for listing on BME Growth, provided by KPMG Auditores, S.L., during financial year 2019.

(24) Subsequent events

At the date of preparation of these annual accounts, there are no events after the close of 2020 that reveal circumstances that already existed on that date and that, by application of the recording and valuation standard, would have led to the inclusion of an adjustment in figures contained in the documents that make up these annual accounts, or that affect the application of the going concern principle.

(See below)

PLÁSTICOS COMPUESTOS, S.A.
Classification of financial assets by maturity
for financial year ended December 31, 2020

	Euros			
	2020	Subsequent years	Less current part	Total non-current
2020				
Financial investments				
Financial assets held for trading				
Deposits and bonds	14.701	-	(14.701)	-
Other financial assets	-	97.515	-	97.515
Credits to third parties	595.575	-	(595.575)	-
	-	50.000	-	50.000
Trade debtors and other receivables				
Customers for sales and provision of services	1.223.824	-	(1.223.824)	-
Customers of the group and related companies	231.686	-	(231.846)	-
Personnel	27.550	-	(27.550)	-
Total	2.093.336	147.515	(2.093.336)	147.515

This appendix forms an integral part of note 11 of the explanatory notes to the annual accounts, along with which it should be read.

PLÁSTICOS COMPUESTOS, S.A.
Classification of financial assets by maturity
for financial year ended December 31, 2019

	Euros			
	2020	Subsequent years	Less current part	Total non-current
2019				
Financial investments				
Financial assets held for trading				
Deposits and bonds	34.938	-	(34.938)	-
Other financial assets	-	97.515	-	97.515
Credits to third parties	366.419	-	(366.419)	-
	-	50.000	-	50.000
Commercial debtors and other receivables				
Customers for sales and provision of services	3.163.595	-	(3.116.851)	46.744
Customers, group companies and associates	157.704	-	(204.448)	(46.744)
Personnel	12.469	-	(12.469)	-
Total	3.735.125	147.515	(3.735.125)	147.515

PLÁSTICOS COMPUESTOS, S.A.

Breakdown of Financial Liabilities by Category
for financial year ended December 31, 2020

2020	Euros			
	Non-current		Current	
	Book value	Total	Book value	Total
<i>Debts and payables</i>				
Debts				
To financial institutions	7.448.422	7.448.422	1.714.229	1.714.229
Creditors for financial leasing				
Other financial liabilities	1.472.471	1.472.471	605.797	605.797
Trade creditors and other accounts payable	4.255.952	4.255.952	46.038	46.038
Suppliers	-	-	5.667.001	5.667.001
Other accounts payable	-	-	3.257.450	3.257.450
Total financial liabilities	13.176.845	13.176.845	11.290.515	11.290.515

This appendix forms an integral part of note 15 of the explanatory notes to the annual accounts, along with which it should be read.

PLÁSTICOS COMPUESTOS, S.A.
Breakdown of Financial Liabilities by Category
for financial year ended December 31, 2019

	Euros			
	Non-current		Current	
	At depreciated cost or cost		At depreciated cost or cost	
	Book value	Total	Book value	Total
2019				
<i>Debits and payables</i>				
Debits				
To financial institutions	3.287.369	3.287.369	3.624.443	3.624.443
Creditors for financial leasing	407.323	407.323	490.698	490.698
Other financial liabilities	5.132.363	5.132.363	-	-
Trade creditors and other accounts payable				
Suppliers	-	-	5.628.204	5.628.204
Other accounts payable	-	-	2.259.782	2.259.782
Total financial liabilities	8.827.055	8.827.055	12.003.127	12.003.127

This appendix forms an integral part of note 15 of the explanatory notes to the annual accounts, along with which it should be read.

PLÁSTICOS COMPUESTOS, S.A.
Classification of financial liabilities by maturity
for financial year ended December 31, 2020

	Euros							
	2020							
	2021	2022	2023	2024	2025	Subsequent years	Less current part	Total non-current
Debts								
Debts to financial institutions	1.714.229	1.800.702	1.931.979	2.035.212	1.495.809	184.720	(1.714.229)	7.448.422
Creditors for financial leasing	605.797	488.696	413.472	375.992	194.311	-	(605.797)	1.472.471
Other financial liabilities	46.038	46.038	46.038	60.374	3.901.312	202.190	(46.038)	4.255.952
Trade creditors and other accounts payable								
Suppliers	5.667.001	-	-	-	-	-	(5.667.001)	-
Sundry creditors	2.966.873	-	-	-	-	-	(2.966.873)	-
Personnel	252.174	-	-	-	-	-	(252.174)	-
Advances from customers	38.403	-	-	-	-	-	(38.403)	-
Total financial liabilities	11.290.515	2.335.436	2.391.489	2.471.578	5.591.432	386.910	(11.290.515)	13.176.845

This appendix forms an integral part of note 16 of the explanatory notes to the annual accounts, along with which it should be read.

PLÁSTICOS COMPUESTOS, S.A.
Classification of financial liabilities by maturity
for financial year ended December 31, 2019

	Euros							
	2019							
	2020	2021	2022	2023	2024	Subsequent years	Less current part	Total non-current
Debts								
Debts to financial institutions	3.624.443	432.614	584.965	640.152	708.522	921.116	(3.624.443)	3.287.369
Creditors for financial leasing	490.698	239.061	121.652	46.610	-	-	(490.698)	407.323
Other financial liabilities	-	21.162	21.162	21.162	21.162	5.047.715	-	5.132.363
Trade creditors and other accounts payable								
Suppliers	5.628.204	-	-	-	-	-	(5.628.204)	-
Sundry creditors	2.091.962	-	-	-	-	-	(2.091.962)	-
Personnel	137.628	-	-	-	-	-	(137.628)	-
Advances from customers	30.192	-	-	-	-	-	(30.192)	-
Total financial liabilities	12.003.127	692.837	727.779	707.924	729.684	5.968.831	(12.003.127)	8.827.055

This appendix forms an integral part of note 16 of the explanatory notes to the annual accounts, along with which it should be read.

PLÁSTICOS COMPUESTOS, S.A.
Reconciliation between the net income and expenses for the year and the tax base
for financial year ended December 31, 2020

31/12/2020	Profit and loss account			Recognised income and expenses			Reserves		Total
	Increases	Decreases	Net	Increases	Decreases	Net	Increases	Decreases	
Balance of income and expenses for the year			(1.278.552)			21.485			(1.257.067)
Corporate tax			337.221			7.161			344.382
Profits / (Losses) before taxes			(1.615.773)			28.646			(1.587.127)
Permanent differences									
Of the Company individually	410.692	9.477	401.215				134.331	(134.331)	266.884
Temporary differences:									
Of the Company individually									
Originated in previous years	161.232	258.900	(97.668)		28.646	(28.646)			(126.314)
Tax base (Tax result)									(1.446.557)

This appendix forms an integral part of note 18 of the explanatory notes to the annual accounts, along with which it should be read.

PLÁSTICOS COMPUESTOS, S.A.
Reconciliation between the net income and expenses for the year and the tax base
for financial year ended December 31, 2019

Euros									
2019	Profit and loss account			Recognised income and expenses			Reserves		Total
	Increases	Decreases	Net	Increases	Decreases	Net	Increases	Decreases	
Balance of income and expenses for the year			212.576			184.214		(356.452)	40.338
Corporate tax			71.624			61.438		(118.817)	14.245
Profits / (losses) before taxes									
Permanent differences			284.200			245.652		(475.269)	54.583
Of the Company individually	2.301	-	2.301	-	-	-	-	-	2.301
Temporary differences:									
Of the Company individually									
Originated in previous years	174.660	110.546	64.114	-	245.652	(245.652)	-	-	(181.538)
Tax base (Tax result)			350.615			-		(475.269)	(124.654)

This appendix forms an integral part of note 18 of the explanatory notes to the annual accounts, along with which it should be read.

PLÁSTICOS COMPUESTOS, S.A.
Expense / (income) ratio for income tax and profit / (loss)
for financial year ended December 31, 2020

	Euros		
	Profit and loss account	Recognised income and expenses	Total
Balance of income and expenses before taxes for the period	(1.615.773)	28.646	(1.587.127)
25% tax	(403.943)	7.161	(396.782)
Permanent differences	66.589		66.589
Non-deductible expenses	133	-	133
Expense / (income) for income tax Of continuing operations	(337.221)	7.161	(330.060)

This appendix forms an integral part of note 18 of the explanatory notes to the annual accounts, along with which it should be read.

PLÁSTICOS COMPUESTOS, S.A.
Expense / (income) ratio for income tax and profit / (loss)
for financial year ended December 31, 2019

	Euros			
	Profit and loss account	Recognised income and expenses	Reserves	Total
Balance of income and expenses before taxes for the period	284.200	245.652	(475.269)	54.583
25% tax	71.050	61.413	(118.817)	13.646
Permanent differences				
Non-deductible expenses	575	-	-	575
Expense / (Income) for income tax Of continuing operations	71.625	61.413	(356.452)	(223.414)

This appendix forms an integral part of note 18 of the explanatory notes to the annual accounts, along with which it should be read.

PLÁSTICOS COMPUESTOS, S.A.
Detail of the net turnover by activities and geographic markets
for the six-month periods ended December 31, 2020 and 2019
(Expressed in euros)

	National		Rest of EU		Rest of the World		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Income from sale of goods	16.528,673	19.013,410	23.324,735	24.798,433	3.850,634	2.427,212	43.704,042	46.239,055
	16.528,673	19.013,410	23.324,735	24.798,433	3.850,634	2.427,212	43.704,042	46.239,055

PLÁSTICOS COMPUESTOS, S.A.

Report of the Directors

Financial year 2020

During the year ended December 31, 2020, Plásticos Compuestos, S.A., has had a decrease in sales, reaching a net turnover of 43.729 thousand euros (net turnover + other operating income), which represents a 5,5% decrease compared to the same period of financial year 2019. In terms of volume (tons sold), the decrease was 6,2% below the same period of the previous year.

The most significant investments in fixed assets correspond to investments made in the heading of machinery for the production process, as well as investments made in technical facilities for the adaptation of new equipment.

The profit for the financial year 2020 is 1.279 thousand euros of losses, with a gross margin (understood as the net sales figure + other operating income + / variation in stocks and supplies) 6,3% lower than that obtained in the previous period.

The Company is affected by various external factors related to the socio-economic environment in which it operates, mainly effects derived from fluctuations that raw materials may experience and especially those derived from oil. These factors associated with the business are considered both as risk generators and opportunity generators.

The structure of the Management and organisation of the Company has been conceived to guarantee the existence of the necessary control mechanisms to be able to evaluate, control and mitigate these risks.

Research and Development continue to be priority actions, especially focused on projects of biopolymers and sustainable compounds, and will be intensively maintained in the coming years.

The Company will accommodate the dividend policy maintained to date so as not to disturb the financial soundness and the investment plan foreseen for the coming years. The distribution of dividends is linked to compliance with the ratios stipulated in the debt contracts granted to the Company.

The average payment period has been 72 days as of December 31, 2020.

During financial year 2020, the Company has not operated with derivative financial products.

During the financial year 2020, the Company has not been paralysed by the declaration of the State of Alarm established by RDL 463/2020, of March 14, 2020, nor in its subsequent revisions. Consequently, the Company's productive activity has remained operational, and it has continued to supply products to manufacturers of essential products. Notwithstanding this, because of the health crisis caused by COVID-19, the volume of sales to customers that carry out non-essential activities has been affected because of the stoppage of the activity derived from the state of alarm and the non-total recovery of economic activity once the state of alarm has ended. This decrease in volume has meant that the Company's activity has been reduced. Therefore, the Company has been affected in a general way in its evolution and in a particular way in terms of its results.

The uncertainty surrounding the COVID-19 pandemic and its effects on the world economy, at the date of preparation of these annual accounts is expected to have an impact on world growth and consequently on the growth of the Company's activity. This situation and its impact on the Company could be aggravated by a possible recession in Spain and the rest of Europe because of the COVID-19 pandemic.

The magnitude of the impact of COVID-19 on the Company's business and operating result will depend on future events, which are subject to great uncertainty and cannot be predicted, including future economic conditions and measures to contain or address it. its consequences, among others. However, it should be noted that the Directors and the management team of the Company are constantly monitoring the evolution of the situation to satisfactorily face the difficulties, financial and non-financial, that could arise in the future.

The Company reached, on April 15, 2020, a unanimous agreement with the representatives of the Company's workers to present a File of Temporary Employment Regulation for productive, organisational, and technical reasons under Royal Decree-Law 8 / 2020, of March 17, of extraordinary urgent measures to face the economic and social impact of COVID-19 with a maximum duration of until December 31, 2020.

With the aim of having wide degrees of flexibility in the face of uncertainty in 2020, the agreement with the representatives of the Company's workers included different scenarios and degrees of impact for a total of 76 workers depending on the evolution of the impact of the COVID-19 health crisis. Finally, the average impact of this mechanism has been 12%, its application was for five and a half months, so its average annual impact has been 5,5% of the wage bill.

PLÁSTICOS COMPUESTOS, S.A.

Report of the Directors

Financial year 2020

Risk policy and management

(a) Financial risk factors

The activities of the Company are exposed to various financial risks: market risk (including exchange rate risk, interest risk in fair value and price risk), credit risk, liquidity risk and interest rate risk in cash flows. The Company's global risk management program focuses on the uncertainty of the financial markets and tries to minimise the potential adverse effects on the Company's financial profitability.

The risk management policies of the Company are established to identify and analyse the risks faced by the Company, set appropriate risk limits and controls, and to control risks and compliance with limits. Risk management policies and procedures are regularly reviewed to reflect changes in market conditions and in the Company's activities. The Company, through its management rules and procedures, intends to develop a strict and constructive control environment in which all employees understand their functions and obligations.

The Audit Committee supervises the way in which Management controls compliance with risk management policies and procedures and reviews whether the risk management policy is appropriate with respect to the risks faced by the Company.

The main risks faced by the Company are the following:

(i) Exchange rate risk

The Company operates at an international level and, therefore, is exposed to exchange rate risk due to foreign currency transactions.

The exchange rate risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the functional currency of the Company. The Treasury Department is responsible for managing the net position in each foreign currency.

Given the volatility that certain currencies may experience because of the global crisis, they have chosen to adopt certain policies to minimise exposure to the risk of these currencies. Foreign currency transactions have been minimal during the 2020 financial year.

(ii) Risk due to significant variations in raw material prices

A general decline in raw material prices would result in a lower stock loss. On the other hand, a significant increase could represent a temporary loss of commercial margin on replacement prices until such increases can be transferred to the prices agreed with customers. The increases would also imply higher working capital needs for equivalent volumes of activity.

The Company controls this risk by constantly monitoring margins, not only on the prices at which the inventory is valued, but on its replacement prices.

(iii) Credit risk

Credit risk is the risk of financial loss if a customer or counterpart of a financial instrument does not fulfil its contractual obligations and arises mainly from accounts receivable from customers and investments in debt instruments.

The Company has taken out credit policies to insure all the sales of products to customers with an adequate credit history and previously classified by the insurers. The coverage by credit policies is 90% both nationally and internationally, so the risk is almost completely covered.

PLÁSTICOS COMPUESTOS, S.A.

Report of the Directors

Financial year 2020

Because of the pandemic, more exhaustive monitoring and control mechanisms have been established for decision-making when assuming risks related to the customer portfolio. The Company's Management together with the Risk Management Committee considers the factors that may influence the credit risk of its customer portfolio, including the risk of default associated with the industry and the country in which the customers operate, in addition to the individual characteristics of each customer when analysing the possibility of granting additional credit, extending payment terms, etc.

The Company does not have significant concentrations of credit risk.

Additionally, the Company has contracted non-recourse factoring products with certain financial entities, which considerably reduces credit risk.

(iv) Liquidity risk

The "liquidity risk" is the risk that the Company will find it difficult to meet the obligations associated with its financial liabilities that are settled through the delivery of cash or another financial asset. The objective of the Company when managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its liabilities at the time of maturity, without incurring defaults or risk of damage to the reputation of the Company.

The Company uses the available analytical information to calculate the cost of its products and services, which helps it to review its cash needs and optimise the performance of its investments.

The measures adopted by the Company to respond to possible future liquidity limitations derived from the COVID-19 pandemic have been the following:

- Strengthen its liquidity position through access to financing under the protection of loans and working capital lines guaranteed by the Official Credit Institute (ICO). As a result, 8.075.000 euros have been obtained through these operations with the different banking entities with which the Company operates.
- Deficiencies in its first year of repayment.
- Request extension of deficiencies and payment terms.
- Early repayment of debt and improvement of associated financial expenses (see note 16)

In addition, the Company has unused credit lines as of December 31, 2020 for an amount of 8.684.986 euros that include foreign trade lines, national discount, confirming and credit policies (see note 16)

The classification of financial liabilities by category is shown in Appendix II. Likewise, the classification of financial liabilities by maturity is shown in Appendix III.

(v) Interest rate risk on cash flows and fair value

As the Company does not have significant remunerated assets, the income and cash flows from the Company's operating activities are for the most part independent of changes in market interest rates. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Fixed rate loans expose you to fair value interest rate risks. Most of the debt contracted by the Company has a fixed interest rate (see detail in note 16)

PLÁSTICOS COMPUESTOS, S.A.

Financial year 2020

The Directors of the Company Plásticos Compuestos, S, A., in the Meeting dated March 11, 2021 and in compliance with the requirements established in article 253.2 of the Consolidated Text of the Capital Companies Law and in article 37 of the Commercial Code, proceed to prepare the Annual Accounts and the Report of the Directors for the financial years ended December 31, 2020 and December 31, 2020.

Signatories:

CORPORATION CHIMIQUE
INTERNATIONAL S.P.R.L.
represented by Mr. Ignacio
Duch Tuesta, Chairman of the
Board of Directors of
PLÁSTICOS COMPUESTOS,
S.A.

CCP MASTERBATCH, S.L.
represented by Mr. Carles
Argenté Cordoní, Member of
the Board of Directors of
PLÁSTICOS COMPUESTOS,
S.A.

Mr. Albert de la Riva, Member
of the Board of Directors of
PLÁSTICOS COMPUESTOS
S.A.

Mrs. Clara Duch Tuesta,
Member of the Board of
Directors of PLÁSTICOS
COMPUESTOS, S.A.

Mrs. Sandra Duch Balust,
Member of the Board of
Directors of PLÁSTICOS
COMPUESTOS, S.A.

Mr. David Villaró Pontones,
Member of the Board of
Directors of PLÁSTICOS
COMPUESTOS S.A.

Mr. Iñigo Gallo Martínez,
Member of the Board of
Directors of PLÁSTICOS
COMPUESTOS, S.A.

GESTIÓN Y
ADMINISTRACIÓN
MOBILIARIA, S.A.,
represented by Mr. Lluís
Clusella, Member of the
Board of Directors of
PLÁSTICOS COMPUESTOS,
S.A.

GANT FINANCE, S.A.,
represented by Mr. Luis
Vázquez Antas, Member of
the Board of Directors of
PLÁSTICOS COMPUESTOS,
S.A.



Plásticos Compuestos, S.A.

Annual Accounts

31 December 2019

Directors' Report

2019

(With Independent Auditor's Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)



KPMG Auditores, S.L.
Torre Realia
Plaça d'Europa, 41-43
08908 L'Hospitalet de Llobregat
(Barcelona)

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the shareholders of Plásticos Compuestos, S.A.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Plásticos Compuestos, S.A. (the "Company"), which comprise the balance sheet at 31 December 2019, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition and recoverability of assets for research and development expenses

See notes 4 (a) and 5 to the annual accounts.

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2019 the Company has recognised assets for research and development expenses amounting to Euros 3,167 thousand.</p> <p>The recognition and recoverability of assets for research and development expenses is an area of significance, particularly in relation to meeting the criteria for initial recognition included in the financial reporting framework applicable to the Company, as well as the evaluation at reporting date of the technical success or financial and commercial feasibility of the respective projects.</p> <p>Due to the high level of judgement, the uncertainty associated with these estimates and the significance of the carrying amount of these intangible assets, this has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">- Evaluation, for a sample of research and development projects, that each of the criteria is met for the initial recognition of research and development expenses as an intangible asset at reporting date.- Evaluation of the supporting documentation justifying the capitalisation of these expenses.- Analysis of the documentation supporting the existence of sound reasons to expect the technical success and financial and commercial feasibility of the projects which, at 31 December 2019, are not fully amortised. <p>We also assessed whether the disclosures in the annual accounts on the capitalised research and development expenses meet the requirements of the financial reporting framework applicable to the Company.</p>



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Valuation of inventories

See notes 4 (g) and 12 to the annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2019 the Company has recognised inventories amounting to Euros 7,073 thousand.</p> <p>The balance of inventories is significant and the Company's main raw materials could be subject to price volatility. Because the Company uses the FIFO method as a basis for the valuation of inventories, variations in prices and production levels cause fluctuations in the valuation of raw materials and finished goods which, if not correctly accounted for, could give rise to misstatements in the value of inventories at reporting date.</p> <p>Due to the significance of the balance of inventories, the judgement required to evaluate the costs included in the valuation of finished goods and estimates to determine the net realisable value of inventories, this has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">- Evaluation of the Company's controls over the monitoring of variations in purchase prices and in order to determine the value of inventories at reporting date.- Checking, for a sample of items, that the costs comprising the basis for valuing raw material inventories and finished goods have been determined based on supporting documentation.- Assessment of the calculation of overheads absorbed into inventories of finished goods, with an analysis at reporting date to justify the production costs originating during the production period.- Analysis to evaluate that the net realisable value of inventories is not lower than their carrying amount at reporting date. <p>We also assessed whether the disclosures in the annual accounts on inventories meet the requirements of the financial reporting framework applicable to the Company.</p>

Other Information: Directors' Report

Other information solely comprises the 2019 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility for the directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2019 and the content and presentation of the report are in accordance with applicable legislation.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Directors' and Audit Committee's Responsibility for the Annual Accounts _____

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the preparation and presentation of the annual accounts.

Auditor's Responsibilities for the Audit of the Annual Accounts _____

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the audit committee of Plásticos Compuestos, S.A. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated to the audit committee of the entity, we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee _____

The opinion expressed in this report is consistent with our additional report to the Company's audit committee dated 16 March 2020.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 1 April 2019 for a period of one year, beginning after the year ended 31 December 2018.

Previously, we had been appointed for a period of one year, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since the year ended 31 December 2015.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Carlos Ibáñez Turmo
On the Spanish Official Register of Auditors ("ROAC") with No. 20155
16 March 2020

PLÁSTICOS COMPUESTOS, S.A.

Balance Sheet

31 December 2019

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

<i>Assets</i>	<i>Note</i>	<i>2019</i>	<i>2018</i>
Intangible assets	Note 5	3,645,631	2,653,054
Research and development		3,167,270	2,277,980
Patents, licences, trademarks and similar rights		182,227	152,329
Computer software		296,134	222,745
Property, plant and equipment	Note 6	21,106,815	18,060,532
Land and buildings		208,041	220,697
Technical installations, machinery, equipment, furniture and other items		20,640,774	17,441,031
Under construction and advances		258,000	398,804
Non-current investments	Note 11	147,515	137,910
Loans to third parties		50,000	-
Other financial assets		97,515	137,910
Deferred tax assets		258,524	212,039
Total non-current assets		25,158,485	21,063,535
Inventories	Note 12	7,072,979	6,675,595
Raw materials and other supplies - short cycle		2,095,788	2,000,698
Finished goods - short cycle		4,965,191	4,647,913
Advances to suppliers		12,000	26,984
Trade and other receivables	Note 11	4,330,900	5,791,497
Trade receivables – current		3,321,299	3,753,634
Trade receivables from Group companies and associates – current		-	726,154
Personnel		12,469	29,044
Current tax assets	Note 18	50,700	43,211
Public entities, other	Note 18	946,432	1,239,454
Current investments	Note 11	401,357	44,938
Equity instruments		34,938	34,938
Other financial assets		366,419	10,000
Prepayments for current assets		242,381	160,331
Cash and cash equivalents		1,073,962	2,184,872
Cash		1,073,962	2,184,872
Total current assets		13,121,579	14,857,233
Total assets		38,280,064	35,920,768

PLÁSTICOS COMPUESTOS, S.A.

Balance Sheet

31 December 2019

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

<i>Equity and Liabilities</i>	<i>Note</i>	<i>2019</i>	<i>2018</i>
Capital and reserves	Note 13	16,661,400	12,094,992
Capital			
Registered capital		7,293,420	6,089,032
Share premium		8,773,675	4,988,421
Reserves			
Legal and statutory reserves		333,845	286,140
Other reserves		339,551	350,888
		(291,667)	
(Own shares and equity holdings)			-
Prior years' profit and loss			
Retained earnings		-	(96,527)
Profit for the year		212,576	477,038
Grants, donations and bequests received	Note 14	245,652	61,438
Total equity		16,907,052	12,156,430
Non-current provisions		42,081	42,081
Other provisions		42,081	42,081
Non-current payables		8,827,055	7,666,858
Loans and borrowings	Note 16	3,287,369	1,771,675
Finance lease payables	Note 7	407,323	898,021
Other financial liabilities	Note 16	5,132,363	4,997,162
Deferred tax liabilities	Note 18	153,802	107,700
Total non-current liabilities		9,022,938	7,816,639
Current provisions		44,551	-
Other provisions		44,551	-
Current payables		4,115,141	8,544,883
Loans and borrowings	Note 16	3,624,443	7,955,226
Finance lease payables	Note 7	490,698	589,657
Trade and other payables	Note 16	8,190,382	7,402,816
Current payables to suppliers		5,628,204	5,584,630
Other payables		2,091,962	1,515,270
Personnel (salaries payable)		137,628	135,727
Public entities, other	Note 18	302,396	167,189
Advances from customers		30,192	-
Total current liabilities		12,350,074	15,947,699
Total equity and liabilities		38,280,064	35,920,768

PLÁSTICOS COMPUESTOS, S.A.

**Income Statement
for the year ended
31 December 2019**

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	<i>Note</i>	<i>2019</i>	<i>2018</i>
Revenues	Note 21	46,239,055	41,386,085
Sales		46,239,055	41,386,085
Changes in inventories of finished goods and work in progress		317,279	516,450
Self-constructed assets	Notes 5 & 6	1,628,965	1,243,000
Supplies	Note 21	(32,570,135)	(29,963,494)
Raw materials and consumables used		(32,570,135)	(29,961,315)
Subcontracted work		-	(2,179)
Other operating income		47,139	-
Non-trading and other operating income		47,139	-
Personnel expenses		(3,702,788)	(3,419,282)
Salaries and wages		(2,834,811)	(2,655,598)
Employee benefits expense	Note 21	(867,977)	(763,684)
Other operating expenses		(8,664,368)	(6,176,004)
External services		(8,577,414)	(6,136,768)
Taxes		(85,074)	(39,236)
Losses, impairment and changes in trade provisions		(1,880)	-
Amortisation and depreciation	Notes 5 & 6	(1,834,989)	(2,327,733)
Non-financial and other capital grants	Note 14	-	269,541
Other expenses		(60,927)	(103,506)
Results from operating activities		1,399,231	1,425,057
Finance income		1,914	3,481
Marketable securities and other financial instruments			
Other		1,914	3,481
Finance costs		(1,109,889)	(827,651)
Other		(1,109,889)	(827,651)
Exchange losses		(7,056)	(8,614)
Net finance cost		(1,115,031)	(832,784)
Profit before income tax		284,200	592,273
Income tax	Note 18	(71,624)	(115,235)
Profit for the year		212,576	477,038

PLÁSTICOS COMPUESTOS, S.A.

**Statement of Changes in Equity
for the year ended
31 December 2019**

**A) Statement of Recognised Income and Expense
for the year ended
31 December 2019**

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	<i>Note</i>	<i>2019</i>	<i>2018</i>
Profit for the year		212,576	477,038
Income and expense recognised directly in equity			
Grants, donations and bequests	Note 14	245,652	65,164
Tax effect		(61,438)	(16,291)
Total income and expense recognised directly in equity		184,214	48,873
Amounts transferred to the income statement			
Grants, donations and bequests	Note 14	-	(269,541)
Tax effect		-	67,385
Total amounts transferred to the income statement		-	(202,156)
Total recognised income and expense		396,790	323,755

PLÁSTICOS COMPUESTOS, S.A.

**Statement of Changes in Equity
for the year ended
31 December 2019**

**B) Statement of Total Changes in Equity for the year ended
31 December 2019**

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Registered capital	Share premium	Reserves	Own shares	Prior years' profit and loss	Profit/(loss) for the year	Grants, donations and bequests received	Total
Balance at 31 December 2018	6,089,032	4,988,421	637,028	-	(96,527)	477,038	61,438	12,156,430
Recognised income and expense	-	-	-	-	-	212,576	184,214	396,790
Transactions with shareholders or owners								
Capital increases (note 13)	1,214,520	3,785,254	-	-	-	-	-	4,999,774
Capital reductions (note 13)	(10,132)	-	10,132	-	-	-	-	-
Own shares (note 13)	-	-	2,177	(291,667)	-	-	-	(289,490)
Distribution of profit for 2018 (note 3)	-	-	380,511	-	96,527	(477,038)	-	-
Other movements (note 13)	-	-	(356,452)	-	-	-	-	(356,452)
Balance at 31 December 2019	7,293,420	8,773,675	673,396	(291,667)	-	212,576	245,652	16,907,052

PLÁSTICOS COMPUESTOS, S.A.

**Statement of Changes in Equity
for the year ended
31 December 2019**

**B) Statement of Total Changes in Equity for the year ended
31 December 2018**

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Registered capital	Share premium	Reserves	Prior years' profit and loss	Profit/(loss) for the year	Grants, donations and bequests received	Total
Adjusted balance at 1 January 2018	5,231,405	3,946,048	629,797	(31,950)	96,446	214,721	10,086,467
Recognised income and expense	-	-	-	-	477,038	(153,283)	323,755
Transactions with shareholders or owners							
Capital increases	857,627	1,042,373	(2,214)	-	-	-	1,897,786
Other movements	-	-	-	(151,578)	-	-	(151,578)
Distribution of profit for 2017							
Reserves	-	-	9,445	87,001	(96,446)	-	-
Balance at 31 December 2018	6,089,032	4,988,421	637,028	(96,527)	477,038	61,438	12,156,430

PLÁSTICOS COMPUESTOS, S.A.

**Statement of Cash Flows
for the year ended
31 December 2019**

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	<i>Note</i>	<i>2019</i>	<i>2018</i>
Cash flows from operating activities			
Profit for the year before tax		284,200	592,273
Adjustments for:			
Amortisation and depreciation	Notes 5 & 6	1,834,989	2,327,733
Change in provisions		44,551	42,081
Grants recognised in the income statement	Note 14	-	(269,541)
Finance income		(1,914)	(3,481)
Finance costs		1,109,889	827,651
Exchange losses		7,056	8,614
Other income and expenses	Notes 5 & 6	(1,628,965)	(1,243,000)
Changes in operating assets and liabilities			
Inventories		(397,384)	(1,474,908)
Trade and other receivables		1,460,597	(324,414)
Other current assets		(82,050)	46,932
Trade and other payables		654,033	1,705,029
Other cash flows from operating activities			
Interest paid		(1,109,889)	(735,254)
Interest received	1,914	1	3,481
Income tax paid/received		54,463	(43,211)
Other amounts paid/received		-	(2,214)
Cash flows from operating activities		2,231,490	1,457,771
Cash flows from investing activities			
Payments for investments			
Intangible assets	Note 5	(215,429)	(575,661)
Property, plant and equipment	Note 6	(4,029,455)	(2,158,381)
Other financial assets		(366,018)	(29,668)
Proceeds from sale of investments			
Other financial assets		-	50,665
Cash flows used in investing activities		(4,610,902)	(2,713,245)
Cash flows from financing activities			
Proceeds from and payments for equity instruments			
Capital increase and share premium	Note 13	4,645,499	1,900,000
Acquisition of own equity instruments	Note 13	(291,667)	-
Grants, donations and bequests received	Note 14	184,214	65,164
Proceeds from and payments for financial liability instruments			
Issue			
Loans and borrowings	Note 16	679,363	-
Other payables	Note 16	135,201	4,997,162
Redemption and repayment of			
Loans and borrowings	Note 16	(4,084,108)	(1,789,773)
Group companies and associates		-	(106,814)
Other payables		-	(1,900,000)
Cash flows from financing activities		1,268,502	3,165,739
Net increase/decrease in cash and cash equivalents		(1,110,910)	1,910,265
Cash and cash equivalents at beginning of the year		2,184,872	274,607
Cash and cash equivalents at year end		1,073,962	2,184,872

PLÁSTICOS COMPUESTOS, S.A.

Notes to the Annual Accounts

31 December 2019

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(1) Nature and Activities of the Company

Plásticos Compuestos, S.A., (hereinafter the Company) is a company incorporated in Spain in accordance with the Spanish Companies Act. The Company's principal activity is the design and manufacture of mineral concentrates and masterbatches of colour concentrates, additives and other compounds for the plastic transformation industry, including components for the creation of environmentally sustainable plastics.

Its registered office is located at calle Orfebrería 3, in Palau-Solità i Plegamans (Barcelona) from where it carries out its activities.

As a result of the capital increase approved by the shareholders at a general meeting held on 24 July 2019 (see note 13), the Company ceased to form part of the group headed by CCP Masterbatch, S.L.

Plásticos Compuestos, S.A. has been listed on the Growth Companies segment of the Alternative Equity Market (MAB) since 12 August 2019.

The Company holds an interest in 3D Masterbatch, S.L., which has been dormant since 2018. The related investment amounts to Euros 1 thousand and has been fully impaired. Because the Company exclusively participates in a subsidiary without significant interest, the Company is exempt from presenting consolidated annual accounts.

At 31 December 2019 and 2018 Plásticos Compuestos, S.A. does not form part of a decision-making unit pursuant to standard 13 of the standards for the preparation of annual accounts with other companies domiciled in Spain.

(2) Basis of Presentation

(a) True and fair view

The accompanying annual accounts have been prepared on the basis of the accounting records of the Company. The annual accounts for 2019 have been prepared in accordance with prevailing legislation and the Spanish General Chart of Accounts to give a true and fair view of the equity and financial position at 31 December 2019 and results of operations, changes in equity, and cash flows for the year then ended.

The directors consider that the annual accounts for 2019, authorised for issue on 16 March 2020, will be approved with no changes by the shareholders at their annual general meeting.

(b) Comparative information

The balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto for 2019 include comparative figures for 2017, approved by the shareholders at the annual general meeting held on 1 April 2019.

(c) Functional and presentation currency

The figures disclosed in the annual accounts are expressed in Euros, the Company's functional and presentation currency.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

- (d) Critical issues regarding the valuation and estimation of relevant uncertainties and judgements used when applying accounting principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Company's accounting principles to prepare the annual accounts. A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the annual accounts, is as follows:

- Useful life of intangible assets.
- Adjustments for impairment of research projects.

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2019, future events may require changes to these estimates in subsequent years. Any effect on the annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(3) Distribution of Profit

As proposed by the directors, and approved by the shareholders at the general meeting held on 1 April 2019, 10% of the profits and reserves for the year ended 31 December 2018 was transferred to the legal reserve and the remaining amount was used to offset prior years' losses and to other reserves.

The proposed distribution of 2019 profit and other reserves to be submitted to the shareholders for approval at their annual general meeting is as follows:

	Euros
Basis of allocation	
Profit for the year	212,575.91
Distribution	
Legal reserve	21,257.59
Other reserves	191,318.32
	212,575.91

At 31 December non-distributable reserves are as follows:

	Euros	
	2019	2018
Non-distributable reserves		
Legal reserve	333,845	286,140

Distributable reserves and profit for the year are subject to distribution limitations, as follows:

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Dividends cannot be distributed until research and development expenses have been fully amortised, unless the amount of available reserves is, at least, equal to the unamortised balances. At 31 December 2019 the Company has recognised research and development expenses under this item for Euros 3,167,270 (Euros 2,277,980 in 2018). In addition, the distribution of dividends is linked to compliance with the ratios described in note 16 (Payables and trade payables)

(4) Significant Accounting Policies**(a) Intangible assets**

Intangible assets are measured at cost of acquisition or production, using the same criteria as for determining the cost of production of inventories. Capitalised production costs are recognised under self-constructed assets in the income statement. Intangible assets are carried at cost, less any accumulated amortisation and impairment.

(i) Research and development

Expenditure on research is recognised as an expense when it is incurred.

The Company capitalises research expenditure incurred by each specific project that meets the following conditions:

- The cost is clearly established so that it can be distributed over time.
- An exact relationship can be established between the research “project” and the objectives set and met. The assessment of this requirement is carried out generically for each set of activities that are inter-related because they share a common goal.

The Company capitalises development expenses incurred by each specific project that meets the following conditions:

- Payments attributable to the performance of the project can be measured reliably.
- The allocation, assignment and timing of costs for each project are clearly defined.
- There is evidence of the project’s technical success, in terms of direct operation or sale to a third party of the results thereof once completed and if a market exists.
- The economic and commercial feasibility of the project is reasonably assured.
- Financing to develop the project, the availability of adequate technical and other resources to complete the development and to use or sell the resulting intangible asset are reasonably assured.
- There is an intention to complete the intangible asset for its use or sale.

If the Company cannot distinguish the research phase from the development phase, the expenditure is treated as research expenditure.

Expenses already taken to profit and loss in prior years cannot be subsequently capitalised when the conditions are met.

Development expenditure is reclassified under patents, licences, trademarks and similar rights at the date of registration.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(ii) Computer software

Computer software acquired and produced by the Company, including website costs, is recognised when it meets the conditions for consideration as development costs. Expenditure on developing a website to promote and advertise the Company's own products or services is recognised as an expense when incurred. Computer software maintenance costs are charged as expenses when incurred.

(iii) Subsequent costs

Subsequent costs incurred on intangible assets are recognised in profit and loss, unless they increase the expected future economic benefits attributable to the intangible asset.

(iv) Useful life and amortisation rates

Intangible assets are amortised by allocating the depreciable amount of an asset on a systematic basis over its useful life, by applying the following criteria:

	Amortisation method	Estimated years of useful life
Research and development	Straight-line	2-5
Patents, licences, trademarks and similar rights	Straight-line	5
Computer software	Straight-line	4

Research expenditure is amortised on a straight-line basis from the date on which it is capitalised, whereas development expenditure is amortised on a straight-line basis from the date on which the project finishes.

The Company reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(v) Impairment

The Company measures and determines impairment to be recognised or reversed based on the criteria in section (c) Impairment of non-financial assets subject to amortisation or depreciation.

(i) Property, plant and equipment

(i) Initial recognition

Property, plant and equipment are measured at cost of acquisition or production, using the same criteria as for determining the cost of production of inventories. Non-trading income obtained during the trial and start-up period is recognised as a reduction in the costs incurred. Property, plant and equipment are carried at cost less any accumulated depreciation and impairment.

Capitalised production costs are recognised under self-constructed assets in the income statement. Non-trading income obtained during the trial and start-up period is recognised as a reduction in the costs incurred. Property, plant and equipment are carried at cost less any accumulated depreciation and impairment.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(ii) Depreciation

Property, plant and equipment are depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life. The depreciable amount is the cost of an asset, less its residual value. The Company determines the depreciation charge separately for each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from the remainder of the asset.

Property, plant and equipment are depreciated using the following criteria:

	Depreciation method	Estimated years of useful life
Buildings	Straight-line	25
Technical installations and machinery	Straight-line	18
Other installations, equipment and furniture	Straight-line	5-20
Other property, plant and equipment	Straight-line	4

The Company reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(iii) Subsequent costs

Subsequent to initial recognition of the asset, only the costs incurred which increase capacity or productivity or which lengthen the useful life of the asset are capitalised. The carrying amount of parts that are replaced is derecognised. Costs of day-to-day servicing are recognised in profit and loss as incurred.

Replacements of property, plant and equipment that qualify for capitalisation are recognised as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been depreciated independently and it is not possible to determine the respective carrying amount, the replacement cost is used as indicative of the cost of items at the time of acquisition or construction.

(iv) Impairment

The Company measures and determines impairment to be recognised or reversed based on the criteria in section (c) Impairment of non-financial assets subject to amortisation or depreciation.

(c) Impairment of non-financial assets subject to amortisation or depreciation

The Company evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

The Company tests intangible assets not yet available for use for potential impairment at least annually, irrespective of whether there is any indication that the assets may be impaired.

An asset's value in use is measured based on the future cash flows the Company expects to derive from use of the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the Company expects to derive from the asset.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Impairment losses are recognised in the income statement.

Where the Company has reasonable doubts as to the technical success or financial and commercial feasibility of in-progress research and development projects, the amounts in the balance sheet are recognised directly in losses on the disposal of intangible assets in the income statement and may not be reversed.

At the end of each reporting period the Company assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognised in the income statement. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

After an impairment loss or reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods based on its new carrying amount.

However, if the specific circumstances of the assets indicate an irreversible loss, this is recognised directly in losses on the disposal of fixed assets in the income statement.

(d) Leases

(i) Lessee accounting

Leases in which, upon inception, the Company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases.

- *Finance leases*

At the commencement of the lease term, the Company recognises finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest is expensed using the effective interest method.

The accounting policies applied to the assets used by the Company by virtue of finance lease contracts are the same as those set out in section (b) (Property, plant and equipment).

- *Operating leases*

Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

(e) Financial instruments

(i) Recognition

The Company recognises financial instruments when it becomes party to the contract or legal transaction, in accordance with the terms set out therein.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(ii) Classification and separation of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

The Company classifies financial instruments into different categories based on the nature of the instruments and the Company's intentions on initial recognition.

(iii) Offsetting principles

A financial asset and a financial liability are offset only when the Company currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Financial assets and financial liabilities held for trading

Financial assets or financial liabilities held for trading are those which are classified as held for trading from initial recognition.

A financial asset or financial liability is classified as held for trading if it:

- Originates or is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- Forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or
- Is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial assets and financial liabilities held for trading are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense when incurred.

After initial recognition, they are recognised at fair value through profit or loss. Fair value is not reduced by transaction costs incurred on sale or disposal. Accrual interest and dividends are recognised separately.

(v) Loans and receivables

Loans and receivables comprise trade and non-trade receivables with fixed or determinable payments that are not quoted in an active market other than those classified in other financial asset categories. These assets are initially recognised at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

(vi) Interest

Interest is recognised using the effective interest method.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(vii) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(viii) Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company recognises impairment of loans and receivables and debt instruments when estimated future cash flows are reduced or delayed due to debtor insolvency.

(ix) Financial liabilities

Financial liabilities, including trade and other payables, that are not classified as held for trading or as financial liabilities at fair value through profit or loss are initially recognised at fair value less any transaction costs directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this category are measured at amortised cost using the effective interest method.

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

The Company measures financial liabilities at amortised cost provided that reliable estimates of cash flows can be made based on the contractual terms.

Participating loans with interest contingent on the Company achieving a milestone such as obtaining profits, or calculated by reference to the financial performance of the Company, are measured at cost plus interest payable to the lender as specified in the loan contract. In these cases, transaction costs are recognised on a straight-line basis over the term of the loan.

(x) Security deposits

Security deposits paid are measured using the same criteria as for financial assets. The difference between the amount paid and the fair value is classified as a prepayment and recognised in profit or loss over the lease term (over the period for which the service is rendered). Non-current advances are restated at the end of each reporting period based on the market interest rate on initial recognition.

(xi) Derecognition and modifications of financial liabilities

The Company derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

(f) Own equity instruments held by the Company

Equity instruments acquired by the Company are shown separately at cost of acquisition as a reduction in capital and reserves in the balance sheet. Any gains or losses on transactions with own equity instruments are not recognised in profit or loss.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The acquisition of Company shares is recognised at fair value. In the absence of evidence to the contrary, the transaction price is equivalent to the fair value of the consideration given, and the corresponding reserve is made as required by prevailing legislation.

The subsequent redemption of the instruments entails a capital reduction equivalent to the par value of the shares. Any positive or negative difference between the purchase price and the par value of the shares is debited or credited to reserves.

Transaction costs related to own equity instruments, including issue costs related to a business combination, are accounted for as a deduction from reserves, net of any tax effect.

(g) Inventories

(i) General

The cost of raw materials and other supplies, the cost of merchandise and costs of conversion are allocated to each inventory unit on a FIFO basis. Advances on account of inventories are measured at cost.

When the cost of inventories exceeds net realisable value, materials are written down to net realisable value, which is understood to be:

- For raw materials and other supplies, replacement cost. Raw materials and other supplies are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost of production;
- For merchandise and finished goods, estimated selling price less costs to sell;
- For work in progress, estimated selling price of the related finished goods, less the estimated costs of completion and the estimated costs necessary to make the sale;

The previously recognised write-down is reversed against profit and loss when the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances. The reversal of the valuation adjustment is limited to the lower of the cost and the revised net realisable value of the inventories.

Write-downs to net realisable value recognised or reversed on inventories are classified under changes in inventories of finished goods and work in progress or supplies, depending on their nature.

(h) Grants

Grants are recorded in recognised income and expense when, where applicable, they have been officially awarded and the conditions attached to them have been met or there is reasonable assurance that they will be received.

Grants obtained to acquire an asset: if the terms of the grant require that the investment be held for a certain number of years, the grant is considered to be non-refundable if, on the reporting date of the annual accounts, the investment has been made and there is reasonable assurance that it will be held for the period stipulated in the terms of the grant.

Monetary grants are measured at the fair value of the sum received, whilst non-monetary grants received are accounted for at fair value.

In subsequent years, grants are recognised as income as they are applied.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Capital grants are recognised as income over the same period and in the proportions in which depreciation on those assets is charged or when the assets are disposed of, derecognised or impaired.

Grants related to non-depreciable assets are recognised as income when the assets acquired using the grant are disposed of, derecognised or impaired.

Grants awarded to finance specific expenses are recognised as income when the financed expenses are accrued.

(i) Provisions

(i) General criteria

Provisions are recognised when the Company has a present obligation (legal, contractual, constructive or tacit) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(j) Revenue from the sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Volume rebates, prompt payment and any other discounts, as well as the interest added to the nominal amount of the consideration, are recognised as a reduction in the consideration.

Discounts granted to customers are recognised as a reduction in sales revenue when it is probable that the discount conditions will be met.

(i) Revenue from sales

The Company recognises revenue from the sale of goods when:

- It has transferred to the buyer the significant risks and rewards of ownership of the goods;
- It retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue and the costs incurred or to be incurred can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(k) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

(i) Recognition of deferred tax liabilities

The Company recognises deferred tax liabilities in all cases except where they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

(ii) Recognition of deferred tax assets

The Company recognises deferred tax assets provided that it is probable that sufficient taxable income will be available against which they can be utilised or when tax legislation envisages the possibility of converting deferred tax assets into a receivable from public entities in the future.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The Company recognises the conversion of a deferred tax asset into a receivable from public entities when it becomes enforceable in accordance with prevailing tax legislation. For this purpose, the deferred tax asset is derecognised with a charge to the deferred tax expense and the receivable is recognised with a credit to current tax.

Nonetheless, assets arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income, are not recognised.

The Company only recognises deferred tax assets arising from tax loss carryforwards when it is probable that future taxable profit will be generated against which they may be offset within the period stipulated in applicable tax legislation, up to a maximum period of ten years, unless there is evidence that their recovery in a longer period of time is probable and tax legislation provides for their utilisation in a longer period or stipulates no time limit for their utilisation.

Conversely, it is considered probable that the Company will generate sufficient taxable profit to recover deferred tax assets when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which are expected to reverse in the same tax period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from a deductible temporary difference can be carried back or forward. If the only future taxable profit is derived from taxable temporary differences, the recognition of deferred tax assets arising from tax loss carryforwards is limited to 70% of the deferred tax liabilities recognised.

The Company recognises deferred tax assets not previously recognised because they were not expected to be utilised within the ten-year recovery period, inasmuch as the future reversal period does not exceed ten years from the end of the reporting period or when there are sufficient taxable temporary differences.

(iii) Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted. The tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

(iv) Offset and classification

The Company only offsets tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Deferred tax assets and liabilities are recognised in the balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

(I) Classification of assets and liabilities as current and non-current

The Company classifies assets and liabilities in the balance sheet as current and non-current. Current assets and liabilities are determined as follows:

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Company's normal operating cycle, they are held primarily for the purpose of trading, or they are expected to be realised within 12 months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within 12 months after the reporting date or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(m) Environmental issues

Property, plant and equipment acquired by the Company for long-term use to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Company's activities, are recognised as assets applying the measurement, presentation and disclosure criteria described in section (b) property, plant and equipment.

(n) Related party transactions

Transactions between related companies, except those related to mergers, spin-offs and non-monetary contributions, are recognised at the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

For non-monetary contributions of a business to a related company, contributing companies measure their investment at the carrying amount of the assets and liabilities delivered as presented in the consolidated annual accounts at the transaction date.

Any difference between the value assigned to the investment received by the contributing company and the carrying amount of the assets and liabilities transferred must be recognised in reserves.

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PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(5) Intangible Assets

Details of intangible assets and movement are as follows:

	Euros			Total
	Research and development	Patents, licences, trademarks and similar rights	Computer software	
2019				
Cost at 1 January 2019	3,389,001	162,570	483,624	4,035,195
Additions	-	48,788	166,641	215,429
Internally generated additions	1,217,798	-	-	1,217,798
Cost at 31 December 2019	4,606,799	211,358	650,265	5,468,422
Accumulated amortisation at 1 January 2019	(1,111,021)	(10,241)	(260,879)	(1,382,141)
Amortisation	(328,508)	(18,890)	(93,252)	(440,650)
Accumulated amortisation at 31 December 2019	(1,439,529)	(29,131)	(354,131)	(1,822,791)
Carrying amount at 31 December 2019	3,167,270	182,227	296,134	3,645,631
	Euros			Total
	Research and development	Patents, licences, trademarks and similar rights	Computer software	
2018				
Cost at 1 January 2018	2,198,449	9,303	292,992	2,500,744
Additions	231,762	153,267	190,632	575,661
Internally generated additions	958,790	-	-	958,790
Cost at 31 December 2018	3,389,001	162,570	483,624	4,035,195
Accumulated amortisation at 1 January 2018	(381,788)	(954)	(220,543)	(603,285)
Amortisation	(729,233)	(9,287)	(40,336)	(778,856)
Accumulated amortisation at 31 December 2018	(1,111,021)	(10,241)	(260,879)	(1,382,141)
Carrying amount at 31 December 2018	2,277,980	152,329	222,745	2,653,054

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(a) Research and development

Amounts for capitalised research and development reflect expenses incurred in research and development activities carried out by the Company for different projects, mainly the development of biodegradable and compostable resins, and other renewable biopolymers processed through the use of conventional extrusion lines. The Company has various grants associated with these research and development projects (see note 14).

(b) Computer software

Computer software includes capitalised costs in 2019 and 2018 in relation to the implementation of a new IT system.

(c) Fully amortised assets

The cost of fully amortised intangible assets in use at 31 December is as follows:

	Euros	
	2019	2018
Patents, licences, trademarks and similar rights	7,009	7,009
Computer software	186,447	184,902
Research and development	796,999	776,176
	990,455	968,087

No impairment of intangible assets exists at the 2019 and 2018 reporting dates.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(6) Property, Plant and Equipment

Details of property, plant and equipment and movement are as follows:

Euros						
2019	Buildings	Technical installation s and machinery	Other installation s, equipment and furniture	Under construction and advances	Other property, plant and equipment	Total
Cost at 1 January 2019	331,239	30,330,976	4,631,193	398,804	443,576	36,135,788
Additions	-	3,194,671	561,495	258,000	15,289	4,029,455
Internally generated additions	-	411,167	-	-	-	411,167
Transfers	-	398,804	-	(398,804)	-	-
Cost at 31 December 2019	331,239	34,335,618	5,192,688	258,000	458,865	40,576,410
Accumulated depreciation at 1 January 2019	(110,542)	(15,644,065)	(1,907,523)	-	(413,126)	(18,075,256)
Depreciation	(12,656)	(1,111,401)	(249,092)	-	(21,190)	(1,394,339)
Accumulated depreciation at 31 December 2019	(123,198)	(16,755,466)	(2,156,615)	-	(434,316)	(19,469,595)
Carrying amount at 31 December 2019	208,041	17,580,152	3,036,073	258,000	24,549	21,106,815

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

2018	Euros					Total
	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other property, plant and equipment	
Cost at 1 January 2018	331,078	28,459,532	4,373,256	98,523	430,808	33,693,197
Additions	161	1,587,234	257,937	300,281	12,768	2,158,381
Internally generated additions	-	284,210	-	-	-	284,210
Cost at 31 December 2018	331,239	30,330,976	4,631,193	398,804	443,576	36,135,788
Accumulated depreciation at 1 January 2018	(97,890)	(14,342,528)	(1,695,269)	-	(390,693)	(16,526,380)
Depreciation	(12,652)	(1,301,537)	(212,254)	-	(22,433)	(1,548,876)
Accumulated depreciation at 31 December 2018	(110,542)	(15,644,065)	(1,907,523)	-	(413,126)	(18,075,256)
Carrying amount at 31 December 2018	220,697	14,686,911	2,723,670	398,804	30,450	18,060,532

(a) General

At 2019 reporting date the most significant investments have been mainly in machinery, fitting out of fire prevention installations and other technical installations associated with the new machinery. The Company has made advances to fixed asset suppliers amounting to Euros 258,000 in 2019.

At 2018 reporting date the most important additions comprised investments in machinery to be used for the production process, as well as investments in technical installations for the fitting out and upgrading of fire prevention equipment. The Company made advances of Euros 398,804 to fixed asset suppliers for the acquisition of new machinery.

(b) Fully depreciated assets

Details of the cost of fully depreciated property, plant and equipment in use at 31 December are as follows:

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros	
	2019	2018
Buildings	18,796	18,635
Technical installations and machinery	6,577,553	5,337,962
Other installations, equipment and furniture	1,045,851	929,613
Other property, plant and equipment	653,642	368,651
	8,295,842	6,654,861

(c) Impairment

There is no impairment of property, plant and equipment at 2019 and 2018 reporting dates.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(d) Insurance

The Company has taken out insurance policies to cover the risk of damage to its property, plant and equipment. These policies amply cover the carrying amount of the Company's assets.

(e) Assets under finance lease

At 31 December 2019 and 2018 the Company had contracted various finance leases on its property, plant and equipment (see note 7).

(7) Finance Leases - Lessee

The Company has leased the following types of assets under finance leases:

	Euros		
	Machinery	Installations	Total
Initially recognised at:			
Fair value	2,994,747	-	2,994,747
Accumulated depreciation	(317,489)	-	(317,489)
Carrying amount at 31 December 2019	2,677,258	-	2,677,258
Initially recognised at:			
Fair value	3,581,376	300,436	3,881,812
Accumulated depreciation	(225,711)	(121,677)	(347,388)
Carrying amount at 31 December 2018	3,355,665	178,759	3,534,424

No contingent amounts for finance leases have been recognised as an expense in 2019 or 2018.

Future minimum lease payments are reconciled with their present value as follows:

	Euros	
	2019	2018
Future minimum payments	903,306	1,536,100
Purchase option	48,514	53,588
Unaccrued finance costs	(53,799)	(102,010)
Present value	898,021	1,487,678

There is no impairment of finance leases at the 2019 and 2018 reporting dates.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Details of minimum lease payments and the present value of finance lease liabilities, by maturity date, are as follows:

	Euros			
	2019		2018	
	Minimum payments	Present value	Minimum payments	Present value
Less than one year	521,467	490,698	632,559	589,657
Between 1 and 5 years	430,353	407,323	903,541	898,021
	951,820	898,021	1,536,100	1,487,678
Less current portion	(521,467)	(490,698)	(632,559)	(589,657)
Total non-current	430,353	407,323	903,541	898,021

(8) Operating Leases - Lessee

The most significant lease contracts are as follows:

- Lease of a series of industrial buildings where the Company carries out its activity and located in Palau Solità i Plegamans (Barcelona) with a total surface area of 10,602.72 m². This contract has a duration of 15 years, with an obligatory lease term of 10 years, extendable until 31 March 2035.

- Lease of an industrial building and offices located in Palau-Solità i Plegamans (Barcelona) with a total surface area of 8,643 m². The lease contract is for 15 years and has an obligatory lease term of 10 years, extendable until 20 September 2034.

Operating lease payments have been recognised as an expense for the year as follows:

	Euros	
	2019	2018
Minimum lease payments	1,088,363	646,456

Future minimum payments under non-cancellable operating leases, which mainly reflect leases of industrial buildings located in Palau-Solità i Plegamans (Barcelona), are as follows:

	Euros	
	2019	2018
Up to 1 year	955,029	824,400
Between 1 and 5 years	3,747,253	3,297,600
More than 5 years	124,125	863,877
	4,826,407	4,985,877

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Future minimum payments under non-cancellable operating leases corresponding to the lease of industrial buildings have been adapted based on the revised prices at market value in 2019.

(9) Risk Management Policy**(a) Financial risk factors**

The Company's activities are exposed to various financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Company's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Company's profits.

The Company's risk management policies are established to identify and analyse risks, set limits and suitable risk controls to manage the risks and oversee compliance with limits. Risk management policies and procedures are reviewed regularly so that they reflect changes in market conditions and the Company's activities. With these regulations and management procedures, the Company aims to develop a strict and constructive control environment in which all employees understand their duties and obligations.

The Audit Committee supervises how management controls compliance with the risk management procedures and policies and reviews whether the risk management policy is suitable considering the risks to which the Company is exposed.

(i) Currency risk

The Company operates internationally and is therefore exposed to currency risk when operating with foreign currencies.

Currency risk arises when future commercial transactions and recognised assets and liabilities are presented in a foreign currency other than the Company's functional currency. The Treasury Department is responsible for managing the net position of each foreign currency.

(ii) Credit risk

The Company is not significantly exposed to credit risk. The Company has insurance policies to cover all sales of products to customers with adequate credit records and previously classified by the insurance companies. The coverage of credit facilities is 90% in Spain and 90% internationally.

(iii) Liquidity risk

The Company applies a prudent policy to cover its liquidity risks based on having sufficient cash and marketable securities, as well as sufficient financing through credit facilities (see note 16) and the classification of financial assets and liabilities (see notes 10 and 15).

(iv) Cash flow and fair value interest rate risks

As the Company does not have a considerable amount of interest-bearing assets, income and cash flows from operating activities are not significantly affected by fluctuations in market interest rates.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Interest rate risk arises from non-current borrowings. Borrowings at variable interest rates expose the Company to cash flow interest rate risks. Fixed interest loans expose the Company to fair value interest rate risks. The Company's policy involves contracting a large majority of borrowings at fixed interest rates.

(10) Financial Assets by Category

(a) Classification of financial assets by category

The classification of financial assets by category and class is as follows:

		Euros	
		Non-current	Current
		Carrying amount	Carrying amount
		Total	Total
2019			
<i>Assets held for trading</i>	<i>Equity instruments</i>		
Quoted		-	34,938
		-	34,938
Total		-	34,938
		-	34,938
<i>Loans and receivables</i>			
Loans to third parties		50,000	-
		50,000	-
Security and other deposits		97,515	-
Other financial assets		-	366,419
		-	366,419
Trade receivables		-	3,321,299
Other receivables		-	12,469
		-	12,469
Total		147,515	3,700,187
		147,515	3,700,187
Total financial assets		147,515	3,735,125
		147,515	3,735,125

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros			
	Non-current		Current	
	Carrying amount	Total	Carrying amount	Total
2018				
<i>Assets held for trading</i>				
Equity instruments				
Quoted	-	-	34,938	34,938
Total	-	-	34,938	34,938
<i>Loans and receivables</i>				
Security and other deposits	103,202	103,202	-	-
Other financial assets	34,708	34,708	10,000	10,000
Trade receivables	-	-	4,479,788	4,479,788
Other receivables	-	-	29,044	29,044
Total	137,910	137,910	4,518,832	4,518,832
Total financial assets	137,910	137,910	4,553,770	4,553,770

The fair value of financial assets does not differ significantly from their carrying amount.

(11) Investments and Trade Receivables**(a) Investments**

Details of investments are as follows:

	Euros			
	2019		2018	
	Non-current	Current	Non-current	Current
Unrelated parties				
Equity instruments	-	34,938	-	34,938
Loans to third parties	50,000	-	-	-
Security and other deposits	97,515	-	103,202	-
Other financial assets	-	366,419	34,708	10,000
Total	147,515	401,357	137,910	44,938

The Company has non-current security deposits corresponding mainly to lease contracts for the installations where it carries out its activity (see note 8). Other current financial assets include part of the factored loans receivable.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(b) Trade and other receivables

Details of trade and other receivables are as follows:

		Euros	
		2019	2018
		Current	Current
<i>Group</i>			
Trade receivables (note 20)	-		726,154
<i>Related parties</i>			
Trade receivables (note 20)	157,704		52,677
<i>Unrelated parties</i>			
Trade receivables	3,163,595		3,700,957
Personnel	12,469		29,044
Taxation authorities, income tax (note 18)			
	50,700		43,211
Public entities, other (note 18)			
	946,432		1,239,454
Total	4,330,900		5,791,497

At 31 December 2019 and 31 December 2018 there is no impairment of receivables.

(c) Classification by maturity

The classification of financial assets by maturity is provided in Appendix I.

(12) Inventories

(a) General

Details of inventories are as follows:

		Euros	
		2019	2018
Raw materials and other supplies	2,095,788		2,000,698
Finished goods	4,965,191		4,647,913
Advances	12,000		26,984
	7,072,979		6,675,595

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(b) Insurance

The Company has taken out various insurance policies that amply cover the risks associated with inventories.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

At 31 December 2019 and 31 December 2018 there is no impairment of inventories.

(13) Equity

Details of equity and movement during the year are shown in the statement of changes in equity.

(a) Capital

At 2018 reporting date share capital amounted to Euros 6,089,032 and was represented by 202,630 shares of Euros 30.05 par value each, subscribed and fully paid.

At a general meeting held on 21 June 2018 the shareholders approved an increase in capital subscribed by Corporation Chimique International S.P.R.L., which represented the creation of 28,540 new registered shares numbered correlatively from 174,091 to 202,630, corresponding to the addition of Euros 857,627 to share capital and Euros 1,042,373 to share premium. This capital increase was filed at the Barcelona Mercantile Registry on 15 November 2018.

At the extraordinary and universal general meeting held on 4 April 2019 the shareholders approved a Euros 10,131.50 reduction in capital, by reducing the par value of each of the 202,630 shares by Euros 0.50 per share. As a result, share capital stood at Euros 6,078,900 with shares at a par value of Euros 30.00 each.

Once the aforementioned capital reduction had been approved, on the same date it was agreed to reduce the par value of the Company's shares from 1 to 50 in such a way that the par value per share was reduced from Euros 30.00 to Euros 0.60.

As a result of this agreement, share capital stood at Euros 10,131,500 shares of Euros 0.60 par value each, numbered correlatively from 1 to 10,131,500, inclusive.

At an extraordinary general meeting held on 24 July 2019 the shareholders universally agreed to increase the Company's capital by Euros 4,999,774, with Euros 1,214,520 representing share capital and Euros 3,785,254 representing share premium, through the creation of 2,024,200 new shares, of Euros 0.60 par value each, belonging to a single class and series, which were subscribed and fully paid. The subscription price was Euros 2.47 per new share.

As a result of this capital increase, at 31 December 2019 the Company's share capital amounts to 12,155,700 shares of Euros 0.60 par value each, and numbered correlatively from 1 to 12,155,700.

On 12 August 2019 the Company listed all of its shares on the Growth Companies segment of the Alternative Equity Market (MAB).

Companies which hold a direct or indirect interest of at least 10% in the share capital of the Company are as follows:

Company	2019	2018
	Percentage ownership	Percentage ownership
CCP Masterbatch, S.L.	47.91 %	56.90%
CCI, S.P.R.L	18.65%	22.20%
Caixa Innvierte Industria, S.C.R.S.A.	-	12.50%
	66.56%	91.60%

(Continued)

PLÁSTICOS COMPUESTOS, S.A.

Notes to the Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(b) Share premium

The Spanish Companies Act expressly provides for the use of the share premium to increase capital and does not stipulate any specific restrictions as to its use, except as detailed in note 3 to these annual accounts.

(c) Reserves

(i) Legal reserve

The legal reserve has been appropriated in compliance with article 274 of the Revised Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

At 31 December 2019 and 2018, the Company has not appropriated to this reserve the minimum amount required by law.

(ii) Own shares

At 31 December 2019 the Company has 118,042 own shares deposited in the liquidity account for a value of Euros 291,667.

During the period from 31 July 2019 to 31 December 2019 purchase and sale transactions amounting to Euros 322,800 and Euros 31,133, respectively, took place. During this period the Company has not entered into any special transaction involving the acquisition or sale of own shares.

As a result of the listing on the Alternative Equity Market the Company signed a liquidity contract with the underwriter bank (BEKA FINANCE). This contract included both the handing over of a certain amount of own shares and the deposit of a cash amount. The purpose of this contract is to allow investors to trade company shares, ensuring that any interested party has the possibility of buying or selling shares. Movement in own shares during 2019 is as follows:

	Number of shares	Euros	
		Par value	Acquisition value
Acquisitions	130,643	78,386	322,800
Disposals	(12,601)	(7,561)	(31,133)
Balance at 31.12.2019	118,042	70,825	291,667

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Due to the sales made in 2019 a charge of Euros 2,177 has been recognised in reserves.

(iii) Voluntary reserves

These reserves are freely distributable. However, they are subject to the limitations detailed in note 3 to these annual accounts.

During 2019, costs of Euros 356,452, net of their tax effect, relating to the capital increase transaction for listing on the Growth Companies segment of the Alternative Equity Market (MAB), have been taken to reserves. This amount has been presented in the statement of cash flows as a reduction in the capital increase and share premium, as it is considered as cash flow from financing activities. The remaining costs associated with this transaction have been charged directly to the income statement, as well as other costs deriving from the debt transaction (see note 16, section a)). These costs total Euros 419,941 and are recognised under other operating expenses under the external services line item of the income statement.

(14) Grants

Movement in non-refundable grants received is as follows:

	Euros	
	2019	2018
Balance at 1 January	61,438	214,721
Grants received during the year	184,214	48,873
Amounts transferred to the income statement	-	(202,156)
Balance at 31 December	245,652	61,438

Details of the amounts recognised in the income statement by type of grant are as follows:

	Euros	
	2019	2018
Capital grants	-	269,541

(15) Financial Liabilities by Category**(a) Classification of financial liabilities by category**

Details of financial liabilities by category are provided in Appendix II.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The fair value of the financial liabilities does not significantly differ from the carrying amount.

(16) Payables and Trade Payables**(a) Payables**

Details of payables are as follows:

	Euros			
	2019		2018	
	Non-current	Current	Non-current	Current
Loans and borrowings	3,287,369	3,624,443	1,771,675	7,955,226
Finance lease payables	407,323	490,698	898,021	589,657
Other financial liabilities	5,132,363	-	4,997,162	-
Total	8,827,055	4,115,141	7,666,858	8,544,883

Loans and borrowings reflect a syndicated loan of Euros 10,000,000 arranged by the Company on 7 March 2019. This loan is distributed into two tranches: the first tranche is for an amount of Euros 4,000,000, instrumented as a seven-year loan and gradual quarterly repayments with a six-month grace period. The second tranche of Euros 6,000,000 is a committed three-year credit facility, with the possibility of two additional annual extensions via short-term disposals, as set out in section b) of this note, over the duration of the syndicated financing agreement. The possibility of distributing dividends is mainly linked to compliance with a leverage ratio, meeting the financial ratios and provided that the distribution of dividends does not exceed 50% of the net profit for the year with a charge to the aforementioned distribution. Furthermore, the aforementioned syndicated financing is dependent on meeting certain financial ratios.

At 31 December 2019 the Company complies with all of the ratios linked to the financing received.

Finance lease payables reflect the long-term financing transactions linked to the investment in property, plant and equipment (see note 7), the interest rate of which stands at between 1.25% and 2.75%.

Other financial liabilities include the Euros 5,000,000 loan received from Alteralia, S.C.A., SICAR arranged on 20 December 2018 and falling due on 20 December 2025. This loan will be fully repaid upon maturity. This loan is pegged to Euribor plus a spread ranging from 6% to 7% based on the leverage ratio. Over the duration of the contract the possibility of distributing dividends depends on compliance with a level of leverage. In addition, the financing agreement is linked to compliance with the leverage ratio, debt service and maximum CAPEX to be invested, considering for the latter the non-existence of a CAPEX investment limitation for the amount of a future capital injection or financing by shareholders. Compliance with these financial ratios will be half-yearly and yearly and will begin on 30 June 2019.

At 31 December the Company complies with all of the ratios linked to the loan received from Alteralia, S.C.A., SICAR.

Other financial liabilities include loans received from the Centro para el Desarrollo Tecnológico (CDTI) associated with research and development projects (see note 5) amounting to Euros 323,263 (Euros 208,157 at 31 December 2018).

At 2018 reporting date the Company repaid the participating loans in advance in an amount of Euros 1,900,000. These loans had been received from Caixa Invierte Industria, S.C.R. and Capital Expansió F.C.R. in 2015 and were due in 2021.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(b) Other information on payables

(i) Main characteristics of payables

The Company has the following credit facilities and discount lines at 31 December:

	Euros			
	2019		2018	
	Drawn down	Limit	Drawn down	Limit
Credit facility	-	220,000	-	320,000
Discount lines				
Domestic discount	648,248	2,125,000	591,353	-
Export/Import advances	2,547,844	5,825,000	5,004,920	-
Confirming	-	300,000	-	-
	3,196,092	8,470,000	5,596,273	320,000

At 31 December 2019 the amount drawn down corresponds to the use of the different discount lines, advance billing, confirming, import and export advances, totalling Euros 3,196,092 under the syndicated loan contract arranged by the Company on 7 March 2019 (see note 16 a)).

At 31 December 2018 the Company had set up working capital lines: advance billing, confirming, import and export advances, totalling Euros 10,500,000, from which an amount of Euros 5,596,273 has been drawn down.

(c) Trade and other payables

Details of trade and other payables are as follows:

	Euros	
	2019	2018
	Current	Current
<i>Related parties</i>		
Suppliers (note 20)	861,647	-
<i>Unrelated parties</i>		
Suppliers	4,766,557	5,584,630
Payables	2,091,962	1,515,270
Personnel	137,628	135,727
Public entities, other (note 18)	302,396	167,189
Advances	30,192	-
Total	8,190,382	7,402,816

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(d) Classification by maturity

The classification of financial liabilities by maturity is shown in Appendix III.

The fair value of the financial liabilities does not significantly differ from the carrying amount.

(17) Average Supplier Payment Period "Reporting Requirement". Third Additional Provision of Law 15/2010 of 5 July 2010.

The average payment period to suppliers for the year ended 31 December 2019 is 68 days (72 days for the year ended 31 December 2018). The total average is obtained by dividing the resulting amount of weighting the number of days elapsed between the payment date and the issuance date of each invoice with the total amount of each of the invoices, between the total amount of invoices.

During 2019 payment of Euros 32,044,869 has been made (Euros 28,455,565 for the year ended 31 December 2018). During 2019 the transactions paid ratio stands at 72 days and the transactions payable ratio stands at 34 days (74 days and 80 days, respectively, in the year ended 31 December 2018).

(18) Taxation

Details of balances with public entities are as follows:

	Euros			
	2019		2018	
	Non-current	Current	Non-current	Current
Assets				
Deferred tax assets	258,524	-	212,039	-
Current tax assets	-	50,700	-	43,211
Value added tax and similar taxes	-	946,432	-	1,239,454
	258,524	997,132	212,039	1,282,665
Liabilities				
Deferred tax liabilities	153,802	-	107,700	-
Value added tax and similar taxes	-	147,389	-	-
Social Security	-	77,378	-	74,875
Withholdings	-	77,629	-	92,314
	153,802	302,396	107,700	167,189

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The Company has open to inspection those applicable taxes during the period of four years prior to their prescription, as stipulated by prevailing tax legislation.

Income tax

Income tax is calculated based on the accounting profit/loss, which is not necessarily the same as the Company's taxable income/tax loss.

A reconciliation of net income and expenses for the year and taxable income is detailed in Appendix IV.

The relationship between the tax expense/(income) and accounting profit/(loss) for the year is shown in Appendix V.

Details of the tax expense/(tax income) in the income statement are as follows:

		Euros	
		2019	2018
Current tax			
Present year		87,654	-
		87,654	-
Deferred tax			
Source and reversal of temporary differences			
Property, plant and equipment		(16,030)	(25,586)
Previously unrecognised tax credits applied		-	140,821
		71,624	115,235

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Details of deferred tax assets and liabilities by type of asset and liability are as follows:

	Euros			
	Assets		Liabilities	
	2019	2018	2019	2018
Property, plant and equipment	165,457	140,579	75,961	91,990
Grants	-	-	77,115	15,710
Profit/loss on transactions with own shares	-	-	726	-
Tax loss carryforwards	49,019	27,412	-	-
Rights to tax deductions and credits	44,048	44,048	-	-
Total assets/liabilities	258,524	212,039	153,802	107,700

The Company has recognised non-capitalised deductions, the amounts and reversal periods of which are as follows:

Year	Euros		Final year
	2019	2018	
2005	1,644	1,644	2020
2006	2,186	2,186	2024
2007	3,249	3,249	2022
2008	1,088	1,088	2023
2009	84	84	2024
2010	4,310	4,310	2025
2011	307	307	2026
2012	8,609	8,609	2026
2013	2,303	2,303	2027
2014	9,792	9,792	2032
2015	21,843	23,717	2032
2016	106,603	107,933	2033
2017	155,607	155,607	2035
2018	188,137	188,137	2036
2019	4,879	-	2037
	510,641	508,966	

The Company has capitalised deductions corresponding to the reversal of temporary measures (transitional provision 37.1 of the Spanish Companies Act) amounting to Euros 44,048 in 2019 and 2018.

Details of tax loss carryforwards accredited by the Company at the 2019 and 2018 reporting dates are as follows:

Year	Euros	
	2019	2018
2015	71,438	71,438
2019	124,654	-

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(19) Environmental Information

Given the nature of the Company's activities, it does not have obligations, expenses, assets, provisions or contingencies of an environmental nature that could significantly affect its equity, financial situation or results. Accordingly, no specific disclosures about environmental matters have been included in these explanatory notes to the annual accounts.

There are currently no environmental contingencies which could be incurred by the Company. However, in the event of environmental contingencies they would be covered by a specific environmental public liability insurance policy, which would also cover other contingencies.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(20) Related Party Balances and Transactions

(a) Balances with related parties

Details of balances by category are as follows:

Euros			
	Group companies	Other related parties	Total
2019			
Trade and other receivables			
Trade receivables from Group companies and other related parties – current (note 11)	-	157,704	157,704
Total current assets	-	157,704	157,704
Total assets	-	157,704	157,704
Trade and other payables			
Suppliers, Group companies and other related parties (note 16)	-	861,647	861,647
Total current liabilities	-	861,647	861,647
Total liabilities	-	861,647	861,647
Euros			
	Group companies	Other related parties	Total
2018			
Trade and other receivables			
Trade receivables from Group companies and other related parties – current (note 11)	726,154	52,677	778,831
Total current assets	726,154	52,677	778,831
Total assets	726,154	52,677	778,831

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(b) Related party transactions

The Company's transactions with related parties are as follows:

	Euros		
	Directors	Other related parties	Total
2019			
Income			
Net sales			
Sales	-	2,293,757	2,293,757
Total income	-	2,293,757	2,293,757
Expenses			
Net purchases			
Purchases	-	(4,430,080)	(4,430,080)
Operating lease expenses	-	(955,029)	(955,029)
Other services received	(122,700)	-	(122,700)
Total expenses	(122,700)	(5,385,109)	(5,507,809)
2018			
Income			
Net sales			
Sales	-	879,872	879,872
Total income	-	879,872	879,872
Expenses			
Net purchases			
Purchases	-	(4,869,790)	(4,869,790)
Operating lease expenses	-	(546,333)	(546,333)
Other services received	(120,033)	-	(120,033)
Finance costs	-	(274,937)	(274,937)
Total expenses	(120,033)	(5,691,060)	(5,811,093)

(c) Information on the Company's directors and senior management personnel

Remuneration to the members of the board of directors for 2019 totalling Euros 95,000 was approved by the shareholders at a general extraordinary meeting held on 14 February 2020. In 2018 the members of the board of directors did not receive any remuneration in relation to their position as directors.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Total remuneration accrued at 31 December 2019 by members of the Company's senior management, who are also members of the board of directors, amounts to Euros 134,180 (Euros 120,033 in 2018).

In 2019 and 2018 the directors of the Company did not receive any advances or loans, nor did the Company extend any guarantees on their behalf. The Company has no pension or life insurance obligations with its former or current directors.

In 2019 the Company has paid public liability insurance premiums of Euros 7,796 for damage or loss caused by actions or omissions in the performance of their duties (Euros 3,202 in 2018).

- (d) Transactions other than ordinary business or under terms differing from market conditions carried out by the directors and senior management personnel of the Company

In 2019 and 2018 the directors and senior management personnel of the Company did not carry out any transactions other than ordinary business or applying terms that differ from market conditions with the Company or any other Group company.

- (c) Conflicts of interest concerning the directors

The directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

(21) Income and Expenses

- (a) Revenues

Details of revenues by category of activity and geographical market are shown in Appendix VI.

- (b) Supplies

Details of raw materials and other supplies used are as follows:

	Euros	
	2019	2018
Raw materials and other supplies used		
Purchases	32,607,161	30,946,802
Purchase discounts and returns	(28,285)	(12,444)
Change in inventories	(8,741)	(973,043)
	32,570,135	29,961,315

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(c) Employee benefits expense and provisions

Details of employee benefits expense and provisions are as follows:

	Euros	
	2019	2018
Employee benefits expense		
Social Security payable by the Company	859,040	763,284
Other employee benefits expenses	8,937	400
	867,977	763,684

(22) Employee Information

The average headcount of the Company in 2019 and 2018, distributed by category, is as follows.

	Number	
	2019	2018
Senior management personnel	1	1
Technicians and middle management	19	14
Sales and similar personnel	8	8
Administrative and other personnel	51	46
	79	69

At 2019 and 2018 year end the distribution by gender of Company personnel and the members of the board of directors is as follows:

	Number			
	2019		2018	
	Female	Male	Female	Male
Directors	2	5	1	4
Technicians and middle management	4	12	3	11
Sales and similar personnel	2	5	3	4
Administrative and other personnel	9	46	11	41
	17	68	18	60

At 31 December 2019 and 31 December 2018 the Company had no employees with a disability rating of 33% or more.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.**Notes to the Annual Accounts**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(23) Audit Fees

Fees corresponding to services rendered by the firm (KPMG Auditores, S.L.) auditing the annual accounts of the Company for the years ended 31 December 2019 and 2018, irrespective of the invoice date, are as follows:

	Euros	
	2019	2018
Audit services	38,500	27,000
Other assurance services	56,700	-
	95,200	27,000

In addition, the Company has expenses accrued in 2019 for assurance services provided relating to compliance with covenants in accordance with the existing financing contracts (see note 16) amounting to Euros 7,000. Therefore, services provided by the auditor (KPMG Auditores, S.L.) total Euros 102,000.

(24) Events after the Reporting Period

The Company has implemented prevention protocols with regard to the current Covid-19 situation. At the date the 2019 annual accounts were authorised for issue, there have not been any significant changes in the Company's activity. Given the rapid expansion of Covid-19 the Company will act according to the recommendations of the Spanish Ministry of Health and the tax and monetary policy measures adopted by the Spanish Government.

(Continued)

PLÁSTICOS COMPUESTOS, S.A.
Classification of financial assets by maturity
for the year ended 31 December 2019

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros			
	2020	Subsequent years	Less current portion	Total non-current
2019				
Investments				
Financial assets held for trading				
Security and other deposits	34,938	-	(34,938)	-
Other financial assets	-	97,515	-	97,515
Loans to third parties	366,419	-	(366,419)	-
	-	50,000	-	50,000
Trade and other receivables				
Trade receivables	3,163,595	-	(3,163,595)	-
Trade receivables from Group companies and related parties	157,704	-	(157,704)	-
Personnel	12,469	-	(12,469)	-
Total	3,735,125	147,515	(3,735,125)	147,515

PLÁSTICOS COMPUESTOS, S.A.
Classification of financial assets by maturity
for the year ended 31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros			
	2019	Subsequent years	Less current portion	Total non-current
2018				
Loans and receivables				
Other financial assets	-	137,910	-	137,910
Trade and other receivables				
Trade receivables	3,753,634	-	(3,753,634)	-
Trade receivables from Group companies and associates	726,154	-	(726,154)	-
Personnel	29,044	-	(29,044)	-
Total	4,508,832	137,910	(4,508,832)	137,910

PLÁSTICOS COMPUESTOS, S.A.
Details of Financial Liabilities by Category
for the year ended 31 December 2019

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros			
	Non-current		Current	
	At amortised cost or cost Carrying amount	Total	At amortised cost or cost Carrying amount	Total
2019				
<i>Debts and payables</i>				
Loans and borrowings				
Finance lease payables	3,287,369	3,287,369	3,624,443	3,624,443
Other financial liabilities	407,323	407,323	490,698	490,698
Trade and other payables	5,132,363	5,132,363	-	-
Suppliers	-	-	5,628,204	5,628,204
Other payables	-	-	2,259,782	2,259,782
Total financial liabilities	8,827,055	8,827,055	12,003,127	12,003,127

PLÁSTICOS COMPUESTOS, S.A.
Details of Financial Liabilities by Category
for the year ended 31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros			
	Non-current		Current	
	At amortised cost or cost		At amortised cost or cost	
	Carrying amount	Total	Carrying amount	Total
2018				
<i>Debts and payables</i>				
Loans and borrowings	1,771,675	1,771,675	7,955,226	7,955,226
Finance lease payables	898,021	898,021	589,657	589,657
Other financial liabilities	4,997,162	4,997,162	-	-
Trade and other payables				
Suppliers	-	-	5,584,630	5,584,630
Other payables	-	-	1,650,997	1,650,997
Total financial liabilities	7,666,858	7,666,858	15,780,510	15,780,510

PLÁSTICOS COMPUESTOS, S.A.
Classification of Financial Liabilities by Maturity
for the years ended 31 December 2019 and 31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros							
	2019					Subsequent years	Less current portion	Total non- current
	2020	2021	2022	2023	2024			
Payables								
Loans and borrowings	3,624,443	432,614	584,965	640,152	708,522	921,116	(3,624,443)	3,287,369
Finance lease payables	490,698	239,061	121,652	46,610	-	-	(490,698)	407,323
Other financial liabilities	-	21,162	21,162	21,162	21,162	5,047,715	-	5,132,363
Trade and other payables								
Suppliers	5,628,204	-	-	-	-	-	(5,628,204)	-
Other payables	2,091,962	-	-	-	-	-	(2,091,962)	-
Personnel	137,628	-	-	-	-	-	(137,628)	-
Advances from customers	30,192	-	-	-	-	-	(30,192)	-
Total financial liabilities	12,003,127	692,837	727,779	707,924	729,684	5,968,831	(12,003,127)	8,827,055

PLÁSTICOS COMPUESTOS, S.A.
Classification of Financial Liabilities by Maturity
for the years ended 31 December 2019 and 31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros							
	2018					Subsequent years	Less current portion	Total non- current
	2019	2020	2021	2022	2023			
Payables								
Loans and borrowings	7,955,226	1,194,626	445,203	111,608	20,238	-	(7,955,226)	1,771,675
Finance lease payables	589,657	490,688	239,062	121,652	46,619	-	(589,657)	898,021
Other financial liabilities	-	-	26,020	26,020	26,020	4,919,102	-	4,997,162
Trade and other payables								
Suppliers	5,584,630	-	-	-	-	-	(5,584,630)	-
Other payables	1,515,270	-	-	-	-	-	(1,515,270)	-
Personnel	135,727	-	-	-	-	-	(135,727)	-
Total financial liabilities	15,780,510	1,685,314	710,285	259,280	92,877	4,919,102	(15,780,510)	7,666,858

PLÁSTICOS COMPUESTOS, S.A.
Reconciliation of net income and expenses for the year with taxable income
for the year ended 31 December 2019

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Euros											
2019		Income statement			Recognised income and expense			Reserves			
		Increases	Decreases	Net	Increases	Decreases	Net	Increases	Decreases	Net	Total
	Income and expenses for the period			212,576			184,214			(356,452)	20,860
	Income tax			71,624			61,438			(118,817)	33,723
	Profit/(loss) before income tax			284,200			245,652			(475,269)	173,400
	Permanent differences										
	Individual company	2,301	-	2,301	-	-	-	-	-	-	2,301
	Temporary differences:										
	Individual company										
	originating in prior years	174,660	110,546	64,114	-	245,652	(245,652)	-	-	-	(181,538)
)
	Taxable income/(Tax loss)			350,615		-		(475,269)		(124,654)	

This appendix forms an integral part of note 18 to the annual accounts.

PLÁSTICOS COMPUESTOS, S.A.
Reconciliation of net income and expenses for the year with taxable income
for the year ended 31 December 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

2018		Euros						
		Income statement			Recognised income and expense			
		Increases	Decreases	Net	Increases	Decreases	Net	Total
	Income and expenses for the period			477,038			(153,283)	323,755
	Income tax			115,235			(51,094)	64,141
	Profit/(loss) before income tax			592,273			(204,377)	387,896
	Permanent differences							
	Individual company	20,245	151,578	(131,333)	-	-	-	(131,333)
	Temporary differences:							
	Individual company							
	originating in prior years	209,020	106,676	102,344	204,377	-	204,377	306,721
	Taxable income/(Tax loss)			563,284			-	563,284

This appendix forms an integral part of note 18 to the annual accounts.

PLÁSTICOS COMPUESTOS, S.A.

**Relationship between Income Tax Expense/(Income) and Profit/ (Loss)
for the year ended 31 December 2019**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros			
	Profit and loss	Recognised income and expense	Reserves	Total
Income and expenses for the period before tax	284,200	245,652	(475,269)	54,583
Tax at 25%	71,050	61,413	(118,817)	13,646
Permanent differences				
Non-deductible expenses	574	-	-	575
Consolidated income tax expense/(income) Continuing operations	71,624	61,413	(356,452)	(223,414)

PLÁSTICOS COMPUESTOS, S.A.

**Relationship between Income Tax Expense/(Income) and Profit/ (Loss)
for the year ended 31 December 2018**

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Euros		
	Profit and loss	Recognised income and expense	Total
Income and expenses for the period before tax	592,273	(204,377)	387,896
Tax at 25%	148,068	(51,094)	96,974
Permanent differences			
Non-deductible expenses	5,062	-	5,062
Non-taxable income	(37,895)	-	(37,895)
Consolidated income tax expense/(income)			
Continuing operations	115,235	(51,094)	64,141

PLÁSTICOS COMPUESTOS, S.A.

**Details of revenues by category of activity and geographical market
for the years ended 31 December 2019 and 31 December 2018**

(Expressed in Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Domestic		Rest of European Union		Other exports		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenue from the sale of goods	19,013,410	16,636,531	24,798,433	20,613,878	2,427,212	4,135,676	46,239,055	41,386,085
	19,013,410	16,636,531	24,798,433	20,613,878	2,427,212	4,135,676	46,239,055	41,386,085

PLÁSTICOS COMPUESTOS, S.A.

Directors' Report

2019

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

During 2019 Plásticos Compuestos, S.A. has reached turnover of Euros 46,239,055, representing a 12% rise on 2018. In terms of tons transformed and sold, the increase has been 26% higher than the same period of the previous year.

Investments made in recent years mainly aimed at expanding production capacity, as well as the investment in human resources, has enabled the Company to consolidate the growth forecast in its business plan.

Results for 2019 show favourable growth, with a gross margin (*revenues +/- variation in inventories of finished goods and work in progress - supplies*) 18% up on that obtained in the previous period.

Profits for the year amount to Euros 212,576, generating Ebitda of Euros 3,715,088 obtained as results on operating activities, deducting fixed asset depreciation, other results and costs associated with extraordinary transactions (syndicated loan and listing on the Growth Companies segment of the Alternative Equity Market).

On 12 August 2019 the Company listed its shares on the Growth Companies segment of the Alternative Equity Market (MAB). As part of this process and prior to listing, the Company's capital was increased by Euros 4,999,774, with Euros 1,214,250 corresponding to share capital and Euros 3,785,254 to share premium.

The Company is affected by different external factors relating to the socio-economic environment in which it carries out its activity, mainly originating from fluctuations in raw materials, especially those deriving from oil. These factors affecting the business are considered to generate both risks and opportunities for the Company.

The management and organisational structure of the Company has been designed to guarantee that the necessary control mechanisms exist to assess, control and mitigate these risks.

Research and development and innovation activities continue to be priority activities, specifically focused on biopolymer and sustainable compound projects. These projects will continue intensively in forthcoming years.

The average payment period has been 68 days for the 12 month period ended 31 December 2019.

During 2019 the Company has acquired own equity instruments amounting to Euros 322,800 and sold these instruments for Euros 31,133. At reporting date it held 118,042 shares for an amount of Euros 291,667, equivalent to Euros 2.47/per share.

During 2019 the Company has not operated with derivative financial products.

The Company has implemented prevention protocols with regard to the current Covid-19 situation. At the date the 2019 annual accounts were authorised for issue, there have not been any significant changes in the Company's activity. Given the rapid expansion of Covid-19 the Company will act according to the recommendations of the Spanish Ministry of Health and the tax and monetary policy measures adopted by the Spanish Government.

PLÁSTICOS COMPUESTOS, S.A.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

At their meeting held on 6 March 2020, pursuant to the requirements of article 253.2 of the Revised Spanish Companies Act and article 37 of the Spanish Code of Commerce, the directors of Plásticos Compuestos, S.A. authorised for issue the annual accounts and directors' report for the period from 1 January 2019 to 31 December 2019. The annual accounts comprise the documents that precede this certification.

Signed:

CORPORATION CHIMIQUE
INTERNATIONAL S.P.R.L.
represented by Mr. Ignacio
Duch Tuesta, Chairman of
the Board of Directors of
PLÁSTICOS
COMPUESTOS, S.A.

CCP MASTERBATCH, S.L.
represented by Ms. Clara
Duch Tuesta, Director of
PLÁSTICOS
COMPUESTOS, S.A.

INSTITUT CATALÀ DE LES
FINANCES, SGEIC, S.A.U.,
represented by Mr. Adrià
Torrelles Burgués, Director
of PLÁSTICOS
COMPUESTOS, S.A.

Mr. Carlos Argenté
Cordomí, Director of
PLÁSTICOS
COMPUESTOS, S.A.

Ms. Sandra Duch Balust,
Director of PLÁSTICOS
COMPUESTOS, S.A.

Mr. David Villaró Pontones,
Director of PLÁSTICOS
COMPUESTOS, S.A.

Mr. Iñigo Gallo Martínez,
Director of PLÁSTICOS
COMPUESTOS, S.A.

GESTIÓN Y
ADMINISTRACIÓN
MOBILIARIA, S.A.,
represented by Mr.
Santiago de Gomar Roca,
Director of PLÁSTICOS
COMPUESTOS, S.A.

GANT FINANCE, S.A.,
represented by Mr. Luis Vázquez
Antas, Director of PLÁSTICOS
COMPUESTOS, S.A.