

PLÁSTICOS COMPUESTOS, S.A.

Interim Financial Statements as of June 30, 2020 and Interim Report of the Directors as of June 30, 2020 (including the Limited Review Report)

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

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

To the Shareholders of PLÁSTICOS COMPUESTOS, S.A.

Report on the Interim Financial Statements

Introduction

We have reviewed the attached interim financial statements (hereinafter the interim financial statements) of PLÁSTICOS COMPUESTOS, S.A. (hereinafter the Company), which comprise the balance sheet as of June 30, 2020, the profit and loss account, the statement of changes in equity, the cash flow statement and the explanatory notes corresponding to the six-month period ending on that date. The Directors of the Company are responsible for the preparation of said interim financial statements in accordance with the regulatory financial information framework applicable to the entity (which is identified in note 2 to the interim financial statements) and, in particular, with the accounting standards contained therein. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of the review

We conducted our review in accordance with International Standard on Review Engagements 2410 (ISRE 2410), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of the personnel responsible for financial and accounting matters, and of applying analytical and other review procedures. A review has a substantially smaller scope than that of an audit carried out in accordance with the regulations for the auditing of accounts in force in Spain and, therefore, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

As a result of our review of the attached interim financial statements, which in no instance should be considered as an audit in accordance with the Spanish audit regulatory framework, we are not aware of any matter that would lead us to conclude that the attached financial statements do not present, in all significant aspects, the equity and financial position of the Company as of June 30, 2020, as well as the results of their operations and cash flows for the six-month period ended on that date, in accordance with the financial information standards that are applicable to the entity and, in particular, with the accounting principles therein.

Emphasis of matter

We draw attention to what is stated in notes 2d and 16 to the attached interim financial statements, in which the Company's Directors mention the health crisis caused by COVID-19 and its main effects as of the date of the attached interim financial statements, as well as the high uncertainty associated with the magnitude of the potential future impacts that the situation caused by COVID-19 could have on the business, the operating result of the Company, and consequently with the fulfilment of certain financial ratios. This matter does not change our conclusion.

Report on other legal and regulatory requirements

The attached interim Report of the Directors for the six-month period ended June 30, 2020 contains the explanations that the Company's Directors consider appropriate regarding the important events that occurred in this period and their impact on the interim financial statements presented, of which It is not a part, as well as the information required in accordance with the provisions of article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in said Report of the Directors agrees with the interim financial statements for the six-month period ended June 30, 2020. Our work is limited to verifying the interim Report of the Directors with the scope mentioned in this same paragraph and does not include the review of information other than that obtained from the accounting records of PLÁSTICOS COMPUESTOS, S.A.

Other matters

This report has been prepared in relation to the publication of the semi-annual financial report and the corresponding review report on the interim financial statements required by article 2 section 1 a) of Circular 6/2018 of the Alternative Stock Market on Information to be provided by expanding companies and REITs listed for trading on BME Growth.

Grant Thornton, S.L.P. Sociedad Unipersonal

ROAC nº S0231

Isabel Perea Gaviria
ROAC nº 20.226

October 13, 2020

PLÁSTICOS COMPUESTOS, S.A.

Balance Sheet
as of June 30, 2020

(stated in Euros)

<i>Assets</i>	<i>Note</i>	<i>30/06/2020 (Unaudited)</i>	<i>31/12/2019</i>
Intangible assets	Note 5	3.771.368	3.645.631
Research		3.311.754	3.167.270
Patents, licenses, trademarks, and similar items		175.162	182.227
Computer software		284.452	296.134
Tangible fixed assets	Note 6	20.834.286	21.106.815
Land and buildings		201.732	208.041
Technical facilities, machinery, tools, furniture, and other tangible fixed assets		20.477.754	20.640.774
Fixed assets in progress and advances		154.800	258.000
Long-term financial investments	Note 11	147.515	147.515
Credits to third parties		50.000	50.000
Other financial assets		97.515	97.515
Deferred tax assets	Note 18	419.986	258.524
Total non-current assets		25.173.155	25.158.485
Stocks	Note 12	8.016.752	7.072.979
Raw materials and other short-term supplies		2.255.154	2.095.788
Short cycle finished products		5.692.937	4.965.191
Advances to suppliers		68.661	12.000
Commercial debtors and other receivables	Note 11	3.453.116	4.330.900
Customers for short-term sales and services		2.851.051	3.321.299
Personnel		33.114	12.469
Current tax assets	Note 18	50.700	50.700
Other credits with Public Institutions	Note 18	518.251	946.432
Short-term financial investments	Notes 10 and 11	543.556	401.357
Equity instruments		34.938	34.938
Other financial assets		508.618	366.419
Short-term accruals		211.156	242.381
Cash and other equivalent liquid assets		4.422.630	1.073.962
Treasury		4.422.630	1.073.962
Total current assets		16.647.210	13.121.579
Total assets		41.820.365	38.280.064

PLÁSTICOS COMPUESTOS, S.A.

Balance Sheet
as of June 30, 2020
(stated in Euros)

<i>Equity and liabilities</i>	<i>Note</i>	<i>30/06/2020</i> <i>(Unaudited)</i>	<i>31/12/2019</i>
Shareholders' funds	Note 13	16.112.106	16.661.400
Share capital			
Subscribed capital		7.293.420	7.293.420
Issue premium		8.773.675	8.773.675
Reserves			
Legal and statutory		355.102	333.845
Other reserves		542.149	339.551
(Shares and participations in own equity)		(322.919)	(291.667)
Result for the year		(529.321)	212.576
Grants, donations, and legacies received	Note 14	257.542	245.652
Total equity		16.369.648	16.907.052
Long-term provisions		36.555	42.081
Other provisions		36.555	42.081
Long-term debts	Note 16	12.870.567	8.827.055
Debts to financial institutions	Note 16	5.844.775	3.287.369
Creditors for financial leasing	Note 7	1.734.250	407.323
Other financial liabilities	Note 16	5.291.542	5.132.363
Deferred tax liabilities	Note 18	192.247	153.802
Total non-current liabilities		13.099.369	9.022.938
Short-term provisions		44.551	44.551
Other provisions		44.551	44.551
Short-term debts	Note 16	2.958.429	4.115.141
Debts to financial institutions		2.328.022	3.624.443
Creditors for financial leasing	Note 7	630.407	490.698
Commercial debtors and other accounts payable	Note 16	9.348.368	8.190.382
Short-term suppliers		5.165.486	5.628.204
Sundry creditors		3.946.737	2.091.962
Personnel (wages pending payment)		107.600	137.628
Other debts to Public Institutions	Note 18	118.545	302.396
Customer advances		10.000	30.192
Total current liabilities		12.351.348	12.350.074
Total net assets and liabilities		41.820.365	38.280.064

PLÁSTICOS COMPUESTOS, S.A.

Profit and Loss Account
for the six-month period ended June 30, 2020

(stated in euros)

	<i>Note</i>	30/06/2020 <i>(Unaudited)</i>	30/06/2019 <i>(Unaudited)</i>
Net turnover	Note 21	22.429.723	24.434.254
Sales		22.429.723	24.434.254
Variation in stocks of finished products and manufacturing process		727.745	(197.057)
Work carried out by the company for its assets	Notes 5 and 6	532.823	824.905
Supplies	Note 21	(16.523.911)	(17.008.370)
Consumption of raw materials and other consumables		(16.508.330)	(17.008.370)
Work performed by other companies		(15.581)	-
Other operating income		18.545	24.223
Ancillary income and other current operations		18.545	24.223
Personnel expenses		(1.823.693)	(1.819.173)
Salaries, wages and similar		(1.407.679)	(1.381.512)
Social Security expenses	Note 21	(416.014)	(437.661)
Other operating expenses		(4.304.359)	(4.269.798)
External services		(4.187.047)	(4.248.717)
Taxes		(110.286)	(21.081)
Losses, impairment, and variation of provisions for commercial operations		(7.026)	-
Depreciation of fixed assets	Notes 5 and 6	(1.223.324)	(1.010.948)
Allocation of subsidies for non-financial fixed assets and others	Note 14	7.002	-
Other results		(7.242)	(1.163)
Operating result		(166.691)	976.873
Financial income		318	1.715
Of marketable securities and other financial instruments			
From third parties		318	1.715
Financial expenses		(537.628)	(543.727)
For debts to third parties		(537.628)	(543.727)
Exchange differences		(1.605)	(3.179)
Financial results		(538.915)	(545.191)
Profit before tax		(705.606)	431.682
Income tax	Note 18	176.285	(52.736)
Result for the year		(529.321)	378.946

PLÁSTICOS COMPUESTOS, S.A.

Statement of Changes in Equity
for the six-month period ended June 30, 2020

A) Statement of Recognised Income and Expenses
for the six-month period ended June 30, 2020

(stated in euros)

	<i>Note</i>	<i>30/06/2020 (Unaudited)</i>	<i>30/06/2019 (Unaudited)</i>
Result of the profit and loss account		(529.321)	378.946
Income and expenses charged directly to equity			
Grants, donations, and legacies	Note 14	18.188	262.649
Tax effect		(6.298)	(65.662)
Total income and expenses recognised directly in equity		11.890	196.987
Total recognised income and expenses		(517.431)	575.933

PLÁSTICOS COMPUESTOS, S.A.

Statement of Changes in Equity
for the six-month period ended June 30, 2020

B) Total Statement of Changes in Equity corresponding to the corresponding
to the six-month period ended June 30, 2020

(stated in euros)

	Subscribed capital	Share premium	Reserves	Shares and Equity holdings	Result for the year	Grants, donations, and legacies received	Total
Balance as of December 31, 2019	7.293.420	8.773.675	673.396	(291.667)	212.576	245.652	16.907.052
Recognised income and expenses	-	-	-	-	(529.321)	11.890	(517.431)
Transactions with shareholders or owners							
Shares in own equity (note 13)	-	-	-	(31.252)	-	-	(31.252)
Distribution of profit for the year 2019 (note 13)	-	-	212.576	-	(212.576)	-	-
Other movements (note 13)	-	-	11.279	-	-	-	11.279
Balance as of June 30, 2020 (unaudited)	7.293.420	8.773.675	897.251	(322.919)	(529.321)	257.542	16.369.648

PLÁSTICOS COMPUESTOS, S.A.

Statement of Changes in Equity
for the six-month period ended June 30, 2020

B) Total Statement of Changes in Equity corresponding to the corresponding
to the six-month period ended June 30, 2020

(stated in euros)

	Subscribed capital	Share premium	Reserves	Shares and Equity holdings	Result for the year	Grants, donations, and legacies received	Total
Balance as of December 31, 2018	6.089.032	4.988.421	637.028	(96.527)	477.038	61.438	12.156.430
Recognised income and expenses	-	-	-	-	378.946	196.987	575.933
Transactions with shareholders or owners							
Capital reductions	(10.132)	-	10.132	-	-	-	-
Other movements	-	-	(58.256)	-	-	-	(58.256)
Distribution of profit for the year 2018							-
Reserves	-	-	380.511	96.527	(477.038)	-	-
Balance as of June 30, 2019 (unaudited)	6.078.900	4.988.421	969.415	-	378.946	258.425	12.674.107

PLÁSTICOS COMPUESTOS, S.A.
Cash Flow Statement
for the six-month period ended June 30, 2020
(stated in euros)

<i>Cash flows from operating activities</i>	<i>Note</i>	<i>30/06/2020 (Unaudited)</i>	<i>30/06/2019 (Unaudited)</i>
Profit before taxes for the year		(705.606)	431.682
Result adjustments			
Depreciation of fixed assets	Notes 5 and 6	1.223.324	1.010.948
Variation of provisions		(5.526)	-
Financial income		(318)	(1.715)
Financial expenses		539.233	543.727
Exchange differences		-	3.179
Other income and expenses	Notes 5 and 6	(532.823)	(824.905)
Changes in working capital			
Stocks		(943.773)	(595.050)
Debtors and accounts receivable		877.783	(2.960.408)
Other current assets		-	76.614
Creditors and other accounts payable		1.157.986	2.422.982
Other cash flows from operating activities			
Interest payments		(538.915)	(543.727)
Interest collections		-	1.715
Payments (collections) for income taxes		53.270	(57.480)
Cash flows / (used in) from operating activities		1.124.635	(492.438)
<i>Cash flows from investing activities</i>			
Investment payments			
Intangible assets	Note 5	(50.661)	(96.051)
Tangible fixed assets	Note 6	(493.048)	(2.150.754)
Other financial assets	Note 11	(142.199)	(24.692)
Divestment charges			
Other assets		31.225	-
Cash flows used in investing activities		(654.683)	(2.271.497)
<i>Cash flows from financing activities</i>			
Collections and payments for equity instruments			
Depreciation of equity instruments	Note 13	11.279	-
Acquisition of own equity instruments	Note 13	(31.252)	-
Grants, donations, and legacies received	Note 14	11.890	196.987
Collections and payments for financial liabilities			
Issue			
Debts to financial institutions		3.825.427	4.077.111
Other debts	Note 16	159.179	195.534
Return and depreciation of			
Debts to financial institutions	Note 16	(1.097.807)	(3.798.248)
Cash flows from financing activities		2.878.716	671.384
Net increase in cash or equivalents		3.348.668	(2.092.551)
Cash or equivalents at the beginning of the financial year		1.073.962	2.184.872
Cash or equivalents at the end of the year		4.422.630	92.321

PLÁSTICOS COMPUESTOS, S.A.**Explanatory Notes to the Interim Financial Statements
for the six-month period ended on
June 30, 2020****(1) Nature and activity of the Company**

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

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

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

Plásticos Compuestos, S.A. has its shares admitted to trading on the Alternative Stock Market (MAB), a segment of Companies in Expansion since August 12, 2019.

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

As of June 30, 2020, and December 31, 2019, is not part of a decision unit according to the provisions of Rule 13 of the Regulations for preparing Annual Accounts with other companies domiciled in Spain.

(2) Basis of presentation of the interim financial statements**(a) True and fair view**

The interim financial statements and the accompanying notes have been prepared from the Company's accounting records. The financial statements for the six-month period ended June 30, 2020 have been prepared in accordance with current commercial legislation and with the standards established in the General Accounting Plan, in order to show the true and fair view of the assets and the financial situation as of June 30, 2020 and the results of its operations, changes in equity and cash flows corresponding to the six-month period ended on said date.

(b) Comparison of information

The interim financial statements are presented for comparative purposes, with each of the balance sheet items, the profit and loss account, the statement of changes in equity, the statement of cash flows and the explanatory notes to the interim financial statements, in addition to the figures for the six-month period ended June 30, 2020, those corresponding to the same period of the previous year, which have been obtained through the application of the General Accounting Plan approved by Royal Decree 1514/2007. The balance sheet that is part of the interim financial statements presents the figures as of June 30, 2020 compared with the figures as of December 31, 2019, which were part of the audited annual accounts for the year 2019. The profit and loss account and the statement of cash flows that are an integral part of the interim financial statements present, for comparative purposes, the figure for the six-month period ended June 30, 2019.

(c) Functional currency and presentation currency

The interim financial statements are presented in euros, which is the Company's functional and presentation currency.

(See below)

PLÁSTICOS COMPUESTOS, S.A.**Explanatory Notes to the Interim Financial Statements****for the six-month period ended on****June 30, 2020**

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

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

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

Likewise, despite the fact that the estimates made by the Company's Directors have been calculated based on the best information available as of June 30, 2020, it is possible that events that may take place in the future require their modification in the next years. The effect on the annual accounts of the modifications that, where appropriate, derive from the adjustments to be made during the coming years would be recorded prospectively.

During the first semester of 2020, the Company has not been paralyzed by the declaration of the State of Alarm established by Royal Decree 463/2020, of March 14, 2020, nor in its subsequent revisions. As a result, the Company's productive activity has remained operational and it has continued to supply products to manufacturers of essential products. Notwithstanding this, as a consequence of the health crisis caused by COVID-19, the volume of sales to customers who carry out non-essential activities has been affected as a result of the stoppage of the activity derived from the state of alarm. This decrease in volume has meant that the activity of the Company has been reduced. Therefore, the Company has been affected in a general way in its evolution and in a particular way in terms of its results as of June 30, 2020.

The uncertainty surrounding the COVID-19 pandemic and its effects on the global economy, at the date of preparation of these interim financial statements, is expected to have an impact on world growth and consequently on the growth of the Company's activity in financial year 2020. This situation and its impact on the Company could be aggravated by a possible recession in Spain and the rest of Europe because of the COVID-19 pandemic.

The magnitude of the impact of COVID-19 on the Company's business and operating result will depend on future events, which are subject to great uncertainty and cannot be predicted, including future economic conditions and measures to contain or address it. its consequences, among others. The Directors and the Management of the Company are continuously monitoring the evolution of the impact of COVID-19 and will take the necessary measures in order to successfully cope with difficulties, financial and non-financial, that may arise in the future.

(3) Distribution of results

The distribution of the Company's profits and reserves for the year ended December 31, 2019, approved by the General Shareholders' Meeting on June 25, 2020 was as follows:

	<u>Euros</u>
Basis for distribution	
Profit for the year	<u>212.575,91</u>
Distribution	
Legal reserve	21.257,59
Other reserves	<u>191.318,32</u>
	<u>212.575,91</u>

(See below)

PLÁSTICOS COMPUESTOS, S.A.**Explanatory Notes to the Interim Financial Statements****for the six-month period ended on****June 30, 2020**

As of June 30, 2020, and December 31, 2019, the amounts of the non-distributable reserves are as follows:

	Euros	
	30/06/2020	31/12/2019
Non-distributable reserves:		
Legal reserve	355.102	333.845

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

Until the Research and Development expenses item has been fully depreciated, the distribution of dividends is prohibited, unless the amount of the available reserves is, at least, equal to the amount of the undepreciated balances. At the end of the period ended June 30, 2020, the Company has research and development expenses recorded under the heading amounting to 3.293.366 euros (3.167.270 euros on December 31, 2019). Additionally, the distribution of dividends is linked to compliance with the ratios described in note 16 (a) relating to the debt granted by Alteralia, S.C.A., SICAR.

(4) Registration and valuation standards**(a) Intangible fixed assets**

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

(i) Research and development

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

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

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

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

- The disbursement attributable to the completion of the project can be reliably valued.
- The allocation and temporal distribution of project costs are clearly established.
- There are well-founded reasons for technical success in carrying out the project, both in the case of direct exploitation and in the case of the sale to a third party of the result of the project once concluded, if there is a market.

(See below)

PLÁSTICOS COMPUESTOS, S.A.

Explanatory Notes to the Interim Financial Statements

for the six-month period ended on

June 30, 2020

- The commercial economic profitability of the project is reasonably assured.
- The financing to complete the project, the availability of adequate technical or other resources to complete the project and to use or sell the intangible asset are reasonably assured.
- There is an intention to complete the intangible asset, to use it or sell it.

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

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

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

(ii) Computer software

Computer software acquired and developed by the company itself, including web page development expenses, is recognised to the extent that they meet the conditions set forth for development expenses. Disbursements made for the development of a web page for promotional reasons or for the advertisement of the Company's products or services are recognised as expenses at the time they are incurred. Computer software maintenance costs are recorded as expenses at the time they are incurred.

(iii) Subsequent costs

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

(iv) Useful life and depreciations

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

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

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

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

(See below)

PLÁSTICOS COMPUESTOS, S.A.

Explanatory Notes to the Interim Financial Statements

for the six-month period ended on

June 30, 2020

(v) Impairment of intangible fixed assets

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

(b) Tangible fixed assets

(i) Initial recognition

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

Ancillary income obtained during the testing and commissioning period is recognised as a reduction in the costs incurred. Tangible fixed assets presented in the balance sheet at its cost value minus the amount of accumulated depreciation and impairment adjustments.

(ii) Depreciation

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

The depreciation of tangible fixed assets is determined by applying the following criteria:

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

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

(iii) Subsequent costs

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

(See below)

PLÁSTICOS COMPUESTOS, S.A.**Explanatory Notes to the Interim Financial Statements****for the six-month period ended on****June 30, 2020**

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

(iv) Impairment of tangible fixed assets

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

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

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

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

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

Impairment losses are recognised in the income statement.

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

On each closing date, the Company assesses whether there is any indication that the impairment loss recognised in previous years no longer exists or may have decreased. Impairment losses corresponding to goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to determine the asset's recoverable value.

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

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

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

PLÁSTICOS COMPUESTOS, S.A.**Explanatory Notes to the Interim Financial Statements****for the six-month period ended on****June 30, 2020****(d) Leasing****(i) Lessee accounting**

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

- *Finance leases*

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

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

- *Operating leases*

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

(e) Financial instruments**(i) Recognition**

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

(ii) Classification and separation of financial instruments

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

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

(iii) Compensation principles

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

(iv) Financial assets and liabilities held for trading

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

(See below)

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

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

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

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

The Company does not reclassify any financial asset or liability from or to this category while it is recognised in the balance sheet, except for a change in the qualification of hedging derivative financial instruments.

(v) Loans and receivables

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

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

(vi) Interest

Interest is recognised by the effective interest rate method.

(vii) Disposals of financial assets

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

(viii) Impairment of financial assets

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

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

(See below)

PLÁSTICOS COMPUESTOS, S.A.**Explanatory Notes to the Interim Financial Statements****for the six-month period ended on****June 30, 2020****(ix) Financial liabilities**

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

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

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

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

(x) Deposits

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

(xi) Disposals and modifications of financial liabilities

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

(f) Equity instruments held by the Company

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

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

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

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

(See below)

PLÁSTICOS COMPUESTOS, S.A.**Explanatory Notes to the Interim Financial Statements****for the six-month period ended on****June 30, 2020****(g) Stocks****(i) General criteria**

The cost of raw materials and other supplies, the cost of goods and the cost of transformation are assigned to the different units in stock by applying the FIFO method. Advances on account of stocks are valued at cost.

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

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

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

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

(h) Grants

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

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

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

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

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

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

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

(See below)

PLÁSTICOS COMPUESTOS, S.A.**Explanatory Notes to the Interim Financial Statements****for the six-month period ended on****June 30, 2020****(i) Provisions****(i) General criteria**

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

(j) Income from the sale of goods

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

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

(i) Income from sales

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

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

(k) Income tax

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

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

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

(i) Recognition of deferred tax liabilities

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

(See below)

PLÁSTICOS COMPUESTOS, S.A.**Explanatory Notes to the Interim Financial Statements****for the six-month period ended on****June 30, 2020****(ii) Recognition of deferred tax assets**

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

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

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

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

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

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

(iii) Valuation of deferred tax assets and liabilities

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

(iv) Compensation and classification

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

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

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

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

(See below)

PLÁSTICOS COMPUESTOS, S.A.**Explanatory Notes to the Interim Financial Statements****for the six-month period ended on****June 30, 2020**

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

(m) Environmental assets

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

(n) Transactions between related companies

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

(o) Cash flow statement

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

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

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(5) Intangible fixed assets

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

	Euros			Total
	Research and development	Patents, licenses, trademarks, and similar items	Computer software	
30/06/2020				
Cost as of January 1, 2020	4.606.799	211.358	650.265	5.468.422
Additions	-	3.615	47.046	50.661
Internally generated registrations	492.450	-	-	492.450
Cost as of June 30, 2020	5.099.249	214.973	697.311	6.011.533
Accumulated depreciation as of January 1, 2020	(1.439.529)	(29.131)	(354.131)	(1.822.791)
Depreciation	(347.966)	(10.680)	(58.728)	(417.374)
Accumulated depreciation as of June 30, 2020	(1.787.495)	(39.811)	(412.859)	(2.240.165)
Net book value as of June 30, 2020	3.311.754	175.162	284.452	3.771.368

	Euros			Total
	Research and development	Patents, licenses, trademarks, and similar items	Computer software	
30/06/2019				
Cost as of January 1, 2019	3.389.001	162.570	483.624	4.035.195
Additions	-	13.556	82.495	96.051
Internally generated registrations	612.857	-	-	612.857
Cost as of June 30, 2019	4.001.858	176.126	566.119	4.744.103
Accumulated depreciation as of January 1, 2019	(1.111.021)	(10.241)	(260.879)	(1.382.141)
Depreciation	(168.440)	(8.029)	(40.783)	(217.252)
Accumulated depreciation as of June 30, 2019	(1.279.461)	(18.270)	(301.662)	(1.599.393)
Net book value as of June 30, 2019	2.722.397	157.856	264.457	3.144.710

(See below)

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31/12/2019	Euros			Total
	Research and development	Patents, licenses, trademarks, and similar items	Computer software	
Cost as of July 1, 2019	4.001.858	176.126	566.119	4.744.103
Additions	-	35.232	84.146	119.378
Internally generated registrations	604.941	-	-	604.941
Cost as of December 31, 2019	4.606.799	211.358	650.265	5.468.422
Accumulated depreciation as of July 1, 2019	(1.279.461)	(18.270)	(301.662)	(1.599.393)
Depreciation	(160.068)	(10.861)	(52.469)	(223.398)
Accumulated depreciation as of December 31, 2019	(1.439.529)	(29.131)	(354.131)	(1.822.791)
Net book value as of December 31, 2019	3.167.270	182.227	296.134	3.645.631

(a) Research and development

The amounts of research and development capitalised correspond to the expenses incurred in Research and Development activities carried out by the Company in different projects, mainly for the development of biodegradable and compostable resins, and other biopolymers of renewable origin that can be processed through the use of lines conventional extrusion. The Company has several grants associated with these Research and Development projects (see note 14).

(b) Computer software

Under the heading of computer software are the capitalised expenses in relation to the development of the computer system.

(c) Fully depreciated assets

The cost of intangible assets that are fully depreciated and that are still in use as of June 30, 2020 and December 31, 2019 is as follows:

	Euros	
	30/06/2020	31/12/2019
Patents, licenses, trademarks, and similar items	3.608	7.009
Computer software	211.580	186.447
Research and development	796.999	796.999
	1.012.187	990.455

There is no impairment in value of intangible fixed assets neither in the six-month period ended June 30, 2020, nor in the twelve-month period ended December 31, 2019.

(See below)

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(6) Tangible fixed assets

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

Euros						
30/06/2020	Buildings	Technical facilities and machinery	Other facilities, tools, and furniture	Fixed assets in progress and advances	Other fixed assets	Total
Cost as of January 1, 2020	331.239	34.335.618	5.192.688	258.000	458.865	40.576.410
Additions	-	368.387	116.400	-	8.261	493.048
Internally generated registrations	-	40.373	-	-	-	40.373
Transfers	-	103.200	-	(103.200)	-	-
Cost as of June 30, 2020	331.239	34.847.578	5.309.088	154.800	467.126	41.109.831
Accumulated depreciation as of January 1, 2020	(123.198)	(16.755.466)	(2.156.615)	-	(434.316)	(19.469.595)
Depreciation	(6.309)	(660.311)	(131.167)	-	(8.163)	(805.950)
Accumulated depreciation as of June 30, 2020	(129.507)	(17.415.777)	(2.287.782)	-	(442.479)	(20.275.545)
Net book value as of June 30, 2020	201.732	17.431.801	3.021.306	154.800	24.647	20.834.286
Euros						
30/06/2019	Buildings	Technical facilities and machinery	Other facilities, tools, and furniture	Fixed assets in progress and advances	Other fixed assets	Total
Cost as of January 1, 2019	331.239	30.330.976	4.631.193	398.804	443.576	36.135.788
Additions	-	1.794.714	346.923	-	9.117	2.150.754
Internally generated registrations	-	212.048	-	-	-	212.048
Transfers	-	398.804	-	(398.804)	-	-
Cost as of June 30, 2019	331.239	32.736.542	4.978.116	-	452.693	38.498.590
Accumulated depreciation as of January 1, 2019	(110.542)	(15.644.065)	(1.907.523)	-	(413.126)	(18.075.256)
Depreciation	(6.274)	(653.747)	(121.511)	-	(12.164)	(793.696)
Accumulated depreciation as of June 30, 2019	(116.816)	(16.297.812)	(2.029.034)	-	(425.290)	(18.868.952)
Net book value as of June 30, 2019	214.423	16.438.730	2.949.082	-	27.403	19.629.638

(See below)

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Euros

31/12/2019	Buildings	Technical facilities and machinery	Other facilities, tools, and furniture	Fixed assets in progress and advances	Other fixed assets	Total
Cost as of July 1, 2019	331.239	32.736.542	4.978.116	-	452.693	38.498.590
Additions	-	1.399.957	214.572	258.000	6.172	1.878.701
Internally generated registrations	-	199.119	-	-	-	199.119
Transfers	-	-	-	-	-	-
Cost as of December 31, 2019	331.239	34.335.618	5.192.688	258.000	458.865	40.576.410
Accumulated depreciation as of July 1, 2019	(116.816)	(16.297.812)	(2.029.034)	-	(425.290)	(18.868.952)
Depreciation	(6.382)	(457.654)	(127.581)	-	(9.026)	(600.643)
Accumulated depreciation as of December 31, 2019	(123.198)	(16.755.466)	(2.156.615)	-	(434.316)	(19.469.595)
Net book value as of December 31, 2019	208.041	17.580.152	3.036.073	258.000	24.549	21.106.815

(a) General

During the six-month period ended June 30, 2020, the most significant additions correspond to investments made in the heading of machinery for the production process, as well as investments made in technical facilities for the adaptation of new equipment. At the end of the 2019 financial year, the most significant investments were mainly in machinery, conditioning of fire-fighting installations and other technical installations associated with the new machinery. The Company made advances to suppliers of fixed assets amounting to 258.000 euros in 2019, 154.800 euros in the six-month period ended June 30, 2020.

(b) Fully depreciated assets

The cost of the items of tangible fixed assets that are fully depreciated and still in use as of June 30, 2020 and December 31, 2019 is as follows:

(See below)

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	Euros	
	30/06/2020	31/12/2019
Buildings	18.796	18.796
Technical facilities and machinery	5.700.397	3.400.114
Other facilities, tools, and furniture	619.713	618.310
Other fixed assets	403.145	386.248
	6.742.051	4.423.468

(c) Value impairment

There is no impairment in the value of tangible fixed assets neither in the six-month period ended June 30, 2020, nor in the twelve-month period ended December 31, 2019.

(d) Insurance

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

(e) Assets under finance lease

As of June 30, 2020, and December 31, 2019, the Company has contracted various financial leasing operations on its tangible fixed assets (see note 7).

(7) Financial leases – As a lessee

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

	Euros	
	Machinery	Total
<i>Initially recognised by:</i>		
Fair value	4.024.747	4.024.747
Accumulated depreciation	(291.050)	(291.050)
Net book value as of June 30, 2020	3.733.697	3.733.697
<i>Initially recognised by:</i>		
Fair value	2.994.747	2.994.747
Accumulated depreciation	(317.489)	(317.489)
Net book value as of December 31, 2019	2.677.258	2.677.258

No contingent instalment for finance leases has been recognised as an expense neither in the six-month period ended June 30, 2020, nor in the twelve-month period ended December 31, 2019.

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

Euros

(See below)

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	30/06/2020	31/12/2019
Future minimum payments	2.861.048	903.306
Purchase option	133.743	48.514
Financial expenses not accrued	(630.134)	(53.799)
Current value	2.364.657	898.021

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

	Euros			
	30/06/2020		31/12/2019	
	Minimum payments	Current value	Minimum payments	Current value
Until a year	322.160	300.918	521.467	490.698
Between one and five years	2.672.631	2.063.739	430.353	407.323
	2.994.791	2.364.657	951.820	898.021
Less current part	(322.160)	(300.918)	(521.467)	(490.698)
Total non-current payments	2.672.631	2.063.739	430.353	407.323

(8) Operating leases – As a lessee

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

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

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

	Euros	
	30/06/2020	31/12/2019
Minimum lease payments	648.801	1.088.363

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

(See below)

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	Euros	
	30/06/2020	31/12/2019
Until a year	965.618	955.029
Between one and five years	3.432.806	3.747.253
More than five years	-	124.125
	4.398.424	4.826.407

(9) Risk policy and management

(a) Financial risk factors

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

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

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

(i) Exchange rate

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

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

(ii) Credit risk

The Company does not have significant concentrations of credit risk. The Company has taken out policies to ensure the sales of products to customers with an adequate credit history and previously classified by the insurers. Coverage by credit policies is 90% nationally and 90% internationally.

Regarding COVID-19, the Company considers that it has not had a significant impact on credit risk and financial assets as of June 30, 2020.

(iii) Liquidity risk

The Company carries out prudent management of liquidity risk, based on maintaining sufficient cash and marketable securities, the availability of financing through a sufficient amount of committed credit facilities (see note 16) and the classification of assets and liabilities financial (see notes 10 and 15).

(See below)

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In an international context highly influenced by COVID-19, the Company has ensured the availability of funds to comply with the obligations acquired and the development of its business plans, maintaining at all times the optimal level of liquid resources and seeking the greatest efficiency in the management of financial resources.

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

As the Company does not have significant remunerated assets, the income and cash flows from the Company's operating activities are for the most part independent with respect to variations in market interest rates.

The Company's interest rate risk arises from long-term borrowings. Borrowing resources issued at variable rates expose the Company to interest rate risk on cash flows. Fixed rate loans expose you to fair value interest rate risks. The Company's policy is to keep most of its borrowings in fixed-rate instruments.

(10) Financial assets by categories

(a) Classification of financial assets by categories

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

	Euros			
	Non-current		Current	
	Book value	Total	Book value	Total
30/06/2020				
<i>Assets held for trading</i>				
Equity instruments				
Listed	-	-	34.938	34.938
Total	-	-	34.938	34.938
<i>Loans and receivables</i>				
Credits to third parties	50.000	50.000	-	-
Deposits and bonds	97.515	97.515	-	-
Other financial assets	-	-	508.618	508.618
Customers for sales and provision of services	-	-	2.851.051	2.851.051
Other receivables	-	-	33.114	33.114
Total	147.515	147.515	3.392.783	3.392.783
Total financial assets	147.515	147.515	3.427.721	3.427.721

(See below)

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31/12/2019	Euros			
	Non-current		Current	
	Book value	Total	Book value	Total
<i>Assets held for trading</i>				
Equity instruments				
Listed	-	-	34.938	34.938
Total	-	-	34.938	34.938
<i>Loans and receivable</i>				
Credits to third parties	50.000	50.000	-	-
Deposits and bonds	97.515	97.515	-	-
Other financial assets	-	-	366.419	366.419
Customers for sales and provision of services	-	-	3.321.299	3.321.299
Other receivables	-	-	12.469	12.469
Total	147.515	147.515	3.700.187	3.700.187
Total financial assets	147.515	147.515	3.735.125	3.735.125

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

(11) Financial investments and trade debtors

(a) Financial investments

The breakdown of financial investments is as follows:

	Euros			
	30/06/2020		31/12/2019	
	Non-current	Current	Non-current	Current
Not related				
Equity instruments	-	34.938	-	34.938
Credits to third parties	50.000	-	50.000	-
Deposits and bonds	97.515	-	97.515	-
Other financial assets	-	508.618	-	366.419
Total	147.515	543.556	147.515	401.357

The Company has long-term guarantees, mainly related to the lease contracts of the facilities where it operates (see note 8). In the section of other short-term financial assets is part of the factored credits pending collection.

(See below)

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- (b) Trade debtors and other receivables

The breakdown of this heading is as follows:

	Euros	
	30/06/2020	31/12/2019
	Current	Current
<i>Related parties</i>		
Customers (note 20)	29.158	157.704
<i>Not related</i>		
Customers	2.821.893	3.163.595
Personnel	33.114	12.469
Public Institutions for Corporation Tax (note 18)	50.700	50.700
Other credits with Public Institutions (note 18)	518.251	946.432
Total	3.453.116	4.330.900

As of June 30, 2020, and December 31, 2019, there is no impairment in the accounts receivable.

- (c) Classification by maturity

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

(12) Stocks

- (a) General

The breakdown of this heading is as follows:

	Euros	
	30/06/2020	31/12/2019
Production and distribution business		
Raw materials and other supplies	2.255.154	2.095.788
Finished products	5.692.937	4.965.191
Advances	68.661	12.000
	8.016.752	7.072.979

- (b) Insurance

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

As of June 30, 2020, and December 31, 2019, there is no impairment in stocks.

(See below)

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(13) Shareholders' funds

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

(a) Share capital

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

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

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

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

As a result of this latest capital increase as of December 31, 2019, the Company's share capital was established at 12.155.700 shares with a par value of 0,60 euros each and which were numbered consecutively from 1 to 12.155.700.

On August 12, 2019, the Company listed all its shares listed on the Alternative Stock Market (MAB), in the Expanding Companies segment.

As of June 30, 2020, the share capital amounts to 7.293.420 euros, corresponding to 12.155.700 shares with a par value of 0,60 euros each and which are numbered consecutively from 1 to 12.155.700.

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

Sociedad	30/06/2020	31/12/19
	Share percentage	Share percentage
CCP Masterbatch, S.L.	47,41%	47,91%
CCI, S.P.R.L.	18,99%	18,65%
	66,40%	66,56%

(b) Issue premium

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

(See below)

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(c) Reserves

(i) Legal reserve

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

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

As of June 30, 2020, and December 31, 2019, the Company has not endowed this reserve with the minimum limit established by the Consolidated Text of the Capital Companies Law.

(ii) Shares in own equity and reserve for shares of the Company

As of June 30, 2020, the Company has 126.018 shares in own equity on deposit in the liquidity account for a value of 322.919 euros.

During the period June 30, 2019 to December 31, 2019, purchase, and sale transactions of 132.352 and 101,270 euros respectively have been carried out.

The Company, on the exit to the Alternative Stock Market, signed a liquidity contract with the placement bank (BEKA FINANCE). Said agreement included, to be managed by BANKIA, both the delivery of a certain amount in own shares and the deposit of a cash amount. The purpose of this contract is to allow investors to negotiate the shares of the companies, ensuring that any interested person has the possibility of buying or selling shares.

The movements in the treasury stock portfolio during the six-month period ended June 30, 2020 have been the following:

	Number	Euros	
		Nominal value	Acquisition value
Acquisitions	130.643	78.386	322.800
Disposals	(12.601)	(7.561)	(31.133)
Balance at 31.12.2019	118.042	70.825	291.667
Acquisitions	48.078	28.847	132.522
Disposals	(40.102)	(24.061)	(101.270)
Balance at 30.06.2020	126.018	75.611	322.919

As a result of the disposals carried out during the 2020 financial year, a credit has been recognised in reserves amounting to 11.279 euros.

(See below)

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(iii) Voluntary reserves

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

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

(14) Grants

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

	Euros	
	30/06/2020	31/12/2019
Initial balance	245.652	61.438
Grants awarded in the year	18.892	184.214
Transfers to the profit and loss account	(7.002)	-
Final balance	257.542	245.652

(15) Financial liabilities by categories

(a) Classification of financial liabilities by categories

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

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

(16) Financial debts and other trade creditors

(a) Debts

The breakdown is as follows:

	Euros			
	30/06/2020		31/12/2019	
	Non-current	Current	Non-current	Current
Debts to financial institutions	5.844.775	2.239.095	3.287.369	3.624.443
Interests	-	88.927	-	-
Creditors for financial leasing	1.734.250	630.407	407.323	490.698
Other financial liabilities	5.291.542	-	5.132.363	-
Total	12.870.567	2.958.429	8.827.055	4.115.141

(See below)

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The heading for long-term and short-term debts with financial institutions includes a syndicated loan formalised by the Company on March 7, 2019 for an amount of 10.000.000 euros, distributed in two tranches: the first for an amount of 4.000.000 euros instrumented as a loan with a seven-year final maturity and gradual quarterly repayments with a six-month grace period. The second, for an amount of 6.000.000 euros, in the form of a credit line committed for three years, plus the possibility of two additional annual extensions available through short-term provisions. Additionally, during the duration of the syndicated financing contract, the possibility of distributing dividends is mainly linked to compliance with a level of leverage, compliance with the financial ratios themselves and that the distribution of dividends does not exceed 50% of the net profit for the year at the expense of the aforementioned distribution. Finally, said syndicated financing is associated with the fulfilment of certain financial ratios at the end of the year (December 31, 2020). Although the current level of uncertainty is high, as mentioned in note 2d, it is estimated that during 2020 there will be no circumstances that could lead to a breach of the conditions contemplated in said contract.

Additionally, the financing contract is associated with compliance with the debt service leverage ratio and the maximum CAPEX to be invested, considering for the latter, the non-existence of investment limitation in CAPEX for the amount of an eventual injection of capital or financing granted by shareholders. Compliance with said financial ratios will be annual. As of December 31, 2019, the Company has complied with all the ratios related to the financing granted by a syndicated loan.

The other financial liabilities section includes the debt granted by Alteralia, SCA, SICAR, formalised on December 20, 2018, for an amount of 5.000.000 euros, maturing on December 20, 2025. Ordinary depreciation it will be in full upon maturity. Said loan is referenced to Euribor plus a margin that will oscillate between 6% and 7% depending on the leverage ratio. During the duration of the contract, the possibility of distributing dividends is linked to the fulfilment of a level of leverage. Additionally, the financing contract is associated with compliance with the leverage ratio, debt service and the maximum CAPEX to be invested, considering for the latter, the non-existence of investment limitation in CAPEX for the amount of an eventual capital injection or financing granted by shareholders. Compliance with these financial ratios will be semi-annual and annual. As of December 31, 2019, and June 30, 2020, the Company has complied with all the ratios linked to the financing granted by Alteralia, S.C.A., SICAR. Although the current level of uncertainty is high, as mentioned in note 2d, it is estimated that during 2020 there will be no circumstances that could lead to a breach of the conditions contemplated in said contract.

The evolution of compliance with the debt service leverage ratios with the financial entities referred to in the previous paragraphs will be subject to review based on the audited Financial Statements closed as of December 31, 2020 by the Company's auditor, which It will also verify compliance or non-compliance with them.

Creditors for finance leases correspond to long-term financing operations related to the investment of tangible fixed assets, mainly machinery (see note 7), the interest rate of which is between 1,25% and 2,75%.

Additionally, the other financial liabilities section includes loans granted by the Center for Technological Development (CDTI) associated with Research and Development projects (see note 5) for an amount of 466.006 euros (323.263 euros on 31 December 2019).

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(b) Other information on debts

(i) Main characteristics of debts

The Company has the following credit policies, as well as discount lines as of June 30, 2020 and December 31, 2019.

	Euros			
	30/06/2020		31/12/2019	
	Arranged	Limit	Arranged	Limit
Credit policy	3.595	220.000	-	220.000
Discount lines				
National discount	288.740	2.125.000	648.248	2.125.000
Export / Import Advances	1.577.314	5.825.000	2.547.844	5.825.000
Confirming	-	300.000	-	300.000
	1.869.649	8.470.000	3.196.092	8.470.000

As of June 30, 2020, the amount drawn down corresponds to the use of the different discount lines, invoice advances, confirming, import and export advances, the amount of which amounts to 1.869.649 euros, which is included within the heading of short-term debts with financial institutions. As of December 31, the amount amounted to 3,196,092 euros.

(c) Trade creditors and other accounts payable

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

	Euros	
	30/06/2020	31/12/2019
	Current	Non-current
<i>Related</i>		
Suppliers (note 20)	240.597	861.647
<i>Not related</i>		
Suppliers	4.924.889	4.766.557
Creditors	3.946.737	2.091.962
Personnel	107.600	137.628
Other debts with Public Institutions (note 18)	118.545	302.396
Advances	10.000	30.192
Total	9.348.368	8.190.382

d) Classification by maturity

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

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

(See below)

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

The average number of days of payment to suppliers for the six-month period ended June 30, 2020 is 79 days (68 days for the year ended December 31, 2019). To obtain this average, the amount resulting from weighting the number of days elapsed between the payment date and the issue date of each invoice is divided with the amount of each of the invoices, between the total of invoices.

During the six-month period ended June 30, 2020, payments have been made in the amount of 15.036.854 euros (32.044.869 euros in the year ended December 31, 2019). The pending payments amount to 8.938.794 euros and 7.429.139 euros, respectively.

In the six-month period ended June 30, 2020, the ratio of paid transactions amounted to 105 days and the ratio of transactions pending payment amounted to 32 days (72 days and 34 days respectively in the fiscal year ended 31 December 2019).

(18) Tax situation

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

	Euros			
	30/06/2020		31/12/2019	
	Non-current	Current	Non-current	Current
Assets				
Deferred tax assets	419.986	-	258.524	-
Current tax assets	-	50.700	-	50.700
Value added tax and similar costs	-	518.251	-	946.432
	419.986	568.951	258.524	997.132
Liabilities				
Deferred tax liabilities	192.247	-	153.802	-
Value added and similar costs	-	-	-	147.389
Social Security	-	71.209	-	77.378
Withholdings	-	47.336	-	77.629
	192.247	118.545	153.802	302.396

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

(a) Income tax

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

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

(See below)

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

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

	Euros	
	30/06/2020	30/06/2019
Current tax		
For the year	-	42.890
	-	42.890
Deferred taxes		
Origin and reversal of temporary differences		
Tangible fixed assets	(20.642)	(8.014)
Compensation / Activation of tax credits	196.927	17.860
	176.285-	52.736

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

	Euros			
	Assets		Liabilities	
	2020	2019	2020	2019
Tangible fixed assets	108.396	165.457	104.349	75.961
Grants	-	-	84.138	77.115
Results of shares in own equity operations	-	-	3.760	726
Credits for losses to compensate	267.542	49.019	-	-
Rights for deductions and discounts	44.048	44.048	-	-
Total assets / liabilities	419.986	258.524	192.247	153.802

(See below)

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The Company has deductions whose amounts and reversal terms are as follows:

Year	Euros		Last year
	30/06/2020	31/12/2019	
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	23.717	21.843	2032
2016	107.933	106.603	2033
2017	155.607	155.607	2035
2018	188.137	188.137	2036
2019	354.467	4.879	2037
	863.433	510.641	

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

The breakdown of the negative tax bases accredited by the Company as of June 30, 2020 and December 31, 2019 are as follows:

Year	Euros	
	30/06/2020	31/12/19
2015	71.438	71.438
2019	25.783	25.783
2020	787.708	-

(19) Environmental information

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

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

(See below)

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(20) Balances and transactions with related parties

(a) Balances with related parties

The breakdown of balances by category is as follows:

	Euros	
30/06/2020	Other related parties	Total
Trade debtors and other receivables Customers of group companies and other parties related to c / p (note 11)	29.158	29.158
Total current assets	29.158	29.158
Total assets	29.158	29.158
Trade debtors and other accounts payable Suppliers of group companies and other related parties (Note 16)	240.597	240.597
Total current liabilities	240.597	240.597
Total liabilities	240.597	240.597
	Euros	
31/12/2019	Other related parties	Total
Trade debtors and other receivables Customers of group companies and other parties related to c / p (note 11)	157.704	157.704
Total current assets	157.704	157.704
Total assets	157.704	157.704
Trade debtors and other accounts payable Suppliers of group companies and other related parties (Note 16)	861.647	861.647
Total current liabilities	861.647	861.647
Total liabilities	861.647	861.647

(See below)

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(b) Transactions with related parties

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

30/06/2020	Euros	
	Other related parties	Total
Income		
Net sales		
Sales	632.732	632.732
Total income	632.732	632.732
Expenses		
Net purchases		
Purchases	(1.502.348)	(1.502.348)
Expenses for operating leases	(482.809)	(482.809)
Other services received	(60.000)	(60.000)
Total expenses	(2.045.157)	(2.045.157)

30/06/2019	Euros	
	Other related parties	Total
Income		
Net sales		
Sales	1.041.390	1.041.390
Total income	1.041.390	1.041.390
Expenses		
Net purchases		
Purchases	(930.908)	(930.908)
Expenses for operating leases	(477.514)	(477.514)
Other services received	(57.700)	(57.700)
Total expenses		
Income	(1.466.122)	(1.466.122)

(See below)

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As of June 30, 2020, and 2019, for the purposes of this information, other related parties are considered:

- Melnik S.L., customer.
- Advance Color Systems S.L., provider.
- Ferlevel S.L., lessor.
- Sotal Premium S.L., lessor.

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

The remuneration for the members of the Board of Directors for the six-month period ended June 30, 2020 was approved by the Extraordinary General Meeting on February 14, 2020, which amounts to a total amount of 82.000 euros. During 2019 the members of the Board of Directors received remuneration of 95.000 euros for their position as Directors.

The total remuneration accrued as of June 30, 2020 by the Senior Management of the Company, who in turn are members of the Board of Directors, amounts to an amount of 74.034 euros in terms of salaries and remuneration to the Board (in financial year 2019 amounted to 134.180 euros).

During the six-month period ended June 30, 2020 and 2019, the Company's Directors have not granted advances or credits nor have any obligations been assumed on their behalf as collateral. Likewise, the Company has no obligations regarding pensions and life insurance with respect to former or current Directors of the Company.

In 2019, the Company made payment of premiums for civil liability insurance for damages caused by acts or omissions in the exercise of the position for 7.796 euros, being effective as of June 30, 2020.

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

During the six-month period ended June 30, 2020 and financial year 2019, the Directors and Senior Management have not carried out operations with it or with Group companies outside of ordinary traffic or under conditions other than those of the market.

(e) Situations of conflict of interest of the Directors

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

(21) Income and expenses

(a) Net turnover

The breakdown of the net turnover by categories of activities and geographic markets is shown in Annex VI.

(See below)

PLÁSTICOS COMPUESTOS, S.A.

Explanatory Notes to the Interim Financial Statements

for the six-month period ended on

June 30, 2020

(b) Supplies

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

	Euros	
	30/06/2020	30/06/2019
Consumption of raw materials and others		
National purchases	16.688.068	17.676.276
Discounts and returns for purchases	(20.371)	(6.016)
Variation of existences	(159.367)	(661.890)
	16.508.330	17.008.370

(c) Social charges and provisions

The breakdown of social charges and provisions is as follows:

	Euros	
	30/06/2020	30/06/2019
Social charges		
Social Security in charge of the company	411.334	437.661
Other social expenses	4.680	-
	416.014	437.661

(22) Information on personnel

The average number of employees of the Company during the six-month periods ended June 30, 2020 and 2019, broken down by category, is as follows:

	Number	
	30/06/2020	30/06/2019
Senior Management	1	1
Technical personnel and middle managers	18	19
Commercial personnel	8	8
Administrative personnel and other personnel	53	51
	80	79

(See below)

PLÁSTICOS COMPUESTOS, S.A.

Explanatory Notes to the Interim Financial Statements

for the six-month period ended on

June 30, 2020

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

	Number			
	30/06/2020		31/12/2019	
	Female	Male	Female	Male
Senior Management	2	6	2	5
Technical personnel and middle managers	4	13	4	12
Commercial, sellers and similar personnel	2	5	2	5
Administrative personnel and other personnel	8	45	9	46
	16	69	17	68

As of June 30, 2020, and December 31, 2019, there are no hired personnel with a disability equal to or greater than 33%.

(23) Audit fees

The fees corresponding to the services provided by the auditing companies (Grant Thornton and KPMG Auditores, S.L respectively) of the Interim Financial Statements during 2020 and 2019, regardless of the time of their invoicing, are the following:

	Euros	
	2020	2019
For audit services	24.000	37.250
For other accounting verification services	9.000	38.500
	33.000	75.750

(24) Subsequent events

At the date of preparation of these interim financial statements, there are no events subsequent to the six-month period ended on June 30, 2020 that reveal circumstances that already existed on that date and that, by application of the recording and valuation standard, would have meant the inclusion of an adjustment in the figures contained in the documents that make up these interim financial statements, or that affect the application of the going concern principle.

(See below)

PLÁSTICOS COMPUESTOS, S.A.

Classification of financial assets by maturity
for the six-month period ended June 30, 2020

30/06/2020	<u>Euros</u>			
	2020-2021	Subsequent years	Less current part	Total non- current
Financial investments				
Financial assets held for trading	34.938	-	(34.938)	-
Deposits and bonds	-	97.515	-	97.515
Other financial assets	508.618	-	(508.618)	-
Credits to third parties	-	50.000	-	50.000
Commercial debtors and other receivables				
Customers for sales and provision of services	2.821.893	-	(2.821.893)	-
Customers of the group and related companies	29.158	-	(29.158)	-
Personnel	33.144	-	(33.144)	-
Total	3.427.751	147.515	3.427.751	147.515

PLÁSTICOS COMPUESTOS, S.A.

Classification of financial assets by maturity
for the year ended December 31, 2019

	Euros			
	31/12/2019 2020	Subsequent years	Less current part	Total non- current
Financial investments				
Financial assets held for trading	34.938	-	(34.938)	-
Deposits and bonds	-	97.515	-	97.515
Other financial assets	366.419	-	(366.419)	-
Credits to third parties	-	50.000	-	50.000
Commercial debtors and other receivables				
Customers for sales and provision of services	3.163.595	-	(3.163.595)	-
Customers, group companies and associates	157.704	-	(157.704)	-
Personnel	12.469	-	(12.469)	-
Total	3.735.125	147.515	(3.735.125)	147.515

PLÁSTICOS COMPUESTOS, S.A.

Detail of Financial Liabilities by Category
for the six-month period ended June 30, 2020

	Euros			
	No-current		Current	
	At depreciated cost or cost		At depreciated cost or cost	
	Book value	Total	Book value	Total
30/06/2020				
<i>Debts and payables</i>				
Debts				
To financial institutions	5.844.775	5.844.775	2.328.022	2.328.022
Creditors for financial leasing	1.734.250	2.063.739	630.407	300.918
Other financial liabilities	5.291.542	5.291.542	-	-
Trade creditors and other accounts payable				
Suppliers	-	-	5.165.486	5.165.486
Other accounts payable	-	-	4.064.337	4.064.337
Total financial liabilities	12.870.567	13.200.056	12.188.252	11.858.763

PLÁSTICOS COMPUESTOS, S.A.

**Breakdown of financial liabilities by category
for the year ended December 31, 2019**

	Euros			
	Non-current		Current	
	Book value	Total	Book value	Total
31/12/2019				
<i>Debts and payables</i>				
Debts				
To financial institutions	3.287.369	3.287.369	3.624.443	3.624.443
Creditors for financial leasing	407.323	407.323	490.698	490.698
Other financial liabilities	5.132.363	5.132.363	-	-
Trade creditors and other accounts payable				
Suppliers	-	-	5.628.204	5.628.204
Other accounts payable	-	-	2.259.782	2.259.782
Total financial liabilities	8.827.055	8.827.055	12.003.127	12.003.127

PLÁSTICOS COMPUESTOS, S.A.

Classification of financial liabilities by maturity
for the six-month period ended June 30, 2020 and for the year ended December 31, 2019

	Euros							
	30/06/2020							
	2021	2022	2023	2024	2025	Subsequent years	Less current part	Total non- current
Debts								
Debts to financial institutions	2.328.022	1.143.584	1.386.406	1.379.164	1.382.704	552.917	(2.328.022)	5.844.775
Creditors for financial leasing	630.407	533.204	447.999	368.967	384.080	-	(630.407)	1.734.250
Other financial liabilities	-	54.088	54.088	54.088	129.610	4.999.668	-	5.291.542
Trade creditors and other accounts payable								
Suppliers	5.165.486	-	-	-	-	-	(5.165.486)	-
Sundry creditors	3.946.737	-	-	-	-	-	(3.946.737)	-
Personnel	107.600	-	-	-	-	-	(107.600)	-
Advances from customers	10.000	-	-	-	-	-	(10.000)	-
Total financial liabilities	12.188.252	1.730.876	1.888.493	1.802.219	1.896.394	5.552.585	(12.188.252)	12.870.567

PLÁSTICOS COMPUESTOS, S.A.

Classification of financial liabilities by maturity
for the six-month period ended June 30, 2020 and for the year ended December 31, 2019

	Euros							Total non-current
	31/12/2029							
	2020	2021	2022	2023	2024	Subsequent years	Less current part	
Debts								
Debts ton financial institutions	3.624.443	432.614	584.965	640.152	708.522	921.116	(3.624.443)	3.287.369
Creditors for financial leasing	490.698	239.061	121.652	46.610	-	-	(490.698)	407.323
Other financial liabilities	-	21.162	21.162	21.162	21.162	5.047.715	-	5.132.363
Trade creditors and other accounts payable								
Suppliers	5.628.204	-	-	-	-	-	(5.628.204)	-
Trade debts anticipated by financial institutions	2.091.962	-	-	-	-	-	(2.091.962)	-
Sundry creditors	137.628	-	-	-	-	-	(137.628)	-
Personnel	30.192	-	-	-	-	-	(30.192)	-
Total financial liabilities	12.003.127	692.837	727.779	707.924	729.684	5.968.831	(12.003.127)	8.827.055

PLÁSTICOS COMPUESTOS, S.A.

Reconciliation between the net income and expenses for the year and the tax base
for the six-month period ended June 30, 2020

30/06/2020	Euros						Total
	Profit and loss account			Recognised income and expenses			
	Increases	Decreases	Net	Increases	Decreases	Net	
Balance of income and expenses for the year			(529.321)			18.893	(510.428)
Corporate tax			176.285			(6.298)	169.987
Profits / (Losses) before taxes			(705.606)			25.191	(680.415)
Permanent differences							
Of the Company individually	465	-	465	-	-	-	465
Temporary differences:							
Of the Company individually							
Originated in previous years	65.771	148.338	(82.567)	-	25.191	(25.191)	(107.758)
Consolidation adjustments							
Tax base (Tax result)			(787.708)			-	(787.708)

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

PLÁSTICOS COMPUESTOS, S.A.
Reconciliation between the net income and expenses for the year and the tax base
for the six-month period ended June 30, 2019

Euros										
30/06/2019	Profit and loss account			Recognised income and expenses			Reserves			Total
	Increases	Decreases	Net	Increases	Decreases	Net	Increases	Decreases	Net	
Balance of income and expenses for the year			378.946			199.671			(77.674)	500.943
Corporate tax			52.737			65.662			(19.419)	98.980
Profits / (Losses) before taxes			431.682			262.649			(58.256)	636.075
Permanent differences										
Of the Company individually	2.158	-	2.158	-	-	-	-	-	-	2.158
Temporary differences:										
Of the Company individually										
Originated in the year	87.330	55.273	32.057	-	262.649	(262.649)	-	-	-	(230.592)
Tax base (Tax result)			465.897			-			(58.256)	407.641

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

PLÁSTICOS COMPUESTOS, S.A.

**Expense / (income) ratio for income tax and profit / (loss)
for the six-month period ended June 30, 2020**

	Euros		
	Profit and loss account	Recognised income and expenses	Total
Balance of income and expenses before taxes for the period	(705.606)	25.191	(680.415)
25% tax	176.402	6.298	182.700
Permanent differences			
Non-deductible expenses	117	-	117
 Expense / (Income) for income tax Of continuing operations	 176.285	 6.298	 182.583

PLÁSTICOS COMPUESTOS, S.A.

Expense / (income) ratio for income tax and profit / (loss)
for the six-month period ended June 30, 2020

	Euros			
	Profit and loss account	Recognised income and expenses	Reserves	Total
Balance of income and expenses before taxes for the year	431.682	262.649	(77.674)	616.657
25% tax	107.921	65.662	(58.256)	154.164
Permanent differences				
Non-deductible expenses	540	-	-	540
Deductions for the period	(55.724)	-	-	(55.724)
Expense / (Income) for income tax Of continuing operations	52.736	65.662	(19.418)	98.980

PLÁSTICOS COMPUESTOS, S.A.

**Detail of the net turnover by activities and geographic markets
for the six-month periods ended June 30, 2020 and 2019
(Expressed in euros)**

	National		Rest of EU		Rest of the World		Total	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019	30/06/2020	30/06/2019	30/06/2020	30/06/2019
Income from sale of goods	9.021.186	9.476.620	11.975.891	13.071.282	1.432.646	1.886.351	22.429.723	24.434.254
	9.029.230	9.476.620	11.986.569	13.071.282	1.433.924	1.886.351	22.429.723	24.434.254

PLÁSTICOS COMPUESTOS, S.A.
Report of the Directors for the
six-month period ended June 30, 2020

During the six-month period ended June 30, 2020, Plásticos Compuestos, SA, has had a decrease in sales reaching a turnover of 22.430 thousand euros, which represents a decrease of 8% compared to the six-month period ended June 30, 2019. In terms of tons transformed and sold, the decrease has been 10% below the same period of the previous year.

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

The results for the six-month period ended June 30, 2020 show a decreasing evolution, with a gross margin (understood as the net sales figure + variation in supply stocks) 8% lower than that obtained in the previous period. The net result is -661 thousand euros, generating 1.236 thousand euros of EBITDA calculated as operating income deducting the depreciation of fixed assets and expenses related to extraordinary operations.

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

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

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

The Company will accommodate the dividend policy maintained so far so as not to disturb the financial soundness and the investment plan foreseen for the coming years. The distribution of dividends is linked to compliance with the ratios stipulated in the contract with by Alteralia, S.C.A., SICAR.

The average payment period has been 79 days for the six-month period ended June 30, 2020.

During the six-month period ended June 30, 2020, the Company has not operated with derivative financial products.

During the first semester of 2020, the Company has not been paralysed by the declaration of the State of Alarm established by Royal Decree 463/2020, of March 14, 2020, nor in its subsequent revisions. As a result, the Company's productive activity has remained operational and it has continued to supply products to manufacturers of essential products. Notwithstanding this, as a result of the health crisis caused by COVID-19, the volume of sales to customers that carry out non-essential activities has been affected as a result of the stoppage of the activity derived from the state of alarm. This decrease in volume has meant that the activity of the Company has been reduced. Therefore, the Company has been affected in a general way in its evolution and in a particular way in terms of its results as of June 30, 2020.

The uncertainty surrounding the COVID-19 pandemic and its effects on the world economy, at the date of preparation of these interim financial statements, is expected to have an impact on world growth and consequently on the growth of the Company's activity. in financial year 2020. This situation and its impact on the Company could be aggravated by a possible recession in Spain and the rest of Europe because of the COVID-19 pandemic.

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

Risk policy and management

(i) Financial risk factors

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

PLÁSTICOS COMPUESTOS, S.A.
Report of the Directors for the
six-month period ended June 30, 2020

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

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

(ii) Exchange rate risk

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

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

(iii) Credit risk

The Company does not have significant concentrations of credit risk. The Company has taken out policies to ensure the sales of products to customers with an adequate credit history and previously classified by the insurers. Coverage by credit policies is 90% nationally and 90% internationally.

Regarding COVID-19, the Company considers that it has not had a significant impact on credit risk and financial assets as of June 30, 2020.

(iii) Liquidity risk

The Company carries out prudent management of liquidity risk, based on maintaining sufficient cash and marketable securities, the availability of financing through a sufficient amount of committed credit facilities (see note 16) and the classification of assets and liabilities financial (see notes 10 and 15).

In an international context highly influenced by COVID-19, the Company has ensured the availability of funds to comply with the obligations acquired and the development of its business plans, maintaining at all times the optimal level of liquid resources and seeking the greatest efficiency in the management of financial resources.

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

As the Company does not have significant remunerated assets, the income and cash flows from the Company's operating activities are for the most part independent with respect to variations in market interest rates.

The Company's interest rate risk arises from long-term borrowings. Borrowing resources issued at variable rates expose the Company to interest rate risk on cash flows. Fixed rate loans expose you to fair value interest rate risks. The Company's policy is to keep most of its borrowings in fixed-rate instruments.

PLÁSTICOS COMPUESTOS, S.A.

The Directors of the Company Plásticos Compuestos, S.A., in the Meeting dated October 8, 2020 and in compliance with the requirements established in article 253.2 of the Consolidated Text of the Capital Companies Law and in article 37 of the Commercial Code, proceed to prepare the Interim Financial Statements and the Interim Report of the Directors for the period between January 1, 2020 and June 30, 2020.

Signatories:

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

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

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

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

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

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

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

GESTIÓN Y
ADMINISTRACIÓN
MOBILIARIA, S.A.,
represented by Mr. Santiago
de Gomar Roca, Member of
the Board of Directors of
PLÁSTICOS COMPUESTOS,
S.A.

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