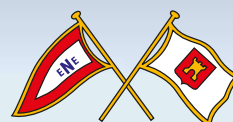


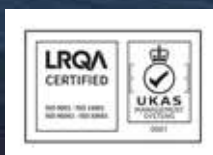


# Annual Report

## 2021

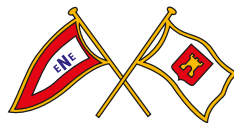


EMPRESA NAVIERA ELCANO, S.A.





# Annual Report 2021



EMPRESA NAVIERA ELCANO, S.A.



Elcano was established in 1943 by Instituto Nacional de Industria (INI) with the name Empresa Nacional Elcano de la Marina Mercante, S.A. It owes its name to Juan Sebastian Elcano, the Spanish navigator , who was the first seafarer to complete a travel around the world in 1522. Although Elcano was created with the dual vocation of shipbuilder and shipping company, in 1964 it split up and since then has focused exclusively on shipping. The company operated in the Spanish public sector until 1997, when it was entirely privatised. Since then, the Company has launched a challenging programme of diversification, expansion and growth through which, apart from consolidating the company, it has doubled its fleet and operates successfully in different countries, particularly in Brazil and Argentina.

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Over its 70 year history, Elcano has owned and operated more than 230 vessels of all types: cargo ships, cable ships, wood transport ships, bulkcarriers, refrigerating ships, oil tankers, chemical, LPG, LNG, etc, building a recognized prestige as ship operator and owner and an excellent reputation as a shipping company.



# Board of Directors

## **Chairman**

Mr. José Silveira Cañizares

## **Vice-chairman and Managing Director**

Mr. Juan M. Cordeiro Rodríguez

## **Directors**

Mr. Juan Manuel Arana Arechabala

Ms. Rosario Martín Alonso

Mr. Constantino Méndez Martínez

Mr. Julio César Silveira Martín

Torre de Hércules Inversiones Corporativas S.L.U  
(represented by Mr. Nemesio Vázquez- Monjardin Fernández)

## **Secretary (non-Director)**

Mr. Jesús Rayón Gutiérrez

## **Vice-secretary (non-Director)**

Mr. Máximo Gutiérrez Hurtado





In 2001 Elcano reinforced its international scope with the setting-up of subsidiaries in Argentina and Brazil.

In 2000 Elcano started a diversification process entering into new sectors (LNG, LPG).

Elcano has become the largest bulk shipping group in Spain and operates a fleet of 23 vessels totaling 1.885.563 dwt

Elcano Brazil is the first shipping company of the country in the dry bulk sector and the second by tonnage.



# Letter to shareholders

After more than two years into the pandemic, negative uncertainties about the recovery of the global economy still linger, but there are also some hopeful certainties. Covid-19-related mortality has declined significantly worldwide, and the signs of recovery that began over a year ago, regardless of the adverse effects of the appearance of new strains of the virus, show that the global economy is expected to return to the pre-pandemic GDP levels by the end of this year. If these estimates are realised, it will undoubtedly be very good news.

Regardless of the good prospects, set especially for next year, the overall recovery pace has slowed down, particularly during the last quarter of 2021. The new mutations of Covid-19 to which I referred earlier may still bring uncertainty and instability; inflation stemming from high energy prices and bottlenecks in supply chains remain a major concern. Geopolitical tensions are also not conducive to a rapid recovery. Although the improvement in the global situation will continue, we cannot rule out the risk of a further slowdown in global growth. The environment remains complicated and challenging.

Despite the environment, I remain optimistic. The pandemic has once again demonstrated the resilience and management capacity of the Group and its customers. The last few years have shown how the world, particularly companies, have been able to overcome challenges that were unimaginable just a couple of years ago.

As the pandemic continues to affect everyone, our contribution to the progress of the people and businesses we interact with is more relevant than ever. We continue to focus daily on providing excellent service to our customers without ever

losing sight of our responsibility to our teams, the communities in which we operate and our shareholders, for whom we continue to create value.

The other fundamental pillar of our strategy, which we have also pioneered, is sustainability, which represents a key lever of growth and opportunity for the Group. The decarbonisation of the economy is perhaps the most significant disruption of recent years. We want to help our customers transition to a sustainable future.

All in all, we have ended a great year in a complex environment, and we look forward to 2022 confident in our strengths. We are in a unique position because of the robustness of our business relationships and the commitment of our employees and shareholders. Despite the challenging environment, the Group continues to demonstrate its strength, and we have delivered a good result in 2021.

In this respect, the Group's net revenues amounted to 907.5 million dollars (the Group's functional currency), EBITDA was 74 million dollars, and EBIT amounted to 23.2 million dollars. This resulted in a final consolidated result of 9.5 million dollars after tax. The year has been particularly affected by the higher operating expenses, a common denominator in the global shipping industry. The decline in the volume of cargo transported and the net revenue figure has not affected our margins, demonstrating the Group's strong management capacity.

We face 2022 hoping the estimates of overcoming the pandemic will actually materialise by the end of the year. The Group has also delivered two new bulk carrier vessels. The first of these, the Forte São Marcelo, delivered in December 2021, is already being operated commercially

by our Brazilian subsidiary. The second, the Forte dos Reis Magos, delivered in February 2022, will soon begin its commercial activity in Brazil once it completes its incorporation process to the Brazilian flag to provide its services. With these new incorporations of state-of-the-art vessels, the fleet renewal process we started in 2015 comes to an end. This process required so much effort and dedication, but we are pleased to say that we have completed it and fulfilled the plan proposed towards our shareholders and funders.

This puts us in a privileged position to face the new challenges undoubtedly to come. With a great human and professional team, highly reliable clients and solid financial backers, we can only look to the future with enthusiasm and optimism.

**José Silveira Cañizares**  
Chairman

# Elcano Group Fleet

## LAURIA SHIPPING, S.A. (Portugal)

Name	Type of ship	DWT/m <sup>3</sup>	Year
"Castillo de Catoira"	Bulkcarrier	173,586	2005
"Castillo de Valverde"	Bulkcarrier	173,764	2005
"Castillo de Maceda"	Chemical/Product Tanker	15,160	2007
"Castillo de Herrera"	Chemical/Product Tanker	15,077	2008

## EMPRESA DE NAVEGAÇÃO ELCANO, S.A. (Brazil)

Name	Type of ship	DWT/m <sup>3</sup>	Year
"Forte de São Luiz"	LPG Carrier	7,866 m <sup>3</sup>	2000
"Forte de São Marcos"	LPG Carrier	8,787 m <sup>3</sup>	2003
"Forte de Copacabana"	LPG Carrier	8,834 m <sup>3</sup>	2004
"Forte de São Felipe"	Bulkcarrier	83,486	2012
"Forte de São Jose"	Bulkcarrier	78,384	2013
"Forte São Marcelo"	Bulkcarrier	121,669	2021
"Forte dos Reis Magos"	Bulkcarrier	121,659	2022

## ELCANO PRODUCT TANKERS 2, S.A.U. (Spain)

Name	Type of ship	DWT/m <sup>3</sup>	Year
"Castillo de Trujillo"	Product/Tanker	33,610	2004

## EMPRESA NAVIERA PETROLERA ATLÁNTICA, S.A. (ENPASA) (Argentina)

Name	Type of ship	DWT/m <sup>3</sup>	Year
"Recoleta"	Oil Tanker	69,950	2005
"Caleta Rosario"	Chemical/Product	15,110	2008

## ELCANO GAS TRANSPORT, S.A.U. (Spain)

Name	Type of ship	DWT	Year
"Castillo de Villalba"	LNG Carrier	138,162 m <sup>3</sup>	2003

## JOFRE SHIPPING LTD (Malta)

Name	Type of ship	DWT/m <sup>3</sup>	Year
"Castillo de Santisteban"	LNG Carrier	173,887 m <sup>3</sup>	2010

## OJEDA SHIPPING LTD (Malta)

Name	Type of ship	DWT/m <sup>3</sup>	Year
"Castillo de Pambre"	Asphalt Carrier	7,222	2013

**IBERIAN BULKCARRIERS LIMITED (Malta)**

Name	Type of ship	DWT/m <sup>3</sup>	Year
“Castillo de Malpica”	Bulkcarrier	119,612	2015
“Castillo de Navia”	Bulkcarrier	119,611	2015

**IBERIAN TANKERS 2 LIMITED (Malta)**

Name	Type of ship	DWT/m <sup>3</sup>	Year
“Castillo de Arteaga”	Chemical/Product	37,538	2019

**IBERIAN TANKERS 3 LIMITED (Malta)**

Name	Type of ship	DWT/m <sup>3</sup>	Year
“Castillo de Tebra”	Chemical/Product	13,021	2017

**MERIDA LNG SHIPPING LIMITED (Malta)**

Name	Type of ship	DWT/m <sup>3</sup>	Year
“Castillo de Merida”	LNG Carrier	178,818 m <sup>3</sup>	2018

**CALDELAS LNG SHIPPING LIMITED (Malta)**

Name	Type of ship	DWT/m <sup>3</sup>	Year
“Castillo de Caldelas”	LNG Carrier	178,804 m <sup>3</sup>	2018



# 1. General overview of the international economy and maritime transport

In 2021, the global economy recovered strongly from the significant slowdown in the previous year due to the restrictions imposed to control the COVID-19 pandemic. However, this global recovery, estimated at 5.3%, was neither constant throughout the year nor homogeneous across countries and economies.

Growth was more consistent and robust in the first half of the year than in the second half, where the pace of recovery progressively slowed down. This downward trend continues to moderate the forecasts for 2022 as well. The reasons for this change of development are mainly the following:

- The emergence of new variants of the COVID-19 virus, especially Omicron, needed new mobility restrictions..
- Rising prices, especially energy prices, leading to higher, continuous and generalised inflation.
- Supply chain disruptions caused by logistical inefficiencies and deadlocks.
- Slow recovery of consumption.

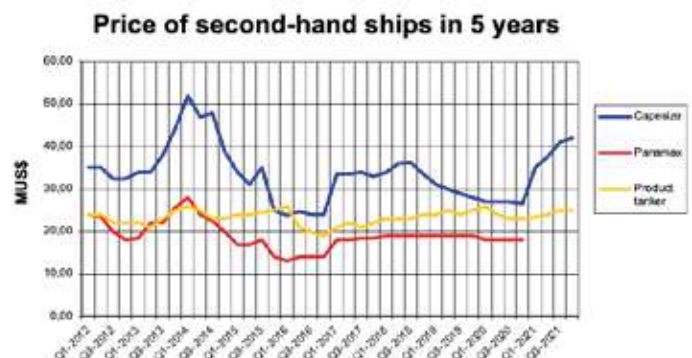
Global trade recovered by around 5.3% in 2021, but overall figures are still below pre-pandemic levels. However, trade in goods had considerably stronger growth, estimated at 8%, while trade in services remains depressed.

As for maritime transport, we can highlight that 2021 was a year of strong recovery, mainly due to the increase in transported volumes and congestion in ports, with the consequent reduction in transport capacity and increase in freight rates.

However, this recovery has not been homogeneous across the different shipping sectors. On the positive side, container ships and, to a lesser extent, dry cargo ships and gas carriers stand out. But on the not so positive, tankers have had a very weak market.

Global economic forecasts for 2022 maintain a growth trend, albeit slower. Inflation rates are expected to persist but moderate progressively. We cannot forget the associated risks, which, depending on their evolution, will condition the development of the world economy and maritime transport, such as the increase in international financial tensions with high public debts and higher financial costs, the development of inefficiencies in supply chains, the appearance of increasingly common natural disasters, the development of the COVID-19 pandemic, but especially the development of the war between Russia and Ukraine, which began in February 2022 and its possible consequences at a global level.

Due to the political consensus of the vast majority of national and supranational authorities, maritime transport must continue its transformation over the next few years to adapt to the new environmental requirements. Besides the regulations in force worldwide, new requirements will have to be added more immediately and concretely to favour decarbonisation in Europe and other developed areas. This transformation will require all market players' effort, commitment and determination. Successful adaptation will be strategic for development over the coming decades.



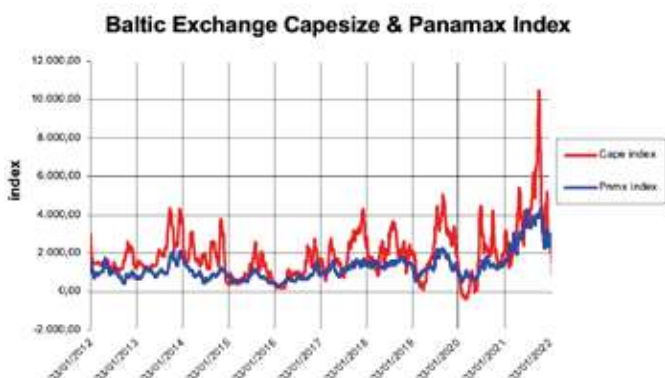


## THE DRY BULK MARKET

After a year marked by the global pandemic, and therefore with a set of complex operational challenges and the entry into force of the IMO-2020 emissions regulations, 2021 has been a quieter year and a year of recovery from previous levels. At times, bulk carrier earnings were boosted to the highest levels in a decade.

Dry bulk trade over 2021 grew by 4.2% in terms of tonne-miles. Besides having been a good year, even the initial expectations were exceeded, as the forecasts for the year were slightly lower. In total, 5,369 million tonnes of dry bulk were transported in 2021.

The average throughput of bulk carriers in 2021 is at its highest level in the last decade. As for 2020, the increase in this performance has been even more remarkable, as 2020 was very depressed, clearly showing the turnaround after the worst moments of the pandemic and the market's recovery.



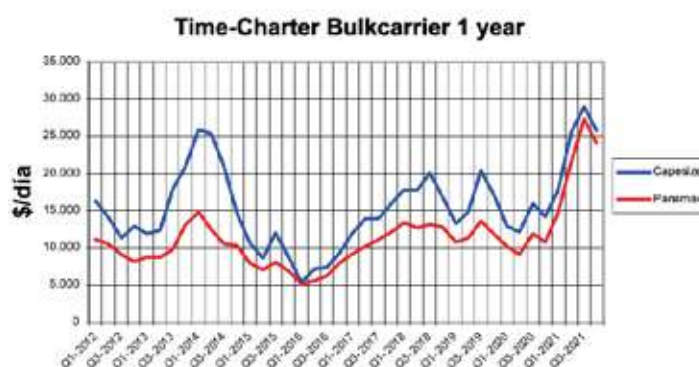
World fleet carrying capacity increased by 3.6 per cent this past year, less than the trade itself, making it easier to balance the market after the contraction in 2020. The year ended with a total of 944 million tonnes of deadweight and is expected to continue to increase at a similar rate in 2022, exceeding 960 million tonnes. In 2021, due partly to the restrictions imposed to combat the pandemic, there were significant backlogs of ships in ports, reducing the supply of transport capacity.

The total bulk carrier fleet stood at 12,693 vessels, of which 429 were new deliveries in 2021 and had an average age of 11 years. Meanwhile, 56 bulk carriers were scrapped, 66% less than the previous year. The order book stands at 7% of

fleet capacity, moderate compared to recent years. A small increase in scrapping is also expected in 2022 and 2023. Environmental regulations would affect this, as older vessels become obsolete due to technical inefficiency and higher emission rates.

After a year of recovery and balance in 2021, and despite the low levels of the first part of the year, forecasts for the evolution of the global dry cargo market for 2022 are positive. The growth trend seen in the past year is expected to continue, with annual growth of 2.2% for trade (tonne-miles) and 2% for fleet capacity (total deadweight); more regular growth after last year's large rebound following the contraction due to COVID-19.

Due to weaker Chinese demand, growth in iron ore trade is expected to slow down over the next two years, while trade in grains and minor bulks is expected to grow at faster rates.



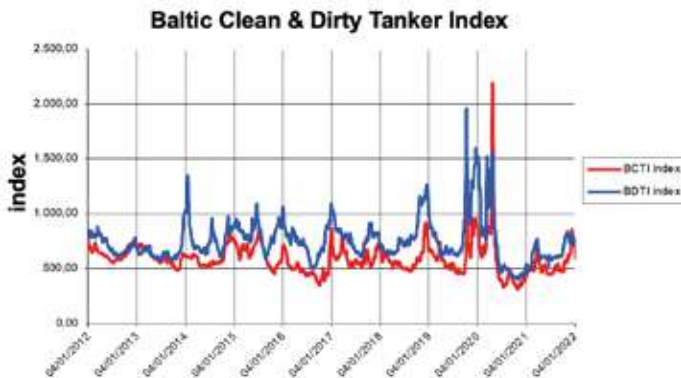
## THE LIQUID CARGO MARKET

Global crude oil demand in 2021 was 96.6 million barrels per day, an increase of 5.7% over the previous year but far from pre-Covid-2019 pandemic levels.

There was a clear recovery over 2020 levels regarding products demand, with 21.8 million barrels per day transported, 5.3% above 2020 but still far from the 23.4 million barrels of 2019.

Fleet demand in crude oil transport decreased by an annual 2.7%, a consequence of the decrease in the fleet used for storage, which was so significant in 2020.

In contrast, demand for product tankers in 2021 was 8.3% higher than in 2020 and very close to pre-Covid-19 pandemic levels.



There was a 3.3% increase in the tanker fleet on the supply side. This increase in supply occurred despite the volume of crude and product tankers scrapped in 2021 being four times higher than the volume scrapped in the previous year.

In this environment of recovering demand for crude oil and increasing ship supply, freight rates were extremely weak throughout the year, particularly significant in the large crude oil tankers segment. Product tankers have performed somewhat better than the crude oil fleet within the general liquid cargo crisis.

421.2 million dwt, up 3.9% from 2021; for product tankers, supply is expected to reach 172.7 million dwt, up 1.3% from 2021.

In these early months of 2022, scrapping prices are rising sharply, reaching over \$650 per tonne by weight of lightship weight. This could accelerate the volume of cargo scrapped, which is so necessary for freight rates to recover.

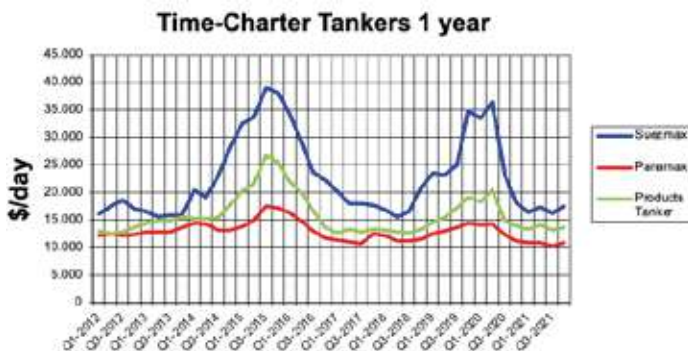
The possibility of an agreement with Iran on its nuclear programme could end sanctions in the short term and accelerate the scrapping of the substandard fleet dedicated to moving Iranian crude oil.

However, this positive environment for 2022 has uncertainties, the main one being the Russia-Ukraine conflict, which is not known what effects it will have. Russia accounts for 10% of the transport of crude oil and products, so any sanctions that may be imposed will affect traditional crude oil flows. If the US were to increase its exports to compensate for losing Russian crude oil from the market, there would be an increase in ton-miles, which would push freight rates up. However, with crude oil already above 100 dollars per barrel and gas prices multiplying above 30 dollars per million btu, the economic recovery could suffer, as inflationary pressures would be a brake on the recovery of the freights market.

## LIQUEFIED NATURAL GAS (LNG) MARKET

Global demand for natural gas is estimated to have increased by 5% in 2021, continuing the pre-pandemic growth path steadily and focusing on China, the world's largest importer. Chinese LNG imports are thus expected to exceed 85 million tonnes by 2022, representing almost 20% of global production.

Global LNG supply follows the long-term growth forecast, supported by well-advanced projects in Qatar, Mozambique, Canada, USA and Russia.



Expectations for 2022 are positive, with crude oil demand expected to recover by 3.4%, already very close to 2019 levels. Product tankers are expected to grow at around 6.3%, although not yet at pre-pandemic levels. Therefore, the market is expected to improve from the second half of this year, with product tankers recovering earlier and faster than crude oil tankers.

The supply of crude oil tankers is forecast to reach



In addition, small-scale projects and LNG bunkering are expanding worldwide since. LNG can act as a bridging solution in the green transition and meet carbon emission reduction targets.

In 2022, natural gas exports are expected to grow by around 10%, mainly supported by rising consumption in China and Europe.

The LNG carrier fleet grew by 8% in 2021, 52 ships were delivered and only 7 were scrapped. All orders for new ships have GTT technology.

## 2. The group's fleet performance

Since March 2020, a strict internal protocol has been in place to protect our crews from being affected by COVID-19 during their operations. This protocol has been adapted periodically to respond to the changing environment we face. Criteria for crew replacement, quarantine or other measures have always been applied not only to comply with the regulations and instructions of the health authorities but specially to safeguard the health and safety of the crews, which has meant that we have been able to continue operating and fulfilling our contracts to the satisfaction of our clients.

The 2021 financial year has continued to be affected by COVID-19, specially in terms of increased operating costs due to implementing the protocols (which have allowed us to continue operating and guaranteeing the health of the fleet's crew members) and due to the increase in logistical costs that ordinary operations require: increase in the price of flights, both for crew members and for sending spare parts, external technical assistance, stock limitations that generate delays and overpricing, greater expenditure on salaries to compensate for longer embarkation periods, quarantine in hotels, carrying out antigen tests, PCR tests, etc.

### CAPE SIZE FLEET PERFORMANCE

In 2021, our capesize ships "Castillo de Valverde" and "Castillo de Catoira" were operating mainly on Brazilian cabotage iron ore voyages. In the last quarter of the year, both ships made long-haul voyages from Brazil to Egypt and China to optimise spot market levels.

### MINI-CAPE FLEET PERFORMANCE

The "Castillo de Navia" ship has continued to fulfil

its transport commitments, combining iron ore supply voyages from Brazil and Canada to the United States to continue loading iron ore briquettes in the same port for export to China, Vietnam and Europe. Meanwhile, its sister ship, "Castillo de Malpica", was employed mainly in Brazilian cabotage cargoes.

In December, the shipyard in Shanhaiguan (China) delivered the "Forte Sao Marcelo" ship to us, which will be used in the long term on Brazilian cabotage voyages transporting iron ore. In February 2022, the same shipyard delivered its sister ship, the "Forte dos Reis Magos", which will be used on the same contract.

## PANAMAX FLEET PERFORMANCE

Our two panamax, “Forte de Sao Felipe” and “Forte de Sao Jose”, are still performing under our long-term contract to transport bauxite in the Amazon on a Brazilian cabotage basis.

## PRODUCT TANKER FLEET PERFORMANCE

Of our three product tankers operated in Europe, two have continued to be operated in the spot market, the “Castillo de Trujillo” in clean products and the “Castillo de Monterreal” in dirty product trades. The “Castillo de Arteaga” continues to provide its services in Spain under its long-term time-charter contract.

2021 has been a very challenging year for clean and dirty product tankers due to the effects of the pandemic, as was 2020 from the second half of the year, as demand for the transport of petroleum products was significantly reduced. The reduction in air and road traffic has affected the volumes to be transported, which are well below pre-pandemic figures. In the absence of any realistic expectation of short-term recovery in this type of ship in the spot market, the Group took the strategic decision to sell the “Castillo de Monterreal” ship, which needed to undergo her five year interval dry-docking during the first half of 2022, requiring significant investment to comply with the applicable legal requirements for her operation. The investment involved in the dry-docking of a 20-year-old ship, plus the regulatory investment required to install a ballast water treatment system, made totally impracticable the continuation of her commercial operation, based on voyage charters with first class clients, requiring onerous standards that would be difficult to recover during the commercial life of the said vessel.

The “Caleta Rosario” ship operates in Argentina under its time-charter contract.

## THE GROUP’S TANKER FLEET PERFORMANCE

The chemical tankers “Castillo de Maceda”, “Castillo de Herrera” and “Castillo de Tebra”

continued to perform their long-term time-charter contracts in Brazilian cabotage traffic without major setbacks, besides the occasional technical breakdown, which was promptly resolved.

## THE GROUP’S TANKER FLEET PERFORMANCE

The “Recoleta” continues to provide cabotage services in Argentina, fulfilling its time-charter contract.

## ASPHALT TANKER FLEET PERFORMANCE

The “Castillo de Pambre” continues to be employed on a long-term charter to the client’s satisfaction.

## LPG CARRIER FLEET PERFORMANCE

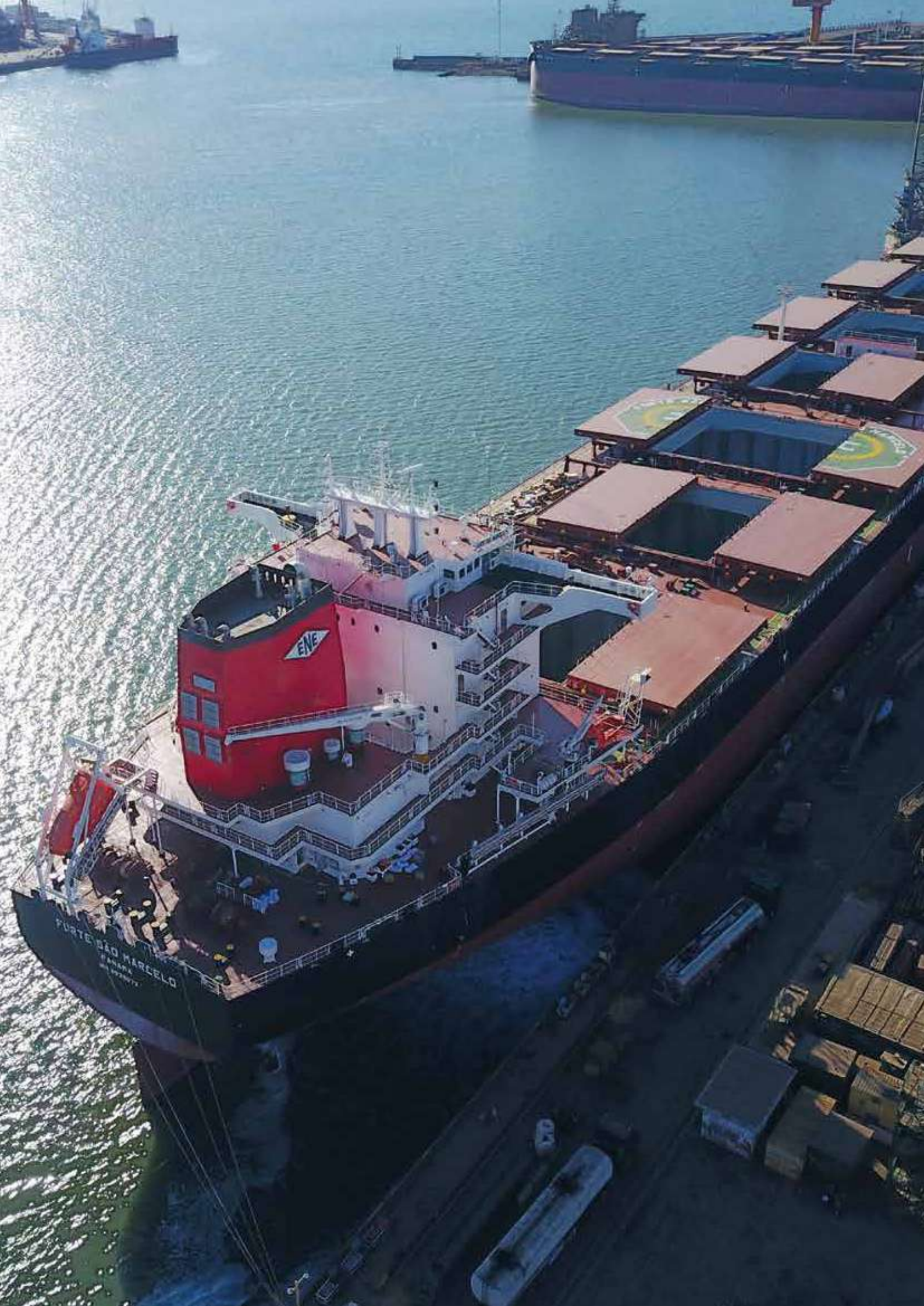
As a result of an incident, for which the port terminal was liable, the “Forte de Sao Marcos” suffered slight damages and had to be repaired to return to normal operation.

Meanwhile, the “Forte de Copacabana” and the “Forte de Sao Luis” continue to operate in Brazilian waters, according to their term time-charter contracts, and to the satisfaction of the charterers.

## LNG CARRIER FLEET PERFORMANCE

The fleet of four LNG carriers (all with GTT technology), “Castillo de Villalba”, “Castillo de Santisteban”, “Castillo de Merida” and “Castillo de Caldelas”, have continued to fulfil their long-term charters, operating to the satisfaction of the charterers. We highlight the operation of the “Castillo de Villalba” in Mexican waters, supplying LNG on a small scale in a novel and successful operation.







### 3. Activity of the Fleet in 2021

The fleet transported 58.6 million tonnes in 2021, a figure very similar to previous years. Although the volume is 4% lower than the previous year, it represents the consolidation of the considerable growth recorded over the last five years. The total volume transported in 2021 is almost 60% higher than 5 years ago.

The restrictions and effects of COVID have continued to affect world trade and maritime traffic, and despite the growth, pre-pandemic levels have not yet been reached.

The volumes transported in dry cargo have decreased by about 5% compared to the previous year, mainly explained by small production adjustments of our charterers and higher congestion in ports.

Liquid cargo traffic amounted to 43.7 million

tonnes. It barely represents an annual change of 2%, with slightly less crude oil transport, partially offset by the increase in the transport of petroleum products.

The significant increase in the volume of chemical products transported is noteworthy, as it almost doubled the previous year's figures due to the reactivation of the industry activity that uses our fleet in this sector. Volumes in 2021 were similar to those recorded in pre-pandemic years.

Finally, concerning gas transport, although the volume of gas transported decreased by more than half a million tonnes, this is largely due to that our vessels have been used for longer rotations, and that one of our LNG carriers was used for a good part of the year as storage for cargoes on smaller vessels.



## 4. Non-financial information

### INTRODUCTION

This section contains the 2021 information required by the Non-Financial Information and Diversity Law of 28 December 2018 and details the main aspects of Elcano Group's business model and risk management, sustainability plans, environmental, social and labour issues, the policy of respect and promotion of human rights, matters related to the prevention of corruption and bribery, and the management of the relationship established with society and its stakeholders.

Besides, a summary of the Group's business model, a description of the policies about the above issues and measures adopted, the results of these policies, the main risks related to the issues linked to the Group's activities, the management of risks and critical non-financial performance indicators are also reported.

The information for 2021 includes Empresa Naviera Elcano, S.A. (hereinafter referred to as "Elcano"), as the parent company of Elcano Group and its operating subsidiaries through which it carries out its shipping activity in Argentina and Brazil (Empresa Naviera Petrolera Atlántica S.A. (Enpasa), and Empresa de Navegación Elcano S.A. (Elcano Brasil), respectively and data from the tables on environmental and social issues and relating to its personnel.

The non-financial information statement has been prepared in line with the international Global Reporting Initiative standard in its Essential version and all its principles, which is the reporting framework recommended by the Non-Financial Reporting Law of 2018. It is also externally audited by the independent firm Moore Ibérica de Auditoria, S.L.P., which also reviews the Group's Consolidated Financial Statements.

### 1. BUSINESS MODEL

#### a) DESCRIPTION

There have been no changes regarding the business model, so we can maintain the same description and information provided in previous years. Elcano Group specialises in the international maritime transport of raw materials in bulk. For that purpose, we manage and operate fleets of specialised ships, both owned and chartered by time or voyage charters.

We mainly transport raw materials, highlighting the transport of crude oil and its derivatives standing out in liquid cargo and chemical products in the liquid cargo sector, the liquefied natural gas (LNG) and liquefied petroleum gases (LPG) in the gas sector, and finally, in dry cargo, iron ore, coal or bauxite, among others.

The Group's administrative and operational headquarters are located in Madrid, and its subsidiaries in Brazil and Argentina also have administration and operational management centres located in Rio de Janeiro and Buenos Aires, respectively.

Elcano Group operates internationally and specifically in markets where it applies flag protection to maritime traffic, such as Brazil and Argentina.

The primary objective of Elcano Group is to provide maritime transport services to its customers, with the highest level of safety for workers and crew as well as for ships and goods transported, as well as maximum respect for the environment and seeking excellence in energy efficiency.

As for the key points of the strategy of Elcano Group, we might identify the following:

- Selection and training of the best professionals to be part of our team, both on land and aboard ships.
- Investment in ships incorporating the latest developments and designs to ensure maximum efficiency and their keeping in perfect operational condition throughout their useful life.
- Selection of prestigious clients, all of which are highly reputable industrial groups and

solvent and highly qualified suppliers.

- Pursuing long-term commercial commitments that allow for the correct planning of resources to guarantee the quality of the service provided, besides avoiding the risks of volatility in the industrial and financial markets.

In order to develop said strategy, Elcano Group has a fleet of twenty-three ships as at 31 December 2021, with a workforce of 593 employees at the end of the year, including land and fleet personnel.

Elcano Group's strategy is based on prudent growth based on long-term contracts, diversification (specialisation in the international maritime trade of bulk products), customer-oriented services (maintaining its excellent reputation for quality, reliability and execution), the application of rigorous environmental standards and compliance when new ships are added to the fleet, and the consolidation of business growth. However, this does not prevent the Group from strategically investing to extend to expanding sectors it considers of interest.

### b) POLICIES AND RISKS

In 2021, the risk map was reviewed periodically to evaluate, prevent and mitigate the most significant risks that the Group may face in its ordinary activities. Similarly, procedures have been adapted, process maps drawn up and reviewed, indicators (over 100 KPIs) established, and action plans created to reduce the number and impact of incidents produced, all to continue with the ongoing improvement plan required by an organisation operating for over 75 years in a highly competitive and regulated environment.

The work carried out allowed Elcano in 2017, Elcano Brazil in 2019 and Enpasa in 2021 to obtain ISO 14.001 Environmental Management certification, which implies their commitment to these indicators:

- Reduce costs: The ISO 14.001 standard requires a commitment to continual improvement of the Environmental Management System, setting targets and helping the organisation use raw materials more efficiently.
- Compliance management: The ISO 14.001 standard helps reduce the effort required

to manage legal compliance and environmental risks.

- Reduce duplication of efforts: The management system allows integrating the requirements of this and other management rules in a single business system to reduce duplication of effort and costs.

- Managing our reputation: The ISO 14.001 standard helps reduce the risks associated with any costs or damage to our reputation associated with penalties and contributes to improving our public image among our customers, suppliers, regulatory bodies and key stakeholders.

- Increase our competitive advantage: allowing us to work with companies that value organisations respectful of the environment, offering reductions in port fees when such certification is held, resulting in a direct economic benefit for our clients and sometimes for our own Group.

Similarly, in February 2019, Elcano obtained the ISO 9.001 certification, thus accrediting that it possesses and acts according to an audited and approved Quality Management System (QMS), which comprises a set of international norms and standards. These are interrelated to meet the quality expectations that a company like ours must consider satisfying its customers. Activities are thus planned and controlled to achieve the highest possible quality to satisfy our customers.

Furthering into the ISO certifications that generate value and show the good work of Elcano Group, with its parent company at the head, both internally and externally, the process was completed in December 2019 with the Integrated Management System. This system brings together the ISO 14.001 and 9.001 certifications mentioned above and the ISO 45.001 (Management System and Health and Safety at Work) and ISO 50.001 (Energy Management System) certifications. The ISO 45.001 standard seeks to reduce the 2.78 million work-related deaths and 374 million non-fatal injuries that occur in the workplace each year, according to the International Labour Organisation (ILO), by encouraging our employees to prevent accidents and illnesses and improve their well-being. In this way, we maximise productivity by managing evolving risk profiles through a systematic process that maintains our staff's health, reducing downtime and avoiding accidents to the extent possible.



Finally, with the ISO 50.001 standard, the company reduces consumption through structured control of energy use, improving energy efficiency and contributing to savings for our customers and us. Thus, we demonstrate our commitment to environmental responsibility by ensuring compliance with local energy legislation to continue to enhance our brand reputation and ensure that our business operates at maximum efficiency over the long term.

To consolidate its integrated management system that brings together all the standards in which it had been certified, during the financial year 2021, Elcano was audited again for them all to maintain the certifications obtained at the time. In addition, preliminary work has begun to try to obtain ISO 9.001 certification in Elcano Brazil in 2021, which is being delayed due to the pandemic we have been experiencing for the last two years.

These standards and international norms aim to simplify business processes and increase the quality of services and products in everyday use. By continuously improving our production and work systems, we ensure that the services provided meet the established requirements and are suitable for our customers.

- Due to the very configuration and nature of the business in which the Group carries out its activity and regardless of the large number of potential risks identified in our parent company, the main risks are linked to a possible loss on any ship that generates serious environmental damage, involves severe damage to the cargo or the ship and any other damage that jeopardises the health and integrity of our crew members. To reduce these risks to the minimum, our Integrated Management System focuses mainly on these aspects, resulting in significantly better ratios in terms of the number of accidents, incidents and environmental damage compared to previous periods and within the standards of the ILO (International Labour Organization), Intertanko (International Association of Independent Tanker Owners), OCIMF (Oil Companies International Marine Forum) and SIGTTO (Society of International Gas Tanker and Terminal Operators), among others.

- Fluctuations in the international maritime transport sector, which has historically shown cyclical and volatile behaviour, are one of the risks faced by the Group and the rest of its competitors in the maritime industry.

- The international maritime transport of goods sector is cyclical and volatile in terms of freight rates and profitability. Fluctuations in freight rates and ship values are due to changes in the supply and demand of freight-carrying capacity and changes in the supply and demand of oil, petroleum products, minerals and gas and other dry and liquid cargoes carried on ships. The Group seeks to generate most of its cash flows through long-term contracts with first-rate charterers to reduce its exposure to fluctuations in the shipping markets.

- Several other risks inherent in all business activities, especially those carried out in international environments, affect the Group. Some of these risks are the evolution of exchange rates, inflation in the countries in which it operates, international growth rates, developing fuel prices and port taxes and regulatory changes. However, the Group faces them with specific policies and strategies as part of its know-how, which has enabled it to carry out a successful business activity over 75 years of its history.

Both internal and external issues defined in our Integrated Management System have been considered to identify the Company's risks.

- Internal issues identified:
  - o Commitment and Leadership.
  - o Planning of the Company's strategies.
  - o Company organisation and culture.
  - o Definition of competences and responsibilities.
  - o Employee loyalty. Stability and levels of permanence.
  - o Compliance with all the customers' requirements and expectations.
  - o Change management.
  - o Quality of the service.
  - o Use of materials.
  - o Energy management.
  - o Safety management.
- External issues identified:
  - o Compliance obligations (legal and regulatory requirements) relating to the business strategy as defined in the Management Policy.
  - o Technological changes.
  - o International competition.
  - o Market conditions.
  - o Natural resources.

- o Potential needs for additional human resources and knowledge.
- o Changes in the economic cost of raw materials (both those that the company consumes and those it transports).
- o Security risks affecting the Company's business strategy.
- o COVID-19 pandemic that requires redefining systems of action at many levels.

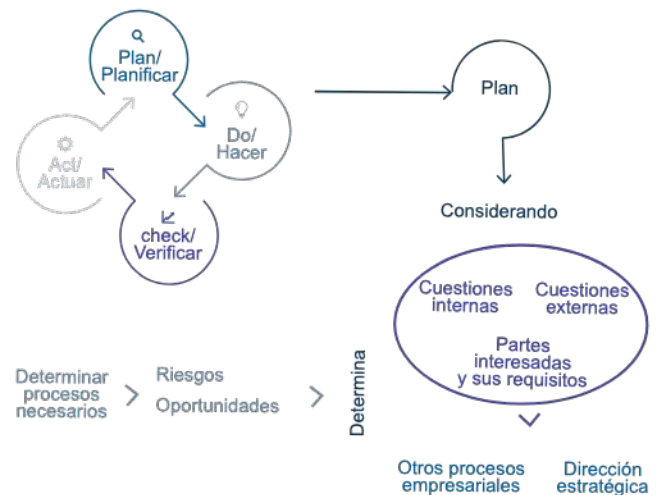
The company has identified the stakeholders, their needs and expectations and established a management system that includes the procedures and their interaction. The most significant stakeholders include government, flag states and classification societies, shareholders and investors, customers, suppliers, shipyards, crew management agencies, maritime brokers, crew members, employees and families of employees and crew members, competitors, insurers, insurance brokers, mutual insurance companies for occupational accidents and diseases, external prevention services, financial institutions and society in general, along with pressure groups.

The defined framework considers these relevant aspects and compliance obligations according to ISO standards and the Company's compliance system.

The Company has identified the processes necessary to ensure that it can achieve the objectives and results of its Management System, avoid undesirable effects and achieve continual improvement.

For this purpose, these criteria have been considered when considering risks:

- Risk (R):
  - o Consequence (C): What will happen if the risk becomes an issue.
  - o Probability (P): The likelihood of the risk becoming a problem.
- Opportunity (O):
  - o Value (V): What will happen if the opportunity becomes a reality.
  - o Probability (P): The likelihood that the opportunity will take place.



## 2. ENVIRONMENTAL ASPECTS

### a) INTRODUCTION

In its Management Policy, Elcano Group expresses its commitment to environmental protection, establishing these objectives, among others:

- The prevention of pollution of the environment, particularly the marine environment and the mitigation of adverse aspects of its activity on the environment.
- Adequate waste management, reducing waste production and promoting reuse and recycling.
- Proper management of energy resources to minimise our impact on the environment.
- The commitment of all personnel to the Group's environmental policy through awareness-raising, communication and training actions.

Elcano maintains an Environmental Management System under the ISO 14.001 standard and an Energy Management System under the ISO 50001 standard. An external certification body has certified Elcano's Environmental Management and Energy Management Systems. With Elcano Brasil, the external certification

company has certified the Environmental Management System.

The Environmental and Energy Management System is integrated into the Group's business processes. Its objectives are aligned with Elcano Group's strategic goals. Environmental and energy performance aspects have been identified by analysing the Company's processes and activities and the significance of their effect. Environmental risks have been considered and managed within the Group's overall risk management.

#### b) MEASURES TO REDUCE ENVIRONMENTAL IMPACT, SUSTAINABLE USE OF RESOURCES, CLIMATE CHANGE AND PROTECTION OF BIODIVERSITY

Among the measures taken by Elcano Group to comply with the above are the following:

##### *Pollution and climate change:*

- Monitoring the condition of the ship's equipment and parameters that most affect the ship's energy efficiency.
- Efficient maintenance of onboard equipment aimed at improving the ship's efficiency, thus reducing emissions.
- Application of improvements in the design phase focused on energy efficiency.
- Monitoring and analysis of the possible modes of operation of the ship with a view to energy optimisation.
- Control and monitoring of our environmental impact and efficiency regarding greenhouse gases (IMO DCS - MRV).
- Installation of state-of-the-art equipment in terms of energy efficiency and in-depth study of new technologies.
- Minimisation of the use of equipment that generates polluting emissions.
- Logistic optimisation to reduce the workload generated upon sending spare parts and technicians.
- Recovery of energy from the ship's thermal sources: Energy cogeneration.
- Analysis and feasibility of implementing engines burning alternative fuels (Methanol, LNG, Ammonia, H<sub>2</sub>).
- Analysis and feasibility of implementing alternative technologies: wind insulated propulsion (sails), air bubble lubrication (decrease hull drag).

- Study and update on developing future regulations.

During the last few years, the International Maritime Organisation (IMO) has been developing and defining an ambitious strategy to reduce and stop greenhouse gas emissions produced by maritime transport, and Empresa Naviera Elcano is an active part of this strategy.

##### *Circular economy:*

- Optimisation of packaging to reduce waste derived from our activity.
- Use of compactors onboard ships.
- Indicators, monitoring and optimisation of food expenditure per person per day. (and other consumables).
- A fully implemented recycling policy in our activity.

##### *Sustainable use of resources:*

- Reduction of toner and the number of pages printed in the company.
- "Paperless" philosophy in implementation processes, through document management programmes such as DOCMAP, AMOS, PERAMA...
- Implementation of digital publications
  - o Reg4Ships
  - o ADP and AENP (via NAVTOR/NAVBOX)
  - o Admiralty Digital Catalogue
- Rational use of office air-conditioning systems.
- Generation of fresh water on board by recovering energy from thermal machines.
- Optimisation of logistics associated with supplies/consumables.
- Selection of local suppliers and compliance with specific environmental requirements (ISO 14001, for example).
- Implementation of environmental management policies and noise measurement.
- Fully implemented energy accounting system.

##### *Biodiversity:*

- Installation of onboard systems to prevent the transport of invasive species (Ballast Water Treatment System).
- Technical studies in the design and construction phase of the ship to minimise noise and vibration during the operation of the ships.
- Ship operation adapted to the environmental characteristics of the transit zones (e.g. reduction of the ship's speed in environmental protection zones due to there being cetaceans).



- Implementation of procedures (associated with ISM) to avoid any contamination of the environment and ensure the best response in the event of an accident.
- Simulations of crisis scenarios to improve the response in case of emergency (spills, accidents, incidents).
- Implementation of non-obligatory quality standards in our ships, which certify the absence of pollutants on board our ships (ECO LR Class, Green Passport, IHM,...).

Elcano has reinforced its safety and sustainability policy and introduced the concept of “Ecotype” on all newly built ships ordered since 2008. This means that all the Group’s new designs from that date onwards meet the design standards of “Cleanship” (classification for pollution prevention) and “Greenship” (classification for sustainable recycling standards and under international law).

### c) MONITORING OF EMISSIONS AND ENVIRONMENTAL IMPACT

Based on the philosophy of work and environmental commitment outlined in this document, Elcano continuously monitors emissions of greenhouse gases and other harmful gases:

	2019	2020	2021
Greenhouse gas emissions (metric tonnes)	433,542	417,366	407,860
Average per ship (metric tonnes)	36,112	34,780	33,983
KPI CO <sub>2</sub> (g/tonne*miles)	19.19	22.7	21.8
SO <sub>x</sub> gas emissions (metric tonnes)	2,847	385	402
SO <sub>x</sub> gas emissions (metric tonnes)	237	32.1	33.5
Average per ship (metric tonnes)	0.225	0.5	0.040
KPI SO <sub>x</sub> (g/tonne*miles)	9,419	8,241	8,122
NO <sub>x</sub> gas emissions (metric tonnes)	784	687	676
Average per ship (metric tonnes)	0.460	0.039	0.46
KPI NO <sub>x</sub> (g/tonne*miles)	53,223,349,777	47,142,058,194	46,691,905,706
Fleet Transport work (tonne*mile)			

- Transportwork of the fleet remains at 2020 levels. The main reasons, which also affect other indicators, are centred on the impact of Covid on international maritime transport, with a particular impact on the spot market, with a reduction in the level of cargoes to be transported for both hydrocarbons and minerals.
- Similarly, SO<sub>x</sub> emission reductions due to using lower sulphur fuels remain as low as 2020. As per the entry into force of IMO 2020, from 1 January 2020, the global limit for sulphur content will be reduced from 3.5% to 0.5%.

Finally, it is worth mentioning that the pre-pandemic participation of Elcano in the “Bluebizz CO<sub>2</sub>ZERO Service” programme, having obtained in December 2019 the accredited certification of Zero CO<sub>2</sub> emissions in using the transport services offered by different airlines (Air France, KLM, Air Europa...), contributing towards several reforestation projects on our planet, could not be maintained during 2021 due to the impact of Covid-19, which has meant that the air travel carried out has been totally residual for obvious reasons, with the reactivation of similar programmes planned once the pandemic situation subsides and corporate travel resumes.

### d) CIRCULAR ECONOMY, WASTE PREVENTION AND MANAGEMENT

The ISO 50.001 standard, initially obtained in 2019 and re-audited in 2021, as mentioned above, is the new international standard for Energy Management Systems (EnMS). It is the first international energy management systems standard after many national and regional standards, including EN 16001. SGen’s ISO 50001 standard is based on the management system model already assimilated and implemented by organisations worldwide. Deming’s “plan-do-check-act” improvement cycle underpins the standard, as in ISO 9.001 and ISO 14.001, which we have since 2017 and 2018, respectively (re-audited in 2021), and other established management system standards.

It is estimated that this ISO standard could influence up to 60% of the world’s energy consumption, contributing to a more efficient consumption of resources. Similarly, the standard encourages transparency and communication in the management of energy resources. It promotes best practices in energy management, helping to evaluate and prioritise the implementation of new energy efficiency technologies. It also provides the framework for energy efficiency throughout the supply chain, facilitating better energy management of projects to reduce greenhouse gas emissions.

Due to the Group’s main activity, the maritime transport of different products, without involving the transformation of raw materials, no reference is made in this report to the consumption of such raw materials. What could commonly be considered as consumption of raw materials would, in any case, correspond to the consumption of fuel for the propulsion of our



ships. In 2019, we implemented the ISO 50001 standard referred to above to improve the efficiency of this use, thus achieving these objectives:

- Reduce fuel consumption and associated emissions.
- Reduce the use of combustion equipment and, therefore, its maintenance with the expense of associated materials, indirectly reducing energy resources for transporting these materials, etc.
- Optimise the use of fresh water used and generated on board.

During the first year of implementing the standard, a considerable improvement in energy consumed per unit of work was observed. In 2020, despite consuming 2% less energy, with the consequent reduction in emissions associated with this energy consumption, the energy consumed per unit of work increased. In 2021, we can again see an improvement in the overall indicator and a reduction in total energy consumption.

This can be explained by numerous factors such as the impact of the pandemic, the maintenance periods of our ships, or by commercial strategies and instructions received from the different charterers as to the speeds at which ships are instructed to sail.

These tables show the figures discussed in the previous paragraphs:

Global Energy Efficiency Indicator (MJ/miles*tonne)	
Average 2019	0.344
Average 2020	0.393
Average 2021	0.359

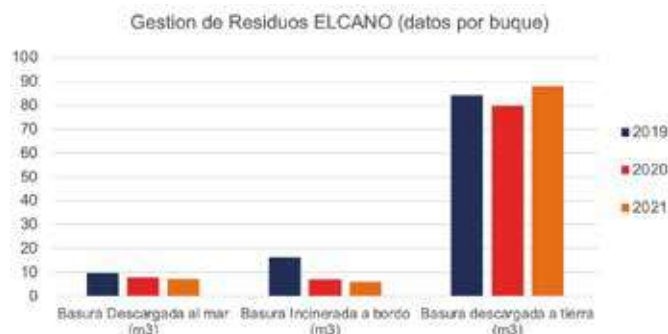
Energy consumption (GJ)	
2019	6,762,578
2020	6,622,639
2021	6,262,020

Regarding Waste Management and as part of the environmental impact reduction strategy implemented by Elcano, and in line with the above, numerous efforts are being made to reduce the waste generated onboard our ships, which have resulted in a significant reduction of the amount of waste generated for another consecutive year.

The results associated with 2020 are set out

below, along with their comparison with previous years:

	2019	2020	2021
Waste discharged to the sea (organic) (m³)	109.20	95.79	86.80
Per ship (m³)	9.70 (+9%)	7.98 (-18%)	7.23 (-10%)
Waste incinerated on board (m³)	184.52	84.32	73.16
Per ship (m³)	16.40 (-10%)	7.03 (-57%)	6.09 (-14%)
Waste offloaded on land (m³)	948.70	950.62	1054.85
Per ship (m³)	84.30 (+31%)	79.81 (-5%)	87.90 (+10%)



As seen from the tables above, there has been a significant reduction in the waste managed, especially organic and incinerated waste, with no significant increase in landfilled waste. Overall, the reduction has reached about 7% in all waste generated.

In 2021, environmental performance at headquarters had significantly improved:

Thus, electricity consumption in 2021 has decreased by 10.23% compared to the previous year, from 219,829 kWh consumed in 2020 to consumption of 197,350 kWh in 2021. The impact of Covid-19, in general, has meant a reduction in consumption, as employees' activity and physical presence in the offices have decreased compared to 2020, where the first three months there was 100% physical presence in the office, also had months with physical presence much lower than the 30% from July 2020 onwards. In this respect, physical office attendance in 2021 is somewhat lower than in 2020, where a 25% physical attendance rate has been maintained. Besides, it is important to highlight that the offices have remained open, as their activity is considered essential. The main sources of electricity consumption have continued to operate: lighting, air-conditioning, etc. The consumption of computers has been reduced due to fewer users, and the consumption in some of the individual offices and meeting rooms has been substantially reduced. However, new health protection activities have been carried out that have consumed electricity, unlike in previous years: ozone machines, air purifiers, etc.

Regarding paper consumption, there is no specific consumption data but only data on purchases made, which can lead to dysfunctions depending on the date of the corresponding stationery order. In 2021 it increased by 100% compared to the same period of the previous year. In 2020 they had decreased by 67% compared to the previous year. This indicates that we are measuring purchases and not consumption and that the oscillations are explained by the timing of purchases. Therefore, with the main destination of the paper purchased being the production of copies in the corresponding printers, the relevant data for comparison purposes are the 138,092 copies made in 2021, compared to the 134,272 made in 2020, which represents an increase of 2.8%. In 2020, the number of copies had been reduced by 46.4% compared to 2019. The physical attendance at the offices in 2021 was somewhat lower than in 2020. These prints made in 2021 equal the consumption of 13.09 trees, 86,717 hours of electricity consumption and the emission of 1,385 kg of CO<sub>2</sub>.

Although there is no specific consumption data regarding plastic cups, only data on purchases, in 2021, purchases remained at the same level as in the previous year. In 2020, they reduced by 60% compared to 2019.

Finally, in terms of battery consumption, although there is no specific consumption data either, only data on purchases, in 2021, these were reduced by 25% compared to the previous year. In 2020, they reduced by 36.5% compared to 2019.

Thus, we consider that during 2021, the environmental performance at headquarters has been satisfactory. These results have been achieved largely thanks to the remote working system established in the wake of the Covid-19 pandemic. However, the environmental commitment of all organisation members should also be highlighted.

Water consumption is not considered a significant environmental aspect. Considering the Group's activity, it is residual and accessory. This resource is mainly used for the daily consumption needs for vital needs and cleanliness by our ships' crew. Our ships also have their own desalination systems to generate water under certain circumstances (mainly at sea). The consumption of water in the central offices is equally negligible with no real data on it since the repercussion of this consumption is proportional to the square

metres occupied in the office buildings in which the different corporate headquarters are located. Special attention is paid to waste management, both through segregation by waste type and by contracting waste management with authorised agents when required (e.g. printer toners, etc.).

In 2021, an Indoor Environmental Quality Diagnosis and Inspection was carried out in different building areas, specifically in the Elcano offices. This study, carried out under UNE 171330 part 2, measures carbon dioxide, carbon monoxide, particulate matter and suspended micro-organisms (fungi and bacteria), and particulate matter levels by counting them, checking temperature and relative humidity. The conclusions of the study have been satisfactory.

## 3. HUMAN RESOURCES

### a) EMPLOYMENT AND WORK ORGANISATION

The shipping industry's major challenges, including digitisation, the development and implementation of new technologies, improving efficiency and profitability, require a profound transformation of work methods.

Elcano Group, aware of this need, has been implementing a new relationship and people management model, which brings the function of Human Resources to the business and the employees to take advantage of the opportunities offered by the new times.

In terms of training, Elcano Group responded to the needs arising from increased regulation and technical advances in nautical matters, mainly in 2021.

The distribution of training provided at the group level is congruent with the distribution of staff by category and gender with no prejudice or discrimination against any category or gender:

2021			
	Unit	Men	Women
Number of hours of training by professional category			
Management	Horas	22	-
Middle management	Horas	440	244
Technicians	Horas	519	196
Administrative assistants	Horas	272	464
Auxiliary staff	Horas	2	144

In terms of crews, marine professionals' performance is evaluated every year, regardless of their position and seniority. Their performance and contribution are measured, identifying their strengths and areas for improvement and providing feedback on the quality and potential promotion.

In the selection processes throughout Elcano Group, respect for equal opportunities and non-discrimination on any grounds is recognised and applied as general principles.

As for health and welfare plans, in 2021, the objective of promoting a culture of health, well-being and safety at work continued to be developed, always considering the risks associated with the Group's activity. The personnel in the different offices in Madrid, Rio de Janeiro and Buenos Aires benefit from medical insurance for themselves and their direct relatives and life and accident insurance.

The office staff are also provided with measures to reconcile professional and family life. These measures are flexible entry and exit times during working hours and limits, working hours, intensive working hours during different periods throughout the year, and other social benefits such as the enjoyment of restaurant tickets, days off besides the legally established minimums, leave, licences and permits and others contained in the applicable collective bargaining agreements.

Elcano workers' representation is exercised through unitary representation, based on the candidatures freely presented, which are voted by the employees. In 2021, there was a Personnel Delegate with whom the issues of labour and union nature were treated and channelled. In addition, the company has a Health and Safety Committee, with equal representation of workers and the company, which also acts as a channel for consultation and participation of workers based on its own operating regulations.

The different national representation unions represent onboard personnel in Brazil and Argentina.

With this union structure (as described in the Statute and the Organic Law on Freedom of Association (LOLS)), it is considered that the corresponding union representation covers 100% of the Group's workers (excluding executive personnel).

Regarding the different collective bargaining agreements, 98% of the Group's employees adhere to the collective bargaining agreement applicable in each workplace of the companies that compose it, with the sole exclusion of management personnel.

The percentage of employees with indefinite contracts who work in the offices in Madrid, Rio de Janeiro and Buenos Aires are 100%. However, this same percentage referring to the personnel who provide their services onboard the ships operated by the Group is 100% in Brazil and higher than 70% in Argentina.

These obligations are met according to the current legislation, depending on the circumstances of each Group company. cada compañía del Grupo.

## b) HEALTH & SAFETY

Besides earning the ISO 14001 in 2017 and the ISO 9001 in 2018, as mentioned, in 2019, Elcano also earned certificates corresponding to the ISO 45001 and 50001 standards. All were re-audited in 2021. In this section, the first of these (ISO 45001) is particularly applicable.

The ISO 45001 is the new standard for Occupational Health and Safety Management Systems, which replaced OHSAS 18.001. The Group understands that having a robust and efficient Occupational Health and Safety Management System gives it a more holistic approach to Health and Safety risk management and allows for greater foresight towards our workers and organisation. This project seeks to:

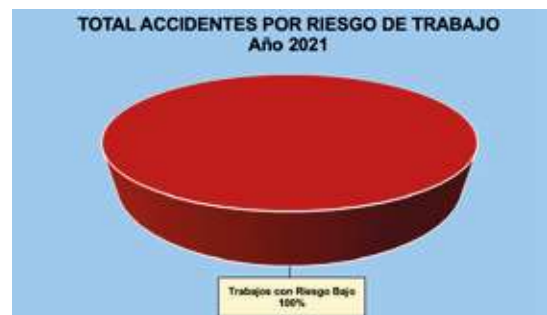
1. Improve worker protection with a structured approach to hazard identification and risk management that contributes to maintaining a healthier and safer work environment and reducing the number of accidents and health problems in the workplace. This approach should help reduce employee injuries and sick leaves.
2. Reduce risks with the global approach of translating risk outcomes into appropriate action plans for accident assessment, verification, inspection, legal review and investigation, reducing risks, protecting workers and controlling infrastructure threats that cause accidents.
3. Legal compliance support that provides a mechanism for identifying current legislation and

implementing applicable requirements. Adherence to the law can help reduce complaints, pay lower insurance premiums, avoid financial consequences and alleviate the stigma of negative publicity arising from occupational health and safety issues, as another way of demonstrating to our stakeholders our responsibility and commitment to occupational safety and health.

Regarding the important issue of accidents at work and occupational illnesses, it is noteworthy that there were no cases of occupational illnesses in the Group (compared to one case in the previous two years). The level of accidents at work increased from 23 in 2020 to 37 in 2021. Given the analyses carried out, all the accidents took place during work with a low accident risk, and 97% of the consequences of these accidents were minor accidents.

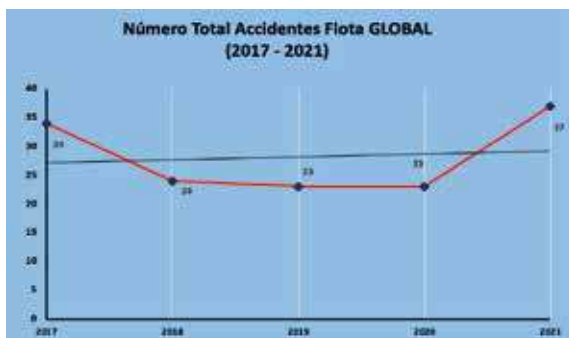
Following the Group's policy, each accident is analysed individually to draw up a report identifying the accident's root cause and the corrective measures to avoid recurrences or minimise consequences. Similarly, reports on accidents, incidents and potentially dangerous facts or situations are evaluated considering the area in which they occur, the experience of the personnel affected, the part of the body exposed, the production schedule, etc. Health and safety meetings are held onboard each ship in the fleet every month to reduce accident rates and ensure the crew's integrity and well-being.

The most relevant consolidated data on accidents are shown below:



For a better understanding of the categorisation and classification of accidents and incidents, the matrix used is attached:

INCIDENT / ACCIDENT CLASSIFICATION MATRIX



INCIDENT / ACCIDENT CLASSIFICATION						INVESTIGATION STANDARD		
	A Occupational Health and Safety	B Environment	C Failure / Process loss	D Asset / Property Damage	E Potential degree of public attention	Investigation Level	Close-out	Notification
1 Minor	Minor incidents that do not require medical attention or result in lost time.	Minor incidents that do not require medical attention or result in lost time.	Minor incidents that do not require medical attention or result in lost time.	Minor incidents that do not require medical attention or result in lost time.	Minor incidents that do not require medical attention or result in lost time.	A and B 24 hours and 24 hours Internal Audit and Management System Control System and other quality management system	A-24h B-24h C-24h D-24h E-24h	No external notification
2 Medium	Incidents that require medical attention or result in lost time.	Incidents that require medical attention or result in lost time.	Incidents that require medical attention or result in lost time.	Incidents that require medical attention or result in lost time.	Incidents that require medical attention or result in lost time.	Internal Audit and Management System Control System and other quality management system	A-24h B-24h C-24h D-24h E-24h	Internal notification
3 Major	Incidents that require medical attention or result in lost time.	Incidents that require medical attention or result in lost time.	Incidents that require medical attention or result in lost time.	Incidents that require medical attention or result in lost time.	Incidents that require medical attention or result in lost time.	Internal Audit and Management System Control System and other quality management system	A-24h B-24h C-24h D-24h E-24h	Internal notification
4 High	Incidents that require medical attention or result in lost time.	Incidents that require medical attention or result in lost time.	Incidents that require medical attention or result in lost time.	Incidents that require medical attention or result in lost time.	Incidents that require medical attention or result in lost time.	Internal Audit and Management System Control System and other quality management system	A-24h B-24h C-24h D-24h E-24h	Internal notification
5 Very High	Incidents that require medical attention or result in lost time.	Incidents that require medical attention or result in lost time.	Incidents that require medical attention or result in lost time.	Incidents that require medical attention or result in lost time.	Incidents that require medical attention or result in lost time.	Internal Audit and Management System Control System and other quality management system	A-24h B-24h C-24h D-24h E-24h	Internal notification



No analysis differentiates the sex of accident victims concerning fleet personnel as it contributes nothing to the analysis of the potential accident. In this sense, considering that we are dealing with a sector in which women are under-represented worldwide, with women officers accounting for less than 15% of total positions and not even 3% in ratings positions, which is where the highest number of incidents and accidents occur, any analysis of this type is futile.

Regarding the Group's head offices and those corresponding to the Brazilian and Argentinean operating subsidiaries, it is to be highlighted once again this year, there were no occupational accidents at these offices.

As for the absenteeism rate, considering Elcano and the two operating subsidiaries in Brazil and Argentina, the Group average rose to 4.78% in 2021, which represents an increase compared to the previous year (2.49% in 2020). This increase is mainly due to the Omicron variant of Covid-19, which had a severe impact worldwide, especially in the last quarter of the year.

As mentioned before, in complying with the health and safety regulations in the workplace, Elcano has a Health and Safety Committee, which is the internal participation body for regular and periodic consultation of the prevention policy.

The Health and Safety Committee was created for the regular and periodic consultation of the Company's preventive actions and must meet at least quarterly or when requested by one of the two parties that make it up.

The Health and Safety Committee has these functions and powers:

- Participate in the preparation, development and evaluation of prevention plans and programmes.
- Discuss, before implementation, organisation and introduction of new technologies projects, in terms of their impact on risk prevention.
- Discuss and, if necessary, agree on the criteria to be considered to select the External Prevention Service and the technical characteristics of the contract to be assigned.
- Promote initiatives for the prevention and improvement of working conditions and inform on the annual report and programming of the

Prevention Services.

- Visit the work centre to know first-hand the situation regarding risk prevention and access all the information and documentation necessary to develop its functions.
- Analyse damage to health to assess its causes and propose preventive measures.

This year, special mention must be made of the situation generated by the impact of Covid-19. Thus, regarding Fleet Operations, today, the entire fleet, both in the International Group and in Brazil and Argentina, is fully operational.

Since the pandemic outbreak, the Group has made investments and expenditures to preserve the health and safety of its seafarers and office staff and maintain the commercial activity demanded by our customers. Specialist medical advisors have been hired in Spain and in the Brazilian and Argentinean subsidiaries, the corresponding crisis committees have been set up, and a series of procedures have been put in place to regulate the Group's day-to-day activities, both in offices and on ships. As the year has progressed, the Group has been reinforcing and adapting its protocols over the last few months to improve the effectiveness of its controls. In this respect, new measures have been introduced to assist third parties on board when necessary (especially repairs) or legally/contractually unavoidable (vettings, pilots, renewal of statutory certificates, etc.). In any case, a remote forward information, review and control system has been developed to avoid and reduce the time and number of external persons on board.

At the Madrid, Rio de Janeiro and Buenos Aires headquarters, re-entry protocols have been adapted because of the new waves of infection in the different countries, being more cautious about the percentage of people physically attending work and increasing the safety distance and frequency of rapid testing of workers. Likewise, the cooling/heating systems in the offices have been revised and improved, changing filters, acquiring purifiers, ionisers, etc.

Regarding crew relays, the protocols that began to be adopted in 2020 have been adapted and are still strictly enforced:

1.- Background: Before the declaration of the state of emergency by the Spanish government, the Group implemented (from the first days of

March 2020) two clearly differentiated action protocols: one concerning the ships and their personnel on board and the other concerning the offices, both in Spain and in Brazil and Argentina. These protocols were aimed not only to ensure the physical integrity of our seafarers and employees but also to maintain the Group's operability at all levels as a critical operator.

2.- Measures implemented: Since February 2020, a decision has been taken not to carry out relays on ships to avoid contagion on board. Every ship in the fleet was contacted directly to explain the reasoning behind the measure, which the seafarers onboard welcomed. Measures were also put in place to limit as much as possible interaction with personnel from outside the ship (terminal staff, technical assistance, pilots, etc.). The situation on board is now regularly monitored. In Brazil and Argentina, where for reasons of labour protectionism in both countries, it is impossible not to carry out crew reliefs for long periods of time, special protocols have been articulated that involve the prior confinement of seafarers to embark and tests before boarding.

3.- Effectiveness of the measures: Our clients have validated the protocols implemented by Elcano Group since the beginning of the crisis, thus enabling the entry and exit of our ships in the different port terminals around the world in which we operate. In addition, the measures implemented in our fleet result in carrying out our daily operations, with cases of infected persons being detected before embarkation.

As for the Group's offices in Madrid, Brazil and Argentina, working from home was prioritised as far as possible. More staff were given the technical means to work remotely, and the IT department set up systems and applications to facilitate this type of operation. Even in the toughest phase of the pandemic (March and April 2020), a small group of workers have been recurrently coming to the offices to carry out their daily tasks and provide on-site support to the other staff working from home. In 2021, the percentage of staff physically attending offices to work has been adapted according to the epidemiological situation. This percentage has ranged between 25 and 40%.

### c) SOCIAL RELATIONS

The Group has procedures for information,

negotiation and consultation in the different countries in which it has operating subsidiaries, thus complying with the legal requirements established in each country concerning the organisation of social dialogue and workers' rights of representation.

In addition to the usual occupational risk prevention plans in the different offices, all the ships owned and operated by the Group are certified to comply with the Maritime Labour Convention of 2006 (MLC), which is the international regulations applicable to work at sea, and are audited externally regularly by the authorised government authorities, depending on the flag state of the ship in question or by Classification Societies in the case of countries that have delegated in such type of institutions the auditing work to this type of institution.

The ILO (International Labour Organisation) has registered the ratification of the Convention by 82 Member States of this organisation, which is responsible for regulating seafarers' conditions and ratings in over 90 per cent of the world merchant's gross tonnage fleet.

This Convention, known as "MLC, 2006", entered into force on 20 August 2013 and established minimum working and living conditions for all workers on ships in the world merchant fleet. It is also an essential step towards ensuring conditions of fair competition for quality shipowners flying the flags of the countries that have ratified it.

The MLC, 2006 was adopted by representatives of governments, employers and workers at an extraordinary ILO International Labour Conference in February 2006 to set international standards for the first truly global industry. Known as the "Seafarers' Bill of Rights", the Convention is unique in its impact on seafarers and quality shipowners.

The comprehensive Convention sets out in a single instrument the right of seafarers to decent working conditions in most aspects of their working and living environment, including, among other things, minimum age, labour agreements, hours of rest, payment of wages, paid annual leave, repatriation at the end of the contract, medical care on board, use of authorised private recruitment and placement services, accommodation, food and meal service, safety

and health protection and accident prevention, and seafarers' grievance procedures.

The instrument was designed to be applied globally, to be easily understood, updated and uniformly applied, to become the "fourth pillar" of the international regulatory regime guaranteeing quality maritime transport and to complement the fundamental conventions of the International Maritime Organisation (IMO) dealing with the safety and security of ships and the protection of the marine environment.

The Group's ships are certified to comply with the labour requirements and conditions established by the MLC, 2006.

In addition, it is important to highlight that all the personnel hired by the Group, both nationally and internationally, are covered by a collective bargaining agreement, whether sectoral or of a company, so the coverage for these purposes is practically 100%, both in terms of crew on board and those who provide services in the administrative headquarters of each country. The only personnel of Elcano Group not subject to a collective agreement, due to the very definition of the personal scope established in them, is management personnel.

#### d) TRAINING

Elcano Group understands that developing human resources is central to achieving the necessary competitiveness in the market. From there, we understand the importance of promoting the development of staff skills and abilities through continuous training.

Elcano and each of the direct ship operators subsidiaries in Brazil and Argentina have an annual training plan for their office staff. Concerning the personnel who provide their services on board the Group's ships, the training plan is incorporated through the Management System of each company. The Fleet Personnel Manager of each company is in charge of drawing up an annual training plan, considering the requirements of the Flag State, international legislation, new technologies and regulations, needs identified by the different Captains and chief engineers or the Company's management personnel. Total hours invested in training for all Group staff in 2021 amounted to 2.303 hours (men 1.255 hours and women 1.048 hours), while

in 2020, it was 2.358 hours (men 1.375 hours and women 983 hours, which should be put into perspective, considering there is a significantly higher number of male staff). Training hours during 2019 and 2020 have been less than those carried out in 2019 (24.645 hours, 20.799 hours for men and 3.846 hours for women) mainly due to the impact of Covid-19.

The Group's training plans are determined by the needs identified by each department head in terms of central services. As far as fleet personnel are concerned, training needs are regulated internationally or by the country of the ship's flag. Additional training activities are carried out according to the specific needs detected. Most of the training actions linked to fleet personnel have been suspended by the flag authorities of the ships, so most of the world's Maritime Administrations have extended the validity of the professional certificates and qualifications that should have been renewed in the period from March to December 2020 as the corresponding courses and training actions could not be effectively carried out.

#### e) EQUALITY PLANS AND MEASURES ADOPTED TO PROMOTE EQUAL OPPORTUNITIES

The Group is developing a procedure that incorporates the policies governing day-to-day equality, non-discrimination and harassment. The main commitments of this procedure are:

- Respect for the principle of non-discrimination based on race, sex, age, ideology, nationality, religion, sexual orientation or any other personal, physical, mental or social condition of our employees, and the promotion of equal opportunities among them, including gender equality and the integration of employees of other nationalities. This commitment entails removing any obstacle that may lead to non-compliance with the right to equal treatment and opportunities.
- Similarly, the Group rejects any manifestation of physical, sexual, psychological or moral violence or harassment in the workplace and any offensive or abusive conduct that generates an intimidating environment towards employees' personal rights.

The Group rejects labour discrimination contrary



to the fundamental rights of its members. Equal opportunities between men and women are imperative for reasons of justice and equity, but it has also become a condition of economic progress and a necessity for companies that want to compete effectively for attracting and retaining talent.

Thus, we have adapted our internal operation rules linked to compliance with the Agreement on Maritime Work, 2006 (MLC, 2006) to implement the recent amendments to section 4.3 of the said Agreement, which recommends that “The most recent version of the document ‘Guidelines on eliminating shipboard harassment and bullying’ should also be taken into account.” (Guidelines on eliminating harassment and intimidation on board ships), published jointly by the International Chamber of Shipping and the International Transport Workers’ Federation”.

In the same vein, and concerning the Group’s central offices, under Royal Legislative Decree 1/1995 of 24 March, which approved the revised text of the Workers’ Statute Law, and Organic Law 3/2007 of 22 March on effective equality between women and men, an Anti-Harassment Protocol is being drawn up to prevent possible harassment at work, through information and responsibility. This protocol intends to channel and resolve as far as possible any potential claims relating to harassment with due guarantees of confidentiality and protection of all parties involved. The Company intends to ensure ethical, professional and responsible behaviour by all staff, based on the commitment to its regulatory compliance policy.

In line with the above, to achieve the objective of Organic Law 3/2007 and the development of this regulation carried out by Royal Decree-Law 6/2019 of 1 March, Elcano’s Management drafted an equality plan according to the regulation. Notwithstanding the above, given the publication on 14 October 2020 of Royal Decrees 901/2020 and 902/2020, of 13 October, which establishes additional requirements and considers a completely different model of equality plan than the one in force to date, Elcano is developing a new equality plan under the new regulations, which will apply as of 7 March 2022. In this regard, since historical times, all decisions on the management of members of the organisation have been adopted with objective criteria and never discriminatory.

In addition, the training plans seek to sensitise managers to the need to treat all employees equally. In 2021, training on equality, non-discrimination and anti-harassment policies has been carried out for the organisation’s key personnel (starting with the members of the Health and Safety Committee), which is expected to be extended to the entire Company in 2022.

The data linked to the salary gap between men and women is evidence of the policies applied by the Group over the years. This is 9.66% (8.79% in the previous year) at the Group level for the group of offices and 6.39% (6.88% in the previous year) for the group of fleet personnel. Broken down by country, in Spain and Argentina, there is no wage gap as such (in fact, women’s wages exceed men’s by a small percentage). Thus, the wage gap evident in the consolidated data is derived from the Brazilian subsidiary, where we find that mainly in fleet personnel, which is the largest number, although women have been joining the maritime sector in recent years, the seniority component represents a significant distortion when calculating the figures. As a result of the above, we find that most women officers incorporated into the Brazilian fleet, having less seniority, as mentioned above, occupy the most junior positions in the officer corps (second and third officers) so that when the analysis is carried out by distinguishing only between officers and junior officers, the distortion is produced. Analysed on a job-by-post fleet basis, the result would also be 0% for the pay gap in Brazil. Salaries in Brazil and Argentina are paid in their local currency (Brazilian Real and Argentine Peso), so when we convert the data to euros, the exchange rate effect generates distortions in the salary gap data, especially when we compare them between years.

So, if we understand the salary gap as the lower salaries of women compared to men in the same professional category, this salary gap in crew does not exist as such since salaries by category are the same whether or not the seafarer is male or female. The gap is based on seniority for office staff. Therefore, the salary gap results of 9.66% for office staff and 6.88% for crew would equal 0% if the salary gap were calculated considering equivalent professional categories without the seniority component.

#### f) HUMAN RIGHTS

Elcano Group has identified no relevant risks in its human rights operations, given that its activity is limited to the shipping sector, where legal obligations, both international and in the countries where the main operating subsidiaries are located (Brazil and Argentina), cover this type of risk, especially regarding the abolition of child labour, which is specially included in our Safety Management Manual. In the same sense, due to applying the International Maritime Labour

Convention (MLC, 2006), applicable to all ships operated by the Group, there are practices and procedures in place that guarantee respect for human rights and workers' health and safety. All ships in the Group's fleet are certified as having such practices and procedures. Additionally, in Chapter 08.03.5.6, our Safety Management Manual complies with the regulations issued by the International Convention for the Safety of Life at Sea (SOLAS) regarding rescue procedures for groups at vital risk at sea.



## g) MAIN LABOUR INDICATORS

As at 31 December 2021 and 2020, the main results and non-financial indicators of Elcano Group in terms of Employment are:

Note: The data referring to the number of employees and average remuneration do not include those referring to Senior Management and members of the Board of directors. These are included in the Financial Statements.

		2021		2020	
	Unit	Men	Women	Men	Women
<b>EMPLOYMENT AND WORK ORGANISATION</b>					
<b>Total number and distribution by gender, age and professional category</b>					
<b>OFFICE PERSONNEL</b>					
<b>Professional category</b>					
Management	People	10	2	10	2
Middle management	People	22	4	24	4
Technicians	People	26	17	27	14
Administrative assistants	People	22	27	24	27
Auxiliary staff	People	5	1	5	2
<b>Age</b>					
Less than 30 years	People	9	6	9	4
Between 30 And 50 years	People	32	36	41	36
Over 50 years	People	44	9	40	7
<b>FLEET PERSONNEL</b>					
<b>Professional category</b>					
Officers	People	153	26	145	30
Subordinates	People	268	10	246	10
<b>Age</b>					
Less than 30 years	People	44	18	34	20
Between 30 And 50 years	People	247	17	243	19
Over 50 years	People	130	1	114	1
<b>Total number and distribution by type of contract</b>					
<b>OFFICE PERSONNEL</b>					
Indefinite contracts	People	85	51	89	48
Temporary contracts	People	-	-	1	1
<b>FLEET PERSONNEL</b>					
Indefinite contracts	People	366	35	366	39
Temporary contracts	People	25	1	25	1
<b>Average annual number of permanent, temporary and part-time contracts by gender, age and professional category</b>					
<b>OFFICE PERSONNEL</b>					
<b>INDEFINITE CONTRACTS</b>					
<b>Professional category</b>					
Management	People	10	2	10	2
Middle management	People	22	4	24	4
Technicians	People	26	17	26	14
Administrative assistants	People	23	26	25	26
Auxiliary staff	People	4	2	4	2
<b>Age</b>					
Less than 30 years	People	8	6	8	5
Between 30 And 50 years	People	33	36	41	36
Over 50 years	People	44	9	40	7



		2021		2020	
	Unidad	Hombre	Mujer	Hombre	Mujer
<b>FLEET PERSONNEL</b>					
<b>INDEFINITE CONTRACTS</b>					
<b>Professional category</b>					
Officers	People	150	26	141	30
Subordinates	People	236	10	225	9
<b>Age</b>					
Less than 30 years	People	41	15	32	20
Between 30 And 50 years	People	225	19	226	18
Over 50 years	People	120	2	108	1
<b>TEMPORARY CONTRACTS</b>					
<b>Professional category</b>					
Officers	People	3	-	4	-
Subordinates	People	32	-	21	1
<b>Age</b>					
Less than 30 years	People	3	-	2	-
Between 30 And 50 years	People	22	-	17	1
Over 50 years	People	10	-	6	-
<b>Number of dismissals by gender, age and occupational classification</b>					
<b>OFFICE PERSONNEL</b>					
<b>Professional category</b>					
Technicians	People	3	-	1	-
Administrative assistants	People	3	3	-	-
<b>Age</b>					
Less than 30 years	People	2	-	-	-
Between 30 And 50 years	People	4	3	1	-
Over 50 years	People	-	-	-	-
<b>Average remuneration and its evolution (average salary)</b>					
<b>OFFICE PERSONNEL</b>					
<b>Professional category</b>					
Management	Euros	269,444	192,171	202,143	123,921
Middle management	Euros	89,560	94,376	102,025	96,025
Technicians	Euros	52,679	44,767	38,831	33,654
Administrative assistants	Euros	27,381	20,802	18,770	15,628
Auxiliary staff	Euros	37,763	10,399	37,763	-
<b>Age</b>					
Less than 30 years	Euros	28,118	18,312	22,063	11,107
Between 30 And 50 years	Euros	51,848	43,725	44,996	46,577
Over 50 years	Euros	111,023	40,580	86,322	33,132
<b>FLEET PERSONNEL</b>					
<b>Professional category</b>					
Officers	Euros	51,944	36,286	42,065	26,498
Subordinates	Euros	23,278	21,670	16,402	15,581
<b>Age</b>					
Less than 30 years	Euros	26,856	33,514	21,132	19,295
Between 30 And 50 years	Euros	33,946	33,755	22,085	30,091
Over 50 years	Euros	39,016	17,314	35,319	-
<b>Employees with disabilities</b>	Units	15	2	17	-

The average remuneration of senior management in 2021 amounts to 256,564 euros, higher than the previous year (213,425 euros). Still, it is not comparable in absolute terms due to differences in exchange rates in the different subsidiaries of the group, promotions to Senior Managers, etc. Of all the Group's managers, 20% are women (as in the previous year).

## 4. COMBATING CORRUPTION AND BRIBERY

Elcano Group has had an Anti-Corruption Code since 2016 that develops and formalises the basic principles for the implementation of an anti-corruption policy approved by the Board of Directors of Empresa Naviera Elcano, S.A.

These Basic Principles, approved by the Board of Directors in September 2015 and which supported the current Anti-Corruption Code, establish the main rules and criteria for action that must be observed by both Empresa Naviera Elcano S.A., the parent company and its subsidiaries in the prevention, detection and eradication of corrupt practices in the performance of their activities.

The Code is intended as a starting point and affects the entire activity of Elcano Group. The Code is intended to guide relations between employees, their actions with customers, suppliers and external collaborators and relations with public and private institutions.

This Code cannot and should not cover all possible situations but is limited to establishing basic concepts of what should be done concerning compliance with the anti-corruption legislation applicable to each case and, where appropriate, to resolve any doubts that may arise. Elcano Group understands that exercising due diligence in anti-corruption matters requires the design and implementation of control models in the issues considered in the Code mentioned above that ensure knowledge of the rules and criteria for action, define responsibilities and establish procedures that allow the confidential notification of irregularities, and their resolution.

Elcano Group's policy is zero tolerance for corruption. In this sense, its employees will act professionally and ethically in the Group's businesses, transactions and business relationships. All persons affected by the Anti-Corruption Code mentioned above must act with integrity at all times and not engage or commit themselves in any way to practices related to corruption in the performance of their professional activity.

The Group has also had an Internal Code of Conduct in matters related to the Securities Markets since 2016, approved by Board of

Directors' resolution, to adapt Empresa Naviera Elcano, S.A. to the best practices in matters of conduct in the securities markets. Its subjective scope of application extends across the Board of Directors, including the Secretary and the Senior Executives of the Company, and other persons who, according to the regulations in force, are appointed to these positions and under their habitual and recurrent access to information that may be considered "Privileged" for the Regulations themselves. As for the Internal Code of Conduct, Senior Executives are considered to report directly to the Board of Directors, its Chairman or the Chief Executive Officer, and any other executive recognised as such by the Board of Directors. It also affects personnel belonging to the Financial Management and the Department of Internal Audit and Management Control and the named executives and employees who habitually have access to Privileged Information or Relevant Information (as defined in the Internal Regulations). Finally, these Regulations also apply to persons, including external advisers who provide financial, legal, consultancy or any other type of services to the Company, who have access to Privileged Information of the Company temporarily because of their participation, study or negotiation of a Transaction (as defined in the Regulations).

To date, no complaints have been received in the open channel to carry out enquiries or complaints relating to acts related to money laundering, corruption or bribery.

In December 2019, the Board of Directors of Empresa Naviera Elcano S.A. approved the implementation of a Compliance Programme (Programa de Cumplimiento Normativo) in crime prevention as a complement and development of the Internal Code of Conduct and the Anti-Corruption Code referred to above, to apply Organic Law 1/2015 of 30 March concerning the potential exemption from liability of legal persons established in Organic Law 5/2010 of 22 June. In the execution of this agreement, these documents were drawn up and approved by the highest governing body:

- Compliance Policy
- Handbook of Crime Prevention
- Compliance function regulations
- Procedures for management, investigation and response to complaints
- Modification of the Anti-Corruption Code

- approved in 2016
- Decalogue of principles

The Compliance management system was reviewed in early 2021. The final report was presented to the Company's Board of Directors in March 2021. Regarding the criterion of success of the objectives set, we understand that these were achieved because:

There was no irregular/offending behaviour linked to the stated objective.

There were no non-conformities in the process/control.

The same objectives were maintained, as it was considered that they should be maintained during 2021 in:

- Compliance training for all ELCANO professionals.
- Acceptance of the decalogue of principles by employees, professionals or collaborators of ELCANO group, assuming the commitment to comply with the principles and ethical values of the group and the internal policies approved as an integral part thereof.
- Review of compliance indicators.
- Review of the GSTP.
- Producing the annual report.

The review of the Compliance System involves review, analysis and actions in different areas. Mainly and by way of summary:

- Analysis of possible changes in the context in which the Group operates.
- Identifying new risks, reassessing existing risks and updating the risk matrix and risk map.
- Design of compliance indicators.
- Acceptance of the decalogue of principles and internal policies of the group
- Residual risk and risk target
- Monitoring
- Training
- Mitigation plans
- Creation of new internal rules, record books and updating of the CPM.
- Development of the Zero Standard for documented information management
- Technical instruction for the analysis and assessment of criminal risks.
- Crime Prevention Manual (CPM).

- Records, lists, monitoring and control of documents, doubts, queries, non-compliances and irregularities.
- Identification of the resources allocated to the management of the compliance system.
- Review of the system by the general management and the board of directors.
- Setting objectives for the following year.

To assure the level of compliance and management of the compliance system, an independent company, i.e. SMC Compliance, reviews the system.

## 5. INFORMATION ABOUT THE COMPANY OTHER ASPECTS

### a) COMMITMENT TO SUSTAINABLE DEVELOPMENT

Elcano Group collaborates decisively to control the environmental regulations regulating international maritime transport, with an unavoidable commitment to sustainable development.

In developing this principle, the Group invests in compliance with the International Maritime Organisation (IMO) Convention to control and manage ballast water and sediments from the Group's ships.

The IMO has energy efficiency, new technologies and innovation, maritime education and training, marine security, maritime traffic management and development of maritime infrastructure, among its main objectives.

The development and implementation through IMO of international standards to address these and other issues undoubtedly underpin the commitment to create an appropriate institutional framework for a green and sustainable global shipping system.

Invasive aquatic species represent a significant threat to marine ecosystems and maritime transport is an important pathway for introducing species into new environments. This International Convention, which the Group is implementing, prevents the spread of harmful aquatic organisms from one region to another, thanks to standards, state-of-the-art equipment and proper



management procedures.

With substantial investments committed to equipping our existing and new ships with the necessary equipment to lead the IMO Convention for the Control and Management of Ships' Ballast Water and Sediments, we are also complying with Principle 15 of the 1992 United Nations Rio Declaration on Environment and Development, which states that "in order to protect the environment, States should widely apply the precautionary approach in line with their capabilities. Where there is a risk of serious or irreversible damage, lack of full scientific certainty should not be used as a reason for postponing cost-effective measures to prevent environmental degradation."

Proof of Empresa Naviera Elcano's commitment to reducing the environmental impact of its activity and the Company's alignment with the policies of the International Maritime Organisation (IMO) is the great work being done to find improvements in ship efficiency.

Empresa Naviera Elcano spends a great deal of resources on gaining in-depth knowledge of international regulations and the factors that originate and shape them, besides participating in a multitude of industry forums where concerns and solutions to current challenges are shared. In addition, through knowledge of these regulations and the latest technological advances, the Company is involved in numerous studies and innovative projects that help us to improve our environmental performance.

Not only technological developments are understood as the path towards our goal of improving environmental performance, but operational practices are also a focus for the achievement of improvement.

Logically, to improve, environmental performance must be measurable, and all environmental and energy indicators are monitored, both those established by the industry and other more specific indicators developed internally.

Moreover, the Group's Fleet and Engineering department has developed and established a robust procedure for emissions monitoring according to the worldwide IMO - Data Collection System and European - Monitoring Reporting and Verification standards.

### b) SUBCONTRACTING AND SUPPLIERS

Both Empresa Naviera Elcano, S.A. and its subsidiaries operating in Spain, Brazil and Argentina have a purchasing and supplier relations procedure whose purpose is to establish a reference framework that guarantees that Empresa Naviera Elcano, S.A. and other group companies will achieve these objectives:

1. Economic optimisation in the planning, organisation, programming and execution processes of procurement operations, both in terms of materials and services, to ensure that they are carried out at the lowest possible total cost and in the minimum time necessary (economic time).

2. Management Transparency, adapting the information corresponding to procurement operations to the supervision and control processes for uniformity of information to facilitate the assessment of compliance with the above objective.

3. Compliance with the Group's Anti-Corruption Code, available on the Employee Portal, and with Purchasing Ethics standards, in particular:

- Maintain loyalty to the company.
- Maintain an impeccable level of integrity in all business relationships, both inside and outside the company.
- Optimise the use of the resources they are responsible for to maximise the company's benefit.
- Accept and abide by the letter and spirit of national and international laws.
- Refrain from any business of their own that may be or appear to contradict the company.
- Handle confidential company and supplier information with due care and respect.
- Promote mutually beneficial relationships with suppliers through courtesy and impartiality in all phases of the purchasing cycle.
- Not accepting personal gifts not considered business courtesies. Also, not accepting entertainment at the supplier's expense may diminish or appear to reduce its negotiating power and impartiality.
- Show Impartiality and Objectivity in all purchase decisions.
- Compatibility of purchasing and supply operations with environmental protection criteria. In short, meet the company's needs

with the most appropriate and environmentally friendly products and practices.

Similarly, the Group is concerned to ensure compliance with all applicable local and international environmental protection standards, including the final management, transport and storage of waste, toxic substances and hazardous waste.

Besides, the Group promotes the eco-efficient use of resources, raw materials and the reduction of environmental impact, encouraging the use of recycled material instead of non-recycled material, and the responsible control and elimination, when necessary, of substances that may be harmful to the environment.

The environmental impact of supply operations is considered at all stages of the supply chain and is thus established in the purchasing procedure itself. Thus, when it comes to purchasing new equipment, the environmental impact is a deciding factor in the cases that apply.

An attempt is made to reduce the number of transports required for the shipment or stocking of the purchased materials in land storage, and that order requests are consolidated in the warehouse closest to the origin or closest to the ship in question, as appropriate, thus maximising the volume of deliveries to reduce the number of deliveries.

In the periodic evaluation of suppliers and, in any case, in each process of awarding a specific contract, the quality and efficiency of the packaging are considered, in the manner and with the weighting established in the current

purchasing procedure, and the possession by the supplier concerned of the ISO 14001 environmental certification, among other aspects to be considered.

The Company has made it a priority in the Purchasing Procedure to resort to local supplies whenever possible, given the economic impact of the ship's activity on the local population.

Two types of supplier evaluations are carried out: annual and continuous, on a supply-by-supply basis. Both are considered when awarding future purchase orders.

The Group participates in and is a member of different professional associations in the countries in which it mainly carries out its activity; generally sectoral or business associations such as Chambers of Commerce, Spanish, Brazilian and other foreign shipowners associations (both by country and by type of ship, etc.).

### c) TAX INFORMATION

Elcano Group pays the corporate tax applicable to it in the countries in which it operates and is resident for tax purposes (Spain, Brazil, Argentina, Portugal and Malta) and on a total profit of 1 thousand euros. In 2021, the total corporate tax paid by the Group amounted to the equivalent of 837 thousand euros. Turnover data both at the individual level of Empresa Naviera Elcano, S.A. and of its Consolidated Group, and other references to the taxes paid and their breakdown by country and another series of financial, fiscal and accounting data have been published in its Financial Statements, to which we refer.

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# **CONSOLIDATED ANNUAL ACCOUNTS**

**31 DECEMBER 2021**

Free translation from the original in Spanish. In case of discrepancy, the spanish version prevails.  
This document is an extract on the consolidated Annual Accounts of Empresa Naviera Elcano S.A.  
and its group of companies for the financial year 2021. The full text can be  
examined in the Registry of Companies (Registro Mercantil) of Madrid.

**BALANCE SHEET AS OF 31 DECEMBER 2021 AND 2020**

(Stated in thousands of euros)

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
<b>Non-current assets</b>	<b>506,571</b>	<b>467,118</b>
Intangible fixed assets	36,660	38,462
Tangible fixed assets	425,167	385,137
Long-term financial investments	27,308	26,763
Deferred tax assets	17,436	16,756
<b>Current assets</b>	<b>312,433</b>	<b>299,402</b>
Non-current assets held for sale	37,219	30,217
Inventories	10,071	6,706
Trade debtors and other receivables	143,810	149,257
Short-term financial investments	36,360	42,052
Cash and cash equivalents	81,668	68,478
Short-term accruals	3,305	2,692
<b>TOTAL ASSETS</b>	<b>819,004</b>	<b>766,520</b>
<b>NET EQUITY AND LIABILITIES</b>	<b>2021</b>	<b>2020</b>
<b>Net equity</b>	<b>313,305</b>	<b>285,680</b>
<b>Shareholders' equity</b>	<b>335,701</b>	<b>336,127</b>
Subscribed capital	50,211	50,211
Reserves of the parent company	97,689	110,422
Reserves in consolidated companies for global integration	188,227	167,937
Profit/(Loss) for the year attributed to the parent company	(426)	7,557
<b>Adjustments for changes in value</b>	<b>(22,396)</b>	<b>(50,447)</b>
Hedging operations	(2,558)	(2,376)
Exchange differences	(19,838)	(48,071)
<b>Non-current liabilities</b>	<b>306,485</b>	<b>266,936</b>
<b>Long-term provisions</b>	<b>927</b>	<b>770</b>
<b>Long-term debts</b>	<b>302,879</b>	<b>264,070</b>
Liabilities and other marketable securities	110,000	50,000
Debts with credit institutions	174,492	153,087
Creditors for financial leases	14,806	57,663
Financial derivatives	2,558	2,376
Other financial liabilities	1,023	944
<b>Deferred tax liabilities</b>	<b>876</b>	<b>-</b>
<b>Other long-term creditors</b>	<b>1,803</b>	<b>2,096</b>
<b>Current liabilities</b>	<b>199,214</b>	<b>213,904</b>
<b>Short-term debts</b>	<b>103,136</b>	<b>90,861</b>
Liabilities and other marketable securities	2,537	34,953
Debts with credit institutions	52,931	51,004
Financial lease receivables	47,668	4,904
<b>Debts with group companies and associates</b>	<b>-</b>	<b>15,074</b>
<b>Trade creditors and other payables</b>	<b>84,695</b>	<b>97,716</b>
<b>Short-term accruals</b>	<b>11,383</b>	<b>10,253</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>819,004</b>	<b>766,520</b>



**PROFIT AND LOSS ACCOUNT OF 2021 AND 2020**

(Stated in thousands of euros)

	<b>2021</b>	<b>2020</b>
<b>Net turnover</b>	<b>767,999</b>	<b>987,265</b>
Revenues	767,999	987,265
<b>Work carried out by the group for its assets</b>	<b>336</b>	<b>475</b>
<b>Supplies</b>	<b>(47,193)</b>	<b>(44,656)</b>
Materials consumed	(47,193)	(44,656)
<b>Other operating income</b>	<b>7,583</b>	<b>8,151</b>
Sundry income and other current revenues	7,583	8,151
<b>Personnel expenses</b>	<b>(34,707)</b>	<b>(30,899)</b>
Wages, salaries and similar	(24,679)	(21,900)
Social security costs	(9,954)	(9,355)
Provisions	(74)	356
<b>Other operating costs</b>	<b>(631,423)</b>	<b>(849,980)</b>
External services	(621,066)	(843,999)
Taxes	(3,930)	(4,787)
Other current operating expenses	(6,402)	(6,340)
Other results	(25)	5,146
<b>Fixed assets amortization and depreciation</b>	<b>(38,517)</b>	<b>(37,614)</b>
<b>Impairment losses and gains/losses on disposal of non current assets</b>	<b>(4,411)</b>	<b>-</b>
<b>Operating Result</b>	<b>19,667</b>	<b>32,742</b>
<b>Financial income</b>	<b>1,729</b>	<b>2,569</b>
From marketable securities and other financial instruments	1,729	2,569
<b>Financial expenses</b>	<b>(19,059)</b>	<b>(20,125)</b>
For debts with group companies and associates	(629)	(611)
For debts with third parties	(18,430)	(19,514)
<b>Foreign exchange differences</b>	<b>(2,336)</b>	<b>(4,007)</b>
<b>Financial Profit/(Loss)</b>	<b>(19,666)</b>	<b>(21,563)</b>
<b>Profit/(Loss) before taxes</b>	<b>1</b>	<b>11,179</b>
<b>Corporate Tax</b>	<b>(427)</b>	<b>(3,622)</b>
<b>PROFIT/(LOSS) OF THE YEAR FROM CONTINUING OPERATIONS =</b>	<b>(426)</b>	<b>7,557</b>
<b>PROFIT/(LOSS) OF THE YEAR ATTRIBUTABLE TO THE PARENT COMPANY</b>		



FORTE DOS REIS MAGOS

# 1. Nature, Activities and Composition of the Group

Empresa Naviera Elcano, S.A. (hereinafter the “Company” or “ENE”) was incorporated as a limited liability company (Spanish “sociedad anónima”) in Spain on 20 October 1943 for an indefinite period under the name of Empresa Nacional Elcano de la Marina Mercante, S.A. This name was changed to the current one on 21 November 1997. The registered address of ENE is at Calle José Abascal, 2-4, Madrid.

The main activity of the Company, in compliance with its corporate purpose, consists of providing international maritime transport services of goods in ships owned by some of its subsidiary companies or third parties and managing ships owned by some of its subsidiary companies, in line with its corporate purpose.

As at 31 December 2021, the Company’s shareholders are as follows:

	Percentage participation	Nacionality
Grupo Nosa Terra 21, S.A.	58.23%	Spanish
Abanca Corporación Industrial y Empresarial, S.L.U.	20.25%	Spanish
Naviera Murueta, S.A.	15.00%	Spanish
Others	6.52%	Spanish
	100.00%	

The Company is a subsidiary of Grupo Nosa Terra 21, S.A. (hereinafter referred to as “GNT21”), which consolidates and files its Consolidated Financial Statements as “Grupo Nosa Terra 21, S.A. y Sociedades Dependientes” at the Mercantile Registry of Pontevedra. Nonetheless, ENE, as the head of the group of companies, consolidates and draws up Consolidated Financial Statements and files them with the Mercantile Registry of Madrid as ‘Empresa Naviera Elcano, S.A. y sociedades dependientes’, (hereinafter referred to as the “Group” or the “Elcano Group”).

These Consolidated Financial Statements refer to the mentioned Group.

The subsidiary companies that form the Group are the following:

Lauria Shipping, S.A. (hereinafter referred to as “Lauria”): ENE holds 100% of the share capital. Its registered address is at Rua do Surdo nº 4 – A, 1º andar, 9000-233 Funchal, Ilha da Madeira (Portugal). As at 31 December 2021, its main activity is the operating lease (bareboat) of the ships it owns, including crew, where applicable, to ENE.

Elcano Product Tankers 1 S.A.U. (hereinafter referred to as “EPT1”): ENE is the owner of 100% of the share capital of this company. Its registered address is at Calle Malteses 3 3º, Las Palmas de Gran Canaria. The product tanker owned by the Company was available for sale as at 31 December 2021, by decision of the sole shareholder of the Company approved at an extraordinary general meeting on 23/12/2021. Until her sale, the Company maintains its main activity, which corresponds to the operating lease (bareboat) of the aforementioned ship to Iberian Tankers 1 Limited (hereinafter referred to as “IT1”).

Elcano Product Tankers 2 S.A.U. (hereinafter referred to as “EPT2”): ENE is the owner of 100% of the share capital of this company. Its registered address is at Calle Malteses 3 3º, Las Palmas de Gran Canaria. As at 31 December 2021, its main activity is the operating lease (bareboat) of a product tanker it owns to IT1.

Empresa Naviera Petrolera Atlántica, S.A. (hereinafter referred to as “Enpasa”): ENE holds 99.99% of the share capital. Its registered address is at Maipú 942, Buenos Aires (Argentina). As at 31 December 2021,

its main activity is the operation of two owned ships, an oil tanker and a chemical “product tanker”. The ships are chartered to third parties.

Empresa de Navegação Elcano, S.A. (hereinafter referred to as “Elcano Brasil” o “EBR”): ENE is the owner of 99.99% of the share capital of this company. Its address is at Praia de Botafogo nº 440, 12º Andar, Rio de Janeiro (Brazil). As at 31 December 2021, its main activity is the operation of six owned ships and three ships bareboat chartered from subsidiaries of the Elcano Group.

Globalspectre, Lda. (hereinafter referred to as “Global”): ENE is the owner of 100% of the share capital of Global. Its registered address is Rua da Mouraria nº 50 – 2, Letra A, 9000 Funchal (São Pedro) Madeira (Portugal). Its main activity consists in provision of maritime services, such as shipping activities and operation of maritime traffic, tugboats, rescue boats, anti-contamination services, chartering and sale and purchase of ships and holding shares in companies.

Global also holds 100 % of the share capital of Estaleiro Itajaí, S.A., classified as held for sale as at 31 December 2021.

Elcano Gas Transport, S.A.U. (hereinafter referred to as “EGT”): ENE is the owner of 100% of the share capital of this company. Its registered address is at Calle Malteses 3 3º, Las Palmas de Gran Canaria. Its main activity is the operation of an LNG carrier leased from a third party.

Jofre Shipping Ltd (hereinafter referred to as “Jofre”): ENE is the owner of 100% of the share capital of this company. Its registered address is 171 Old Bakery Street, Valletta, Malta. Its main activity is the operating lease (bareboat) of an LNG carrier with crew to ENE, which the Company leases from a third party.

Ojeda Shipping Limited (hereinafter referred to as “Ojeda”): ENE is the owner of 100% of the shares of this company. Its registered address is at 171 Old Bakery Street, Valletta, Malta. Its main activity is the operating lease (bareboat with crew) of its asphalt product tanker it owns to ENE.

Elcano Dry Bulk Limited (“EDB”): ENE is the owner of 100% of the share capital of EDB. Its registered address is at 171 Old Bakery Street, Valletta, Malta and its main activity is holding shares and performing the standard activities of a holding company.

EDB is the owner of 100% of the share capital of Iberian Bulkcarriers Limited (hereinafter referred to as “Iberian”).

The registered address of Iberian is at 171 Old Bakery Street, Valletta, Malta, and its main activity is an operating lease (bareboat) with a crew of two babycape ships to ENE, which it holds on a financial lease basis from a third party.

For the purposes of consolidating Elcano Group, EDB and Iberian form the EDB Subgroup (hereinafter referred to as “EBD Group”).

Elcano Gas Carriers Limited (hereinafter referred to as “EGC”): ENE is the owner of 100% of EGC. Its registered address is 171 Old Bakery Street, Valletta, Malta and its main activity is holding shares and performing the standard activities of a holding company.

EGC is the owner of 100% of the shares of Merida LNG Shipping Limited (hereinafter referred to as “Merida”) and Caldelas LNG Shipping Limited (hereinafter referred to as “Caldelas”).

The registered address of Merida is 171 Old Bakery Street, Valletta, Malta, and its main activity is an operating lease (bareboat) of a LNG carrier (leased from a third party) with crew to ENE.

The registered address of Caldelas is 171 Old Bakery Street, Valletta, Malta, and its main activity is an operating lease (bareboat) of a LNG carrier (leased from a third party) with a crew to ENE.

For Elcano Group consolidation purposes, EGC together with Merida and Caldelas form the EGC Subgroup (hereinafter referred to as “EGC Group”).

Elcano Tankers Limited (hereinafter referred to as “ETL”): ENE is the owner of 100% of the share capital of ETL. Its registered address is at 171 Old Bakery Street, Valletta, Malta and its main activity is the holding of shares and performing the standard activities of a holding company.



ETL owns 100% of the share capital of three companies: Iberian Tankers 1 Limited (hereinafter “IT1”), Iberian Tankers 2 Limited (hereinafter “IT2”) and Iberian Tankers 3 Limited (hereinafter “IT3”).

The registered address of IT1 is at 171 Old Bakery Street, Valletta, Malta, and its main activity is an operating lease (bareboat) with crew to ENE of two product tankers owned, each of them, by the Group companies EPT1 and EPT2, respectively.

The registered address of IT2 is at 171 Old Bakery Street, Valletta, Malta. Its main activity has been the operating lease (bareboat with crew) of a product tanker to ENE.

The registered address of IT3 is at 171 Old Bakery Street, Valletta, Malta, and its main activity is an operating lease (bareboat) with a crew of a chemical tanker to EBR, which it holds on a finance lease basis from a third party.

For Elcano Group consolidation purposes, ETL, IT1, IT2, and IT3 form the ETL Subgroup (hereinafter referred to as the “ETL Group”).

Elcano Group Services Limited (hereinafter referred to as “EGS”): ENE owns 100% of the shares of EGS. Its registered address is at 171 Old Bakery Street, Valletta, Malta and its main activity is the holding of shares and performing the standard activities of a holding company.

EGS owns 100% of Elcano Management Services Limited (hereinafter referred to as “EMS”).

EMS registered address is 171 Old Bakery Street, Valletta, Malta, and its main activity is the provision of management services and intra-group financing.

To consolidate the Elcano Group, EGS and EMS form the ETL Subgroup (hereinafter referred to as “EGS Group”).

As at 31 December 2021, Lauria, EPT1, EPT2, Enpasa, Elcano Brasil, Global EGT, Jofre, Ojeda, EDB Group, EGC Group, ETL Group and EGS Group, along with ENE, form the Elcano Group.

As at 31 December 2021, the Group owns an oil tanker, six chemical/product tankers, five bulk carriers, three liquefied petroleum gas (LPG) carriers and an asphalt tanker. Likewise, the Group also operates four liquefied natural gas (LNG) carriers on an operating lease basis, two bulkcarriers and a chemical/product tanker on a finance lease.



## 2. Submission and Consolidation Bases

The Consolidated Financial Statements for 2021 have been drawn up according to the current corporate legislation and the rules provided for drawing up Consolidated Financial Statements approved by Royal Decree 1159/2010, of 17 September, and the Spanish General Accounting Plan, approved by Royal Decree 1514/2007 of 16 November, which apply the amendments included by Royal Decree 602/2016, of 2nd December and Royal Decree 1/2021, of 12 September, among others, to present a true image of the consolidated equity, the consolidated financial situation and the consolidated results of the Group, and the accuracy of the flows incorporated into the consolidated cash flow statement.

The mentioned Consolidated Financial Statements have been drawn up based on the ancillary accounting records of ENE, Lauria, EPT1, EPT2, Enpasa, Elcano Brasil, Global, EGT, Ojeda, Jofre, EDB, Iberian, EGC, Merida, Caldelas, ETL, IT1, IT2, IT3, EGS and EMS.

The individual Financial Statements for the companies to be consolidated shall be submitted to the approval of the respective General Shareholders' Meetings within the time limits set by the current regulations. Nonetheless, ENE Directors estimate there will be no changes that could materially affect the Consolidated Financial Statements.

### Transition to the new accounting standards applicable from 1 January 2021

The accounting principles and main measurement rules used by the Group to prepare these consolidated financial statements are the same as those applied in the previous year, except for Royal Decree 1/2021, of 12 January, amending the General Accounting Plan approved by Royal Decree 1514/2007, of 16 November 2007, and the adoption of the Resolution of 10 February 2021 of the Spanish Accounting and Audit Institute [Instituto de Contabilidad y Auditoría de Cuentas], which lays down rules for the recording, measurement and preparation of financial statements for the recognition of incomes from the delivery of goods and the provision of services. The main amendments essentially concern the transposition to local accounting of most of the standards contained in IFRS-EU 9, IFRS-EU 15, IFRS-EU 7 and IFRS-EU 13. The Group has not made any adjustments to the book value of financial assets and liabilities in reserves as at 1 January 2021 as a result of the application of the new accounting standards. Due to the new rules, from 1 January 2021, the Group's accounting policies for financial assets and liabilities, derivatives and other financial instruments and revenue recognition have been changed as follows:

#### FINANCIAL INSTRUMENTS

Regarding financial assets and liabilities, new criteria are introduced for the classification, valuation and derecognition of financial assets and liabilities, and new rules for hedge accounting are introduced. The Group has made no adjustments to the book value of financial assets and liabilities in reserves as at 1 January 2021. The standard implies a greater breakdown of the information in the notes to the financial statements concerning financial instruments, essentially in risk management and in the fair value hierarchy and valuation techniques, which are detailed by type of financial assets and liabilities of the Group in Note 3 of these notes to the consolidated financial statements.

For classification, according to the new criteria of the standard, the financial assets and liabilities held by the Group as at 31 December 2020 are classified as follows:

- Loans and receivables and held-to-maturity investments are classified, based on their measurement, as financial assets at amortised cost.
- Debts and payables are classified as financial liabilities at amortised cost based on their measurement.

## RECOGNITION OF INCOME

The standard establishes a new income recognition model for contracts with clients, where income should be recognised based on fulfilling its obligations to clients. Ordinary income represents the transfer of committed goods or services to clients in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has reviewed the internal income recognition policies for the different types of contracts with clients, identifying the performance obligations, determining the timetable for the satisfaction of these obligations, the transaction price and its allocation to identify possible differences with the income recognition model of the new standard, and has found no significant differences between the two or compliance obligations that would give rise to a different recording.

The financial and fiscal year of all the consolidated group companies coincides with the calendar year.

Similarly, all the Group companies apply homogeneous accounting and measurement methods according to the generally accepted principles and rules in Spain. Nonetheless, before the aggregation process, if there are discrepancies in the uniformity of the principles and rules applied by, the group companies, the necessary adjustments and reclassifications are carried out before the aggregation process.

The companies and subgroups (namely, Lauria, EPT1, EPT2, Enpasa, Elcano Brasil, Global, EGT, Jofre, Ojeda, the EDB Group, the EGC Group, the ETL Group and the EGS Group) have been consolidated through the global integration method. All the balances and transactions between these companies have been removed from the consolidation process.

There are no significant uncertainties or aspects regarding the future that could entail a significant risk that could, in turn, mean substantial changes in the value of the assets and liabilities in the coming years.

No changes have occurred in the accounting estimations affecting the year or that may significantly affect future years.

According to Corporate Law, the Board of Directors of ENE presents the figures of each item of the Consolidated Balance Sheet, the Profit and Loss Account, the Statement of Changes in Net Equity, and Cash Flows for 2021 and those of the previous year for comparison purposes.

To better understand the Consolidated Balance Sheet, the Profit and Loss Account, the Statement of Changes in Net Equity and Cash Flows are presented in a aggregate form, gathering the details required in the relevant notes of this Annual Report.





### 3. Accounting principles and measurement standards applied

The information in these Consolidated Financial Statements is the responsibility of the Directors of ENE, as the parent company of Elcano Group. Estimates made by the directors have been used to measure some of the assets, liabilities, revenue, expenditure, and commitments recorded in these Consolidated Financial Statements. These estimates basically refer to the measurement of the loss from the impairment of certain assets and the useful life of material and intangible assets.

The main accounting principles and Measurement Standards applied are as follows:

#### a) Functional currency

The main economic environment in which the Group operates corresponds to the international maritime transport of goods market. For this reason, the functional currency of the Group is the US dollar (hereinafter referred to as “dollar” or “dollars”), except for EGT and EPT2 subsidiaries, which is the euro and Elcano Brasil, which is the Brazilian real. Nonetheless, and as established by the General Accounting Plan, the Consolidated Financial Statements are drawn up in thousands of euros.

The criteria used to convert the different items in these Consolidated Financial Statements into euros are as follows:

- a. Assets and liabilities are converted using the valid exchange rate as at the closure of the Consolidated Financial Statements.
- b. The captions of the Profit and Loss Account are converted using the average exchange rate for the period.
- c. Net Equity is kept at the historical exchange rate as at the date of acquisition.

The differences in exchange rates that arise from the conversion are recognised net from their fiscal effect under the caption “Adjustment for Changes in Value: Conversion differences” within the Net Equity. As at 31 December 2021, Conversion differences amount to (19,838) thousand euros (48,071 thousand euros in the preceding year).

Annex I to these Consolidated Financial Statements contains the Consolidated Balance Sheet, the Consolidated Income Sheet, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Net Equity for 2021 and 2020, stated in the functional currency.

All amounts in the remaining notes of this report are stated in thousands of dollars. When stated in another currency other than the dollar, it shall be expressly stated.

#### b) Intangible fixed assets

Intangible fixed assets are measured at their acquisition price less the accumulated depreciation and, where applicable, less the aggregate amount of impairment losses.

This heading relates mainly to intangible assets with a definite useful life and the costs incurred in bringing into operation certain ships operated by the Group under long-term contracts with clients. These assets are amortised during the life of the associated contract.

This section also includes the dry-docking costs of third party ships held by the Group under operating leases. Dry-dockings are amortised in the period between each dry-docking (3 - 5 years).



This caption also gathers the cost of acquired “software”, which is amortised on a straight-line basis over the term of 5 years in which its use is expected. The maintenance cost for intangible fixed assets are charged to expenses when they are incurred.

As soon as there are reasonable doubts regarding technical success or economical-trade profitability of software development, the corresponding amounts recognised in the assets are directly allocated to the loss of the year.

Maintenance expenses for software incurred during the year are registered in the Profit and Loss Account. In addition, expenses arising from research and development associated with patents owned by the Group relating to a project for which there are sound reasons for technical success and the economic and commercial profitability of the project are included.

Research and development expenses are amortised over their useful life, which will not exceed 5 years. As soon as there are reasonable concerns about the technical success or economical-trade profitability, the amounts recognised in this section will be directly allocated to the year's loss.

### c) Tangible fixed assets

Tangible fixed assets are measured at their acquisition price less the corresponding accumulated depreciation and, where applicable, less the accumulated amount of the recognised valuation allowances for impairment.

Depreciation of tangible fixed assets is carried out on cost value, following the straight-line basis over the useful life of the assets.

	Years of useful life
Ships	20 - 25
Buildings and other constructions	25
Facilities, tools and furniture	5 - 10
Transport elements	3
Data processing equipment	6 - 7

This section records the dry-docking costs of ships in the fleet owned by the Group or held on finance lease basis. Dry-docking costs are amortised in the period between each dry-docking (3 - 5 years).

Financial expenses of loans directly related to building the ships are capitalised as part of the initial value of the asset until the asset begins operations.

Assets maintenance and repair expenses that improve the utilisation or lengthen the useful life of the ships are capitalised and charged to the Profit and Loss Account according to the years of useful life left. When their utilisation is not improved, or their useful life is not lengthened, the amounts are charged to expenses as soon as they are incurred.

The carrying amount of tangible fixed assets is derecognised on sale or disposal by any other means, or when they are not expected to generate future economic benefits or income from their use, sale or disposal by any other means.

The profit or loss arising from a derecognition of an item of tangible fixed assets is determined as the difference between the amount obtained on the disposal of the item, less costs need for its sale, and the carrying amount. The profit or loss is recognised in the Consolidated Profit and Loss Account when the item is derecognised.

At the end of each reporting period, the Group assesses whether there is any indication that items of tangible fixed assets or cash-generating units may be impaired, in which case, the recoverable amount of these items is estimated and the required valuation allowances made.

An item of tangible fixed assets is considered impaired when its book value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value minus costs to sell and its value in use.

Impairment is calculated separately for each tangible fixed asset. If the Company cannot estimate the recoverable amount of each item individually, it determines the recoverable amount of the cash-generating unit to which each item belongs. Should the Company need to recognise an impairment loss for a cash-generating unit to which all or part of goodwill has been allocated, it first reduces the book value of the goodwill associated with that unit. If impairment exceeds the amount of goodwill, the Company then reduces the remaining assets in the cash-generating unit on a pro-rata basis based on their book values. The book value of each asset may not be reduced below the higher of its fair value, minus costs to sell, its value in use or zero.

To estimate the value in use, the Group prepares the estimates of future cash flows before taxes based on the most recently approved budgets. These budgets include the best estimates available from the income and expenses of the cash-generating units using past experience and future expectations.

Corrections of value for impairment of tangible fixed assets and reversals thereof when the circumstances that gave rise to the impairment cease to exist are recognised in the Consolidated Profit and Loss Account as an expense or income, respectively. The impairment shall only be reversed up to the limit of the book amount of the tangible fixed assets determined at the reversal date had the impairment not been recognised.

The Directors of ENE consider that as at 31 December 2021, the book value of the tangible assets does not exceed the recoverable value thereof, so no provision is required for impairment.

#### **d) Leases and similar transactions**

The classification by the Group of a lease as financial or operating will depend on whether the risks and benefits inherent to the ownership of the subject of the contract have been materially transferred.

- It will be classified as a finance lease if from the economic conditions of the agreement entail that the material transfer of all the risks and benefits inherent to the ownership of the asset leased in such agreement.
- Otherwise, it will be classified as an operating lease.

##### **Finance leases**

At the commencement of the lease, the Group recognises an intangible or tangible asset according to its nature and a financial liability for the same amount, at the lower of the fair value of the leased asset and the present value of the minimum lease payments determined at the inception of the lease. The present value of minimum lease payments is calculated based on the interest rate implicit in the lease. Where this cannot be determined, the lessee's interest rate for similar transactions is used.

The total finance charge is distributed over the term of the lease and allocated to the Profit and Loss Account of the year in which it accrues by applying the effective interest rate method. Contingent payments are measured as expenses of the year during which they are incurred.

Amortisation, impairment, and derecognition criteria are applied to the assets recorded in the balance sheet as a consequence of finance leases according to their nature.

##### **Operating leases**

Expenses for operating leases incurred during the year are charged to the Profit and Loss Account.

#### **e) Inventories**

Inventories of fuel and maintenance are recognised at their cost price, which does not exceed the market value. The costs of fuel inventories are determined by applying the FIFO method. The costs of maintaining inventories are determined by applying the weighted average cost method.

## f) Financial instruments

The Group only recognises a financial instrument in its balance sheet when it becomes a party legally bound to the contract or legal business in question, under the provisions thereof, determining its classification at the moment of their initial recognition and, where allowed and is appropriate, said classification is revisited at the balance sheet date each year, taking into account the requirements of the accounting regulations, and resulting in a change in measurement criteria.

Based on their measurement, financial instruments, are classified in some of these categories:

### Financial assets

- 1.- Financial assets carried at fair value with changes in the Profit and Loss Account.
- 2.- Financial assets carried at amortised cost.
- 3.- Financial assets carried at fair value with changes in the net equity.
- 4.- Financial assets carried at cost

### Financial liabilities

- 1.- Financial liabilities carried at amortised cost
- 2.- Financial liabilities carried at fair value with changes in the Profit and Loss Account.

As at 31 December 2021 and 2020, the Group has classified its financial instruments as follows:

### Financial assets and liabilities carried at amortised cost

#### 1) FINANCIAL ASSETS CARRIED AT AMORTISED COST

In this category, the Group classifies investments or financial assets held for receiving the cash flows arising from the performance of the contract and which, due to the contractual terms of the asset, give rise to cash flows solely from the collection of principal and interest on the principal amount outstanding. Specifically, the following are recognised in this category:

- a) Trade receivables (clients and other debtors, mainly): financial assets arising from the sale of goods and the provision of services in trade operations.
- b) Non-trade receivables: financial assets that are neither equity instruments nor derivatives with a favourable valuation for the Group, not arising from trade transactions, with fixed or determinable payments, and are not traded in an active market.

#### 2) FINANCIAL LIABILITIES CARRIED AT AMORTISED COST

These financial liabilities are generally classified in this category:

- a) Trade payables (suppliers and other creditors, mainly): financial liabilities arising from the purchase of goods and services in the course of trade operations.
- b) Non-trade payables (payables to credit institutions, other debt instruments such as bonds, notes, etc., and other financial loans and receivables from third parties): financial liabilities which, not being derivative instruments with an unfavourable valuation for the Group, do not arise from trade transactions.

Financial assets and liabilities in this category are initially measured at fair value, i.e. the transaction price equivalent to the fair value of the consideration given plus directly attributable transaction costs.

Notwithstanding the above, trade receivables and payables falling due within one year for which there is no contractual interest rate, as well as, where appropriate, loans and advances to personnel, dividends receivable and payments on called-up equity instruments expected to be collected in the short-term and payments demanded by third parties on shares, the amount of which is expected to be paid in the short-term, are measured at their nominal amount, provided the effect of not discounting the cash flows is not significant.

Financial assets and liabilities are subsequently measured at amortised cost. Accrued interest is charged to the Profit and Loss Account using the effective interest rate method. However, receivables and payables falling due within one year initially measured at the nominal amount continue to be measured at that amount unless impaired, in the case of receivables.

At year-end, the Company recognises any necessary valuation allowances when there is objective evidence that the value of a receivable has become impaired, that is, if there is evidence of a reduction or delay in estimated future cash flows to said asset.

The amount of the impairment on loans and receivables is measured as the difference between the book value and the present value of estimated future cash flows, discounted at the effective interest rate calculated upon initial recognition.

Valuation allowances for debtor impairment as at 31 December 2021 have been estimated according to the analysis of each of the individual balances pending to be received on the said date.

### **Financial assets carried at cost**

This category includes investments in Group companies, associates and jointly controlled entities, as well as investments in equity instruments whose fair value cannot be determined by reference to a quoted price in an active market for an identical financial instrument or cannot be reliably estimated.

#### **1) EQUITY INVESTMENTS IN GROUP COMPANIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES**

Financial investments in Group companies, multi-group companies and associates correspond to shares in companies not subject to consolidation in these Financial Statements. These are companies whose relative importance is not relevant to the equity situation of the Group.

Equity investments are initially measured at cost, which equals the fair value of the consideration given plus directly attributable transaction costs.

They are subsequently valued at cost less, where applicable, the accumulated valuation allowances for impairment.

At year-end, and when there is objective evidence that the book value of an investment will not be recovered, the Company recognises any necessary valuation allowances.

Valuation allowances are determined as the difference between the book value and the recoverable amount unless better evidence of the recoverable amount of the investments is available. In the estimate of the impairment of these kind of assets, the proportional part of the Net Equity of the investee is taken into consideration, corrected for any unrealised gains existing at the measurement date, corresponding to elements identifiable in the balance sheet of the investee.

To determine the net equity of the investees for the purposes of the preceding paragraph, in cases in which the investee has an interest in another investee it has been considered the one resulting from the last consolidated financial statements prepared according to the criteria of the Spanish Code of Commerce and its implementing regulations.

In determining the net equity of an investee where the investee uses a functional currency other than the euro, the closing spot exchange rate is applied to both the equity and the any unrealised gains existing at that date.

### **Financial assets carried at fair value with changes in net equity**

This category includes financial assets, which give rise to principal and interest payments cash flows only at specified dates on the principal amount outstanding, are not held for trading and are not classified as financial assets at amortised cost.

Likewise, in this category includes equity instruments which, although they should have been included in the category of financial assets carried at fair value with changes in the Profit and Loss Account, the Group has exercised its irrevocable option to classify them in this category.

Held-for-sale financial assets are initially measured at fair value or the transaction price, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs, as well as where necessary, the amount paid for any pre-emptive and similar rights acquired.

They are subsequently measured at fair value, deducting no transaction costs incurred on disposal.



Changes in fair value are accounted for directly in net equity until the financial asset is derecognised or impaired and subsequently charged to the Consolidated Profit and Loss Account.

However, impairment and exchange gains and losses on monetary financial assets in foreign currency are charged to the Consolidated Profit and Loss Account.

Interest calculated using the effective interest rate method and accrued dividends is also charged to the Consolidated Profit and Loss Account.

Investments in equity instruments for which the fair value cannot be estimated reliably are measured at cost less, where applicable, any accumulated impairment.

At year-end, any necessary impairment when there is objective evidence that the value of a held-for-sale financial asset, or group of held-for-sale financial assets with similar risk exposure measured together, is impaired, causing:

- a) In the event of acquired debt instruments, a reduction or delay in estimated future cash flows, which could be due to debtor insolvency or for any other reasons; or
- b) In the event of investments in equity instruments, failure to recover the carrying amount due to a significant or prolonged decline in the fair value. For these purposes, prolonged decline are those where the decline exists for over 18-month and are significant when they show decline in share price of more than 40 %.

The impairment of these financial assets is measured as the difference between the cost or amortised cost, less, where applicable, any impairment previously recognised in the Consolidated Profit and Loss Account, and the fair value at year-end.

As soon as there is objective evidence that the asset is impaired, accumulated losses recognised in net equity for a decrease in fair value is recorded in the Consolidated Profit and Loss Account.

If the fair value were to increase in subsequent reporting periods, the impairment charged in prior periods shall be reversed with a credit to the Consolidated Profit and Loss Account for the reporting period. However, where the fair value of an equity instrument increases, the impairment charged in prior periods is not reversed with a credit to the Profit and Loss Account; rather, the increase in fair value is accounted for directly in net equity.

Impairment of equity instruments carried at cost because the fair value cannot be measured reliably is calculated according to the section referring to equity investments in group companies, jointly controlled entities and affiliates. Impairment recognised in prior reporting periods is not reversed.

### **Derecognition of financial assets**

A financial asset or part thereof is derecognised when it expires, or the contractual rights on the cash flows of the financial asset are transferred, and the risks and benefits inherent to the ownership are substantially transferred.

### **Derecognition of financial liabilities**

A financial liability is derecognised when the corresponding obligation ceases to exist, i.e. when it has been discharged, cancelled or has expired.

### **Interest and dividends from financial assets**

Interest and dividends accrued on financial assets after acquisition are charged as income in the Consolidated Profit and Loss Account.

Interest is accounted for using the effective interest rate method, while dividends are recognised when the equity holder's right to receive payment is established. For this purpose, upon the initial measurement of financial assets, accrued explicit interest receivable and not due at the measurement date is recognised separately, based on maturity, and the amount of any dividends agreed by the competent body at the moment of acquisition.

### **Guarantees extended and received**

For guarantees given or received for operating leases or the provision of services, the difference between

their fair value and the amount paid is treated as an advance payment or collection for the lease or service provision, which is recognised in the Consolidated Profit and Loss Account during the period of the lease or during the period in which the service is provided.

Guarantees extended and received in the short term are valued by the amount disbursed.

## Cash and equivalents

The Group classifies cash, bank balances, demand deposits and other highly liquid short-term investments with maturity of less than 3 months that are readily realisable in cash and with a low risk of value volatility are registered in this category.

## g) Cash flow hedges

These are hedges of the exposure to variations in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction, provided it can affect the Consolidated Profit and Loss Account. A hedge of the foreign currency risk of a firm commitment may be accounted for as a cash flow hedge.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is temporarily recognised in Consolidated Net Equity and allocated to the Consolidated Profit and Loss Account in the reporting period or periods in which the forecasted hedged transaction affects the consolidated profit or loss, except where the hedge relates to a forecast transaction that requires recognition of a non-financial asset or liability. In the latter case, the amounts charged to the net equity are included in the cost of the asset or liability upon acquisition or assumption.

## h) Transactions in foreign currency

### Monetary items

Transactions in foreign currency are accounted for at their exchange value in dollars, using the exchange rate on the date of such transactions. Exchange gains and losses arising in the cancellation of balances from transactions in foreign currency are recognised in the Profit and Loss Account for the reporting period in which they occur.

At year-end, accounts receivable and payable in foreign currency are measured in dollars at the exchange rate valid on 31 December. Unrealised net exchange losses established for groups of currencies of similar maturity and behaviour on the market are recognised as an expense, and net unrealised gains, are established in the same way as income. In exchange hedges, only the part of the risk not covered is considered.

### Non-monetary items

They will be valued by applying the exchange rate on the transaction date.

## i) Corporate Tax

Certain Group companies are taxed on regimes based on tonnage (tonnage tax).

ENE has been taxed since 2014 under the Special Regime for Shipping Companies according to the tonnage set forth under the Spanish Corporate Tax. The initial authorisation was renewed for a further ten years from 1 January 2014.

Regarding the activities of the Group not subject to these tonnage-tax regimes, the expense for Corporate Tax of each financial year is calculated on the financial result of the activities not subject to tonnage-tax, corrected by the permanent nature differences with tax criteria and taking into account the incentives and applicable deductions. The tax effect of the temporary differences is included, where applicable, in the corresponding items for prepaid or deferred Corporate Tax of the accompanying balance sheet, classified by their term or according to the expected reversal period.

## **j) Recognition of revenue and expenditure**

Generally, revenues and expenses are recognised on an accrual basis, i.e. when the actual flow of goods and services they represent occur, regardless of when the resulting monetary or financial flow deriving from them occurs.

Revenue from the ordinary course of the Group's business is recognised when control of the goods or services committed to customers is transferred, at which time revenue is measured at the amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The Group follows a process consisting of these steps:

- a) Identify the contract(s) with the customer.
- b) Identify the obligation(s) to be fulfilled in the contract.
- c) Determine the transaction price or contract consideration to which the Group expects to be entitled in exchange for transferring goods or providing services committed by the customer.
- d) Allocate the transaction price to the obligations to be fulfilled.
- e) Recognise revenue from ordinary activities when or as the Group fulfils a committed obligation by transferring a good or rendering a service; fulfilment occurs when the customer obtains control of the good or service.

Specifically, considering the Group's core business (maritime transport services), revenue from these services is recognised over time. It is assumed that the customer simultaneously receives and consumes the rights and benefits inherent to the service as the Group provides the service. In this sense, if another company took over the contract within the service provision period, it would not need to re-perform the work already completed up to that point substantially.

Revenue from the sale of goods and rendering of services is measured at the fair value of the consideration received or receivable, arising therefrom, which in the absence of evidence to the contrary, this is the agreed price of those goods or services, less any trade discounts, rebates or similar items granted by the Group and interest on the nominal amount of the credits.

## **k) Provisions and contingencies**

Liabilities at year-end arising from past events that may lead to a loss for the Group and the amount and time of cancellation of which are indeterminate are measured in the Consolidated Balance Sheet as provisions based on the present value of the best estimate of the amount required to settle the obligation or transfer it to a third party.

Adjustments arising from updating a provision are recognised as a financial expense when accrued. No discounts will be applied for provisions that mature in a year or less and, provided the financial effect is not significant.

## **l) Transactions between related parties**

In general, transactions carried out with related parties are generally measured at the initial moment according to their fair value. Where applicable, if the price agreed in a transaction is different to the fair value, the difference will be measured according to the economic reality of the transaction. The subsequent valuation is carried out according to the particular standards.

## **m) Non-current assets held-for-sale**

The Company classifies a non-current asset as held-for-sale if its book value will be recovered mainly through a sale transaction rather than through continued use, and provided that it meets these requirements:

- a) The asset must be available for immediate sale in its present condition; and
- b) Its sale must be highly probable due to these circumstances:
  - b1) The Group must be committed to a plan to sell the asset, and an active programme to find a buyer and complete the plan must have been initiated.
  - b2) The asset must be actively marketed for sale at a reasonable price compared to its current

fair value.

b3) The sale should be expected to be completed within one year from the date the asset is classified as held-for-sale.

b4) Actions to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets held-for-sale are measured at the date of reclassification in this category at the lower of the book value and the fair value minus costs to sell.

The group does not depreciate or amortise a non-current asset while it is classified as held-for-sale and recognises the necessary impairment so the book value does not exceed the fair value minus costs to sell.

When an asset no longer meets the conditions for classification as held-for-sale, it is reclassified in the balance sheet according to its nature and measured at the lower of the book value before it was classified as held-for-sale, adjusted for any depreciation, amortisation or impairment that would have been recognised had the asset not been classified as held-for-sale, and the recoverable amount at the reclassification date. Any difference is recognised in the Consolidated Profit and Loss Account according to its nature.

Impairment of non-current assets held-for-sale and reversals thereof when the circumstances that gave rise to the impairment cease to exist are recognised in the Consolidated Profit and Loss Account, except when they must be recognised directly in the Consolidated Net Equity according to the specific standards applicable to each asset.

## n) Statement of cash flows

The following expressions are used in the cash flow statement:

**Cash or Cash Equivalents:** Cash comprises both cash in hand and demand deposits at banks. Cash equivalents are financial instruments which form part of the usual cash management policy of the Group, are converted into cash and have a maturity of three months or less from the date of acquisition, provided there is no significant risk of changes in value and that they form part of the Company's usual cash management policy.

**Cash flows:** inflows and outflows of cash or cash equivalents, these being very liquid investments with low risk of changes in value for terms of up to three months.

**Operating activities:** main revenue-producing activities of the Company and other activities that are not investing or financing activities.

**Investing activities:** acquisition, sale or disposal by other means, of long-term assets and other investments not included in cash and cash equivalents.

**Financing activities:** activities that produce changes in the size and composition of Net equity and financial liabilities.



## 4. Intangible fixed assets

The composition and movements of intangible fixed assets are as follows:

	Thousands of dollars				Thousands of euros	
	Balance as at 31/12/20	Additions	Disposals	Transfers	Balance as at 31/12/21	Balance as at 31/12/21
<b>Cost</b>						
Dry-dock works	10,906	-	(533)	-	10,373	8,971
Long-term contracts/projects	48,220	279	(61)	-	48,438	42,763
Patents and developments	-	138	-	-	138	122
Software	2,675	119	(1,414)	-	1,380	1,217
ISPS / ISM / TMSA, ships	1,916	-	(19)	-	1,897	1,675
	<b>63,716</b>	<b>535</b>	<b>(2,027)</b>	<b>-</b>	<b>62,224</b>	<b>54,747</b>
<b>Accumulated depreciation</b>						
Docked ships	(3,113)	(2,172)	-	-	(5,285)	(4,532)
Long-term contracts/projects	(10,758)	(2,724)	-	-	(13,482)	(11,901)
Software	(2,383)	(105)	1,414	-	(1,073)	(947)
ISPS / ISM / TMSA, ships	(399)	(421)	19	-	(800)	(706)
	<b>(16,653)</b>	<b>(5,421)</b>	<b>1,433</b>	<b>-</b>	<b>(20,641)</b>	<b>(18,087)</b>
<b>Net value</b>	<b>47,064</b>	<b>(4,886)</b>	<b>(594)</b>	<b>-</b>	<b>41,584</b>	<b>36,660</b>

	Thousands of dollars				Thousands of euros	
	Balance as at 31/12/19	Additions	Disposals	Transfers	Balance as at 31/12/20	Balance as at 31/12/20
<b>Cost</b>						
Dry-dock works	12,442	2,647	(4,183)	-	10,906	9,103
Long-term contracts/projects	43,730	4,540	-	(50)	48,220	39,297
Software	2,605	120	(50)	-	2,675	2,179
ISPS / ISM / TMSA, ships	1,876	39	-	-	1,916	1,561
	<b>60,653</b>	<b>7,346</b>	<b>(4,233)</b>	<b>(50)</b>	<b>63,716</b>	<b>52,140</b>
<b>Accumulated depreciation</b>						
Dry-dock works	(5,458)	(1,837)	4,183	-	(3,113)	(2,644)
Long-term contracts/projects	(8,400)	(2,358)	-	-	(10,758)	(8,767)
Software	(2,087)	(171)	-	(125)	(2,383)	(1,943)
ISPS / ISM / TMSA, ships	(144)	(379)	-	125	(399)	(325)
	<b>(16,090)</b>	<b>(4,746)</b>	<b>4,183</b>	<b>-</b>	<b>(16,653)</b>	<b>(13,678)</b>
<b>Net value</b>	<b>44,563</b>	<b>2,601</b>	<b>(50)</b>	<b>(50)</b>	<b>47,064</b>	<b>38,462</b>

The section on dry-dock works within Intangible fixed assets include the dry-dockings of the ships that the Group holds on an operating lease basis. The additions in dry-dock works correspond to the costs incurred by the Group in past or in-process dry-dockings in the said period.

Long-term contracts/projects mainly correspond to the costs assumed by the Group for the coming into operation of specific ships. These costs are recovered throughout the life of the long-term contracts signed with the respective clients.

The Patents and Developments section includes the works carried out by the Group on a project developed for which economic and commercial profitability is expected in the coming years.

## 5. Tangible Fixed Assets

The composition and movements of the tangible fixed assets are as follows:

	Thousands of dollars					Thousands of euros	
	Balance as at 31/12/20	Additions	Disposals	Transfers	Others	Balance as at 31/12/21	Balance as at 31/12/21
<b>Cost</b>							
Ships	765,586	4,622	-	11,959	-	782,167	689,418
Dry-dock works	33,498	10,746	-	(2,464)	-	41,780	36,888
Fixed assets under construction	22,166	44,147	-	(46,636)	-	19,677	17,372
Buildings and other constructions	10,954	54	-	-	-	11,008	9,720
Facilities, tools and furniture	2,457	37	(787)	-	-	1,707	1,507
Transport elements	887	-	(127)	-	-	760	671
Data processing equipment	2,603	282	-	-	-	2,885	2,539
	<b>838,150</b>	<b>59,889</b>	<b>(914)</b>	<b>(37,141)</b>	<b>-</b>	<b>859,984</b>	<b>758,115</b>
<b>Accumulated depreciation</b>							
Ships	(345,388)	(31,873)	-	24,667	-	(352,594)	(311,001)
Dry-dock works	(10,266)	(7,459)	-	2,289	-	(15,436)	(13,629)
Buildings and other constructions	(5,352)	(435)	-	-	-	(5,787)	(5,110)
Facilities, tools and furniture	(1,654)	(14)	787	-	-	(880)	(777)
Transport elements	(786)	(74)	127	-	-	(734)	(648)
Data processing equipment	(1,868)	(162)	-	-	-	(2,030)	(1,783)
	<b>(365,313)</b>	<b>(40,018)</b>	<b>914</b>	<b>26,956</b>	<b>-</b>	<b>(377,462)</b>	<b>(332,948)</b>
<b>Net value</b>	<b>472,837</b>	<b>19,871</b>	<b>-</b>	<b>(10,185)</b>	<b>-</b>	<b>482,522</b>	<b>425,167</b>

	Thousands of dollars					Thousands of euros	
	Balance as at 31/12/20	Additions	Disposals	Transfers	Others	Balance as at 31/12/21	Balance as at 31/12/21
<b>Cost</b>							
Ships	762,599	2,784	(33)	236	-	765,586	624,626
Dry-dock works	29,885	13,796	(10,183)	-	-	33,498	27,299
Fixed assets under construction	9,826	12,339	-	-	-	22,166	18,064
Buildings and other constructions	8,715	2,239	-	-	-	10,954	8,927
Facilities, tools and furniture	2,457	-	-	-	-	2,457	2,002
Transport elements	1,028	-	(142)	-	-	887	722
Data processing equipment	1,817	786	-	-	-	2,603	2,117
	<b>816,327</b>	<b>31,945</b>	<b>(10,357)</b>	<b>236</b>	<b>-</b>	<b>838,150</b>	<b>683,758</b>
<b>Accumulated depreciation</b>							
Ships	(313,891)	(31,497)	-	-	-	(345,388)	(282,387)
Dry-dock works	(14,457)	(5,991)	10,183	-	-	(10,266)	(8,366)
Buildings and other constructions	(4,996)	(356)	-	-	-	(5,352)	(4,363)
Facilities, tools and furniture	(1,506)	(148)	-	-	-	(1,654)	(1,346)
Transport elements	(852)	(75)	142	-	-	(786)	(640)
Data processing equipment	(1,773)	(95)	-	-	-	(1,868)	(1,520)
	<b>(337,475)</b>	<b>(38,163)</b>	<b>10,324</b>	<b>-</b>	<b>-</b>	<b>(365,313)</b>	<b>(298,621)</b>
<b>Net value</b>	<b>478,852</b>	<b>(6,218)</b>	<b>(33)</b>	<b>236</b>	<b>-</b>	<b>472,837</b>	<b>385,137</b>

## Ships

In December 2021, the Group took delivery of a new ship built in a Chinese shipyard and will operate in Brazil.

## Fixed assets under construction

As of 31 December 2021, the Group maintained the construction of the ship at a Chinese shipyard. During 2021 and 2020, the Group has made the following payments (instalments) to shipyards for the construction of ships and other shipowner investments:

		Thousands of dollars				
		2021		2020		
Type of ship under construction	No of ships	Place Construction	Instalments on account of the shipyard	Shipowner extra investments	Instalments on account of the shipyard	Shipowner extra investments
Bulkcarrier	1	China	5,985	2,617	3,990	2,113
			5,985	2,617	3,990	2,113

## Dry-Dockings

Past dry-dockings of ships owned or held on a finance lease are included in tangible fixed assets section.

## Buildings and constructions

The additions in 2020 mainly relate to acquiring the headquarters of the Group in Malta and the emergency offices of the parent company in Madrid.

The Group has taken out insurance policies to cover the possible risks to which the different elements of their investments are subject, understanding that said policies adequately cover the risks to which they are exposed. Likewise, the Group has requested the shipyard to which it has made payments on account for the construction of the ship classified as fixed asset under construction to provide bank refund guarantee for the shipbuilding payments (instalments) that have been paid in advance.

# 6. Leases and similar transactions

## Finance leases

The Group operates three ships acquired under finance leases.

Ships taken on a finance lease basis are recognised at the beginning of the lease for the value resulting from adding the amount of the minimum future payments agreed in the finance lease contracts to other shipowner investments carried out and necessary for the ships to begin operations. They are subsequently amortised according to their useful life.

Minimum future payments agreed for the long-term have these maturities:

	Thousands of dollars		Thousands of euros
	31/12/21	31/12/20	31/12/21
Two years	2,081	53,989	1,837
Three years	2,191	2,081	1,934
Four years	2,309	2,191	2,039
Five years	2,432	2,309	2,148
Rest	7,756	10,189	6,848
	<b>16,770</b>	<b>70,759</b>	<b>14,806</b>

As at 31 December 2021, the interest accrued and pending payment on account of finance lease contracts amounted to 1,059 thousand dollars (1,143 thousand dollars in the previous year).

## Operating leases

The Group, as charterer of four LNG carriers to third parties on an operating lease basis, has entered into independent contracts with two clients, which mature in 2023, 2030 and 2037. The Group, as the lessee of the ships, will generate fixed annual expenses during this time charged to the Consolidated Profit and Loss Account in concept of ship lease expenses.



## 7. Financial assets

The composition and movements of the financial assets, including balances with public administrations and cash and cash equivalents during 2021 and 2020, are described below:

	Thousands of dollars							
	Long-term financial assets				Short-term financial assets			
	Debt securities		Loans, derivatives and others		Debt securities		Loans, derivatives and others	
	31/12/21	31/12/20	31/12/21	31/12/20	31/12/21	31/12/20	31/12/21	31/12/20
Financial assets carried at amortised cost	-	-	30,930	32,841	37,938	48,491	166,123	186,264
Cash and cash equivalents	-	-	-	-	-	-	92,497	84,029
	-	-	30,930	32,841	37,938	48,491	258,620	270,293

	Thousands of euros							
	Long-term financial assets				Short-term financial assets			
	Debt securities		Loans, derivatives and others		Debt securities		Loans, derivatives and others	
	31/12/21	31/12/20	31/12/21	31/12/20	31/12/21	31/12/20	31/12/21	31/12/20
Financial assets carried at amortised cost	-	-	27,308	26,763	33,496	39,517	146,673	151,792
Cash and cash equivalents	-	-	-	-	-	-	81,669	68,479
	-	-	27,308	26,763	33,496	39,517	228,341	220,271

### a) Debt Securities

This item includes investments held by the Group until maturity.

### b) Loans, derivatives and others

#### Loans and Other long-term receivables

Loans and other long-term receivables are:

	Thousands of dollars		Thousands of euros
	31/12/21	31/12/20	31/12/21
Long-term loans	157	66	139
Long-term deposits and guarantees extended	106	109	93
Other long-term financial assets	30,667	32,667	27,076
	<b>30,930</b>	<b>32,841</b>	<b>27,308</b>

### Loans and Other short-term receivables

Loans and other short-term receivables, including balances with public administrations, is as follows:

	Thousands of dollars		Thousands of euros
	31/12/21	31/12/20	31/12/21
Trade debtors and other receivables	162,879	183,153	143,810
Trade receivables for sales and services	79,941	96,724	70,582
Insurance claims pending settlement	5,881	6,910	5,193
Receivables from public administrations	16,802	22,911	14,835
Other debtors	60,255	56,608	53,201
Short-term deposits and guarantees extended	1,244	1,111	1,098
Other financial assets	2,000	2,000	1,765
	<b>166,123</b>	<b>186,264</b>	<b>146,673</b>

The composition of Other Debtors is as follow:

	Thousands of dollars		Thousands of euros
	31/12/21	31/12/20	31/12/21
Receivables	1,377	1,548	1,216
Ship current accounts	336	319	296
Shipbuilding guarantees	67	69	60
Other sundry debts	58,475	54,672	51,629
	<b>60,255</b>	<b>56,608</b>	<b>53,201</b>



## 8. Inventories

The inventories include fuel and maintenance, as per the following information:

	Thousands of dollars		Thousands of euros
	31/12/21	31/12/20	31/12/21
Fuel	11,048	7,817	9,754
Maintenance	358	413	316
	<b>11,406</b>	<b>8,230</b>	<b>10,071</b>

Expenses for provisions, including fuel and maintenance, have been:

	Thousands of dollars		Thousands of euros
	31/12/21	31/12/20	31/12/21
Net purchases	59,325	47,985	50,204
Variation of inventories	(3,558)	2,933	(3,011)
	<b>55,767</b>	<b>50,918</b>	<b>47,193</b>

As a general rule, purchases of supplies (fuel, maintenance, etc.) are made in the geographical area closest to the location of the ship for which the supply corresponds, based on the geographical areas in which they operate (see Note 26), except for certain supplies (engine spare parts, etc.), which are usually purchased at the place of origin of the equipment manufacturer.

## 9. Short- and Long-term Accruals

The balances of this caption are as follows:

	Thousands of dollars		Thousands of euros
	31/12/21	31/12/20	31/12/21
<b>Short-term accruals:</b>			
Insurances not yet due, paid in advance	3,740	3,300	3,301
Other expenses not yet due, but paid in advance	4	4	3
<b>Total accruals</b>	<b>3,744</b>	<b>3,304</b>	<b>3,305</b>
<b>Short-term prepayments:</b>			
Anticipated revenue	(12,893)	(12,581)	(11,383)
<b>Total prepayments</b>	<b>(12,893)</b>	<b>(12,581)</b>	<b>(11,383)</b>



## 10. Net Equity

As at 31 December 2021, the share capital of the Parent Company (ENE) amounted to 50,211 thousand euros and is represented by 11,650,000 ordinary nominative shares of 4.31 euros of par value each, fully subscribed and paid. All shares have equal political and economic rights.

The information of the Group reserves is represented below:

	Thousands of euros	
	31/12/21	31/12/20
Legal Reserve	10,042	10,042
Voluntary Reserves	123,123	123,123
Results of previous years	(35,476)	(22,743)
Reserves in consolidated companies	188,227	167,937
	<b>285,916</b>	<b>278,359</b>

The consolidated groups' reserves correspond to the consolidated results of previous years contributed by ENE's subsidiary companies.

### Adjustments for changes in value

This heading includes adjustments for exchange differences:

- Negative exchange differences in the dollar balance correspond mainly to the conversion of Elcano Brasil's balance sheet, differences between assets minus liabilities, converted at the exchange rate valid on the closing date. Its equity is measured at the historical exchange rate and the Profit and Loss Account at the average rate.
- Exchange differences in the euro balances correspond to the difference between the assets and liabilities of the consolidated companies in dollars, converted at the exchange rate valid on the closing date. Their corresponding net equities are measured at the historical exchange rate and the Profit and Loss Account at the average rate.

## 11. Financial liabilities

### a) Liabilities and other marketable instruments

On 8 November 2016, ENE issued a first set of five-year bonds in the Spanish Alternative Fixed-Income Market ("AFIM") for 33,500 thousand euros, amortised in full during 2021. The par value of each bond is 100,000 euros, and they accrued an annual 5.5% coupon payable every 8 November.

On 26 July 2018, ENE issued a second set of five-year bonds in the AFIM amounting to 50,000 thousand euros. The par value of each bond is 100,000 euros, and they accrue an annual 5.5% coupon payable every 26 July.

On 16 July 2021, ENE issued a new set of five-year bonds in the AFIM amounting to 60,000 thousand euros. The par value of each bond is 100,000 euros, and they accrue an annual 4.875% coupon payable every 16 July.

As at 31 December 2021, the bond issue is valued at 124,586 thousand dollars (102,463 thousand dollars in the previous year).

## **b) Debts with credit institutions**

The breakdown of this caption, as at 31 December 2021 and 2020, is as follow:

	Thousands of dollars				Thousands of euros	
	Balance as at 31/12/2021		Balance as at 31/12/2020		Balance as at 31/12/2021	
	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Loans	199,594	44,437	189,993	46,566	176,227	39,234
Debt formalisation expenses	(1,964)	-	(2,142)	-	(1,734)	-
Creditors for finance leases	16,770	53,989	70,759	6,018	14,806	47,668
Loan facilities	-	12,782	-	13,181	-	11,285
Accrued interest	-	2,731	-	2,840	-	2,411
	<b>214,400</b>	<b>113,938</b>	<b>258,610</b>	<b>68,605</b>	<b>189,300</b>	<b>100,599</b>

## **Loans**

The maturity of the nominal long-term loans is shown below:

Maturity of the nominal amounts of the loans	Thousands of dollars		Thousands of euros
	31/12/21	31/12/20	31/12/21
Two years	60,821	40,668	53,700
Three years	21,451	46,709	18,940
Four years	13,062	17,595	11,533
Five years	12,033	10,219	10,624
Rest	92,227	74,802	81,429
	<b>199,594</b>	<b>189,993</b>	<b>176,227</b>

Most loans intended for ships have a mortgage guarantee on them.

The lenders of the Group for loans granted to Group companies are designated as beneficiaries in the insurance policies of the ships associated with the loans.

### c) Debts with group companies and associates

From February 2016, ENE has a long-term loan granted by its majority shareholder, GNT21, for 10,000 thousand euros maturing in December 2021, which was amortised on the due date.

In February 2018, GNT21 also granted a new long-term loan to ENE for 5,000 thousand euros maturing in February 2021, amortised on the due date.

Both loans accrued a fixed market interest and were amortised in one single instalment on the due date.

### d) Trade creditors and other payables

As at 31 December 2021 and 2020, this caption, including balances with public administrations, is:

	Thousands of dollars		Thousands of euros
	31/12/21	31/12/20	31/12/21
Suppliers	12,151	8,660	10,728
Creditors	67,437	89,574	59,542
Outstanding remuneration	4,252	4,451	3,755
Payables from public administrations	11,932	17,115	10,535
Other payables	154	107	135
	<b>95,926</b>	<b>119,907</b>	<b>84,695</b>

## 12. Information on the nature and level of risk arising from financial instruments

The activities carried out by the Group are exposed to different types of financial risk, particularly credit, liquidity and market risks (exchange, interest and other price risks).

### a) Credit risk

The main financial assets of the Group are cash and cash equivalents, trade receivables and other accounts payable, and investments, which represent the maximum exposure of the Group to the credit risk concerning financial assets.

The credit risk of the Group is attributable principally to their trade receivables. The amounts are reflected in the balance sheet net from the provision for insolvency, as estimated by the Group according to previous years' experience and its assessment of the current economic environment.

The credit risk of investments in financial products is mainly focused on temporary to short-term financial investments (“repos” of sovereign debt and deposits with maximum liquidity in both cases) and derivative instruments for hedging exchange rates, interest rates and share prices. Counterparties are always credit entities with which diversification policies are followed, bearing in mind their credit rating (international agencies), consisting in establishing maximum limits, with a periodic review thereof. With transactions in countries whose economic and socio-political circumstances preclude high credit rating, branches and subsidiaries of foreign entities or larger local entities that meet or get close to the established rating criteria are selected.

The Group does not have a significant concentration of credit risk, and the exposure is distributed between a large number of counterparts and clients.

The Group has a client portfolio with a good credit rating. Additionally, financial solvency analysis of the clients is carried out.

### **b) Liquidity risk**

The Group carries out a prudent management of liquidity risk based on maintaining sufficient cash or immediately available cash deposits. The Group has sufficient liquidity to settle its market positions.

The Group is not significantly exposed to liquidity risk due to keeping sufficient cash and credit availability to meet the necessary outputs in its usual operations. In the event of a need for funding, the Group mainly resorts to issuing bonds, loans and credit facilities.

The general situation of the financial markets, especially the banking market, is unfavourable for those seeking loans. The Group always pays attention to the evolution of the different factors that could help solve a liquidity crisis, and particularly the sources of financing and its characteristics.

We can summarise the items to which more attention is paid:

- Liquidity of monetary assets: the placement of surplus is always made at very short terms. Placements for terms exceeding three months requires express authorisation.
- Diversification of maturities of the credit facilities and control of financing and refinancing.
- Control of the remaining life of financing lines.
- Diversification of sources of financing: At a corporate level, bank financing and, to a greater extent, bond issues in the Alternative Fixed Income Market (“AFIM”) are fundamental due to the ease of access to these markets and their cost, in many occasions, without competition with other alternative sources.

The use of other sources in the future is not excluded.

### **c) Foreign exchange risk**

El Grupo por operar en el mercado internacional está expuesto al riesgo de tipo de cambio por operaciones. As the Group operates in the international market, it is exposed to foreign exchange risk on currency transactions. However, the Group’s functional currency is the dollar, the main operating currency in international maritime transport of goods, a natural hedge.

Cash flow hedges coming from investments in consolidated foreign entities:

To mitigate the exchange rate risk, the Group takes out currency swaps and exchange rate insurances, and when deem appropriate. Additionally, the Group also seeks a balance between the cash receipts and payments of its assets and liabilities in a foreign currency.



### c) Interest rate risk

Changes in interest rates affect the fair value of assets and liabilities that accrue at a fixed interest rate, and the future flows from assets and liabilities indexed to a floating rate.

The objectives of managing interest rate risks are to reach a balance between debt structure that enables minimising the cost of the debt in the multiannual horizon with reduced volatility in the Consolidated Profit and Loss Account.

Depending on the Group's estimations and the objectives of the debt structure, hedging operations can be carried out by purchasing derivatives that mitigate these risks.

Until now, the reference interest rates of the debt contracted by the Group are mainly Euribor and Libor.

As at 31 December 2021 and 2020, the Group has various interest rate hedging transactions, the valuation of which at the end of each year is recorded in the Group's balance sheet under Derivatives for 2,897 thousand dollars (2,558 thousand euros), with changes during the year recognised in the Group's equity as Valuation adjustments.

## 13. Information on the average period for payment to suppliers Third Additional Provision. 'Duty of Disclosure' of Law 15/2010 of 5 July

According to the provisions of the third additional provision, "Duty of disclosure" of the law 15/2010 of 5 July, amending Law 3/2004 of 29 December establishing measures to combat defaulters in trade operations, and concerning the Resolution of 29 January 2016 of the Accounting and Auditors Institute on the information to be included in the Financial Statements Report concerning aid law, the following is noted:

	Financial Year	2020
	No. of days	No. of days
Average period of payment to suppliers	25.29	13.61
Ratio of paid operations	25.81	13.27
Ratio of outstanding operations	12.84	20.61

	2021	2020
	Amount	Amount
	(Thousands of euros)	(Thousands of euros)
Total payments made	43,060	44,260
Total payments outstanding	1,796	2,166

## 14. Net business turnover

The revenue of the Group is derived from the provision of international maritime transport services of raw materials on ships owned by the Group or leased from third parties. The Group's ships operate mainly on long-term, consecutive voyage and volume charter contracts with clients worldwide in the energy and commodities sectors (mainly petrochemical, energy, mining and steel companies). During the financial year 2021, the Group has provided its transport services with the ships of its fleet (see Note 1) as well as other vessels taken on the market in short term. Its clients include public companies or companies in which public bodies have a stake.

In addition, the Group also provides short-term transport services through voyage, time or round trip charters, as well as other short and medium-term shipping services. The cost of ships leased from third parties to provide these transport services is recorded in the Profit and Loss Account under other operating expenses.

Net revenues are generally expressed in dollars but might also be in euros, depending on the operation and customer. The distribution of net turnover by currency by the closure of operation is as follow:

	Thousands of dollars	
	2021	2020
Dollars	877,596	1,095,783
Euro	29,936	29,917
	<b>907,532</b>	<b>1,125,700</b>

## 15. Personnel expenses

The composition of this caption is as follow:

	Thousands of dollars		Thousands of euros
	2021	2020	2021
Wages, salaries and similar expenses	29,164	24,971	24,679
Social security and other social charges	11,762	10,667	9,954
Provisions	87	(406)	74
	<b>41,013</b>	<b>35,232</b>	<b>34,707</b>

Similarly, as at 31 December 2021, the staff was formed by 593 people (506 men and 87 women). As at the year-end of the previous year, the staff was formed by 570 people (474 men and 96 women).

## 16. Auditors' fees

The amount of fees incurred for the auditing services of the Consolidated Financial Statements, as well as the individual statements of the parent company and its subsidiaries corresponding to the year ended on 31 December 2021, amounted to 236 thousand dollars (183 thousand dollars in the previous year). Additionally, in 2021, the Group paid 27 thousand dollars for other services rendered (51 thousand dollars in the previous year).

## 17. Environment information

All the ships owned by the Group comply with the applicable environmental safety regulations, according to their features and the activity carried out.

In addition, ENE, EBR and all the ships operated by ENE under operating leases from other Group companies have ISO 14.001 certification for Environmental Management Systems.

## 18. Tax Situation

The Group companies are obliged to submit a tax return on an annual basis for Corporate tax or Income tax purposes. Each company does so, determining their profits according to the tax regulations of the country of their registered offices.

### Deferred tax assets

At 31 December 2021 and 2020, the Group held the following Long-Term Deferred Tax Assets:

	Thousands of dollars		Thousands of euros
	31/12/21	31/12/20	31/12/21
Deferred tax assets	3,400	1,798	3,002
Credit for loss carryforwards	16,347	18,762	14,434
	<b>19,747</b>	<b>20,560</b>	<b>17,436</b>

The Group's loss carryforwards are expected to be recovered in the coming years within the periods established by the tax regulations of the country of origin.

## Receivables from public administrations

Trade debtors and other receivables on the asset side of the balance sheet include short-term balances with tax receivables. The information as at 31 December 2021 and 2020 is as follow:

	Thousands of dollars 31/12/21	Thousands of dollars 31/12/20	Thousands of euros 31/12/21
<b>Receivables from public administrations</b>			
For withholdings	1,898	539	1,676
For deductible temporary differences assets	1,893	7,791	1,671
For Corporate Tax	2,263	2,261	1,998
For VAT	702	1,240	620
For Other taxes	605	347	534
For AFRMM receivable	9,441	10,733	8,336
	<b>16,802</b>	<b>22,911</b>	<b>14,835</b>

## Long and short-term payables to public administrations

Trade creditors and other payables on the liabilities side of the balance sheet include short-term balances with tax receivables. The information as at 31 December 2021 and 2020 is as follow:

	Thousands of dollars 31/12/21	Thousands of dollars 31/12/20	Thousands of euros 31/12/21
<b>Long-term payables to public administrations:</b>			
For deferred tax	2,042	2,573	1,803
<b>Short-term payables to public administrations:</b>			
For Social Security	1,014	1,006	895
For Withholdings	1,028	729	908
For Corporate Tax	5,346	5,988	4,720
For VAT	14	216	12
For Other taxes	3,904	8,515	3,447
For Deferred taxes	626	660	553
	<b>11,932</b>	<b>17,115</b>	<b>10,535</b>

According to the current law, taxes cannot be considered as settled until the tax returns filed have been inspected by the local tax authorities of each country or the statute of limitations established in each of them has elapsed.

At the date of these Consolidated Financial Statements, the directors of the parent company and their tax advisers estimated that any tax liability that could arise as a consequence of the inspection proceedings will not have a material impact on the Financial Statements taken as a whole, bearing in mind that they consider the assessment proposals may be dismissed.



## 19. Subsequent events

In February 2022, the ship classified as at 31 December 2021 as a non-current asset held-for-sale was sold for a net amount of 4.9 million dollars.

The continuing crisis of the SARS-CoV-2 pandemic (COVID-19), which originated in China at the end of 2019, continues to have unpredictable consequences globally and thus for the Group. The events arising from this circumstance after the end of the financial year 2021 have no significant effect on the structure nor the values of the annual financial statements ended on 31 December 2021, nor on the going concern principle. The Group has activated a major contingency plan for its offices and fleet, which it operates to face the crisis and minimise its potential effects.

There are no other subsequent events to highlight.



**CASH FLOW STATEMENT FOR 2021 AND 2020**

(Stated in thousands of euros)

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2021</b>	<b>2020</b>
<b>Result for the year before taxes</b>	<b>1</b>	<b>11,179</b>
<b>Adjustments of the result:</b>	<b>60,401</b>	<b>55,028</b>
Depreciation of fixed assets	38,517	37,614
Impairment corrections	4,411	-
Provisions	143	(225)
Results for retirements and disposal of fixed assets	-	(8)
Financial revenue	(1,729)	(2,569)
Financial expenses	19,059	20,125
Other income/expenses	-	91
<b>Changes in working capital</b>	<b>5,912</b>	<b>8,809</b>
Inventories	(3,176)	1,351
Debtors and other receivables	18,609	33,988
Other current assets	10,510	(9,590)
Creditors and other accounts payable	(19,903)	(18,166)
Other non-current assets and liabilities	(128)	1,226
<b>Other cash flows from operating activities</b>	<b>(17,084)</b>	<b>(23,228)</b>
Interest payments	(17,976)	(19,744)
Collection of interest	1,729	2,569
Collections (payments) for profit tax	(837)	(6,053)
<b>Cash flows from operating activities</b>	<b>49,230</b>	<b>51,788</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Payments for investments</b>	<b>(51,250)</b>	<b>(34,500)</b>
Intangible fixed assets	(453)	(6,443)
Tangible fixed assets	(50,681)	(28,016)
Other financial assets	(116)	(41)
<b>Collections from disinvestments</b>	<b>33</b>	<b>27</b>
Tangible fixed assets	-	8
Other financial assets	33	19
<b>Other financial assets</b>	<b>(51,217)</b>	<b>(34,473)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Collections and payments for financial liability instruments</b>	<b>16,828</b>	<b>(6,415)</b>
<b>Issuance:</b>	110,516	40,914
Liabilities and other marketable securities	60,000	-
Debts with credit institutions	50,516	40,914
<b>Repayment and amortisation of:</b>	(93,688)	(47,329)
Liabilities and other marketable securities	(33,500)	-
Debts with credit institutions	(45,188)	(47,329)
Debts with group companies and associates	(15,000)	
<b>Payments of dividends and remuneration from other equity instruments</b>	<b>-</b>	<b>(466)</b>
Dividends	-	(466)
<b>Cash flows from financing activities</b>	<b>16,828</b>	<b>(6,881)</b>
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS</b>	<b>(1,651)</b>	<b>(22,466)</b>
<b>INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS</b>	<b>13,190</b>	<b>(12,032)</b>
Cash or cash equivalents at the beginning of the year	68,478	80,510
Cash or cash equivalents at the end of the year	81,668	68,478

**A) STATEMENT OF RECOGNISED INCOME AND EXPENSES OF 2021 AND 2020**

(Stated in thousands of euros)

	2021	2020
<b>Result of the profit and loss account</b>	<b>(426)</b>	<b>7,557</b>
<b>Income and expenses attributable directly to Net Equity</b>	<b>28,051</b>	<b>(52,709)</b>
From the measurement of financial instruments:		
From cash flow hedges	(182)	(171)
From grants, donations and bequests received		
From actuarial gains and losses and other adjustments	28,233	(52,538)
Tax effect		
<b>Transfers to the profit and loss account</b>	<b>-</b>	<b>-</b>
From the measurement of financial instruments		
From Cash flow hedges:		
From grants, donations and bequests received		
From actuarial gains and losses and other adjustments		
Tax effect		
<b>Total transfers to the profit and loss account</b>	<b>-</b>	<b>-</b>
<b>Total transfers to the profit and loss account</b>	<b>27,625</b>	<b>(45,152)</b>

**B) TOTAL STATEMENT OF CHANGES IN NET EQUITY OF 2021 AND 2020**

(Stated in thousands of euros)

	Subscribed Capital	Reserves	Results of the financial year	Adjustments for changes in value	TOTAL
<b>BALANCE, END OF THE FINANCIAL YEAR 2019</b>	<b>50,211</b>	<b>260,395</b>	<b>18,429</b>	<b>2,262</b>	<b>331,297</b>
Adjustments for changes of criteria 2019					-
Adjustments for errors 2019					-
<b>ADJUSTED BALANCE, BEGINNING OF THE FY 2020</b>	<b>50,211</b>	<b>260,395</b>	<b>18,429</b>	<b>2,262</b>	<b>331,297</b>
<b>Total recognised income and expenses</b>			<b>7,557</b>	<b>(52,709)</b>	<b>(45,152)</b>
<b>Total recognised income and expenses</b>	<b>-</b>	<b>-</b>	<b>(466)</b>	<b>-</b>	<b>(466)</b>
Distribution of dividends			(466)		(466)
<b>Other variations of net equity</b>		<b>17,964</b>	<b>(17,963)</b>		<b>1</b>
<b>BALANCE, END OF THE FINANCIAL YEAR 2020</b>	<b>50,211</b>	<b>278,359</b>	<b>7,557</b>	<b>(50,447)</b>	<b>285,680</b>
Adjustments for changes of criteria 2020					-
Adjustments for errors 2020					-
<b>ADJUSTED BALANCE, BEGINNING OF THE FY 2021</b>	<b>50,211</b>	<b>278,359</b>	<b>7,557</b>	<b>(50,447)</b>	<b>285,680</b>
<b>Total recognised income and expenses</b>			<b>(426)</b>	<b>28,051</b>	<b>27,625</b>
<b>Operations with shareholders or owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other variations of net equity</b>		<b>7,557</b>	<b>(7,557)</b>		<b>-</b>
<b>BALANCE, END OF THE FINANCIAL YEAR 2021</b>	<b>50,211</b>	<b>285,916</b>	<b>(426)</b>	<b>(22,396)</b>	<b>313,305</b>

**BALANCE SHEET AS OF 31 December 2021 AND 2020**

(Stated in thousands of US dollars)

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
<b>Non-current assets</b>	<b>574,783</b>	<b>573,302</b>
Intangible fixed assets	41,584	47,064
Tangible fixed assets	482,522	472,837
Long-term financial investments	30,930	32,841
Deferred tax assets	19,747	20,560
<b>Current assets</b>	<b>353,862</b>	<b>367,397</b>
Non-current assets held for sale	42,154	37,079
Inventories	11,406	8,230
Trade debtors and other receivables	162,879	183,153
Short-term financial investments	41,182	51,602
Cash and cash equivalents	92,497	84,029
Short-term accruals	3,744	3,304
<b>TOTAL ASSETS</b>	<b>928,645</b>	<b>940,699</b>
<b>NET EQUITY AND LIABILITIES</b>	<b>2021</b>	<b>2020</b>
<b>Net equity</b>	<b>355,890</b>	<b>350,660</b>
<b>Shareholders' equity</b>	<b>425,569</b>	<b>416,021</b>
Subscribed capital	65,688	65,688
Reserves of the parent company	113,874	139,217
Reserves in consolidated companies for global integration	236,459	213,697
Profit/(Loss) for the year attributed to the parent company	9,548	(2,581)
<b>Adjustments for changes in value</b>	<b>(69,679)</b>	<b>(65,361)</b>
Hedging operations	(2,897)	(2,916)
Exchange differences	(66,782)	(62,445)
<b>Non-current liabilities</b>	<b>347,125</b>	<b>327,558</b>
<b>Long-term provisions</b>	<b>1,049</b>	<b>945</b>
<b>Long-term debts</b>	<b>343,042</b>	<b>324,040</b>
Liabilities and other marketable securities	124,586	61,355
Debts with credit institutions	197,630	187,851
Creditors for financial leases	16,770	70,759
Financial derivatives	2,897	2,916
Other debts	1,159	1,159
<b>Deferred tax liabilities</b>	<b>992</b>	<b>-</b>
<b>Other long-term creditors</b>	<b>2,042</b>	<b>2,573</b>
<b>Current liabilities</b>	<b>225,630</b>	<b>262,481</b>
<b>Short-term debts</b>	<b>116,811</b>	<b>111,496</b>
Liabilities and other marketable securities	2,873	42,891
Debts with credit institutions	59,949	62,587
Financial lease receivables	53,989	6,018
<b>Debts with group companies and associates</b>	<b>-</b>	<b>18,497</b>
<b>Trade creditors and other payables</b>	<b>95,926</b>	<b>119,907</b>
<b>Short-term accruals</b>	<b>12,893</b>	<b>12,581</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>928,645</b>	<b>940,699</b>



**INCOME STATEMENT FOR 2021 AND 2020**

(Stated in thousands of US dollars)

	<b>2021</b>	<b>2020</b>
<b>Net turnover</b>	<b>907,532</b>	<b>1,125,700</b>
Revenues	907,532	1,125,700
<b>Work carried out by the group for its assets</b>	<b>397</b>	<b>541</b>
<b>Supplies</b>	<b>(55,767)</b>	<b>(50,918)</b>
Materials consumed	(55,767)	(50,918)
<b>Other operating income</b>	<b>8,961</b>	<b>9,295</b>
Ancillary income and other current management income	8,961	9,295
<b>Personnel expenses</b>	<b>(41,013)</b>	<b>(35,232)</b>
Wages, salaries and similar	(29,164)	(24,971)
Social security costs	(11,762)	(10,667)
Provisions	(87)	406
<b>Other operating costs</b>	<b>(746,143)</b>	<b>(969,165)</b>
External services	(733,903)	(962,346)
Taxes	(4,644)	(5,458)
Other current operating expenses	(7,566)	(7,229)
Other results	(30)	5,868
<b>Depreciation of fixed assets</b>	<b>(45,515)</b>	<b>(42,888)</b>
<b>Impairment and the result of the disposal of fixed assets</b>	<b>(5,212)</b>	<b>-</b>
<b>OPERATING RESULT</b>	<b>23,240</b>	<b>37,333</b>
<b>Financial income</b>	<b>2,044</b>	<b>2,929</b>
From marketable securities and other financial instruments	2,044	2,929
<b>Financial expenses</b>	<b>(22,523)</b>	<b>(22,946)</b>
For debts with group companies and associates	(743)	(697)
For debts with third parties	(21,780)	(22,249)
<b>Foreign exchange differences</b>	<b>7,291</b>	<b>(15,767)</b>
<b>FINANCIAL PROFIT/(LOSS)</b>	<b>(13,188)</b>	<b>(35,784)</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>10,052</b>	<b>1,549</b>
<b>Corporate Tax</b>	<b>(504)</b>	<b>(4,130)</b>
<b>PROFIT/(LOSS) OF THE YEAR FROM CONTINUING OPERATIONS = PROFIT/(LOSS) OF THE YEAR ATTRIBUTABLE TO THE PARENT COMPANY</b>	<b>9,548</b>	<b>(2,581)</b>

**CASH FLOW STATEMENT FOR 2021 AND 2020**

(Stated in thousands of US dollars)

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2021</b>	<b>2020</b>
<b>Result for the year before taxes</b>	<b>10,052</b>	<b>1,549</b>
<b>Adjustments of the result:</b>	<b>59,280</b>	<b>58,695</b>
Depreciation of fixed assets	45,515	42,888
Impairment value corrections	5,212	-
Provisions	169	(257)
Results for retirements and disposal of fixed assets	-	(9)
Financial income	(2,044)	(2,929)
Financial expenses	22,523	22,947
Foreign exchange differences	(12,095)	(4,049)
Other income/expenses	-	104
<b>Changes in working capital</b>	<b>7,587</b>	<b>6,969</b>
Inventories	(3,176)	822
Debtors and other receivables	21,990	38,754
Other current assets	12,420	(13,134)
Creditors and other accounts payable	(23,519)	(20,713)
Other non-current assets and liabilities	(128)	1,240
<b>Other cash flows from operating activities</b>	<b>(20,186)</b>	<b>(26,485)</b>
Interest payments	(21,241)	(22,512)
Collection of interest	2,044	2,929
Collections (payments) for profit tax	(989)	(6,902)
<b>Cash flows from operating activities</b>	<b>56,733</b>	<b>40,728</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Payments for investments</b>	<b>(60,561)</b>	<b>(39,338)</b>
Intangible fixed assets	(535)	(7,346)
Tangible fixed assets	(59,889)	(31,945)
Other financial assets	(137)	(47)
<b>Collections for disinvestments</b>	<b>39</b>	<b>31</b>
Tangible fixed assets	-	9
Other financial assets	39	22
<b>Cash flows from investing activities</b>	<b>(60,522)</b>	<b>(39,307)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Collections and payments for financial liability instruments</b>	<b>12,257</b>	<b>(7,315)</b>
<b>Issuance:</b>	125,170	46,651
Liabilities and other marketable securities	67,956	-
Debts with credit institutions	57,214	46,651
<b>Repayment and amortisation of:</b>	<b>(112,913)</b>	<b>(53,966)</b>
Liabilities and other marketable securities	(41,108)	-
Debts with credit institutions	(53,398)	(53,966)
Debts with group companies and associates	(18,407)	-
<b>Payments of dividends and remuneration from other equity instruments</b>	<b>-</b>	<b>(522)</b>
Dividends	-	(522)
<b>Cash flows from financing activities</b>	<b>12,257</b>	<b>(7,837)</b>
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS</b>	<b>-</b>	<b>-</b>
<b>INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS</b>	<b>8,468</b>	<b>(6,416)</b>
Cash or cash equivalents at the beginning of the year	84,029	90,445
Cash or cash equivalents at the end of the year	92,497	84,029

**A) STATEMENT OF RECOGNISED INCOME AND EXPENSES OF 2021 AND 2020**

(Stated in thousands of US dollars)

	2021	2020
<b>Result of the profit and loss account</b>	<b>9,548</b>	<b>(2,581)</b>
<b>Income and expenses attributable directly to Net Equity</b>	<b>(4,318)</b>	<b>(19,657)</b>
From the measurement of financial instruments:		
From cash flow hedges	19	(439)
From grants, donations and bequests received		
From actuarial gains and losses and other adjustments	(4,337)	(19,218)
Tax effect		
<b>Transfers to the profit and loss account</b>	<b>-</b>	<b>-</b>
From the measurement of financial instruments		
Cash flow hedges		
From grants, donations and bequests received		
From actuarial gains and losses and other adjustments		
Tax effect		
<b>Total transfers to the profit and loss account</b>	<b>-</b>	<b>-</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSES</b>	<b>5,230</b>	<b>(22,238)</b>

**B) TOTAL STATEMENT OF CHANGES IN NET EQUITY OF 2021 AND 2020**

(Stated in thousands of US dollars)

	Subscribed Capital	Reserves	Results of the financial year	Adjustments for changes in value	TOTAL
<b>BALANCE, END OF THE FINANCIAL YEAR 2019</b>	<b>65,688</b>	<b>331,540</b>	<b>21,896</b>	<b>(45,704)</b>	<b>373,420</b>
Adjustments for changes of criteria 2019					-
Adjustments for errors 2019					-
<b>ADJUSTED BALANCE, BEGINNING OF THE FY 2020</b>	<b>65,688</b>	<b>331,540</b>	<b>21,896</b>	<b>(45,704)</b>	<b>373,420</b>
<b>Total recognised income and expenses</b>			<b>(2,581)</b>	<b>(19,657)</b>	<b>(22,238)</b>
<b>Total recognised income and expenses</b>	<b>-</b>	<b>-</b>	<b>(522)</b>	<b>-</b>	<b>(522)</b>
Distribution of dividends			(522)		(522)
<b>Other variations of net equity</b>		<b>21,374</b>	<b>(21,374)</b>		<b>-</b>
<b>BALANCE, END OF THE FINANCIAL YEAR 2020</b>	<b>65,688</b>	<b>352,914</b>	<b>(2,581)</b>	<b>(65,361)</b>	<b>350,660</b>
Adjustments for changes of criteria 2020					-
Adjustments for errors 2020					-
<b>ADJUSTED BALANCE, BEGINNING OF THE FY 2021</b>	<b>65,688</b>	<b>352,914</b>	<b>(2,581)</b>	<b>(65,361)</b>	<b>350,660</b>
<b>Total recognised income and expenses</b>			<b>9,548</b>	<b>(4,318)</b>	<b>5,230</b>
<b>Operations with shareholders or owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other variations of net equity</b>		<b>(2,581)</b>	<b>2,581</b>		<b>-</b>
<b>BALANCE, END OF THE FINANCIAL YEAR 2021</b>	<b>65,688</b>	<b>350,333</b>	<b>9,548</b>	<b>(69,679)</b>	<b>355,890</b>

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## AUDIT REPORT ON CONSOLIDATED ANNUAL ACCOUNTS SUBMITTED BY AN INDEPENDENT AUDITOR

To the shareholders of **EMPRESA NAVIERA ELCANO, S.A.**

### Opinion

We have audited the accompanying consolidated annual accounts of EMPRESA NAVIERA ELCANO, S.A., (hereinafter the parent company) and its subsidiaries (hereinafter the Group), that comprises the consolidated balance at 31<sup>st</sup> December 2021, the consolidated profit and loss account, the consolidated state of changes in equity, the consolidated state of cash flows and the explanatory notes to the consolidated annual accounts related to the financial year that ends in said date.

In our opinion, the accompanying consolidated annual accounts present, in all material respects, a true and fair view of the consolidated assets and the consolidated financial position of EMPRESA NAVIERA ELCANO, S.A. and its subsidiary companies as at December 31<sup>st</sup>, 2021, and the consolidated results of the operations and its consolidated cash flows for the financial year ended on said date, according to the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying consolidated annual accounts) and, in particular, the Generally Accounting Principles contained in it.

### Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those regulations are further described in the *Auditor's responsibilities for the consolidated annual accounts audit* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated annual accounts in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Most relevant aspects of the audit

The most relevant aspects of the audit are those that, according to our professional judgment, have been considered as the most significant material misstatement risks of our audit of the consolidated annual accounts of the current period. These risks have been addressed in the context of our audit of the consolidated annual accounts as a whole, and in the formation of our opinion on them, and we do not express a separate opinion on those risks.





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### Valuation of ships

#### Description:

As shown in the "tangible fixed assets" caption in the explanatory notes to the consolidated annual accounts, the book value of investments in the Group's ships amounts to 378 million euros, which represents 46% of its total assets.

Given the relevance of these investments and the necessary estimates for the calculation of the subsequent value of the asset, we have identified this issue as a relevant aspect of the audit

#### Audit procedures:

Our audit procedures included:

- Obtaining the impairment calculations made by the Group Directors at the end of the year, evaluating the reasonableness of the methodology used and the calculations made in the same, as well as the consistency with the one used in the previous exercise, in order to obtain adequate security of the reasonableness of the estimates made.

### Non-current assets held for sale

#### Description:

The heading "Non-current assets held for sale" includes the participation in a group company for an amount of 32.7 million euros as well as the investment in a vessel put up for sale for an amount of 4.5 million euros.

Given the uncertainties inherent in the final resolution of the divestment and the necessary estimates for the calculation of the value of the asset, we have identified this issue as a relevant aspect of the audit

#### Audit procedures:

Our audit procedures included:

- reviewing the plans of the Group's Directors in relation to this asset, the valuations thereof made by third parties, as well as the actions taken to sell them.

### Other information: Consolidated Management report

Other information comprises exclusively the 2021 consolidated management report which responsibility is of the Board of Directors of the parent company and is not comprised within the consolidated annual accounts.

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Our opinion of the audit of the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in the regulations applicable in the audit activity, which establishes two different levels on the same:

- a) A specific level that is applicable to the report of non-financial information (EINF, acronym in Spanish), which consists of verifying only that the aforementioned information has been provided in the management report, or if applicable, that the information has been incorporated into it, as a reference corresponding to the separate report on non-financial information in the manner provided in the regulations, and if not, to report on it
- b) A general level applicable to the rest of the information included in the consolidated management report, which consists of evaluating and reporting on the concordance of the aforementioned information with the annual accounts, based on the knowledge of the entity obtained in the performance of the audit of the aforementioned accounts and without including information other than that obtained as evidence during the same, as well as evaluating and reporting whether the content and presentation of this part of the consolidated management report are in accordance with the regulations that are applicable, if based in the work done, we conclude that there are material misstatements we are obliged to inform on those.

Over the basis of the work done, as described above, we have verified that the information mentioned in section a) above is provided in the consolidated management report and that the rest of the information contained in the consolidated management report is consistent with the 2019 consolidated annual accounts and the presentation and content are in conformity with the regulations that are applicable.

#### **Directors' responsibilities for the consolidated annual accounts**

The directors of the parent company are responsible for the preparation of the accompanying consolidated annual accounts so that they give a true and fair view of the equity, financial position and consolidated results of GROUP EMPRESA NAVIERA ELCANO, S.A, in accordance with the regulatory framework for financial information applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the directors of the parent company are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the companies included in the group or to cease operations, or has no realistic alternative but to do so.



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#### **Auditor's responsibilities for the Audit of consolidated annual accounts**

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

A more detailed description of our responsibilities in relation to the consolidated annual accounts audit is included in Annex 1 of this audit report. This description, which is found at the end of this report, is an integral part of it.

#### **MOORE IBERICA DE AUDITORIA, S.L.P.**

(Registered in the Official Register of Account Auditors – ROAC – with number S0359)

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#### **Francisco Martínez Casado**

(Registered in the Official Register of Account Auditors – ROAC - with number 15.991)

*Madrid, March 21<sup>st</sup>, 2022*



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## Annex 1 to our Audit Report

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

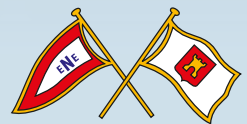
We communicate with the directors of the Parent Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the Parent Company's directors, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the most significant assessed risks.

We describe those risks in our auditor's report unless law or regulation precludes public disclosure about the matter.







EMPRESA NAVIERA ELCANO, S.A.

