



# 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**

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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**

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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.



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## 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"><li>- 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.</li><li>- Evaluation of the supporting documentation justifying the capitalisation of these expenses.</li><li>- 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.</li></ul> <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>



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<b>Valuation of inventories</b>	
<b>See notes 4 (g) and 12 to the annual accounts</b>	
<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"><li>- 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.</li><li>- 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.</li><li>- 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.</li><li>- Analysis to evaluate that the net realisable value of inventories is not lower than their carrying amount at reporting date.</li></ul> <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.



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## **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.



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- 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.



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## **Contract Period**

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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>
<b>Intangible assets</b>	<b>Note 5</b>	<b>3,645,631</b>	<b>2,653,054</b>
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
<b>Property, plant and equipment</b>	<b>Note 6</b>	<b>21,106,815</b>	<b>18,060,532</b>
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
<b>Non-current investments</b>	<b>Note 11</b>	<b>147,515</b>	<b>137,910</b>
Loans to third parties		50,000	-
Other financial assets		97,515	137,910
<b>Deferred tax assets</b>		<b>258,524</b>	<b>212,039</b>
<b>Total non-current assets</b>		<b>25,158,485</b>	<b>21,063,535</b>
<b>Inventories</b>	<b>Note 12</b>	<b>7,072,979</b>	<b>6,675,595</b>
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
<b>Trade and other receivables</b>	<b>Note 11</b>	<b>4,330,900</b>	<b>5,791,497</b>
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	<b>Note 18</b>	50,700	43,211
Public entities, other	<b>Note 18</b>	946,432	1,239,454
<b>Current investments</b>	<b>Note 11</b>	<b>401,357</b>	<b>44,938</b>
Equity instruments		34,938	34,938
Other financial assets		366,419	10,000
<b>Prepayments for current assets</b>		<b>242,381</b>	<b>160,331</b>
<b>Cash and cash equivalents</b>		<b>1,073,962</b>	<b>2,184,872</b>
Cash		1,073,962	2,184,872
<b>Total current assets</b>		<b>13,121,579</b>	<b>14,857,233</b>
<b>Total assets</b>		<b>38,280,064</b>	<b>35,920,768</b>



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>
<b>Capital and reserves</b>	<b>Note 13</b>	<b>16,661,400</b>	<b>12,094,992</b>
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
<b>Grants, donations and bequests received</b>	<b>Note 14</b>	<b>245,652</b>	<b>61,438</b>
<b>Total equity</b>		<b>16,907,052</b>	<b>12,156,430</b>
<b>Non-current provisions</b>		<b>42,081</b>	<b>42,081</b>
Other provisions		42,081	42,081
<b>Non-current payables</b>		<b>8,827,055</b>	<b>7,666,858</b>
Loans and borrowings	<b>Note 16</b>	3,287,369	1,771,675
Finance lease payables	<b>Note 7</b>	407,323	898,021
Other financial liabilities	<b>Note 16</b>	5,132,363	4,997,162
<b>Deferred tax liabilities</b>	<b>Note 18</b>	<b>153,802</b>	<b>107,700</b>
<b>Total non-current liabilities</b>		<b>9,022,938</b>	<b>7,816,639</b>
<b>Current provisions</b>		<b>44,551</b>	<b>-</b>
Other provisions		44,551	-
<b>Current payables</b>		<b>4,115,141</b>	<b>8,544,883</b>
Loans and borrowings	<b>Note 16</b>	3,624,443	7,955,226
Finance lease payables	<b>Note 7</b>	490,698	589,657
<b>Trade and other payables</b>	<b>Note 16</b>	<b>8,190,382</b>	<b>7,402,816</b>
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	<b>Note 18</b>	302,396	167,189
Advances from customers		30,192	-
<b>Total current liabilities</b>		<b>12,350,074</b>	<b>15,947,699</b>
<b>Total equity and liabilities</b>		<b>38,280,064</b>	<b>35,920,768</b>

**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>
<b>Revenues</b>	<b>Note 21</b>	<b>46,239,055</b>	<b>41,386,085</b>
Sales		46,239,055	41,386,085
<b>Changes in inventories of finished goods and work in progress</b>		<b>317,279</b>	<b>516,450</b>
<b>Self-constructed assets</b>	<b>Notes 5 &amp; 6</b>	<b>1,628,965</b>	<b>1,243,000</b>
<b>Supplies</b>	<b>Note 21</b>	<b>(32,570,135)</b>	<b>(29,963,494)</b>
Raw materials and consumables used		(32,570,135)	(29,961,315)
Subcontracted work		-	(2,179)
<b>Other operating income</b>		<b>47,139</b>	<b>-</b>
Non-trading and other operating income		47,139	-
<b>Personnel expenses</b>		<b>(3,702,788)</b>	<b>(3,419,282)</b>
Salaries and wages		(2,834,811)	(2,655,598)
Employee benefits expense	<b>Note 21</b>	(867,977)	(763,684)
<b>Other operating expenses</b>		<b>(8,664,368)</b>	<b>(6,176,004)</b>
External services		(8,577,414)	(6,136,768)
Taxes		(85,074)	(39,236)
Losses, impairment and changes in trade provisions		(1,880)	-
<b>Amortisation and depreciation</b>	<b>Notes 5 &amp; 6</b>	<b>(1,834,989)</b>	<b>(2,327,733)</b>
<b>Non-financial and other capital grants</b>	<b>Note 14</b>	<b>-</b>	<b>269,541</b>
<b>Other expenses</b>		<b>(60,927)</b>	<b>(103,506)</b>
<b>Results from operating activities</b>		<b>1,399,231</b>	<b>1,425,057</b>
<b>Finance income</b>		<b>1,914</b>	<b>3,481</b>
Marketable securities and other financial instruments			
Other		1,914	3,481
<b>Finance costs</b>		<b>(1,109,889)</b>	<b>(827,651)</b>
Other		(1,109,889)	(827,651)
<b>Exchange losses</b>		<b>(7,056)</b>	<b>(8,614)</b>
<b>Net finance cost</b>		<b>(1,115,031)</b>	<b>(832,784)</b>
<b>Profit before income tax</b>		<b>284,200</b>	<b>592,273</b>
<b>Income tax</b>	<b>Note 18</b>	<b>(71,624)</b>	<b>(115,235)</b>
<b>Profit for the year</b>		<b>212,576</b>	<b>477,038</b>

**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>
<b>Profit for the year</b>		<b>212,576</b>	<b>477,038</b>
<b>Income and expense recognised directly in equity</b>			
Grants, donations and bequests	<b>Note 14</b>	245,652	65,164
Tax effect		(61,438)	(16,291)
<b>Total income and expense recognised directly in equity</b>		<b>184,214</b>	<b>48,873</b>
<b>Amounts transferred to the income statement</b>			
Grants, donations and bequests	<b>Note 14</b>	-	(269,541)
Tax effect		-	67,385
<b>Total amounts transferred to the income statement</b>		<b>-</b>	<b>(202,156)</b>
<b>Total recognised income and expense</b>		<b>396,790</b>	<b>323,755</b>

**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.)

	<b>Registered capital</b>	<b>Share premium</b>	<b>Reserves</b>	<b>Own shares</b>	<b>Prior years' profit and loss</b>	<b>Profit/(loss) for the year</b>	<b>Grants, donations and bequests received</b>	<b>Total</b>
<b>Balance at 31 December 2018</b>	<b>6,089,032</b>	<b>4,988,421</b>	<b>637,028</b>	-	<b>(96,527)</b>	<b>477,038</b>	<b>61,438</b>	<b>12,156,430</b>
Recognised income and expense	-	-	-	-	-	212,576	184,214	<b>396,790</b>
Transactions with shareholders or owners								
Capital increases (note 13)	1,214,520	3,785,254	-	-	-	-	-	<b>4,999,774</b>
Capital reductions (note 13)	(10,132)	-	10,132	-	-	-	-	-
Own shares (note 13)	-	-	2,177	(291,667)	-	-	-	<b>(289,490)</b>
Distribution of profit for 2018 (note 3)	-	-	380,511	-	96,527	(477,038)	-	-
Other movements (note 13)	-	-	(356,452)	-	-	-	-	<b>(356,452)</b>
<b>Balance at 31 December 2019</b>	<b>7,293,420</b>	<b>8,773,675</b>	<b>673,396</b>	<b>(291,667)</b>	-	<b>212,576</b>	<b>245,652</b>	<b>16,907,052</b>

**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.)

	<b>Registered capital</b>	<b>Share premium</b>	<b>Reserves</b>	<b>Prior years' profit and loss</b>	<b>Profit/(loss) for the year</b>	<b>Grants, donations and bequests received</b>	<b>Total</b>
<b>Adjusted balance at 1 January 2018</b>	<b>5,231,405</b>	<b>3,946,048</b>	<b>629,797</b>	<b>(31,950)</b>	<b>96,446</b>	<b>214,721</b>	<b>10,086,467</b>
Recognised income and expense	-	-	-	-	477,038	(153,283)	<b>323,755</b>
Transactions with shareholders or owners							
Capital increases	857,627	1,042,373	(2,214)	-	-	-	<b>1,897,786</b>
Other movements	-	-	-	(151,578)	-	-	<b>(151,578)</b>
Distribution of profit for 2017							
Reserves	-	-	9,445	87,001	(96,446)	-	-
<b>Balance at 31 December 2018</b>	<b>6,089,032</b>	<b>4,988,421</b>	<b>637,028</b>	<b>(96,527)</b>	<b>477,038</b>	<b>61,438</b>	<b>12,156,430</b>

**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>
<i>Cash flows from operating activities</i>			
<b>Profit for the year before tax</b>		<b>284,200</b>	<b>592,273</b>
<b>Adjustments for:</b>			
Amortisation and depreciation	<b>Notes 5 &amp; 6</b>	1,834,989	2,327,733
Change in provisions		44,551	42,081
Grants recognised in the income statement	<b>Note 14</b>	-	(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	<b>Notes 5 &amp; 6</b>	(1,628,965)	(1,243,000)
<b>Changes in operating assets and liabilities</b>			
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
<b>Other cash flows from operating activities</b>			
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)
<b>Cash flows from operating activities</b>		<b>2,231,490</b>	<b>1,457,771</b>
<i>Cash flows from investing activities</i>			
<b>Payments for investments</b>			
Intangible assets	<b>Note 5</b>	(215,429)	(575,661)
Property, plant and equipment	<b>Note 6</b>	(4,029,455)	(2,158,381)
Other financial assets		(366,018)	(29,868)
<b>Proceeds from sale of investments</b>			
Other financial assets		-	50,665
<b>Cash flows used in investing activities</b>		<b>(4,610,902)</b>	<b>(2,713,245)</b>
<i>Cash flows from financing activities</i>			
<b>Proceeds from and payments for equity instruments</b>			
Capital increase and share premium	<b>Note 13</b>	4,645,499	1,900,000
Acquisition of own equity instruments	<b>Note 13</b>	(291,667)	-
Grants, donations and bequests received	<b>Note 14</b>	184,214	65,164
<b>Proceeds from and payments for financial liability instruments</b>			
Issue			
Loans and borrowings	<b>Note 16</b>	679,363	-
Other payables	<b>Note 16</b>	135,201	4,997,162
Redemption and repayment of			
Loans and borrowings	<b>Note 16</b>	(4,084,108)	(1,789,773)
Group companies and associates		-	(106,814)
Other payables		-	(1,900,000)
<b>Cash flows from financing activities</b>		<b>1,268,502</b>	<b>3,165,739</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>(1,110,910)</b>	<b>1,910,265</b>
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 Orfebreria 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:

	<b>Euros</b>
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:

	<b>Euros</b>	
	<b>2019</b>	<b>2018</b>
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:

	<b>Amortisation method</b>	<b>Estimated years of useful life</b>
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:

	<b>Depreciation method</b>	<b>Estimated years of useful life</b>
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.



**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.

(l) 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.

**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:

	<b>Euros</b>			<b>Total</b>
	<b>Research and development</b>	<b>Patents, licences, trademarks and similar rights</b>	<b>Computer software</b>	
<b>2019</b>				
Cost at 1 January 2019	3,389,001	162,570	483,624	<b>4,035,195</b>
Additions	-	48,788	166,641	<b>215,429</b>
Internally generated additions	1,217,798	-	-	<b>1,217,798</b>
Cost at 31 December 2019	4,606,799	211,358	650,265	<b>5,468,422</b>
Accumulated amortisation at 1 January 2019	(1,111,021)	(10,241)	(260,879)	<b>(1,382,141)</b>
Amortisation	(328,508)	(18,890)	(93,252)	<b>(440,650)</b>
Accumulated amortisation at 31 December 2019	(1,439,529)	(29,131)	(354,131)	<b>(1,822,791)</b>
Carrying amount at 31 December 2019	<b>3,167,270</b>	<b>182,227</b>	<b>296,134</b>	<b>3,645,631</b>

	<b>Euros</b>			<b>Total</b>
	<b>Research and development</b>	<b>Patents, licences, trademarks and similar rights</b>	<b>Computer software</b>	
<b>2018</b>				
Cost at 1 January 2018	2,198,449	9,303	292,992	<b>2,500,744</b>
Additions	231,762	153,267	190,632	<b>575,661</b>
Internally generated additions	958,790	-	-	<b>958,790</b>
Cost at 31 December 2018	3,389,001	162,570	483,624	<b>4,035,195</b>
Accumulated amortisation at 1 January 2018	(381,788)	(954)	(220,543)	<b>(603,285)</b>
Amortisation	(729,233)	(9,287)	(40,336)	<b>(778,856)</b>
Accumulated amortisation at 31 December 2018	(1,111,021)	(10,241)	(260,879)	<b>(1,382,141)</b>
Carrying amount at 31 December 2018	<b>2,277,980</b>	<b>152,329</b>	<b>222,745</b>	<b>2,653,054</b>

(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:

	<b>Euros</b>	
	<b>2019</b>	<b>2018</b>
Patents, licences, trademarks and similar rights	7,009	7,009
Computer software	186,447	184,902
Research and development	796,999	776,176
	<b>990,455</b>	<b>968,087</b>

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					Total
	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other property, plant and equipment	
<b>2019</b>						
Cost at 1 January 2019	331,239	30,330,976	4,631,193	398,804	443,576	<b>36,135,788</b>
Additions	-	3,194,671	561,495	258,000	15,289	<b>4,029,455</b>
Internally generated additions	-	411,167	-	-	-	<b>411,167</b>
Transfers	-	398,804	-	(398,804)	-	-
Cost at 31 December 2019	331,239	34,335,618	5,192,688	258,000	458,865	<b>40,576,410</b>
Accumulated depreciation at 1 January 2019	(110,542)	(15,644,065)	(1,907,523)	-	(413,126)	<b>(18,075,256)</b>
Depreciation	(12,656)	(1,111,401)	(249,092)	-	(21,190)	<b>(1,394,339)</b>
Accumulated depreciation at 31 December 2019	(123,198)	(16,755,466)	(2,156,615)	-	(434,316)	<b>(19,469,595)</b>
Carrying amount at 31 December 2019	<b>208,041</b>	<b>17,580,152</b>	<b>3,036,073</b>	<b>258,000</b>	<b>24,549</b>	<b>21,106,815</b>

(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	<b>33,693,197</b>
Additions	161	1,587,234	257,937	300,281	12,768	<b>2,158,381</b>
Internally generated additions	-	284,210	-	-	-	<b>284,210</b>
Cost at 31 December 2018	<b>331,239</b>	<b>30,330,976</b>	<b>4,631,193</b>	<b>398,804</b>	<b>443,576</b>	<b>36,135,788</b>
Accumulated depreciation at 1 January 2018	(97,890)	(14,342,528)	(1,695,269)	-	(390,693)	<b>(16,526,380)</b>
Depreciation	(12,652)	(1,301,537)	(212,254)	-	(22,433)	<b>(1,548,876)</b>
Accumulated depreciation at 31 December 2018	<b>(110,542)</b>	<b>(15,644,065)</b>	<b>(1,907,523)</b>	<b>-</b>	<b>(413,126)</b>	<b>(18,075,256)</b>
Carrying amount at 31 December 2018	<b>220,697</b>	<b>14,686,911</b>	<b>2,723,670</b>	<b>398,804</b>	<b>30,450</b>	<b>18,060,532</b>

## (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.)

	<b>Euros</b>	
	<b>2019</b>	<b>2018</b>
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
	<b>8,295,842</b>	<b>6,654,861</b>

## (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:

	<b>Euros</b>		
	<b>Machinery</b>	<b>Installations</b>	<b>Total</b>
<i>Initially recognised at:</i>			
Fair value	2,994,747	-	<b>2,994,747</b>
Accumulated depreciation	(317,489)	-	<b>(317,489)</b>
Carrying amount at 31 December 2019	<b>2,677,258</b>	-	<b>2,677,258</b>
<i>Initially recognised at:</i>			
Fair value	3,581,376	300,436	<b>3,881,812</b>
Accumulated depreciation	(225,711)	(121,677)	<b>(347,388)</b>
Carrying amount at 31 December 2018	<b>3,355,665</b>	178,759	<b>3,534,424</b>

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:

	<b>Euros</b>	
	<b>2019</b>	<b>2018</b>
Future minimum payments	903,306	1,536,100
Purchase option	48,514	53,588
Unaccrued finance costs	(53,799)	(102,010)
Present value	<b>898,021</b>	<b>1,487,678</b>

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:

	<b>Euros</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Minimum payments</b>	<b>Present value</b>	<b>Minimum payments</b>	<b>Present value</b>
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)
<b>Total non-current</b>	<b>430,353</b>	<b>407,323</b>	<b>903,541</b>	<b>898,021</b>

**(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 m<sup>2</sup>. 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 m<sup>2</sup>. 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:

	<b>Euros</b>	
	<b>2019</b>	<b>2018</b>
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:

	<b>Euros</b>	
	<b>2019</b>	<b>2018</b>
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
	<b>4,826,407</b>	<b>4,985,877</b>

(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:

		<b>Euros</b>			
		<b>Non-current</b>		<b>Current</b>	
		<b>Carrying amount</b>		<b>Carrying amount</b>	
			<b>Total</b>		<b>Total</b>
<b>2019</b>					
<i>Assets held for trading</i>	<i>Equity instruments</i>				
Quoted		-	-	34,938	<b>34,938</b>
Total		-	-	34,938	<b>34,938</b>
<i>Loans and receivables</i>					
Loans to third parties		50,000	<b>50,000</b>	-	-
Security and other deposits		97,515	<b>97,515</b>	-	-
Other financial assets		-	-	366,419	<b>366,419</b>
Trade receivables		-	-	3,321,299	<b>3,321,299</b>
Other receivables		-	-	12,469	<b>12,469</b>
Total		147,515	<b>147,515</b>	3,700,187	<b>3,700,187</b>
Total financial assets		<b>147,515</b>	<b>147,515</b>	<b>3,735,125</b>	<b>3,735,125</b>

(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
<b>2018</b>				
<i>Assets held for trading</i>				
Equity instruments				
Quoted	-	-	34,938	<b>34,938</b>
Total	-	-	34,938	<b>34,938</b>
<i>Loans and receivables</i>				
Security and other deposits	103,202	<b>103,202</b>	-	-
Other financial assets	34,708	<b>34,708</b>	10,000	<b>10,000</b>
Trade receivables	-	-	4,479,788	<b>4,479,788</b>
Other receivables	-	-	29,044	<b>29,044</b>
Total	137,910	<b>137,910</b>	4,518,832	<b>4,518,832</b>
Total financial assets	<b>137,910</b>	<b>137,910</b>	<b>4,553,770</b>	<b>4,553,770</b>

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	<b>147,515</b>	<b>401,357</b>	<b>137,910</b>	<b>44,938</b>

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:

	<b>Euros</b>	
	<b>2019</b>	<b>2018</b>
	<b>Current</b>	<b>Current</b>
<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
<b>Total</b>	<b>4,330,900</b>	<b>5,791,497</b>

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:

	<b>Euros</b>	
	<b>2019</b>	<b>2018</b>
Raw materials and other supplies	2,095,788	2,000,698
Finished goods	4,965,191	4,647,913
Advances	12,000	26,984
	<b>7,072,979</b>	<b>6,675,595</b>

(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%
	<b>66.56%</b>	<b>91.60%</b>

(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.)

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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.)

## (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	<b>118,042</b>	<b>70,825</b>	<b>291,667</b>

(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:

	<b>Euros</b>	
	<b>2019</b>	<b>2018</b>
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	<b>245,652</b>	<b>61,438</b>

Details of the amounts recognised in the income statement by type of grant are as follows:

	<b>Euros</b>	
	<b>2019</b>	<b>2018</b>
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:

	<b>Euros</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>	<b>Current</b>
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	-
<b>Total</b>	<b>8,827,055</b>	<b>4,115,141</b>	<b>7,666,858</b>	<b>8,544,883</b>

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:

	<b>Euros</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Drawn down</b>	<b>Limit</b>	<b>Drawn down</b>	<b>Limit</b>
Credit facility	-	220,000	-	320,000
Discount lines				
Domestic discount	648,248	2,125,000	591,353	-
Export/Import advances				
Confirming	2,547,844	5,825,000	5,004,920	-
	-	300,000	-	-
	<b>3,196,092</b>	<b>8,470,000</b>	<b>5,596,273</b>	<b>320,000</b>

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:

	<b>Euros</b>	
	<b>2019</b>	<b>2018</b>
	<b>Current</b>	<b>Current</b>
<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	<b>8,190,382</b>	<b>7,402,816</b>

(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
	<b>258,524</b>	<b>997,132</b>	<b>212,039</b>	<b>1,282,665</b>
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
	<b>153,802</b>	<b>302,396</b>	<b>107,700</b>	<b>167,189</b>

(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:

	<b>Euros</b>	
	<b>2019</b>	<b>2018</b>
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
	<b>71,624</b>	<b>115,235</b>

(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:

	<b>Euros</b>			
	<b>Assets</b>		<b>Liabilities</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
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	-	-
<b>Total assets/liabilities</b>	<b>258,524</b>	<b>212,039</b>	<b>153,802</b>	<b>107,700</b>

The Company has recognised non-capitalised deductions, the amounts and reversal periods of which are as follows:

<b>Year</b>	<b>Euros</b>		<b>Final year</b>
	<b>2019</b>	<b>2018</b>	
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
	<b>510,641</b>	<b>508,966</b>	

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:

<b>Year</b>	<b>Euros</b>	
	<b>2019</b>	<b>2018</b>
<b>2015</b>	71,438	71,438
<b>2019</b>	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:

<b>Euros</b>			
<b>2019</b>	<b>Group companies</b>	<b>Other related parties</b>	<b>Total</b>
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

<b>Euros</b>			
<b>2018</b>	<b>Group companies</b>	<b>Other related parties</b>	<b>Total</b>
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.)

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:

	<b>Euros</b>	
	<b>2019</b>	<b>2018</b>
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)
	<b>32,570,135</b>	<b>29,961,315</b>

(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:

	<b>Euros</b>	
	<b>2019</b>	<b>2018</b>
Employee benefits expense		
Social Security payable by the Company	859,040	763,284
Other employee benefits expenses	8,937	400
	<b>867,977</b>	<b>763,684</b>

**(22) Employee Information**

The average headcount of the Company in 2019 and 2018, distributed by category, is as follows.

	<b>Number</b>	
	<b>2019</b>	<b>2018</b>
Senior management personnel	1	1
Technicians and middle management	19	14
Sales and similar personnel	8	8
Administrative and other personnel	51	46
	<b>79</b>	<b>69</b>

At 2019 and 2018 year end the distribution by gender of Company personnel and the members of the board of directors is as follows:

	<b>Number</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>
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
	<b>17</b>	<b>68</b>	<b>18</b>	<b>60</b>

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:

	<b>Euros</b>	
	<b>2019</b>	<b>2018</b>
Audit services	38,500	27,000
Other assurance services	56,700	-
	<u>95,200</u>	<u>27,000</u>

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.)

	<b>Euros</b>			
	<b>2020</b>	<b>Subsequent years</b>	<b>Less current portion</b>	<b>Total non- current</b>
<b>2019</b>				
Investments				
Financial assets held for trading	34,938	-	(34,938)	-
Security and other deposits	-	97,515	-	<b>97,515</b>
Other financial assets	366,419	-	(366,419)	-
Loans to third parties	-	50,000	-	<b>50,000</b>
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)	-
<b>Total</b>	<b>3,735,125</b>	<b>147,515</b>	<b>(3,735,125)</b>	<b>147,515</b>

**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.)

	<b>Euros</b>			
<b>2018</b>	<b>2019</b>	<b>Subsequent years</b>	<b>Less current portion</b>	<b>Total non- current</b>
Loans and receivables				
Other financial assets	-	137,910	-	<b>137,910</b>
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	<b>4,508,832</b>	<b>137,910</b>	<b>(4,508,832)</b>	<b>137,910</b>



**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.)

<b>2019</b>	<b>Euros</b>			
	<b>Non-current</b>		<b>Current</b>	
	<b>At amortised cost or cost</b>	<b>Total</b>	<b>At amortised cost or cost</b>	<b>Total</b>
<b>Carrying amount</b>	<b>Carrying amount</b>			
<i>Debts and payables</i>				
Loans and borrowings	3,287,369	3,287,369	3,624,443	3,624,443
Finance lease payables	407,323	407,323	490,698	490,698
Other financial liabilities	5,132,363	5,132,363	-	-
Trade and other payables				
Suppliers	-	-	5,628,204	5,628,204
Other payables	-	-	2,259,782	2,259,782
Total financial liabilities	<b>8,827,055</b>	<b>8,827,055</b>	<b>12,003,127</b>	<b>12,003,127</b>

**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.)

	<b>Euros</b>			
	<b>Non-current</b>		<b>Current</b>	
	<b>At amortised cost or cost</b>		<b>At amortised cost or cost</b>	
	<b>Carrying amount</b>	<b>Total</b>	<b>Carrying amount</b>	<b>Total</b>
<b>2018</b>				
<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	<b>7,666,858</b>	<b>7,666,858</b>	<b>15,780,510</b>	<b>15,780,510</b>

**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.)

	<b>Euros</b>							
	<b>2019</b>							
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Subsequent years</b>	<b>Less current portion</b>	<b>Total non- current</b>
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)	-
<b>Total financial liabilities</b>	<b>12,003,127</b>	<b>692,837</b>	<b>727,779</b>	<b>707,924</b>	<b>729,684</b>	<b>5,968,831</b>	<b>(12,003,127)</b>	<b>8,827,055</b>

**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.)

	<b>Euros</b>							
	<b>2018</b>							
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Subsequent years</b>	<b>Less current portion</b>	<b>Total non- current</b>
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)	-
<b>Total financial liabilities</b>	<b>15,780,510</b>	<b>1,685,314</b>	<b>710,285</b>	<b>259,280</b>	<b>92,877</b>	<b>4,919,102</b>	<b>(15,780,510)</b>	<b>7,666,858</b>

**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.)

<b>Euros</b>										
	<b>Income statement</b>			<b>Recognised income and expense</b>			<b>Reserves</b>			<b>Total</b>
	<b>Increases</b>	<b>Decreases</b>	<b>Net</b>	<b>Increases</b>	<b>Decreases</b>	<b>Net</b>	<b>Increases</b>	<b>Decreases</b>	<b>Net</b>	
2019										
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)			<b>350,615</b>			<b>-</b>			<b>(475,269)</b>	<b>(124,654)</b>

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						Total
	Income statement			Recognised income and expense			
	Increases	Decreases	Net	Increases	Decreases	Net	
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)			<b>563,284</b>			-	<b>563,284</b>

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.)

	<b>Euros</b>			
	<b>Profit and loss</b>	<b>Recognised income and expense</b>	<b>Reserves</b>	<b>Total</b>
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	<b>71,624</b>	<b>61,413</b>	<b>(356,452)</b>	<b>(223,414)</b>

**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.)

	<b>Euros</b>		
	<b>Profit and loss</b>	<b>Recognised income and expense</b>	<b>Total</b>
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	<b>115,235</b>	<b>(51,094)</b>	<b>64,141</b>



**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.)

	<b>Domestic</b>		<b>Rest of European Union</b>		<b>Other exports</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
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
	<b>19,013,410</b>	<b>16,636,531</b>	<b>24,798,433</b>	<b>20,613,878</b>	<b>2,427,212</b>	<b>4,135,676</b>	<b>46,239,055</b>	<b>41,386,085</b>

# 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.**

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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:

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

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CCP MASTERBATCH, S.L.  
represented by Ms. Clara  
Duch Tuesta, Director of  
PLÁSTICOS  
COMPUESTOS, S.A.

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INSTITUT CATALÀ DE LES  
FINANCES, SGEIC, S.A.U.,  
represented by Mr. Adrià  
Torrelles Burgués, Director  
of PLÁSTICOS  
COMPUESTOS, S.A.

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Mr. Carlos Argenté  
Cordomí, Director of  
PLÁSTICOS  
COMPUESTOS, S.A.

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Ms. Sandra Duch Balust,  
Director of PLÁSTICOS  
COMPUESTOS, S.A.

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Mr. David Villaró Pontones,  
Director of PLÁSTICOS  
COMPUESTOS, S.A.

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Mr. Iñigo Gallo Martínez,  
Director of PLÁSTICOS  
COMPUESTOS, S.A.

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GESTIÓN Y  
ADMINISTRACIÓN  
MOBILIARIA, S.A.,  
represented by Mr.  
Santiago de Gomar Roca,  
Director of PLÁSTICOS  
COMPUESTOS, S.A.

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GANT FINANCE, S.A.,  
represented by Mr. Luis Vázquez  
Antas, Director of PLÁSTICOS  
COMPUESTOS, S.A.