Ercros

ERCROS, S.A.
AND
SUBSIDIARIES

(Translation of consolidated financial statements and consolidated management report originally issued in Spanish.
In the event of discrepancy, the Spanish-language version prevails)

Audit report, Consolidated Financial Statements and consolidated management report for the year ended December 31, 2021

(Information prepared in accordance with International Financial Reporting Standards adopted by the European Union)

CONTENTS

Ercros

A. AUDIT REPORT ON THE ERCROS GROUP

B. FINANCIAL STATEMENTS OF THE ERCROS GROUP

B. FINANCIAL STATEMENTS OF THE ERCROS GROUP

B 1. Consolidated statement of financial position
B 2. Consolidated profit/(loss) for the year
B 3. Consolidated statement of comprehensive income
B 4. Consolidated statement of changes in equity
B 5. Consolidated cash flow statement
B 6. Explanatory notes to the consolidated financial statements
B 7. Obtaining of signatures for the Group’s financial statements

Ercros

B 1. Consolidated statement of financial position

Assets	Note	Thousands of euros 12/31/2021	12/31/2020
Non-current assets		**408,176**	**399,202**
Property, plant and equipment	6 a)	324,517	311,291
Investment property	6 b)	19,400	19,866
Intangible assets	6 c)	11,598	7,162
Right-of-use assets	6 c)	6,117	8,903
Investments accounted for using the equity method	3 g)	6,410	6,403
Financial assets	6 d)	4,476	6,667
Deferred tax assets	6 o)	35,658	38,910
Current assets		**301,780**	**191,017**
Inventories	6 e)	122,696	82,278
Trade and other receivables	6 f)	99,232	56,070
Cash flow hedging derivative at fair value through other comprehensive income	6 g)	14,610	-
Other current assets	6 m)	9,339	11,968
Current income tax assets	6 o)	4,330	770
Cash and cash equivalents	6 h)	51,573	39,931
Total assets		**709,956**	**590,219**

Equity and liabilities	Note	Thousands of euros 12/31/2021	12/31/2020
Equity attributable to owners of the controlling entity	6 i)	**331,613**	**284,215**
Total liabilities		**378,343**	**306,004**
Non-current liabilities		**146,057**	**142,189**
Loans	6 d)	92,793	93,553
Lease payables	6 d)	2,608	3,730
Deferred tax liabilities	6 o)	26,766	23,197
Provisions for environmental remediation	6 j)	10,041	9,180
Other provisions	6 j)	662	520
Commitments to active staff	6 k)	2,190	2,088
Accrued income and grants	6 l)	10,997	9,921
Current liabilities		**232,286**	**163,815**
Loans	6 d)	5,739	22,314
Current portion of non-current loans	6 d)	15,244	6,398
Lease payables	6 d)	3,618	5,415
Trade payables	6 n)	169,905	102,447
Provisions for environmental remediation	6 j)	4,357	3,061
Other provisions	6 j)	12,556	7,856
Other liabilities	6 n)	20,867	16,324
Total equity and liabilities		**709,956**	**590,219**

B 2. Consolidated profit/(loss) for the year

Thousands of euros	Notes	Year 2021	Year 2020
Income		**852,124**	**585,320**
Sale of finished products	3 e)	772,317	547,236
Rendering of services	5 a)	27,738	21,561
Other income	5 c)	23,340	12,746
Reversal of provisions and other non-recurring income	5 e)	6,569	3,777
Increase in inventory of finished products and work in progress	5 d)	22,160	-
Expenses		**-766,444**	**-535,719**
Consumption of raw material and secondary materials	5 d)	-400,012	-267,946
Decrease in inventory of finished products and work in progress	5 d)	-	-8,202
Utilities		-154,993	-72,194
Transportation services		-43,835	-34,482
Employee benefits expense	5 f)	-86,965	-84,296
Other expenses	5 g)	-73,684	-63,916
Charge of provisions and other non-recurring expenses	5 e)	-6,955	-4,683
Gross operating profit (‘EBITDA’)		**85,680**	**49,601**
Depreciation and amortization expense	5 d)	-28,549	-30,329
Impairment of non-current assets	5 d)	-3,450	-4,335
Operating profit		**53,681**	**14,937**
Finance income		21	381
Interest cost	5 b)	-5,551	-6,521
Impairment losses on/(reversal of) financial assets (accounts receivable)	6 f)	1,012	-67
Exchange gains (losses)		1,386	-2,254
Share in the profit of associated companies	3 g)	607	509
Finance cost		**-2,525**	**-7,952**
Profit before tax		**51,156**	**6,985**
Income tax expense	6 o)	-7,859	-728
Profit for the year		**43,297**	**6,257**
Basic and diluted earnings per share (euros)	5 i)	**0.4288**	**0.0610**

B 3. Consolidated statement of comprehensive income

Thousands of euros	Notes	Year 2021	Year 2020
Profit for the year		**43,297**	**6,257**
Other comprehensive income (net of tax effect)		**10,957**	**-**
Items that will subsequently be reclassified to profit for the year	6 g)	10,957	-
Total comprehensive income attributable to owners of the controlling entity		**54,254**	**6,257**

B 4. Consolidated statement of changes in equity

Thousands of euros	Share capital	Other reserves	Treasury shares acquired	Profit for the year	Valuation adjustments	Equity
Balance at 12-31-19	**31,475**	**229,565**	**-**	**31,043**	**-**	**292,083**
Transfer of 2019 retained earnings	-	25,994	-	-25,994	-	-
Dividends	-	-	-	-5,049	-	-5,049
2020 comprehensive income	-	-	-	6,257	-	6,257
Transactions with shareholders and owners:						
Meeting attendance bonus	-	-341	-	-	-	-341
Purchase of treasury shares [Notes 4 b), 3 d) and 6 i)]	-	-	-8,735	-	-	-8,735
Redemption of treasury shares [Notes 4 a) and 6 i)]	-1,183	-7,552	8,735	-	-	-
Balance at 12-31-20	**30,292**	**247,666**	**-**	**6,257**	**-**	**284,215**
Transfer of 2020 retained earnings	-	6,257	-	-6,257	-	-
2021 comprehensive income	-	-	-	43,297	10,957	54,254
Transactions with shareholders and owners:						
Meeting attendance bonus	-	-334	-	-	-	-334
Purchase of treasury shares [Notes 4 b), 3 d) and 6 i)]	-	-	-6,522	-	-	-6,522
Balance at 12/31/2021	**30,292**	**253,589**	**-6,522**	**43,297**	**10,957**	**331,613**

B 5. Consolidated cash flow statement

Thousands of euros	Year 2021	Year 2020
A) Cash flows from operating activities	**60,324**	**74,591**
Customer collections	836,331	641,646
Proceeds from the net variation in the non-recourse tranche of the factoring facility [Note 6 d)]	14,487	25,390
Payments to suppliers	-702,958	-513,501
Proceeds from VAT returns	6,107	7,251
Payments to and on account of ordinary employees	-86,645	-84,384
Payments to and on account of retired employees on the payroll and collective dismissal [Note 6 j)]	-508	-857
Payments against provisions for environmental remediation [Note 6 j)]	-3,820	-5,136
Payments against other provisions [Note 6 j)]	-75	-320
Other operating proceeds/payments	848	750
Grants received related to indirect CO_2 emissions [Note 6 l)]	7,140	2,295
Other grants received [Note 6 l)]	3,514	1,642
Interest paid	-3,798	-5,545
Interest received	9	368
Payments on / proceeds from net exchange gains (losses)	840	-1,420
Dividends received [Note 3 g)]	600	840
Proceeds from prior years' income tax refund	-	10,438
Payment on account of the income tax for the year [Note 6 o)]	-8,029	-1,079
Payments of local and other taxes	-3,719	-3,787
B) Cash flows from investing activities	**-34,238**	**-34,008**
Purchase of property, plant, and equipment:		
Investments in capacity extension	-12,901	-11,134
Other investments	-21,337	-22,971
Disposal of investment property	-	97
Free cash flows (A+B)	**26,086**	**40,583**
C) Shareholder remuneration	**-6,856**	**-14,125**
Purchase of treasury shares [Note 3 d)]	-6,522	-8,735
Payment of meeting attendance bonus	-334	-341
Dividends paid [Note 3 d)]	-	-5,049
D) Cash flows from financing activities	**-7,823**	**-47,149**
Amounts drawn down on non-current loans	13,165	5,909
Repayment and redemption of non-current loans	-7,528	-16,957
Net variation of current revolving lines	-14,600	-36,468
New finance lease arrangements	3,558	3,269
Finance lease payables	-6,477	-7,502
Cancellation of deposits	4,166	4,768
Constitution of deposits	-107	-168
E) Net increase/decrease in cash and cash equivalents (A+B+C+D)	**11,407**	**-20,691**
Cash and cash equivalents at the beginning of the period	39,931	61,117
Effect of foreign exchange rate	235	-495
Cash and cash equivalents at the end of the period	51,573	39,931

B 6. Explanatory notes to the consolidated financial statements

Section 1: Corporate and Group information

Section 2: Basis of presentation and other significant accounting policies

Section 3: Group businesses, operation and management

Section 4: Significant transactions and events

Section 5: Detailed information on certain headings of the statement of comprehensive income

Section 6: Detailed information on certain headings of the statement of financial position

6 a) Property, plant and equipment
6 b) Investment property
6 c) Intangible assets and Right-of-use assets
6 d) Financial assets and liabilities
6 e) Inventory
6 f) Trade and other receivables
6 g) Cash flow hedging derivatives
6 h) Cash and cash equivalents
6 i) Equity
6 j) Environmental provisions and other current and non-current provisions
6 k) Long-term provisions for employee benefits
6 l) Deferred income Government grants
6 m) Other current assets
6 n) Other current and non-current liabilities and trade payables
6 o) Income tax

Section 7: Commitments and other contingencies

7 a) Investment commitments
7 b) Treasury shares repurchase commitments
7 c) Contingencies for legal claims
7 d) Other contingent obligations

Ercros

Sección 1: Corporate and Group information

Nota 1 a) Corporate information

The consolidated financial statements of Ercros, S.A. (hereinafter 'Ercros' or 'the Company') and its subsidiary companies, whether direct or indirect, as listed below, which comprise the Ercros Group (hereinafter 'the Group') at December 31, 2021 and December 31, 2020, were authorized for issue by the board of directors on February 18, 2022.

Ercros, S.A. is a listed public limited company that was incorporated in Spain, where it is domiciled. The Company's registered office is located at Avenida Diagonal, 595 in Barcelona. The Company's head offices are located also at Avenida Diagonal, 595 in Barcelona.

The Company's corporate name has not changed in the current year.

The Group's main activities focus on the production and marketing of chemical products and generic active pharmaceutical ingredients. The Group's structure is shown in Note 1 b) to the accompanying consolidated financial statements and the information on other related-party transactions is shown in Note 4 d).

Ercros subsidiaries only account for 2.35% of consolidated income (2.49% in 2020) and 1.16% of consolidated assets (0.88% in 2020).

The Group's activity is carried out through three business segments [see chapter C 1.3 of the consolidated management report ('CMR') and Note 3 e) to the consolidated financial statements]:

- The Chlorine Derivatives Division (chlorine, caustic soda, sodium hypochlorite, hydrochloric acid, TCCA, PVC, oxidants and other products).

- The Intermediate chemicals Division (formaldehyde and derivatives).

- The Pharmaceuticals Division produces generic active pharmaceutical ingredients (mainly erythromycin, fusidic acid and fosfomycin).

The Group carries out its main activity at its factories in Vila-seca.

Nota 1 b) Group information

Subsidiaries and associated companies

The details of the companies composing the Group as at December 31, 2021 and 2020 are shown below, classified into the following categories:

- Subsidiaries: These are the companies over which Ercros has the power to control, whether directly or indirectly, the majority of the voting rights and may dictate financial and operating policies for the purpose of obtaining profit from the entity.

- Associated companies: These are the companies which are excluded from the foregoing classification, but over which Ercros exercises a significant influence and may, therefore, intervene in decisions of financial or operational policies, without reaching the level of exercising full or joint control.

Subsidiaries and associated companies included in the 2021 and 2020 consolidated financial statements

Company name	Town of registered office	Ownership interest (%) 2021	Ownership interest (%) 2020	Holding company	Consolidation method
Relevant companies:					
Ercros France, S.A.	Paris (France)	100	100	Ercros S.A.	Full
Salinas de Navarra, S.A.[3]	Beriain (Navarra)	24	24	Ercros S.A.	Equity interest
Aguas Industriales de Tarragona, S.A.[3]	Tarragona (Tarragona)	21.14	21.14	Ercros S.A.	Equity interest
Non-relevant companies:					
Ercekol, A.I.E.[2]	Tarragona (Tarragona)	45.31	45.31	Ercros S.A.	Full
Asociación Flix-Coquisa, S.L.[1]	Barcelona (Barcelona)	50	50	Ercros S.A.	Equity interest
Cloratita, S.A.[1]	Barcelona (Barcelona)	100	100	Ercros S.A.	Full
Gades, Ltd.[1]	Jersey (UK)	100	100	Ercros S.A.	Full

1. Dormant.

2. Full consolidation method due to control position. The high dilution of shareholding results in Ercros holding control over the company.

3. See Note 3 g).

Ercros, S.A. is the ultimate parent company of all subsidiaries and associated companies listed above and, therefore, it does not belong to any other group.

No company has a significant influence on the Group. The material ownership interests in Ercros's share capital communicated by the shareholders to the Spanish National Securities Market Commission are detailed in Note 4 d) (vi).

Sección 2: Basis of presentation and other significant accounting policies

Nota 2 a) Basis of presentation

The accompanying consolidated financial statements of the Ercros Group have been prepared by the Directors of the Parent Company in accordance with the International Financial Reporting Standards (hereinafter 'IFRS') adopted by the European Union ('EU') and with the interpretations published by the International Accounting Standards Board ('IASB'), whose adoption is mandatory as of December 31, 2021.

The accounting policies used in the preparation of these consolidated financial statements are the same as those used in the preparation of the consolidated financial statements for the year ended December 31, 2020.

The 2020 financial statements were approved by the shareholders without any modification at the general meeting held on June 11, 2021.

The consolidated financial statements have been prepared on a historical cost basis, except for those property, plant and equipment assets and investment property corresponding to land and buildings from business combinations that were recorded at fair value on the date of the business combination [see Note 3 f)]. Additionally, investment properties are recorded at fair value when fair value is lower than carrying amount.

In 2021 Ercros has arranged a financial derivative for hedging the cash flows from the purchase of a portion of the electricity that it plans to consume in 2022, which has been recorded at fair value through other comprehensive income.

The consolidated financial statements are presented in euros and all figures are rounded up to thousands of euros, unless otherwise indicated.

The information included in the accompanying financial statements and the explanatory notes to these financial statements for the year 2021 is presented for comparative purposes together with the information on the year 2020.

Significant accounting judgments, estimates and assumptions

The main judgments and estimates made by Management in the preparation of the consolidated financial statements at December 31, 2021 refer to:

1. The estimate of the obligation that may arise for the Group as a result of the inspection assessment related to the special tax on alcohol, amounting to 5,300 thousand euros, and for which the Group does not expect any cash outflow. The appeal lodged by Ercros is currently pending vote and ruling by the Spanish High Court [see Note 7 c) (ii)].

2. Assessment of the degree of probability of occurrence of the risks associated with litigation proceedings, remediation commitments, and other contingencies, and the quantification, where appropriate, of the necessary provisions, as well as the probable date of cash outflow to settle such obligations [see Note 6 j)].

3. The estimate of the expectations with regard to the recovery of tax credits and the determination of the amounts to be presented as deferred tax assets. Management has opted to present as deferred tax assets (i) the right to reduce the taxable income for next years derived from all temporary differences arisen either in the current or prior years, (ii) the amount of unused tax loss carryforwards that the Company expects to utilize in the next ten years, and (iii) all accredited tax deductions [see Note 6 o)]. The estimates of profit for the 2022-2031 period have been approved by the board of directors although they have not been reviewed by an independent expert.

4. The estimate of the obligation that Ercros will have to settle in connection with the recovery of El Hondon land. Although the remediation obligation is assumed by the owners of the land, as specified in the subdivision project approved in 2013 by Cartagena City Council, which is currently responsible for 75% of the remediation of the land, whereas Ercros will settle the owner's obligation regarding the remaining 25%, the Government of the Region of Murcia declared the land contaminated in 2019 and Ercros the first responsible party for its remediation. Said remediation covers work done until the land is fit for industrial use. In 2020 Ercros submitted a remediation project that has been rejected by the General Directorate for Environment. Ercros has appealed against both the contaminated land declaration and the rejection of its project, resulting in the inadmissibility of these appeals. On January 21, 2022 Ercros filed an administrative appeal against the inadmissibility of the appeals [see Note 7 c) (i)].

The judgments, estimates and assumptions are periodically reviewed by Management based on the best information available. Thus, in 2021 the Group has recorded additional amounts to meet its obligations, as indicated in Note 6 j).

Nota 2 b) Summary of other significant accounting policies

The 2021 financial statements have been prepared under the going concern principle.

Classification of non-current and current items

The Group presents assets and liabilities in the consolidated statement of financial position based on a current/non-current classification. The Group classifies an asset as current when:

1. It is expected that the asset will be realized or is intended to be sold or consumed within its normal operating cycle.

2. The asset is held mainly for trading purposes.

3. It is expected that the asset will be realized within the 12 months after the reporting period.

4. The asset is cash or cash equivalent, unless it is restricted and cannot be exchanged or used to settle a liability for a minimum period of 12 months after the reporting period.

The Group classifies all other assets as non-current.

The Group classifies liability as current when:

1. It is expected that the liability will be settle within its normal operating cycle.

2. The liability is held mainly for trading purposes.

3. It is expected that the liability will be settled within the 12 months after the reporting period.

4. The Group has no right at the end of the reporting period to defer the settlement of the liability for, at least, 12 months after the reporting date.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current.

Translation of foreign currency balances

The consolidated financial statements are presented in euros, which is the Group's functional currency. The functional currency of all Ercros subsidiaries is the euro.

Transactions in foreign currency are posted at the exchange rate applicable on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are valued at the rate of exchange applicable at the reporting date and all gains or losses produced are recorded in the consolidated statement of comprehensive income.

Nota 2 c) Changes in accounting policies and required disclosures

Standards and interpretations approved by the EU and applied for the first time in 2018

The accounting policies used to prepare the accompanying consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended December 31, 2020, as none of the standards, interpretations or amendments to the standards that are applicable for the first time this year has had any impact on the Group's accounting policies.

Additionally, the Group has not applied any postponement, reduction or extension in its rental agreements as a result of the Covid-19 pandemic. Consequently, the amendments to IFRS 16 approved in 2020 have had no impact on the Group's consolidated financial statements.

Nota 2 d) Fair value measurement and impairment

Almost all the Group's assets and liabilities presented in the financial statements for the years ended December 31, 2021 and 2020 are measured at historical cost, or amortized cost. The use of fair value measurement is an exception given the nature of the industrial activity carried out by the Group and of the assets and liabilities presented in the consolidated financial statements.

In 2021 the Group has arranged a financial derivative for hedging the cash flows from the purchase of a portion of the electricity that it plans to consume in 2022. This derivative, which at December 31, 2021 is a financial asset, is measured at fair value through other comprehensive income. Even though Ercros does not usually arrange financial derivatives, this derivative is part of a long-term electricity agreement at a fixed amount that, for operational reasons, cannot be supplied in 2022 but will be supplied in coming years.

The Group also recognizes potential impairment losses on assets, as well as the reversal of such impairment. In 2021 the Group has recognized a reversal of impairment of accounts receivable from customers, in accordance with the expected credit loss method due to the improvement in global macroeconomic conditions [see Note 6 f)]; and has recognized impairment of (i) investment properties, based on new appraisals made by independent experts [see Note 6 b)]; and (ii) inventory, due to the adjustment to the net realizable value [see Note 6 e)].

No significant differences exist between book value and fair value of the various financial instruments under control of the Group given that the majority mature at less than one year or is referenced to a variable market interest rate which is reviewed periodically.

The Group has not arranged any interest rate or foreign currency hedging instrument.

Nota 2 e) Standards and interpretations issued by the IASB but not applicable in the current year

The Group intends to adopt the standards, interpretation and amendments issued by the IASB, whose application is not mandatory in the European Union, when they are effective, to the extent that they are applicable to it. However, the Group has adopted amendment to IAS 1 regarding the classification of financial liabilities as current or non-current, which has had no significant impact on the consolidated financial statements.

For the rest of amendments, the Group is currently analyzing their impact and, based on the analysis conducted to date, it believes that their first-time application will not have a material impact on the consolidated financial statements.

Sección 3: Group businesses, operation and management

Nota 3 a) Revenue from contracts with customers

The Group's activity focuses on the production and marketing of chemical products and generic active pharmaceutical ingredients. Revenue from the sale of finished product is recognized when the significant risks and benefits from ownership of the items have been transferred to the purchaser and the amount of the income may be reliably quantified, a condition which in general terms occurs at the moment of the effective delivery of the goods.

Geographical segment reporting

	2021				
Thousands of euros	**Domestic**	**Rest of EU**	**Other OECD countries**	**Rest of the world**	**Total**
Sales of goods	**390,344**	**215,252**	**88,770**	**77,951**	**772,317**
Total assets	707,125	2,831	-	-	709,956
Investments in non-current assets	34,676	-	-	-	34,676

Thousands of euros	2020 Domestic	Rest of EU	Other OECD countries	Rest of the world	Total
Sales of goods	**262,420**	**163,026**	**62,162**	**59,628**	**547,236**
Total assets	588,160	2,059	-	-	590,219
Investments in non-current assets	31,270	-	-	-	31,270

The explanation on the geographical segment reporting is shown in chapter C 2.1 e) of the CMR.

Nota 3 b) Objectives and policies in financial instrument risk management

The main financial liabilities of the Group consist of loans, credits, factoring, finance leases and trade payables. The main purpose of these financial liabilities is to finance the Group's transactions.

The Group's main financial assets are accounts receivable, deposits and security deposits and cash and cash equivalents, which basically arise as a result of its transactions and a financial derivative giving rise to a financial asset at 2021 year end.

As indicated in Note c), the Group has arranged a financial derivative for hedging the cash flows from the purchase of a portion of the electricity that it plans to consume in 2022.

Therefore, the Group does not intend to arrange additional financial derivatives to hedge cash flows from the purchase of energy, but chooses to enter into long-term bilateral electricity agreements at a fixed price.

The Group has not arranged any derivatives to hedge interest rate or foreign currency risks.

Financial assets and liabilities are exposed to credit risk, market risk (which in turn includes interest rate and foreign currency risks, as well as other price risks such as raw materials) and liquidity risk.

Financial risks are periodically supervised by the executive team. The team is working on minimizing these risks based on: (i) the cyclical nature of the Group's business; (ii) the significant improvement in profitability since 2015; (iii) its investment plan; (iv) the impact of the Covid-19 crisis on the economy of the different countries; and (iv) the shareholder remuneration policy.

The improvement in the Group's profitability and solvency facilitates access to new financing facilities at competitive prices and terms.

3 b) (i) Credit risk

The Group has established a customer credit management policy that is managed in the normal course of business. Solvency assessments are conducted in respect of relevant customers. Additionally, in certain sales the Group requires the customer to deliver a letter of credit or a bank guarantee.

Furthermore, since January 2020 the Group has had a credit insurance policy that was taken out with the company CESCE and covers approximately half of the outstanding balance of the portfolio. This policy covers invoices that are transferred without recourse to the syndicated factoring.

The maximum exposure to credit risk of trade receivables is detailed in Note 6 f).

The concentration of the Group's customer portfolio is not high and shows low default rates.

Maximum exposure to credit risk for the remaining financial assets of the Group, such as cash and cash equivalents, credits, and financial assets available for sale, is equivalent to the book value of these assets at year end.

3 b) (ii) Market risk

Interest rate risk

External financing is obtained through the syndicated factoring, the revolving factoring agreement, working capital financing lines and loans granted by public institutions. Financing accrues floating interest rates usually linked to Euribor [see Note 6 d)]. In this regard, since interest rates are very low –potential increases in Euribor– finance costs would be higher for the Group.

On December 23, 2021 the Ercros Group signed an agreement with the European Investment Bank ('EIB') to finance with 40 million euros Ercros's investments in research, development and innovation (R&D&I), digitalization, decarbonization and modernization of its main facilities within the 3D Strategic Plan that Ercros has launched for the period 2021-2025. The EIB loan is backed by the European Fund for Strategic Investments ('EFSI'), the main pillar of the Investment Plan for Europe. The EIB financing will support Ercros in achieving the target of reducing its greenhouse gas emissions by 39% by 2025 and will also contribute to consolidate the company's leadership with the implementation of operational improvements and the development of new products.

The table below shows an analysis of sensibility to possible reasonable changes in the interest rate. The remaining variables have remained stable:

	Increase/Decrease in basis points of debt cost	Effect on finance profit/(loss) (thousands of euros)
2021:		
	200	-2,649
	100	-1,324
	-100	1,324
	-200	2,649
2020:		
	200	-2,520
	100	-1,260
	-100	1,260
	-200	2,520

Foreign currency risk

The assets and liabilities balances in US dollars at 2021 and 2020 year end, and the net exposure in the consolidated statement of financial position, are as follows: The Group has no significant exposures in other currencies:

Thousands of dollars	12/31/2021	12/31/2020
Accounts receivable	32,409	22,813
Cash	3,469	6,555
Trade payables	-14,423	-7,068
Net balance in dollars	**21,455**	**22,300**

The US dollar is –by far– the main foreign currency that the Group is exposed to, as indicated above. No derivative instrument to hedge this risk is arranged.

In 2021 the average exchange rate was 1.18 US dollars per euro, whereas in 2020 it was 1.14. However, the exchange rate at 2021 year end was 1.13 US dollars per euro, which means a US dollar appreciation on the 2020 year end when it was 1.22 US dollars per euro. This variation in the average exchange rate has had a negative impact of 2,775 thousand euros on the Group’s ebitda in 2021. Net exposure amounted to 89,839 thousand euros.

In 2022 an average exchange rate of 1.20 US dollars per euro has been estimated. This potential US dollar depreciation will have a negative impact for the Group as it will worsen the competitive position of the products it markets and reduce their profitability.

In 2022 the Group will increase its net exposure to this foreign currency to reduce purchases in US dollars due to a change of supplier of some raw materials.

The table below summarizes the purchase and sale transactions in US dollars made by the Group:

	Year 2021	**Year 2020**
Sales in US dollars (thousands)	**155,977**	**104,757**
Exchange rate dollar/euro	*1.182*	*1.141*
Equivalent in euros (thousands)	131,989	91,792
Purchases in US dollars (thousands)	**66,138**	**42,077**
Exchange rate dollar/euro	*1.173*	*1.135*
Equivalent in euros (thousands)	56,383	37,090
Net exposure to US dollar (thousands)	**89,839**	**62,680**
Equivalent in euros (thousands)	75,606	54,702

Based on the above transactions, the table below shows a sensitivity analysis to possible reasonable changes in the average US dollar exchange rate for the Ercros Group's sales against the average exchange rate in 2021, which was 1.18. The other variables remain stable:

US dollar/euro relationship	**Effect on operating profit/loss (thousands of euros)**
1.30	-7,028
1.25	-4,263
1.20	-1,269
1.18	-
1.15	1,986
1.10	5,537
1.05	9,426

Exposure to fluctuation of raw material prices

The Group acquires raw materials that are relevant to its cost structure such as methanol, ethylene and EDC, as well as the supply of electricity and gas, whose prices fluctuate and affect profitability.

To hedge the electricity price risk, the Group has arranged long-term electricity agreements for a portion of its consumption. Additionally, in 2021 it has arranged a financial derivative to hedge cash flows from a portion of its consumption related to electricity that cannot be supplied in 2022, as indicated above.

3 b) (iii) Liquidity risk

The Group manages liquidity risk by using financial planning techniques, which take into consideration cash inflows and outflows relating to operating, investing and financing activities, and also shareholder remuneration. The Group's objective is to keep a balance between the flexibility, the terms and the conditions of the financing sources registered, based on expected needs in the short, medium and long terms.

It should be noted that the significant increase in the resources generated by the Group's businesses in 2021 has provided the necessary liquidity to meet its obligations in a timely manner (payment on investments and shareholder remuneration) and to reduce the net financial debt. The Group's forecast for 2022 is that this situation will continue and therefore it is not expected that it will be exposed to liquidity risk in its transactions.

The table below shows the current financial liabilities at December 31, 2021 and 2020, in accordance with their contractual terms:

Thousands of euros	12/31/2021	12/31/2020
Bank borrowings [Note 6 d)]	20,983	28,712
Trade payables [Note 6) n]	169,905	102,447
Lease payables]Note 6 d)]	3,618	5,415

To meet current financial liabilities, the Group has current assets amounting to 301,780 thousand euros at December 31, 2021.

As indicated in Note 6 d), at December 31, 2021 the Group has available cash and financing facilities for a total amount of 138,890 thousand euros. Additionally, in 2021 the Group has generated free cash flows amounting to 26,086 thousand euros [see chapter B5 of the consolidated cash flow statement], which have allow it to reduce its debt and remunerate its shareholders.

Also, if needed, the Group considers that it can use other supplementary mechanisms for obtaining occasional liquidity, such as the partial and selective disposal of assets not used in operations, the issue of short- and medium-term bonds in organized markets or the issue of a line of promissory notes in the Alternative Fixed-Income Market ('MARF').

Nota 3 c) Capital management

Ercros is the parent of a chemical group industrially based in Spain that serves customers worldwide. Most of the Group's business is based on chlorine and its derivatives chemistry and is therefore subject to the usual cyclical nature of this industries, which alternate adjusted demand and supply periods (with high returns) with other periods with higher supply and/or lower demand, and consequently, lower returns, which makes it necessary to operate the plants at the highest utilization ratio possible for efficiency purposes.

Additionally, the main raw materials (methanol, ethylene, EDC) and utilities (electricity, steam) have considerable relevance to the Group's costs. Consequently, the cyclical fluctuations in the prices of these raw materials and consumables also cause fluctuations in the Group's profitability as it is not always possible to pass on the increases, not even immediately. There are no appropriate financial instruments to cover these fluctuations.

The Group's activity is subject to regulatory changes, mainly of an environmental nature that require recurring investments to adapt to new demands, as occurred in 2013 with the prohibition of using mercury-based technology for chlorine production as from 2017. The Group was given four years to adapt to these new requirement.

The Group manages capital considering the characteristics of its business and is not subject to externally imposed capital requirements.

The Group's objectives in capital management are:

- Follow a prudent financial policy, based on the stage and duration of the economic cycles and its industry.

- Maintain the capacity to perform transactions with a high level of solvency, in order to provide satisfactory returns to the shareholder and profit to other stakeholders, such as employees, customers, providers, etc.

- Comply with the shareholder remuneration policy [see Note 3 d) (i)].

The Group periodically measures and analyzes the ratios regulating the shareholder remuneration policy and estimates their projections. Additionally, the Group analyzes free cash flow generation, which is the key factor when determining the policy of investments, sale of investments to reduce debt, payment of dividends, returns of capital to its share capital and issue of new shares.

The volume of capital is established based on the existing risks, making the corresponding adjustments to capital, based on the changes in economic conditions and the risks associated with the activity.

The balance of net financial debt ('NFD') at December 31, 2021 and 2020, according to the calculations made by the Group, is as follows:

Thousands of euros	12/31/2021	12/31/2020
Bank borrowings:		
Non-current	92,793	93,553
Current	5,739	22,314
Current portion of non-current borrowings	15,244	6,398
Lease payables	6,226	9,145
Short-term deposits pledged [Note 6 m]	-1,331	-2,477
Other non-current assets, pledged deposits [Note 6 d)]	-1,257	-4,170
Cash and cash equivalents	-51,573	-39,931
NFD balance	**65,841**	**84,832**

The ratio of the NFD divided by total equity has been as follows:

Thousands of euros	12/31/2021	12/31/2020
NFD	65,841	84,832
Equity	331,613	284,215
Leverage ratio (NFD/total equity)	**0.20**	**0.30**

As shown in the table above, the leverage ratio (NFD/total equity) has decreased in 2021 compared to 2020, reducing the Group's leverage, and it remains below 0.50 times, which is one of the shareholder remuneration policy requirements.

The improved ratio is due to (i) the comprehensive income generated in 2021 and (ii) the generation of free cash flows, which has allowed the Company to reduce the level of indebtedness and remunerate the shareholders, as summarized in the NFD evolution table below:

Thousands of euros	12/31/2021	12/31/2020
NFD balance at January 1	**84,832**	**110,171**
Free cash flow	-26,086	-40,583
Dividends paid	-	5,049
Repurchase of shares	6,522	8,735
Payment of meeting attendance bonus	334	341
Accrual of finance costs that does not generate cash outflows	474	624
Effect of changes in exchange rates:		
In cash and cash equivalents	-235	495
NFD balance at December 31	**65,841**	**84,832**

The evolution of the NFD ratio divided by ordinary ebitda is as follows:

Thousands of euros	12/31/2021	12/31/2020
NFD	65,841	84,832
Ebitda from ordinary activities	86,066	50,507
Solvency ratio (NFD/ordinary ebitda)	**0.77**	**1.68**

The table below shows the reconciliation between gross operating profit/(loss) and EBITDA from operating activities:

Thousands of euros	12/31/20 21	12/31/2020
Gross operating profit ('EBITDA')	85,680	49,601
Reversal of provisions and other non-recurring income	-6,569	-3,777
Charge of provisions and other non-recurring expenses	6,955	4,683
Ebitda from ordinary activities	**86,066**	**50,507**

The solvency ratio (NFD over ordinary ebitda) has improved significantly in 2021 compared to 2020 due to (i) the increase in ebitda and (ii) the reduction in net finance debt, and remains well below 2. Therefore, another of the shareholder remuneration policy requirements, which are detailed in Note 3 d) below, is met.

Nota 3 d) Appropriation of profit (proposed and effectively made)

3 d) (i) Shareholder remuneration policy:

The General Meeting of Shareholders held on June 11, 2021 ratified the new shareholder remuneration policy proposed by the Board of Directors for the 2021-2024 period.

The maximum payout will be 50% of profit for each of the four years, provided that: i) a minimum profit of 10 million euros is obtained; and ii) at each year end the solvency ratio (net financial debt/ordinary ebitda) is equal to or below 2.0 and debt-to-income ratio (net financial debt/equity) is equal to or below 0.5.

These three requirements have been met at December 31, 2021 [see Note 3d) to these consolidated financial statements and chapter 9.1 a) of the CMR].

Shareholder remuneration will be carried out through the repurchase of treasury shares, which will subsequently be redeemed, and the payment of dividends. The repurchase of treasury shares will be executed provided that a payment of a dividend is established of at least: 18% of 2021 profit; 20% of 2022 profit; 22% of 2023 profit; and 24% of 2024 profit.

Shareholder remuneration will be carried out through the repurchase of treasury shares, which will subsequently be redeemed, and the payment of dividends, as shown:

	2021	**2022**	**2023**	**2024**
Minimum dividend	18%	20%	22%	24%
Maximum repurchase of shares	32%	30%	28%	26%
Maximum payout	**50%**	**50%**	**50%**	**50%**

Within the fifth share repurchase program in force, the Board of Directors of Ercros, at the meeting held on February 19, 2021, while stating the impossibility of remunerating the shareholders against the 2020 profit, also agreed to resume the repurchase of shares and redeeming them as part of the shareholder remuneration against 2021 profit.

Additionally, the Board of Directors of the Company, at the meeting held on June 10, 2021, approved the sixth share repurchase program, following the authorization granted by the shareholders at the general meeting held on June 23, 2017.

3 d) (ii) Consolidated profit for the year

The breakdown of profit for the year is as follows:

Thousands of euros	2021	2020
Profit for the Parent Company	42,975	6,318
Share in profit/(loss) of companies accounted for using the equity method	607	509
Impact of the application of IFRS 16	134	202
Profit of companies accounted for using the full consolidation method	181	175
Profit/(loss) in the winding-up of subsidiaries	-	-107
Elimination of dividends from companies accounted for using the equity method	-600	-840
Consolidated profit for the year	**43,297**	**6,257**

3 d) (iii) Proposed appropriation of 2021 profit

The appropriation of 2021 profit of the Parent Company proposed by the directors to be approved by the shareholders in general meeting is as follows:

Thousands of euros	2021
Proposed appropriation	
Profit for the Parent Company	42,975
Appropriation to:	
Dividend payment (0.085 euros per share with dividend rights)[1]	8,215
Capitalization reserve [Note 6 o)]	2,219
Voluntary reserves	32,541

[1] The amount allocated to dividend payment is an estimated amount at the date these financial statements are authorized for issue. At the time the general meeting of shareholders is called, a final amount of 0.085 euros per share with dividend rights will be established.

Pursuant to the shareholder remuneration policy, the board of directors resolved to propose allocating at least 18% of profit for the year to dividends, proposing the payment of 0.085 euros per share with dividends rights, and allocating the rest of the amount up to 50% of the Company's profit to the repurchase of shares for redemption. At year end, the number of shares with dividend rights is 98,781,090 shares, which are the ones currently outstanding, 100,971,237 shares, less 2,190,147 treasury shares held by the Company at that date that had been acquired for redemption.

Considering that, as indicated in Note 4 f), the Company has acquired treasury shares between January 1, 2022 and the date these consolidated financial statements were authorized for issue, and plans to continue to purchase treasury shares until completing 50% of the payout, the final proposal for the distribution of dividends will be put forward at the general meeting of shareholders based on the number of shares that bear dividend rights at the time the agreement is adopted by the shareholders in general meeting, proposing the payment of 0.085 euros per share.

The 2021 payout (50% of the Company's profit) not allocated to dividends (minimum of 18% of profit for the year 2021) will be used to repurchase shares for redemption.

3 d) (iv) Dividends paid and dividends proposed

The summary of dividends paid and proposed in 2021 and 2020 is as follows:

Thousands of euros	**2021**	**2020**
Dividends in cash approved and paid on ordinary shares	**-**	**5,049**
Against 2019 profit (0.05 euro/share)	-	5,049
Proposed dividends in cash on ordinary shares	**8,215**	**-**
Against 2021 profit (0.085 euro/share)	8,215	-

3 d) (v) Treasury shares purchased

In 2021 and 2020, the Company has repurchased treasury shares for their redemption within the shareholder remuneration policy, for the following amounts [see Note 4 b)]:

Thousands of euros	**2021**	**2020**
Amount invested in the repurchase of treasury shares	**6,522**	**8,735**
Against 2019 profit	-	8,735
Against 2021 profit	6,522	-

On March 1, 2021 Ercros resumed the fifth treasury share repurchase program against the 2021 payout. At June 30, the date on which the fifth program ended, the company had repurchased 1,284,000 shares with an acquisition cost of 3.51 million euros.

The board of directors, at the meeting held on June 11, 2021, approved the sixth treasury share repurchase program which started on July 1 and will end on June 22, 2022, or a prior date in the event that the maximum number of shares expected in the said program, 6,058,274, equal to 6% of share capital is reached, or 15 million euros, the maximum amount allocated to the program, have been invested. At December 31, 2021 2,190,147 shares have been repurchased with an acquisition cost of 6.52 million euros.

Nota 3 e) Segment information

For management purposes, the Group organizes its business activities into three business units based on the nature of the products manufactured and their marketing process: Chlorine Derivatives division, Intermediate Chemicals division and Pharmaceuticals division.

A business segment has been considered to be an identifiable unit of the Group responsible for supplying a unique product or service, or alternatively a set of these which are inter-related, and which is characterized by being subject to risks and yields of a different nature from those which correspond to other business segments within the Group.

The principal factors taken into account when identifying the business segments have been the nature of the products and services, the nature of the production process and the type of customers.

Assets, liabilities, income and expenses by segment include those directly attributable, together with those which may be reasonably attributed.

The main types of products that generate ordinary income in each segment are as follows [see chapter C 1.3 of the CMR]:

- The Chlorine Derivatives Division: chlorine, caustic soda, PVC, TCCA, sodium chlorite and sodium chlorate, sodium hypochlorite, hydrogen peroxide and potash.

- The Intermediate Chemicals Division: formaldehyde, paraformaldehyde, polyol, molding powder, glues and urea resin, formaldehyde and melamine-formaldehyde.

- The Pharmaceuticals Division: erythromycin, fosfomycin, and fusidic acid.

The accounting policies for each segment are standard and consistent with those applied by the Group. The segments are managed applying a reasonable level of independence according to its characteristics and strategies, and the transactions between them are performed based on market conditions.

Consolidated earnings by segment

	2021				
Thousands of euros	**Chlorine Derivatives**	**Intermediate Chemicals**	**Pharma-ceuticals**	**Unallocated**	**Total**
Income	**542,370**	**251,198**	**51,987**	**6,569**	**852,124**
Sales of goods	483,047	238,567	50,703	-	772,317
Rendering of services	27,707	31	-	-	27,738
Other income	14,771	8,245	324	-	23,340
Increase in stocks of finished goods	16,845	4,355	960	-	22,160
Reversal of provisions and other non-recurring income	-	-	-	6,569	6,569
Expenses	**-488,853**	**-220,713**	**-49,923**	**-6,955**	**-766,444**
Supplies	-235,679	-144,358	-19,975	-	-400,012
Utilities	-130,625	-18,512	-5,856	-	-154,993
Transportation services	-25,126	-17,625	-1,084		-43,835
Employee benefits expense	-50,694	-22,566	-13,705	-	-86,965
Other expenses	-46,729	-17,652	-9,303	-	-73,684
Charge of provisions and other non-recurring expenses	-	-	-	-6,955	-6,955
Gross operating profit/(loss)	**53,517**	**30,485**	**2,064**	**-386**	**85,680**
Depreciation and amortization expense	-18,345	-6,595	-3,609	-	-28,549
Impairment of investment property	-	-	-	-3,450	-3,450
Operating profit	**35,172**	**23,890**	**-1,545**	**-3,836**	**53,681**
Assets	328,277	174,456	67,837	139,386	709,956
Liabilities	126,260	46,506	14,741	190,836	378,343
Investments in non-current assets	17,997	3,369	12,170	1,140	34,676

The explanation on the consolidated profit or loss by segment is shown in chapter C 2.1 of the CMR.

Thousands of euros	2020 Chlorine Derivatives	Intermediate Chemicals	Pharma-ceuticals	Unallocated	Total
Income	**360,565**	**162,707**	**58,271**	**3,777**	**585,320**
Sales of goods	330,961	158,737	57,538	-	547,236
Rendering of services	21,533	28	-	-	21,561
Other income	8,071	3,942	733	-	12,746
Reversal of provisions and other non-recurring income	-	-	-	3,777	3,777
Expenses	**-333,374**	**-148,746**	**-48,916**	**-4,683**	**-535,719**
Supplies	-154,257	-93,746	-19,943	-	-267,946
Decrease in inventory of finished goods	-8,917	2,037	-1,322	-	-8,202
Utilities	-58,027	-10,960	-3,207	-	-72,194
Transportation services	-21,513	-11,952	-1,017		-34,482
Employee benefits expense	-49,159	-21,455	-13,682	-	-84,296
Other expenses	-41,501	-12,670	-9,745	-	-63,916
Charge of provisions and other non-recurring expenses	-	-	-	-4,683	-4,683
Gross operating profit/(loss)	**27,191**	**13,961**	**9,355**	**-906**	**49,601**
Depreciation and amortization expense	-19,374	-7,487	-3,468	-	-30,329
Impairment of investment property	-	-	-	-4,335	-4,335
Operating profit	**7,817**	**6,474**	**5,887**	**-5,241**	**14,937**
Assets	275,383	140,404	56,320	118,112	590,219
Liabilities	76,902	32,566	9,420	187,116	306,004
Investments in non-current assets	26,583	1,651	3,036	-	31,270

The total amount of investments in assets allocated to business segments corresponds to the sum of (i) the additions in advances and PP&E under construction under the caption ‘Property, plant and equipment’ (34,676 thousand euros in 2021 and 30,856 thousand euros in 2020) [see Note 6 a)] and (ii) the additions in intangible assets under construction under the caption ‘Intangible assets’ (414 thousand euros in 2020) [see Note 6 c)].

In 2021 and 2020, no ordinary income has been generated from transactions with a sole external client that represents over 10% of ordinary income. However, for the chlorine derivatives division, it has accounted for 41.7% of the total consumption of the chlorine division [see section E.3 a) (vii) of the corporate management report included in the CMR].

The general expenses are allocated to the operating segments based on the income from ordinary activities.

The table below shows the assets and liabilities allocated to business segments and their reconciliation with total assets and liabilities in the statement of financial position at December 31, 2021 and 2020:

Thousands of euros	**12/31/2021**	**12/31/2020**
Allocated assets	**570,570**	**472,107**
Property, plant and equipment	324,517	311,291
Intangible assets	11,598	7,162
Right-of-use assets	6,117	8,903
Investments accounted for using the equity method	6,410	6,403
Inventories	122,696	82,278
Trade and other receivables	99,232	56,070
Unallocated assets	**139,386**	**118,112**
Total assets	**709,956**	**590,219**
Allocated liabilities	**187,507**	**118,888**
Non-current lease payables	2,608	3,730
Current lease payables	3,618	5,415
Trade payables	169,905	102,447
Asset suppliers (Note 6 n)]	11,376	7,296
Unallocated liabilities	**190,836**	**187,116**
Total liabilities	**378,343**	**306,004**

Nota 3 f) Basis of consolidation and financial information on significant investees

The consolidated financial statements include the financial statements of Ercros, S.A. and its subsidiaries at December 31, 2021 detailed in Note 1 b).

The 2021 financial statements of each of the companies comprising the Group, which are presented in accordance with the regulations applicable in the country in which they operate and which have been the basis for the preparation of these consolidated financial statements, are pending approval by the shareholders at their respective general meetings. Nevertheless, the directors understand that they will be approved without significant modifications.

The methods applied in the preparation of the consolidated financial statements were as follows:

- Full consolidation method for subsidiaries.

- Equity method for associated companies.

The consolidation of subsidiaries starts when the Group gains control over the subsidiary and ends when control over it is lost.

3 f) (i) Changes in the consolidation perimeter

In 2021 there have been no changes in control over subsidiaries and associates.

3 f) (ii) Harmonization

The separate financial statements of all the companies included in the consolidation perimeter have been prepared for the same reporting period, suing consistent accounting policies and structure. All the companies in the Group close their financial year at December 31.

3 f) (iii) Elimination of internal transactions

All intra-group balances and transactions arising from operations involving loans, leases, dividends, financial assets and liabilities, purchase of stock, and provision of services have been eliminated.

No purchase and sale transactions on fixed assets have been carried out between group companies.

3 f) (iv) Differences on first consolidation

The differences on first consolidation arising in businesses combinations, from eliminating investment against net equity, have been allocated to assets, liabilities and contingent liabilities the fair value of which at the date of combination differs from that reflected in the consolidated statement of financial position of the company acquired. The remaining non-allocated amounts are recognized as ‘Goodwill’, under ‘Intangible Assets’ when positive, and to ‘Negative difference on consolidation’ within ‘Other operating income’ the consolidated statement of comprehensive income, when negative.

In the latter case, the identification and valuation of the assets, liabilities and contingent liabilities of the acquired company is reassessed, together with the cost of the combination, and if any excess after carrying out this review continues to exist, it is immediately recognized as an income of the year.

The first adoption of IFRS was applied at transition date (January 1, 2004). The Company opted not to reconstruct the recognition for business combinations prior to that date, under the terms of the option available in this respect provided in IFRS 1.

Since the adoption of IFRSs, the Group has recorded two business combinations, one in 2005 and 2006, and both of them gave rise to negative goodwill. Thus, the Group has not allocated any value to any goodwill recorded in the consolidated statement of financial position at December 31, 2021. All companies involved in the business combinations were subsequently acquired by Ercros, S.A.

Additionally, as a result of the aforementioned business combinations, and the adjustment to fair value of the assets acquired, in the accompanying financial statements at December 31, 2021, the captions ‘Property, plant and equipment’ and ‘Investment properties’ include gains on the acquisition cost amounting to 49,468 thousand euros and 10,975 thousand euros, respectively (49,896 thousand euros and 10,975 thousand euros, respectively, at December 31, 2020).

As a result of recording these gains, the Group has recorded a deferred tax liability amounting to 12,367 thousand euros corresponding to Property, plant and equipment and 2,743 corresponding to Investment property at December 31, 2021 (12,451 thousand euros and 2,743 thousand euros, respectively, at December 31, 2020) [see Note 6 o)].

Thousands of euros	**Gains**	**Deferred tax liabilities**
Investment property	**10,975**	**2,743**
Land	10,975	2,743
Property, plant and equipment	**49,468**	**12,367**
Land	46,562	11,640
Buildings and constructions	2,906	727
Total at 12-31-2021	**60,443**	**15,110**

In addition to these gains, other plots of land of the Group belonging to the companies acquired had previously increased in value by 27,548 thousand euros, for which a deferred tax liability has also been recorded at December 31, 2021 amounting to 6,887 thousand euros, the same amount as at December 31, 2020 [Note 6 o)].

The contribution to consolidated profit/(loss) by the companies in which Ercros holds an ownership interest is as follows:

Subsidiaries accounted for using the full consolidation method

The profit or loss contributed by the companies accounted for using the full consolidation method is as follows:

Thousands of euros	2021	2020
Ercros France, S.A.	181	175
Profit/Loss for the year	**181**	**175**

Ercros France, S.A.

The only material subsidiary in which Ercros, S.A. holds an ownership interest is Ercros France, S.A., which is wholly owned by Ercros, S.A. and is engaged in the marketing in France of chemical products manufactured by Ercros, S.A.

The financial information regarding Ercros France, S.A. is as follows:

Aggregate statement of comprehensive income.

Thousands of euros	2021	2020
Sales of goods	11,366	11,373
Cost of sales	-10,304	-10,386
Administrative costs	-879	-813
Finance costs	70	70
Profit before tax	**253**	**244**
Income tax	-72	-69
Profit for the year, fully attributable to the parent company	**181**	**175**

Aggregate statement of financial position

Thousands of euros	2021	2020
Inventory, cash, and other current assets	4,917	4,147
Property, plant and equipment, and other non-current assets	156	155
Suppliers and other current payables	-1,383	-1,164
Current loans	-805	-434
Equity, fully attributable to the parent company	**2,885**	**2,704**

Cash flow statement

Thousands of euros	2021	2020
Cash flows from operating activities	-445	758
Cash flows from investing activities	-	-
Cash flows from financing activities	370	-688
Changes in cash and cash equivalents	**-75**	**70**

Nota 3 g) Investments in associated companies

The material investments accounted for using the equity method correspond to Salinas de Navarra, S.A. and Aguas Industriales de Tarragona, S.A. ('Aitasa').

The movements in 2021 and 2020 in Investments in associated companies are as follows:

Thousands of euros	Salinas de Navarra, S.A.	Aguas Industriales de Tarragona, S.A.	Total
Balance at 12-31-19	**5,083**	**1,571**	**6,654**
Share in 2020 profit	553	36	589
Dividends received	-840	-	-840
Balance at 12/31/2020	**4,796**	**1,607**	**6,403**
Share in 2021 profit	480	127	607
Dividends received	-600	-	-600
Balance at 12/31/2021	**4,676**	**1,734**	**6,410**

During 2021 the Group has received dividends from the associated company Salinas de Navarra, S.A. amounting to 600 thousand euros (2020: 840 thousand euros). This amount has been recorded as a decrease in the value of the ownership interest, as shown in the table above.

The relevant information regarding these associated companies is as follows:

<u>Salinas de Navarra, S.A.</u>

Aggregate statement of comprehensive income

Thousands of euros	**2021**	**2020**
Profit before tax	**2,523**	**3,071**
Sales of products and other income	20,040	18,917
Cost of sales	-5,582	-4,043
Personnel expenses	-3,831	-3,803
Other operating expenses	-6,535	-6,033
Depreciation and amortization	-1,565	-1,963
Interest cost	-4	-4
Income tax	-631	-768
Total comprehensive income	**1,892**	**2,303**
Group's share in profit for the year (24%)	454	553
Deferred tax in investments in associated companies	2	-60
Differences due to adjustments in final reported profit/(loss)	26	-
Group's share recorded in comprehensive income	**482**	**493**

Aggregate statement of financial position

Thousands of euros	2021	2020
Equity	**19,485**	**19,983**
Inventory, cash, and other current assets	9,702	10,637
Property, plant and equipment, and other non-current assets	12,893	12,790
Suppliers and other current payables	-3,109	-3,325
Non-current liabilities	-1	-119
Group's share in shareholders' equity (24%)	4,676	4,796
Book value of the Group's investment	**4,676**	**4,796**

Aguas Industriales de Tarragona, S.A.

Aggregate statement of comprehensive income

Thousands of euros	2021	2020
Profit before tax	**804**	**243**
Sales of products and other income	10,296	9,231
Cost of sales	-1,997	-2,010
Personnel expenses	-1,194	-1,076
Other expenses	-3,828	-3,584
Depreciation and amortization	-2,037	-2,094
Finance costs	-436	-224
Income tax	-201	-61
Total comprehensive income	**603**	**182**
Group's share in profit for the year (21.14%)	127	38
Deferred tax in investments in associated companies	-2	-20
Difference due to adjustment in final reported profit/(loss)	-	-2
Group's share in comprehensive income	**125**	**16**

Aggregate statement of financial position

Thousands of euros	2021	2020
Equity	**8,201**	**7,603**
Inventory, cash, and other current assets	6,083	4,630
Property, plant and equipment, and other non-current assets	51,416	36,100
Suppliers and other current payables	-6,092	-3,767
Non-current liabilities	-43,206	-29,360
Group's share in shareholders' equity (21.14%)	1,734	1,607
Book value of the Group's investment	**1,734**	**1,607**

Purchases from the associated companies Salinas de Navarra, S.A. and Aguas Industriales de Tarragona, S.A, which are consolidated using the equity method, total 2,164 thousand euros in 2021 (1,973 thousand euros in the prior year). These transactions were carried out on an arm's length basis [see Note 4 d) (ii)].

Sección 4: Significant transactions and events

Nota 4 a) Capital reduction

In 2021 no capital reductions have been carried out associated with the repurchase and redemption of treasury shares set forth in the shareholder remuneration policy since in 2020 not all the necessary requirements for remunerating the shareholder were met. In 2020 capital reductions were carried out [see Notes 3 d) and 6 h) to these consolidated financial statements and chapter C 9.2 a) of the CMR].

Evolution of the number of outstanding shares

	2021	2020
At January 1	**100,971,237**	**104,915,821**
Redemption of shares	-	-3,944,584
At December 31	**100,971,237**	**100,971,237**

Capital decrease and other reserves

Thousands of euros	2021	2020
Capital decrease (0.30 euro/share)	-	-1,183
Decrease in freely distributable reserves	-	-7,552
Total investment in the purchase of redeemed treasury shares	**-**	**-8,735**

Nota 4 b) Treasury share repurchase program

The repurchase of treasury shares is based on the authorization granted to the board of directors by the ordinary general meeting of shareholders held on June 23, 2017 for a period of five years up to the legal limit permitted by law for a maximum price or equivalent amount to the price of the Company shares in the continuous market at the date of the derivative acquisition of the shares and a minimum amount equal to 75% of the maximum price described.

The current repurchase of shares falls within the shareholder remuneration program for the 2021-2024 period [see Note 3 d) to the consolidated financial statements and chapter C 8 of the CMR].

The repurchase programs completed from 2016 to 2021 are as follows:

Year	*Payout*	Program	Limit (thousands of euros)	Start date	End date	Shares acquired (Thousands)	Invested amount (thousands of euros)
2016	20%	First	9,000	1/20/2017	3/27/2017	3,107	9,000
2017	23%	Second	6,000	10/4/2017	3/9/2018	2,117	6,030
2017	23%	Third	6,000	3/12/2018	5/8/2018	987	3,995
2018	26%	Third	6,000	5/21/2018	7/9/2018	453	1,975
2018	26%	Fourth	12,000	7/9/2018	12/21/2018	1,139	4,957
2018	26%	Fourth	12,000	1/7/2019	4/27/2019	1,369	4,545
2019	28%	Fifth	18,000	2/12/2020	6/30/2021	3,945	8,735
2021	32%	Fifth	18,000	3/1/2021	6/30/2021	1,284	3,511
2021	32%	Sixth	15,000	7/1/2021	6/22/2022	906	3,011
						15,307	**45,759**

In the meeting held on June 10, 2021 the board of directors approved the sixth repurchase program of treasury shares for redemption. The repurchase program consisted of a maximum monetary amount of 15,000 thousand euros and will be in force until June 22, 2022. In no case, however, the number of treasury shares to be purchased could exceed 6% of the Company's current share capital, which consisted of 100,971 thousand euros.

Considering the maximum 2021 payout (50%) and the proposed dividend (8,215 thousand euros) [see Note 3 d)], the amount to be allocated to the repurchase of treasury shares with a charge to the 2021 payout totaled 13,272 thousand euros.

The Company holds 2,190,147 treasury shares at December 31, 2021.

Nota 4 c) 3D Investment Plan

At the meeting held on January 22, 2021 the board of directors approved the new investment plan called 3D Plan: Diversification, Digitalization and Decarbonization, which aims to ultimately transform Ercros into a sustainable company. Sustainable because of the diversification of its productive structure, which will allow it to mitigate the cyclical volatility of the chemical industry. Sustainable because of digital transformation and automation of processes, which will make it more competitive. And sustainable because of the adaptation of its environmental features to European and Spanish official requirements for fighting climate change.

The 3D Plan consists of 20 projects that over the 2021-2029 period will entail a total investment of 92 million euros. If the plan is completed, which is subject to numerous uncertainties, additional ebitda of 194 million euros will also be obtained (which means an annual average of 21.5 million euros).

As for the diversification objective, projects for increasing the manufacture capacity of dipentaerythritol have already begun during 2021 at the Tortosa factory (March) and of molding compounds at Cerdanyola factory (December). Currently in progress are the projects for expanding the sodium chlorite plant at the Sabiñánigo factory; the construction of a new extraction plant at the Aranjuez factory for the production of two new antibiotics (vancomycin and gentamycin); and the project for expanding the polyol plant in Tortosa. The projects are still expected to become operational on the dates set: second half of 2022 for the Sabiñánigo and Aranjuez projects and first half of 202 for the Tortosa project.

As for the digitalization objective, the B2B project for the logistics area has been completed and progress is being made on the projects for improving infrastructures and cybersecurity; optimizing work environment; automating, sensorization and upgrading control systems in the production area; and defining technical and organizational requirements for BigData/IoT projects for the production and maintenance areas.

As for the decarbonization objective, projects have been completed in 2021 for improving energy efficiency in Tortosa (waste heat recovery unit at the polyol plant and replacement of several equipment items with more efficient machines) and for optimizing dissolvent consumption in Aranjuez; progress is also being made on the engineering of projects for steam production using biomass and for manufacture of EDC with more efficient technology, both in Vila-seca.

Note 7 a) details the investment commitments at year end.

Nota 4 d) Related-party transaction disclosures

4 d) (i) Ercros balances and transactions with its subsidiaries

Transactions and balances between Ercros and its subsidiaries are part of the normal trading activity of the Group in respect of nature and conditions, and have been eliminated in the process of consolidation [see Notes 1 b) and 3 f)].

The transactions entered into by Ercros during 2021 and 2020 with its subsidiaries are as follows:

Thousands of euros	Ercros France, S.A.	Ercekol, S.A.	Total
2021:			
Consumables used and other expenses	-84	-2,532	-2,616
Finance costs	-70	-	-70
Sales	10,119	-	10,119
Other income	-	55	55
2020:			
Consumables used and other expenses	-124	-1,211	-1,335
Finance costs	-70	-	-70
Sales	10,379	-	10,379
Other income	-	55	55

The balances with subsidiaries are as follows:

Thousands of euros	Ercros France, S.A.	Ercekol, S.A.	Total
2021:			
Accounts receivable	939	56	995
Accounts payable	-150	-354	-504
Loan	-2,000	-	-2,000
2020:			
Accounts receivable	675	56	731
Accounts payable	-143	-121	-264
Loan	-2,000	-	-2,000

4 d) (ii) Ercros balances and transactions with its associated companies

The transactions entered into by Ercros during 2021 and 2020 with its associated companies are as follows:

Thousands of euros	Salinas de Navarra, S.A.	Aguas Industriales de Tarragona, S.A.	Total
2021:			
Supplies	1,021	1,143	2,164
2020:			
Supplies	976	997	1,973

The associated companies have not carried out any transactions between them.

The balances with associated companies are as follows:

Thousands of euros	Salinas de Navarra, S.A.	Aguas Industriales de Tarragona, S.A.	Total
2021:			
Accounts payable	-172	-427	-599
2020:			
Accounts payable	-208	-355	-563

4 d) (iii) Remuneration of the Board of Directors

The remuneration accrued by the members of the Board of Directors of Ercros in 2021 meets the directors remuneration policy for the 2020-2022 period, approved by the shareholders at the general meeting held on June 14, 2019. This policy includes all remuneration concepts for which the Company's directors can earn remuneration and the maximum annual amount of the overall directors' remuneration is set at 900 thousand euros.

In 2021 the remuneration earned by the directors amounted to 773 thousand euros for fixed remuneration, payments in kind and life insurance premiums (754 thousand euros in 2020). Even though the monetary remuneration of the directors was frozen in 2021, it increased by 2.53% compared to 2020 due to the effect of the incorporation of the director Joan Casas in June 2020. Consequently, 2021 was the first full year in which the said director held its position.

The remuneration earned by each director in 2021 and 2020 is as follows:

Thousands of euros				**2021**		
Remuneration item	**Antonio Zabalza Martí**	**Laureano Roldán Aguilar**	**Eduardo Sánchez Morrondo**	**Lourdes Vega Fernández**	**Carme Moragues Josa**	**Joan Casas Galofré**
Fixed compensation	508.68	44.26	44.26	44.26	44.26	44.26
Variable compensation	-	-	-	-	-	-
Remuneration in kind	19.02	-	-	-	-	-
Contributions to funds and pension plans	-[1]	-	-	-	-	-
Life insurance premiums	24.19	-	-	-	-	-
Total	**551.88**	**44.26**	**44.26**	**44.26**	**44.26**	**44.26**

1. Since 2012 the Group has not made any contribution to pension plans for the executive director since he reached the age of 65.

Thousands of euros				**2020**		
Remuneration item	**Antonio Zabalza Martí**	**Laureano Roldán Aguilar**	**Eduardo Sánchez Morrondo**	**Lourdes Vega Fernández**	**Carme Moragues Josa**	**Joan Casas Galofré**
Fixed compensation	508.68	44.26	44.26	44.26	44.26	25.82
Variable compensation	-	-	-	-	-	-
Remuneration in kind	19.04	-	-	-	-	-
Contributions to funds and pension plans	-[1]	-	-	-	-	-
Life insurance premiums	23.53	-	-	-	-	-
Total	**551.25**	**44.26**	**44.26**	**44.26**	**44.26**	**25.82**

1. Since 2012 the Group has not made any contribution to pension plans for the executive director since he reached the age of 65.

Ercros's Directors have not received any remunerations from the Company nor from Group companies other than those shown in the table above, such as: compensations for services rendered, stock options or other financial instruments, advances, credit lines granted, obligations relating to pension plans and funds, or guarantees in their favor.

Ercros has arranged a directors' and executives' liability insurance that covers the potential claims for errors in their management. This insurance also covers the already-resigned directors' and executives' liability since the insurance was taken out in 2003. This insurance accrued a net premium of 179,000 euros in 2021 (124,500 euros in 2020) and is annually renewed.

4 d) (iv) Remuneration of Senior Executives

The overall remuneration earned by the Group's senior executives in 2021 amounted to 843.56 thousand euros (2020: 799.19 thousand euros).

The Company does not have any share option plan (stock options) for its directors or employees.

4 d) (v) Conflicts of interest

None of the Company's directors has notified that they are in a situation representing a conflict of interest for the Group, as stated in article 229 of the Spanish Corporate Enterprises Act.

4 d) (vi) Main shareholders

According to the shareholder communications to the CNMV, at December 31, 2021 the shareholders holding significant ownership interest directly or indirectly own 18,903 thousand shares in Ercros's share capital, which accounts for 18.73% therein. The breakdown is as follows:

Shareholder	No. of direct shares (Thousands)	No. of indirect shares (Thousands)	Ownership interest in share capital (%)[1]
Dimensional Fund Advisors LP	-	5,035[2]	4.99
Joan Casas Galofré[3]	5,500	-	5.45
Víctor M. Rodríguez Martín	5,051	-	5.01
Montserrat García Pruns	3,317	-	3.29

1. The percentages are calculated over the number of outstanding shares at 12/31/2021.

2. It includes the direct ownership interest of its subsidiary, DFA International Small Cap Value Portfolio, for 3,330 thousand shares, and thus, it is also a significant shareholder of Ercros.

3. Mr. Casas Galofré was appointed a proprietary director of the Company by the shareholders at the meeting held on June 5, 2020.

The Company's estimated free float at December 31, 2021 is 78.10% after discounting significant ownership interest (18.73%) and treasury shares (2.17%).

The movements in the significant shares in Ercros's share capital during 2021 and 2020 can be checked in the CNMV's registry (wwww.cnmv.es).

4 d) (vii) Shareholder Directors

The table below shows the ownership interest held at 2021 and 2020 year end in Ercros's share capital by the members of the board of directors:

	Voting rights at 12/31/2021[1]		Voting rights at 12/31/2020[1]	
Board members	**Number**	**%**	**Number**	**%**
Joan Casas Galofré	5,500,000	5.45	5,500,000	5.45
Antonio Zabalza Martí	100,000	0.10	100,000	0.10
Laureano Roldán Aguilar	100	0.00	100	0.00

1. The percentages are calculated over the number of outstanding shares at 12/31/2021.

Nota 4 e) Impacts of the Covid-19 pandemic

In 2021 the global economic activity was impacted by the Covid-19 pandemic and, specifically, the omicron variant. Its rapid spread resulted in higher levels of infection than previous waves, even though the high vaccination rates have notably reduced both hospitalization and mortality rates. The official policy continues to insist on keeping basic safety measures in personal behavior, although almost all restrictions have disappeared, which is allowing economic activity to continue recovering in both Spain and the rest of European countries.

Throughout the pandemic, all Ercros facilities have remained operational, thus being able to meet its customers' needs. Additionally, through the Covid-19 monitoring committee, and close contact with the workers' representatives, Ercros continually monitors its employees' health and updates preventive measures in accordance with the rules and recommendations issued by health authorities. The omicron variant, like in the rest of the country, has caused an increase in the number of affected employees, even though most of them have shown none or mild and fast-disappearing symptoms. At December 31, 1,247 Ercros employees had been fully vaccinated, 93.7% of the workforce.

The breakdown of direct Covid-19-related costs have decreased compared to 2020, as shown in the table below:

Thousands of euros	2021	2020
Purchase of protective and safety material	378	712
Sick leaves and other operating expenses	40	1,350
Impairment losses on financial assets (accounts receivable)	-	67
Direct Covid-19-related costs	**418**	**2,129**

Nota 4 f) Subsequent events

No events have occurred after the balance sheet date that have had an impact on the 2021 financial statements.

Within the share repurchase program, in 2022 until February 17, 2022 the Group has purchased 660,451 shares for an amount of 2,063 thousand euros [see Notes 3 d) and 4 b)].

Sección 5: Detailed information on certain headings of the consolidated statement of comprehensive income

Nota 5 a) Income from the rendering of services

Thousands of euros	2021	2020
Rendering of services	27,738	21,561

In this caption the Group records the income from supplying energy, vapor, maintenance and toll manufacturing services to third parties, the demand for which has increased in 2021.

Nota 5 b) Interest cost

Interest costs are recognized as expenses of the year in which they are incurred. The Group does not allocate any financial costs to the acquisition of assets as these are usually put to use within less than one year.

The breakdown of this caption in the consolidated statement of comprehensive income is as follows:

Thousands of euros	2021	2020
Factoring in euros and US dollars	1,068	1,362
Interest on other loans (Department of Industry, ICF, IDAE, ICO and other institutions)	2,392	2,974
Lease payables [Note 6 d) vi)]	334	461
Bank charges	718	784
Others	1,039	940
Interest cost	**5,551**	**6,521**

Nota 5 c) Other income

The breakdown of 'Other income' is as follows:

Thousands of euros	2021	2020
Free allocation of CO_2 emission allowances [note 6 l)]	10,443	5,357
Non-repayable grants recognized in profit or loss [nota 6 l)]	873	887
Compensation for indirect CO_2 emission allowances granted	7,140	2,295
Compensation for electro-intensive bylaws	1,502	-
Grants for training expenses	185	113
Other current operating income	2,696	1,818
Internal work for fixed assets	501	2,276
Other income	**23,340**	**12,746**

Income from the free allocation of CO_2 emission allowances has a balancing entry for the same amount recorded in 'Other expenses' [see Note 5 g)], so the net impact on the Group is nil.

Nota 5 d) Depreciation, amortization, impairment of assets, change in inventory and consumption of raw materials included in the statement of comprehensive income and gains/(losses) on disposals of investment properties.

5 d) (i) Depreciation and amortization expense

Depreciation of property, plant and equipment is calculated on their cost or fair value using the straight-line method over the years of expected useful life, according to the following average depreciation rates:

	2021 and 2020
Buildings and constructions	2–3%
Machinery and installations	7-11%
Other non-current assets	8-12%

Intangible assets are amortized on a straight-line basis over a five years.

The breakdown of the 'Depreciation and amortization expense' caption in the consolidated statement of comprehensive income is as follows:

Thousands of euros	2021	2020
Depreciation of property, plant and equipment [Note 6 a)]	21,769	22,657
Amortization of intangible assets [Note 6 c)]	435	373
Depreciation of right-of-use assets [Note 6 c) iii)]	6,345	7,299
Depreciation and amortization expense	**28,549**	**30,329**

5 d) (ii) Impairment of non-current assets

The breakdown of the 'Impairment of non-current assets' caption in the consolidated statement of comprehensive income is as follows:

Thousands of euros	2021	2020
Impairment of investment properties [Note 6 b)]	601	4,335
Impairment of property, plant and equipment [Note 6 a)]	2,849	-
Impairment of non-current assets	**3,450**	**4,335**

5 d) (iii) Changes in inventory of finished products and consumption of raw materials and secondary materials

The reconciliation between 'Change in inventory of finished products and work in progress' and 'Consumption of raw materials and secondary materials' of the consolidated statement of comprehensive income and the expense for charge for the year and the income from the reversal of the impairment of inventories shown in the following tables:

Thousands of euros	2021	2020
Income:		
Net carrying amount of inventories at January 1 [Note 6 e)]	-38,831	-47,793
Net carrying amount of inventories at December 31 [Note 6 e)]	61,196	38,831
Charge to the provision for impairment	-213	-42
Reversal of the provision for impairment	8	802
Utilization of the provision for impairment	-	-
Changes in inventory of finished products and work in progress	**22,160**	**-8,202**
Expenses:		
Purchases	418,270	276,182
Net carrying amount of inventories at January 1 [Note 6 e)]	46,163	38,336
Net carrying amount of inventories at December 31 [Note 6 e)]	-66,821	-46,163
Charge to the provision for impairment	2,401	-
Reversal of the provision for impairment	-1	-377
Utilization of the provision for impairment	-	-32
Consumption of raw material and secondary materials	**400,012**	**267,946**

The utilization of the provision for impairment of finished products and work in progress and raw materials and secondary materials has no impact on profit/(loss) for the period.

Nota 5 e) Charge to and reversal of provisions for other liabilities

The breakdown of the charges and reversals of provisions for other liabilities made by the Group in 2021 and 2020 is as follows [Note 6 j)]:

Thousands of euros	2021	2020
Charges and other non-recurring expenses	**-6,955**	**-4,683**
Provisions for environmental remediation [Note 6 j)]	-5,977	-2,230
Other dismantling expenses	-443	-1,644
Labor claims [Note 6 j)]	-333	-
Others	-202	-809
Reversals and other non-recurring income	**6,569**	**3,777**
Additions of non-current assets [Note 6 a) and Note 6 b)]	3,381	-
Labor claims [Note 6 j)]	-	668
Provisions for environmental remediation [Note 6 j)]	-	347
Sale of scrap iron from the dismantling of mercury-based technology plants	1,609	22
Compensation for accidents	217	823
Others	1,362	1,917

Under the ‘Other non-recurring income’ caption, the ‘Other’ subcaption amounting to 1,362 thousand euros in 2021 mainly includes the refund of income that had been wrongly paid in prior years to the Catalan Water Agency and import duties.

Nota 5 f) Employee benefits expense and employee structure

The breakdown of this caption in the consolidated statement of comprehensive income is as follows:

Thousands of euros	2021	2020
Employee benefits expense	**87,473**	**85,153**
Wages and salaries accrued	63,950	62,221
Social Security paid by the Group	19,149	18,566
Cost of defined contributions to the active staff's pension scheme	2,212	2,200
Accrual of long-service bonuses [Note 6 k)]	221	256
Other welfare expenses	1,941	1,910
Decrease in the provisions for restructuring utilized [Note 6 j) (ii)]	**-508**	**-857**
Net amount	**86,965**	**84,296**

Headcount structure

The average headcount, by professional category and gender in 2021 and 2020, is detailed below:

	Average headcount					
	2021			2020		
Number of employees	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**
Executives	29	23	6	28	22	6
Senior technicians	61	46	15	62	46	16
Technicians	232	152	80	227	150	77
6 CGIQ Group	98	81	17	101	83	18
5 CGIQ Group	173	159	14	171	158	13
4 CGIQ Group	564	479	85	533	465	68
3 CGIQ Group	152	145	7	148	139	9
2 CGIQ Group	19	15	4	27	14	13
1 CGIQ Group	1	1	0	0	0	0
Total	**1,329**	**1,101**	**228**	**1,297**	**1,077**	**220**

Employees have been classified according to the categories of the General Collective Agreement of the Chemical Industry.

At year end the number of employees broken down by category and gender is as follows:

	Headcount at year end					
	12/31/2021			12/31/2020		
Number of employees	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**
Executives	29	23	6	27	21	6
Senior technicians	63	47	16	62	46	16
Technicians	231	152	79	226	149	77
6 CGIQ Group	97	81	16	101	83	18
5 CGIQ Group	166	152	14	170	158	12
4 CGIQ Group	560	477	83	533	462	71
3 CGIQ Group	152	143	9	157	146	11
2 CGIQ Group	22	18	4	28	16	12
1 CGIQ Group	1	1	0	0	0	0
Total	**1,321**	**1,094**	**227**	**1,304**	**1,081**	**223**

The average number of people employed with a disability greater than or equal to 33%, by categories, is as follows:

Number of employees	Average headcount 2021	2020
Technicians	1	1
6 CGIQ Group	1	1
4 CGIQ Group	11	11
3 CGIQ Group	1	2
Total	**14**	**15**

Nota 5 g) Other expenses

The breakdown of this caption in the consolidated statement of comprehensive income is as follows:

Thousands of euros	2021	2020
Research and development costs	305	418
Leases outside the scope of IFRS 16 [Note 6 d) (vi)]	3,917	3,673
Royalties	2,323	2,081
Repairs and maintenance	24,216	23,466
Professional services	6,399	4,733
Insurance premiums	3,205	2,448
Publicity and advertising	415	443
Other services	18,257	17,117
Taxes	4,204	4,180
Expenses for CO_2 emission allowances [note 5 c)]	10,443	5,357
Other expenses	**73,684**	**63,916**

Audit fees

The fees relating to the audit of the financial statements for 2021 amounted to 235 thousand euros (2020: 240 thousand euros).

In addition, the fees paid in 2021 for other services provided by the auditor of the financial statements amounted to 30 thousand euros (2020: 21 thousand euros).

Nota 5 h) Environmental costs

Business activities with an effect upon the environment

The costs incurred in the acquisition of systems, equipment and premises, with the objective of the elimination, limitation, or control of potential impacts upon the environment which could be caused by the normal activity of the Group's business are considered as investments in non-current assets.

The remaining costs related to the environment, different from those incurred in the acquisition of elements of non-current assets, are considered to be expenses for the year.

As required under Spanish legislation, the elements of property, plant and equipment used in activities for the protection and improvement of the environment are as follows:

Thousands of euros	12/31/2021 Historical cost	12/31/2021 Deprecia-tion	12/31/2020 Historical cost	12/31/2020 Deprecia-tion
Almussafes factory:				
Purification plant	1,031	1,017	1,031	1,007
Other investments	125	37	92	30
Aranjuez factory:				
Biological treatment plant	1,635	1,328	1,635	1,303
Closed circuit river water collection	1,013	293	1,013	221
Pea salt plant	460	35	184	16
Extraction plant	6,443	-	37	-
Other investments	5,622	955	3,745	665
Cerdanyola factory:				
Formaldehyde emission treatment system	1,983	614	1,983	472
Other investments	186	38	156	27
Flix factory:				
Thermal treatment plant	346	346	4,337	4,337
Biological treatment plant	3,012	3,012	3,012	3,012
Photovoltaic power station	54	-	-	-
Other investments	559	559	559	367
Sabiñánigo factory:				
Technology update in 2009	18,306	16,015	18,306	14,706
Chlorine-soda plant using membrane-based technology	15,194	4,251	15,194	3,165
Sodium chlorate crystallization	3,896	3,592	3,896	3,540
Brine plant	1,394	174	1,394	75
Other investments	138	-		
Tarragona factory:				
Biological treatment plant	2,499	2,499	2,499	2,499
Other investments	263	33	156	-
Tortosa factory:				
Polyol production plant	220	26	220	10
Mechanical vapor recompression	826	-		
Other investments	782	199	724	145
Vila-seca I factory:				
Chlorine-soda plant using membrane-based technology	33,894	7,838	33,542	5,393
Soda concentration plant	4,162	1,191	4,161	894
Reconditioning of the salt park	628	183	628	138
Water collection pipes	529	110	529	72
Charge of chlorine	236	34	236	17
Other investments	228	26	90	20
Vila-seca II factory:				
New reactor in PVC plant	3,782	1,158	3,782	886
Gas treatment plant	6,090	-	4,592	-
Other investments	500	11	36	8
Total	**116,036**	**45,574**	**107,769**	**43,025**

Expenses incurred in 2021 and 2020 for protecting and improving the environment, which are recognized in the consolidated statement of comprehensive income, are as follows:

Thousands of euros	2021	2020
Maintenance	2,483	2,438
Consumption of chemical products and energy	3,150	2,379
Environmental services	6,837	6,795
Receivable from employees	2,969	2,975
Internal cost	665	622
External action	2,185	1,956
Total	**18,289**	**17,165**

Nota 5 i) Earnings per share

The calculation of earnings per share for the year is as follows:

Thousands of euros	2021	2020
1. Consolidated profit (thousands of euros)	43,297	6,257
2. Average number of shares outstanding (thousands)	100,971	102,615
Basic and diluted earnings per share (euros) 1/2	**0.4288**	**0.0610**

In order to calculate the average number of shares outstanding the capital decreases carried out in each year have been considered [Note 4 a)].

There have been no potential ordinary shares at 2021 and 2020 year end. Thus, diluted earnings per share do not differ from the basic earnings per share.

Sección 6: Detailed information on certain headings of the consolidated statement of financial position

Nota 6 a) Property, plant and equipment

The movements during financial years 2021 and 2020, both in terms of cost and accumulated depreciation, are as follows:

Thousands of euros	Balance at 12/31/2020	Additions	Disposals	Transfers	Balance at 12/31/2021
Cost	**939,599**	**37,933**	**-7,454**	**-**	**970,078**
Land and buildings	174,813	3,257	-282	294	178,082
Technical installations and machinery	734,962	-	-5,981	23,151	752,132
Other non-current assets	4,041	-	-1,191	-	2,850
Advances and non-current assets in progress	25,783	34,676	-	-23,445	37,014
Accumulated depreciation	**-583,712**	**-21,769**	**5,131**	**-**	**-600,350**
Buildings	-49,811	-1,043	204	-	-50,650
Technical installations and machinery	-528,193	-20,675	3,768	-	-545,100
Other non-current assets	-5,708	-51	1,159	-	-4,600
Impairment losses and provisions	**-44,596**	**-2,849**	**2,234**	**-**	**-45,211**
Buildings	-3,475	-2,849	-	-	-6,324
Technical installations and machinery	-41,121	-	2,234	-	-38,887
Net carrying amount	**311,291**	**13,315**	**-89**	**-**	**324,517**

Thousands of euros	Balance at 12/31/2019	Additions	Disposals	Transfers	Balance at 12/31/2020
Cost	**899,142**	**30,856**	**-12**	**9,613**	**939,599**
Land and buildings	165,101	-	-12	9,724	174,813
Technical installations and machinery	702,304	-	-	32,658	734,962
Other non-current assets	4,038	-	-	3	4,041
Advances and non-current assets in progress	27,699	30,856	-	-32,772	25,783
Accumulated depreciation	**-561,055**	**-22,657**	**-**	**-**	**-583,712**
Buildings	-48,772	-1,039	-	-	-49,811
Technical installations and machinery	-506,628	-21,565	-	-	-528,193
Other non-current assets	-5,655	-53	-	-	-5,708
Impairment losses and provisions	**-41,150**	**-**	**-**	**-3,446**	**-44,596**
Buildings	-29	-	-	-3,446	-3,475
Technical installations and machinery	-41,121	-	-	-	-41,121
Net carrying amount	**296,937**	**8,199**	**-12**	**6,167**	**311,291**

Additions in 2021 in land and buildings amounting to 3,257 thousand euros include additions amounting to 3,222 thousand euros that correspond to the fair value allocated to industrial units built on Ercros land by a third party that have been acquired by Ercros for free after the said third party ceased to use them.

The rest of additions in 2021 property, plant and equipment basically correspond to the investments in the 3D Plan, capacity extensions and improvements in processes carried out in the Group's factories, mainly Sabiñánigo, Vila-seca I and Aranjuez.

Additions in impairment losses amounting to 2,849 thousand euros, corresponding to the impairment of industrial land of the Flix factory, in accordance with the measurement made at year end.

The Group takes out all the insurance policies it considers necessary to cover the potential damage that its property, plant and equipment may suffer.

At 2021 year end land and buildings with a net carrying amount of 29,893 thousand euros (2020: 29,900 thousand euros) have been pledged as guarantee for loans and other commitments, for an amount of 23,951 thousand euros (2020: 24,736 thousand euros) corresponding to the funding received from Institut Català de Finances ('ICF') and Instituto de Crédito Oficial ('ICO').

At December 31, 2021 the net carrying amount of property, plant and equipment acquired under finance leases amounts to 1,150 thousand euros (2020: 1,407 thousand euros).

Fully depreciated items still in use at December 31, 2021 amount to 295,982 thousand euros (2020: 285,314 thousand euros).

The investment commitments are detailed in notes 7 a) and 7 d).

Impairment and reversal of impairment of property, plant and equipment

The Group considers each factory it operates to be a cash-generating unit (CGU), but it does not consider the corporation to be one.

The expenses corresponding to the corporation –as well as its assets– are distributed among all CGUs considered for the purposes of determining the free cash flows generated by each one of them and the value of the assets allocated to them.

The assets of the corporation mainly correspond to the corporate data processing center, other computer equipment (servers, laptop, etc.), documentation archiving premises and furniture and installations of the headquarters and the common functional areas of all business segments (logistics, customer service, etc.).

Every month the Group prepares the income statement of all its CGUs. This income statement includes a charge for the costs from the corporation that are allocated to the CGU.

In order to detect any indication of impairment of a CGU, every month the Group monitors the evolution of:

1. The gross margin obtained by each CGU in absolute terms and in relation to the sales and their potential deviation from the cycle's average. Gross margin is calculated as the difference between net sales less all variable costs of the products sold. Negative deviations of more than 5% in the ratio (in percentage terms) of gross margin/sales in relation to the cycle's average are considered to be an indication of impairment.

2. The profitability generated by the CGU in relation to the property, plant and equipment allocated to said CGU, measured as the earnings before interest and taxes of the CGU divided by the balance of the assets allocated to said CGU. When this ratio is below the weighted average cost of capital (WACC), it is considered to be an indication of impairment of the CGU.

In the event that the Group detects any indication of impairment of a CGU, it performs the corresponding impairment test, in which case, based on the interdependence of the several factories, the Company may consider several factories as belonging to the same CGU in order to determine their value in use from the estimated free cash flows.

None of the Group's CGUs contains a gain or intangible asset with indefinite useful life.

At 2021 year end, there are no property, plant and equipment items whose impairment can be reversed. Additionally, based on the aforementioned metrics, the Group estimates that no impairment losses need be recorded on any of the CGUs considered by the Group.

Nota 6 b) Investment property

The movements in 2021 and 2020 are as follows:

Thousands of euros	Balance at 12/31/2020	Additions	Disposals	Sales	Transfers	Balance at 12/31/2021
Investment property	50,198	159	-24	-	-	50,333
Accumulated depreciation	-4,074	-	-	-	-	-4,074
Impairment	-26,258	-601	-	-	-	-26,859
Net carrying amount	**19,866**	**-442**	**-24**	**-**	**-**	**19,400**

Thousands of euros	Balance at 12/31/2019	Additions	Disposals	Sales	Transfers	Balance at 12/31/2020
Investment property	60,251	-	-	-440	-9,613	50,198
Accumulated depreciation	-4,074	-	-	-	-	-4,074
Impairment	-25,721	-4,335	-	352	3,446	-26,258
Net carrying amount	**30,456**	**-4,335**	**-**	**-88**	**-6,167**	**19,866**

The carrying amount of investment property is fully allocated to land, which at December 31, 2021 includes gains allocated in the business combinations carried out by the Group in 2005 and 2006 and other previous increases in value for an overall amount of 10,975 thousand euros (2020: 10,975 thousand euros).

In 2021, the Group has obtained an new appraisals of the main investment properties. As a result, an impairment loss of 601 thousand euros has been recorded (4,335 thousand euros at prior year end).

Investment properties correspond to land and industrial estates located in industrial plants that were operational at the date of acquisition by the Group, and which ceased activity subsequently due to full or partial close-down of the production center, and other plots of land where no industrial activity has been carried out.

Land and buildings on investment properties were measured at cost. No value has been assigned to buildings and facilities when the highest and best use of the land where they are located suggests their demolition. In this case, the independent experts who made the appraisal take into account the cost of such demolition.

The fair value of investment property amounts to 35,019 thousand euros (2020: 25,190 thousand euros).

The fair value of investment property has increased in 2021 in comparison with 2020, due to the updated measurement of the Flix colonies. It should be considered that investment property mostly corresponds to plots of land that are suitable for use by the heavy industry, have high-tension electric power, water supply, a large area and communications making it a hardly comparable location to its surroundings.

Appraisals do not consider whether land is environmentally affected because the Group conducts periodic evaluations on it to determine whether remediation is needed depending on expected use. The corresponding provision is then recorded (at December 31, 2021 said provision amounts to 1,920 thousand euros) [see Note 6 j)].

Appraisals do not include limitations or sensitivity analysis.

Direct operating expenses (including repairs and maintenance expenses) related to investment properties amount to 1,398 thousand euros (1,084 thousand euros in the prior year).

Investment properties have generated rental income in 2021 amounting to 248 thousand euros (2020: 240 thousand euros).

Nota 6 c) Intangible assets and Right-of-use assets

6 c) (i) Intangible assets

The movements in 2021 and 2020 in intangible assets, both in terms of cost and accumulated amortization, are as follows:

Thousands of euros	Balance at 12/31/2020	Additions	Disposals	Transfers	Balance at 12/31/2021
Cost	**14,680**	**10,212**	**-5,341**	**-**	**19,551**
Concessions of patents and trademarks	2,371	-	-	-	2,371
Software	6,709	-	-	-	6,709
CO_2 emission allowances	5,600	10,212	-5,341	-	10,471
Property, plant and equipment under construction	-	-	-	-	-
Accumulated depreciation	**-7,518**	**-435**	**-**	**-**	**-7,953**
Concessions of patents and trademarks	-1,859	-187	-	-	-2,046
Software	-5,659	-248	-	-	-5,907
Net carrying amount	**7,162**	**9,777**	**-5,341**	**-**	**11,598**

Thousands of euros	Balance at 12/31/2019	Additions	Disposals	Transfers	Balance at 12/31/2020
Cost	**13,940**	**5,747**	**-5,007**	**-**	**14,680**
Concessions of patents and trademarks	2,462	-	-91	-	2,371
Software	6,295	-	-	414	6,709
CO_2 emission allowances	5,183	5,333	-4,916	-	5,600
Property, plant and equipment under construction	-	414	-	-414	-
Accumulated depreciation	**-7,145**	**-373**	**-**	**-**	**-7,518**
Concessions of patents and trademarks	-1,672	-187	-	-	-1,859
Software	-5,473	-186	-	-	-5,659
Net carrying amount	**6,795**	**5,374**	**-5,007**	**-**	**7,162**

Fully amortized intangible assets still in use amount to 6,568 thousand euros (2020: 6,915 thousand euros).

6 c) (ii) Disclosures concerning greenhouse gas emission allowances

Emission allowances freely allocated to the Group for the 2021-2025 period amount to 991,815 EUA (allocated emission allowances) and the breakdown thereof is as follows:

EUA

2021	2022	2023	2024	2025
198,363	198,363	198,363	198,363	198,363

This allocation means a 6% reduction compared to 2020. In the event that the group's emissions are not covered, allowances will be purchased in the market.

The accounting balances of emission allowances in the consolidated statement of financial position and the consolidated statement of comprehensive income are as follows:

Thousands of euros	Statement of financial position			Consolidated statement of other comprehensive income	
	Intangible assets	Current provision	Capital grant	Income	Expenses
Balance at 12/31/2020	**5,600**	**-5,351**	**-238**	**-**	**-**
Allocation of allowances	10,212	-	-10,212	-	-
Allowances canceled	-5,341	5,351	-11	43	-43
Actual emissions	-	-10,443	10,443	10,443	-10,443
Purchase of allowances	-	-	-	-	-
Sale of allowances	-	-	-	-	-
Balance at 12/31/2021	**10,471**	**-10,443**	**-18**	**10,486**	**-10,486**

Thousands of euros	Statement of financial position			Consolidated statement of other comprehensive income	
	Intangible assets	Current provision	Capital grant	Income	Expenses
Balance at 12/31/2019	**5,183**	**-4,936**	**-237**	**-**	**-**
Allocation of allowances	5,333	-	-5,333	-	-
Allowances canceled	-4,916	4,936	-19	76	-76
Actual emissions	-	-5,351	5,351	5,357	-5,357
Purchase of allowances	-	-	-	-	-
Sale of allowances	-	-	-	-	-
Balance at 12/31/2020	**5,600**	**-5,351**	**-238**	**5,433**	**-5,433**

The Group has not entered into future agreements related to GHG emission allowances.

6 c) (iii) Right-of-use assets

The movements in 2021 and 2020 in right-of-use assets, both in terms of cost and accumulated depreciation, are as follows:

Thousands of euros	Balance at 12/31/2020	Additions	Disposals	Balance at 12/31/2021
Cost	**27,925**	**3,589**	**-11,597**	**19,917**
Buildings	-	1,503	-	1,503
Deposits	21,777	531	-10,663	11,645
Equipment	1,534	227	-426	1,335
Vehicles	3,655	1,022	-230	4,447
Others	959	306	-278	987
Accumulated depreciation [Note 5 d) (i)]	**-19,022**	**-6,345**	**11,567**	**-13,800**
Buildings	-	-75	-	-75
Deposits	-15,619	-4,742	10,635	-9,726
Equipment	-771	-382	426	-727
Vehicles	-2,087	-887	226	-2,748
Others	-545	-259	280	-524
Net carrying amount	**8,903**	**-2,756**	**-30**	**6,117**

Thousands of euros	Balance at 12/31/2019	Additions	Disposals	Balance at 12/31/2020
Cost	**28,921**	**3,628**	**-4,624**	**27,925**
Buildings	2,125	-	-2,125	-
Deposits	21,829	1,725	-1,777	21,777
Equipment	1,179	642	-287	1,534
Vehicles	2,948	881	-174	3,655
Others	840	380	-261	959
Accumulated depreciation [Note 5 d) (i)]	**-15,988**	**-7,299**	**4,265**	**-19,022**
Buildings	-1,692	-434	2,126	-
Deposits	-11,604	-5,447	1,432	-15,619
Equipment	-690	-368	287	-771
Vehicles	-1,455	-806	174	-2,087
Others	-547	-244	246	-545
Net carrying amount	**12,933**	**-3,671**	**-359**	**8,903**

Nota 6 d) Financial assets and liabilities

6 d) (i) Financial assets

The breakdown of the financial assets recorded in the consolidated statement of financial position is as follows:

Thousands of euros	**12/31/2021**	**12/31/2020**
Escrow accounts [Note 3 c)]	1,257	4,170
Receivable grants	2,456	1,789
Other deposits and guarantees	523	468
Other loans	240	240
Non-current financial assets at amortized cost	**4,476**	**6,667**

6 d) (ii) Financial liabilities with explicit cost

The breakdown of financial liabilities with explicit cost recorded in the consolidated statement of financial position entirely correspond to loans recorded at amortized cost:

Thousands of euros	**12/31/2021**	**12/31/2020**
Non-current	92,793	93,553
Current	5,739	22,314
Current portion of non-current loans	15,244	6,398
Loans	**113,776**	**122,265**

The breakdown of this caption is as follows:

Thousands of euros	**Limit**	**12/31/2021**	**12/31/2020**
Non-current	**92,793**	**92,793**	**93,553**
Loans granted by ICF	4,979	4,979	5,940
Loans granted by ICO	14,250	14,250	17,792
Loans granted by the Ministry of Industry, Trade and Tourism	28,389	28,389	35,493
Revolving credit facility	30,000	30,000	30,000
Revolving credit facility, tranche B for investments	9,375	9,375	3,325
Loan granted by Cajamar	2,996	2,996	-
Loan granted by Caixa de Crèdit dels Enginyers	703	703	-
Other payables	2,101	2,101	1,003
Current	**138,060**	**5,739**	**22,314**
Other bank loans	36,060	1,143	10,858
Recourse syndicated factoring facility	102,000	4,596	11,456
Current portion of non-current loans	**15,244**	**15,244**	**6,398**
ICF debt	961	961	933
Loan granted by ICO	3,761	3,761	72
Loans granted by the Ministry of Industry, Trade and Tourism	5,935	5,935	4,479
Revolving credit facility, tranche B for investments	3,750	3,750	475
Other payables	837	837	439

The breakdown of non-current loans by maturity at December 31, 2021 and 2020 is as follows:

Thousands of euros	**12/31/2021**	**12/31/2020**
2022	-	10,132
2023	14,383	11,171
2024	11,180	10,982
2025	50,062	43,812
2026	10,528	10,415
2027 and subsequent years	6,640	7,041
Total	**92,793**	**93,553**

The main funding agreements are as follows:

Syndicated factoring and revolving agreement

On May 6, 2020 Ercros signed an agreement for renewing the syndicated financing with a pool of financial institutions. The agreement considers the following financial instruments:

1. A syndicated factoring, with an overall limit of 102,000 thousand euros. The term is four years, which can be extended to five, and it includes trade receivables in US dollars for the first time. It is articulated into two tranches: (i) a non-recourse tranche for trade receivables with guaranteed payment through a credit insurance policy; and (ii) a recourse tranche for trade receivables not included in the non-recourse tranche.

2. A non-current syndicated credit facility amounting to 30,000 thousand euros for a term of four years, which can be extended to five, which replaces the revolving credit facility in force in 2019. This credit facility includes an ESG component for the first time (ESG stands for environment, social and governance). Based on the annual assessment of the ESG ratings, the margin of this credit facility may fluctuate between +/- 2.5 basis points.

3. A new specific tranche in the capex line, amounting to 15,000 thousand euros, for a term of five years that includes the same ESG component that the syndicated credit facility.

As commented above, the agreement includes a factoring tranche for the non-recourse transfer of accounts receivable. The amount drawn from this agreement is not recorded as financial debt of the Group, and transferred accounts receivable are derecognized from the consolidated statement of financial position.

At December 31, 2021 the amount drawn from the non-recourse factoring agreement was 58,686 thousand euros (44,199 thousand euros at December 31, 2020).

Loan granted by ICO

This financing facility that matured in September 2019 was novated on June 21, 2019, extending the amount up to 18,000 thousand euros and maturity until 2026, with a repayment period of 7 years and a two-year grace period on the principal. The novation entailed the cancellation of the inventory pledge. At December 31, 2021, the balance of this loan amounts to 18,011 thousand euros (17,864 thousand euros in the prior year).

Significant covenants in the funding agreements

The ICO credit facility, the syndicated factoring agreement and the syndicated revolving agreement include covenants that, under certain conditions and if they are not solved, may result in the early maturity due to non-compliance with certain financial ratios. These ratios are calculated over minimum total equity, maximum level of investments, relation between consolidated NFD and consolidated ebtida, and relation between consolidated ebtida and consolidated net financial costs. The aforementioned financial ratios shall be complied on a half-yearly basis. All ratios are met at December 31, 2021.

The aforementioned financing agreements are authorized by the shareholder remuneration policy.

Loans granted by ICF

These are three loans signed with the Catalan Institute of Finance (‘ICF’) for funding investments. Two of them were signed on July 28, 2017 for an overall amount of 8,000 thousand euros. The two loans were granted for a period of 10 years with a two-year grace period. They were taken out to fund the extension of the chlorine production capacity using membrane-based technology in Vila-Seca I plant. One of the loans amounts to 6,000 thousand euros and is part of the ICF Industry line. The interest accrued is subsidized by 2% by the Directorate General of Industry of Generalitat de Catalunya. The other loan amounts to 2,000 thousand euros and is part of the ICF line for Industrial Recovery.

Loans granted by the Ministry of Economy, Trade and Tourism

They correspond to loans granted by the Ministry of Industry, Trade and Tourism, in several calls, that mature within 10 years and have a three-year grace period.
These loans are secured by bank guarantees amounting to 5,005 thousand euros at December 31, 2021 (1,985 thousand euros at December 31, 2020). During the current year the deposits we had at December 31, 2020 amounting to 3,020 thousand euros have been replaced with bank guarantees.

Loan granted by the European Investment Bank (EIB)

On December 23, 2021 the Ercros Group took out a credit facility from the European Investment Bank (‘EIB’) amounting to 40 million euros to finance Ercros’s investments in research, development and innovation (R&D&I), digitalization, decarbonization and modernization of its main facilities within the 3D Strategic Plan that Ercros has launched for the period 2021-2025. The EIB loan is backed by the European Fund for Strategic Investments (‘EFSI’), the main pillar of the Investment Plan for Europe.

This funding takes the form of a loan and can be drawn down within 24 months. Each drawdown can be repaid within 7 years with a grace period of 2 years. The funding can bear interest at a fixed or floating rate. At December 31, 2021 no amount had been drawn down yet.

The agreement includes similar covenants to the syndicated agreement's that, under certain conditions and if they are not solved, may result in the early maturity due to non-compliance with certain financial ratios. These ratios are calculated over minimum total equity, maximum level of investments, relation between consolidated NFD and consolidated ebtida, relation between consolidated ebtida and consolidated net financial costs and minimum operating cash flows. The aforementioned financial ratios shall be complied on a half-yearly basis. All ratios are met at December 31, 2021.

Security interests

The loans granted by ICO and ICF are secured by means of a mortgage on certain Group's property, plant and equipment items [see Note 6 a)].

6 d) (iii) Changes in financial assets and liabilities arising in financing activities

The table below shows the changes in the assets and liabilities arising from financing activities in 2021 and 2020:

Thousands of euros	Balance at 12/31/2020	Cash flows	Effect of exchange rate	Transfers to current	Non-monetary accruals	Balance at 12/31/2021
Financial liabilities	**131,410**	**-11,882**	**-**	**-**	**474**	**120,002**
Non-current loans	93,553	14,010	-	-15,244	474	92,793
Current loans	22,314	-16,575	-	-	-	5,739
Current portion of non-current loans	6,398	-6,398	-	15,244	-	15,244
Lease payables	9,145	-2,919	-	-	-	6,226
Financial assets	**-6,647**	**4,059**	**-**	**-**	**-**	**-2,588**
Pledged deposits:						
Non-current [caption (i) above]	-4,170	2,913	-	-	-	-1,257
Current [note 6 m]	-2,477	1,146	-	-	-	-1,331
Cash and cash equivalents [Note 6 h]	**-39,931**	**-11,407**	**-235**	**-**	**-**	**-51,573**
Net financial debt	**84,832**	**-19,230**	**-235**	**-**	**474**	**65,841**

Thousands of euros	Balance at 12/31/2019	Cash flows	Effect of exchange rate	Transfers to current	Non-monetary accruals	Balance at 12/31/2020
Financial liabilities	**182,535**	**-51,749**	**-**	**-**	**624**	**131,410**
Non-current loans	65,984	33,343	-	-6,398	624	93,553
Current loans	92,864	-70,550	-	-	-	22,314
Current portion of non-current loans	10,309	-10,309	-	6,398	-	6,398
Lease payables	13,378	-4,233	-	-	-	9,145
Financial assets	**-11,247**	**4,600**	**-**	**-**	**-**	**-6,647**
Pledged deposits:						
Non-current [caption (i) above]	-5,454	1,284	-	-	-	-4,170
Current [note 6 m]	-5,793	3,316	-	-	-	-2,477
Cash and cash equivalents [Note 6 h]	**-61,117**	**20,691**	**495**	**-**	**-**	**-39,931**
Net financial debt	**110,171**	**-26,458**	**495**	**-**	**624**	**84,832**

6 d) (iv) Reconciliation of NFD and financing cash flows

The reconciliation of NFD and the financing cash flows in the consolidated statement of financial position in 2021 and 2020 is as follows:

Thousands of euros	12/31/2021	12/31/2020
NFD balance at January 1	**84,832**	**110,171**
Utilization of loans	13,165	5,909
Repayment and redemption of loans	-7,528	-16,957
Net variation of current revolving lines	-14,600	-36,468
New finance lease arrangements	3,558	3,269
Lease payables	-6,477	-7,502
Non-monetary accruals	474	624
Constitution of new deposits	-107	-168
Cancellation of deposits	4,166	4,768
Increase/decrease in cash and cash equivalents	-11,407	20,691
Effect of changes in exchange rates:		
In cash and cash equivalents	-235	495
NFD balance at December 31	**65,841**	**84,832**

6 d) (v) Funding available

The funding available to the Group at 2021 year end is as follows:

Thousands of euros	Available
Syndicated Factoring	11,257
Financing facilities	24,100
Reverse factoring facilities	11,960
Cash and cash equivalents	51,573
Loan granted by EIB	40,000
Total funding available	**138,890**

The available syndicated factoring financing facility is limited at each date by the amount of eligible accounts receivable existing at the time of using such funding. At December 31 of each year, due to seasonal reasons, the accounts receivable balance is usually insufficient to utilize the syndicated factoring up to the limit of the funded granted (102,000 thousand euros). Thus, the available funding at December 31, 2021 is lower to the unused portion of the factoring, which amounts to 37,525 thousand euros. However, this funding will be available in the periods in which accounts receivable increase for seasonal reasons.

6 d) (vi) Finance lease payables

The impact that the application of IFRS 16 has had on the accompanying consolidated financial statements for the years 2021 and 2020 is as follows:

Thousands of euros	12/31/2021	12/31/2020
Total increase in assets	**6,117**	**8,903**
Right to use leased assets	6,117	8,903
Total increase in liabilities and total equity	**6,117**	**8,903**
Increase in liabilities:		
Lease payables	6,226	9,145
Decrease in total equity:		
Retained earnings	-243	-444
Comprehensive income for the period	134	202
Decrease in comprehensive income for the period	**134**	**202**
Increase in depreciation and amortization expense	-6,344	-7,299
Increase in finance costs	-334	-461
Decrease in other expenses	6,812	7,962
Increase in gross operating profit	**6,812**	**7,962**

The terms and conditions of the agreements signed by the Group have not been amended as a result of the pandemic.

The expense related to short-term leases, leases of low-value assets and variable leases is detailed in Note 5 g).

The Group has no rental income from right-of-use assets.

Cash outflows by lease are detailed in chapter B4 of the consolidated cash flow statement.

Additions of right-of-use assets are detailed in Note 6c) (iii).

Sale and leaseback transactions have generated no gain or loss.

The book value of right-of-use assets by type of underlying asset is detailed in Note 6 c) (iii).

The future minimum lease payments are as follows:

	2021				
Thousands of euros	**Machinery**	**Computer equipment**	**Transport equipment**	**Deposits**	**Buildings**
2022	207	322	845	2,102	332
Between one and five years	292	234	991	-	1,246
Total	**499**	**556**	**1,836**	**2,102**	**1,578**

	2020				
Thousands of euros	**Machinery**	**Computer equipment**	**Transport equipment**	**Deposits**	**Buildings**
2021	142	336	568	4,656	481
Between one and five years	298	391	1,128	2,054	-
Total	**440**	**727**	**1,696**	**6,710**	**481**

Nota 6 e) Inventories

Inventories are valued at acquisition cost (raw materials) or production cost (intermediate and finished products), and impairment is charged to the consolidated statement of comprehensive income when their market value is lower than the acquisition, due to causes arising from the market, or physical impairment, or obsolescence, when appropriate provisions are registered.

The specific valuation criteria adopted are as follows:

- Supplies warehouse: at acquisition cost, following the weighted average cost method.

- Finished products and work-in-progress, and commodities held for sale: at production cost based on the same rule, including raw materials and general materials, direct and indirect labor, depreciation and other attributable direct and indirect costs, without exceeding realization value.

The breakdown of the inventory by categories, net of the provision for impairment, is as follows:

Thousands of euros	12/31/2021	12/31/2020
Supplies warehouse and other	50,171	32,218
Spare parts	14,110	13,805
Finished products and work in progress	58,415	36,255
Inventories	**122,696**	**82,278**

The movements in the provision for impairment already included in the figures above since they are presented net of impairment loss allowances, which mainly correspond to the valuation adjustment of inventories at their net realizable value, are as follows:

Thousands of euros	2021	2020
Balance at January 1	**-2,716**	**-3,885**
Charge for the year	-2,614	-42
Reversion	9	1,179
Utilized	-	32
Balance at December 31	**-5,321**	**-2,716**

The movements in the provision for impairment of inventories by type of product are as follows:

Thousands of euros	Supplies	Spare parts	Finished products and work in progress	Total
Balance at 12/31/2019	**538**	**11**	**3,336**	**3,885**
Charge for the year	-	-	42	42
Reversion	-377	-	-802	-1,179
Utilized	-21	-11	-	-32
Balance at 12/31/2020	**140**	**-**	**2,576**	**2,716**
Charge for the year	1,065	1,336	213	2,614
Reversion	-1	-	-8	-9
Utilized	-	-	-	-
Balance at 12/31/2021	**1,204**	**1,336**	**2,781**	**5,321**

The breakdown of the inventories balance by type of product, differentiating between the production/acquisition cost and the provision for impairment, is as follows:

Thousands of euros	Supplies	Spare parts	Finished products and work in progress	Total
Balance at 12/31/2020	**32,218**	**13,805**	**36,255**	**82,278**
Production/acquisition cost	32,358	13,805	38,831	84,994
Provision for impairment	-140	-	-2,576	-2,716
Balance at 12/31/2021	**50,171**	**14,110**	**58,415**	**122,696**
Production/acquisition cost	51,375	15,446	61,196	128,017
Provision for impairment	-1,204	-1,336	-2,781	-5,321

Nota 6 f) Trade and other receivables

The movement in this caption is as follows:

Thousands of euros	12/31/2021	12/31/2020
Trade receivables:	**101,230**	**59,108**
Trade receivables discounted with recourse	4,640	13,849
Not discounted balances	96,590	45,259
Provision for impairment of accounts receivable (expected loss)	-1,998	-3,038
Total	**99,232**	**56,070**
Accounts receivable transferred to non-recourse factoring and derecognized from the balance sheet [Note 6 d]	**58,686**	**44,199**

The analysis of accounts receivable by maturity is as follows:

			Unimpaired balances due				
Thousands of euros	**Total**	**Balances not due**	**<30 days**	**30-60 days**	**60-180 days**	**180-365 days**	**> 365 days**
12/31/2021	101,230	91,367	9,282	376	78	47	80
12/31/2020	59,108	49,091	5,352	879	3,240	56	490

The movement in the provision for impairment (expected loss) of accounts receivable is as follows:

Thousands of euros	2021	2020
Provision at January 1	**3,038**	**3,446**
Charge for the year	130	67
Reversion	-1,142	-
Utilization	-28	-475
Provision at December 31	**1,998**	**3,038**

Nota 6 g) Cash flow hedge

The Group has signed several long-term electricity agreements at a fixed price for the supply of electric power in its production processes. IFRS 9 Financial instruments is not applicable to these agreements as energy is to be consumed by the company in accordance with its production plans. Besides, energy is from renewable sources.

In connection with these long-term electricity agreements, and for the specific case of one plant, it will not be possible to deliver the energy in 2022 since an electricity agreement with another supplier is in force and energy cannot be delivered to a point of supply by several suppliers at the same time.

Thus, in order to have a fixed price for energy in 2022 for the said plant, Ercros arranged a financial derivative that is settled by differences. Therefore, Ercros pays a fixed price for energy and receives a variable price based on the OMIE market for certain fixed amounts of energy for each one of the months of 2022.

The dramatic increase in energy prices after the arrangement of this derivative has in turn resulted in an increase in the electricity futures of the Iberian market (OMIP) and an increase in the value of the derivative.

Ercros has designated this derivative as a hedging instrument, where the hedged item are the cash flows derived from the purchase of electricity in 2022. The hedge is considered 100% effective since any change in OMIE's electricity price to be paid by the company is fully covered by the financial derivative.

Thus, the company has recorded and measured the financial asset associated with the derivative at fair value through other comprehensive income.

Since the financial derivative arranged to hedge the cash flows from the purchase of electricity is a bilateral agreement not traded on organized markets, there is no available quoted price. Consequently, the measurement of the financial asset has been determined based on the quoted prices of the electricity futures markets in the Iberian Peninsula, the OMIP market, where energy is traded for the coming weeks, months, quarters and years and which therefore allocate a value to the variable price to be received by Ercros against the fixed price to be paid by Ercros.

Ercros

Thus, the carrying amount of the financial asset has been set at 14,610 thousand euros at 2021 year end with balancing entries in other comprehensive income net of the tax effect amounting to 10,957 thousand euros and in deferred tax liabilities amounting to 3,653 thousand euros [see Note 6 o) (iv)].

The cash flow reserve recorded in other comprehensive income will be reclassified to profit for 2022 as the financial derivative is settled every month.

Nota 6 h) Cash and cash equivalents

The breakdown of this caption is as follows:

Thousands of euros	12/31/2021	12/31/2020
Available balances in bank accounts	50,305	38,249
Balance in syndicated factoring account (pledged)	1,268	1,682
Cash and cash equivalents	**51,573**	**39,931**

The balance in the pledged syndicated factoring account becomes available to the Group on a weekly basis [note 6 d)].

Bank accounts are set to market interest.

Ercros

Nota 6 i) Equity

The breakdown of equity is as follows:

Thousands of euros	12/31/2021	12/31/2020
Capital of the parent company	30,292	30,292
Profits and other retained earnings of the Group:		
Legal reserve of the parent company	15,451	15,451
Capitalization reserve	6,565	6,119
Reserve for difference in conversion of capital to euros	93	93
Voluntary reserves	231,480	226,003
Profit for the year	43,297	6,257
Valuation adjustments for cash flow hedges, net of tax	10,957	-
Decrease in treasury shares acquired for redemption	-6,522	-
Equity	**331,613**	**284,215**

6 i) (i) Capital of the parent company

Paid-in issued share capital	12/31/2021	12/31/2020
Number of ordinary shares (thousands)	100,971	100,971
Nominal value per share (euros)	0.30	0.30
Share capital (thousands of euros)	**30,292**	**30,292**

All shares are ordinary shares with a nominal value of 0.30 each. They are of the same class and were fully subscribed and are represented by book entries [see chapter 9.2 a) of the CMR].

6 i) (ii) Treasury shares acquired for redemption

At 2021 year end, the Company holds treasury shares within the repurchase program for the redemption of treasury shares:

Treasury shares[1]	12/31/2021
Number of treasury shares owned (thousands)	2,190
Investment made (thousands of euros)	6,522
Unit cost (euro/share)	2.98
Percentage of share capital (%)	2.17

[1]See notes 3 d) and 4 b)

6 i) (iii) Retained earnings and other reserves of the Group

Retained earnings and other reserves in the companies are subject to certain legal constraints which limit free Group distribution, which are listed below:

Legal reserve

In compliance with the Spanish Corporate Enterprises Act, it is required to devote an amount equal to 10% of the profit for the year to the legal reserve, until this reserve reaches a value of at least 20% of the share capital. The legal reserve are not freely distributable, and may only be used to compensate for losses in the event that there are no reserves available for this purpose, or to increase the share capital up to a limit of 10% of the share capital after increase. This reserve would only become distributable in the event of the liquidation of the companies in the Group. At December 31, 2021 and 2020 the legal reserve of the Company is funded by an amount exceeding the legally established one.

Capitalization reserve

Since 2016 this reserve has been annually charged against freely distributable profit. It is allocated to increase the Company's shareholders' equity, pursuant to article 25 of Law 27/2014 of November 27 on the income tax. Every year the Company reduces the previous taxable base by an amount equal to the capitalization reserve up to a limit of 10% of said previous taxable base. This reserve is not freely distributable for a period of 5 years [see Note 6 o)].

Voluntary reserves

Voluntary reserves are freely distributable according to the restrictions established by the Spanish Corporate Enterprises Act.

Reserve for difference in conversion of capital to euros

The non-distributable reserve arises from an adjustment to the nearest cent of the nominal value of the shares in accordance with the provisions of Article 28 of Law 46/1998 of December 17, upon the introduction of the Euro.

Meeting attendance bonus

The bonus paid has been recorded directly as a decrease in the Group's voluntary reserves.

Limitations on the distribution of dividends

There are no limitations on the payment of dividends, provided that the ratios required for it are met [see Note 3 d)].

Nota 6 j) Current and non-current provisions

Provisions are recognized when:

1. The Group has a present obligation (whether legal or implicitly assumed) as a result of a past event.

2. It is probable that the Group will have to dispose outflows of resources embodying economic benefits in order to settle such obligation.

3. A reliable estimate of the value of the obligation can be made.

In order to measure these doubtful items, and recognize the corresponding provision if applicable, the Group, along with legal consultants and experts, analyses the concurrent factors, to set the probability assigned to said factor. If it exceeds 50 %, the corresponding liability is recognized.

The expenses incurred as a consequence of the processes of restructuring, principally consisting of indemnities payable to staff, are recognized at the moment at which a formal detailed plan exists for carrying out the restructuring, identifying the principal parameters of the process (such as the activities to which it refers, the principal locations, the functions and the approximate number of employees involved, estimated disbursements, and the calendar for implementation), and a real expectation has been created among the parties to be affected that the restructuring will be carried out.

The Group does not discount non-current provisions at present value because of the difficulty in determining the probable date of cash outflows and the little relevance that this discount would have.

The Group considers that the provisions recorded and detailed in this Note are appropriate and sufficient to cover the cash outflows that are necessary to meet the obligations assumed, in accordance with available information.

The movements in current and non-current provisions in 2021 and 2020 are as follows:

6 j) (i) Provisions for environmental remediation

Thousands of euros	Balance at 12/31/2020	Charge for the year	Utilization	Reversion	Transfers	Balance at 12/31/2021
Non-current	**9,180**	**3,048**	**-**	**-**	**-2,187**	**10,041**
Land remediation	8,737	2,198	-	-	-1,987	8,948
Dismantling of mercury and other plants	443	850	-	-	-200	1,093
Current	**3,061**	**2,929**	**-3,820**	**-**	**2,187**	**4,357**
Land remediation	1,381	1,020	-1,621	-	1,987	2,767
Dismantling of mercury and other plants	1,680	1,909	-2,199	-	200	1,590
Provisions for environmental remediation	**12,241**	**5,977**	**-3,820**	**-**	**-**	**14,398**

Thousands of euros	Balance at 12/31/2019	Charge for the year	Utilization	Reversion	Transfers	Balance at 12/31/2020
Non-current	**9,286**	**635**	**-**	**-**	**-741**	**9,180**
Land remediation	9,086	35	-	-	-384	8,737
Dismantling of mercury plants	200	600	-	-	-357	443
Current	**6,208**	**1,595**	**-5,136**	**-347**	**741**	**3,061**
Land remediation	3,469	154	-2,279	-347	384	1,381
Dismantling of mercury plants	2,739	1,441	-2,857	-	357	1,680
Provisions for environmental remediation	**15,494**	**2,230**	**-5,136**	**-347**	**-**	**12,241**

Decontamination of land in El Hondón

Regarding the former location in El Hondón (Cartagena), the Group has an obligation to Reyal Urbis to decontaminate the land that it was allocated to the said company in the subdivision project, equal to 25% of the remediation cost, until it reaches residential use status. Cartagena City Council assumes the remaining 75% of the remediation cost [see Note 7 c)].

Decontamination of the other plots of land and dismantling of the mercury-based technology plants

The other provisions correspond to land remediation work and dismantling of the mercury-based technology plants, which continue as expected in terms of both payment schedule and expected payable amounts. The main movements correspond to charges and utilizations related to the dismantling of mercury-based technology plants and land remediation.

Of the total land remediation amount recorded under the non-current line, the most significant amount corresponds to the remediation of El Hondón land.

6 j) (ii) Other current and non-current provisions

Thousands of euros	Balance at 12/31/2020	Charge for the year	Utilization	Reversion	Transfers	Balance at 12/31/2021
Non-current	**520**	**333**	**-75**	**-**	**-116**	**662**
2017 collective dismissal (discontinuation of mercury-based technology)	116	-	-	-	-116	-
Labor claims	340	333	-75	-	-	598
Other provisions	64	-	-	-	-	64
Current	**7,856**	**10,443**	**-5,849**	**-10**	**116**	**12,556**
2017 collective dismissal (discontinuation of mercury-based technology)	2,505	-	-508	-	116	2,113
Free CO_2 emission allowances[Note 6 c)(ii)]	5,351	10,443	-5,341	-10	-	10,443
Other provisions	**8,376**	**10,776**	**-5,924**	**-10**	**-**	**13,218**

Thousands of euros	Balance at 12/31/2019	Charge for the year	Utilization	Reversion	Transfers	Balance at 12/31/2020
Non-current	**2,010**	**0**	**-320**	**-668**	**-502**	**520**
2017 collective dismissal (discontinuation of mercury-based technology)	618	-	-	-	-502	116
Labor claims	1,328	-	-320	-668	-	340
Other provisions	64	-	-	-	-	64
Current	**7,796**	**5,351**	**-5,767**	**-26**	**502**	**7,856**
2017 collective dismissal (discontinuation of mercury-based technology)	2,860	-	-857	-	502	2,505
Free CO_2 emission allowances[Note 6 c)(ii)]	4,936	5,351	-4,910	-26	-	5,351
Other provisions	**9,806**	**5,351**	**-6,087**	**-694**	**-**	**8,376**

Nota 6 k) Long-term provisions for active employee benefits

These obligations correspond to long-service bonuses for prevailing active staff in accordance with the agreements signed between the Group and its trade union representatives, according to the following detailed:

Thousands of euros	Balance at 12/31/2020	Charge for the year	Utilization	Reversion	Transfers	Balance at 12/31/2021
Non-current	**2,088**	**221**	**-119**	**-**	**-**	**2,190**
Long-service bonuses	2,088	221	-119	-	-	2,190

Thousands of euros	Balance at 12/31/2019	Charge for the year	Utilization	Reversion	Transfers	Balance at 12/31/2020
Non-current	**1,965**	**256**	**-133**	**-**	**-**	**2,088**
Long-service bonuses	1,965	256	-133	-	-	2,088

The actuarial calculation carried out to obtain the present value of the obligation for long-service bonuses has taken into account the Pasem 2010 mortality tables published by resolution of the General Directorate of Insurance and Pension Plans of July 6, 2012, and an annual interest rate of 0.54%, which is the maximum annual interest rate established by the resolution of January 7, 2021, of the General Directorate.

Nota 6 l) Deferred income. Government grants

Official subsidies are recorded at fair value when it is certain that the conditions established for obtaining them are met, and there are realistic expectations that such subsidies will be received. In the case of a subsidy related to a flow of expenses, this flow is taken to the consolidated statement of income over the number of periods necessary to make the subsidy equal to the expenses which the subsidy is intended to cover, on a straight-line basis. When the subsidy is related to an asset, the fair value is recognized as deferred income and is taken to the consolidated statement of income over the expected useful life of the asset.

Zero interest loans from public institutions are initially recognized at discounted value, assuming a market interest rate. Following initial recognition, the interest cost is recognized and the implicit grant amortized.

The movements in this caption in 2021 and 2020 are as follows:

Thousands of euros	**2021**	**2020**
Grants for free allocation of emission allowances:		
Balance at January 1	**238**	**237**
Allowances allocated in the year	10,212	5,333
Transfers to comprehensive income for the period for consumed allowances [note 5 c)]	-10,443	-5,357
Adjustment for previous year recognition	11	25
Balance at December 31	**18**	**238**
Non-repayable grants for investments in property, plant and equipment items:		
Balance at January 1	**9,683**	**10,581**
Grants awarded in the year	1,909	-
Grants for implicit interest	450	108
Grants released to income for the period [Note 5 c)]	-873	-887
Adjustments to prior-year grants	-190	-119
Balance at December 31	**10,979**	**9,683**
Balance of total grants at December 31	**10,997**	**9,921**

The grants awarded by Institute for Diversification and Saving of Energy (‘idea’) are linked to investments that entail a significant saving in consumed energy.

The amount receivable from grants awarded is as follows:

Thousands of euros	**12/31/2021**	**12/31/2020**
Non-current financial assets [Note 6 d) (i)]	2,456	1,789
Other current assets [Note 6 m)]	2,883	3,843
Grants	**5,339**	**5,632**

The movement in grants is as follows:

Thousands of euros	2020	2019
Balance at January 1	**5,632**	**7,386**
Awarding of non-repayable grants	1,909	-
Compensation for indirect CO_2 emission allowances	7,140	2,295
Compensation for electro-intensive consumption	1,502	-
Receipt of indirect CO_2 emission allowances	-7,140	-2,295
Grants received for electro-intensive consumption	-1,502	-
Receipt of other grants	-2,012	-1,642
Adjustments to prior-year grants	-190	-119
Others	-	7
Balance at December 31	**5,339**	**5,632**

Nota 6 m) Other current assets

The breakdown of this caption in 2021 and 2020 is as follows:

Thousands of euros	12/31/2021	12/31/2020
Deposits pledged as security of guarantees received [Notes 3 c) and 6 d)]	1,331	2,477
Receivable balances from Public Administrations:		
VAT	4,087	4,707
Withholdings on account	346	365
Grants awarded [Note 6 l)]	2,883	3,843
Others	692	576
Other current assets at amortized cost	**9,339**	**11,968**

Short-term deposits are pledged as security of the guarantees issued by the financial entities, which in turn guarantee the Group's commitments with third parties.

As indicated in Note 6 d) (i), the Group has other deposits pledged as security of commitments to third parties –recorded in the caption 'Non-current financial assets'–, for an amount of 1,257 thousand (4,170 thousand euros in 2020). The overall deposits pledged as security of guarantees and other debts amount to 2,588 thousand euros (6,647 thousand euros in 2020). The Group records these pledged balances as a decrease in gross financial debt for the purpose of calculating the Group's net financial debt [see Notes 3 c) and 6 d)].

Nota 6 n) Other current liabilities and trade payables

The breakdown of the 'Other current liabilities' caption is as follows:

Thousands of euros	12/31/2021	12/31/2020
Asset suppliers	11,376	7,296
Customer advances	1,574	1,857
Public administrations	4,369	4,197
Employee benefits payable	3,548	2,974
Other current liabilities	**20,867**	**16,324**

6 n) (i) Information on late payments to trade creditors

With respect to Law 15/2010, of July 5, amending Law 3/2004 of December 29, establishing measures to be taken in combating arrears in commercial transactions, the average payment period to suppliers at December 31, 2021 is 55.62 days (61.69 days at 2020 year end).

At December 31, 2021, the payments that exceeded 60 days accounted for 40.27% of all payments made (44.41% in 2020).

The table below shows the breakdown of the average payment period to suppliers, the ratio of transactions paid and the transactions pending payment, as well as total payments made and outstanding in 2021 and 2020:

	2021	2020
Average payment period to suppliers (days)	55.62	61.69
Ratio of transactions paid (days)	58.48	64.30
Ratio of transactions pending payment (days)[1]	38.30	45.33
Total payments made (thousands of euros)	702,958	513,501
Total payments outstanding (thousands of euros)	169,905	102,447

1. At December 31, 2021 and 2020.

Nota 6 o) Income tax

Assets and liabilities for deferred tax are recorded for all taxable temporary differences existing at the consolidated statement of financial position date, between the carrying amount of the assets and liabilities and the tax value of such assets,

Deferred tax liabilities are recognized for all types of taxable temporary differences, except in taxable temporary differences which arise from purchased goodwill for which the depreciation is not tax-deductible and differences which arise from the initial recognition of an asset or a liability in a transaction which is not a business combination and, at the time of the transaction, did not affect either the accounting profit or the taxable profit or loss.

The deferred tax liabilities recognized by the Group correspond to (i) the gain allocated to the property, plant and equipment items as a result of the business combination, and (ii) deferred tax liabilities already recognized in the financial statements of the companies acquired arisen as a result of the recognition of increases in the value of property, plant and equipment items: (iii) non-deductible portion of dividends or income from the sale of ownership interests held in associates (5%) and (iv) amount to be taxed for the cash flow hedge reserve.

The recovery of deferred tax assets is reviewed at each consolidated statement of financial position date, and the carrying amount of the deferred tax asset is reduced to the extent that it is believed probable that there will not be sufficient taxable profit to offset it, while are recorded on the balance sheet those unrecognized deferred income tax assets whose recovery becomes probable. For this purpose, the Group assesses their earnings forecast estimate in order to assess the probability to use the tax credits within a reasonable term of 10 years.

The Group has reviewed its profit forecast for the next 10 years, which include the effects of the 3D Plan approved by the Board of Directors on January 22, 2021. These forecasts have not been reviewed by any expert.

In 2021, the Group has decided to record the deferred tax assets related to (i) deductible temporary differences arisen in the year; (ii) the deductions accredited in the year pending application; and (iii) unused tax loss carryforwards expected to be utilized in the next 10 years.

Deferred tax assets and liabilities are measured on the basis of their expected form of calculation tax laws and tax rates which have been enacted or substantially enacted at the consolidated statement of financial position date.

The impact of tax rates changes on deferred tax assets and liabilities is recorded in the consolidated statement of comprehensive income, except when it applies to entries recognized directly in net equity.

Ercros, S.A. pays taxes in accordance with the special tax consolidation regime under Chapter VI Title VII of the Income Tax Law, which came into effect on January 1, 2015. Specifically, this company is the parent of the Ercros tax group in Spain, which at December 31, 2021 also includes Cloratita, S.A. [see Note 3 f) (i)].

Consequently, the income tax expense and liability of the Group is calculated upon the aggregation of the taxable bases of the different companies listed above, adjusted for the tax effect deriving from the special regime applicable to the tax Group made up of the companies listed above.

The companies present individually the balance of the consolidated statement of comprehensive income, after considering the accrued amount corresponding to income tax recognized as expense, taking into account tax permanent differences, and regardless of the payable amount. Each company, as a result of the temporary differences between the profit (loss) for the year and the tax basis, assesses deferred tax assets and liabilities that will revert in subsequent financial years and tax payable amounts, with regards to their foreseeable realization or application.

The tax status of the different companies in the Group can be differentiated based on their separate effect on the tax Group. The assignation of the different Group companies is broken down as follows:

Tax group (tax consolidation)	Outside of tax group (individual basis taxation)
Ercros S.A.	Ercros France, S.A.
Cloratita, S.A.	Salinas de Navarra, S.A.
	Gades, Ltd.
	Ercekol, A.I.E.
	Asociación Flix-Coquisa, S.L.

The Tax Group includes the taxable income of all group companies, adjusted by the tax effects derived from the consolidation tax system. The aggregation can be reduced, when positive, through the compensation of tax loss carry forwards of the tax Group and current tax losses of the related companies. Consequently, the tax Group’s income tax expense or income can be determined, which includes the income tax expense attributable to the remaining companies outside the tax Group.

It should be noted that the sections below of this Note refer to the Company, since it is the entity fully generating the permanent and temporary differences in the income tax return, and therefore, it is affected by the impact of the income tax expense/income.

6 o) (i) Components of the income tax expense/income

Thousands of euros	Year 2021	2020
Tax expense accrued during the year	**-12,840**	**-1,430**
Tax Group's income tax expense	-12,768	-1,361
Current (see calculation below)	-4,631	-309
Deferred (see disclosure below)	-8,137	-1,052
Income tax expense of other group companies outside the tax consolidation group	-72	-69
Differences in the prior year final income tax return	**12**	**6**
Recognition of deferred tax assets	**4,969**	**696**
Unused tax loss carryforwards arisen in prior years	3,369	-
Accredited deductions arisen in the year and prior years	1,600	696
Income tax income/expense recorded in profit/(loss) for the year	**-7,859**	**-728**

The income tax expense for the year 2021 has been estimated by applying a 25% tax rate for the tax group companies resident in Spain as described in the table below. There is another group company, domiciled in France (Ercros France, S.A.) that files taxes at a 28.45% tax rate.

Profit for the year before tax is as follows:

Thousands of euros	Year 2021	Year 2020
Tax group's profit	50,762	6,905
Profit/(loss) of companies accounted for using the equity method	607	509
Profit/(loss) of companies accounted for using the full consolidation method not included in the tax group	253	209
Elimination of dividends received from companies accounted for using the equity method	-600	-840
Impact of the application of IFRS 16	134	202
Profit for the year before tax	**51,156**	**6,985**

The estimate of the current expense accrued during the year by the tax group is as follows:

Thousands of euros	2021	2020
1. Consolidated profit/(loss) before tax	50,762	6,905
2. Permanent differences	3,536	156
Reversal of temporary differences arisen in prior years:		
3. For which deferred tax assets were recorded	-9,849	-10,533
4. For which no deferred tax assets were recorded	-168	-185
5. For which deferred tax liabilities were recorded	338	3,988
Temporary differences arisen in the year:		
6. For which deferred tax assets were recorded	9,026	4,903
7. Dividends received	-570	-840
8. Difference for consolidation of results	-	68
9. Previous taxable base (‘PTB’) (1+2+3+4+5+6+7+8)	**53,075**	**4,462**
10. Capitalization reserve [Note 3 d) (iii)]	-2,219	-446
11. Utilization of unused tax loss carryforwards arisen in prior years (25% limit on PTB)	-13,269	-1,115
12. Taxable income (9+10+11)	37,587	2,901
13. Tax rate	25%	25%
14. Previous net tax payable (13×12)	**9,396**	**725**
Tax credits applied:		
15. Arisen in the year	67	54
16. Arisen in prior years and capitalized	4,698	362
17. Net tax payable (14-15-16) – current expense	**4,631**	**309**
18. Payment on account and withholdings made during the year	8,094	1,079
19. Balance receivable from the IRS for the current income tax (17-18)	-3,463	-770

It should be noted that –as from 2016– unused tax loss carryforwards can only be utilized for a maximum amount of 25% of the previous taxable base, as explained below.

The balance with the IRS related to the resulting income tax is a debtor balance, as the minimum payments on account made during the year are calculated on the profit/(loss) in accordance with current prevailing regulations. Therefore, they are higher than the result of the estimated payment of the tax, which is calculated based on the taxable base.

6 o) (ii) Current income tax assets

At December 31, 2021 and 2020 this balance was composed of:

Thousands of euros	2021	2020
1. Receivable balance resulting from the estimate of the tax return for the year (according to the table above)	**3,463**	**770**
2. Final balance receivable from the prior year tax return filed	**867**	**-**
Initial estimate	770	-
Other adjustments	97	-
Current income tax assets (1+2)	**4,330**	**770**

The amount receivable from the 2019 and 2020 returns has been paid in the months of December 2020 and January 2022, respectively.

Limitation on the utilization of tax losses arisen in prior years.

In accordance with the Income Tax Law, which came into effect on January 1, 2015, unused tax loss carryforwards may be utilized against profit from the subsequent tax periods with a 60% limit (70% as from 2017) on the taxable base prior to the application of the capitalization reserve and its utilization. Such regulations foresee the possibility of utilizing up to 1,000 thousand euros in unused tax loss carryforwards for each tax period. Additionally, the said regulatory reform eliminated the time limit for the utilization of unused tax loss carryforwards, which was previously 18 years, and is currently a non-lapsable right for the unused tax loss carryforwards valid at January 1, 2015.

However, as a transitory scheme, during 2015 the companies whose volume of operations exceeded the amount of 6,010 thousand euros, and whose turnover in the prior year was at least 20,000 thousand euros but lower than 60,000 thousand euros, may only utilize 50% of the unused tax loss carryforwards prior to such utilization. This percentage was reduced to 25% in the cases of entities whose turnover was at least 60,000 thousand euros as is Ercros’s case.

However, on December 2, 2016 Royal Decree Law 3/2006 was approved adopting tax measures aimed at consolidating the public finance and other urgent social measures, which modified, effective from 2016 onwards, the utilization limits of tax loss carryforwards. To this effect, the limit is reduced for taxpayers whose turnover is greater than 60,000 thousand euros in the prior year to 25% of the taxable base previous to the application of the capitalization reserve and their utilization, the deductible amount being, in any case, 1,000 thousand euros.

Limit on the offset of deductions

Additionally, in connection with deductions, it should be noted that Royal Decree-Law 12/2012, of March 30, introducing several tax and administrative measures aimed at reducing public deficit, established that the period for utilization of deductions to stimulate the performance of certain activities was 15 years in general and 18 years for R&D activities and technological innovation.

Furthermore, a limit related to the deductions to encourage certain activities was established with a limit of 25% of the tax liability less deductions to avoid international double taxation and bonuses (the limit rises to 50% when the R&D deduction corresponding to expenses and investments made in the same period exceeds 10% of the tax liability, less deductions to avoid international double taxation and bonuses). This limit is also applied to deductions for reinvestment.

Additionally, the above-mentioned Royal Decree Law 3/2006 of December 2 has established, for the tax periods beginning on or after January 1, 2016, for taxpayers whose turnover is less than 20 million euros over the last 12 months prior to the start date of the tax period, that the amount of tax credits to avoid international double taxation, as well as of tax credits to avoid double taxation referred to in transitory provision 23 of the Income Tax Law may not overall exceed 50% of the tax payable.

6 o) (iii) Reconciliation of the tax expense accrued in the year and the amount resulting from applying the tax rate in force to profit/(loss) before tax

The table below shows the reconciliation between the tax expense accrued in the year and the amount resulting from applying the tax rate applicable to the Group (2021 and 2020: 25%) to the profit before tax:

Thousands of euros	2021	2020
Profit before tax (1)	**51,156**	**6,985**
Applicable tax rate (2)	**25%**	**25%**
Taxes according to applicable tax rate (1x2)	**12,789**	**1,746**
Adjustments:		
1. Increased tax rate in Ercros France, S.A.	9	8
2. Increased taxes due to losses in non-consolidated subsidiaries for tax purposes	-	10
3. Decreased income tax in subsidiaries accounted for using the equity method (taxes included)	-152	-127
4. Tax effect of the non-exemption of 5% of dividends received	8	-
5. Tax effect of the difference for consolidation of results	-	17
6. Tax effect of the application of IFRS 16	-34	-51
7. Tax effect of non-deductible expenses	884	39
8. Reduction in the taxable base due to charge to the capitalization reserve	-555	-112
9. Amount of tax profit not recognized in the prior years used to reduce tax expense for the current year:		
Temporary differences	-42	-46
Tax loss carryforwards	-	-
Tax credits	-67	-54
Tax expense accrued during the year	**12,840**	**1,430**

6 o) (iv) Deferred tax assets and liabilities

The movements in the 'Deferred tax assets' caption are as follows:

Thousands of euros	Related to temporary differences	Related to unused tax loss carryforwards	Related to unused tax credits	Total deferred tax assets
Balance at 12/31/2019	**10,789**	**22,703**	**6,771**	**40,263**
Additions	1,226	-	-	1,226
Utilizations in the tax return	-2,634	-279	-362	-3,275
Additions due to the recognition of unrecorded assets in prior years	-	-	696	696
Balance at 12/31/2020	**9,381**	**22,424**	**7,105**	**38,910**
Additions recorded in the year	2,257	-	1,365	3,622
Utilizations in the tax return	-2,462	-3,318	-4,698	-10,478
Additions due to the recognition of unrecorded assets in prior years	-	3,369	235	3,604
Balance at 12/31/2021	**9,176**	**22,475**	**4,007**	**35,658**

The movements in ‘Deferred tax liabilities’ are as follows:

Thousands of euros	Deferred tax liabilities
Balance at 12/31/2019	**24,114**
Utilizations in the tax return	-997
Tax effect of investments in associated companies	80
Balance at 12/31/2020	**23,197**
Utilizations in the tax return	-84
Tax effect of investments in associated companies	
Tax effect of cash flow hedging instruments	3,653
Balance at 12/31/2021	**26,766**

The breakdown of deferred tax liabilities recorded in the consolidated statement of financial position at December 31, 2021 is as follows:

Thousands of euros	**Deferred tax liabilities**
Tax effect at a 25% tax rate of the gains allocated to:	
Property, plant and equipment in:	
Business combinations	12,367
Other prior increases in value	6,887
Investment properties, in business combinations	2,743
Tax effect of investments in associated companies	80
Tax effect of cash flow hedging instruments	3,653
Other items	1,036
Total	**26,766**

The deferred income tax expense/income accrued during the year results from the variation in deferred tax assets and liabilities shown in the table below:

Thousands of euros	**2021**	**2020**
Income from:		
Additions of deferred tax assets in the tax estimate for the year	2,257	1,226
Derecognition of deferred tax liabilities utilized in the tax return	84	997
Expenses from:		
Derecognition of deferred tax assets applied in the tax return related to:		
Temporary differences	-2,462	-2,634
Deductions	-4,698	-362
Tax loss carryforwards	-3,318	-279
Deferred tax income/expense during the year	**-8,137**	**-1,052**

At 2021 and 2020 year end, the Group has unrecognized deferred tax assets according to the table below, calculated at a 25% tax rate (for temporary differences and unused tax loss carryforwards):

Thousands of euros	Deferred tax assets not recognized by the Group in the consolidated financial statements: Related to temporary differences pending reversal	Related to unused tax loss carryforwards	Related to unused tax credits	Total unrecognized deferred tax assets
Balance at 12/31/2019	**-**	**65,051**	**-**	**65,051**
Utilization in the estimated 2020 tax	-46	-	-54	-100
Certification of prior year deductions	-	-	196	196
Other adjustments	46	-	54	100
Recognition of deferred tax assets	-	-	-196	-196
Balance at 12/31/2020	**-**	**65,051**	**-**	**65,051**
Utilization in the estimated 2021 tax	-42	-	-67	-109
Certification of prior year deductions	-	-	235	235
Other adjustments	42	-22	67	87
Recognition of deferred tax assets	-	-3,369	-235	-3,604
Balance at 12/31/2021	**-**	**61,660**	**-**	**61,660**

Section 7. Commitments and other contingencies

Nota 7 a) Investment commitments

The table below shows the amount of investments at 2021 and 2020 year end that have been approved by the Group for the coming year (or subsequent years) based on the individual proposals made by the corresponding responsible people, differentiating those that had already been committed to third parties from those that had been not:

Investments approved pending execution

Thousands of euros	2021	2020
Not committed to third parties	**12,840**	**23,657**
For capacity extension	3,936	9,248
Other investments	8,904	14,409
Committed to third parties	**17,670**	**9,318**
For capacity extension	6,456	817
Other investments	11,214	8,501
Total investments approved pending execution	**30,510**	**32,975**

The evolution of investments pending execution in both years is as follows:

Thousands of euros	2021	2020
Balance at January 1	**32,975**	**20,816**
New investments authorized in the year	**32,215**	**43,410**
For capacity extension	6,442	11,896
Other investments	25,773	31,514
Investments executed during the year	**-34,680**	**-31,251**
For capacity extension	-7,495	-8,157
Other investments	-27,185	-23,094
Balance at December 31	**30,510**	**32,975**

Also, in addition to the aforementioned investments, the Company plans to make other investments to adapt to the new requirements derived from the renewal of the integrated environmental authorizations for its factories [Note 7 d)], as well as investments related to the 3D Plan.

Nota 7 b) Commitments for the repurchase of treasury shares

The Board of Directors of Ercros, at the meeting held on February 19, 2021, resolved to resume the fifth program for the repurchase treasury shares for redemption as part of the shareholder remuneration against profit for 2021.

At the meeting held on June 10, 2021 the Board of Directors approved the sixth program for the repurchase of treasury shares for redemption as part of the shareholder remuneration against profit for 2021.

In accordance with the shareholder remuneration policy, the company plans to earmark around 12.84 million euros for the repurchase of treasury shares against the 2021 payout. Of this amount, 6.52 million euros have already been used at year end. The remaining 6.32 million euros will be used in 2022, predictably before the general meeting is called.

The directors consider that the amount in the provision covers all the risks and future cash outflows.

Nota 7 c) Contingencies for legal claims

7 c) (i) Environmental remediation of El Hondón land.

Regarding the former location in El Hondón (Cartagena), on June 30, 2020 the Group filed an administrative appeal contesting the resolution of October 16, 2019 by the director-general of Environment whereby it was agreed to declare the El Hondon sector in Cartagena contaminated soil. The administrative proceedings are still in progress at the chamber for administrative proceedings of the High Court of Justice of the Region of Murcia. On September 2, 2021 Ercros filed a lawsuit and through measure of organization dated November 3, 2021 the Administration sued was required to file a response to the lawsuit.

Despite the contestation, and given the enforceability of the contaminated soil declaration resolution, on July 1, 2020 Ercros submitted the technical cleaning and remediation project for El Hondón in order to meet the obligation established in the contaminated soil declaration resolution. Through injunctions dated November 30, 2020 and February 12, 2021 the Directorate-General of Environment requested the correction of the technical project.

On February 5, 2021 and February 23, 2021, the Group filed an appeal to a superior court against the aforementioned injunctions for correcting the Project, requesting that they should be rendered invalid and that the remediation project submitted by Ercros in July 2020 be approved.

On November 29, 2021 Ercros was notified of the resolution by the Minister of Water, Agriculture, Fishing and Environment of the Region of Murcia dated November 19, 2021 resolving that the aforementioned appeals had not been admitted. Lastly, on January 21, 2022 Ercros filed an administrative appeal against the resolution of inadmissibility of the appeals to the High Court of Justice of Murcia.

The obligation to decontaminate the land to adapt it to residential purposes has been accepted by the owners according to the partial plan and the subdivision project approved in 2013. The City Council of Cartagena is the currently the main owner of the land.

7 c) (ii) Inspection assessments regarding the special tax on alcohol

On May 30, 2016 the technical department of the IRS notified the Company of the final tax assessment derived from the inspection carried out for the exemption applied to the consumption of pure ethanol used in the production of medicines during 2011 and 2012. The obligation that may arise for the Group as a result of the inspection assessment related to the special tax on alcohol has been estimated at 5,300 thousand euros.

Although the Central Economic Administrative Court ('TEAC') rejected the defense allegations through resolution of February 5, 2020, on October 13, 2020 Ercros filed an appeal to the chamber for administrative proceedings of the Spanish High Court. On March 4, 2021 the experts were summoned to court to ratify the expert report submitted by Ercros. On June 16, 2021 Ercros submitted the corresponding writ of conclusions. On September 28, 2021 Ercros was notified of the writ of conclusions issued by the state attorney. Also, it was declared that the proceedings had concluded and were pending vote and resolution [see Note 2 a)].

7 c) (iii) Inspection assessment regarding the personal income tax

In connection with the assessment signed in disagreement regarding the personal income tax for the years 2012 and 2013, proposing a tax payable of 312 thousand euros and late payment interest of 70 thousand euros, an amount that has been entirely paid, the date of vote and resolution by the Spanish High Court has not been set yet.

7 c) (iv) Inspection assessment regarding the corporate income tax

The assessment signed in disagreement regarding the corporate income tax for the years 2011, 2012 and 2013, which after several estimates proposes to reduce deductions for reinvestment by 921 thousand euros, is ready for sentencing by the Spanish High Court. The Company has recorded the right to offset the 921 thousand euros corresponding to the deduction for reinvestment as a deferred tax asset.

7 c) (v) Years open to tax inspection

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by tax authorities or until the four-year inspection period has expired. The Group is open to inspection for all taxes to which it is liable for the last four years, except for the corporate income tax, for which it is open to inspection for the last five years. The Group's directors and tax advisors consider that, in the event of a tax inspection, no significant tax contingencies would arise as a result of varying interpretations of the tax legislation applicable to the Group's transactions.

It should be noted the Law on the Income Tax allows the tax authorities to adjust the amounts corresponding to those items included in the taxable base in the tax periods being verified, even though they arose in transactions made in statute-barred tax periods.

Additionally, the said regulations establish that the tax authorities have the power to verify and investigate within a period of 10 years the unused/non-capitalized tax credits (tax loss carryforwards, deductions to avoid double taxation, deductions to encourage certain activities) at the moment the law comes into force.

The Group is not aware of any other risks, claims or litigation proceedings that at December 31, 2021 require additional provisions other than the ones detailed in Note 6 j).

Nota 7 d) Other contingent obligations

On February 12, 2020 Ercros's headquarters and the Vila-seca I and Vila-seca II factories were searched by order of the court of instruction no. 2 of Tarragona. The entry to and search of Ercros facilities were carried out under secrecy of proceedings as agreed by the court of instruction no. 2 of Tarragona within the framework of the preliminary enquiry 751/2019 and raised through judicial decree issued by the same court on April 23, 2021.

Up to the present date, neither the Court nor the prosecutor's office have specified the criminal offenses attributed to the investigated parties. Consequently, on May 13, 2021 Ercros requested that the criminal offenses attributed to it be specified and it subsequently requested that the procedure be filed.

In accordance with good governance practices established by the Group, the audit committee requested an internal investigation that included a forensic analysis carried out by KPMG, which concluded that "no evidence had been found of any irregularities by Ercros or its employees".

Obtaining of signatures for the Group's financial statements

The purpose of obtaining the signatures of the persons noted below is to evidence that the Board of Directors of Ercros, S.A., at its meeting held on February 18, 2022 approved the consolidated financial statements of the Ercros Group, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, and explanatory notes to the consolidated financial statements, for the year ended December 31, 2021.

The contents of the consolidated financial statements have been prepared in accordance with title VII of the Spanish Corporate Enterprises Act, title III of the Commercial Code and prevailing regulations.

In accordance with Article 8 b) of Royal Decree Law 1362/2007, Daniel Ripley, as secretary to the Board of Directors of the Company, hereby certifies that the directors of the Company have given their approval of the contents of the consolidated financial statements, in the sense that, to the best of their knowledge, the consolidated financial statements prepared in conformity with applicable accounting principles give a true and fair view of the equity, financial position and results of Ercros, S.A. and subsidiaries.

The meeting that took place on February 18, 2022 was held virtually due to the restrictions agreed as a result of the Covid-19 health crisis in order to preserve the health of the attendees. Consequently, the statement of responsibility for the Group's financial statements does not include the signatures of the following directors:

- Mr. Antonio Zabalza Martí
- Ms. Lourdes Vega Fernández
- Mr. Eduardo Sánchez Morrondo
- Ms. Carme Moragues Josa
- Mr. Laureano Roldán Aguilar
- Mr. Joan Casas Galofré

In witness whereof, this certificate is hereby issued and signed, with the approval by the Chairman, Mr. Antonio Zabalza Martí, in Barcelona, on February 18, 2022.

Approved by THE CHAIRMAN	THE SECRETARY
Mr. Antonio Zabalza Martí	Mr. Daniel Ripley Soria

C. MANAGEMENT REPORT OF THE ERCROS GROUP

This consolidated management report (‘CMR’) is published in compliance with articles 44 of the Code of Commerce and 253 of the Spanish Corporate Enterprises Act (‘CEA’).

The objectives of this management report are as follows: (i) provide a fair explanation of the Ercros Group and its business performance; (ii) disclose the Group’s risks, uncertainties and opportunities; (iii) supplement the information contained in the financial statements; and (iv) present information that is relevant, understandable, verifiable, timely and useful for the shareholders.

Its content, in addition to complying with the provisions set forth in chapter III of said CEA and article 49 of the Code of Commerce, follows the guide for the preparation of the management report in listed companies written by the working group promoted by the Spanish National Securities Market Commission (‘CNMV’). The Ercros Group has voluntarily adopted this guide, in the interest of the corporate governance good practices.

The CMR also includes the non-financial information statement as required by article 49 of the Code of Commerce and 262 of the CEA, modified in turn by Law 11/2018 of December 28. The non-financial information statement is presented in a separate document as allowed by the abovementioned regulations and will be submitted for approval by the shareholders in general meeting as a separate item in the agenda.

Likewise, in accordance with article 540 of the CEA, the Ercros Group presents the annual corporate governance report on a separate document –which forms part of this CMR, however.

C. Management Report of the Ercros Group

Ercros

C 1. Group position

1.1. Organizational structure

The governing bodies of the company Ercros, S.A. (hereinafter the Company or Ercros) are the General Shareholders Meeting and the Board of Directors. The board includes two supervisory and control committees: the audit committee and the appointments, remuneration, sustainability and corporate social responsibility committee; and the strategy and investments committee. The operating management bodies are the Executive Committee and the Management Committee.

a) General Meeting of Shareholders

On June 11, 2021 the Company held its shareholders' general meeting exclusively online due to the current crisis caused by the covid-19 pandemic. The shareholders in general meeting approved all the points in the agenda proposed by the board of directors and rejected the proposed points of the agenda through the request for a supplement to the call notified to the Company on May 10, 2021.

In addition to the mandatory or usual proposals –approval of the financial statements, management report and non-financial statement of the Company and its consolidated Group; re-election of the external auditor; advisory vote on the report on the remuneration of the directors, and delegation to the board and the secretary for executing the agreements–, the following proposals were approved at the said general meeting:

- The amendment to the by-laws to adapt their content to prevailing legislation and to the regulations on the board of directors, which were amended in accordance with the recommendations set forth in the 2020 Code of Good Governance of listed companies;

- The amendment to the regulations on the general meeting of shareholders to include the possibility of holding the general meeting exclusively online and the requirement that all board directors be natural persons.

- The ratification of the shareholder remuneration policy approved by the board of directors on April 30, 2021.

- The re-election of Ms. Carme Moragues Josa as independent director.

In attendance at the Meeting were 6,298 shareholders of 68,802 thousand shares, representing 68.140% of the subscribed voting capital, of which 20.776% was present and the remaining 47.364% was represented.

The Company paid a gross premium of 0.005 euros gross per share to the shareholders that attended said meeting.

b) The Board of Directors

At the general meeting held on June 11, 2021 the shareholders approved the proposed reelection for a new term, for the maximum legal period (currently four years), keeping her current category, of the independent director Carme Moragues Josa.

As a result, the composition of Ercros's Board of Directors is as follows:

- Chairman and executive director: Mr. Zabalza Martí.

- Independent directors: Mses. Moragues Josa (coordinator) and Vega Fernández (acting coordinator).

- Board members classified as 'other external board members': Mr. Roldán Aguilar and Mr. Sánchez Morrondo.

- Proprietary director: Mr. Casas Galofré.

The position of non-board member secretary is held by Mr. Daniel Ripley Soria.

In 2021 the board has held 9 sessions that were attended by all the directors.
Eight meetings were held by videoconference and one in writing without the members attending personally.

At the meeting held on December 17, 2021 the board of directors: (i) assessed the quality and efficiency of the functioning and composition of the board and committees, as well as the performance of the first executive of the Company and of every director, and approved the policies on taxes, zero-tolerance with market manipulation and personal data protection, and the update of the sustainability and board diversity policies.

The remuneration earned by each member of the board of directors is detailed in Note 4 d) (iii) to the consolidated financial statements.

(i) Audit committee

The meeting of the board of directors held on July 23, 2021 approved the appointment of the independent director Carme Moragues Josa as the chairwoman of the audit committee and the continuation of the independent director Lourdes Vega Fernández as a member of the said committee, considering their knowledge and experience of accounting, audit and financial and non-financial risk management.

The composition of the Audit Committee, after the changes made over 2021, is as follows:

- Chairwoman: Ms. Moragues Josa, independent director.

- Board members: Ms. Vega Fernández, independent director, and Mr. Roldán Aguilar, a director belonging to the 'other external directors' category.

Mr. Ripley Soria, the secretary to the Board of Directors of Ercros, is the secretary to the said committee.

In 2021 the audit committee held six meetings, all of them by videoconference, that were attended by all its members.

The internal audit department, which is led by Xavier Álvarez García, and the compliance committee, which is composed of Xavier Álvarez García and Asunción Loste Madoz, director of the legal counsel department, answer to the audit committee.

(ii) Appointments, remuneration, sustainability and corporate social responsibility committee

On January 22, 2021 the board of directors approved the duties and the new name of the Appointments and Remuneration Committee, which is now called Appointments, Remuneration, Sustainability and Corporate Social Responsibility Committee (ARS&CSRC).

The meeting of the board of directors held on July 23, 2021 approved the appointment of the independent director Lourdes Vega Fernández as chairwoman of the ARS&CSRC, and the continuation of the independent director Carme Moragues Josa as a member of the said committee, considering their knowledge and experience of corporate governance, analysis and strategic assessment of human resources, selection of directors and executives, including the assessment of the suitability requirements that may be required, performance of senior management duties and design of remuneration policies and plans for directors and senior executives.

The composition of the ARS&CSRC, after the changes made over 2021, is as follows:

- Chairwoman: Ms. Vega Fernández, independent director.

- Board members: Ms. Moragues Josa, independent director, and Mr. Sánchez Morrondo, a director belonging to the 'other external directors' category.

Mr. Ripley Soria, the secretary to the Board of Directors of Ercros, is the secretary to the said committee.

In 2021 the committee held six meetings, all of them by videoconference, that were attended by all its members.

(iii) Strategy and Investments Committee

The strategy and investments committee, which was created following the approval by the board of directors on June 5, 2020, has been formed independently from the existing supervision and control committees and performs advisory and strategic duties.

The current composition of the strategy and investments committee is as follows:

- Chairman: Mr. Zabalza Martí, executive director.

- Board members: Ms. Moragues Josa, independent director, and Mr. Casas Galofré, proprietary director.

Mr. Ripley Soria, the secretary to the Board of Directors of Ercros, is also the secretary to the said committee.

During 2021 this committee held 11 meetings, all of them by videoconference, that were attended by all its members.

Composition of the Board of Directors at 12-31-21

Board member	Position	Category	Committees	Last appointment
Antonio Zabalza Martí	Chairman and CEO	Executive	- Strategy and Investments	6/5/2020
Carme Moragues Josa	Coordinating director	Independent	- Audit - Appointments and Remuneration - Strategy and Investments	6/11/2021[1]
Lourdes Vega Fernández	Proxy coordinating director	Independent	- Audit - Appointments and Remuneration	6/5/2020
Laureano Roldán Aguilar	Board member	Other external board members	- Audit	6/5/2020
Eduardo Sánchez Morrondo	Board member	Other external board members	- Appointments and Remuneration	6/5/2020
Joan Casas Galofré	Board member	Proprietary	- Strategy and Investments	6/5/2020
Daniel Ripley Soria	Secretary, non-board member			

1. At the general meeting held on June 11, 2021 the shareholders approved the re-election of Carme Moragues Josa as independent director.

c) Executive Committee

It is the body that ensures that the agreements reached by the Board of Directors are put into practice and followed up, continuously monitors operational and risk management in general, and approves the Group's investments and financing.

It consists of the executive director, the general manager of business and the chief financial officer, and meets at least once a week.

d) Management Committee

It is the body responsible for the monthly monitoring of the Group's operational management

It consists of the executive director, two general managers, three division directors, the sales directors of each division and the directors of institutional relations and communication, administration, finance, sustainable management, human resources, IT, comprehensive logistics, legal counsel and R&D&I.

The management committee has met 11 times in 2021.

1.2. Industrial structure

Ercros industrial group (hereinafter the Group or the Ercros Group) is structured into three business segments: (i) the Chlorine Derivatives Division Group, a business strategic unit with chlorine as the common link; (ii) the Intermediate Chemicals Division, which focuses on the formaldehyde chemistry, which is the product from which the other products composing its portfolio are manufactured; and (iii) the Pharmaceuticals division, which engages in the manufacture of active pharmaceutical ingredients (APIs).

At December 31, 2021, the Group had 10 production centers, all of them located in Spain. In the current year, there were no significant changes to the Group's industrial structure.

Centers and products

Divisions	Centers	Main products	Main applications
Chlorine derivatives	Flix, Monzón, Tarragona, Sabiñánigo, Vila-seca I and Vila-seca II	Hydrochloric acid TCCA Sodium chlorate Sodium chlorite Chlorine EDC Sodium hypochlorite Caustic potash PVC Caustic soda VCM	Industry in general Swimming-pool water Paper pulp bleaching Water treatment Derivatives manufacturing VCM manufacturing Water treatment Chemical industry Construction Industry in general PVC manufacturing

Intermediate Chemicals	Almussafes, Cerdanyola and Tortosa	Glues and resins Formaldehyde Sodium formate Paraformaldehyde Pentaerythritol Dipentaerythritol Molding compounds	Wood industry Derivatives manufacturing Tanning industry Resins Paints Paints Sanitary equipment and electrical material
Pharmaceuticals	Aranjuez	Fusidic acid Erythromycin Fosfomycin	Skin infections Antibiotics Antibiotics

1.3. Operation

a) Mission and principles

The general purpose of the Ercros Group is to consolidated as a solid and long-lasting industrial group that contributes in a sustainable manner to generate social wealth and wellbeing that gives appropriate returns to its shareholders and favors personal and professional development of its employees.

The Group's measures, aimed at increasing its value, is guided by four core principles: (i) maximum security for its employees, neighbors and installations; (ii) sustainability; (iii) satisfying the needs of its customers; and (iv) the greatest quality of its products.

b) Corporate strategy

The Ercros Group defines its business strategy according to multiannual plans that establish the measures to be adopted in order to increase productivity and efficiency in the use of its resources.

The three major long-term strategic objectives of the Group are:

- To create a sustainable, efficient, healthy and profitable chemical group with international presence.

- To have modern, sustainable and environmentally friendly and industrially integrated productive premises of a European dimension and located at competitive sites.

- Focus on high added-value products, which present competitive advantages and offer growth expectations.

Ercros

c) Diversification, Digitalization and Decarbonization Plan: The 3D Plan

On January 2021 the board of directors of the company approved the 3D Strategic Plan: Diversification, Digitalization and Decarbonization, which aims to ultimately transform Ercros into a sustainable company. Sustainable because of the diversification of its productive structure, which will allow it to mitigate the cyclical volatility of the chemical industry. Sustainable because of digital transformation and automation of processes, which will make it more competitive. And sustainable because of the adaptation of its environmental features to European and Spanish official requirements for fighting climate change.

The 3D Plan consists of 20 projects that will entail a total investment of 92 million euros over the period 2021-2029 and additional ebitda of 194 million euros. The Plan investments are being carried out on schedule.

As for the diversification objective, projects for increasing the manufacture capacity of dipentaerythritol have already begun during 2021 at the Tortosa factory (March) and of molding compounds at Cerdanyola factory (December). The following projects are currently in progress: (i) expansion of the polyol plant in Tortosa; (ii) expansion of the sodium chlorite plant at the Sabiñánigo factory; and (iii) construction of a new extraction plant at the Aranjuez factory for the production of two new antibiotics (vancomycin and gentamycin). The dates for all these investments to become operational remain as planned; first half of 2022 for the Tortosa project and second half of 2022 for Sabiñánigo and Aranjuez projects.

As for the digitalization objective, the B2B project for the logistics area has been completed and progress is being made on the projects for improving infrastructures and cybersecurity; optimizing work environment; automating, sensorization and upgrading control systems in the production area; and defining technical and organizational requirements for BigData/IoT projects for the production and maintenance areas.

As for the decarbonization objective, projects have been completed for improving energy efficiency in Tortosa (waste heat recovery unit at the polyol plant and replacement of several equipment items with more efficient machines) and for optimizing dissolvent consumption in Aranjuez; progress is also being made on the engineering of projects for steam production using biomass and for manufacture of EDC with more efficient technology than the current plant’s, both in Vila-seca.

d) Business model and challenges

Chlorine is the common link of the Chlorine Derivatives Division. Chlorine and caustic soda are obtained simultaneously during the same production process from sodium chloride (common salt) dissolved in water (brine) and electricity, in a proportion of 1 ton of chlorine to 1.12 tons of caustic soda. This assembly is known as the electrolytic unit (‘ECU’).

The margin of the ECU is determined: (i) in the income side, by the selling price of co-produced soda and profitability from the different chlorine applications; and (ii) in the cost side, by the price of energy power at any given time, which in 2021 has accounted for more than 50% of production costs, and by the cost of the raw materials consumed in the production of chlorine derivatives.

Caustic soda is a basic chemical reactive widely used in the industry (its main consumers are the aluminum sector –and, thus, the automotive industry– and the paper industry. Demand for caustic soda shows an increase equal to 1.5 times the growth in GDP and is marketed worldwide.

For safety and economic efficiency reasons, most of the chlorine produced is consumed in the same place where it is produced since it is obtained in gas form and is highly reactive. Approximately 60% of the chlorine produced by the Group is for self-consumption in the production of derivative products (sodium hypochlorite, hydrochloric acid, TCCA and the EDC/VCM/PVC chain); the rest is piped to a customer.

In 2022 the chlorine derivatives division will focus its investment objectives on the 3D Plan projects, including the project for expanding the capacity of the sodium chlorite production plant in Sabiñánigo, which will start operating in the second half of the year, and the launch of the decarbonization project, among others, the generation of vapor through biomass in the complex of Tarragona and the re-utilization of brine in Sabiñánigo. Likewise, actions aimed at consolidating the production of PVC will also be fostered, as well as actions aimed at strengthening the productive structure and increasing the capacity to consume chlorine internally in order to minimize the impact of the end of the contract with the main external customer of this product.

In line with the actions described in the paragraph above, one of Ercros's objectives for the coming years is to assume the costs derived from industry decarbonization, continue reducing the carbon footprint of our products and increase the weight of higher added value products with expanding markets, all of which is included in the 3D Plan.

Formaldehyde is the key product of the Intermediate Chemical Division, and methanol its main raw material. This consumable accounts for around 40% of the division's total costs. The Group has agreements of different duration with several suppliers of this raw material.

80% of formaldehyde produced is used in the manufacture of liquid as well as solid derivatives. The latter accounts for around 65% of the division's revenue and its market is global (its export percentage is 90%), The main foreign currency of the market for solid products is the dollar, so the business competitiveness and profitability is affected by the dollar/euro exchange rate.

The challenge of this business for 2022 is to increase the sales volumes in line with the recent extensions in the capacity of solid products and to develop the new resin ranges (ErcrosGreen and ErcrosTech), as detailed in the 3D Plan, giving priority to high added value markets and customers. In the medium term, the challenge of the division is to continue with the digitalization process of the entire value chain, keep its commitment to gradual decarbonization of the processes, continue increasing the service quality and standards of the products and reach excellence in efficiency in all operations. In the long term, the goal is to diversify the current portfolio.

The Pharmaceuticals Division focuses on the production of pharmaceutical raw materials and APIs (‘Active Pharmaceutical Ingredients), for generic and brand-name drugs, mainly from the family of antibiotics. The Division also specializes in the production of active and intermediate ingredients for third parties, specially tailored for the customers.

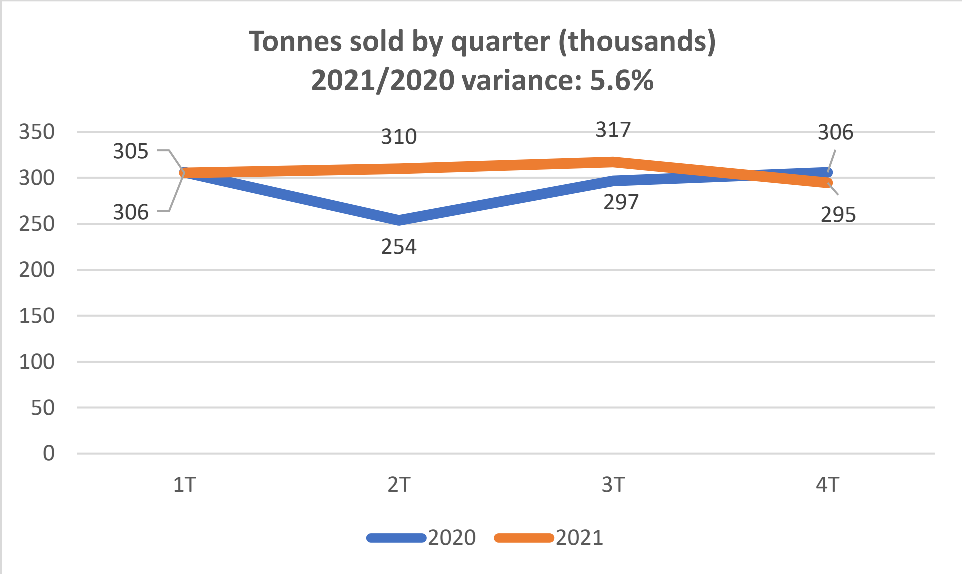
The main value of this business is its command of fermentation processes and its capacity to obtain sterile products for injection. It high degree of internationalization is also greatly valued (it exports more than 90% of sales), as well as its good position as a reliably and quality supplier to the largest laboratories in the world. The importance of external markets in the business causes both its sales volumes and margins to be influenced by the dollar/euro exchange rate.

The main challenges of this business in the short term are to monetize the larger productive capacity of sterile drugs, by incorporating new products and penetrating into new markets, and also to make the most of the fermentation capacity installed, by increasing the volume of sales of existing products and starting to produce new ones. The project included in the 3D Plan consisting in a new extraction plant to produce the antibiotics vancomycin and gentamycin is an example of the extension of the product portfolio.

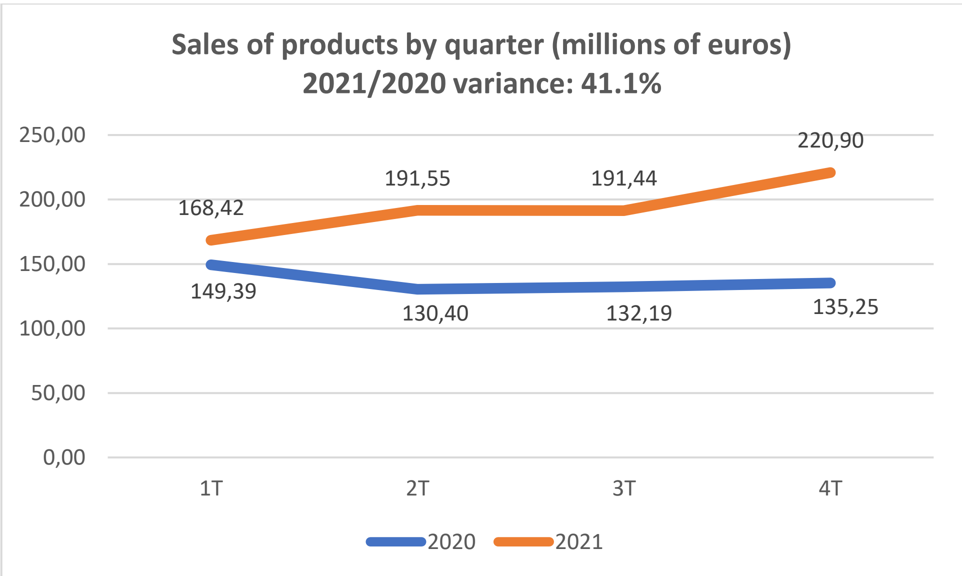
C 2. Business evolution and results

2.1 Analysis of the evolution of key indicators

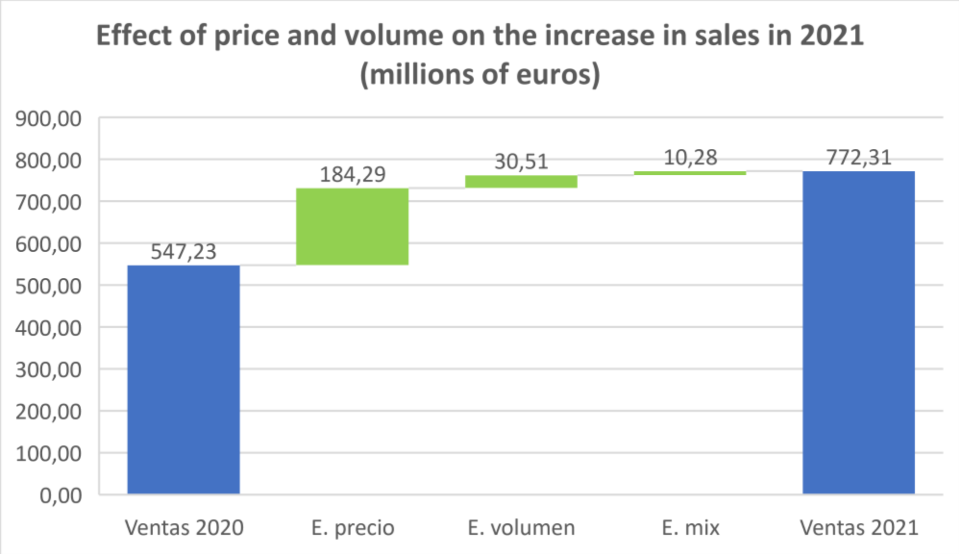
1. In 2021 the Group sold 1,227 thousand tonnes of manufactured products compared to 1,162 thousand tonnes sold in 2020: a 5.6% increase. The volume in 2021, which remained highly stable throughout the year, was way higher than in the two central quarters of 2020, when sales were dramatically affected by the first and stricter restrictions on movement imposed to stop the covid-19 pandemic.



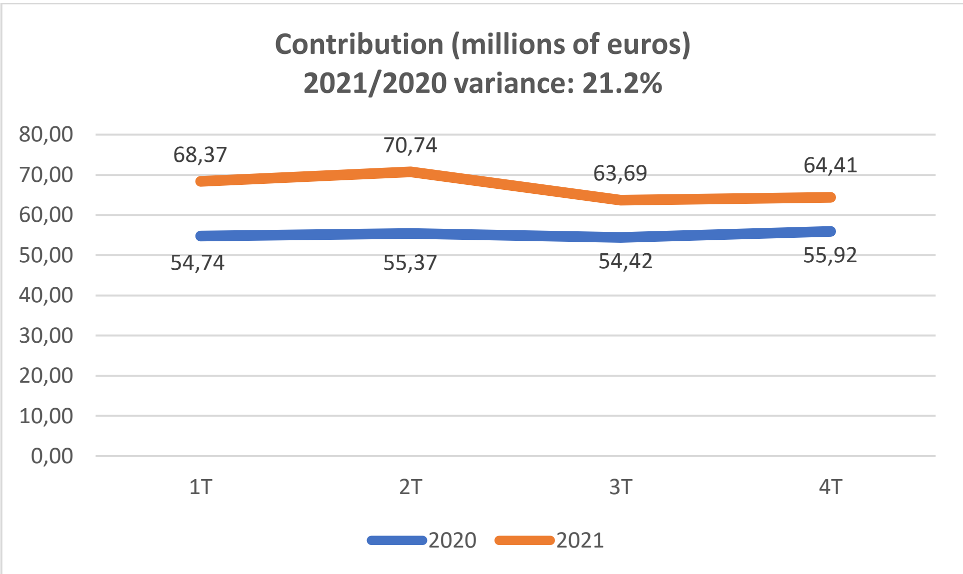
2. Total sales of products in 2021 amounted to 772.32 million euros compared to 547.24 million euros in 2020: 225.08 million euros more, that is, an increase of 41.1%. Sales in 2021 were higher than 2020 in the fourth quarters of the year.



3. The big difference between the increase in sales (41.1%) and the increase in tonnes sold (5.6%) reveals that throughout 2021 the average price of sold products rose significantly. Of the 225.08 million euros increase in sales, the rise in the average price accounts for 184.29 million (81.9%), volume accounts for 30.51 million (13.6%) and the mix effect accounts for the remaining 10.28 million (4.6%).

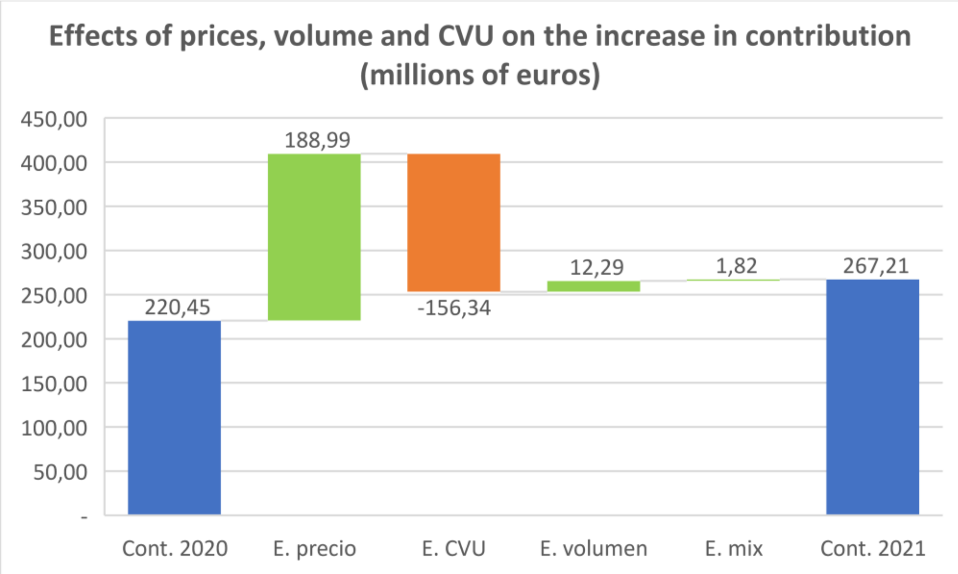


4. The contribution generated by the sales of products and the rendering of services amounted to 267.21 million euros in 2021 compared to 220.45 million euros in 2020; a 21.2% increase. Despite the good result in cumulative terms, the increase in variable costs, and in particular in energy supplies, caused a clear decrease in the contribution in the second half of 2021. While in the first half of 2021 the contribution was 26.3% higher than in the same period of 2020, in the second half this percentage was only 16.1%.

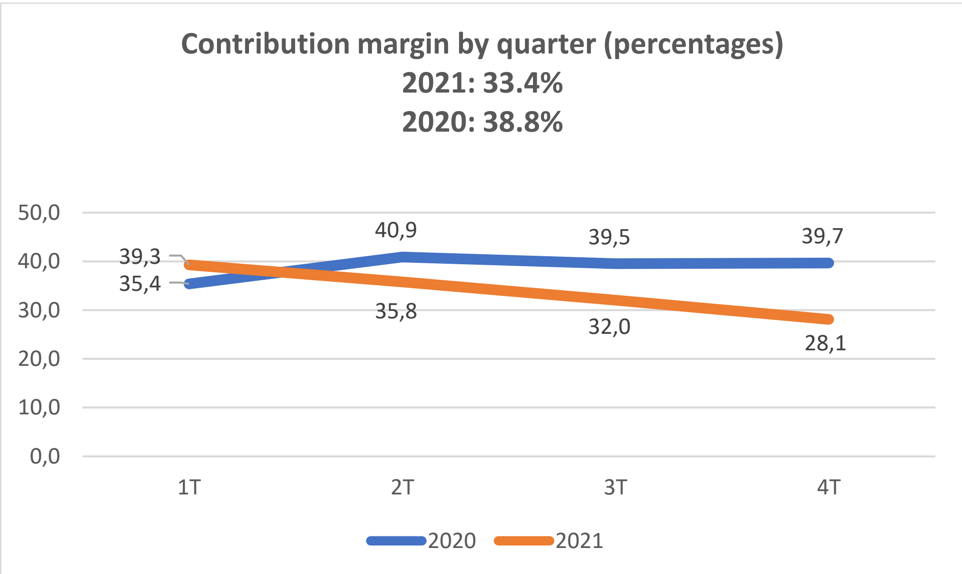


Contribution: (sales of products + rendering of services – consumables – utilities + change in inventory).

5. A strong demand together with limited supply in 2021 account for the strong effect that the rise in the average price of sold products had on contribution (188.99 million euros). This effect was partially counteracted by the rise in the variable unit cost, caused by higher costs of energy and raw materials, which reduced contribution by 156.34 million. The net effect of both forces amounted to 32.65 million (69.8% of the increase in contribution), to which a volume effect of 12.29 million (26.3%) needs to be added (a positive effect in terms of products sold and a negative effect in terms of raw materials and supplies).

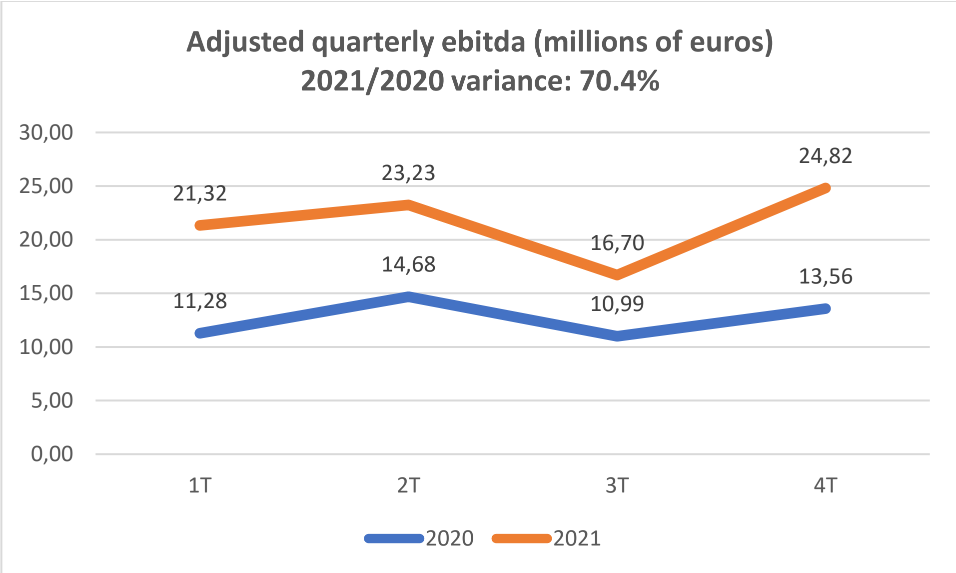


6. The contribution margin (contribution divided by the sum of sales of products plus rendering of services) decreased from 38.8% in 2020 to 33.4% in 2021: a 13.8% drop due to the fact that over 2021 the increase in the sum of sales and rendering of services (40.7%) was higher than the increase in contribution (21.2%).



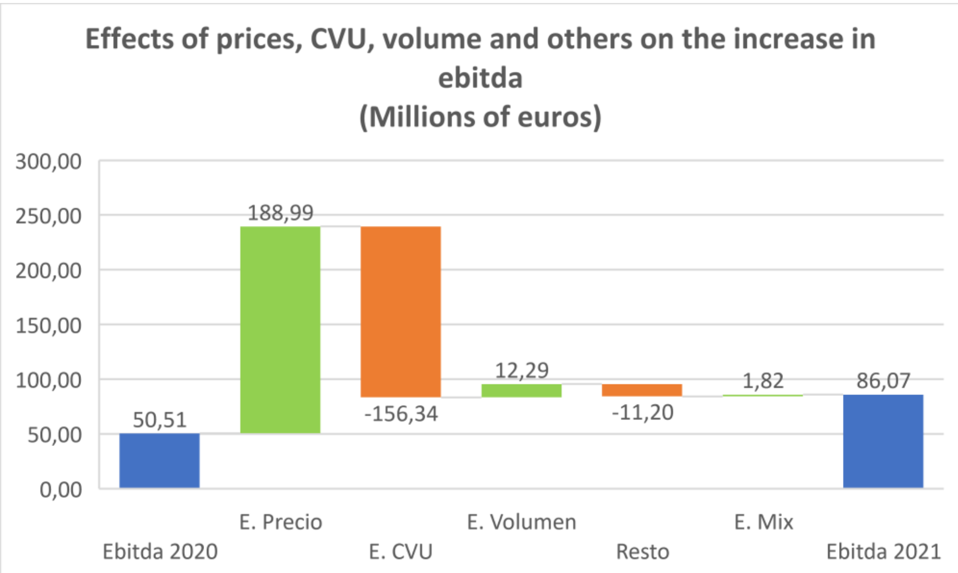
Contribution margin: contribution / (sales of products + rendering of services).

7. Adjusted ebitda in 2021 amounted to 86.07 million euros compared to 50.51 million euros in 2020: a 70.4% increase. The dramatic increase in last quarter's ebitda compared to 2020 is due to greater net contribution (4.91 million), greater compensation for indirect CO2 (4.85 million) and the reduction in electric charges as Ercros is recognized as an electro-intensive company (1.50 million).



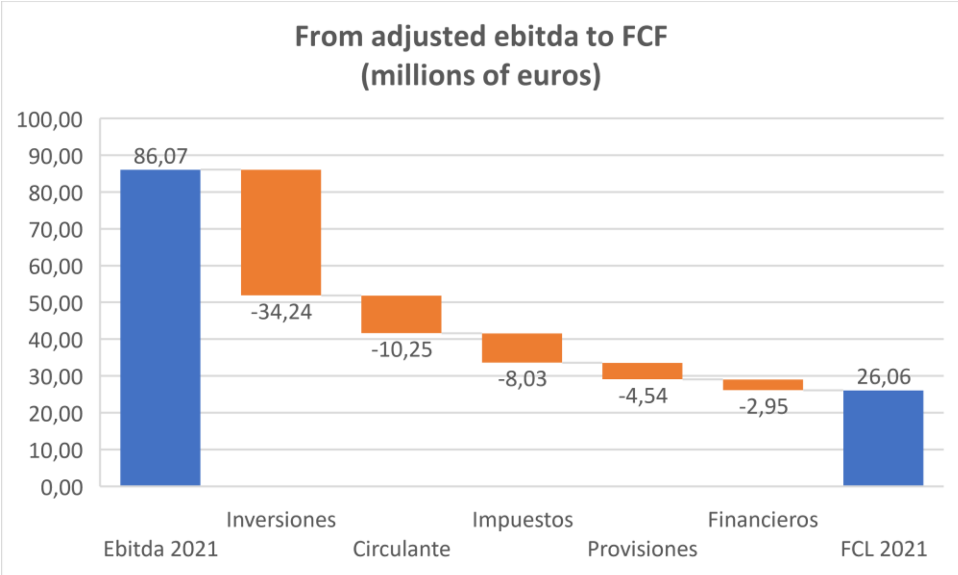
Adjusted ebitda: ebitda excluding non-recurring items. See table 'Reconciliation of ebitda' in Note 3 c) to the consolidated financial statements.

8. The increase in adjusted ebitda over 2021 is mainly due to the strong pull from the growth in contribution, which in the graph below is represented by the effect of prices, CVU, volume and mix, with a net contribution to ebitda of 46.76 million euros which far exceeds the detriment of 11.20 million euros caused by the increase in other income and in other operating expenses, including the rise in international freight charges (9.35 million) and fixed costs (4.70 million).

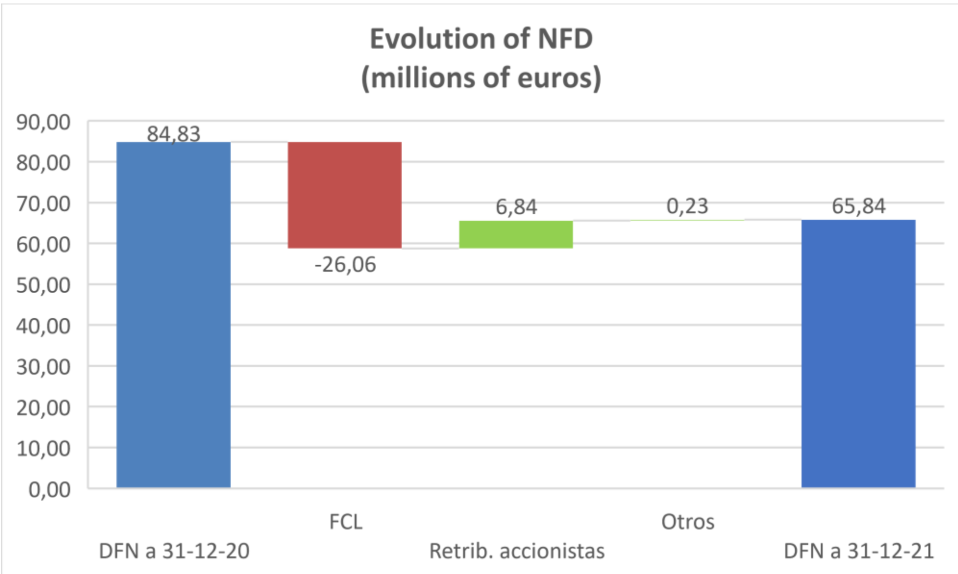


Other: change in rendering of services, other income, fixed and non-recurring costs.

9. Free cash flow (FCF) in 2021 amounted to 26.06 million euros, the result of subtracting from ebitda of 86.07 million euros, investments of 34.24 million, working capital of 10.25 million, taxes of 8.03 million, provisions of 4.54 million and net financial result of 2.95 million.



10. The Group's net financial debt at the beginning of 2021 amounted to 84.83 million euros. Throughout the year, the main debt reducing factor were the FCF generated in the period amounting to 26.06 million euros and the causes that led to an increase in debt were shareholder remuneration, amounting to 6.84 million (mainly due to the repurchase of treasury shares for redemption) and other minor factors for a net amount of 0.23 million. In total, the Group reduced its debt by 18.99 million euros. Consequently, the Group's debt at December 31, 2021 amounts to 65.84 million euros.



11. At December 31, 2021 the Group's liquidity amounts to 138.89 million euros, of which 51.57 million corresponded to cash and 87.32 million to undrawn financing facilities, including the loan amounting to 40 million euros granted by the European Investment Bank aimed at funding the 3D Plan investments, which at 2021 have already been partially completed.

2.2 Results

In addition to that stated in Section A of this note, the following should be highlighted regarding the 2021 profit:

The 'Rendering of services' caption increased by 28.6% as a result of greater demand for these services from customers. 'Other income' grew by 83% due to the increase in: (i) the amount of free CO_2 emission allowances; (ii) greater compensation for indirect CO_2 emission allowances; and (iii) income derived from the mechanism for compensating charges to electro-intensive consumers.

The aggregate amount of 'Consumables' and 'Change in inventory of finished products and work in progress' increased by 36.8% due to the significant rise in the price of raw materials, especially in ethylene, EDC and methanol.

'Utilities' increased by 114.7% mainly due to the strong rise in the price of energy, especially electricity.

'Employee benefits expense' increased by 3.2% compared to 2020 due to the 2.5% growth in average headcount and the pay rise applicable as from June 2021.

The 19.4% increase in 'Other operating expenses' is due to the increase in transportation expenses, mainly because of the higher price of international freight charges and, by symmetry with 'Other income', of CO_2 emission allowances. In 2021 the average price of emission allowance per tonne of CO_2 emitted more than doubled the price of 2020.

'Charge of provisions and other non-recurring expenses' increased by 48.5% compared to 2020 as a result of the year-end update based on new available information on commitments and obligations, mainly regarding land remediation.

'Reversal of provisions and other non-recurring income' includes: (i) non-recurring gains of 3.22 million euros, which is the fair value at which Ercros has acquired, by accession, some industrial units built by a third party on Ercros land once the use for which they were built has ended; (ii) income from the sale of scrap from the dismantling of facilities amounting to 1.60 million euros; and (iii) other non-recurring income from indemnities, refund of income that had been wrongly paid and other items amounting to 1.75 million euros.

‘Depreciation and amortization’ decreased by 5.9% compared to the prior year due to the decrease in depreciation of right-of-use assets and property, plant and equipment.

‘Finance result’ has decreased by 68.2% due to the decrease in the average cost of debt, exchange gains and the reversal of a portion of the provision for impairment of accounts receivable as a result of the improvement of global economic environment.

Higher corporate income tax expense is due to the higher profit obtained.

2.3 Other comprehensive income

‘Other comprehensive income’ includes the amount of the cash flow hedge reserve, net of tax, amounting to 10,957 thousand euros derived from the fluctuations in the purchase price of a portion of the electricity that the group expects to consume in 2022, according to the financial derivative arranged by the company. This contract considers a fixed purchase price below the price at December 31, 2021 of the futures for the electricity to be supplied in 2022. The amount of this reserve will be reclassified to profit/(loss) for the year 2022, giving rise to ‘Other comprehensive income’ for the same amount, with opposite sign.

2.4 Income statement

Thousands of euros	2021	2020	%
Income	**852,124**	**585,320**	**45.6**
Sale of finished products	772,317	547,236	41.1
Rendering of services	27,738	21,561	28.6
Other income	23,340	12,746	83.1
Reversal of provisions and other non-recurring income	6,569	3,777	73.9
Increase in inventories of finished goods and work in progress	22,160	-	-
Expenses	**-766,444**	**-535,719**	**43.1**
Supplies	-400,012	-267,946	49.3
Decrease in inventories of finished goods and work in progress	-	-8,202	-
Utilities	-154,993	-72,194	x2.1*
Employee benefits expense	-86,965	-84,296	3.2
Other operating expenses	-117,519	-98,398	19.4
Charge of provisions and other non-recurring expenses	-6,955	-4,683	48.5
Ebitda	**85,680**	**49,601**	**72.7**
Depreciation and amortization	-28,549	-30,329	-5.9
Impairment of assets	-3,450	-4,335	-20.4
Ebit	**53,681**	**14,937**	**×3.6***
Finance cost	-2,525	-7,952	-68.2
Profit before tax	**51,156**	**6,985**	×7.3*
Income tax	-7,859	-728	×10.8*
Profit for the year	**43,297**	**6,257**	**x6.9***

* Times in which the 2021 figure exceeds the 2020 figure (in absolute terms).

Reconciliation of adjusted ebitda

Thousands of euros	2021	2020	%
Ebitda	**85,680**	**49,601**	**72.7**
Non-recurring income items	-6,569	-3,777	73.9
Non-recurring expense items	6,955	4,683	48.5
Adjusted ebitda	**86,066**	**50,507**	**70.4**

Other total comprehensive income

Thousands of euros	2021	2020	%
Profit for the year	**43,297**	**6,257**	**x7.3***
Other comprehensive income- Items that will subsequently be reclassified to profit or loss for the year	10,957	-	-
Total comprehensive income	**54,254**	**6,257**	**x8.7***

** Times in which the 2021 figure exceeds the 2020 figure (in absolute terms).*

2.5 Results by business

Demand started to recover in the last quarter of the prior year and has remained very solid throughout 2021. However, it was accompanied by a strong rise in global prices of raw materials, energy and sea freight charges. Additionally, there were repeated supply chain failure events and greater forces that limited supply in several sectors and countries.

As for **chlorine-related businesses**, in 2021 the Group managed to: (i) maintain a high operational ratio of the plants, which allowed it to increase production and sales; and (ii) pass on the strong increase in the cost of raw materials, energy and freight charges to the selling prices of most of the products marketed by the division, thanks to the robustness of demand. The increase in the prices of the two products that register the highest volumes marketed by this division (PVC and caustic soda) was especially relevant, because of their total impact.

As a result, sales increased by 46.0% in comparison with 2020, whereas ebitda, amounting to 53.52 million euros, almost doubled the 27.19 million obtained in 2020. Lastly, the ebitda/sales ratio was 11.1%.

Strong demand and increase in selling prices was also the environment in the **intermediate chemicals** division. Sales increased by 50.3%, a higher increase than the rise in energy costs, sea freight and raw materials, especially in urea, cellulose, melamine, acetaldehyde and methanol. As a result, adjusted ebitda in 2021 (30.49 million euros) was 2.2 times higher than adjusted ebitda in 2020 (14.00 million euros). The ebitda/sales ratio of this division was 12.8%.

Unlike in the two prior divisions, in the case of the **pharmaceuticals** division, the economic environment in 2021 was not favorable. In addition to the production issues caused at the beginning of the year by the storm Filomena, which was especially fierce in central Spain, where the factory of this division is located, there was a strong increase in the costs of energy and raw materials, and weak demand for some of the products marketed by the division, especially fusidic acid and erythromycin and its byproducts.

Low demand was a direct consequence of restrictions and other measures adopted to deal with the pandemic in 2021 by the governments of the main countries where our products are sent. However, in the second half of 2021 sales of this division recovered gradually, and are expected to grow further in 2022.

As a result, the sales of the division dropped by 11.9% compared to 2020, which together with the rise in the price of raw materials and energy and less elasticity in the selling prices of the products of this division, resulted in a drop in adjusted ebitda by 77.9% and in an unusually low level of the ebitda/sales ratio (4.1%).

Results by division

	Chlorine derivatives division			Intermediate chemicals division			Pharmaceuticals division		
	2021	2020	%	2021	2020	%	2021	2020	%
Income	**542,370**	**360,565**	**50.4%**	**251,198**	**162,707**	**54.4%**	**51,987**	**58,271**	**-10.8%**
Sales of products	483,047	330,961	46.0%	238,567	158,737	50.3%	50,703	57,538	-11.9%
Rendering of services	27,707	21,533	28.7%	31	28	10.7%	0	0	
Other income	14,771	8,071	83.0%	8,245	3,942	109.2%	324	733	-55.8%
Change in inventory	16,845	0		4,355	0		960	0	
Expenses	**-488,853**	**-333,374**	**46.6%**	**-220,713**	**-148,746**	**48.4%**	**-49,923**	**-48,916**	**2.1%**
Consumables	-235,679	-154,257	52.8%	-144,358	-93,746	54.0%	-19,975	-19,943	0.2%
Change in inventory	0	-8,917		0	2,037	-100.0%	0	-1,322	-100.0%
Utilities	-130,625	-58,027	125.1%	-18,512	-10,960	68.9%	-5,856	-3,207	82.6%
Transport	-25,126	-21,513	16.8%	-17,625	-11,952	47.5%	-1,084	-1,017	6.6%
Employee benefits expense	-50,664	-49,159	3.1%	-22,566	-21,455	5.2%	-13,705	-13,682	0.2%
Other expenses	-46,759	-41,501	12.7%	-17,652	-12,670	39.3%	-9,303	-9,745	-4.5%
Ordinary ebitda2	**53,517**	**27,191**	**96.8%**	**30,485**	**13,961**	**118.4%**	**2,064**	**9,355**	**-77.9%**
Depreciation and amortization	-18,345	-19,374	-5.3%	-6,595	-7,487	-11.9%	-3,609	-3,468	4.1%
Operating profit	**35,172**	**7,817**	**349.9%**	**23,890**	**6,474**	**269.0%**	**-1,545**	**5,887**	**-126.2%**
Assets	328,277	278,433	17.9%	174,456	140,404	24.3%	67,837	56,320	20.4%
Liabilities	126,261	78,374	61.1%	46,506	32,566	42.8%	14,741	9,420	56.5%
Investments in non-current assets	17,997	26,583	-32.3%	3,369	1,651	104.1%	12,170	3,036	300.9%

1. The calculation of ordinary ebitda is detailed in Note 3 c) to the consolidated financial statements.

2.6 Geographical markets

Unlike last year, in 2021 the domestic market shows better performance than the foreign market due to the impact of the pandemic in the entire Spanish economy.

The domestic market accounted for 52% of sales and amounted to 418,082 thousand euros (263,340 thousand euros in 2020). The remaining 48% of sales were made abroad and amounted to 381,973 thousand euros (2020: 283,897 thousand euros).

64.3% of the chlorine derivatives division's turnover was recorded in Spain. In this business, sales to the Spanish market increased by 49.3% and exports by 40.4%.

In the intermediate chemicals division, turnover increased by 50.3% (53.5% in domestic market and 48.8% in foreign market). This business exports 67.5% of its turnover.

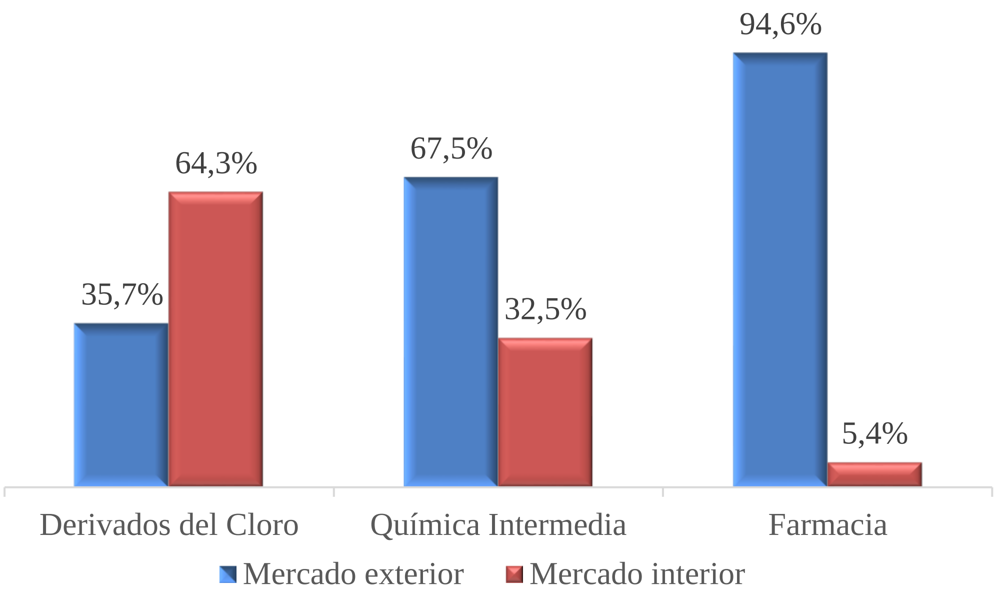
The pharmaceuticals division carries out 94.6% of its sales outside of Spain, decreasing by 11.9% in 2021 in comparison with the prior year. Sales in our country have dropped by 34.8%.

The European Union ('EU') is the main destination of the Group's exports and accounts for 27.8% of consolidated sales. Turnover in this area increased by 32% in comparison with 2020. Sales to OECD countries increased significantly by 42.8% and account for 11.5% of total sales. The rest of the world area, which accounts for 10.1% of consolidated turnover, saw an improvement in sales of 30.7% between 2020 and 2021 [see Note 3 a) to the consolidated financial statements].

In terms of sales, France, Italy and Portugal, together with the US, Germany and Turkey, are the three main destinations of the Group's exports.

Business Markets

(% over total sales of each business in 2021)



2.7 Exchange rate

The only assets and liabilities exposed to foreign currency risk are those arisen as a result of ordinary purchases and sales. No other assets in the Group's balance sheet are exposed to foreign currency risk [see Note 3 b) (ii) to the accompanying consolidated financial statements].

The US dollar is –by far– the main foreign currency that the Group is exposed to. No derivative instrument to hedge this risk is arranged.

In 2021 the average US dollar to euro exchange rate was 1.18 US dollars per euro, whereas in 2020 the average US dollar to euro exchange rate was 1.14 US dollars per euro. This depreciation in the average exchange rate has had a negative impact of 2,775 thousand euros on the Group's ebitda in 2021 in comparison with 2020. Net exposure amounted to 89,839 thousand US dollars.

An average exchange rate of 1.20 US dollars per euro has been estimated for 2022, although so far it has reached 1.13 US dollars per euro, in line with the rate at 2021 year end. This potential US dollar depreciation against the euro will have a negative impact for the Group as it will worsen the competitive position of the products it markets and reduce its profitability. On the contrary, appreciation will improve the Group's competitive position and profitability.

In 2022 it is expected that the Group will increase its net exposure to this foreign currency to reduce purchases in US dollars due to a change of supplier of some raw materials.

In 2021 the sales in US dollars amounted to 155,977 thousand, way over the 104,757 thousand in 2020. The sales in this currency accounted for 17.1% of total consolidated sales (16.8% in the prior year).

The purchases in US dollars increased from 42,077 thousand in 2020 to 66,138 thousand in 2021. This 57.2% increase is due to the higher purchase price of raw materials. In 2021, purchases in US dollars accounted for 10.2% of total consumables and utilities paid for by the Group (10.9% in the prior year).

2.8 Financial, operating and stock market indicators

Indicators[1]	2021	2020
Financial		
Leverage ratio (< 0.5)[2]	0.20	0.30
Solvency ratio (< 2)[2]	0.77	1.68
Liquidity	1.30	1.17
Funding of assets	1.17	1.07
ROCE (%)	12.88	3.87
Average collection period (days)	57.92	62.85
Average payment period (days)	55.62	61.69
Operating		
Production (thousands of tons)	1,563	1,457
Added value (thousands of euros)	172,645	133,897
Productivity (euros/person)	129,906	103,236
Gross margin/revenue (%)	53.06	54.22
Ordinary ebitda/sales margin (%)	10.76	8.88
Stock market		
Quoted market value (euros/share)	2.97	2.16
Capital value (thousands of euros)	299,885	218,098
EPS (euros)[2]	0.429	0.061
CFS (euros)	0.60	0.74
PER	6.93	34.86
P/BV	0.90	0.77

[2] Conditions for the payment of dividends.

[1.] **Calculation method and purpose of each indicator:**

Leverage ratio:
- Calculation: net debt ÷ total equity.
- Purpose: evaluate the level of non-group financing over the Group’s equity.

Solvency ratio:
- Calculation: net debt ÷ ordinary gross operating profit/loss.
- Purpose: evaluate the capacity to repay third-party financing in number of years.

Liquidity:
- Calculation: current assets ÷ current liabilities.
- Purpose: evaluate the capacity to meet payment commitments in the short term.

Funding of assets:
- Calculation: (equity + non-current liabilities) ÷ non-current assets.
- Purpose: evaluate to which extent non-current assets are financed with permanent resources.

ROCE:
- Calculation: operating profit/loss ÷ resources used
- Purpose: measure the level of return obtained by the Group in its business over the investment made.

Average collection period:
- Calculation: (average receivables in the year ÷ sales) x 365.
- Purpose: evaluate the average of days between sales and total collections in the year.

Average payment period:
- Calculation made in accordance with Law 15/2010, of July 5.
- Purpose: evaluate the average of days between purchases and total payments in the year.

Production:
- Calculation: volume of produced units.
- Purpose: measure the number of physical units produced.

Added value:
- Calculation: ordinary ebitda + personnel costs.
- Purpose: measure the wealth generated by the Group.

Productivity:
- Calculation: added value ÷ number of employees.
- Purpose: measure each employee's contribution to the generation of the Group's added value.

Gross margin/revenue:
- Calculation: (Income-consumables) ÷ revenue.
- Purpose: evaluate the profitability of the Group's product portfolio.

Ordinary ebitda/sales margin:
- Calculation: ordinary gross operating profit/loss÷ sales.
- Purpose: measure the profitability of sales in relation to gross operating profit obtained.

Quotation:
- Calculation: Ercros share quoted price at year end.
- Purpose: know the value given by the market to each Company share.

Market capitalization:
- Calculation: quoted price at year end × number of issued shares.
- Purpose: know the value allocated by the market to the Group's total equity.

EPS:
- Calculation: consolidated profit/(loss) for the year ÷ weighted average number of shares.
- Purpose: measure the earnings corresponding to each share.

CFS:
- Calculation: operating cash flow ÷ number of shares.
- Purpose: measure the generated cash flow corresponding to each share.

PER:
- Calculation: market capitalization ÷ profit/(loss) for the year
- Purpose: know how many times earnings per share is included in the share value.

P/BV:
- Calculation: market capitalization÷ total equity.
- Purpose: relate the Company's value in the stock exchange to its underlying net book value.

+ = added.
× = multiplied.
÷ = divided.

C3. Liquidity and capital resources

3.1. Economic analysis of the balance sheet

Non-current assets increased by 2.15 million euros, mainly due to the heavier weight of investments in property, plant and equipment over depreciation. Working capital increased by 28.27 million euros, mainly due to the increase in accounts receivable as a result of higher turnover and to the increase in the carrying amount of inventory due to the higher price of raw materials.

Equity increased by 47.40 million euros, the net result of profit for the year amounting to 43.30 million euros and other comprehensive income amounting to 10.96 million and, with opposite effect, the repurchase of treasury shares, amounting to 6.52 million euros, and the premium paid for attending the general meeting of shareholders amounting to 0.33 million euros.

Net financial debt decreased by 18.99 million euros. As shown above, this decrease is due to the free cash flows generated for an amount of 26.06 million euros and, with opposite effect, shareholder remuneration, amounting to -6.84 million euros, and other non-monetary variances, amounting to -0.23 million euros.

Economic analysis of the balance sheet

Thousands of euros	12/31/2021	12/31/2020	Change (%)
Non-current assets	**358,713**	**356,562**	**1.2**
Working capital	**58,104**	**29,839**	**90.1**
Current assets	248,876	148,609	66.5
Current liabilities	-190,772	-118,770	60.6
Applied funds	**416,817**	**386,401**	**8.1**
Equity	**331,613**	**284,215**	**17.0**
Net financial debt[1]	**65,841**	**84,832**	**-22.4**
Provisions and other borrowings	**19,363**	**17,354**	**11.6**
Origin of funds	**416,817**	**386,401**	**8.1**

1. All financial debts with non-bank entities, as well as lease payables, are included in net financial debt (2021: 6,226 thousand euros, and in 2020: 9,145 thousand euros). Additionally, apart from cash and cash equivalents, those deposits that guarantee debt commitments have been recognized as a decrease in the financial debt (in 2021: 2,588 thousand euros, and in 2020: 6,647 thousand euros).

Breakdown of net financial debt

Thousands of euros	12/31/2021	12/31/2020	Change	%
Loans	65,250	66,471	-1,221	-1.8
Finance lease payables	6,226	9,145	-2,919	-31.9
Working capital financing	48,526	55,794	-7,268	-13.0
Gross financial debt	**120,002**	**131,410**	**-11,408**	**-8.7**
Cash	-51,573	-39,931	-11,642	29.2
Deposits	-2,588	-6,647	4,059	-61.1
Net financial debt	**65,841**	**84,832**	**-18,991**	**-22.4**

3.2. Liquidity

The Group manages liquidity risk by using financial planning techniques, which take into consideration cash inflows and outflows relating to operating, investing and financing activities, and shareholder remuneration. The Group's objective is to keep a balance between the flexibility, the terms and the conditions of the financing sources registered, based on expected needs in the short, medium and long terms.

It should be noted that the significant increase in the resources generated by the Group's businesses in 2021 has provided it with the necessary liquidity to meet its obligations in a timely manner (payment on investments) and to reduce the net financial debt. The Group's forecast for 2022 is that this situation will continue and therefore it is not expected that it will be exposed to liquidity risk in its transactions.

As for the available financing facilities, until the end of 2024 the Group has a syndicated factoring facility amounting to 102,000 thousand euros and a syndicated credit with an overall limit of 30,000 thousand euros. It has also taken out working capital financing facilities for an overall amount of 61,000 thousand euros from several financial institutions.

It has taken out several loans from financial institutions and public entities for an overall amount of 64,981 thousand euros.

Additionally, on December 23, 2021 the Ercros Group signed an agreement with the European Investment Bank ('EIB') to finance with 40 million euros Ercros's investments in research, development and innovation (R&D&I), digitalization, decarbonization and modernization of its main facilities within the 3D Strategic Plan that Ercros has launched for the period 2021-2025. The Group plans to draw down this loan within the next 24 months.

Also, if needed, the Group considers that it can use other supplementary mechanisms for obtaining occasional liquidity, such as the partial and selective disposal of assets not used in operations, the issue of short- and medium-term bonds in organized markets or the issue of a line of promissory notes in the Alternative Fixed-Income Market ('MARF').

a) Major financing sources

In 2021 the Group has used the following financing sources:

(i) External [see Note 6 d) (ii) to the consolidated financial statements]

- The factoring facility in euros, which allows the Group to finance working capital up to a limit of 102,000 thousand euros. At December 31, 2021, the drawndown balance of this facility amounts to 64,475 thousand euros (57,206 thousand euros in the prior year).

- The revolving credit agreement, for an overall limit of 30,000 thousand euros. At December 31, 2021 30,000 thousand euros have been drawn down (30,000 thousand euros in 2019).

- The CAPEX tranche of the syndicated revolving agreement that takes the form of a loan, which at December 31, 2021 had an outstanding balance of 13,125 thousand euros (3,800 thousand euros in the prior year).

- The ICO credit facility, which at December 31, 2021 had a balance of 18,011 thousand euros (17,864 thousand euros in the prior year).

- The ICO credit facilities, which at December 31, 2021 had a balance of 5,940 thousand euros (6,873 thousand euros in the prior year).

- Several loans from public entities such as the Ministry of Industry, Tourism and Commerce, CDTI and other financial institutions for an overall amount of 41,040 thousand euros. During 2021 3,020 thousand euros that had been deposited as collateral of loans granted by the Ministry have been released.

- Several working capital financing facilities with an overall limit of 24,100 thousand euros. At December 31, 2021 no amount had been drawn down from these working capital financing facilities.

- The financing facility taken out from the European Investment Bank last December 23, 2021 for an overall amount of 40,000 thousand euros, which has not yet been drawn down.

(ii) Internal [see table in the consolidated cash flow statement in chapter B5 to the consolidated financial statements]

In 2021, despite the Covid-19 pandemic and the significant investing effort, the Group's activity has generated free cash flows amounting to 26,086 thousand euros (2020: 40,583 thousand euros), which have allowed it to remunerate shareholders for an amount of 6,856 thousand euros and reduce debt by 18,991 thousand euros.

- At December 31, 2021 the Group had cash amounting to 51,573 thousand euros (39,931 thousand euros at 2020 year end) and additional funding amounting to 87,317 thousand euros (32,150 thousand euros at 2020 year end) [see Note 6 d) (v) to the consolidated financial statements].

- During the year 2021 no amount has been received in relation to the refund of prior-year income tax settlement, since the 2020 income tax settlement was received in January 2022. In comparison with the prior year, it should be taken into account that the refund of the 2018 and 2019 income tax settlements was received during 2020 for an overall amount of 10,438 thousand euros. Additionally, due to the increase in profit before tax, during 2021 the income tax payment on account has amounted to 8,029 thousand euros (1,079 thousand euros in the prior year).

- The overall amount received in 2021 related to grants (for indirect CO2 emissions, electro-intensive consumption and others) amounting to 10,654 thousand euros (3,937 thousand euros in 2020) should be highlighted.

The Group has faith that, as it has happened until now, if new investment opportunities and needs arise in some production facilities to meet its growth expectations, other supplementary mechanisms could be used to obtain one-off liquidity, such as the partial and selective sale of non-operating items, additional funding, issue of promissory notes, or the issue of bonds in the short and medium terms in organized markets.

b) Grants and public aid

In 2021 Ercros has received the following grants from public entities:

Entity	**Item**	**Factories**	**Amount (thousands of euros)**
Ministry of Industry, Trade and Tourism	Compensation of cost related to 2020 indirect CO_2 emission allowances	Vila-seca I, Sabiñánigo, Vila-seca II, Tortosa, Almussafes and Flix	7,140
Ministry of Industry, Trade and Tourism	Compensation to electrointensive consumers in 2021	Vila-seca I, Sabiñánigo, Vila-seca II, Tortosa, Almussafes and Flix	1,502
IDAE[1]	Improvement in equipment technology and polymerization process for PVC	Vila-seca II	775
IDAE[1]	Improvement in fermentation process technology	Aranjuez	70

IDAE[1]	Improvement in energy efficiency in polyol production	Tortosa	582
IDAE[1]	Improvement in equipment technology and chlorate production process	Sabiñánigo	585
CDTI[2]	Obtaining of new polyols for industrial applications	Intermediate Chemicals Division	96
CDTI[2]	New line of polymers for urea-formaldehyde and urea-melamine-formaldehyde resins	Intermediate Chemicals Division	66
CDTI[2]	New catalysts for obtaining formaldehyde	Intermediate Chemicals Division	81
Total			**10,897**

1. The Institute for Diversification and Saving of Energy ('IDAE') is a public company affiliated to the Ministry for Ecological Transition and Demographic Challenge that grants aid to improve energy efficiency and implement renewable energies.

2. The Center for the Development of Industrial Technology ('CDTI') is an entity depending on the Ministry of Science and Innovation that grants aid for innovation and technological development projects.

Additionally, the Group has been granted aid by IDAE and ICAEN, for an amount of 5,339 thousand euros, which are pending receipt while the investments that have generated them are justified and reviewed [see Note 6 l) to the consolidated financial statements].

Additionally, in 2021 the Group was granted the following public aid:

- The Ministry of Industry, Trade and Tourism granted the Group free assignment of emission allowances for an amount equal to 10,443 thousand euros (5,443 thousand euros in 2020) [see Notes 5 c) and 6 l) to the consolidated financial statements].

- The State Foundation for Training in Employment ('Fundae') reimbursed a portion of the training expenses incurred, 185 thousand euros, which is deducted from the contributions to the Social Security paid by the Group (113 thousand euros in 2020).

c) Limitations on the distribution of dividends

There are no restrictions on the distribution of dividends provided the ratios set forth in the syndicated financing are met, which are less restrictive than the three conditions established in the shareholder remuneration policy in force for the 2021-2025 period, and which are as follows:

-	Profit for the year exceeds 10,000,000 euros.

-	NFD/ordinary ebitda ratio (solvency ratio) is lower than or equal to 2.

-	NFD/total equity ratio (leverage ratio) is lower than or equal to 0.5 [see section 9.1].

In 2020 earnings per share were 0.061 euros per share. Consequently, one of the dividend policy requirements was not met, but the ratios set in the syndicated financing agreements were.

d) Level of indebtedness

As indicated in section 3.1 above, the NFD has been reduced by 18,991 thousand euros. At December 31, 2021, the NFD amounts to 65,841 thousand euros in comparison with 84,832 thousand euros at 2020 year end [see Note 3 c) to the consolidated financial statements].

The composition and maturities of the Group's financial debt and the liquidity risk management are explained in Notes 3 b) (iii) and 6 d) (ii) to the consolidated financial statements.

e) Supplier payment period and customer collection period

The average payment period to suppliers at 2021 year end was 55.62 days (61.69 days at 2020 year end), which means a reduction of 6.01 days between both years, in line with recent years' trend.

At December 31, 2021, the payments that exceeded 60 days accounted for 40.27% of all payments made (44.41% in 2020). The Group forecasts that it will continue reducing the percentage of payments exceeding 60 days [Note 6 n) (i) to the consolidated financial statements].

In the prior year the average collection period was 57.92 days (2020: 62.85 days).

3.3. Capital resources

See Note 3 c) to the consolidated financial statements.

a) Firm commitments to obtain capital resources

There are no firm commitments to obtain new capital resources.

b) Investment commitments or obligations

The meeting of the board of directors held on January 22, 2021 approved a new investment plan called 3D Plan, which is described in Note 4 c) to the consolidated financial statements.

3.4. Contractual or out-of-balance obligations

The Group has not assumed any contractual or out-of-balance obligations that require significant financial resources other than those described in Note 7 of the consolidated financial statements.

C 4. Main risks and uncertainties

4.1. Identification of risks

The Group has implemented a risk alert system called 'SARE' that makes it possible to identify, monitor and quantify the potential risks it is exposed to. This alert system that is triggered whenever a risk that might affect the Group is identified.

Since 2017 the Ercros Group has had a compliance committee that provides assistance to the audit committee -to which it reports- on criminal risk prevention. The duties of this committee are: (i) prepare and implement in the criminal risk prevention handbook, describing the corresponding compliance protocols to prevent any crimes that may be committed under the cover of the legal person; (ii) submit a proposal to the audit committee for the adoption of the appropriate measures to ensure compliance and monitoring of the criminal risk prevention handbook and report any breach detected; (iii) monitor the policies, procedures and controls established regarding the control of risks and, in general, compliance with the handbook and the principles established in the code of ethics, and (iv) see to the fulfilment of the internal code of conduct in the securities market.

On October 31, 2019 the board of directors approved, following a favorable report by the audit committee, the criminal risk prevention handbook and the criminal compliance policy. Additionally, the Group has a (i) Code of Ethics; (ii) an ethical channel procedure; (iii) an anti-corruption and crime prevention policy; and (iv) a conflict of interest procedure in place.

The Group tries to minimize the tax risks it is exposed as a result of its activity and avoid aggressive interpretations of the tax regulations, seeking the assistance of qualified external advisors in the preparation of tax information, and analyzes, before making any decisions, the tax impacts that may arise from its actions [see section E.3 c) (v)].

On December 17, 2021 the board of directors approved the policies on taxes, zero-tolerance with market manipulation and personal data protection, and the update of the sustainability and board diversity policies.

The Group also has the governance bodies necessary to supervise the development of the organization general strategy and carry out its duties with adequate efficiency, objectivity and independence. It also has procedures to identify, measure, assess, control and prioritize the risks it is exposed to, as well as management systems that define the control, follow-up and reduction or elimination of these risks.

Name of body	Description of duties
Board of Directors	It establishes and supervises risk control systems in general
Audit committee	It is responsible for internal control and risk management systems.
Appointments, remuneration, sustainability and corporate social responsibility committee	It is responsible for overseeing compliance with the Company’s environmental, social and corporate governance (ESG) policies and rules, as well as internal codes of conduct.
Strategy and Investments Committee	It advises the board on the analysis and monitoring of the Group’s strategic and investment policy.
Internal audit department	It supervises the operation of internal control systems
Compliance committee	It supervises the prevention of criminal risks
Executive Committee	It supervises operational management and risks in general
Management Committee	It supervises operational management and risks in general
Business committees	They supervise the management and operational risks of their corresponding areas
Risk and collection Committee	It is responsible for controlling trade receivables risk
IFRS Committee[1]	It is responsible for the correct application of IAS[2] and IFRS[3] in the preparation of financial information and control of tax risks.
ICFR Committee[4]	It is responsible for the operation of ICFR.
Systems Committee	It manages cybersecurity risk
CSG[5]	It supervises non-financial risks
CESR[6]	It supervises reputational risks

1. International Financial Reporting Standards by its acronym in English.
2. International Accounting Standards.
3. International Financial Reporting Standards.
4. Internal Control over Financial Reporting.
5. Committee for Sustainable Growth.
6. Committee for Ethics and Social Responsibility.

4.2. Main risks for the Group

The Ercros Group's activity involves several kinds of risks, classified under the criteria that the Group considers most appropriate to manage them efficiently. In this regard, not all businesses entail the same risks, although sometimes they may share some of them. In general, the Ercros Group is exposed to operating, non-financial and financial risks.

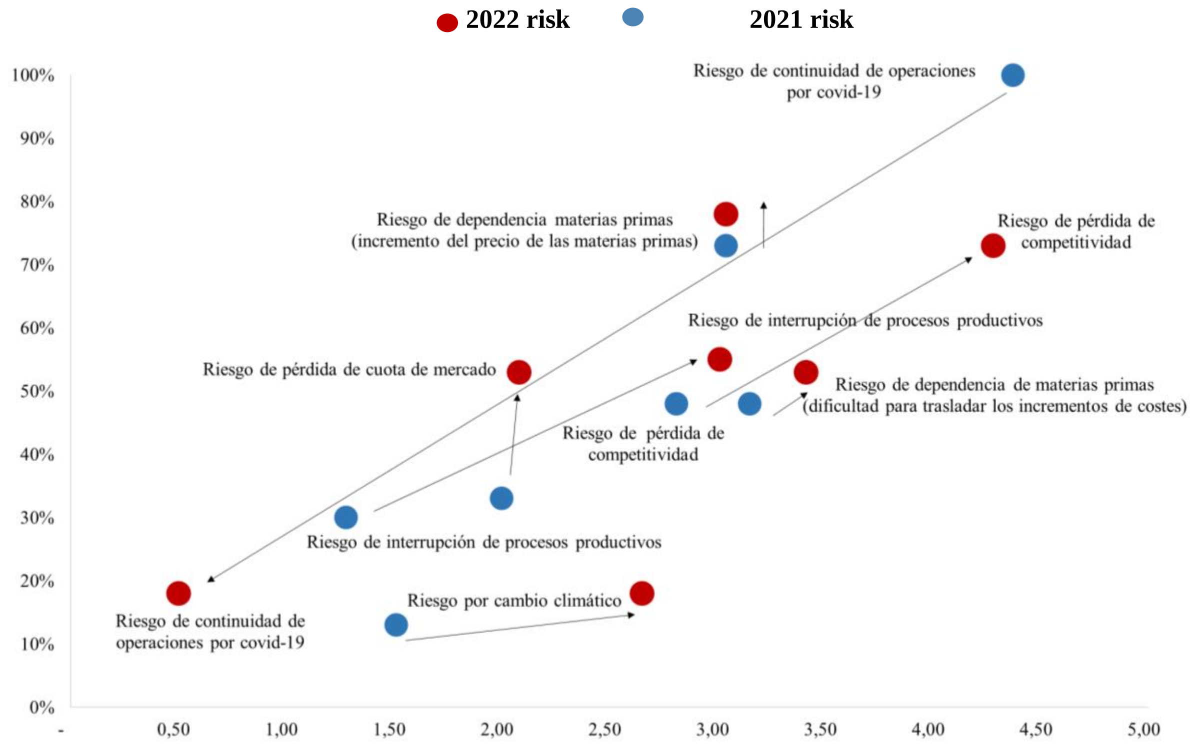
Many of these risks are inherent in the development of the activities carried out by the Group or derive from external factors. Thus, it can try to avoid them, but it is not possible to eliminate them completely. In other cases, the Group transfers the risk through insurance policies.

Relevant risks are those which may compromise the goals of the Group's business strategy, maintenance of financial flexibility and solvency.

On December 17, 2021 the business directors and managing directors presented to the board of directors the risk maps for each business and an aggregate risk map for the Group identifying the most relevant risks for 2022 based on the probability of occurrence (on a scale of 0% to 100%) and the impact that their materialization would entail for the Group (on a scale of 0 to 6). Based on the said risk maps, the Group has implemented controls to mitigate the risks detected.

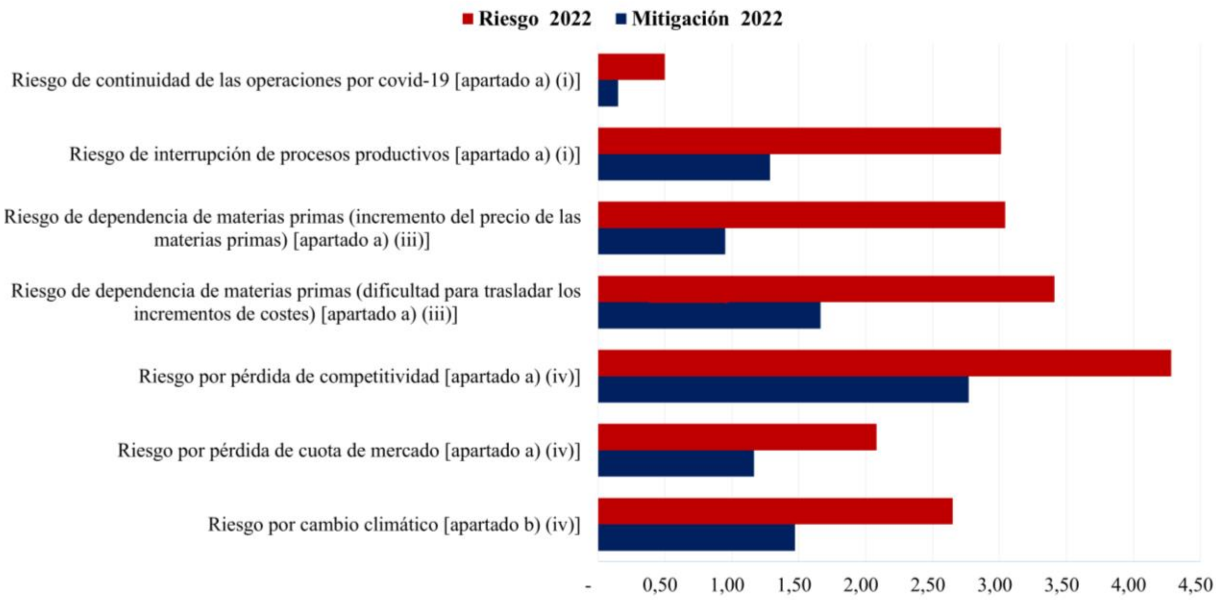
The graph below shows the relevant risks to the Group for 2022 based on the probability of occurrence and impact, and their evolution in comparison with 2021 according to the risk map prepared:

Probability of occurrence
+



–   **+Impact**

The graph below shows the same relevant risks expected for 2022 after applying mitigating measures:



The risk map does not include the risks related to corruption, bribery and money laundering because this type of risks has not been identified as relevant to the Group.

In connection with the 2021 financial statements, the work plan of the external auditor, Ernst & Young, has focused on analyzing the following significant matters: (i) net sales and accounts receivable; (ii) provisions for environmental remediation, contingencies and litigation proceedings; (iii) tax credits and future tax recoverability; (iv) measurement of investment property and fixed assets; (v) tax inspections and special taxes; and (vi) review of the electricity agreements signed during 2021. No relevant incident was detected that affected their opinion on the financial statements.

Section E.3 of the corporate governance report, which is a part of this CMR, provides a thorough description of the main risks that the Group is exposed to.

4.3. Risks materialized during the year

Risk presented in the year	Causes	Functioning of the control systems
Risk of discontinuing business operations due to covid-19	Increase in infections among Group employees as a result of the most recent covid-19 omicron variant.	The Group has established preventive and organizational measures to stop the spread of the virus in its work centers and has reached high vaccination levels among its employees.

Risk of interrupting production processes	Supply chain failure.	Long-term electricity agreements and search for alternative suppliers. Long-term planning and increase in inventory.
Risk from dependence on raw materials	Increase in raw material prices and difficulty to pass on the increase in costs to end customers.	The Group signs supply agreements with several suppliers to ensure volumes and competitive prices of raw materials and also negotiates with its customers product supply contracts referenced to the prices of the most significant raw materials.
Risk from loss of competitiveness	Loss of competitiveness due to the increase in local energy costs.	Inclusion of price revision clauses in product supply contracts with customers according to changes in energy costs. Conclusion of long-term electricity agreements at competitive prices.
Risk from losing market share	Increases in capacity by current competitors	Increase in market share in current customers.
Risk of claims for soil remediation	Injunction in December 2020 for the correction of the soil remediation project for the plot of land in El Hondón.	The relevant authorities have been requested that the said injunction should be rendered invalid and that the remediation project submitted by Ercros in July 2020 be approved.
Climate change risk	Natural disasters caused by floods, snowfalls and frost affecting Ercros facilities.	Request to relevant authorities for improvements in external infrastructures (drainage network, access to main roads, etc.) that minimize the negative effects of unusual climate episodes; implementation of procedures and action plans for emergency situations caused by adverse climate episodes and employee training on their execution.

C 5. Subsequent events

See Note 4 f) to the consolidated financial statements.

C 6. Foreseeable evolution

2022 has started with almost the same risks identified in 2021. The costs of energy, raw materials and transport continue to be high and, according to specialized publications, this situation can go on for the entire year. In fact, an additional risk has recently arisen: the possibility of a geopolitical conflict between Russia and the United States due to the crisis in Ukraine, which could considerably worsen gas availability.

Fortunately, the risk posed by the covid-19 omicron variant is quickly disappearing. As a result, restrictions on movement were lifted, which was good news to consolidate economic recovery in Spain and the rest of the world.

In this context, demand for most of our products is still quite strong, which should keep favoring a positive evolution of prices that counteracts the high cost of energy and raw materials, in line with 2021.

Thus, we anticipate that market patterns in the first half of 2022 will be similar to 2021, especially if US demand keeps absorbing all domestic production. In the second half of the year, to the extent that international competition from other regions with lower energy costs increases, we may observe some weakening in the prices of our products, which would make it harder to pass on the high costs, which we will probably keep assuming, to prices.

It is still too soon to give more accurate forecasts. There is the risk of relative deterioration in the second half of the year, but there is also the possibility that the crisis in Ukraine is solved satisfactorily, which together with the lower demand for gas already observed in China, could lead to a decrease in energy prices over the year.

C 7. R&D&I activities

7.1. R&D&I activities

The Group has four R&D&I centers in Aranjuez, Monzón, Sabiñánigo and Tortosa that provide service to the Pharmaceuticals, Chlorine Derivatives and Intermediate Chemicals divisions, and cooperate with several universities and technological centers. In 2021 innovation costs and investments incurred amounted to 6,637 thousand euros (6,339 thousand euros in 2020).

Ercros has 6 patents on both products and manufacturing processes.

The Group's research and development activities in 2021 have mainly focused on four projects. Three of them have been carried out in cooperation with the Center for the Development of Industrial Technology ('CDTI'). (i) process for obtaining magnesium hydroxide and potassium nitrate combined; (ii) development of sustainable solutions in the production of biopolymers; and (iii) development and scaling of a bioprocess for the production of biopolymers. The fourth project is the development of the new ErcrosTech resin range.

7.2. Development of products

Below are described the most relevant projects in 2021 regarding the development of new products and the expansion of applications and features of already existing products.

a) In the chlorine derivatives division

- Improvement in own formulations of TCCA tablets and development of specific formulations for customers.

- Formulation of PVC compounds suitable for 3D printing for both rigid and flexible applications.

- Expansion of the range of PVC compounds for making injection molding rigid parts.

- The development of PVC compounds that incorporate post-consumer recycled content.

- New customized levels of ErcrosBio product range to meet the requirements of our customers.

b) In the Intermediate Chemicals Division

- Development of new type of resin in the ErcrosTech family, which will allow us to reach higher added value sectors.

- New developments in resin in the ErcrosGreen+ family to expand their application sectors.

- Development of a new HD molding powder quality aimed at the electricity sector for preparing parts with more complex designs.

- Research for obtaining a new line of molding compound that is more sustainable and leaves a smaller carbon footprint.

c) In the pharmaceuticals division:

- Development in laboratory of processes for new antibiotic active ingredients by fermentation and for other already existing products.

- Changes in the production processes of pharmaceutical products to offer particle sizes that meet each customer's specific needs.

- Development of processes to extend the catalog of sterile pharmaceutical products.

7.3. Process improvement

These are the most relevant measures taken to improve processes:

- Development of catalysts for decomposing residual hydrogen peroxide.

- Development of a procedure for eliminating silicon and aluminum in brine in chlorine-alkali plants.

- Trial in pilot electrolyzer of anodes and cathodes from several origins and, specifically, of internally developed anode activations.

- Optimization of the working conditions of the NaOH concentration plant in Vila-seca, increasing its capacity by 30%.

- Optimization of the cracker operation conditions at the VCM plant. Purification of fed chlorine.

- Decrease in the production costs for the PVC polymerization process by simplifying suspension agents and changing auxiliary products.

- Actions included in the 3D Plan of the company related to the production of polyols that have resulted in greater productivity: (a) within the diversification projects, the capacity of the plants has been increased, up to 15% for dipentaerythritol, the product with highest added value in the intermediate chemicals division, which will allow Ercros to expand its presence in the Asian and US markets; and (b) in connection with decarbonization projects, stages for the re-utilization of residual energy have been introduced that have increased energy efficiency and reduced CO_2 emissions.

- Change of technology in the formaldehyde plants in Tortosa by setting up high-efficiency equipment that allow for lower consumption of energy and fewer CO_2 emissions. The project is included in the 3D decarbonization Plan.

- Implementation of different improvements that will favor an increase in production capacity and quality levels in the production of molding compounds to meet demanding market requirements.

- Definition of standard conditions for extractive processes for both new and existing active ingredients.

7.4. In the field of research

In 2021 the Group has developed research lines in cooperation with several reference research centers, including:

- Cooperation programs with the Center for the Development of Industrial Technology (‘CDTI’) for the development of a new magnesium hydroxide and potassium nitrate combined production system, of sustainable solutions in the production of biopolymers and the development and scaling of a bioprocess of the production of biopolymers.

- The agreement with Polymat (Technological Center of the Basque Country University) for the characterization and development of biopolymers.

- The agreement with the Leartiker technological center in Vizcaya, for the development of formulations of PVC and its compounds for 3D printing.

- Agreements for the development of research projects with the Instituto de Tecnología Química de la Universidad Politécnica de Valencia (ITQ-UPV-CSIC) to continue with the research into new solid catalysts for the heterogeneous transformation of formaldehyde.

- Agreement with the Technological Center of Catalonia (‘Eurecat’) and the URV for the development and characterization of new types of resin, related to the new ErcrosTech resin range.

- Agreement with Instituto Químico de Sarriá (‘IQS’) for doing several research studies on the development of industrial processes for active pharmaceutical ingredients.

- Sponsorship of the UAM-Ercros chair of Universidad Autónoma de Madrid for the promotion of research and teaching activities in the pharmaceutical chemistry area.

- Cooperation in the PhD dissertation ‘Nuevos materiales bioplásticos con efecto barrera’ by José Ignacio Valero, a chemical engineer who works at the Ercros Group’s R&D department. - The dissertation is the result of the cooperation agreement signed between the Group and UPC.

- Agreement with Consejo superior de investigaciones científicas (‘CSIC’) for the experimental study on bacterial colonization and degradation of materials in mountain areas.

- Agreement with Consejo superior de investigaciones científicas (‘CSIC’) for the development of strains for the production of biopolymers.

- Agreement with CENER, Centro Nacional de Energías Renovables for the development and scaling of bioprocesses for the production of biopolymers.

- Cooperation with UPC’s Centre Català del Plàstic and the board of trustees of the Foundation for the development of new hydrogen technologies of Aragon.

C 8. Acquisition and disposal of treasury shares

See Note 3 d) and Note 4 b) to the consolidated financial statements.

C 9. Other relevant information

9.1 Shareholder remuneration

a) Shareholder remuneration policy

On April 30, 2021 the board of directors approved the shareholder remuneration policy against the Group's consolidated profit for the years 2021-2024, which was subsequently ratified by the shareholders at the general meeting held on June 11.

Shareholder remuneration will be implemented through the repurchase of treasury shares, which will subsequently be redeemed, and the payment of dividends.

According to the said policy, the Company will remunerate shareholders with a maximum payout of 50% of consolidated profit for the years 2021, 2022, 2023 and 2024.

The repurchase of treasury shares for redemption will be carried out provided that it establishes a dividend payout of at least: 18% of 2021 consolidated profit; 20% of 2022 consolidated profit; 22% of 2023 consolidated profit; and 24% of consolidated 2024 profit.

This payout is conditional on (i) obtaining minimum profit of 10 million euros; and (ii) fulfilling the following ratios at the end of the year to which the payout relates: net financial debt/ordinary ebitda ('solvency ratio') lower or equal to 2 and net financial debt/total equity ('leverage ratio') lower or equal to 0.5.

In 2021 these conditions were met since profit for the year amounts to 42,975 thousand euros; the solvency ratio was 0.77 (1.68 in 2020) and the leverage ratio was 0.20 (0.30 in 2020) [see section 9.2 c) below].

Ercros's dividend policy is defined within the shareholder remuneration policy. There are no restrictions on the payment of dividends other than meeting the aforementioned conditions [see Note 3 d) (i) to the consolidated financial statements].

b) Paid and proposed shareholder remuneration in 2020

See Note 3 d) to the consolidated financial statements.

9.2 Stock market information

a) Share capital

See Note 4 a) and Note 6 i) (i) to the consolidated financial statements.

b) Share evolution

2021 has been a good year for Ercros shares overcoming the negative effects of the Covid-19 pandemic worldwide showing better figures than in 2020 in almost all parameters (quoted price and traded cash).

The good performance of Ercros share is even more significant when compared to the modest increase in the main stock exchanges –Madrid Stock Exchange index (‘IGBM’) by 7%, and IBEX-35 by 8%; and Basic Industrial Materials and Construction Index (‘ICNS’) by 9%. At 2021 year end share price rose by 38% in value compared to the prior year.

Thus, Ercros closed 2021 with a market capitalization of 299,885 thousand euros (218,098 thousand euros in 2020). At December 31, Ercros share’s quoted price was 2.97 euros (2020: 2.16 euros).

Ercros share reached the highest quoted price on September 14: 3.98 euros. In 2021 the average quoted price was 3.14 euros (2020: 2.20 euros).

The overall volume of traded cash amounted to 187,837 thousand euros (143,021 thousand euros in 2020) since the number of traded shares amounted to 59,866 thousand (64,918 thousand in 2020).

The day on which the highest number of securities was traded was June 1, 2021 2,443 miles. The yearly average purchase was 233,850 securities.

Main share-related parameters

	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Shares on the stock market	**100,971,237**	**100,971,237[1]**	**104,915,821[2]**	**107,876,621[3]**	**110,979,611[4]**
Market capitalization (euros)	**299,884,573**	**217,593,015**	**268,584,501**	**335,496,291**	**317,401,687**
Traded shares:					
In the course of the year	59,865,606	64,917,707	88,224,937	128,748,505	186,848,681
Highest in one day	2,443,430	1,856,361	2,413,214	3,814,986	3,618,126
Lowest in one day	40,160	21,994	84,469	92,124	111,569
Daily average	233,850	252,598	345,980	504,896	732,739
Traded volume (euros):					
In the course of the year	187,836,695	143,021,336	220,569,600	526,361,941	536,068,883
Daily average	733,737	556,503	864,979	2,064,165	2,102,231
Share price (euros):					
Highest	3.98	2.89	3.95	5.57	3.63
Lowest	2.08	1.41	1.56	2.66	1.83
Average	3.14	2.20	2.50	4.09	2.87
Last	2.97	2.16	2.56	3.11	2.86
Frequency rate (%)	**100**	**100**	**100**	**100**	**100**
Liquidity rate (%)	**59.29**	**64.29**	**84.09**	**119.35**	**168.36**

1. Yearly average 2020= 102,614,814 shares.

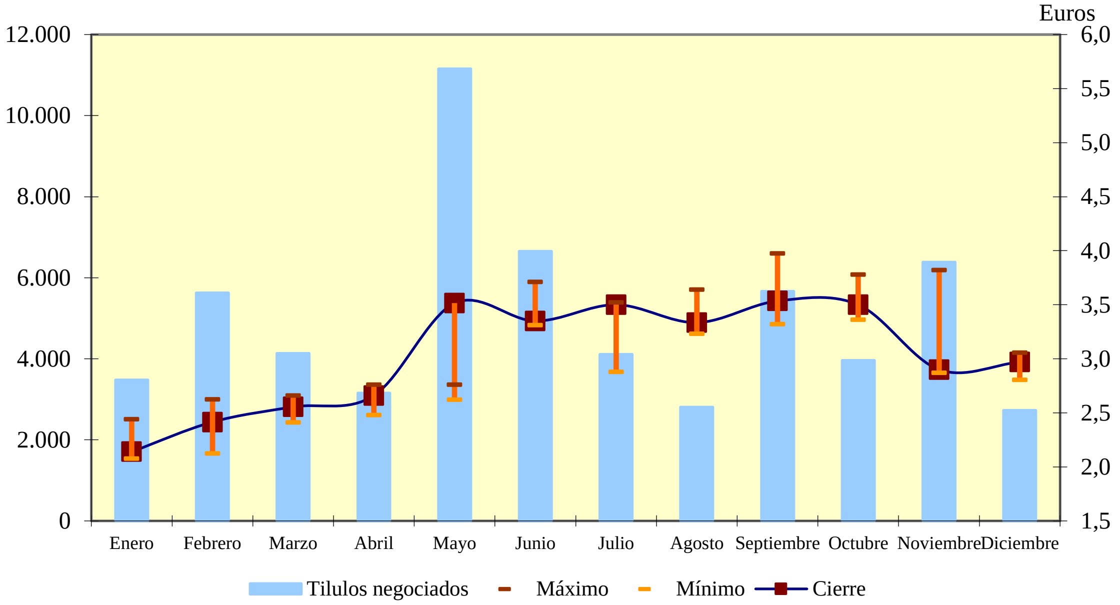
2. Yearly average 2019= 106,149,488 shares.

3. Yearly average 2018= 109,169,534 shares.

4. Yearly average 2017= 112,801,167 shares.

Evolution of share and traded volume

2021

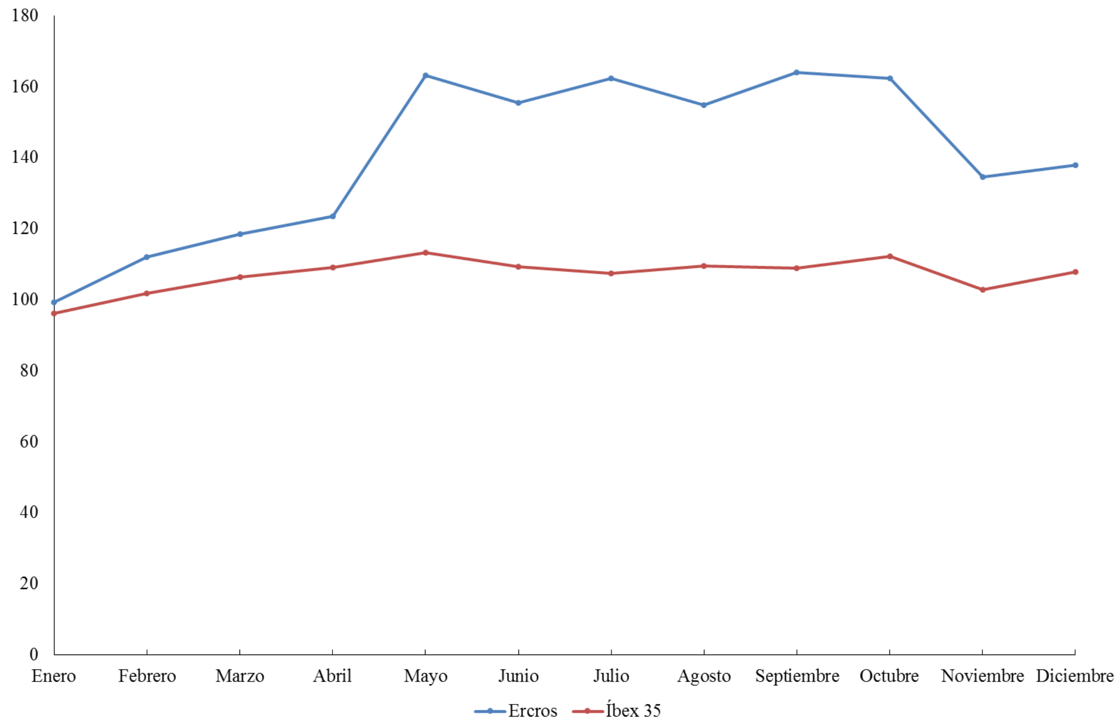


Source: Infobolsa.

Comparison between Ercros and Ibex 35

2021

Base 100= 12-31-20



Source: Infobolsa.

c) Key stock market ratios

Between 2020 and 2021 CFA –calculated as the operating cash flow divided by the number of shares– has dropped from 0.74 to 0.60. CFA is a ratio that allows the Group to measure the generated cash flow corresponding to each share.

The evolution of the result has had a direct impact on the improvement in EPS, which has increased from 0.061 euros/share in 2020 to 0.4288 euros/share in 2021. This ratio is the profit/(loss) for the year divided by the weighted average price of outstanding shares and is used to measure earnings per share.

In 2021 PER –calculated by the number of times that market capitalization is included in profit/(loss) for the year– has increased from 34.86 times in 2020 to 6.93 times in 2021.

In the reference period P/BV -market capitalization divided by total equity and relates the Company share's value in the stock exchange to its underlying net carrying amount- decreased from 0.77 in 2020 to 0.90 in 2021 [see section 2.2 of the CMR].

d) Significant shareholders

According to the shareholder communications to the CNMV, at December 31, 2021 the shareholders that hold significant ownership interest own directly or indirectly 18,903 thousand shares in Ercros's share capital, which accounts for 18.73% therein, according to the following detail [see Note 4 d) (iv) to the consolidated financial statements]:

On May 11, 2021 the shareholder Dimensional Fund Advisors LP notified a decrease in its ownership interest to 4.99%.

Name or corporate name of shareholder	No. of direct shares (Thousands)	No. of indirect shares (Thousands)	Interest in share capital (%)[1] (%)
Dimensional Fund Advisors	-	5,035[2]	4.99
Joan Casas Galofré[3]	5,500	-	5.45
Victor Manuel Rodríguez Martín	5,051	-	5.01
Montserrat García Pruns	3,317	-	3.29

1. The percentages are calculated over the number of shares at 12/31/2021.

2. It includes the direct ownership interest held by its subsidiary, DFA International Small Cap Value Portfolio.

3. Mr. Casas Galofré has been a proprietary director of the Company since June 5, 2020.

The Company's estimated free float at December 31, 2021 is 79.11% after discounting significant ownership interest (18.73%) and treasury shares (2.17%).

The movements in the significant ownership interests in Ercros's share capital can be checked in the CNMV's registry (wwww.cnmv.es).

Between December 31, 2020 and 2021 the number of Ercros shares held by the members of the board has not changed. [see Note 4 d) (vii) to the consolidated financial statements].

Name or corporate name of the director	No. of direct shares	No. of indirect shares	Interest in share capital (%)[1] (%)
Joan Casas Galofré	5,500,000	-	5.45
Antonio Zabalza Martí	100,000	-	0.10
Laureano Roldán Aguilar	100	-	0.00

2. The percentages are calculated over the number of shares at 12/31/2021.

At December 31, 2021 the total percentage of voting rights held by the board of directors is 5.55%.

e) Credit rating

The Company is not aware of any credit rating for the Group.

9.3 Significant events in the current year

a) Purchase of treasury shares

See chapter 8 and section 9.1 b) above of this CMR and Notes 3 d) (v) and 4 b) to the consolidated financial statements.

b) Dividends paid

See section 9.1 b) above of this CMR and Note 3 d) (iii) and (iv) to the consolidated financial statements.

c) Ordinary shareholders' meeting

See section 1.1 a).

.

C 10. Corporate Governance Report

The Ercros Group publishes an annual corporate governance report (‘ACGR’) in compliance with article 540 of the Spanish Corporate Enterprises Act (‘CEA’). The ACGR is part of this CMR but is presented as a separate document as allowed by regulations.

It is prepared in accordance with article 540 of the Spanish Corporate Enterprises Act and the model established in Circular 3/2021 of September 28 issued by the Spanish National Securities Market Commission amending Circular 5/2013 of June 12.

The ACGR provides information on the adopted corporate governance practices, including a description of the main characteristics of the risk management and internal control systems in place in connection with the financial reporting issuance process.

The ACGR of the Ercros Group for the year ended December 31, 2021 is available on Ercros’s (www.ercros.es) and CNMV’s (www.cnmv.es) websites.

C 11. Non-financial information statement

The Ercros Group publishes a non-financial information statement ('NFIS') in compliance with articles 44 of the Code of Commerce and 253 and 262 of the Spanish CEA. The NFIS is part of this CMR but is presented as a separate document as allowed by regulations.

The structure and content of the NFIS is in accordance with article 49 of the Code of Commerce, which has been modified by Law 11/2018 of December 28.

The NFIS is presented as part of the corporate social responsibility report ('CSRR'), which also explains the level of compliance with the 183 indicators in the guide to the application of the CSR in the chemical and life sciences industry, promoted by the Spanish Chemical Industry Federation ('Feique') in collaboration with Forética, which in turn sets out the indicators required for the certification of an ethic and socially responsible management system according to SGE 21:2008 standard.

Pursuant to article 49 of the Code of Commerce, the NFIS has been verified by the company Bureau Veritas.

Based on Regulation 2020/852 regarding the establishment of a framework to facilitate sustainable investment, the 'EU Taxonomy for sustainable economic activities' applies to all participants in financial markets offering financial products and undertakings subject to mandatory publication of non-financial statements or consolidated non-financial statements pursuant to article 19 bis or 29 bis of Directive 2013/34/EU of the European Parliament and of the Council, respectively. Articles 19 bis and 29 bis indicate that they are applicable to large undertakings that are public-interest entities that, at the balance sheet date, have an average headcount of more than 500 employees during the year.

The Company's level of alignment with the EU taxonomy is used in the preparation of the IEAF ESG Rating (environmental pillar score).

Activity	Income (%)	Operating expenses %	Investments %
Eligible			
Chlorine derivatives	64.2	64.4	53.8
Intermediate Chemicals	29.7	28.8	10.0
Total eligible	**93.9**	**93.2**	**63.7**
Not eligible			
Pharmaceuticals	6.1	6.8	36.2
Total not eligible	**6.1**	**6.8**	**36.2**
Total Group	**100.0**	**100.0**	**100.0**

The activities of the chlorine derivatives and intermediate chemicals divisions are listed in CNAE C2013, C2014 and C2016. The activity of the pharmaceuticals division is classified in CNAE C2110.

The NFIS of the Ercros Group for the year ended December 31, 2021 is available on Ercros's (www.ercros.es) and CNMV's (www.cnmv.es) websites.

Obtaining of signatures for the Group's management report

The purpose of obtaining the signatures is to evidence that the Board of Directors of Ercros, S.A., at its meeting held on February 18, 2022 approved the contents of the consolidated management report of the Ercros Group for the year ended December 31, 2021.

This management report accompanies the consolidated financial statements of the Ercros Group for the year ended December 31, 2021 and its contents have been prepared in accordance with article 262 of the Corporate Enterprises Act and article 49 of the Commerce Code, and the model established in the guide to the preparation of the management report of listed companies prepared by a group of experts at the Spanish National Securities Market Commission's request.

Daniel Ripley, in his capacity as secretary to the Board of Directors of the Company, certifies that the Company's board members have given their approval of this management report, which provides a true and fair analysis of the evolution of corporate results, the position of the issuer and the companies included in the consolidation perimeter taken as a whole, and the description of the main risks and uncertainties with which they will have to deal.

The meeting that took place on February 18, 2022 was held virtually due to the restrictions agreed as a result of the Covid-19 health crisis in order to preserve the health of the attendees. Consequently, the statement of responsibility for the corporate governance report does not include the signatures of the following directors:

- Mr. Antonio Zabalza Martí
- Ms. Lourdes Vega Fernández
- Mr. Eduardo Sánchez Morrondo
- Ms. Carme Moragues Josa
- Mr. Laureano Roldán Aguilar
- Mr. Joan Casas Galofré

In witness whereof, this certificate is hereby issued and signed, with the approval by the Chairman, Mr. Antonio Zabalza Martí, in Barcelona, on February 18, 2022.

Approved by THE CHAIRMAN	THE SECRETARY
Mr. Antonio Zabalza Martí	Mr. Daniel Ripley Soria