MIQUEL Y COSTAS & MIQUEL, S.A.

Independent Audit Report,
Annual Accounts as at December 31, 2018
and Directors' Report for 2018

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor´s report on the annual accounts

To the shareholders of Miquel y Costas & Miquel, S.A.:

Report on the annual accounts

Opinion

We have audited the annual accounts of Miquel y Costas & Miquel, S.A. (the Company), which comprise the balance sheet as at December 31, 2018, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at December 31, 2018, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2.1 of the notes to the annual accounts), and, in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Key audit matters

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

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matter	How our audit addressed the key audit matter
Recognition of sales revenue	
As detailed in note 29 to the accompanying annual accounts, the Company operates on the domestic and international market, the latter accounting for the largest volume of sales in terms of amount and number of orders. Although the recognition and evaluation of sales revenues is not especially complex, we focused our analysis on the recognition of revenue mainly due to the significance of this component within the accompanying annual accounts taken as a whole and therefore on the increased concentration therein of the inherent risk of material misstatement.	We gained an understanding of the accounting policies for recognising business revenues. In this respect, we assessed the design of the key internal controls related to revenue recognition and tested their operational efficiency. We carried out tests of detail on a sample of sales recorded and verified the evidence of the existence and recognition of the transaction. Also, we obtained confirmation from customers for a sample of sales transactions. We verified the appropriate cut-off of operations at the year end for sales in order to corroborate the correct accrual. We have also verified whether the information disclosed in the accompanying annual accounts on the recognition of income is complete and suitable. As a result of our audit procedures, we have not detected material exceptions or errors.

Other information: Management report

Other information comprises only the management report for the 2018 financial year, the formulation of which is the responsibility of the Company´s directors, and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the information contained in the management report is defined in the legislation governing the audit practice, which establishes two distinct levels in this regard:

a) A specific level applicable to the statement of non-financial information and certain information included in the Annual Corporate Governance Report, as defined in article 35.2 b) of Audit Act 22/2015, that consists of verifying solely that the aforementioned information has been provided in the management report or, if appropriate, that the management report includes the pertinent reference in the manner provided by the legislation and if not, we are required to report that fact.

b) A general level applicable to the rest of the information included in the management report that consists of evaluating and reporting on the consistency between that information and the annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements and does not include information different to that obtained as evidence during our audit, as well as evaluating and reporting on whether the content and presentation of that part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have ascertained that the information mentioned in paragraph a) above has been provided in the management report and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2018 financial year, and its content and presentation are in accordance with the applicable regulations.

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

The Company´s directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of Miquel y Costas, S.A., in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Company´s directors are responsible for assessing the Company´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice 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 on the basis of these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company´s directors.

- Conclude on the appropriateness of the directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Company´s audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

We describe these matters in our auditor´s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Report to the audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated April 26, 2019.

Appointment period

The General Extraordinary Shareholders' Meeting held on June 20, 2018 appointed us as auditors for the year ended December 31, 2018.

Previously, we were appointed by resolutions of the General Extraordinary Shareholders' Meeting for a period of 3 years (2002-2004), and we have auditing the accounts continuously since the year ended 31 December 2002.

Services provided

Services provided to the Company for services other than the audit of the accounts are described in note 37 to the accompanying annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Originally in Spanish signed by
José M Solé Farré

April 26, 2019

miquel y costas & miquel, s.a.

MIQUEL Y COSTAS & MIQUEL, S.A.

ANNUAL ACCOUNTS AT 31 DECEMBER 2018
AND DIRECTORS' REPORT FOR 2018

(Free translation from the original in Spanish)

miquel y costas & miquel, s.a.

The Annual Accounts and Directors Report for the year ended at 31 December 2018, are formulated under the agreement adopted by the meeting of the Board of Directors of Miquel y Costas & Miquel, S.A. dated on 25 March 2019 identified by the signature of the members of the Board contained in this document, in order to meet the provisions of Article 253 of the Spanish Companies Act.

Barcelona, 25 March 2019

Secretary of the Board of Directors

Francisco Javier Basañez Villaluenga

Chairman of the Board of Directors

Jorge Mercader Miró

Members of the Board:

Joanfra, S.A. represented by Bernardette Miquel Vacarisas	Álvaro de la Serna Corral	Antonio Canet Martínez
Eusebio Díaz-Morera Puig-Sureda	Joaquín Coello Brufau	Carles Alfred Gasòliba Böhm
Joaquín Faura Batlle	Jorge Mercader Barata Vice Chair of the Board	

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MIQUEL Y COSTAS & MIQUEL, S.A

BALANCE SHEET AT 31 DECEMBER 2018 AND 207

(EXPRESSED IN THOUSAND EURO)

ASSETS	Note	2018	2017
NON-CURRENT ASSETS		**147,708**	**166,092**
Intangible assets	5	**719**	**680**
Property, plant and equipment	6	**71,190**	**67,992**
Long-term investments in group companies and associates		**42,240**	**33,768**
Equity instruments	8	24,066	22,707
Loans to group companies	7,8, 32	18,174	11,061
Long-term financial assets		**32,211**	**62,351**
Equity instruments	7,9	12	297
Non-current financial investments	7,9	32,081	61,933
Other financial assets	7,9	118	121
Deferred tax assets	25	**1,348**	**1,301**
CURRENT ASSETS		**152,034**	**119,583**
Inventories	11	**37,866**	**29,999**
Trade and other receivables		**40,888**	**37,486**
Trade receivables for sales and services	7,12	29,791	28,293
Trade receivables for sales and services from group companies and associates	7,32	10,516	8,856
Other debtors	7,13	2	2
Loans to employees	7,13	1	4
Public Administrations – Other	13	578	331
Short-term investments in group companies and associates		**20,276**	**14,463**
Loans to group companies	7,14,32	20,276	14,463
Short -term investments	7,15	**36,276**	**27,975**
Prepayments and accrued income		**1**	**5**
Cash and cash equivalents	16	**16,727**	**9,655**
TOTAL ASSETS		**299,742**	**285,675**

(Free translation from the original in Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A
BALANCE SHEET AT 31 DECEMBER 2018 AND 207
(EXPRESSED IN THOUSAND EURO)

EQUITY AND LIABILITIES	Note	2018	2017
EQUITY		**190,420**	**185,018**
Capital and reserves		**190,201**	**184,796**
Capital	17.1	62,000	41,300
Share premium reserve	17.2	40	40
Reserves	18	113,947	152,848
(Own shares)	17.3	(10,339)	(34,909)
Profit for the year	19.1	30,520	31,399
(Interim dividend)	19.2	(6,200)	(6,000)
Other equity instruments	18	233	118
Grants, donations and bequests received	20	**219**	**222**
NON-CURRENT LIABILITIES		**43,991**	**38,413**
Long-term provisions	24	**1,750**	**1,599**
Long-term debts	7,21	**40,565**	**35,010**
Bank loans		40,565	35,010
Deferred tax liabilities	25	**1,584**	**1,780**
Long-term accrued income	22	**92**	**24**
CURRENT LIABILITIES		**65,331**	**62,244**
Short-term provisions	24	**153**	**149**
Short-term debts	7,21	**5,971**	**8,952**
Bank loans		3,386	7,309
Other financial liabilities		2,585	1,643
Short-term debts with group companies and associates	7,32	**26,191**	**23,565**
Trade and other payables		**33,016**	**29,578**
Trade payables	7,26	16,945	13,623
Trade payables, group companies and associates	7,26,32	6,152	4,786
Other creditors	7,26	1,342	1,024
Accrued wages and salaries	7,27	3,997	3,708
Current income tax liability	28	671	222
Payable to Public Administrations	27	2,805	6,009
Advance payments from customers	7,27	1,104	206
Short-term accrued income	22	**-**	**-**
TOTAL EQUITY AND LIABILITIES		**299,742**	**285,675**

(Free translation from the original in Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A.
INCOME STATEMENT FOR THE YEARS
ENDED AT 31 DECEMBER 2018 AND 2017
(EXPRESSED IN THOUSAND EURO)

	Note	2018	2017
CONTINUING OPERATIONS			
Revenue	29.2	**171,817**	**162,028**
Sales		171,817	161,646
Services rendered		185	382
Changes in inventories of finished goods and work in progress	11	**5,506**	**(2,036)**
Own work capitalised	5,6	**694**	**596**
Raw materials and consumables	29.3	**(71,557)**	**(58,682)**
Other operating revenue	29.4	**4,512**	**4,239**
Accessory and other income		4,512	4,239
Staff costs	29.5	**(27,259)**	**(26,959)**
Other operating expenses	29.6	**(42,467)**	**(38,906)**
Fixed asset depreciation	5,6	**(7,914)**	**(7,720)**
Release of non-financial fixed asset grants and other	20	**201**	**182**
Excess of accruals		**-**	**-**
Impairment and results on fixed asset disposals	29.7	**-**	**4**
Profit / (loss) on disposals and other		-	4
OPERATING RESULTS		**33,533**	**32,746**
Financial income	30	**6,996**	**7,962**
Financial expenses	30	**(1,012)**	**(767)**
Exchange differences	30	**(53)**	**(331)**
Impairment and results on financial instruments disposals	9,30	**(47)**	**-**
FINANCIAL RESULTS		**5,884**	**6,864**
PROFIT (LOSS) BEFORE INCOME TAX		**39,417**	**39,610**
Corporate income tax	28	(8,897)	(8,211)
PROFIT (LOSS) FOR YEAR FROM CONTINUING OPERATIONS		**30,520**	**31,399**
DISCONTINUED OPERATIONS			
Profit / loss for year from discontinued operations net of taxes		**-**	**-**
PROFIT / LOSS FOR THE YEAR	19.1	**30,520**	**31,399**

MIQUEL Y COSTAS & MIQUEL, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED
AT 31 DECEMBER 2018 AND 2017
(EXPRESSED IN THOUSAND EURO)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES

	Note	2018	2017
PROFIT AND LOSS FOR THE YEAR	19	30,520	31,399
Income and expenses directly attributed to equity		**138**	**84**
Grants, donations and bequests received	**20**	197	127
Actuarial gains and losses and other adjustments	**23**	(13)	(15)
Tax effect	**20,23,25**	(46)	(28)
Transfers to the income statement		**(151)**	**(136)**
Grants, donations and bequests received	**20**	(201)	(128)
Tax effect	**20,25**	50	46
TOTAL RECOGNISED INCOME AND EXPENSES		**30,507**	**31,347**

(Free translation from the original in Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A.

STATEMENT OF CHANGES IN NET EQUITY FOR THE YEARS ENDED
AT 31 DECEMBER 2018 AND 2017
(EXPRESSED IN THOUSAND EURO)

B) TOTAL STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share premium	Reserves	Own shares	Profit/loss from previous years	Profit/loss for the year	(Interim dividend)	Grants, donations and bequests received	TOTAL
BALANCE AT 2016 YEAR END	41,300	40	135,229	(6,578)	-	28,215	(5,000)	263	193,469
Adjustments due to policy changes 2016 and previous years	-	-	-	-	-	-	-	-	-
Adjustments due to errors 2016 and previous years	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE, BEGINNING 2017	41,300	40	135,229	(6,578)	-	28,215	(5,000)	263	193,469
Total recognised income and expenses	-	-	(11)	-	-	31,399	-	(41)	31,347
Operations with shareholders or owners:	-	-	-	(28,777)	(3,000)	-	(8,500)	-	(40,277)
- Capital increase	-	-	-	-	-	-	-	-	-
- Capital decrease	-	-	-	-	-	-	-	-	-
- Dividend payment	-	-	-	-	(3,000)	-	(8,500)	-	(11,500)
- Trading in own shares (net)	-	-	-	(28,777)	-	-	-	-	(28,777)
Other movements in equity	-	-	17,748	446	3,000	(28,215)	7,500	-	479
BALANCE AT 2017 YEAR END	41,300	40	152,966	(34,909)	-	31,399	(6,000)	222	185,018
Adjustments due to policy changes 2017 and previous years	-	-	-	-	-	-	-	-	-
Adjustments due to errors 2017 and previous years	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE, BEGINNING 2018	41,300	40	152,966	(34,909)	-	31,399	(6,000)	222	185,018
Total recognised income and expenses	-	-	(10)	-	-	30,520	-	(3)	30,507
Operations with shareholders or owners:	20,700	-	(57,736)	24,570	(3,500)	-	(9,200)	-	(25,166)
- Capital increase	23,250	-	(23,250)	-	-	-	-	-	-
- Capital decrease	(2,550)	-	(34,486)	37,036	-	-	-	-	-
- Dividend payment	-	-	-	-	(3,500)	-	(9,200)	-	(12,700)
- Trading in own shares (net)	-	-	-	(12,466)	-	-	-	-	(12,466)
Other movements in equity	-	-	18,960	-	3,500	(31,399)	9,000	-	61
BALANCE AT 2018 YEAR END	62,000	40	114,180	(10,339)	-	30,520	(6,200)	219	190,420

(Free translation from the original in Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A.
CASH FLOW STATEMENTS FOR THE YEARS ENDED AT
31 DECEMBER 2018 AND 2017
(EXPRESSED IN THOUSAND EURO)

	Note	2018	2017
A) CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit/loss for the year before taxes		**39,417**	**39,610**
2. Adjustments to profit/loss		**1,750**	**211**
Fixed asset depreciation (+)	**5,6**	7,914	7,720
Impairment losses (+/-)	**9,11,12**	308	47
Change in provision (+/-)		210	608
Release of grants (-)		(57)	(38)
Gains and losses on disposals of fixed assets (+/-)	**29.7**	-	(4)
Financial income (-)	**30**	(6,996)	(7,962)
Financial expense (+)	**30**	1,012	767
Exchange differences (+/-)	**30**	53	(331)
Other income/expenses (+/-)		(694)	(596)
3. Changes in working capital		**(7,775)**	**754**
Inventories (+/-)		(8,127)	1,014
Trade and other receivables (+/-)		(3,240)	(1,781)
Trade and other payables (+/-)		3,516	1,764
Other current liabilities		8	(246)
Other non-current assets and liabilities (+/-)		68	3
4. Other cash flows from operating activities		**(8,626)**	**(7,192)**
Interest payments (-)		(1,016)	(773)
Amounts received from interest (+)		3,167	3,464
Receipts (payments) for corporate income tax (+/-)		(10,777)	(9,883)
5. Cash flows from operating activities (1+2+3+4)		**24,766**	**33,383**
B) CASH FLOW FROM INVESTING ACTIVITIES			
6. Amounts paid on investments (-)		**(57,902)**	**(73,867)**
Group companies and associated (current and no current)		(7,623)	-
Intangible assets	**5**	(280)	(219)
Tangible assets		(9,589)	(10,110)
Other financial assets		(40,410)	(63,538)
7. Amounts collected from divestments (+)		**62,277**	**62,926**
Group companies and associates		-	9,175
Fixed assets		354	4
Other financial assets		61,923	53,747
8. Cash flows from investing activities (6+7)		**4,375**	**(10,941)**

(Free translation from the original in Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A.
CASH FLOW STATEMENTS FOR THE YEARS ENDED AT
31 DECEMBER 2018 AND 2017
(EXPRESSED IN THOUSAND EURO)

	Note	2018	2017
C) CASH FLOW FROM FINANCING ACTIVITIES			
9. Receipts and payments equity instruments		**(12,408)**	**(28,342)**
a) Issuing of equity instruments (+)	**17.3**	(12,466)	(28,777)
b) Redemption of equity instruments (-)	**17.3**	-	446
c) Acquisition of equity instruments (-)		58	(11)
10. Receipts and payments financial liability instruments		**1,596**	**21,837**
a) Issues			
Bank loans (+)	**21**	11,261	31,194
Amounts due to group companies and associates (+)		-	-
b) Return and redemption of			
Bank loans (-)	**21**	(9,665)	(9,357)
Amounts paid to group companies and associates (-)		-	-
11. Payments for dividends and remuneration of other equity instruments		**(11,257)**	**(10,180)**
a) Dividends (-)	**19.2**	(11,257)	(10,180)
b) Remuneration of other equity instruments (-)			
12. Cash flow from financing activities (9+10+11)		**(22,069)**	**(16,685)**
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS (5+8+12)		**7,072**	**5,757**
Cash or cash equivalents at the beginning of the year	**16**	9,655	3,898
Cash or cash equivalents at the end of the year	**16**	16,727	9,655

1 General information

Miquel y Costas & Miquel, S.A. (hereinafter, the Company) was incorporated as a company in 1879 and as a limited liability company in 1929. Its registered activity is the manufacture of thin and special lightweight paper, mainly for the business segment of the tobacco industry.

The Company is inscribed in the Mercantile Register on sheet B-85067, folio 139, volume 8686, inscription 1 and bears Taxpayer ID nº A08020729 and the last statutory modification is inscription 340.

The Company carries out its paper activity within the field of thin and special lightweight paper, especially for the tobacco industry from its factories in Besós and Pla de la Barquera, both located in the province of Barcelona, and the factory of S.A. Payá Miralles, located in the province of Valencia (Mislata).

The Company is the head of Miquel y Costas Group, hereinafter the Group, which is composed of the Company and by the companies listed in Note 8 of this report, therefore it is obliged to present the corresponding consolidated financial statements, in accordance with current International Financial Reporting Standards (IFRS), which must be deposited in the Mercantile Register of Barcelona.

Company and the Spanish subsidiary companies (S.A. Payá Miralles, Celulosa de Levante, S.A., Papeles Anoia, S.A., Desvi, S.A., Sociedad Española Zig-Zag, S.A., MB Papeles Especiales, S.A., Miquel y Costas Tecnologías, S.A., Miquel y Costas Energía y Medio Ambiente S.A., Terranova Papers, S.A. and Miquel y Costas Logística S.A.) are integrated under the same management, especially regarding the planning of production and stock management, with technical and financial resources being allocated depending on the needs of each of the companies.

The Company has 3 subsidiaries abroad; a subsidiary in Argentina named Miquel y Costas Argentina, S.A, a second in Chile named Miquel y Costas Chile, S.R.L. (both owned through subsidiaries Desvi, S.A. and Papeles Anoia, S.A.), and a third Germany (Miquel y Costas Deutschland, GmbH) owned through subsidiaries Desvi, S.A. and MB Papeles Especiales, S.A., all of them act in an integrated way under a common direction.

(IN THOUSAND EURO)

On 25 July 2018 the Group acquired all shares of the Spanish company Clariana, S.A., the leading coloured paper manufacturer in Spain and its investee Boncompte, S.A. The operation was completed through the parent Miquel y Costas & Miquel, S.A. and the subsidiary Sociedad Anónima Payá Miralles.

Additionally, the Group has a stake, since the end of 2011, in the Fourtube S.L. an associate company registered in Sevilla.

The main figures shown in the audited consolidated annual accounts are as follows:

	Thousand Euro	
	2018	**2017**
Total assets	405,025	372,775
Equity	269,905	254,184
Profit and loss attributable to the equity holders of the parent company	37,277	37,073
Net turnover	259,257	242,895

The mentioned Consolidated Financial Statements have been formulated by the Board of Directors of the Company held on 25 March, 2019, pending their approval by the shareholders, without any modification being envisaged.

2 Basis of presentation

2.1 Fair presentation

The annual accounts have been prepared on the basis of the Company's accounting records and are presented in accordance with provisions of the Commercial Law, Chart of Accounts approved by Royal Decree 1514/2007 and the modifications incorporated by Royal Decree 1159/2010 and Royal Decree 602/2016, so as to present fairly the Company's equity, financial situation and results as well as the accuracy of its cash flow in the cash flow statement.

The figures included in the annual accounts (balance sheet, income statement, statement of changes in equity, statement of cash flow and notes to the annual accounts) and directors' report, are stated in Thousand Euro, except when specified otherwise. The Company considers that the annual accounts fairly express the equity, financial position and results of the Company as well as the accuracy of the cash flows stated on the cash flow statement. The functional and presentation currency of the annual accounts is the Euro. The annual accounts have been formulated by the Board of Directors on 25 March 2019 and it is expected that they will be approved by the shareholders without modification.

2.2 Critical measurement issues and estimates of uncertainty

The annual accounts, in general, have been prepared using the historic cost method, except for the revaluation of derivative instruments and derivative financial assets at fair value through profit and loss.

The Company does not have discontinued operations.

In preparing the annual accounts estimates were occasionally made by the Directors to quantify some assets, liabilities, income, expenses and commitments recorded in the Company.

The estimates and assumptions are assessed constantly and are based on historical experience and other factors, including expectations of future events considered reasonable under the circumstances.

The estimates and assumptions are basically referred to:

- Determine the existence of the impairment of assets as a result of the valuation of independent experts.
- The useful life of the PPE and intangible assets, determined on the basis of the valuation of independent experts.
- The assumptions used to calculate the fair value of the financial instruments that have been determined by the different financial institutions.
- The probability of occurrence and the amount of indeterminate or contingent liabilities.

- The valuation of the pension liabilities based on actuarial valuations of independent third parties.

- Litigation pending resolution.

2.3 Comparability and uniformity of the information

The accounting criteria described in Note 3 have been applied uniformly throughout the 2018 and 2017 financial years.

2.4 Groupings of items

For clarity, the items presented in the balance sheet, income statement, statement of changes in equity and cash flow statement are grouped together and, where necessary, a breakdown is included in the relevant notes to the annual accounts.

3 Accounting policies

3.1 Intangible assets

Intangible assets are stated as the case may be at cost of acquisition or direct cost of production and are presented net of their respective accumulated amortisation and accumulated impairment, using the following criteria:

- Licences and trademarks acquired to third parties are carried at acquisition cost. Beginning in 2016, these assets are amortized, and their amortization is calculated using the straight-line method, with an estimated useful life of 20 years.

- Development costs incurred in R&D projects (related with the design and proving new products) are recognised as intangible assets when it is probable that the project will be a success considering its technological and commercial feasibility. Other development costs are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a defined useful life that have been capitalised are amortised on a straight-line basis over the period of the project's expected benefit, not exceeding three years. If the circumstances favouring the project that permitted the capitalisation of the development costs change, the unamortized portion is expensed in the year of change.

(IN THOUSAND EURO)

Computer software is accounted for at acquisition or production cost. Amortisation is calculated using the straight-line method over a useful life of three years.

3.2 Property, plant and equipment

Property, plant and equipment is stated at acquisition cost, revalued in 1996 (Law 7/1996 of 7 June) and then subsequently in 2012 (Law 16/2012, of 27 December) according to the extent permitted by the law, less accumulated depreciation and accumulated impairment losses.

These financial statements for 2017 contained the update approved by Law 16/2012 of 27 December on assets registered before the 31 December, 2012. In accordance with art. 9.2 of Law 16/2012, the Company has only proceeded to update the value of certain assets, as disclosed in Note 6.

Depreciation of property, plant and equipment, with the exception of land, which is not depreciated, is calculated systematically using the straight-line method over the assets' estimated useful lives. Estimated useful lives are as follows:

	Useful lives (years)
Buildings and other constructions	33-50
Machinery and equipment	7-20
Other plant, tooling and furniture	6-20
Vehicles	6-14
Data-processing equipment	4-7

PPE repair and maintenance expenses that do not improve their use or prolong their useful life are charged to the income statement when incurred.

The costs of extension, modernisation or improvement of PPE are capitalised only when they represent an increase in their capacity, productivity or a lengthening of their useful life, and as long as it is possible to know or estimate the carrying value of the assets that are written off inventories when replaced.

The residual values and useful lives of assets are reviewed and adjusted, if necessary, at each balance sheet date.

If an asset's carrying amount is greater than its estimated recoverable amount, its carrying amount is written down immediately to its recoverable amount (Note 3.4).

Gains and losses on the disposal of property, plant and equipment are calculated by comparing the sale revenue with the carrying amount and are recognised in the income statement.

Own work capitalised includes the costs incurred for fixed asset manufacturing and installation actually accrued and attributable to each project, within the maximum limit of market value or the expected returns from these assets.

3.3 Interest costs

Interest costs directly attributable to the acquisition or construction of fixed assets that require more than one year before they may be brought into use are included in the cost of the assets until they are ready for use.

3.4 Losses due to impairment of assets

On each balance sheet date the Company evaluates where there are any indications of asset impairment. If so, the Company estimates the recoverable amount of the asset.

Assets subject to amortisation are tested for impairment when events or change in circumstances indicates that carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, understood as the asset's fair value less the higher of costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (Cash Generating Units). Non-financial assets, other than goodwill, which are impaired are reviewed at the balance sheet date for reversal of the loss.

3.5 Cash generating units

The calculations of asset impairment are made asset by asset. If it is not possible to estimate the recoverable amount of each individual asset, the Company will determine the recoverable amount of the cash generating unit to which each asset belongs.

The Company has identified the various production centres listed below as cash generating units (CGU):

CGU	Activity
Production centre in the province of Barcelona – Besós	Manufacturing of paper for the tobacco industry
Production centre in the province of Barcelona – Besós	Transformation of paper for the tobacco industry
Industrial plant in the province of Valencia – Mislata	Manufacturing of printing and writing paper
Industrial plant in the province of Barcelona – Pla de la Barquera	Paper handling

3.6 Financial assets

The Company classifies the financial assets according to the following categories:

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. The Company furnishes cash, goods or services directly to a debtor without the intention of negotiating the trade receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date (these are classified as non-current assets). Loans and receivables are included in “Loans to companies” and “Trade and other receivables” in the balance sheet.

  Financial assets are initially carried at fair value, including directly attributable transaction costs, and are subsequently measured at amortised cost. Accrued interests are recognised at the effective interest rate, which is the discount rate that brings the instrument’s carrying amount into line with all estimated cash flows to maturity. Trade receivables falling due in less than one year are carried at their nominal value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

  At the year end, at least, the necessary value adjustments are made to account for impairment when there is objective evidence that all receivables will not be collected.

  The amount of the impairment loss is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the date of initial recognition. Value adjustments, and reversals, where applicable, are recognised in the income statement.

- Equity investments in group companies and associates

  They are stated at cost less, where appropriate, accumulated value adjustments for impairment. Nonetheless, when there is an investment prior to its classification as a group company, jointly-controlled entity or associate, its carrying value prior to that classification is regarded as the investment cost. Previous value adjustments accounted for directly in equity are held under this heading until they are written off.

  If there is objective evidence that the carrying value is not recoverable, the relevant value adjustments are reflected for the difference between the carrying value and recoverable amount, understood as the higher of fair value less costs to sell and the present value of cash flows from the investment. Unless better evidence is available of the recoverable amount, when estimating the impairment of these investments, the investee's equity is taken into account, adjusted for any latent capital gains existing at the measurement date. The value adjustment and, if appropriate, its reversal, are reflected in the income statement for the year in which they arise.

- Financial assets held for trading and other financial assets through profit and loss

  These financial assets are measured at both initial recognition and subsequent measurement at fair value and any changes in that value are reflected in the income statement. Transaction costs directly attributable to the acquisition are recognised in the income statement for the year.

- Held-to-maturity investments

  Held-to-maturity financial assets are debt securities with fixed or determinable payments and fixed maturity, that are traded on an active market and that Company management has the positive intention and ability to hold to maturity. If the Company sells a significant amount of held-to-maturity financial assets, the entire category would be reclassified as available for sale. These financial assets are included in non-current assets, except for those maturing in less than 12 months of the balance sheet date that are classified as current assets.

  The measurement criteria applied to these investments are the same as for loans and receivables.

  Financial assets are written off when substantially all the risks and rewards attaching to ownership of the asset are transferred. Specifically, for accounts receivable this situation is generally understood to arise if the insolvency and default risks have been transferred.

The Company has established control processes to identify possible indications of impairment, none of which have been detected.

3.7 Inventories

Inventories are stated at acquisition or production cost, determined as follows:

- Raw materials and other supplies: at acquisition cost using the FIFO method.
- Finished goods and work in progress: at standard cost, which approximates the FIFO method according to the real cost of raw materials and other consumables, including the applicable part of direct and indirect costs of labour and general manufacturing overheads.
- Trade inventories: at acquisition cost, using the average cost method.

When the net realisable value of inventories is below cost, the necessary value adjustments are made and an expense is recorded in the income statement. If the circumstances that caused the value adjustment cease to exist, the adjustment is reversed and recognised as an income in the income statement.

The net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses and, in the case of raw materials and work in progress, the estimated production costs to complete the production process.

Emission rights for greenhouse gases are valued at the acquisition price or the cost of production. In the case of rights acquired free of charge, the acquisition price is considered the fair value at the time of acquisition. The emission rights are not subject to amortization and are charged to income for the year in the measure that the emissions of gases that are destined to cover are realized. They are derecognised from the balance sheet as a contra entry to the provision for the costs generated by the issues made, at the time of delivery to the Administration to cancel the obligations incurred.

3.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand deposits with financial entities.

3.9 Share capital

Share capital consists of ordinary shares.

The costs of issuing new shares or options are recognised directly in equity as a reduction in reserves.

In the event of acquisition of own shares by the Company, the amount paid, including any directly attributable incremental cost, is deducted from equity until cancellation, new issue or disposal. When these shares are cancelled, the nominal amount is recognised by decreasing share capital and the difference between the nominal and the cost in voluntary reserves. In the event that the own shares are sold, any amount received, net of any directly attributable incremental cost, and the respective tax effect on the capital gains, is included in equity attributable to the equity holders of the Company.

3.10 Grants received

Repayable grants are recognised under liabilities until the conditions are fulfilled for the grants to be treated as non-repayable. Non-repayable grants are recognised directly in equity and are transferred to income on a systematic and rational basis in line with grant costs. Non-repayable grants received from shareholders are recognised directly in equity.

A grant is deemed to be non-repayable when it is awarded under a specific agreement, all stipulated grant conditions have been fulfilled and there are no reasonable doubts that it will be collected.

Monetary grants are carried at the fair value of the amount granted and non-monetary grants are carried at the fair value of the asset received, at the recognition date in both cases.

Non-repayable grants related to the acquisition of intangible assets, property, plant and equipment, and investment property are recognised as an income for the period in proportion to the amortisation or depreciation charged on the relevant assets or, if applicable, upon their sale, value adjustment or write-off. Non-repayable grants related to specific costs are recognised in the income statement in the period in which the relevant costs are accrued, and non-repayable grants awarded to offset an operating deficit are recognised in the year they are awarded, unless they are used to offset an operating deficit in future years, in which case they are recognised in those years.

3.11 Financial liabilities: Debts and other payables

This category includes:

a) Trade payables: these are the financial liabilities that arise from the purchase of goods and services in trading operations.

b) Non-trade payables; these are non-trade, non-derivative financial liabilities.

These debts are classified as current liabilities, unless the Company has an unconditional right to defer their maturity within the 12 months following the balance sheet date.

These debts are initially recognised at fair value adjusted by the directly attributable transaction costs, and subsequently recognised at their amortised cost using the effective interest rate method. This effective interest is the rate that equalises the carrying value of the instruments to the expected flow of future payments until the maturity of the liability.

Notwithstanding the above, trade payables due before one year that do not have a contractual interest rate are stated initially and subsequently at their nominal value when the effect of not restating the cash flows is not significant.

Loans with zero interest rate are recognized in the balance sheet as financial liabilities that are measured initially at fair value adjusted for transaction costs. Subsequently, the financial liability is recorded at amortized cost adjusted for implicit interest.

In respect of subsidised interest loans in which the interest grant is received in advance, this interest is subtracted from the subsidised asset or classified as an income for the year in which the subsidised expense is incurred.

3.12 Current and deferred taxes

Income tax expense (income) is the amount of income tax accrued during the period. It includes both current and deferred tax expense (income).

Both current and deferred tax expense (income) is recognised in the income statement. However, the tax effect of items recorded directly in equity is recognised in equity.

Current tax assets and liabilities are carried at the amounts that are expected to be recoverable from or payable to the tax authorities, in accordance with prevailing legislation or regulations that have been approved and are pending publication at the year end.

Deferred tax is calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

However, if the deferred tax arises from the initial recognition of a liability or an asset on a transaction other than a business combination that at the date of the transaction has no effect on reported or taxable results, they are not recognised. The deferred tax is determined applying tax regulations and rates approved or about to be approved at the balance sheet date and which are expected to be applied when the corresponding deferred tax asset is realised or deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences may be utilised.

The Company pays tax under a consolidated tax return with subsidiaries S.A. Payá Miralles, MB Papeles Especiales, S.A., Celulosa de Levante, S.A., Papeles Anoia, S.A., Desvi, S.A., Sociedad Española Zig-Zag, S.A., Miquel y Costas Energía y Medio Ambiente S.A., Miquel y Costas Tecnologías, S.A., Miquel y Costas Logística S.A., and Terranova Papers, S.A., and, in this respect, these companies made in their case, the corresponding provision of funds to the Company that is responsible to the Administration of the presentation and settlement of income tax.

Upon a change in tax rates, the estimation of the amounts of deferred tax assets and liabilities are adjusted. These amounts are charged or credited against income or equity, depending on the account that was charged or paid the original amount (Note 28).

3.13 Employee Benefits

a) Pension commitments

The Company operates with different pension plans depending on the work centre.

- Defined contribution pension plans:

  Under a fixed contribution plan, the Company makes fixed contributions to a separate entity and has no legal, contractual or implicit obligation to make additional contributions if this entity does not have sufficient assets to meet the commitments assumed.

  For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they accrue. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Company recognises a liability in respect of the contributions to be made when at the year-end there are accrued contributions not paid.

The two defined contribution plans are the result of agreements with the workers' representatives for their retirement at the age of 65. The Company's commitment is only to make annual contributions of a predetermined amount. Since 2002 the Company has taken out collective insurance policies through which the insurance company guarantees the employees a specific return on the contributions made by the Company.

In addition, there is a defined contribution plan for executive Directors and Senior Management for which the contributions made are recognised as an employee benefit expense in the income statement.

- Defined benefit pension plans:

The Company's other commitments are defined benefit plans that are insured by a collective insurance policy.

The commitments with the passive personnel are annuities for a closed group of pensioners.

Commitments to the active staff (workers) are capitals upon retirement at age 63 under the state collective agreement in the paper, pulp and paper sector.

The liability recognized on the balance sheet is the net of the accrued liability for past services and any unrecognized past service cost, less the value of the insurance policy arranged, determined by the value of the secured obligations.

The accrued benefit obligation is calculated annually by an independent actuary according to the actuarial method called "projected credit unit". The present value of the obligation is determined using actuarial calculation methods and financial and actuarial assumptions which are unbiased and mutually compatible.

The accounting policy for recognition of actuarial gains and losses arising from the adjustment due to the experience and changes in actuarial assumptions are charged or credited to equity in the statement of recognised income and expenses in the same period in which they arise.

Past service costs are recognised immediately in the income statement unless they involve non-vested rights, in which case they are taken to the income statement on a straight-line basis in the period remaining to the date on which they vest. Nonetheless, if an asset arises, non-vested rights are taken to the income statement immediately unless there is a decrease in the present value of the benefits that may flow back to the Company in the form of direct reimbursements or a decrease in future contributions, in which case the excess of that decrease is taken immediately to the income statement.

b) Severance indemnities

Except on justified causes, the Company must indemnify its employees when they are dismissed. Given the lack of any foreseeable need for unusual termination of employment and given that employees who retire or resign voluntarily do not receive indemnities, severance indemnities, when they arise, are charged to the income statement when the dismissal decision is announced.

c) Share based compensation

The Company has a compensation plan with management consisting of stock options, payable solely in shares of Miquel y Costas & Miquel, S.A. The plan is valued at fair value on initial recognition using a generally accepted financial calculation method.

The obligation is recognized in the consolidated income statement as a personnel expense based on the years that make up the vesting period of the option, against equity reserves. Each closing date, the Group reviews the original estimates of the number of options that are expected to become exercisable and records, if applicable, the impact of this review in the income statement with the corresponding adjustment to equity.

3.14 Provisions and contingent liabilities

In general, the provision for liabilities relates, when necessary, to the estimated amount required to meet probable or certain liabilities arising from current litigation and outstanding indemnities or liabilities that can be estimated. The provision is made at the inception of the liability based on the best estimate using the information available.

Provisions are carried at the present value payments that are expected to be required to settle the obligation, using a rate before taxes that reflects the current market assessment of the time value of money and the specific risks of the obligation. Adjustments made to update the provision are recognised in finance costs as they accrue.

Provisions maturing in one year or less the financial effect of which is not significant are not discounted.

The Company, whose production emits CO2, must hand over the emission rights equivalent to the emissions made during the year within the first few months of the following year.

The liability for handing over the emission rights for the CO2 emissions made during the year is recorded as a provision under “Other current liabilities” on the balance sheet, and the respective cost is recorded in “Other operating expenses” in the income statement (see Note 29.6).

A contingent liability is a potential obligation arising from past events, the materialisation of which is dependent on the occurrence or non-occurrence of one or more future events beyond the Company's control. Such contingent liabilities are not reflected for accounting purposes and a breakdown is presented in the notes to the annual accounts.

3.15 Revenue recognition

Revenue comprises the fair value of the amounts receivable and represents amounts receivable for goods delivered and services rendered in the ordinary course of the Company's activities, net of returns, rebates, discounts and value added tax.

The Company recognises revenue when the amount may be reliably estimated, it is probable that the future economic benefits will flow to the Company, the goods have been made available to the customer, the customer has accepted them and the payment of the respective trade receivables is reasonably assured.

Revenues from services are recognised in the year in which they are rendered, and there is no portion of the services to be rendered still outstanding.

Interest income is recognised using the effective interest rate method.

Dividend income is recognised when the right to receive the payment is established. However, if dividends are paid out from profit generated prior to the acquisition date, they are not recognised as income and are subtracted from the fair value of the investment.

3.16 Leases

- When the Company is the lessee – Finance lease

  Finance lease is recognised at the beginning of the lease and at the present value of the minimum lease payments. For each lease payment there is an allocation between the liability and finance charges so that a constant interest rate can be obtained for the outstanding debt. The payment obligation resulting from the lease, net of the financial charge, is recognised in accounts payable. The interest portion of the finance charge is taken to the income statement. Items of property, plant and equipment acquired under finance lease are depreciated over the asset's useful life, with a firm purchase commitment.

- When the Company is the lessee – Operating lease

  Leases in which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement in the period of accrual on a straight-line basis over the period of the lease.

3.17 Environment

Costs arising from business activity related to the protection and improvement of the environment are expensed for the year in which they are incurred. Capitalisation as tangible or intangible fixed assets is subject to the same criteria used for the other fixed assets.

3.18 Foreign currency transactions

a) Functional and presentation currency

The figures included in the Company's annual accounts are stated using the currency of the main economic market in which the Company operates (functional currency). The annual accounts are presented in Euro, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the transaction dates. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in fair value of monetary instruments denominated in foreign currency classified as available for sale are analysed for translation differences resulting from changes in the amortised cost of the instrument and other changes in its carrying value. Translation differences are recognised in results for the year while other changes in fair value are recognised in equity.

Translation differences on non-monetary items such as equity instruments held at fair value through profit or loss are presented as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in equity.

The outstanding balances at the year-end in non-Euro currency are stated in Euro at the year-end exchange rate, and net loss or profit on exchange is recognised as income or expense.

The balances in non-Euro currency relating to the treasury accounts at the year-end are stated in Euro at the year-end exchange rates, and loss or profit is recognised in the income statement.

3.19 Related-party transactions

In general, transactions between group companies are initially recognised at fair value. If applicable, where the agreed price differs from the fair value, the difference is recognised based on the economic reality of the transaction. Transactions are subsequently measured in accordance with applicable standards.

3.20 Derivative financial instruments

Derivatives are initially recognised at fair value at the date on which the derivative contract is arranged and subsequently are remeasured at their fair value. The method for recognising the gains and losses obtained depends on whether the derivative is designated as a hedging instrument, and, in this case, on the nature of the asset that it hedges.

The company uses financial instruments to hedge risks related to fluctuations in exchange rates on future commercial transactions, and assets and liabilities recognised, denominated in a functional currency that is not the company's functional currency. These derivatives do not usually qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised immediately in the income statement.

The company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its objectives for risk management and strategy for undertaking various hedge transactions. The company also documents its assessment, both initially and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

4 Financial risk management

4.1 Financial risk factors

The Company's activities are exposed to a variety of financial risks that are managed through identification, evaluation and hedging systems. The Company's overall risk management programme seeks to minimise the potential adverse effects on the Company's financial performance.

Financial risk management in the Company is controlled by the Audit Committee, the Managing Commission and the Corporate Finance Department in accordance with the internal management rules in force. This department identifies and evaluates financial risks in cooperation with the Group's operating units. The rules and internal management practices provide written policies for global risk management, as well as specific areas such as foreign exchange rate risk, commercial credit risk, liquidity risk and interest rate risk.

4.1.1 Foreign exchange rate risk

The Company operates internationally and is exposed to foreign exchange risk from currency exposures, particularly, in relation to the US dollar, which represents a large proportion of the foreign transactions. The exchange rate risk results from business transactions recognised as assets and liabilities denominated in a functional currency other than the Company's functional currency and that will give rise to monetary flows.

In order to manage the risk, the Company mainly uses exchange rate risk hedging arrangements such as exchange insurance, options and currency structures.

4.1.2 Commercial credit risk

The Company's accounts receivable relate to customers located in highly diverse geographies and it is its understanding of these and the monitoring of their activities that enables possible risk situations to be anticipated and, if appropriate, mitigated.

In view of the above, it is essential for the Company to properly control the credit risk and it has therefore implemented a strict credit policy that apart from the prior analysis of customers, includes obtaining external assurance for the main risks.

4.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, available committed credit facilities and the ability to close out market positions.

In order to deliver on this objective, the Company has, in addition to the surpluses invested in sufficiently liquid assets, committed credit facilities for a sufficient amount to finance changes in working capital. The use of these credit facilities at 31 December 2018 and 2017 is detailed in Note 21.

The Treasury Department invests cash surpluses in financial instruments with appropriate maturities or sufficient liquidity to provide sufficient capacity framed within its financial investment policy, where low risk prevails over yields, with the verification of the credit rating or the recognised solvency of the issuers.

4.1.4 Interest rate risk

The Company's interest rate risk arises from long-term borrowings. The low level of leverage and existing internal controls to identify and evaluate risk means that it is not necessary to arrange complementary interest rate hedge instruments.

At borrowing levels with credit institutions for 2018, the effect of a 50 basis point variation in the interest rate would have entailed an increase or decrease in the Company's financial expense for the year of appropriately Euro 208 thousand.

4.1.5 Market risk

The main cost component due to Company's activity is the acquisition of paper pulp. The paper pulp suppliers are able to satisfy the present market demand and prices are principally related to offer and demand in the market.

At the year-end, there are no investments with impairment risk, which are not properly booked at year end, no operations with derivatives that are not reasonably hedged, and the assets related to the pension plans are adequately insured.

4.1.6 Capital risk

The Company's objectives in terms of capital management are to safeguard its capacity to continue as a going concern in order to ensure shareholders return and profit for other equity holders and to maintain an optimal capital structure.

The Company monitors its capital in accordance with the leverage index. This index is calculated as the net debt divided by total equity. Net debt is calculated as the total of borrowed funds (including current and non-current borrowed funds, as shown in the balance sheet) less cash and cash equivalents, as well as short-term investments.

(IN THOUSAND EURO)

The leverage ratio at both 31 December 2018 as at 31 December 2017 is not applicable because the Company has available and realisable resources in excess of bank borrowings:

	31-12-2018	31-12-2017
Total equity	**190,420**	**185,018**
Net financial borrowings:		
Long-term borrowings	40,565	35,010
Short-term borrowings	3,386	7,309
Cash and current financial investments	(53,003)	(37,630)
Long term financial investments	(32,093)	(62,230)
Total net borrowings	**(41,145)**	**(57,541)**
Leverage index	Not applicable	Not applicable

4.2 Fair value estimation

It is assumed that the carrying value of trade credits and debits approximates their fair value, since they fall due in less than one year.

The fair value of financial instruments traded on active markets (such as publicly traded instruments and available for sale securities) is based on market prices at the balance sheet date. The listed market price used for financial assets is the current purchase price.

The fair value of financial instruments that are not traded in an active market is determined by using measurement techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The fair value of financial liabilities is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(IN THOUSAND EURO)

5 Intangible assets

Movements in "Intangible assets" for 2018 and 2017 are as follows:

Description	Industrial property	Research and development expenses	Software	Intangible assets under construction	Total
Balance at 31-12-2016	**83**	**-**	**429**	**202**	**714**
Cost	88	964	6,533	202	7,787
Accumulated amortisation	(5)	(964)	(6,104)	-	(7,073)
Net value in books	**83**	**-**	**429**	**202**	**714**
Additions	-	-	-	219	219
Other transfers	-	-	144	(144)	-
Disposals	-	-	(3)	-	(3)
Amortisation charge	(4)	-	(249)	-	(253)
Amortisation disposals	-	-	3	-	3
Balance at 31-12-2017	**79**	**-**	**324**	**277**	**680**
Cost	88	964	6,674	277	8,003
Accumulated amortisation	(9)	(964)	(6,350)	-	(7,323)
Net value in books	**79**	**-**	**324**	**277**	**680**
Additions	-	-	-	280	280
Other transfers	-	-	243	(243)	-
Disposals	-	-	-	-	-
Amortisation charge	(4)	-	(237)	-	(241)
Amortisation disposals	-	-	-	-	-
Balance at 31-12-2018	**75**	**-**	**330**	**314**	**719**
Cost	88	964	6,917	314	8,283
Accumulated amortisation	(13)	(964)	(6,587)	-	(7,564)
Net value in books	**75**	**-**	**330**	**314**	**719**

- Research and development expenses

  At 31 December 2018 and 2017 there are no research and development costs pending amortization.

  Research and development expenses recognised in the income statement totals Euro 135 thousand in 2018 (Euro 63 thousand in 2017).

- Fully-amortised intangible assets

  The carrying value of intangible assets that are fully amortised and still in use totals Euro 7,168 thousand at 31 December 2018 (Euro 6,928 thousand at 31 December 2017).

- Capitalised financial expenses

  No financial expenses have been capitalised in 2018 and 2017, as part of intangible assets.

- Intangible assets acquired from group companies and associates

  There have been no acquisitions from group companies of intangible assets during the year.

- Intangible assets not used in operations

  At 31 December 2018 and 2017 there are no non-operating intangible assets.

- Assets subject to guarantees and ownership restrictions

  At 31 December 2018 and 2017 there are no intangible assets subject to restrictions on ownership or pledged to guarantee liabilities.

- Purchase commitments

  The Company does not have commitments to acquire intangible assets at the year end.

- Own work capitalised

  Additions in 2018 include Euro 98 thousand (Euro 101 thousand in 2017) relating to own work capitalised.

(IN THOUSAND EURO)

6 Property, plant and equipment

Movements in Property, plant and equipment for 2018 and 2017 are as follows:

	Land & Buildings	Plant and other	PPE under construction and advance payments	Total
Balance at 31-12-2016	**14,187**	**46,687**	**3,949**	**64,823**
Cost	19,561	170,944	3,949	194,454
Accumulated amortisation	(5,374)	(124,257)	-	(129,631)
Net value in books	**14,187**	**46,687**	**3,949**	**64,823**
Additions	-	-	10,636	10,636
Other transfers	433	5,664	(6,097)	-
Disposals	(31)	(2,424)	-	(2,455)
Amortisation charge	(510)	(6,957)	-	(7,467)
Amortisation disposals	31	2,424	-	2,455
Balance at 31-12-2017	**14,110**	**45,394**	**8,488**	**67,992**
Cost	19,963	174,185	8,488	202,635
Accumulated amortisation	(5,853)	(128,791)	-	(134,643)
Net value in books	**14,110**	**45,394**	**8,488**	**67,992**
Additions	-	-	11,225	11,225
Other transfers	1,434	10,359	(11,793)	-
Disposals	(60)	(3,724)	17	(3,767)
Amortisation charge	(535)	(7,138)	-	(7,673)
Amortisation disposals	60	3,353	-	3,413
Balance at 31-12-2017	**15,009**	**48,244**	**7,937**	**71,190**
Cost	21,337	180,820	7,937	210,093
Accumulated amortisation	(6,328)	(132,576)	-	(138,903)
Net value in books	**15,009**	**48,244**	**7,937**	**71,190**

All fixed assets under construction are classified as such until they are brought into use, when, based on their nature, they are reclassified to the corresponding PPE or intangible asset.

The additions in 2018 amounted to 11,225 thousand Euro (10,636 thousand Euro in 2017) and correspond mainly to additions of construction in progress arising from the continued investment undertaken by the Company.

a) Land value

At 31 December 2018 land and buildings includes land totalling Euro 1,186 thousand (Euro 1,186 thousand at 31 December 2017).

(IN THOUSAND EURO)

b) Impairment losses

During 2018 and 2017 no significant impairment adjustments to individual property, plant and equipment were recognised or reversed.

The Company has established appropriate control processes to identify indications of potential impairment losses.

c) Revaluations under RD-Law 7/1996 (7 June)

In 1996, the Company revaluated its tangible fixed assets in accordance with Royal Decree-Law 7/1996, of 7 June, increasing the cost value of its tangible assets by Euro 5,785 thousand based on the revaluation rates established in Royal Decree 2607 of 20 December. The net book value for the year of revaluated assets at 31 December 2018 amounts to Euro 559 thousand (Euro 575 thousand in 2017), with Euro 16 thousand of depreciation charge at 31 December 2018 (Euro 14 thousand in 2017) in the income statement. During 2018 fully-depreciated fixed assets covered by Royal Decree Law 7/1996 with a gross value of Euro 226 thousand (Euro 32 thousand in 2017) were derecognised.

The breakdown is as follows:

	31-12-2018			
Fixed Assets	**Cost**	**Accumulated depreciation**	**Impairment losses**	**Net book value**
Land	203	-	-	203
Building	720	(367)	-	353
Machinery	2,728	(2,725)	-	3
Other PPE	9	(9)	-	-
Total	**3,660**	**(3,101)**	**-**	**559**

	31-12-2017			
Fixed Assets	**Cost**	**Accumulated depreciation**	**Impairment losses**	**Net book value**
Land	206	-	-	206
Building	720	(355)	-	365
Machinery	2,951	(2,947)	-	4
Other PPE	9	(9)	-	-
Total	**3,886**	**(3,311)**	**-**	**575**

As reported in previous years, having met the requirements set out in Royal Decree-Law 7/1996 of June 7, the Company proceeded to the transfer of the revaluation reserve to voluntary reserves.

(IN THOUSAND EURO)

d) Revaluations under Law 16/2012 (27 December)

The Company revaluated certain fixed assets included in the balance sheet at 31 December 2012, in accordance with Law 16/2012, of 27 December. The net effect of this revaluation on tangible fixed assets at January 1, 2013 was 7,177 thousand Euro. The depreciation and amortization for the year 2018 amounts to Euro 330 thousand as a result of this revaluation, (Euro 425 thousand Euro in 2017).

During 2018 there have been disposals covered by the law RDL 16/2012 of gross value of Euro 105 thousand relating to plant and machinery, which were already fully depreciated, (Euro 116 thousand in 2017).

The breakdown is as follows:

	31-12-2018			
Property, plant and equipment	**Cost**	**Accumulated depreciation**	**Impairment loss**	**Net book value**
Land and buildings	769	(176)	-	593
Plant and machinery	5,989	(5,522)	-	467
Other tangible fixed assets	21	(20)	-	1
Total	**6,779**	**(5,718)**	**-**	**1,061**

	31-12-2017			
Property, plant and equipment	**Cost**	**Accumulated depreciation**	**Impairment loss**	**Net book value**
Land and buildings	784	(167)	-	617
Plant and machinery	6,079	(5,306)	-	773
Other tangible fixed assets	21	(20)	-	1
Total	**6,884**	**(5,493)**	**-**	**1,391**

e) Assets acquired from Group companies and associates

Investments in tangible fixed assets acquired from group companies and associates in 2018 amounted to Euro 363 thousand (Euro 453 thousand in 2017).

In 2018 and 2017 there are no sales of property, plant and equipment to Group companies and associates.

f) Capitalised finance costs

During 2018 and 2017 the Company has not capitalized financial expenses.

g) Property, plant and equipment not used in operations

There are no non-operating assets.

h) Fully depreciated assets

The carrying amount of tangible assets which are fully depreciated and still in use amounted to Euro 89,202 thousand at 31 December 2018 (Euro 89,192 thousand at 31 December 2017).

i) Own work capitalised

The additions for 2018 include Euro 596 thousand for own work capitalised (Euro 495 thousand in 2017) corresponding to own work capitalised.

j) Assets under finance lease

At 31 December 2018 and 2017 there are no assets acquired under finance leases.

k) Assets under operating lease

The Company directly operates under operating lease the S.A. Payá Miralles plant and the Papeles Anoia, S.A. plant located in Pla de la Barquera.

l) Insurance

The Company has taken out insurance policies to cover its PPE. The coverage is considered sufficient.

m) Property, plant and equipment subject to guarantees

At 31 December 2018 and 2017 there are no significant PPE subject to restrictions on ownership or pledged to guarantee liabilities.

n) Purchase commitments

The Company has no PPE acquisition commitments at the year end, neither last year.

o) Property, plant and equipment located abroad

At 31 December 2018 and 2017 the Company has no PPE located abroad.

(IN THOUSAND EURO)

7 Analysis of financial instruments

The carrying value of each category of financial instruments set out in the standard on accounting and measurement of financial instruments, except for investments in the equity of group companies, jointly-controlled entities and associates (Note 8), at 31 December 2018 and 2017 is as follows:

31-12-2018

Long-term financial assets	Loans to Group companies Note 8	Deposits and guarantee deposits Note 9	Trade receivables	Other receivables	Other non-current investments Note 9
Assets at fair value through profit and loss	-	-	-	-	-
Held-to-maturity investments	-	118	-	-	32,093
Loans and other receivables	18,174	-	-	-	-
Avaliable-for-sale assets	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**18,174**	**118**	**-**	**-**	**32,093**

31-12-2018

Current financial assets	Loans to Group companies Note 8	Deposits and guarantee deposits Note 9	Trade receivables Note 12	Other receivables Note 13	Other non-current investments Note 15
Assets at fair value through profit and loss	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	36,276
Loans and other receivables	30,792	-	29,791	3	-
Avaliable-for-sale assets	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**30,792**	**-**	**29,791**	**3**	**36,276**

(IN THOUSAND EURO)

Long-term financial liabilities	31-12-2018 Bank loans Note 21	Amounts due to group companies	Trade payables	Other payables	Other non-current liabilities
Creditors and payables					
- Held for trading	-	-	-	-	-
- Other	40,565	-	-	-	-
Liabilities at fair value through profit and loss	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**40,565**	-	-	-	-

Current financial liabilities	31-12-2018 Bank loans Note 21	Amounts due to group companies Note 32	Trade payables Note 26	Other payables Note 26	Other current liabilities Notes 21 and 27
Creditors and payables					
- Held for trading	-	-	-	-	-
- Other	3,386	32,343	16,945	1,342	7,686
Liabilities at fair value through profit and loss	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**3,386**	**34,343**	**16,945**	**1,342**	**7,686**

Long-term financial assets	31-12-2017 Loans to Group companies Note 8	Deposits and guarantee deposits Note 9	Trade receivables	Other receivables	Other non-current investments Note 9
Assets at fair value through profit and loss	-	-	-	-	-
Held-to-maturity investments	-	121	-	-	62,230
Loans and other receivables	11,061	-	-	-	-
Avaliable-for-sale assets	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**11,061**	**121**	-	-	**62,230**

(IN THOUSAND EURO)

	31-12-2017				
Current financial assets	**Loans and balances with group companies Note 32**	**Deposits and guarantee deposits**	**Trade receivables Note 12**	**Other receivables Note 13**	**Other current asset investments Note 15**
Assets at fair value through profit and loss	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	27,975
Loans and other receivables	23,319	-	28,293	6	-
Avaliable-for-sale assets	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**23,319**	**-**	**28,293**	**6**	**27,975**

	31-12-2017				
Long-term financial liabilities	**Bank loans Note 21**	**Amounts due to group companies**	**Trade payables**	**Other payables**	**Other non-current liabilities**
Creditors and payables					
- Held for trading	-	-	-	-	-
- Other	35,010	-	-	-	-
Liabilities at fair value through profit and loss	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**35,010**	-	-	-	-

	31-12-2017				
Current financial liabilities	**Bank loans Note 21**	**Amounts due to group companies Note 32**	**Trade payables Note 26**	**Other payables Note 26**	**Other current liabilities Notes 21 and 27**
Creditors and payables					
- Held for trading	-	-	-	-	-
- Other	7,309	28,351	13,623	1,024	5,557
Liabilities at fair value through profit and loss	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**7,309**	**28,351**	**13,623**	**1,024**	**5,557**

(IN THOUSAND EURO)

8 Long term investments in group companies and associates

The breakdown and movement in the accounts under long-term Investments in group companies and associates during 2018 and 2017 are as follows:

Description	Shareholdings in Group companies	Loans to group companies	Total
Balance at 31-12-2016	**22,384**	**8,033**	**30,417**
Cost	22,384	8,033	30,417
Net value in books	**22,384**	**8,033**	**30,417**
Additions	323	3,056	3,379
Disposals	-	(28)	(28)
Balance at 31-12-2017	**22,707**	**11,061**	**33,768**
Cost	22,707	11,061	33,768
Net value in books	**22,707**	**11,061**	**33,768**
Additions	1,359	7,800	9,159
Disposals	-	(255)	(255)
Transfer to short term	-	(432)	(432)
Balance at 31-12-2018	**24,066**	**18,174**	**42,240**
Cost	24,066	18,174	42,240
Net value in books	**24,066**	**18,174**	**42,240**

The increase in group shareholdings compared with the previous year is mainly due to:

- The acquisition of Clariana, S.A (Note 1) for a total of Euro 920 thousand. 60% (Euro 552 thousand) relates to the parent Miquel y Costas and the remaining 40% (Euro 368 thousand) to the group company S.A. Paya Miralles.

- The capital increase in the Group company Desvi S.A. amounting to Euro 880 thousand which was approved by that company's General Meeting on 28 February 2018. The parent company Miquel y Costas subscribed 395,909 new shares on the capital increase, with a par value of Euro 2.00 each, with the corresponding disbursement amounting to Euro 792 thousand, retaining an interest of 90.00% following the increase.

The movement compared with the previous year in intragroup loans is due to:

- the grant of four loans in 2018 to the company Clariana, S.A. amounting to Euro 7,800 thousand, of which a balance is pending of Euro 7,600 thousand at 31 December 2018 with maturity in 2023 with an average interest rate of 5%. At year end, Euro 432 thousand has been reclassified to short term (Note 32.1).

- The refund in 2018 of a total of Euro 55 thousand (Euro 28 thousand in 2017) of a part of the loan granted in 2017 to the investee Fourtube, S.A. amounting to Euro 275 thousand. Maturity is in 2022 and the interest rate is 3.5%.

(IN THOUSAND EURO)

With respect to the balance pending at 31 December 2018 in intragroup loans, noteworthy is that on 16 June 2016 the Company signed a credit facility with the group company Desvi, S.A. amounting to Euro 10,500 thousand, in effect until 31 December 2020 and bearing interest at a market rate. On 10 April 2017 the company and Desvi S.A. agreed to increase the limit of that facility to Euro 10,900 thousand. At year-end 2018 the balance utilised on that policy amounts to Euro 10,814 thousand (Euro 10,814 thousand in 2017).

a) The breakdown of shareholdings in group companies at 31 December 2018 and 2017 is as follows:

31-12-2018	Shareholding %		Voting rights	
Company	Direct %	Indirect %	Direct %	Indirect %
S.A. Payá Miralles	99.89	0.11	99.89	0.11
Celulosa de Levante, S.A.	97.41	2.59	97.41	2.59
Papeles Anoia, S.A.	99.00	1.00	99.00	1.00
Desvi, S.A.	90.00	10.00	90.00	10.00
Sociedad Española Zig-Zag, S.A.	93.47	6.53	93.47	6.53
M.B. Papeles Especiales, S.A.	99.9958	0.0042	99.9958	0.0042
Miquel y Costas Tecnologías, S.A.	45.00	55.00	45.00	55.00
Terranova Papers, S.A.	41.17	58.83	41,17	58.83
Miquel y Costas Logística, S.A.	50.00	50.00	50.00	50.00
Clariana, S.A.	60.00	40.00	60.00	40.00

As mentioned in note 1, on 25 July 2018 the group acquired all shares in the Spanish Clariana, S.A. The operation was completed through the parent Miquel y Costas & Miquel, S.A. and subsidiary S.A. Payá Miralles.

31-12-2017	Shareholding %		Voting rights	
Company	Direct %	Indirect %	Direct %	Indirect %
S.A. Payá Miralles	99.89	0.11	99.89	0.11
Celulosa de Levante, S.A.	97.41	2.59	97.41	2.59
Papeles Anoia, S.A.	99.00	1.00	99.00	1.00
Desvi, S.A.	90.00	10.00	90.00	10.00
Sociedad Española Zig-Zag, S.A.	93.47	6.53	93.47	6.53
M.B. Papeles Especiales, S.A.	99.9958	0.0042	99.9958	0.0042
Miquel y Costas Tecnologías, S.A.	45.00	55.00	45.00	55.00
Terranova Papers, S.A.	41.17	58.83	41,17	58.83
Miquel y Costas Logística, S.A.	50.00	50.00	50.00	50.00

The registered office and activity of the Group companies are as follows:

- S.A. Paya Miralles, established at San Antonio, No. 18, 46920 Mislata, Valencia, its corporate purpose, among others, is activities related to industrial and commercial exploitation of business papermaking and production of all kinds of manipulated cigarette paper, and the purchase, sale and rental of all types of movable property and buildings for business. It has leased its industrial facilities to Miquel y Costas & Miquel, S.A.

- Celulosa de Levante, S.A., established at the C-42, Km 8.5, 43500 Tortosa, Tarragona; its corporate purpose is manufacturing and marketing of pulp and its derivatives in various forms and qualities. Under this purpose, the company manufactures pastas from hemp, flax, sisal, hemp, jute, cotton and other annuals.

- Papeles Anoia, S.A., established in Carrer Tuset No. 8, 08006 Barcelona; Its corporate purpose is mainly processing, finishing, handling, processing, marketing, exporting and importing papers of all kinds and all kinds of snuff related products, and simple and complex compounds of cellulose, paper, plastic, aluminum paraffins and other materials of different origin. Additionally, its corporate purpose contemplated business activities related to fixed assets for industry.

- Desvi, S.A., established in Carrer Tuset, No. 10, 08006 Barcelona; Its corporate purpose ranges from the commercial distribution of all kinds of products and technologies from third parties linked to the role of all types, creation, promotion, protection, exploitation and trading of distinctive signs, patents and other assets owned industry and investment in promotion and development of industrial or commercial enterprises.

- Sociedad Española Zig Zag, S.A., established in Carrer Tuset No. 10, 08006 Barcelona; its corporate purpose is the sale of all kinds of paper, especially smoking paper, in addition to articles related to the paper and tobacco industries.

- M.B. Papeles Especiales, S.A., established in Carrer Tuset No. 10, 08006 Barcelona; its corporate purpose is the manufacturing, marketing, promotion, distribution, import and export of paper of all kinds of papers, including special papers and processing and handling of papers.

- Miquel y Costas Tecnologías S.A., established in Carrer Tuset, No. 8-10 08006 Barcelona; its corporate purpose includes, among others, the activities of design and installation of products, solutions, applications and systems, industrial technology, performing all sorts of projects and consultancy organization, industrial, R & D, quality and environment.

(IN THOUSAND EURO)

- Terranova Papers, S.A., established in Carrer Tuset, No. 8-10 08006 Barcelona; its corporate purpose includes the manufacturing, marketing, promotion, distribution, import and export of special papers industry sectors such as food and filtration, amongst others.

- Miquel y Costas Logística S.A., constituted in December 9, 2014, at Carrer Tuset number 10 08006 Barcelona; Its corporate purpose of greatest relevance is the rendering of logistics services for storage, transport and distribution of goods, raw materials, products and machinery, in addition to advice and technical assistance in the provision of these services.

- Clariana, S.A. with registered office at avenida Alemania 48 Vila-Real (Castellón). Its corporate purpose consists of the production and marketing of paper and in general of goods for the stationery industry: the promotion , management and development of all kinds of real estate and urban operations, the disposal and exploitation, even under lease, of properties, buildings, housing and premises and constructions in general, irrespective of their use, resulting from that activity. This company owns 100% of Boncompte, S.A.

  None of the Group entities in which the parent Company is the heading entity are publicly traded. Similarly, all entities have the same year end date.

Set out below are the figures for capital, reserves and results for the year including other relevant information as per the companies' individual annual accounts at 31 December 2018.

Company	Capital	Reserves (*)	Operating results	Results for the year	Carrying value in parent	Dividends received (Note 32)
S.A. Payá Miralles (2)	1,878	7,186	1,174	914	4,855	450
Celulosa de Levante, S.A. (1)	1,503	38,529	6,528	5,386	1,854	487
Papeles Anoia, S.A. (1)	2,054	7.561	2,819	2,276	2,307	1,980
Desvi, S.A. - consolidated (2)	120	15,705	1,764	(499)	918	-
Sociedad Española Zig-Zag, S.A. (2)	60	293	46	41	183	56
M.B. Papeles Especiales, S.A. (1)	722	24,650	742	776	4,811	1,000
Miquel y Costas Tecnologías, S.A. (2)	500	1,188	53	304	246	135
Terranova Papers, S.A. (1)	12,000	(3,944)	587	145	8,289	-
Miquel y Costas Logistica, S.A. (2)	100	163	53	304	50	-
Clariana S.A. – consolidated (3)	157	4,642	302	(277)	552	-
Total	**19,974**	**95,963**	**14,068**	**9,370**	**24,065**	**4,108**

(1) Companies audited by the audit firm PricewaterhouseCoopers Auditores, S.L.

(2) Companies not audited.

(3) Company audited by Moore Stephens Ibergrup S.A.P.

(*) Includes reserves, prior-year profit/(loss) and other shareholder contributions.

(IN THOUSAND EURO)

Set out below are the figures for capital, reserves and results for the year including other relevant information as per the companies' individual annual accounts at 31 December 2017:

Company	Capital	Reserves (*)	Operating results	Results for the year	Carrying value in parent	Dividends received (Note 32)
S.A. Payá Miralles (2)	1,878	6,663	1,229	974	4,855	-
Celulosa de Levante, S.A. (1)	1,503	37,325	1,710	1,713	1,856	659
Papeles Anoia, S.A. (1)	2,054	7,039	3,068	2,517	2,303	1,782
Desvi, S.A. – consolidated (2)	120	4,784	1,799	1,381	129	-
Sociedad Española Zig-Zag, S.A. (2)	60	280	73	63	183	92
M.B. Papeles Especiales, S.A. (1)	722	22,696	3,563	2,962	4,803	2,000
Miquel y Costas Tecnologías, S.A. (2)	500	1,113	6	373	244	244
Terranova Papers, S.A. (1)	12,000	(4,171)	871	224	8,285	-
Miquel y Costas Logistica, S.A. (2)	100	154	14	8	50	-
Total	**18,937**	**75,883**	**12,333**	**10,215**	**22,708**	**4,777**

(1) Companies audited by the audit firm PricewaterhouseCoopers Auditores, S.L.

(2) Companies not audited.

(*) Includes reserves, prior-year profit/(loss) and other shareholder contributions.

9 Long-term investments and other non-current assets

The breakdown and movement in the accounts under long-term investments and other non-current assets are as follows:

	Deposits & guarantee deposits	Other long-term investments	Financial derivatives	Total
Balance at 31-12-2016	**122**	**68,882**	**297**	**69,301**
Cost	122	68,882	1,512	70,516
Impairment loss	-	-	(1,215)	(1,215)
Book value	**122**	**68,882**	**297**	**69,301**
Additions	-	26,721	-	26,721
Transfers	-	(14,739)	-	(14,739)
Provision for impairment losses (Note 30)	-	-	-	-
Disposals	(1)	(18,931)	-	(18,932)
Balance at 31-12-2017	**121**	**61,933**	**297**	**62,351**
Cost	121	61,933	1,512	62,351
Impairment loss	-	-	(1,215)	(1,215)
Book value	**121**	**61,933**	**297**	**62,351**
Additions	-	19,632	-	19,632
Transfers (Note 15)	-	(26,620)	-	(26,620)
Provision for impairment losses (Note 30)	-	-	-	-
Disposals	(3)	(22,864)	**(285)**	(23,152)
Balance at 31-12-2018	**118**	**32,081**	**12**	**32,211**
Cost	118	32,081	12	32,211
Impairment loss	-	-	-	-
Book value	**118**	**32,081**	**12**	**32,211**

In 2018 the heading Debt securities includes long-term financial investments with maturities beyond 2019, bearing interest at an effective rate ranging from 0.35% to 5.65% (1.48% to 5.65% in 2017), which is not equivalent to the asset yield.

In 2018 the heading "Equity instruments" included the shares of Banco Mare Nostrum, S.A. the balance of which at 31 December 2017 amounted to Euro 285 thousand. On 7 May 2018 these shares were sold to the group company Desvi, S.A for Euro 238 thousand, generating a loss of Euro 47 thousand (Note 30).

10 Derivative financial instruments

The Company uses the financial instruments that are described below to cover the risks related to exchange rate fluctuations in its future trading transactions and recognised assets and liabilities, denominated in a functional currency that is not the Company's functional currency.

The breakdown of the exchange hedge positions held at 31 December 2018 is as follows:

Currency	Maturity	Nominal in forex*	Profit (loss)*
USD	2019	7,845	11
JPY	2019	(32,592)	-
GBP	2019	48	-
AUD	2019	213	-
NOK	2019	323	-
Total (Loss) / Profit			**11**

* Expressed in Euro thousands.

The breakdown of the exchange hedge positions held at 31 December 2017 was as follows:

Currency	Maturity	Nominal in forex*	Profit (loss)*
USD	2018	8,463	(33)
JPY	2018	(15,755)	-
GBP	2018	36	-
AUD	2018	233	1
NOK	2018	-	-
Total (Loss) / Profit			**(32)**

* Expressed in Euro thousands.

(IN THOUSAND EURO)

The profit or loss in fair value of the financial instruments is recorded under financial income and expense in the income statement.

The fair value expresses the amount for which an asset could be exchanged or a liability settled between a buyer and a seller in an arm's length basis. The valuations provided are derived from own models of different banks with which have contracted these instruments, based on widely recognized financial principles and reasonable estimates about future market conditions.

All financial instruments contracted by the Company relate to current assets and liabilities.

Determination of the fair value of the financial instruments

In relation to financial instruments, the valuation process has been conducted using generally accepted techniques considering variables obtained from observable market data.

The valuation methods used in the financial instruments are as follows:

- Forwards: Interpolation forward prices at maturity.
- Simple options: Black & Scholes and Merton.
- Structure with options (Accumulator): Monte Carlo model.

The fair value of financial instruments at 31 December 2018 amounts to Euro 11 thousand (Euro 32 thousand of losses in 2017).

11 Inventories

The breakdown of inventories at 31 December 2018 and 2017 is as follows:

	Prepayments to suppliers	**Raw materials and other supplies**	**Finished goods**	**Total**
Balance at 31-12-2017	**118**	***9,362**	**20,519**	**29,999**
Cost	118	9,362	21,180	30,660
Impairment loss	-	-	(661)	(661)
Net value in books	118	9,362	20,519	29,999
Balance at 31-12-2018	**26**	***11,815**	**26,025**	**37,866**
Cost	26	11,815	26,426	38,267
Impairment loss	-	-	(401)	(401)
Net value in books	26	11,815	26,025	37,866

* The heading Raw materials and other supplies includes Euro 156 thousand in 2018 relating to the emission allowance balance (Euro 141 thousand in 2017).

(IN THOUSAND EURO)

The variation in inventories of finished goods and work in progress totals Euro 5,506 thousand in 2018 (Euro (2,036) thousand in 2017). The variation is the difference between opening inventories of Euro 20,519 thousand in 2018 (Euro 22,555 thousand in 2017) and closing inventories of Euro 26,025 thousand in 2018 (Euro 20,519 thousand in 2017).

a) Purchase commitments

At the end of 2018 and 2017 there are no purchase commitments with suppliers.

b) Insurance

The Company has taken out insurance policies to cover risks relating to inventories. The coverage provided by these policies is considered sufficient.

c) Impairment losses

The movement in impairment losses on inventories in 2018 and 2017 is as follows:

Balance at 31-12-2016	**617**
Appropriations	61
Utilisations	(617)
Balance at 31-12-2017	**661**
Appropriations	191
Utilisations	(451)
Balance at 31-12-2018	**401**

12 Trade receivables for sales and services

The breakdown of trade receivables for sales and services at 31 December 2018 and 2017 is as follows:

	31-12-2018	31-12-2017
Trade debtors	29,791	28,293
Doubtful debtors	111	110
Impairment provision	(111)	(110)
Total	**29,791**	**28,293**

The carrying values (in Thousand Euro) of the trade receivable accounts are denominated in the following currencies:

	31-12-2018	31-12-2017
Euro	23,973	21,778
US Dollars	5,441	6,303
GB Pounds	67	49
Other currencies	310	163
Total	**29,791**	**28,293**

At 31 December 2018, overdue accounts receivable totalled Euro 4,512 thousand (Euro 5,720 thousand in 2017). The Company has booked an impairment provision amounting to Euro 111 thousand in 2018 (Euro 110 thousand in 2017), since the other accounts relate to a series of independent debtors which have no history of default. The ageing analysis of these accounts is as follows:

	31-12-2018	31-12-2017
Up to 3 months	4,512	5,235
Between 3 and 6 months	(274)	281
More than 6 months	274	204
Total	**4,512**	**5,720**

The Company has a credit policy by which has taken out external insurance on the most important risks. The Company has a significant concentration of credit in certain accounts receivable. In order to minimise this risk, the Company has policies to guarantee the assignment of credit to customers with the appropriate credit history.

The movement in the provision for impairment of trade receivables in 2018 and 2017 is as follows:

Balance at 31-12-16	**107**
Provision for impairment of trade receivables	5
Accounts receivable eliminated due to default	(2)
Balance at 31-12-17	**110**
Provision for impairment of trade receivables	1
Accounts receivable eliminated due to default	-
Balance at 31-12-18	**111**

The recognition and reversal of provisions for impairment of trade receivables have been included in "Loss, impairment and variation in trade provisions" in the income statement (Note 29.6). The amounts charged to the provision are derecognised where there is no expectation of collecting more cash.

(IN THOUSAND EURO)

13 Other debtors

The breakdown of other debtors and balances with Public Administrations at 31 December 2018 and 2017 is as follows:

	31-12-2018	31-12-2017
Other receivables	2	2
Employees	1	4
Other tax refundable	578	331
Total	**581**	**337**

Other tax refundable includes the VAT refundable to be recovered from the Public Administrations at 2018 and 2017 year end.

14 Short-term investments in group companies and associates

The breakdown in the accounts under "Short term Investments in group companies and associates" at 31 December 2018 and 2017 is as follows:

	31-12-2018	31-12-2017
Loans to group companies (note 32.1)	633	200
Financial accounts (note 32.1)	19,643	14,263
Total	**20,276**	**14,463**

The Group has centralized liquidity, meaning that the Company has current accounts with the other Group companies. Loans to Group companies relate to amounts owed by them as a result of the provision of credit they have done. These loans have a fixed maturity and bear an annual interest rate determined based on the market rate.

(IN THOUSAND EURO)

15 Current financial investments

Short-term investments at the year-end 2018 amounted to Euro 35,237 thousand (Euro 26,824 thousand in 2017), as well as accrued financial interests amounting in 2018 to Euro 1,039 thousand (Euro 1,151 thousand in 2017), with maturity less than twelve months and with an effective rate that varies within a range of 0.72% and 4.62% in fiscal 2018 (0.41% and 6.25% in 2017), which is not equivalent to the yield of the asset. The movement for the years 2018 and 2017 is as follows:

Balance at 31-12-2016	**11,513**
Additions	36,817
Transfers (Note 9)	14,739
Disposals	(35,094)
Balance at 31-12-2017	**27,975**
Additions	20,777
Transfers (Note 9)	26,620
Disposals	(39,096)
Balance at 31-12-2018	**36,276**

16 Cash and cash equivalents

The breakdown of cash and cash equivalents at 31 December 2018 and 2017 is as follows:

	31-12-2018	31-12-2017
Cash	16,727	9,655
Total	**16,727**	**9,655**

17 Capital and share premium

17.1 Capital

At 31 December 2018 share capital was represented by 31,000,000 shares (20,650,000 shares in 2017) fully subscribed and paid accounting entry shares with a par value of Euro 2.00 each one.

The Company's shares are traded on the Barcelona Stock Exchange and since 1996 are integrated in the interconnected Stock Exchange system for continued contraction (SIBE-Smart system) on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

(IN THOUSAND EURO)

All shares have the same economic and voting rights, and there are no legal or statutory restrictions on the acquisition or transfer of shares.

The Board of Directors, under the resolution adopted by the Ordinary and Extraordinary General Meeting held in June 22, 2016, is authorized to issue fixed-income securities, both simple and convertible and / or exchangeable for company shares, in a maximum amount of Euro 100,000 thousand in one or several times within five years. In 2017 and 2018, the Board of Directors did not use the aforementioned authorization.

On 20 June 2018 the Extraordinary General Shareholders' Meeting of Miquel y Costas & Miquel, S.A. agreed to reduce the Company's share capital by Euro 2,550 thousand through the redemption of 1,275,000 shares with a par value of Euro 2.00 each, leaving share capital at Euro 38,750 thousand. It is placed on record that the purpose of the capital decrease was to redeem treasury shares, previously acquired by the Company. On 3 October 2018 this decrease was entered in the Commercial Register of Barcelona.

The aforementioned Extraordinary General Shareholders" Meeting also agreed to increase share capital against freely available reserves,specifically, by charge to voluntary reserves, up to an amount of Euro 62,000 thousand, through the issue and circulation of 11,625,000 new shares of equal value, of the same series and carrying the same rights as those currently in circulation, represented by book entries and which were assigned gratuitously to the Company's shareholders. This increase was entered in the Commercial Register of Barcelona on 30 November 2018.

At the dates of December 31, 2018 and 2017, in accordance with the notifications received by Company submitted by natural and legal persons holding rights of direct and indirect vote by a percentage equal to or greater than 10% Company are as follows:

	Shareholding (%)	
	2018	**2017**
Jorge Mercader Miró	14.39	13.27
Mª del Carmen Escansany Miquel	11.67	10.90
Dª. Bernardette Miquel Vacarisas	11.35	10.59

(IN THOUSAND EURO)

17.2 Share premium

The breakdown and movement of the share premium for the years 2018 and 2017 is as follows:

Balance at 31-12-16	**40**
Return of contributions to shareholders	-
Balance at 31-12-17	**40**
Return of contributions to shareholders	-
Balance at 31-12-18	**40**

The share premium is subject to the same restrictions and may be used for the same purposes as the voluntary reserves of the Company, including conversion into share capital.

17.3 Own shares in equity

The General Shareholders' Meeting held in June 26, 2016 authorized the Company to acquire treasury shares up to 10% of the share capital for a term of five years. The General Shareholders' Meeting held on 20 June 2018 again authorised the Company to acquire treasury shares under the same terms.

By virtue of the resolutions adopted at such General Meetings, the Board of Directors, at meetings held on the same dates, agreed to approve the treasury share policy within the authorized limits and subject to the Internal Rules of Conduct.

The breakdown and movement of own shares in equity for the years 2018 and 2017, is as follows:

Description	Number of shares	Value of the operation (Thousand Euro)	Average price (Euro)	Nominal value (Thousand Euro)
Balance at 31-12-2016	**334,639**	**6,578**	**19.65**	**669**
Acquisition of own shares	939,134	28,777	30.64	1,878
Adjudication by exercise of options	(37,275)	(446)	11.95	(74)
Balance at 31-12-2017	**1,236,498**	**34,909**	**28.23**	**2,473**
Acquisition of own shares	513,679	12,466	24.27	1,027
Subscription and acquisition on ıpital increase	125,016	-	-	250
Capital decrease	(1,275,000)	(37,036)	29.05	(2,550)
Adjudication by exercise of options	-	-	-	-
Balance at 31-12-2017	**600,193**	**10,339**	**17.23**	**1,200**

During 2018, the Company acting within the framework approved, has acquired 513,679 shares (939,134 shares in 2017) worth Euro 12,466 thousand (Euro 28,777 thousand in 2017) and on the other hand delivered in 2017, in implementation of the "Plan of stock options 2011" which is ongoing, 37,275 own shares at a value of Euro 446 thousand. Additionally, it should be noted that with respect to the “2016 Stock Plan”, no amounts were delivered in the present year.

The number of treasury shares held at 31 December 2018, after the operations carried out during the year, amount to €600,193 (1,236,498 shares in 2017).

(IN THOUSAND EURO)

18 Reserves and Other equity instruments

The breakdown in the accounts related to Reserves and Other equity instruments, at 31 December 2018 and 2017, is as follows:

	31-12-2018	31-12-2017
Legal reserve	8,260	8,260
Reserve Law 16/2012	6,818	6,818
Voluntary reserves	97,070	136,012
Reserves for actuarial gains and losses	93	103
Capitalization reserves	1,706	1,655
Other equity instruments	233	118
Total	**114,180**	**152,966**

a) Legal reserve

At 31 December 2017 the legal reserve was fully funded in accordance with Spanish Companies Act. As a result of the capital increase carried out in 2017, the recognition of a legal reserve up to the limit of 20% of share capital after the increase has been proposed in the distribution of the Company's results (See note 19.1)

The legal reserve has been provided in accordance with Article 274 of the Spanish Capital Companies Act, which provides that the Company is required to allocate at least 10% of the profit for the year to the establishment of a reserve fund until it reaches at least 20% of the share capital.

The amount provided up to 20% of the share capital, cannot be distributed, and if used to offset losses, if there are no other available reserves for that purpose, must be replenished with future benefits.

b) Revaluation reserves Law 16/2012, of 27 December

According to Law 16 /2012, of 27 December, amending various taxation measures aimed at consolidating public finances and boosting economic activity, the Company has revaluated certain elements of its property. The amount of the revaluation amounted to Euro 6,818 thousand (Note 6), net of tax of 5%. This amount has been charged to the account "Revaluation reserve of Law 16 /2012 of December 27" crediting Tax payables amounting to Euro 359 thousand. This debt was settled in July 2013.

In accordance with Law 16 /2012, the deadline for verification by the administration is three years from the date of filing of the declaration for assessment. Once three years elapse after verification and approval, the balance of the revaluation reserve of Law 16/2012 may be used to offset losses or to increase share capital of the Company. After ten years, the balance may be allocated to unrestricted reserves.

The balance of the account cannot be distributed, directly or indirectly, until the revalued assets are fully amortized, have been transferred or derecognised in the balance.

c) Voluntary reserves

The Company's voluntary reserves are freely distributable.

d) Reserve for actuarial gains and losses

This reserve is the result of the recognition of actuarial gains and losses, as per accounting valuation standards.

e) Capitalization reserve

According to Article 25 Law 27/2014, dated November 27, on Corporate Income Tax, the Company is entitled to a 10% reduction in the taxable amount of the increase in its own funds, provided that the following requirements are met:

a) The amount of the increase in the entity's own funds is maintained for a period of 5 years from the end of the tax period to which this reduction corresponds, except for the existence of accounting losses in the entity.

b) Set up a reserve for the amount of the reduction, which must be included in the balance sheet with absolute separation and appropriate title and will be unavailable during the period provided in the previous letter.

In no case, the right to this reduction could exceed the amount of 10% of the taxable amount of the tax period prior to this reduction, to the integration referred to in Article 12 paragraph 11 of the LIS and the offsetting of negative tax bases.

During 2017, the Company applied this tax incentive (see Note 28), for which has proceeded to set up a reserve during 2018 for the amount of the reduction that should be included in the balance sheet during the 5-year period, being unavailable during that period under the conditions mentioned above. In fiscal year 2018 the company has also applied this fiscal incentive.

(IN THOUSAND EURO)

f) Other equity instruments

This relates to the amount recognised as a balancing item for staff costs accrued under the stock option plan arranged in 2012, which expired in January 2017, and the new stock option plan arranged in 2017. Both plans total Euro 233 thousand in 2018 (Euro 118 thousand in 2017).

"Stock Option Plan 2011": On 22 June 2011, the General Meeting of Shareholders approved a "Stock Option Plan 2011" Miquel y Costas & Miquel, S.A. for Group management. This plan has been developed, defined and formalized by the Board of Directors, based on the powers conferred by the General Meeting, in its meeting held on 31 January 2012, which determined that to each option corresponds a share, as well as the number of options originally assigned to management totals 160,000 options.

The options are subject to certain conditions, and the Company has no legal or constructive obligation to repurchase or settle the options using cash, as they will be settled by the exercise of option to acquire shares of the Company.

Based on the abovementioned agreements, the exercise price of the option has been set at 17.26 Euro per share, determined by the average change of the share during the previous quarter minus 5%. The detailed listing by date of consolidation and maximum exercise period is as follows:

Date of consolidated options	Maximum period to exercise	Number of options
31/01/2014	31/01/2015	53,333
31/01/2015	31/01/2016	53,333
31/01/2016	31/01/2017	53,334
		160,000

The weighted average fair value of the premium of the stock options granted as of December 31, 2017, which corresponds with the value determined at purchase and determined in accordance with the model of Black-Scholes and Merton valuation is as follows:

Due Date	Option value
31/01/2014	3.6839
31/01/2015	4.1385
31/01/2016	4.4454

(IN THOUSAND EURO)

The main inputs to the model were share price, the exercise price shown above, the standard deviation of performance expected share price, dividend yield, an expected life of the option and free annual interest rate of risk. The estimated standard deviation of the expected performance of the share price volatility is based on statistical analysis of daily share prices.

The obligation is recognized in the income statement as personnel expenses for the year and is performed on an accrual basis and booked against equity. The amount recorded at 31 December 2018 and 2017, charged to profit and loss, amounted to Euro.

- "2016 stock option plan": On 22 June 2016, the General Shareholders' Meeting approved the "2016 stock option plan" of Miquel y Costas & Miquel, S.A., applicable to the Company's executive directors and managers designated by the Board of Directors. The plan was developed, defined and drawn up by the Board of Directors in its meeting on 30 January 2017, drawing on the powers granted by the General Meeting. The plan states that each option carries one share and allocates 525,000 options, of which 491,500 were in effect at the year end, increasing to 786,400 following the capital increase carried out in November 2018.

  The options are subject to certain conditions and the Company is not under any legal or constructive obligation to buy back or settle the options in cash, since they will be settled using the Company's treasury shares.

  Based on the aforementioned agreements, the option exercise price was established at Euro 22.21 per share, Euro 13.88 following the adjustment relating to that capital increase, determined by the average share exchange rate for the preceding quarter less 5%.

  The plan includes the following phases:

  - Vesting phase: It begins on 7 February 2017 and lasts for five years.

  - Exercise phase: It begins on the day following the end of the vesting phase and lasts for three years. This phase marks the start of the period in which the beneficiaries may exercise the options.

  The weighted average fair value of the stock options at the award date, determined using the Black-Scholes/Merton method, is as follows:

Maturities	Option value
27/01/2025	1.25

(IN THOUSAND EURO)

The main model inputs were the share price, the above-mentioned strike price, the standard deviation from the expected yield, a dividend yield, the option's expected life and an annual risk-free interest rate. Estimated volatility in the standard deviation from the expected share price performance is based on statistical analyses of daily share prices.

The value is taken to the income statement as a staff cost for the year, on an accrual basis, with a balancing item in equity. The amount of Euro 100 thousand was charged to the income statement at 31 December 2018 (90 thousand in 2017).

19 Results for the year

19.1 Proposal for the distribution of results for the year

The proposal to be presented to the General Shareholders' Meeting regarding the distribution of results at 31 December 2018 is as follows:

	2018
Basis of distribution	
Profit for the year (Profit)	30,520
Total	**30,520**
Application	
Legal reserve	4,140
Dividends	12,950
Voluntary reserves	13,430
Total	**30,520**

19.2 Interim dividend

The dividend distribution policy carried out by the company, consists of four payments, of which three are on account and one is complementary.

In accordance with the resolutions of the Board of Directors, approved the distribution of interim dividends in 2018 which are listed below:

- By charge to 2017 profits:

  - Resolution dated 19 March: agrees to distribute a third interim dividend of profits for 2017, with the allocation of the share of the economic rights of the own shares was Euro 0.15508100 per share, totalling Euro 3,000 thousand (Euro 0.09692562 per share, as adjusted for the capital increase of November 2018).

- By charge to 2018 profits:

  - Resolution dated 1 October agrees to distribute a first interim dividend of profits for 2018, with the allocation of the share of the economic rights of the own shares was Euro 0.15508100 per share, totalling Euro 3,000 thousand. (Euro 0.16159426 per share, as adjusted for the capital increase of November 2018)

  - Resolution dated 22 November agrees to distribute a second interim dividend of profits for 2017, with the allocation of the share of the economic rights of the own shares was Euro 0.10164948 per share, totalling Euro 3,100 thousand, subsequent to the capital increase of November 2018.

All of them have been realized in 2018.

In accordance with the resolutions of the Board of Directors, approved the distribution of interim dividends in 2017 which are listed below:

- Resolution dated 27 March agrees to distribute a third interim dividend of profits for 2016, with the allocation of the share of the economic rights of the own shares was Euro 0.12408833 per share, totalling Euro 2,500 thousand, (Euro 0.07755521 per share once adjusted by the capital increase of November 2018).

(IN THOUSAND EURO)

- Resolution dated 26 September agrees to distribute a first interim dividend of profits for 2017, with the allocation of the share of the economic rights of the own shares was Euro 0.15286918 per share, totalling Euro 3,000 thousand, (Euro 0.09554324 per share once adjusted by the capital increase of November 2018).

- Resolution dated 27 November to distribute a second interim dividend out of 2017 profits, including the allocation of the share of the dividend rights carried by the treasury shares, in the amount of Euro 0.15392182 per share, totalling Euro 3,000 thousand. (Euro 0.09620114 per share once adjusted by the capital increase of November 2018).

All of them have been realized in 2017.

The amounts distributed as the sum of interim dividends and supplementary dividends as detailed in the following paragraph, did not exceed the results obtained since the end of last year, less estimated corporate income tax payable on these results, in line with the provisions of Article 277 of the Spanish Capital Companies Act.

	2018	**2017**
Dividends paid during the year	12,700	11,500
Tax effect	(1,443)	(1,320)
Total	**11,257**	**10,180**

Regarding the dividends paid, all shares which hold more than 5% of the total and that meets the rest of the requirements in the application of article 21.1 a) of Law 27/2014, of November 27, on Corporate Income Tax have enjoyed the right of non-withholding in accordance with the rule of exemption from retention provided for in Article 128.4.d) of said Law.

(IN THOUSAND EURO)

The provisional accounting statement prepared in accordance with legal requirements and which revealed the existence of sufficient liquidity for the distribution of such dividends, are set out below:

- Provisional resolution of 1 October, 2018 to distribute a first interim dividend of the profits from 2018 of a total amount of Euro 3,100 thousand:

	2018
Profit distribution forecast	
Expected net results after tax at 30 September 2018	20,166
Maximum amount to be distributed as interim dividend	57,239
Interim dividend distributed	**3,100**
Treasury forecast for the period between 26 September 2018 and 26 September 2019:	
Treasury balances at 26 September 2017**	114,461
Forecast receipts	165,446
Forecast payments (including interim dividend)	152,457
Forecast treasury balances at 26 September 2019	**127,450**

** Includes unused credit facilities with financial institutions.

(IN THOUSAND EURO)

- Provisional resolution of 22 November, 2018 to distribute a second interim dividend of the profits from 2018 of a total amount of Euro 3,100 thousand:

	2018
Profit distribution forecast	
Expected net results after tax at 22 November 2018	25,055
Maximum amount to be distributed as interim dividend	62,128
Interim dividend distributed	**3,100**
Treasury forecast for one year from the date of the agreement to distribute the interim dividend	
Available liquidity at the date of the agreement to distribute payment on account **	114,197
Forecast receipts	170,100
Forecast payments (including interim dividend)	160,702
Forecast treasury balances at 30 November 2019	**123,595**

** Includes unused credit facilities with financial institutions.

19.3 Complementary Dividend

Under the resolution adopted by the General Shareholders Meeting dated on 20 June 2018, approved the distribution of dividends for the year, together with the ratification of payments and the agreement of payment of a complementary dividend for the results of 2017 amounting to Euro 3,500 thousand.

Under the resolution adopted by the General Shareholders Meeting dated on 20 June 2017, approved the distribution of dividends for the year, together with the ratification of payments and the agreement of payment of a complementary dividend for the results of 2016 amounting to Euro 3,000 thousand.

(IN THOUSAND EURO)

19.4 Restrictions on the distribution of dividends

The reserves designated in the previous note as available for distribution, in addition to the current year's profit, are subjected, however, to the following restrictions:

- Once the provisions of legislation in force or the Articles of Association have been met, only dividends charged to profit for the year or distributable reserves can be paid out if the value of equity is not nil, as a result of the pay-out, or is not lower than share capital. Thus, the profit charged directly against equity cannot be distributed directly or indirectly.

- No dividends can be paid unless the available reserves are at least equal to the amount of the research and development expenses that are carried in the balance sheet. The amount pending to be amortised at 31 December 2018 totals Euro 0 thousand (Euro 0 thousand in 2017).

20 Capital grants received

Set out below is a breakdown of the non-refundable capital grants included in the balance sheet line "Grants, donations and bequests received":

Description	Government grants	Interest rate subsidies	Gas emission rights	Total
Balance at 31-12-2016	**243**	**11**	**9**	**263**
Additions	2	17	122	141
Tax effect	(1)	(4)	(30)	(35)
Disposals	-	(15)	-	(15)
Tax effect	-	4	-	4
Transfer to profit and loss	(38)	-	(144)	(182)
Tax effect	10	-	36	46
Balance at 31-12-2017	**216**	**13**	**(7)**	**222**
Additions	8	33	111	152
Tax effect	(2)	(8)	(28)	(38)
Disposals	-	(17)	-	(17)
Tax effect	-	4	-	4
Other icnreases / decreases	-	-	62	62
Tax effect	-	-	(15)	(15)
Transfer to profit and loss	(38)	-	(163)	(201)
Tax effect	9	-	41	50
Balance at 31-12-2018	**193**	**25**	**1**	**219**

(IN THOUSAND EURO)

The breakdown of non-refundable capital grants is as follows:

Granting entity	31-12-2018	31-12-2017	Purpose	Date granted
Generalitat de Catalunya	24	33	Fixed asset financing	2003 and 2008
Generalitat de Catalunya	-	1	Environmental grant ISO 14001	2010
CDTI	33	17	Interest free loans	2017 and 2018
Ministerio Medio Ambiente	1	(9)	Emission rights	2017 and 2018
Agencia Valenciana de la Energía	15	18	Improving energy efficiency	2011
Agencia Residuos de Catalunya	5	5	Waste minimization	2011
Generalitat de Catalunya	51	59	Fixed asset financing	2012
Agencia Valenciana de la Energía	77	87	Improving energy efficiency	2012/13/15
Miner	3	3	Fixed asset financing	2013
Instituto Valenciano de competitividad empresarial	83	82	Fixed asset financing	2016, 2017 and 2018
Tax effect of grants	(73)	(74)		
Total	**219**	**222**		

Grants received by the Company are non-refundable since they have met all the necessary requirements to be classified as such.

The revenues relating to grants transferred to the income statement are carried on the following headings in the income statement:

	2018	2017
Release of non-financial fixed asset grants and others	201	182
Total	**201**	**182**

(IN THOUSAND EURO)

21 Creditors and payables

The breakdown of current and non-current debts at 31 December 2018 and 2017 is as follows:

	2018	2017
Long-term debts		
Bank loans	40,565	35,010
Total long-term debts	**40,565**	**35,010**
Short-term debts		
- Bank loans	3,217	5,094
- Credit facilities	136	2,178
- Interests accrued	33	37
Total debts with banks	**3,386**	**7,309**
- Other financial liabilities	2,585	1,643
Total short-term debts	**5,971**	**8,952**
Total short-term and long-term debts with banks	**46,536**	**43,962**

The effect of implicit interest arising from subsidized loans held by the Company amounts to Euro 33 thousand at 31 December 2018 (Euro 17 thousand at 31 December 2017)

In the line "Other short-term financial liabilities" totalling Euro 2,585 thousand at 31 December 2018 (Euro 1,643 thousand in 2017) include amounts due to suppliers of fixed assets.

The carrying amounts of the Company's long and short-term payables to financial entities are denominated in Euro at 31 December 2018 and 2017.

Bank loans maturities break down as follows:

Description	31-12-2018	31-12-2017
Up to 1 year	5,971	8,952
Between 1 and 3 years	18,517	10,497
Between 3 and 5 years	16,210	13,541
More than 5 years	5,838	10,972
Total	**46,536**	**43,962**

Of total loans at 31 December 2018, Euro 75 thousand relates to loans secured through a bank guarantee (Euro 151 thousand at 31 December 2017).

(IN THOUSAND EURO)

The equivalent value in euro of borrowings with credit institutions is denominated in the following currencies:

	2018	2017
Euros	46,400	41,785
AUD	131	-
JPY	5	-
GBP	-	2
USD	-	2,175
Total borrowings	**46,536**	**43,962**

The long and short-term loans movements for 2018 and 2017 are as follows:

	Long term loans	Short term loans
Balance at 31-12-2016	**14,554**	**5,500**
Additions	29,407	-
Amortization	(3,857)	(5,500)
Transfers	(5,094)	5,094
Balance at 31-12-2017	**35,010**	**5,094**
Additions	13,343	-
Amortization	(4,571)	(5,094)
Transfers	(3,217)	3,217
Balance at 31-12-2018	**40,565**	**3,217**

a) Subsidised loans

During the year 2018 the Centre for the Development of Industrial Technology (C.D.T.I) granted two loans amounting to 200 and 143 thousand Euro, with repayment period of 12 and 11 years, including 5 and 3 years of grace period respectively.

During the year 2017 the Centre for the Development of Industrial Technology (C.D.T.I) granted three loans amounting to 251, 34 and 108 thousand Euro, with repayment period of 9, 11 and 12 years, including 2, 4 and 4 years of grace period respectively.

The Company has a December 2018 loans at zero interest, with a fair value of Euro 588 thousand (Euro 371 thousand at December 31, 2017) and redemption value Euro 621 thousand (Euro 389 thousand at 31 December 2017).

(IN THOUSAND EURO)

b) Bank loans

During 2018 Banco de Sabadell granted three loans amounting to Euro 13 million, all with a five year amortisation period and one year grace period. In turn the Company repaid early four loans amounting to Euro 7.1 million, included within amortisation in the table above.

In 2017 BBVA granted a loan amounting to Euro 25,000 thousand with a seven year amortisation period and three year grace period. Additionally, La Caixa granted a loan amounting to Euro 4,000 thousand with a five year amortisation period and a two year grace period.

The Company has not constituted guarantees associated with such loans from financial institutions.

Additionally, the Company has the following credit facilities:

	31-12-2018		**31-12-2017**	
	Maximum limit	**Amount drawn down**	**Maximum limit**	**Amount drawn down**
Floating rate:				
- maturing in less than one year	27,130	136	25,959	2,178
- maturing in more than one year	-	-	-	-
Fixed rate:				
- maturing in less than one year	-	-	-	-
	27,130	**136**	**25,959**	**2,178**

Credit facilities maturing in less than one year are subject to various reviews in 2018 and 2017. Credit facilities have been renegotiated in order to contribute to the financing of the expected expansion of the Company's operations in 2018 and 2017.

(IN THOUSAND EURO)

22 Long and short term accrued income

The movement in "Accrued income" for the years 2018 and 2017, were as follows:

	Long-Term accrued income	Short-Term accrued income	Total
Balance at 31-12-16	**21**	**-**	**21**
Additions	3	-	3
Transfers to results (Note 29.4)	-	-	-
Other transfers	-	-	-
Balance at 31-12-17	**24**	**-**	**24**
Additions	68	-	68
Transfers to results (Note 29.4)	-	-	-
Other transfers	-	-	-
Balance at 31-12-18	**92**	**-**	**92**

23 Long-term employee benefits

- <u>Defined-contribution commitments:</u>

The Company has two defined contribution plans as a result of agreements with the employee representatives for retirement at 65 years of age. The Company has only committed to making annual contributions of a predetermined amount. The Company took out group insurance policies in 2002 whereby the insurer guarantees the employees a return on the contributions made by the Company.

There is also an insurance policy and a defined contribution plan in which the Company is the policy holder and the executive directors and senior managers will be the beneficiaries, provided certain conditions are fulfilled (see Note 31).

- <u>Defined-benefit commitments:</u>

The Company's also records defined-benefit commitments covered by group insurance policies.

Liabilities with retired personnel: the Company has a life-time pension liability with a closed group of pensioners that increases annually on the basis of the increase in remuneration agreed in the Spanish Collective Agreement for the Pulp and Paper Industry. This liability was transferred out in 2000 and insured under a collective insurance policy.

(IN THOUSAND EURO)

Liabilities with current personnel: in accordance with the Spanish Collective Agreement for the Pulp and Paper Industry, the Company has an obligation with its current employees who can take early retirement to pay them retirement bonuses as established in the aforementioned agreement. These commitments were externalized and secured through group insurance contracts signed in 2013. In addition, the company, at the time of entry into force on 1 January 2013 of the Law 27/2011, of August 1, on the updating, adaptation and modernization of the Social Security becomes bound, according to the same agreement, with part of their current employees benefits for their early retirement at age 63. This is not a new pension commitment, but a collective increase of eligible employees entitled to a retirement bonus. The insurance contracts entered into in 2013 were as so to meet the outsourcing of pension commitments, and they have been extended in 2016.

A breakdown of the amounts recognised in the balance sheet in respect of long-term employee benefits and the corresponding charges to the income statement for the different types of defined benefit commitments that the Company has arranged with its employees is as follows:

	31-12-2018	31-12-2017
Charges in the income statement in respect of:		
- Financial restatement (Financial expenses) (Note 30)	1	1
- Current service costs	9	12
- Expected return on plan-related assets (Note 30)	(1)	(1)
Total	**9**	**12**

	31-12-2018	31-12-2017
Debits/(credits) in Equity:		
- Actuarial gains and losses	(13)	(15)
- Tax effect	3	4
Total	**(10)**	**(11)**

The amounts recognised in the balance sheet are as follows (Note 24):

Description	**31-12-2018**	**31-12-2017**
Present value of the liabilities	(404)	(353)
Fair value of the plan-related assets	208	180
Liability recorded on the balance sheet	**(196)**	**(173)**

(IN THOUSAND EURO)

The movement in the defined benefit liability for retirement is as follows:

Description	31-12-2018	31-12-2018
Opening balance	**335**	**335**
Current service cost	9	12
Interest costs (Note 30)	1	-
Actuarial (gains) / losses	53	22
Benefits paid	(12)	(17)
Closing balance	**404**	**353**

The movement in the fair value of the plan-related assets is as follows:

Description	31-12-2018	31-12-2017
Opening balance	**180**	**200**
Expected return on plan-related assets (Note 30)	1	1
Actuarial gains / (losses)	39	7
Return of contributions (returned premiums)	(12)	(28)
Closing balance	**208**	**180**

Company management has engaged an independent actuary to prepare an actuarial valuation at 31 December 2018 and 2017 of each defined benefit liability mentioned above.

The main assumptions applied have been:

Interest rate for valuing liabilities with current personnel at 31/12/2017	0.399%
Interest rate for valuing liabilities with current personnel at 31/12/2018	0.172%
Interest rate for valuing liabilities with retired personnel at 31/12/2017	0.399%
Interest rate for valuing liabilities with retired personnel at 31/12/2018	0.172%
Expected return on assets with current personnel	0.399%
Expected return on assets with retired personnel	0.399%
Annual growth in pensions at the beginning of 2018	0.25%
Annual growth in pensions at the 2018 year end	0.25%
Mortality tables	PERMF-2000P
Hypothesis of permanence	ORDEN EHA/3433/20 06 COD21
Retirement age	63 years

(IN THOUSAND EURO)

The interest rates used have been determined at market rates, on the balance sheet date, for the issue of high grade corporate bonds or debentures. Both the currency and the maturity of the bonds relates to the current and terms of payment estimated for the liabilities borne by the Company. It has also been taken into account the existing labour laws regarding retirement age of employees.

The valuation method used has been the "projected credit unit". This system consists in proportionally accrediting the present value of the future forecast benefits on the basis of past service at any time.

With respect to the retirement bonus liabilities, since the benefits and their maturities are matched to the Company's liabilities, the value of the insurance policy is the same as the liabilities accrued, resulting in a nil net value. This means that in relation to the retirement bonuses commitments, with their maturities and benefits being matched with the obligations of the Group, the value of the insurance policy is equal to the value of the accrued obligations, resulting in a zero net value for all defined benefit obligations without assumption of permanence. Concerning the remaining commitments, the insurer has provided the realization value of the related asset.

24 Long and short-term provisions

Movements in the "Short term provisions" included in the balance sheet are as follows:

Closing balance at 31-12-2016	**390**
Additions	144
Applications	(385)
Valuation adjustments	-
Closing balance at 31-12-2017	**149**
Additions	163
Applications	(159)
Valuation adjustments	-
Closing balance at 31-12-2018	**153**

The balance at 31 December 2018 amounting to Euro 153 thousand relates to the balance of the provision for emission allowances (Euro 149 thousand in 2017).

(IN THOUSAND EURO)

Movements in the "Long term provisions" included in the balance sheet are as follows:

Closing balance at 31-12-16	**976**
Additions	613
Payments	(56)
Transfers	66
Applications	-
Closing balance at 31-12-17	**1,599**
Additions	509
Payments	-
Transfers	(358)
Applications	-
Closing balance at 31-12-18	**1,750**

The balance at December 31, 2018, amounting to Euro 1,750 thousand (Euro 1,599 thousand in 2017), consists of the following items:

- Provision corresponding to the application of Law 27/2011 of 1 August, updating, adaptation and modernization of the Social Security system which entered into force on 1 January 2013, amounting to Euro 196 thousand in 2018 (Euro 173 thousand in 2017). The amount of Euro 24 thousand (Euro 28 thousand in 2017), no payment has been made (Euro 56 thousand in 2017) and no expense paid in respect of the insurance premium to the external insurance company in order to regularise pension commitments (Euro 66 thousand in 2017).

- A provision of Euro 259 thousand was posted to cover possible third-party liability as a lucrative participant in the current procedure against directors of Mutua Universal Mugenat and against it as a secondarily liable party, which is maintained in 2018.

- Additionally, the current year balance includes provisions for variable remuneration associated with objectives agreed with the relevant personnel in the amount of Euro 1,223 thousand (810 thousand in 2017), with a long-term maturity. During the present year, Euro 413 thousand was provided and a balance of Euro 358 thousand has been reclassified to short term (note 27).

- Finally, during the present year a provision has been established for the amount pending disbursement on the acquisition of Clariana, S.A. amounting to Euro 72 thousand.

(IN THOUSAND EURO)

25 Deferred taxes

The movement in deferred taxes in 2018 and 2017 is as follows:

	2018		2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Opening balance	**1,301**	**1,780**	**1,291**	**1,995**
- Charged in the income statement	47	(192)	10	(198)
- Charged directly to equity	-	(4)	-	(4)
Closing balance	**1,348**	**1,584**	**1,301**	**1,780**

The movement and detail during 2018 and 2017 in deferred tax assets and liabilities is as follows:

			2018	
Deferred tax assets	**Non-fiscally deductible amortisation**	**Accruals**	**Equity adjustments**	**Total**
Opening balance	**653**	**648**	**-**	**1,301**
- Charged in the income statement	(149)	196	-	47
Closing balance	**504**	**844**	**-**	**1,348**

			2017	
Deferred tax assets	**Non-fiscally deductible amortisation**	**Accruals**	**Equity adjustments**	**Total**
Opening balance	**816**	**475**	**-**	**1,291**
- Charged in the income statement	(163)	173	-	10
Closing balance	**653**	**648**	**-**	**1,301**

(IN THOUSAND EURO)

	2018			
Deferred tax liabilities	**Other adjustments**	**Accelerated tax amortisation**	**Equity adjustments**	**Total**
Opening balance	**-**	**1,667**	**113**	**1,780**
- Charged in the income statement	-	(192)	-	(192)
- Charged directly to equity	-	-	(4)	(4)
Closing balance	**-**	**1,475**	**109**	**1,584**

	2017			
Deferred tax liabilities	**Other adjustments**	**Accelerated tax amortisation**	**Equity adjustments**	**Total**
Opening balance	**-**	**1,865**	**130**	**1,995**
- Charged in the income statement	-	(198)	-	(198)
- Charged directly to equity	-	-	(17)	(17)
Closing balance	**-**	**1,667**	**130**	**1,780**

The Euro 504 thousand related to deferred tax assets in 2018 (Euro 653 thousand in 2017) corresponds to two effects:

- The effect of limiting to 30 percent the tax deductibility of depreciation during the periods 2013 and 2014. This effect begins to reverse in 2015. The balance at 31 December 2018 totalled Euro 445 thousand (Euro 564 thousand in 2017).

- The effect of the limitation of the amortization relating to the balance sheet revaluation also begins to reverse in 2015. The balance at 31 December 2018 amounted to Euro 59 thousand (Euro 89 thousand in 2017).

Deferred tax assets of Euro 844 thousand in 2018 (Euro 648 thousand in 2017) relate mainly to non-tax-deductible provisions for personnel.

(IN THOUSAND EURO)

Deferred taxes charged directly to equity in 2018 and 2017 are as follows:

Description	31-12-2018	31-12-2017
Capital grants	65	72
Pensions	36	39
Interest free loans	8	4
Other	-	(2)
Total	**109**	**113**

26 Trade and other payables

The breakdown of trade and other payables at 31 December 2018 and 2017 is as follows:

Description	31-12-2018	31-12-2017
Trade payables		
Trade payables, local currency	13,674	11,992
Trade payables, foreign currency	3,271	1,631
Trade payables, group companies and associates (Note 32.1)	5,743	4,508
Trade payables, group companies and associates in foreign currency (Nota. 32.1)	409	278
Other payables		
Other payables, local currency	966	870
Other payables, foreign currency	376	154
Total	**24,439**	**19,433**

The carrying values of trade and other payables are denominated in the following currencies:

	31-12-2018	31-12-2017
Euro	20,380	17,370
US Dollar	4,051	2,046
Pound Sterling	5	17
Others	3	-
Total	**24,439**	**19,433**

According to the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, on the information to be included in the notes to the financial statements in relation to the average payment period, it is reported that as of December 31 2018 and 2017 it is as follows:

	31/12/2018	**31/12/2017**
	Days	**Days**
Average payment period to creditors	35	35
Ratio of operations paid	37	37
Ratio of operations pending payment	17	16
	Thousands of Euro	**Thousands of Euro**
Total payments made	85,579	80,092
Total outstanding payments	9,754	8,056

27 Other current liabilities

The breakdown of other current liabilities for the years ended at 31 December 2018 and 2017 is as follows:

Description	**31-12-2018**	**31-12-2017**
Personnel	3,997	3,708
Customer advances	1,104	206
Other payable to Public Administrations	2,805	6,009
Total	**7,906**	**9,923**

The heading personnel includes provisions for variable remuneration, associated with objectives and established and agreed with the personnel involved, amounting to Euro 602 thousand, of which Euro 358 thousand has been transferred to long term (Note 24).

The amount included in other payables with the Public Administrations, includes, among other items, amounts payable in respect of personal income tax withholdings and Social Security contributions for December 2018 and 2017, that were paid in January 2019 and 2018, respectively.

(IN THOUSAND EURO)

28 Income tax and tax situation

Due to meeting the requirements of the corporate income tax scheme for groups of companies provided by Title VII, Chapter VI of Law 27/2014 on Corporate Income Tax, the Company applies the tax consolidation scheme as the parent company, together with its Spanish subsidiaries, Payá Miralles, S.A., Celulosa de Levante, S.A., Papeles Anoia, S.A., Desvi, S.A., Sociedad Española Zig Zag, S.A., MB Papeles Especiales, S.A., Miquel y Costas Tecnologías, S.A., Miquel y Costas Energía y Medio Ambiente, S.A., Miquel y Costas Logística S.A. and Terranova Papers, S.A.

Due to the treatment that the tax law provides for certain operations, accounting profit differs from taxable income. The reconciliation between net income and expenses for the year and taxable income tax for the year 2018 is the following:

	Income Statement			Income and expenses charged directly to equity		
Profit for the year			**30,520**			**(13)**
	Increases	**Decreases**	**Total**	**Increases**	**Decreases**	**Total**
Corporate income tax	8,897	-	8,897	-	(4)	(4)
Permanent differences	182	(4,108)	(3,926)	-	-	-
Temporary differences				-	-	-
- arising during the year	657	-	657	-	-	-
- arising in prior years	894	(497)	397	214	(197)	17
Taxable income *	**10,630**	**(4,605)**	**36,545**	**214**	**(201)**	**-**

* During the year the company has not applied a reduction to the tax base of corporate income tax as a capitalization reserve (amounting to Euro 1,332 thousand in 2017). Since the company is taxed through a consolidated tax regime and in accordance with Article 62 of Law 27/2014 of income tax, the calculation of the reserve was made at the Group tax level and its provision has been made for each company depending on the increase in equity each company contributed to the group. The tax base after the reduction amounted to Euro 34,076 thousand in 2017.

The permanent differences relate mainly to internal dividends and other minor items.

(IN THOUSAND EURO)

Expense for corporate income tax is composed by:

	31-12-2018	31-12-2017
Current tax	8,792	8,367
Deferred tax	(243)	(212)
Tax paid abroad	13	47
Adjustment to corporate income tax from previous years and others	335	9
Total	**8,897**	**8,211**

On 27 November 2014 the Law 27/2014 was approved establishing a decrease in the overall rate of corporation tax to 25% for the year 2016. However, such a reduction of the tax rate does not apply to the reversal of the limitation of 30% nor to the reversal of the balance sheet revaluation (both measures stated under Law 16/2012 of December 27). The tax rate is 25% for 2017 and 2018.

Current corporate income tax results from applying a tax rate of 25% to taxable income and applying 2018 deductions which amounted to Euro 344 thousand (Euro 323 thousand in 2017). Withholdings and payments on account of the year amounted to Euro 8,121 thousand (Euro 8,145 thousand in 2017), resulting an amount payable to Public Administration by Euro 671 thousand in 2018 (Euro 222 thousand in 2017).

The Company has not incurred tax losses in the past, and there are no deductions available to be offset at 2018 year-end.

The breakdown of credits and debits between group companies as a result of the tax consolidation regime is as follows:

	31-12-2018		31-12-2017	
Receivable / payable balances from tax consolidation	**Receivable balances**	**Payable balances**	**Receivable balances**	**Payable balances**
- S.A. Payá Miralles	37	-	34	-
- Celulosa de Levante, S.A.	-	70	-	195
- Papeles Anoia, S.A.	84	-	109	-
- Desvi, S.A	26	-	-	119
- Sociedad Española Zig-Zag, S.A.	2	-	3	-
- M.B. Papeles Especiales, S.A.	256	-	304	-
- Miquel y Costas Energía y Medio Ambiente S.A.	30	-	40	-
- Miquel y Costas Tecnologías, S.A.	-	5	-	48
- Terranova Papers, S.A.	-	287	-	542
- Miquel y Costas Logística S.A.	28	-	2	-
	463	**362**	**492**	**904**

(IN THOUSAND EURO)

On 24 July 2017, the Company received notification of the start of tax inspections on the following taxes and periods:

- Corporate income tax: 2012 to 2015
- Value added tax: 07/2013 to 12/2015
- Withholdings/payments on account of earned income/professional fees: 07/2013 to 12/2015

On 20 March 2019 assessments were signed, documenting the results of the tax inspection. The Company disagrees with certain aspects of these asessments with respect to which the Directors, in accordance with the opinion of their advisors, have solid arguments enabling them to expect no contingent liabilities to arise.

At the date of issue of these annual accounts, the Company's returns are open to inspection by the tax authorities for corporate income tax and the other principal taxes to which it is subject since 2016, inclusive. The directors do not consider that, in the event of an inspection, additional lialbities will arise for significant amounts.

29 Income and expenses

29.1 Transactions denominated in foreign currency

Transactions carried out in foreign currency are as follows:

Description	31-12-2018	31-12-2017
Purchases	20,346	15,152
Sales	24,403	27,567

29.2 Net turnover

Revenues from the Company's ordinary activities may be analysed geographically as follows:

Market	(%) 2018	(%) 2017
Domestic market	16.51	15.29
European Union	34.57	17.18
OECD countries	26.56	38.67
Other countries	22.36	28.86
	100.00	**100.00**

(IN THOUSAND EURO)

Similarly, revenue may be analysed by product line as follows:

	(%)	(%)
Line	**2018**	**2017**
Tobacco industry	86.55	87.12
Industrial Products	3.38	2.19
Graphic Industry and other	10.07	10.69
	100.00	**100.00**

29.3 Consumption of goods for resale, raw materials and other consumable materials

	2018	2017
Consumption of goods for resale, raw materials and other consumable materials:		
Purchases	74,010	59,542
Difference between opening and closing inventories	(2,453)	(860)
Total	**71,557**	**58,682**

29.4 Other operating income

The distribution of other operating income is as follows:

Description	2018	2017
Operating grants transferred to income statement	259	69
Revenues from services rendered between group companies (Note 32.2)	4,066	3,925
Electricity sales	50	40
Other	137	205
	4,512	**4,239**

(IN THOUSAND EURO)

29.5 Staff costs

Breakdown of staff costs is as follows:

	2018	2017
Wages, salaries and similar remuneration	21,168	20,874
Staff welfare expenses	5,682	5,681
- Pension contributions and transfers	347	381
- Other staff welfare expenses	5,335	5,300
Other staff costs	350	340
Provisions	59	64
	27,259	**26,959**

Wages, salaries and similar remuneration include severance expenses totalling Euro 100 thousand in 2018 (Euro 72 thousand in 2017).

The distribution by category of the Company's personnel average in 2018 and 2017 is as follows:

	2018	2017
Members of the Board of Directors (executives)	3	3
Senior Management	5	5
Executives	11	10
Managers and Middle Management	51	55
Administrative and Technical personnel	103	96
Production staff	351	349
	524	**518**

The distribution by gender and category of the Company's personnel at year-end is as follows:

	31-12-2018		31-12-2017	
	Male	**Female**	**Male**	**Female**
Members of the Board of Directors (executives)	3	-	3	-
Senior Management	4	1	4	1
Executives	10	1	9	1
Managers and Middle Management	47	4	52	3
Administrative and Technical personnel	45	58	41	55
Production staff	241	118	232	118
	350	**182**	**341**	**178**

(IN THOUSAND EURO)

The average number of persons employed in the year with a disability greater than or equal to 33% by category is as follows:

	2018	2017
Senior clerks and foremen	1	1
Production staff	3	4
	4	**5**

29.6 Other operating expenses

The breakdown of Other operating expenses is as follows:

	2018	2017
External services	41,771	38,095
Local taxes	530	645
Loss, impairment and variation in trade provisions (Note 12)	1	3
Gas emission rights expenses (Note 24)	163	144
Other current operating expenses	2	19
	42,467	**38,906**

The breakdown of external services is as follows:

	2018	2017
Leases and royalties	2,145	2,110
Independent professional services	2,974	2,277
Transport	4,846	5,187
Insurance premiums	502	501
Repairs and maintenance	2,867	2,628
Travel, publicity and advertising	3,900	3,682
Supplies	10,019	8,294
Subcontracted work	11,493	10,658
Other operating expenses	3,025	2,758
	41,771	**38,095**

29.7 Results from disposal of fixed assets

	2018	2017
Intangible assets	-	-
Property, plant and equipment	-	4
	-	**4**

(IN THOUSAND EURO)

30 Finance results

The breakdown of the finance results is as follows:

	2018	2017
Finance income:		
Shares in equity instruments		
- Group companies (Note 32.4)	4,108	4,777
- Third parties	7	-
Marketable securities and other financial instruments:		
- Group companies and associates (Note 32.4)	739	299
- Third parties	2,142	2,886
	6,996	7,962
Finance expenses:		
Debts with group companies and associates (Note 32.4)	(577)	(483)
Debts with third parties	(434)	(283)
Restatement of provisions (Note 23.a)	(1)	(1)
	(1,012)	(767)
Exchange differences:		
Positive exchange differences	822	944
Negative exchange differences	(875)	(1,275)
	(53)	(331)
Impairment and result from disposal of financial instruments		
Provision for impairment losses (Note 9)	**(47)**	**-**
Net financial result	**5,884**	**6,864**

a) Finance income and expenses

	2018	2017
Finance income:		
- Dividends from shares in group companies (Note 32.4 and Note 8)	4,108	4,777
- Dividends from shares in other companies	7	-
- Interest on debts	2,102	2,872
- Interest on loans	758	303
- Forecast return on assets related to commitments (Note 23)	1	1
- Other finance income	20	9
	6,996	7,962
Finance expenses:		
- Interest on loans	(1,011)	(766)
- Restatement of provisions (Note 23)	(1)	(1)
	(1,012)	(767)
	5,984	**7,195**

31 Remuneration of the Board of Directors and Senior Management

a) Board members' compensation

Board members who are directors of the Company have received for their executive duties during the year 2018, through fixed compensation, expenses and other items, Euro 1,062 thousand (1,029 thousand in 2017) and variable rate remuneration amounting to Euro 990 thousand (1,396 thousand in 2017). During 2018, variable remuneration incudes the amount accrued under the 2016-2018 three year plan totalling Euro 143 thousand. In 2017 such variable remuneration included an amount of Euro 445 thousand in respect of the remuneration attributed, in accordance with current tax legislation, on the exercise of the Stock Option Plan. In addition, during this year contributions have been made to the long-term savings systems under the 2016-2018 Employee Welfare Plan, amounting to Euro 262 thousand, this being the last of the three year period.

The members of the Board of Directors receive, in accordance with the authorization granted by the Shareholders a total compensation equivalent to 5% of the net profits of the company Miquel y Costas & Miquel, S.A. The amount accrued for this concept in the years 2018 and 2017 amounted to Euro 1,526 thousand and Euro 1,570 thousand, respectively, which is reflected in the chapter on Other operating expenses in the income statement and are usually settled in the following year, after fulfilling the requirements laid down in Articles 217 and 218 of the Companies Act and the Articles of Association.

The Company has established a guarantee for liability coverage for its directors amounting to Euro 15,000 thousand for which a premium of Euro 18 thousand has been paid in the current year (Euro 15 thousand in 2017).

Except for the abovementioned concepts there is no receivable or payable balance to the members of the Board of Directors a 31 December 2018 and 2017.

Except for the executive Directors, who have a contract with guarantee clause for cases of dismissal and the President and the General Manager, in case of change of control, the Company has not established any compensation agreement with other Directors in the event of resignation or termination for any reason.

During 2018 and 2017 no advances or loans have been granted to the Directors other than the advance paid in 2018 to a director on account of his remuneration.

(IN THOUSAND EURO)

b) Compensation and loans to Senior Management personnel

Non-Board member Senior Management is as follows:

Name	Charge
Mr. Ignasi Nieto Magaldi	Deputy Managing Director
Mr. José Maria Masifern Valón	Factory Manager (Besós)
Mr. Javier Ardiaca Colomer	Factory Manager (Mislata)
Ms. Marina Jurado Salvado	Sales Manager of the smoking division
Mr. Javier García Blasco	Sales Manager of the booklets division

The remuneration for fixed and variable salaries of Senior Management personnel who are not executive officers of the Board in 2018 has totalled Euro 1,628 thousand (Euro 1,135 thousand in 2017). This remuneration includes the amounts under the three year plan and Employee Welfare Plan.

During 2017 the Company handed over to senior management personnel treasury shares on the execution of the 2011 Stock Option Plan, that ended that year. This same year, the "2016 Stock Option Plan" was formalised that at year-end 2018 is in the "Vesting Phase". This phase will last for five years and will subsequently give rise to the start of the "Exercise Phase", which will last for three years. This phase will mark the start of the period in which beneficiaries may exercise the options. (Note 18).

The Company has no agreements with members of senior management other than those set out in the Statute of Workers or Senior Management Decree 1382/1985 that have compensation if they resign or are terminated without cause or if the employment relationship comes to an end during a takeover bid.

c) Conflict of interest situations of the Board of Directors

In the duty to avoid conflict with the interests of the Company during the financial year the individuals who have occupied roles on the Board of Directors have complied with the obligations under Article 228 of the revised text of the Corporations Act. Also, they and those related to them, have refrained from engaging in the alleged conflict of interest under section 229 of the Act.

(IN THOUSAND EURO)

d) Control of the Board of Directors in the share capital of the Company

The members of the Board of Directors who hold shares in the Company at 31 December 2018 are as follows:

Name or registered name of the Director	Office	Number of direct shares	Number of indirect shares	% of share capital
Mr. Jorge Mercader Miró	Chairman	220,000	4,240,000	14.387 %
Mr. Antonio Canet Martínez	Director	38,888	181,104	0.710%
Mr. Eusebio Díaz-Morera Puig-Sureda	Director	28,380	10,954	0.127%
Mr. Álvaro de la Serna Corral	Director	30,800	752	0.102%
Mr. Carles Gasòliba Böhm	Director	60,000	-	0.194%
Mr. Javier Basañez Villaluenga	Secretary	82,600	-	0.266%
Joanfra, S.A.	Director	2,443,200	-	7.881%
Mr. Joaquín Faura	Director	8,536	-	0.028%
Mr. Jorge Mercader Barata	Vice Chair	145,000	-	0.468%
Total		**3,057,404**	**4,432,810**	**24.162%**

(IN THOUSAND EURO)

The members of the Board of Directors who hold shares in the Company at 31 December 2017 are as follows:

Name or registered name of the Director	Office	Number of direct shares	Number of indirect shares	% of share capital
Mr. Jorge Mercader Miró	Chairman	120,000	2,620,000	13.269%
Mr. Antonio Canet Martínez	Director	22,494	113,190	0.657%
Mr. Eusebio Díaz-Morera Puig-Sureda	Director	17,739	6,847	0.119%
Mr. Álvaro de la Serna Corral	Director	19,250	470	0.095%
Mr. Carles Gasòliba Böhm	Director	35,000	-	0.169%
Mr. Javier Basañez Villaluenga	Secretary	51,625	-	0.250%
Joanfra, S.A.	Director	1,518,000	-	7.351%
Mr. Joaquín Faura	Director	3,768	-	0.018%
Mr. Jorge Mercader Barata	Director	89,250	-	0.432%
Total		**1,877,126**	**2,740,507**	**22.361%**

32 Related-party transactions

This section includes all the information relating to the transactions carried out with group companies and associates that are indicated in Note 8.

(IN THOUSAND EURO)

32.1 Receivable and payable balances with group companies

At 31 December 2018 and 2017 the breakdown of the receivable and payable balances with group companies is as follows:

Receivable balances 31-12-2018	Services rendered	Sales	Financial accounts	Short-term loans	Long-terms loans	Total
- S.A. Payá Miralles	219	-	-	-	-	219
- Celulosa de Levante, S.A.	1,219	-	-	-	-	1,219
- Papeles Anoia, S.A.	600	1,211	-	-	-	1,811
- Desvi, S.A.	397	35	-	-	10,814	11,246
- Sociedad Española Zig-Zag, S.A.	13	-	-	-	-	13
- Miquel y Costas Tecnologías, S.A.	92	2	-	-	-	94
- MB Papeles Especiales, S.A.	909	265	-	-	-	1,174
- Miquel y Costas Energía y Medio Ambiente S.A.	121	3	-	-	-	124
- Miquel y Costas Argentina, S.A.	-	1,564	-	-	-	1,564
- Miquel y Costas Deutschland, GmbH	125	646	-	200	-	971
- Terranova Papers, S.A.	699	1,010	19,559	-	-	21,268
- Miquel y Costas Chile, S.A.	-	163	-	-	-	163
- Miquel y Costas Logística SA	66	684	84	-	-	834
- Fourtube, S.A.	-	-	-	-	193	193
- Clariana, SA	-	473	-	433	7,167	8,073
Total	**4,460**	**6,056**	**19,643**	**633**	**18,174**	**48,966**

Receivable balances 31-12-2017	Services rendered	Sales	Financial accounts	Short-term loans	Long-terms loans	Total
- S.A. Payá Miralles	198	-	-	-	-	198
- Celulosa de Levante, S.A.	725	14	-	-	-	739
- Papeles Anoia, S.A.	607	1,213	-	-	-	1,820
- Desvi, S.A.	571	35	-	-	10,814	11,420
- Sociedad Española Zig-Zag, S.A.	15	-	-	-	-	15
- Miquel y Costas Tecnologías, S.A.	119	4	-	-	-	123
- MB Papeles Especiales, S.A.	1,078	103	-	-	-	1,181
- Miquel y Costas Energía y Medio Ambiente S.A.	140	2	-	-	-	142
- Miquel y Costas Argentina, S.A.	-	1,444	-	-	-	1,444
- Miquel y Costas Deutschland, GmbH	119	737	-	200	-	1,056
- Terranova Papers, S.A.	580	913	13,808	-	-	15,301
- Miquel y Costas Chile, S.A.	-	53	-	-	-	53
- Miquel y Costas Logística SA	3	183	455	-	-	641
Total	**4,155**	**4,701**	**14,263**	**200**	**10,814**	**34,133**

At 31 December 2018 it has three loans with Clariana, S.A. amounting to Euro 7,600 thousand and in 2017 that company had no loans with group companies.

The Company has granted, in 2015, a credit line to Miquel y Costas Deutschland GmbH for a limit of Euro 200 thousand with interest set at market rates which remains in 2017 and 2018.

(IN THOUSAND EURO)

The financial accounts generate interest indexed to the Euribor. The balance is recorded under "Loans to group companies".

The receivables with group companies arise from:

- Sales of goods falling due three months after the invoice date. The receivable accounts are not insured and do not accrued interest.

- Transactions involving services rendered falling due one month after the invoice date. The receivable accounts are not insured and do not accrue interest.

Payable balances 31-12-2018	**Purchases**	**Services received**	**Financial accounts**	**Total**
- S.A. Payá Miralles	-	404	866	1,270
- Celulosa de Levante, S.A.	1,833	58	10,003	11,894
- Papeles Anoia, S.A.	728	86	9,212	10,026
- Desvi, S.A	-	587	1,460	2,047
- Sociedad Española Zig-Zag, S.A.	-	2	345	347
- M.B. Papeles Especiales, S.A.	588	-	3,179	3,767
- Miquel y Costas Energía y Medio Ambiente S.A.	-	115	1,051	1,166
- Miquel y Costas Tecnologías, S.A.	-	95	75	170
- Terranova Papers, S.A.	215	62	-	277
- Miquel y Costas Argentina	409	-	-	409
- Miquel y Costas Deutschland, GmbH	-	126	-	126
- Miquel y Costas Logísticas SA	844	-	-	844
Total	**4,617**	**1,535**	**26,191**	**32,343**

Payable balances 31-12-2017	**Purchases**	**Services received**	**Financial accounts**	**Total**
- S.A. Payá Miralles	-	508	1,113	1,621
- Celulosa de Levante, S.A.	1,318	78	9,385	10,781
- Papeles Anoia, S.A.	569	95	8,652	9,316
- Desvi, S.A	-	635	591	1,226
- Sociedad Española Zig-Zag, S.A.	-	2	379	381
- M.B. Papeles Especiales, S.A.	747	-	1,998	2,745
- Miquel y Costas Energía y Medio Ambiente S.A.	-	116	1,401	1,517
- Miquel y Costas Tecnologías, S.A.	-	91	46	137
- Terranova Papers, S.A.	139	-	-	139
- Miquel y Costas Argentina	277	-	-	277
- Miquel y Costas Deutschland, GmbH	-	36	-	36
- Miquel y Costas Logísticas SA	175	-	-	175
Total	**3,225**	**1,561**	**22,565**	**28,351**

(IN THOUSAND EURO)

The financial debts generate interest indexed to the Euribor. The balance is recorded under "Short-term loans with group companies and associates".

The payables with group companies arise from:

- Purchases of goods falling due two months after the invoice date. The payable accounts do not accrued interest.

- Services received from group companies falling due two months after the invoice date. The payable accounts do not accrue interest.

32.2 Sales of goods and services rendered

The breakdown of sales of goods to group companies in 2018 and 2017 is as follows:

Description	31-12-2018	31-12-2017
Sale of goods		
- Celulosa de Levante, S.A.	1	-
- Papeles Anoia, S.A.	8,136	7,388
- Sociedad Española Zig-Zag, S.A.	107	90
- M.B. Papeles Especiales, S.A.	810	1,141
- Miquel y Costas Argentina, S.A.	1,045	1,690
- Miquel y Costas Deutschland, GmbH	3,155	2,252
- Terranova Papers, S.A.	5,261	3,603
- Miquel y Costas Logistica	425	23
- Miquel y Costas Chile	216	97
- Clariana, S.A.	1,930	-
Total	**21,086**	**16,284**

Finished goods are sold to other Group companies based on lists of prices applicable to non-related third parties.

The semi-finished goods are transferred for further elaboration to other Group companies on the basis of the industrial manufacturing cost price.

(IN THOUSAND EURO)

The breakdown of services rendered to group companies during 2018 and 2017 is as follows:

Description	31-12-2018	31-12-2017
Services rendered		
- S.A. Payá Miralles	184	168
- Celulosa de Levante, S.A.	1,050	625
- Papeles Anoia, S.A.	519	528
- Desvi, S.A	307	493
- Sociedad Española Zig-Zag, S.A.	11	12
- M.B. Papeles Especiales, S.A.	758	924
- Miquel y Costas Tecnologías, S.A.	87	124
- Miquel y Costas Argentina, S.A.	164	221
- Terranova Papers, S.A.	560	474
- Miquel y Costas Deutschland GmbH	107	98
- Miquel y Costas Energía y Medio Ambiente S.A	100	122
- Miquel y Costas Logistica S.A	219	136
Total	**4,066**	**3,925**

Office rental income is generated at arm's length values.

The corporate services are assigned to the Group companies based on a cost sharing agreement using reasonable criteria taking into account the nature of the service, the circumstances of each case and the profit obtained.

32.3 Purchase of goods and services received

The breakdown of the purchases from group companies in 2018 and 2017 is as follows:

Description	31-12-2018	31-12-2017
Purchases of goods		
- Celulosa de Levante, S.A.	7,886	6,055
- Papeles Anoia, S.A.	4,584	4,424
- M.B. Papeles Especiales, S.A.	3,536	4,644
- Miquel y Costas Argentina, S.A.	1,911	2,138
- Terranova Papers SA	803	435
- Miquel y Costas Logística, S.A.	2,677	581
Total	**21,397**	**18,277**

Finished goods are purchased from other group companies on the basis of the lists of prices applicable to non-related third parties.

Finished goods that had been sold previously for further elaboration are repurchased from related parties on a margin plus cost basis.

Raw materials purchases are made on the basis of lists of prices applicable to non-related third parties.

(IN THOUSAND EURO)

The breakdown of services received by group companies in 2018 and 2017 is as follows:

Description	31-12-2018	31-12-2017
Services received		
- S.A. Payá Miralles	3,557	3,289
- Celulosa de Levante, S.A.	-	33
- Papeles Anoia, S.A.	618	603
- Desvi, S.A.	789	890
- M.B, Papeles Especiales, S.A.	443	661
- Miquel y Costas Energía y Medio Ambiente S.A.	447	380
- Miquel y Costas Tecnologías, S.A.	191	157
- Terranova Papers, S.A.	192	-
- Miquel y Costas Deutscheland GmbH	518	350
- Miquel y Costas Logística, SA	266	227
Total	**7,021**	**6,590**

The services received relate to rental of industrial plant facilities and their costs are calculated at arm's length values. In some cases, they include the reinvoicing of energy costs.

32.4 Financial income and expenses

The breakdown of financial income and expenses in 2018 and 2017 is as follows:

Description	31-12-2018	31-12-2017
Financial income (Note 30)		
- Desvi, S.A.	137	134
- Terranova Papers, S.A.	397	143
- MB Papeles Especiales, S.A.	-	8
- Celulosa de Levante, S.A.	-	1
- Miquel y Costas Tecnologías, S.A.	1	-
- S.A. Payá Miralles	18	-
- Miquel y Costas Deuschland GmbH	8	8
- Miquel y Costas Logística,SA	10	5
- Clariana, S.A.	168	-
Total	**739**	**299**

(IN THOUSAND EURO)

Description	31-12-2018	31-12-2017
Financial expenses (Note 30)		
- Celulosa de Levante, S.A.	241	195
- Papeles Anoia, S.A.	188	212
- Sociedad Española Zig-Zag, S.A.	9	11
- S.A. Payá Miralles	28	13
- MB Papeles Especiales, S.A.	58	6
- Miquel y Costas Energía y Medio Ambiente S.A.	29	37
- Desvi, S.A	24	7
- Miquel y Costas Tecnologías, S.A.	-	2
Total	**577**	**483**

The financial income and expenses are generated as a result of the calculation of the interest on trade receivable and payable balances fallen due and other financial transactions between Group companies (distribution of dividends and tax payments). The interest calculated is indexed to the Euribor with a margin based on market conditions.

The dividends received from group companies in 2018 and 2017 are as follows:

Description	31-12-2018	31-12-2017
Dividends		
- Celulosa de Levante, S.A.	487	659
- Papeles Anoia, S.A.	1,980	1,782
- Miquel y Costas Tecnologías, S.A.	135	244
- MB Papeles Especiales, S.A.	1,000	2,000
- S.A. Payá Miralles	450	-
- Sociedad Española Zig-Zag, S.A.	56	92
Total	**4,108**	**4,777**

The dividend payout policy between Group companies is set permanently on the basis of a percentage of profit after tax and in compliance with the legal obligations for reserves appropriation.

32.5 Loans granted to group companies

Loans are granted based on the needs of the Group companies to finance specific projects relating to investment in property, plant and equipment. In 2018 three loans were granted to Clariana SA amounting to Euro 7,600 thousand at an interest rate of 5%. No loans were granted in 2017.

33 Environment

The Company allocates major investment resources to the environmental improvement of its plants through an ongoing policy of action plans in its factories that include the reduction of water consumption and energy, as well as the selective waste collection, and manages evaluation, treatment and elimination of the same through authorized companies.

During 2018 the wastewater treatment plants (EDARI) with primary treatment functioned normally.

Total net investments after deducting grants received and tax deductions applied have totalled Euro 2,314 thousand in 2018 (Euro 858 thousand in 2017).

The main investments are aimed at optimising the use of steam (reducing the consumption of natural resources to produce steam and helping to cut greenhouse gas emissions) and improving sludge drying (reducing the generation of sludge and promoting water recirculation and improving the quality of dumping).

Total expenses allocated to the protection and improvement of the environment are charged directly to the income statement in 2018, including the local taxes for the use of water in the regions and after deducting the income obtained on the sale of sub-products and income and expenses generated by the CO2 emission rights, which have totalled Euro 1,055 thousand (Euro 842 thousand in 2017), and relate basically to the local water tax and consumption of raw materials in environmental protection equipment.

There are no contingencies related to environmental protection and improvement that the Company is aware as of this date. Likewise, there have been no transfers of risk to other companies.

34 Emission rights

Law 1/2005/9 March, which regulates the greenhouse gas emission rights trading regime, amended by the Spanish Productivity Measures Act, Royal Decree Law 5/2005/11 March, has transposed Directive 2003/87/CE of the European Parliament and Council of 13 October 2003. In application of this regulation, Royal Decree 1370/2006/24 November was approved, which adopted the 2008-2012 National Greenhouse Gas Emission Rights Assignment Plan, amended by Royal Decree 1030/2007/20 July and by Royal Decree 1402/2007/29 October.

Article 19.4 of Law 1/2005/9 March, regulates the procedure for the individual assignment of emission rights, stipulating that the resolution of the assignment of emission rights is the remit of the Cabinet, after due public information has been provided, subject to prior consultation with the Commission for the Coordination of Climate Change Policies, and upon the proposal of the Ministries of the Environment, Economy and Treasury and Industry, Tourism and Trade.

(IN THOUSAND EURO)

Following the procedure mentioned above, the individual assignment of emission rights was made to the plants included in the 2008-2012 National Greenhouse Gas Emission Rights Assignment Plan by virtue of a resolution of the Cabinet on 2 November 2007. On November 15, 2013, the Cabinet adopted upon proposal from the Ministries of Economy and Competitiveness, Industry, Energy and Tourism, and Agriculture, Food and Environment, the final allocation of free greenhouse gas emission rights subject to the trading scheme allowances for the period 2013-2020.

The assignment of rights to the Company for 2018 is as follows:

	Rights assigned (Tm.)
2018	14,313
	14,313

The estimates of consumption of emission rights for the period of the Plan in force are as follows:

Description	Rights assigned (Tm.)
2018 to 2020 (inclusive)	63,081
	63,081

The real emission rights in the year 2018 total 21,020 rights (20,541 in 2017). During 2018, a purchase of 8,000 rights was made to a group company (4,707 in 2017).

For 2018 the amount of the expenses arising from the use of emission rights has totalled Euro 163 thousand (Euro 144 thousand in 2017) (Note 24 and 29.6).

Company management has not estimated any amounts for fines or contingencies arising from compliance with the requirements laid down under Law 1/2005.

The breakdown of the movement in 2018 and 2017 of this intangible asset (Note 5 and 11) is as follows:

Description	Thousand Euro
Closing balance at 31-12-2016	**205**
Additions	122
Disposals	(186)
Closing balance at 31-12-2017	**141**
Additions	174
Disposals	(159)
Closing balance at 31-12-2018	**156**

35 Contingencies

a) Contingent liabilities

The Company is involved in litigations and disputes in the ordinary course of business. The most noteworthy changes since the most recent information was published have taken place in the process with the Company's former commercial distributor in Italy which started with the termination of the distribution contract in April 2009 and the subsequent filing of a claim for breach of contract, the most noteworthy event being that following the oral hearing, a judgement is now pending.

The indemnities claimed by the Company, as adjusted for the quantification of damages, are in the region of Euro 2 million, while damages claimed by the other party, also following successive adjustments, amount to around Euro 5 million. The directors, in accordance with their advisors, continue to hold that, pursuant to current accounting legislation, the Company should not include any additional amounts in its annual accounts pending the outcome of the new events.

The Company has contingent liabilities for bank guarantees and other guarantees related to the normal course of business which provides that no significant liability will arise. The Company has provided guarantees to third parties amounting to Euro 76 thousand at 2018 year-end (Euro 321 thousand in 2017), mainly responding to submissions for public contests, grants, proceedings in courts and tax authorities. Additionally, the Company acts as guarantor for bank loans granted to other Group companies amounting to Euro 23,432 thousand (Euro 22,340 thousand in 2017).

b) Contingent assets

The Company's Directors estimate that there are no contingent assets at 31 December 2018 and 2017 except for the matter mentioned in the preceding paragraph.

36 Commitments

a) Purchase commitments

The Company does not have any signed purchase contract or agreement at 2018 or 2017 year ends.

b) Operating lease commitments:

The Company does not have uncancellable operating leases agreements with non-group entities.

37 Auditors' Fees

The fees accrued to PricewaterhouseCoopers Auditores, S.L. for audit services relating to the individual annual accounts amounted to Euro 57 thousand in 2018 (Euro 56 thousand in 2017) and relating to other assurance and consolidation services amounted to Euro 33 thousand in 2018 (Euro 15 thousand in 2017). Other assurance services include the issuance of an agreed-upon procedures report relating to Ecoembes and the review of non-financial information.

Furthermore, there have been no fees accrued during the years 2018 and 2017 for other companies in the PwC network as a result of services rendered to the Company.

38 Subsequent Events

Con posterioridad al cierre de ejercicio no han ocurrido otros acontecimientos susceptibles de influir significativamente en la información que reflejan las Cuentas Anuales formuladas por los Administradores con esta misma fecha, o que deban destacarse por tener trascendencia significativa para la Sociedad.

MIQUEL Y COSTAS & MIQUEL, S.A.
DIRECTORS' REPORT FOR 2018

(IN THOUSAND EUROS)

1. NET INCOME

Net income for 2018 is presented compared to the same period of last year in accordance with the accounting policies set down under the Chart of Accounts adopted by Royal Decree 1514/2007/16 November.

Euro thousand	2018	2017	Var.
Net turnover	171,817	162,028	6.0%
Operating profit	33,533	32,746	2.4%
Net profit before taxes (BAI)	39,417	39,610	-0.5%
Net profit after tax (BDI)	30,520	31,399	-2.8%
Cash-flow after tax (CFDI)	38,434	39,119	-1.8%

The total of consolidated net sales for the year amounted to Euro 172 million, which represents an increase of 6.1% over the previous year.

The net profit before tax was Euro 39.4 million, slightly down on the previous year. This result, with the decrease of dividends from the subisidiaries compared with the previous year, includes, exceptionally, the trasnation costs of the new company acquired.

2. FINANCIAL POSITION

The financial position of the Company at the year-end is as follows:

	31-12-2018	31-12-2017
Total equity	**190,420**	**185,018**
Net borrowings:		
Long-term borrowings	40,565	35,010
Short-term borrowings	3,386	7,309
Cash and current asset investments	(53,003)	(37,630)
Long-term financial investments	(32,211)	(62,351)
Total net borrowings	**(41,263)**	**(57,662)**
Leverage index	Not applicable	Not applicable

The company's net financial position with financial entities at the end of 2018, which includes the implicit interest, has a credit balance of Euro 41.2 million, representing a decrease of Euro 16.5 million.

The average payment period for the Company to 31 December, 2018 amounted to 35 days.

3. STOCK EXCHANGE INFORMATION

En fecha 20 de junio de 2018, la Junta General Ordinaria y Extraordinaria de accionistas de Miquel y Costas & Miquel, S.A acordó reducir el capital social de la Sociedad en 2.550 miles de euros mediante la amortización de 1.275.000 acciones de 2,00 euros de valor nominal cada una de ellas, quedando el capital social fijado en 38.750 miles de euros. Se hace constar que la finalidad de la reducción de capital fue amortizar acciones propias, previamente adquiridas por la Sociedad. Con fecha 3 de octubre de 2018 se procedió a la inscripción de dicha reducción en el Registro Mercantil de Barcelona.

La mencionada Junta General Ordinaria y Extraordinaria acordó también ampliar el capital social, con cargo a reservas de libre disposición (cuenta de reservas voluntarias), hasta un importe de 62.000 miles de euros mediante la emisión y puesta en circulación de 11.625.000 nuevas acciones, de igual valor nominal cada una, de la misma serie y con los mismos derechos que las actualmente en circulación, representadas por medio de anotaciones en cuenta y que fueron asignadas gratuitamente a los accionistas de la Sociedad. Con fecha 30 de noviembre de 2018 se procedió a la inscripción de dicha ampliación en el Registro Mercantil de Barcelona.

The main information on share trading in 2018 is as follows, presented adjusted for the capital increase indicated:

Trading days	255 days
Nº shares traded (*)	7,507,829
Value traded	Euro 146,711 thousand
Maximum quotation (*)	Euro 23.00 / share
Minimum quotation (*)	Euro 14.92 / share
Average quotation (*)	Euro 19.54 / share
Final quotation	Euro 16.98 / share

(*) Values adjusted for the November 2018 capital increase by charge to freely available reserves.

4. RELATED PARTIES TRANSACTIONS

Except for dividends paid, the Company and the Group entities have not made, with other significant shareholders or related parties, transactions in 2018 that must be reported under the OEHA 3050/2004, 15 September.

In addition, no transactions have been made during 2018 between the Company, Group entities and the Directors or Managers, except dividends paid and the remuneration linked to instruments on financial assets of the Company.

Except for the acquisition of Clariana and its subsidiary Boncompte-Sierra, that have been added to the group, there have been no significant operations with Group companies which have not been eliminated in the preparation of the consolidated financial statements, operations which have always been part of the normal business of the Company.

5. ENVIRONMENT

The Company is maintaining its commitment to the environment and has continued to develop actions planned for its preservation through allocating an amount of resources towards net investments in environmental protection assets, which after deducting the associated subsidies amounts to Euro 2,314 thousand.

6. R&D&i ACTIVITIES

In 2018 the R&D&i of the Company has been mainly focused on the development of new techniques and production processes to continue to increase the quality and consistency of its products, as well as obtaining new papers with industry specific properties. Resources for these activities amounted to Euro 1.7 million.

7. PERSONNEL

The average number of personnel working for the Company in 2018 has been 524 (518 in 2017). Training activities have continued in the industrial and management areas, to which Euro 102 thousand have been allocated during the year.

8. RISKS AND OPPORTUNITIES IDENTIFIED

The international environment in which the Company operates and the majority of Group companies is because of they are exposed to currency exchange risk. The effects of currency fluctuations are damped by the cash flows generated by different sign imports and exports. However, in aggregate, the Group is a net exporter so, to mitigate the risks of fluctuation, also uses financial instruments to hedge currency positions.

The business of the Company and its Group is developed in very diverse markets worldwide which expose them to risks of trade credit. To minimize them, while observing a strict internal credit policy, Group companies protect their debts by credit insurance policies.

The Company and the Group, being demanding of energy sources, mainly electricity and gas, are affected by the volatility of the prices of these products. To reduce the effect of risk, invest a significant portion of resources in technology to improve production returns and reduce energy consumption.

The Company and the Group have a solid balance sheet structure. When is considered that there is objective evidence of the convenience of assessing the value of a financial asset, the valuation is made sustained in estimates and judgments based on the information available and obtained from independent third parties. In accordance with this approach, in 2018 the Company maintains the amounts provisioned in prior years.

In a global and competitive market, it is a key factor to have self-developed or acquired latest generation technology, for this reason the Company develops a permanent dedication to research development and innovation.

The results of this scientific activity are among others, to maintain and increase the productivity and production of a range of products that meet the new needs always with the highest standards of quality and consistency.

At the date of preparation of these financial statements, the Company maintains disputes or litigation arising in the normal course of business, of which the Directors have been realizing in the annual and interim reports and that, after seeking legal advice, not expect any impacts that could significantly affect the accompanying financial statements to arise. With respect to Company's proceedings with the former commercial distributor in Italy, the hearing has been held, and a judgement is pending. The board of directors, according to their advisers, continue to maintain that, in accordance with current accounting regulations, the Company should not register any corresponding amount in its financial statements.

9. SUBSEQUENT EVENTS

After the year end there have been no other events which may have a significant impact on the information reflected in the annual accounts prepared by the Directors on that same date or which should be underscored because of their significance for the Company.

10. OUTLOOK

Despite the current uncertainty in the market and in the development of pulp and energy prices, the Company expects to post profits for the year in line with those reported this year just ended and also expects to improve its effective tax rate and maintain its investment effort.

11. PURCHASE OF TREASURY SHARES

During 2018 and using its authorisation to purchase treasury shares, granted by the General Shareholders" Meetings of 22 June 2016 and 20 June 2018, the Company acquired 246,861 shares on the stock exchange (equivalent to 394,978 new shares), prior to the capital increase which took place in November, and 266,820 shares after that capital increase, the total number of treasury shares held at the year end amounting to 600,193.

The 2011 Stock Option Plan ended in 2017 and therefore in 2018 no amounts were delivered under it. The 2016 Stock Option Plan, which was developed, defined and formalised by the Board of Directors in their meeting of 30 January 2017, is currently in effect and in the vesting period. Additionally, earnings per Company share amount to Euro 1.53.

12. ANNUAL CORPORATE GOVERNANCE REPORT

In accordance with article 538 of the Spanish Companies Act, attached as Appendix 1 is the Annual Corporate Governance Report, that forms an integral part of this Directors' Report for 2018.

13. NON-FINANCIAL INFORMATION

The data contained in this document attached as Appendix II refer basically to the Group as well as to Miquel y Costas & Miquel, S.A., since such data and mainly the consolidated data are those used by the Directors and Management in management.

miquel y costas & miquel, s.a.

(Free translation from Spanish)

Mr. Francisco Javier Basañez Villaluenga with DNI No. 36949799-T, in his capacity as Secretary of the Board of Directors of the Mercantile Company Miquel y Costas & Miquel, S.A., established in Barcelona, street Tuset, No. 10, with NIF No. A-08020729,

CERTIFIES:

That dated March 25, 2019, the Board of Directors of Miquel y Costas & Miquel, S.A. approved the Annual Corporate Governance Report of the Company for the year 2018. This report consists of 66 pages, is attached as separate to the Management Report accompanying 2018 financial statements of the Company, which have been made on the same date by all members of the Board of Directors and unanimously approved.

Barcelona, 26 March 2019.

ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT PUBLIC LIMITED COMPANIES

ISSUER IDENTIFICATION

ENDING DATE OF REFERENCE FINANCIAL YEAR: 31/12/2019

TAX IDENTIFICATION CODE A-08020729

REGISTERED NAME:

MIQUEL Y COSTAS & MIQUEL, S.A.

REGISTERED ADRESS:

TUSET, 10, BARCELONA

(Free translation from the original in Spanish)

MODEL OF ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A. OWNERSHIP STRUCTURE

A.1. Fill in the following table on the company's share capital:

Date of last change	Share Capital (€)	Number of shares	Nº of voting rights
30/11/2018	62,000,000	31,000,000	31,000,000

Please indicate whether or not there are different types of shares with different rights associated:

[ ] Yes
[3] No

A.2. List the direct and indirect holders of significant ownership interests in your company at year-end, excluding directors:

Name or company name of shareholder	% voting rights attributed to the shares		% voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
LUXOR CAPITAL GROUP LP	0.00	0,00	1.41	0.00	1.41
INSINGER DE BEAUFORT ASSET MANAGEMENT N.V.	0.00	4.16	0.00	0.00	4.16
MRS.BERNADETTE MIQUEL VACARISAS	0.15	11.20	0.00	0.00	11.35
MRS. MARIA DEL CARMEN ESCASANY MIQUEL	3.50	8.17	0.00	0.00	11.67
EDM GESTIÓN S.A. SGIIC	0.00	3.68	0.00	0.00	3.68
SANTA LUCIA S.A. COMPAÑÍA DE SEGUROS Y REASEGUROS	0.00	4.80	0.00	0.00	4.80
SANTANDER ASSET MANAGEMENT S.A. SGIIC	0.00	5.15	0.00	0.00	5.15

Name or company name of shareholder	% voting rights attributed to the shares		% voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
INDUMENTA PUERI, S.L.	0.00	8.66	0.00	0.00	8.66
FIDELITY INTERNATIONAL LIMITED	0.00	2.11	0.00	0.00	2.11

Detail of the indirect holding:

Name or company name of the indirect holder	Name or company name of the direct holder	% voting rights attributed to the shares	% voting rights through financial instruments	% of total voting rights
FIDELITY INTERNATIONAL LIMITED	FIL INVESTMENTS INTERNATIONAL	2.11	0.00	2,11
MRS.BERNADETTE MIQUEL VACARISAS	AGRICOLA DEL SUDESTE ALMERIENSE S.A.	3.31	0.00	3.31
MRS.BERNADETTE MIQUEL VACARISAS	JOANFRA, S.A.	7.88	0.00	7.88
MRS.BERNADETTE MIQUEL VACARISAS	MR. JOSE SORIA SORJUS	0.01	0.00	0.01
MRS.BERNADETTE MIQUEL VACARISAS	MRS. BELEN SORIA MIQUEL	0.01	0.00	0.01
MRS.BERNADETTE MIQUEL VACARISAS	MR. JOSE SORIA MIQUEL	0.01	0.00	0.01
MRS.BERNADETTE MIQUEL VACARISAS	MR. VICTOR SORIA MIQUEL	0.01	0.00	0.01
INSINGER DE BEAUFORT ASSET MANGEMENT NV	INSTITUCIONES DE INVERSION COLECTIVA	4.16	0.00	4.16
SANT LUCIA S.A. COMPAÑIA DE SEGUROS Y REASEGUROS	FONDOS GESTIONADOS POR AVIVA GESTION SGIIC SAU	3.35	0.00	3.35
SANT LUCIA S.A. COMPAÑIA DE SEGUROS Y REASEGUROS	FONDOS GESTIONADOS POR CAJA ESPAÑA VIDA Y PENSIONES S.A.	0.67	0.00	0.67
SANT LUCIA S.A. COMPAÑIA DE SEGUROS Y REASEGUROS	FONDOS GESTIONADOS POR CAJA ESPAÑA VIDA	0.39	0.00	0.39

Name or company name of the indirect holder	Name or company name of the direct holder	% voting rights attributed to the shares	% voting rights through financial instruments	% of total voting rights
SANTA LUICA SA COMPAÑIA DE SEGUROS Y REASEGUORS	FONDOS GESTIONADOS POR UNICORP VIDA	0.39	0.00	0.39
SANTANDER ASSET MANAGEMENT S.A. SGIIC	SANTANDER ACCIONES ESPAÑOLAS FI	1.86	0.00	1.86
EDM GESTION S.A. SGIIC	SANTANDER SMALL CAPS ESPAÑOLA FI	3.29	0.00	3.29
EDM GESTION S.A. SGIIC	INSTITUCIONES DE INVERSION COLECTIVA	3.68	0.00	3.68
INDUMENTA PUERI S.L.	GLOBAL PORTFOLIO INVESTMENTS S.L.	8.66	0.00	8.66
MRS. MARIA DEL CARMEN ESCASANY MIQUEL	ENKIDU INVERSIONES, S.L.	8.17	0.00	8.17

Significant movements

BESTINVER GESTIÓN S.A., S.G.I.I.C., on January 22, 2018, reported that its participation fell by 3%.

SANTANDER ASSET MANAGEMENT S.A., S.G.I.I.C., on September 11, 2018, reported that its participation fell by 5%.

SANTANDER ASSET MANAGEMENT S.A., S.G.I.I.C., on October 15, 2018, reported that its participation increased by 5%.

A.3. Complete the following tables about members of the Company's Board of Directors who hold voting rights for shares in the Company:

Name or company name of director	% voting rights attributed to the shares		% voting rights through financial instruments		% of total voting rights	% voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR. ANTONIO CANET MARTINEZ	0.13	0.58	0.00	0.00	0.71	0.00	0.00

Name or company name of director	% voting rights attributed to the shares		% voting rights through financial instruments		% of total voting rights	% voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR. JAVIER BASAÑEZ VILLALUENGA	0.27	0.00	0.26	0.00	0.53	0.00	0.00
MR. CARLES ALFRED GASÒLIBA BÖHM	0.19	0.00	0.00	0.00	0.19	0.00	0.00
MR. JOAQUÍN FAURA BATLLE	0.03	0.00	0.00	0.00	0.03	0.00	0.00
MR. JORGE MERCADER MIRÓ	0.71	13.68	0.00	0.00	14.38	0.00	0.00
MR. JORGE MERCADER BARATA	0.47	0.00	0.32	0.00	0.00	0.00	0.79
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	0.09	0.04	0.00	0.00	0.13	0.00	0.00
MR. ÁLVARO DE LA SERNA CORRAL	0.10	0.00	0.00	0.00	0.10	0.00	0.00
JOANFRA, S.A.	7.88	0.00	0.00	0.00	7.88	0.00	0.00

% total voting rights held by the Board of Directors	24,16

Detail of the indirect holding:

Name or company name of director	Name or company name of the direct holder	% voting rights attributed to the shares	% voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
MR. ANTONIO CANET MARTÍNEZ	MR.. CARMEN PAYÁ PÉREZ	0.58	0.00	0.58	0.00
MR. JORGE MERCADER MIRÓ	HACIA, S.A.	13.68	0.00	13.68	0.00
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	SOCIOPARTNER, S.L.	0.04	0.00	0.04	0.00

Name or company name of director	Name or company name of the direct holder	% voting rights attributed to the shares	% voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
MR. ÁLVARO DE LA SERNA CORRAL	MRS. MERCEDES DE LA SERNA VILLALONGA	0.00	0.00	0.00	0.00
MR. ÁLVARO DE LA SERNA CORRAL	MRS. JIMENA DE LA SERNA VILLALONGA	0.00	0.00	0.00	0.00

A.4. Indicate, where applicable, the family, commercial, contractual or corporate relations which could exist between the owners of significant stakes, provided they are known by the company, unless they are irrelevant or arise from normal trading activities, excluding those enquired about in section A.6:

Name or company name of related parties	Relationship type	Brief outline
No data		

A.5. Indicate, where applicable, the commercial, contractual or corporate relations which could exist between the holders of significant shares and the company and/or its group, unless they are irrelevant or arise from normal trading activities:

Name or company name of related parties	Relationship type	Brief outline
No data		

A.6. Describe the relationships, unless they are scarcely relevant to the two parties, that exist between the significant shareholders or those represented on the board and the directors, or their representatives, in the case of legal entity administrators.

Explain, where appropriate, how significant shareholders are represented. Specifically, give details of those directors who have been appointed on behalf of significant shareholders, those whose appointment would have been promoted by significant shareholders, or who are linked to significant shareholders and/or entities of their group, with a specification of the nature of such relationships. In particular, mention shall be made, where appropriate, of the existence, identity and position of board members, or representatives of directors, of the listed company, who are, in turn, members of the administrative body, or their representatives, in companies that hold significant holdings in the listed company or in entities of the group of said significant shareholders.

Name or company name of related director or representative	Name or company name of significant related shareholder	Company name of the significant shareholder group	Description of the relationship/position
JOANFRA, S.A.	MRS. BERNADETTE MIQUEL VACARISAS	JOANFRA, S.A.	JOANFRA S.A. is a society controlled by Ms. BERNADETTE MIQUEL VACARISAS, where is Director and Secretary.
MR. JORGE MERCADER BARATA	MR. JORGE MERCADER MIRÓ	HACIA, S.A.	MR. JORGE MERCADER BARATA is a Director and Secretary of HACIA S.A.
MR. ÁLVARO DE LA SERNA CORRAL	MRS. MARIA DEL CARMEN ESCASANY	ENKIDU INVERSIONES, S.L	MR. ÁLVARO DE LA SERNA CORRAL is a Director and Secretary of ENKIDU INVERSIONES, S.L.
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	EDM GESTION S.A. SGIIC	EDM GESTION S.A. SGIIC	Mr. EUSEBIO DÍAZ-MORERA PUIG-SUREDA is Chairman of which the EDM company GESTIÓN S.A. SGIIC form part.

A.7. Indicate whether or not the Company has been notified of shareholders agreements that affect it as per Article 530 and 531 of the Corporate Enterprises Act. Where applicable, give a brief description and list the shareholders associated with the agreement:

[ ] Yes
[3] No

Indicate whether or not the Company is aware of the existence of concerted actions between its shareholders. If so, briefly describe them:

[ ] Yes
[3] No

If any modification or cancellation of said agreements or concerted actions has taken place during the year, indicate accordingly:

The Company is not aware of any concerted actions among its shareholders.

A.8. Indicate whether any individual or legal entity currently exercise control or could exercise control over the company in accordance with article 5 of the Securities Market Act. If so, identify

[ ] Yes
[3] No

A.9. Fill in the following tables regarding the company's treasury stock:

At the year-end:

Number of direct shares	Number of indirect shares (*)	% of total capital
600,193	0	1.94

(*) Through to:

Name or company name of the direct holder of the participation	Number of direct shares
No data	

A.10. Give details of the terms and conditions corresponding to the General Meeting of Shareholder's current mandate to the Board of Directors buy back and transfer treasury stock:

The acquisitions of the Company's own shares are underpinned by the General Meeting of Shareholders held on 20 June 2018 as follows:

The Board of Directors, Miquel y Costas & Miquel, S.A. and its majority owned subsidiaries, are authorized to acquire by purchase, exchange or other, and sell, with the intervention of authorized mediators, shares of the Company, to a maximum of 10% of the share capital, in accordance with the provisions of Article 146 of the Capital Companies Act. The minimum price will not be lower than the share nominal value, no higher, by 20%, to the market value of the prior day to the acquisition without prejudice to compliance with those other limitations resulting from the application of the regulations or regulations applicable at any time.

This authorization is granted for a period of five (5) years from the date thereof, observing in any event the provisions of Article 148 of the Companies Capital Act.

Leave the authorization granted to the Board of Directors by the Ordinary and Extraordinary General Meeting of June 22, 2016 without effect.

The Board of Directors are authorized to allocate, totally or partially, the shares acquired as part of the implementation of compensation programs aimed at or involving the delivery of shares or share options, or based in any way on the evolution of the share price, as set out in Article 146.1 a) of the Capital Companies Act.

The Board of Directors, in its meeting held on 22 June 2016, the according to execute the authorization of the General Meeting.

A.11. Estimated floating capital:

	%
Estimated floating capital	55.18

A.12. Indicate whether there is any restriction (statutory, legislative or of any other nature) on the transferability of securities and/or any restrictions on the voting rights. In particular, the existence of any type of restrictions that may make it difficult to take control of the company through the acquisition of its shares in the market, as well as those authorisation or prior notification systems that apply to acquisitions or transfers of financial instruments of the company through sectorial regulations, will be reported.

[ ] Yes
[3] No

A.13. Indicate whether or not the General Meeting of Shareholders has agreed to adopt measures to neutralise a takeover bid by virtue of the provisions laid down in Act 6/2007:

[ ] Yes
[3] No

Where applicable, explain the measures that have been adopted and the terms under which the inefficiency of the restrictions:

A.14. Indicate whether the company has issued securities not traded in a regulated market of the European Union.

[ ] Yes
[3] No

If appropriate, indicate the different types of shares and, for each type of share, the rights and obligations conferred

B. GENERAL MEETING

B.1. Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) with respect to the quorum and constitution of the General Meeting.

[ ] Yes
[3] No

B.2. Indicate, and where applicable give details, whether there are any differences from the minimum standards established under Corporate Enterprises Act (CEA) for the adoption of corporate resolutions:

[ ] Yes
[3] No

Describe any differences from the minimum standards established under the CEA.

B.3. Indicate the rules applicable to amendments of the company bylaws. In particular, report the majorities established to amend the bylaws, and the rules, if any, to safeguard shareholder's rights when amending the bylaws.

The rules applicable to amendments of the company bylaws correspond to those contained in the Company's Capital Act.

B.4. Indicate the data on attendance at general meetings held during the year to which this report refers and the previous year:

	Attendance data				
Date of General Meeting	% physical presente	% represented	% remote voting: Electronic vote	% remote voting: Others	Total
22/06/2016	38.88	33.49	0.00	0.00	72.37
Of the floating capital	0.83	29.26	0.00	0.00	30.09
20/06/2017	38.94	33.18	0.00	1,86	73.98
Of the floating capital	2.92	28.42	0.00	0.00	31.34
20/06/2018	43.62	36.45	0.00	0.00	80.07
Of the floating capital	1.90	31.88	0.00	0.00	33.78

B.5. Indicate the number of shares, if any, that are required to be able to attend the General Meeting and whether there are any restrictions on such attendance in the bylaws:

[ ] Yes
[3] No

B.6. Indicate whether or not there is a statutory restriction to the minimum number of shares required to attend the General Meeting.

[3] Yes
[ ] No

Number of shares necessary to attend the General Meeting	100
Number of shares required to vote remotely	

B.7. Indicate whether it has been established that certain decisions, other than those established by Law, which involve the acquisition, disposal, the contribution to another company of essential assets or other similar corporate operations must be submitted to approval of the general meeting of shareholders.

[ ] Yes
[3] No

B.8. Indicate the address and means of access through the company website to the information on corporate governance and other information on the general meetings that must be made available to shareholders over the company's website.

The corporate website of the Company, www.miquelycostas.com presents. Its content responds to all information
which they are considered of interest to shareholders and investors and incorporates all the content required by the regulations.

In the section ""Shareholders and Investors Information " is the information related to Corporate Governance and General Meetings, to the which can be accessed from the home page through the following route: shareoldersandinverstorsinformation/corporategovernanceinformation/generalmeetings.

C. CORPORATE GOVERNANCE STRUCTURE

C.1. Board of Directors

C.1.1 State the maximum and minimum number of directors laid down in the articles of association:

Maximum number of directors	15
Minimum number of directors	4
Number of directors set by the General Meeting	10

C.1.2 Complete the following details on the members of the Board:

Name of director	Represent-tative	Type of directorship	Office on the board	Date of first appointm.	Date of last appointm.	Election procedure
MR. JOAQUIN COELLO BRUFAU		Independent	DIRECTOR	26/06/2008	26/06/2013	SHAREHOLDERS MEETING AGREEMENT
MR. ANTONIO CANET MARTÍNEZ		Other External	DIRECTOR	25/06/1985	17/06/2015	SHAREHOLDERS MEETING AGREEMENT
MR. JAVIER BASAÑEZ VILLALUENGA		Executive	SECRETARY AND DIRECTOR	28/07/2008	17/06/2015	SHAREHOLDERS MEETING AGREEMENT
MR. CARLES ALFRED GASOLIBA BÖHM		Other External	DIRECTOR	29/06/1993	17/06/2015	SHAREHOLDERS MEETING AGREEMENT
MR. JOAQUIN FAURA BATLLE		Independent	DIRECTOR	29/10/2013	17/06/2015	SHAREHOLDERS MEETING AGREEMENT
MR. JORGE MERCADER MIRÓ		Executive	CHAIRMAN	05/11/1991	17/06/2015	SHAREHOLDERS MEETING AGREEMENT

Name of director	Represent-tative	Type of directorship	Office on the board	Date of first appointm.	Date of last appointm.	Election procedure
MR. JORGE MERCADER BARATA		Executive	VICECHAIRMAN	27/06/2012	27/06/2012	SHAREHOLDERS MEETING AGREEMENT
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA		Independent	COORDINATING INDEPENDENT DIRECTOR	18/04/1997	27/06/2012	SHAREHOLDERS MEETING AGREEMENT
MR. ALVARO DE LA SERNA CORRAL		External Propietary Directors	DIRECTOR	28/07/2008	17/06/2015	SHAREHOLDERS MEETING AGREEMENT
JOANFRA, S.A.	MS. BERNADETTE MIQUEL VACARISAS	External Proprietary Directors	DIRECTOR	25/10/1999	17/06/2015	SHAREHOLDERS MEETING AGREEMENT

Total number of directors	10

Indicate the removals from office due to resignation, dismissal or for any other reason that have occurred on the Board of Directors during the reporting period:

Name or company name of director	Category	Date of last appointment	Date of vacancy	Specialist committees of which he or she was a member	Indicate whether the removal from office occurred before the end of the mandate
No data					

C.1.3 Provide the following details of the Members of the Board and their status:

EXECUTIVE DIRECTORS		
Name or company name of director	Position in the company's management structure	Profile
MR. JAVIER BASAÑEZ VILLALUENGA	GENERAL SECRETARY	Degree in Economic and Commercial Political Sciences from the Universidad Central of Barcelona; Registered auditor, currently non practicing, of the Instituto de Contabilidad y Auditores de Cuentas; Titled for management of transport services. He has been Head of the Financial Studies Service Industrias del Papel y Celulosa (Inpacsa); General Manager of Inverpa, S.A .; Sole administrator of the transport and logistics services company Transportes Subirada, S.A .; Chief Executive Officer of Agustín Barral, S.A .; Director and administrator of Papelera Riera, S.A .; Commercial Director of European Paper and Packaging, S.A. (Eppicsa); Deputy General Director and Financial Director er of Industrias del Tablero and derived wood, S.A. (Intamasa). He is currently and President of Bacesa de Inversiones, SICAV S.A. further General Secretary and Director of Corporate Development as well as Secretary Counsel of

EXECUTIVE DIRECTORS		
Name or company name of director	Position in the company's management structure	Profile
		Miquel y Costas & Miquel, S.A.
MR. JORGE MERCADER MIRÓ	PRESIDENT	Degree in Industrial Engineer by the Technical School of Industrial Engineers of Barcelona and Master of Economics and Business by IESE (Institute of Advanced Studies of the Company). He has been President of Industrias del Papel y de la Celulosa (INPCASA), Industrias de Tableros y Derivados de Madera (INTAMASA), Empresa Nacional Bazán de Construcción Navales Militares S.A., Instituto Nacional de Industria, Servicios de Radiotelefonía Móvil, Iberlat S.A., Sociedad de Aguas de Barcelona S.A. y Compañía de Seguros Adeslas; Director and Vice President of Repsol YPF S.A .; Counselor, Member of the Executive Committee and 2nd Vice-president of Caixa d'Estalvis i Pensions de Barcelona; Director of COFILE, FECOSA, Industrias Gráficas Trepat S.A., DAPSA, Ferrocariles de la Generalitat, DEFEX, Iberia Lineas Aéreas de España, J. Walter Thompson, Science Applications International Europe SA, Bongrain SA, CaixaBank France, Abertis Infraestructuras SA, Inmobiliaria Colonial, Corporación Alimentaria Peñasanta SA and Isolux Corsan S.A., as well Magament of Inversions Papeleras S.A. and from Apromade S.A. He is currently a member of the Honor Council of the Fundación del Circulo de Economía, Patron of the Princesa de Grirona and the Pasqual Maragall Foundation, Vice-president of the Cerdà Institute and President of the Gala-Dalí Foundation. Additionally, he is a Director of Vidacaixa S.A.U. of Seguros y Reaseguros and President of Hacia S.A. and from Miquel and Costas & Miquel S.A.
MR. JORGE MERCADER BARATA	VICEPRESIDENT I GENERAL DIRECTOR	Degree in Industrial Engineer, Chemical specialty; MBA from IESE (Instituto de Estudios Superiores de la Empresa); CEIBS Exchange Program. Shanghai (China) He has been Head of the Corporate Strategic Analysis area and Technical Director of Corporate Strategic Analysis of BBVA; Deputy Director and Deputy General Manager of Miquel y Costas & Miquel S.A. Currently, he is the President of ASPAPEL (Spanish Association of Pulp, Paper and Cardboard Manufacturers), Member of the Board of Directors of the Círculo de Economía, Board Member of Hacia, SA and Member of the Advisory Board of VEA (Anoia Business Unit) and Vice President- General Director of Miquel y Costas & Miquel S.A

Total number of executive directors	3
% of the entire board	30.00

EXTERNAL PROPIERTARY DIRECTORS		
Name or company name of director	Name or title of significant shareholder represented by the director or that has proposed the director's appointment	Profile
MR. ÁLVARO DE LA SERNA CORRAL	ENKIDU INVERSIONES, S.L.	Degree in Economics and Business Administration from the University Autónoma de Madrid and Master in Economics and Businesses by IESE (Spanish Higher Institute of Business). He has held various positions managers as a specialist in wealth management and private banking in the Banco Santander Group and as a consultant in Egon Zehnder International. He has been Associate in Investment Banking at Merrill Lynch Europe Plc. London and Member of the Comite Supervisor de Inversiones Altamar Buyout Europa FCR's (Own Private Equity Funds) He is currently a director of Credit Suisse AG Branch in Spain and Director of Viña Castellar Invest SICAV S.A., Playas de Jandia S.A., Enkidu Inversiones S.L. and Miquel and Costas & Miquel S.A.
JOANFRA, S.A.	JOANFRA, S.A.	The representative natural person of Joanfra S.A., is licensed in Administration and Business Management (ADE) by the Universidad de Barcelona; Postgraduate in eBusiness Management by the Universidad Pompeu Fabra. He is currently Manager of Celler Cal Costas, S.L., Agricultural Adviser of the Southeast Almeriese S.A. and Joanfra S.A. and individual representative of Joanfra S.A. in the Board of Directors of Celler Cal Costas, S.L. and from Miquel y Costas & Miquel S.A.

Total number of external propiertary directors	2
% of the entire board	20.00

INDEPENDENT EXTERNAL DIRECTOR	
Name or company name of director	Profile
MR. JOAQUIN FAURA BATLLE	Law degree from the University of Barcelona and Master in Economics and Management from the IESE (Instituto de Estudios Superiores de la Empresa). Started his career at Gillette Group, division of Braun España and the company headquarters in Germany. It has been Vice Director of the Division of Chupa Chups in the U.S., General Sales Manager of Sara Lee Corporation in Spain, in the division of cafés Marcilla, Vice President of Marketing and General Manager of Pepsico/Frito Lay and General Manager in Tobacco/Altadis General Director of General Manager for Consumer Affairs Marketing and Telefónica España; General Director of Corporate Marketing and Content Unit Telefónica SA; Chairman of Terra Lycos Networks; Member

INDEPENDENT EXTERNAL DIRECTOR	
Name or company name of director	Profile
	of the Supervisory Board of ENDEMOL Currently he is General Manager of Telefónica in Cataluña, Comunidad Valenciana, Baleares and Murcia. It is also Member of the Pleno de la Cambra de Comerç, Industria i Navegació of Barcelona; Member of Consejo General de Cambres de Comerç de Catalunya; Member of Mesa de Política Económica de la Cambra Oficial de Comerç, Industria i Navegació de Barcelona, Member of Consejo Asesor de la Universittat Politècnica de Catalunya, and Comité Ejecutivo de Miembros del IESE, Pattern from Fundaciones Barcelona Cultura y Barcelona Digital; Director of Foment del Treball; Member del Consell Empresarial of UPC and Member of Barcelona Global. .
MR. JOAQUIN COELLO BRUFAU	Naval Engineer by the Naval Engineering School of Madrid in both specialties of the University Degree: Shipbuilding and Maritime Transport Operation and MBA from IESE (Instituto de Estudios Superiores de la Empresa). He has held Head of Programme type Submarine "Daphne" and Project Manager in Astilleros Bazán (Cartagena); Director of Platform Area and Head of the Spanish team in relation and viability to the Study of the Frigate NFR 90 in the Internationale Schiffs Studien (ISS) GmbH of Hamburg; Head of Technical and Commercial and Head of Carrier projects and FFG frigates Office; General Manager of ISS in the Project Definition; Director and General Manager of Industria of Turbo Propulsores SA (ITP); Chairman of Eurojet; General Manager of Gamesa; Chairman and President of the Port Authority of Barcelona; Chairman and Managing Director of Applus Technological Services.Director of GPA (Gestió i Promoció Aeroportuària), Abantia Empresarial SL., MaetalShips & Docks S.A., Rodman Polyships Portel and Urbanizadora Palau Sacosta S.A and Adwen; Chairman of Anesco (Asociación Nacional de Empresas Estibadoras y Consingatarias de Buques He has also been Chairman of the Consejo Social de la Universidad de Barcelona; Dean of the Colegio Oficial de Ingenieros Navales y Oceánicos de España; President of the Engine Sectorial Group (ESG), the Engines section of the European Association of Aerospace Material Manufacturers (AECMA), the Asociación de Fabricantes Vascos de Material Aeroespacial (HEGAN),of EUSKALIT, Foundation for Quality Basque Country and the Institute of Economics of Barcelona and Fundación Carulla. Currently he is President of Asoport (Asociación Estatal de Empresas Operadoras Portuarias), Second Vice-President of Real Academia de Ingenieria, Presidency Advisor of Gamesa, Advisor of AudingIntraesasa, Erships, Tecnalia and Enertika and Member of COMEXI GROUP and PORTEL.

Total number of Independent external directors	2
% of the entire board	20,00%

Indicate whether any director considered and independent director is receiving from the company or from its group any amount or benefit under item that is not the remuneration for his/her directorship, or maintains or has maintained over the last year, a business relationship with the company or any company in its group, whether in his/her own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

Where applicable, include a reasoned statement from the board with the reasons why it deems that this director can perform his / her duties as an independent director.

Name or Company of director	Description of relationship	Reasons:
MR. JOAQUIN FAURA BATLLE	The Council considers in no incompatibility in the performance of its function as Independent Director because that list is a traffic related or line of business of the Company and its Group.	Mr. Joaquín Faura Batlle performs the functions of Director-General in Telefónica Cataluña, company providing services in communications to Miquel y Costas Group

Independent Directors have only received from the Company, in addition to their remuneration as directors, the dividends corresponding to their shareholding, the amount of which is reflected in section D.3 of this report.

OTHER EXTERNAL DIRECTORS			
Identify all other external Directors and explain why these cannot be considered proprietary or independent Directors and detail their relationships with the company, its executives or its shareholders.			
Name or Company of director	Reasons		Profile
MR. ANTONI CANET MARTÍNEZ	Belonging to the Board of Directors of the Company, however be less than that required to be considered as proprietary participation, in addition to his knowledge of the industry, being part of one of the papermaking industry groups derived that merged in 1975 and led to a new configuration of the Company	MRS. CARMEN PAYÁ PÉREZ	Diploma in the school of catering and Craft of Liverpool; Technician in companies and tourist activities; Master in Business Management by the Economy and Management Club. He has been Director of Hotel Centers of the Roblely Group in England, Hotel Director in the Servihotel Group; Director of Hotel Operation in the Group Servigroup; Managing Director of the Peñamar Company of the Servigroup Group and Sidi Hotels; General Director of the Ona Sol Hotel Chain; Hotel Advisor Sidi; Advisor in the development and promotion of the Masia de las Estrellas Golf Center. He is

OTHER EXTERNAL DIRECTORS			
Identify all other external Directors and explain why these cannot be considered proprietary or independent Directors and detail their relationships with the company, its executives or its shareholders.			
Name or Company of director	Reasons		Profile
			currently a Director of Miquel y Costas & Miquel, S.A.
MR. CARLES ALFRED GASÒLIBA BÖHM	Counselor initially qualified as Independent that on the occasion of exceeding the limit of twelve years in the continued exercise of his directorship, as Article 529 duodecies 4-i) of the Companies Act Capital, at the time of his re-election by the general meeting of shareholders held in June 17, 2015 it happened to belong to this typology.	OTHER SHAREHOLDERS OF THE COMPANY	Doctor in Economic Sciences from the Autonomous University of Barcelona and Master of Arts in Industrial Economics by the University of Sussex (Great Britain). He has been Deputy in the Congress of Deputies and in the European Parliament; General Secretary of the Patronat Català Pro-Europa; Senator in the Senate Spanish; President Consión de Economia y Hacienda del Senado. Member of the Budget, Industry, Trade and Tourism Commissions of Request, of the Mixed Commission of the Spanish Delegation of the Western European Union and the CDDC Executive Committee; Vice President and member of the Bureau of the Liberal International and responsible for international relations with Latin America. He is currently a member of Comité Central de la Liga Europea de Cooperación Economíca (LECE) in Brussels. He is a member of the Board of the Foundation Jean Monnet pour l'Europe, Lausanne (Switzerland), both Non-profit entities. He is President of Axis Consultoría European S.L. and Director of Nuevo Micro Bank SAU and of Miquel and Costas & Miquel S.A.

OTHER EXTERNAL DIRECTORS			
Identify all other external Directors and explain why these cannot be considered proprietary or independent Directors and detail their relationships with the company, its executives or its shareholders.			
Name or Company of director	Reasons		Profile
MR. EUSEBIO DíAZ-MORERA PUIG-SURERDA	Counselor initially qualified as Independent that on the occasion of exceeding the limit of twelve years in the continued exercise of his directorship, as Article 529 duodecies 4-i) of the Companies Act Capital, at the time of his re-election by the general meeting of shareholders held in June 20, 2018 it happened to belong to this typology.	OTHER SHAREHOLDERS OF THE COMPANY	Degree in Economics and MBA by IESE (Instituto de Estudios Superiores de la Empresa). It has been General Administrator of PAS, S.A.; Chairman of Caja de Barcelona; Executive Chairman of Banca Catalana and Tunel del Cadí, CESA; Chairman of the Council of Saving of CECA; Vice President and Director of ACESA, and Director of FECSA, HIDRUÑA and INDO INTERNACIONAL. Currently, he is Chairman of EDM Holding, S.A. and and Director of the following companies: EDM HOLDING S.A, CEMENTOS MOLINS S.A., KAWAKAN S.L., SOCIOPARTNER S.L., and Others Companies IIC.

Total number of Other external directors	3
% of the entire board	30.00

Indicate any changes in the status of each director during the period in the type of directorship of each director:

Name or company name of director	Date of charge	Former category	Current category
MR. EUSEBIO DíAZ-MORERA PUIG-SURERDA	20/06/2018	INDEPENDENT	OTHER EXTERNAL

C.1.4 Fill in the following table with information regarding the number of female directors over the last 4 years, and the nature of their directorships:

	Number of female directors				% of total female directors of each type			
	Exercise2018	Exercise 2017	Exercise 2016	Exercise 2015	Exercise 2018	Exercise 2017	Exercise 2016	Exercise 2015
Executive	0	0	0	0	0.00	0.00	0.00	0.00

	Number of female directors				% of total female directors of each type			
	Exercise 2018	Exercise 2017	Exercise 2016	Exercise 2015	Exercise 2018	Exercise 2017	Exercise 2016	Exercise 2015
Proprietary	1	1	1	0	10.00	10.00	10.00	0.00
Independent	0	0	0	0	0.00	0.00	0.00	0.00
Others External	0	0	0	0	0.00	0.00	0.00	0.00
Total:	1	1	0	0	10.00	10.00	10.00	0.00

C.1.5 Indicate whether the company has diversity policies in relation to the Board of Directors of the company with regard to issues such as age, gender, disability, or professional training and experience. Small and medium-sized enterprises, in accordance with the definition contained in the Accounts Auditing Law, will at least have to report the policy they have established in relation to gender diversity

[3] Yes
[ ] No
[ ] Partial policies

If yes, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why

Description of the policies, objectives, measures and manner in which they have been applied, as well as the results obtained

The policy of selection of the directors followed by the Society favors the diversity of knowledge, experience and gender. Gender diversity is one of the aspects that the Council is considering, its purpose being to continue doing it in the selection processes.

C.1.6 Explain the measures, if any, agreed by the appointments committee to ensure that selection procedures do not suffer implicit biases that may hinder the selection of female directors, and that the company deliberately seeks and includes potential female candidates that meet the professional profile sough:

Explanation of measures

The article 12.2 b) of Regulations of the Board, includes among other functions of the Human Resources Committee, Nomination and Remuneration Committee shall report to the Board on matters of kind diversity.

The Article 15 of the Regulation provides that the election or appointment of Directors must be preceded by a proposal of the Committee on Human Resources, Nominations and Remuneration Committee, when it comes of independent directors, and a report in the case of the other Directors.

When, despite the measures, if any, have been taken are few or no female directors, explain the reasons justifying:

Explanation of reasons

The selection of Board members is done in an objective manner, taking into consideration both sexes who fulfill the necessary conditions and capacities, depending on their prestige, knowledge and professional experience of the duties of the position.

C.1.7. Explain the conclusions of the Appointments Committee regarding verification of compliance with the board member selection policy. And, in particular, explain how this policy is fostering the goal for 2020 to have the number of female board members represent at least 30% of the total number of members of the board of directors.

Explanation of reasons

During the year 2018 they have not produced any vacancy on the Board of Directors so has not carried out the verification of compliance with the policy of selection of directors.

The Company, and in particular the Board is particularly interested in that no discrimination occurs any the basis of genderbut maintains its view that the most important thing is to assess the competence, knowledge and skills of the candidate to actively collaborate with the Company.

C.1.8 Explain, where applicable, the reasons why proprietary directors have been appointed at the behest of a shareholder whose holding is less than 3% of the capital:

Name or company name of shareholder	Justification
MR. ANTONIO CANET MARTÍNEZ	Belonging to the Board of Directors of the Company, however be less than that required to be considered as proprietary participation, in addition to his knowledge of the industry, being part of one of the papermaking industry groups derived that merged in 1975 and led to a new configuration of the Company

Indicate whether formal petitions have been ignored for presence on the board from shareholders whose holding is equal to or higher than others at whose behest proprietary directors were appointed. Where applicable, explain why these petitions have been ignored:

[ ] Yes
[3] No

C.1.9. Indicate, in the event that they exist, the powers and faculties delegated by the Board of Directors to directors or to board committees:

Name or company name of the director or committee	Brief outline
MR. JORGE MERCADER MIRÓ	He has extensive powers in accordance with his functions as President of the Company.
MR. JORGE MERCADER BARATA	It has powers of representation and administration of a managerial nature that incorporate faculties of both solidary and joint nature.

C.1.10 Identify, where applicable, the Board members holding positions of Administrators or Executives in other Companies forming part of the Group of the listed Company:

Name or Company name of director	Company name of Group entity	Position	Does the director hold executive Functions?
MR. JAVIER BASAÑEZ VILLALUENGA	DESVI, S.A.	CHAIRMAN	NO
MR. JAVIER BASAÑEZ VILLALUENGA	MB PAPELES ESPECIALES, S.A.	SECRETARY (PERSONAL REPRESENTATIVE)	NO
MR. JAVIER BASAÑEZ VILLALUENGA	MIQUEL Y COSTAS ENERGIA Y MEDIO AMBIENTE, S.A.	DIRECTOR	NO
MR. JAVIER BASAÑEZ VILLALUENGA	S.A. PAYÁ MIRALLES	SECRETARY	NO
MR. JAVIER BASAÑEZ VILLALUENGA	PAPELES ANOIA, S.A.	CHAIRMAN	NO
MR. JAVIER BASAÑEZ VILLALUENGA	CELULOSA DE LEVANTE, S.A.	SECRETARY	NO
MR. JORGE MERCADER MIRÓ	CELULOSA DE LEVANTE, S.A.	DIRECTOR	NO
MR. JORGE MERCADER BARATA	FOURTUBE, S.L.	DIRECTOR (PERSONAL REPRESENTATIVE)	NO
MR. JORGE MERCADER BARATA	MIQUEL Y COSTAS DEUTSCHLAND, GMBH	SOLE DIRECTOR	NO
MR. JORGE MERCADER BARATA	PAPELES ANOIA, S.A.	DIRECTOR	NO
MR. JORGE MERCADER BARATA	S.A. PAYA MIRALLES	DIRECTOR	NO
MR. JORGE MERCADER BARATA	TERRANOVA PAPERS, S.A.	CHAIRMAN (PERSONAL REPRESENTATIVE)	NO
MR. JORGE MERCADER BARATA	CELULOSA DE LEVANTE, S.A.	DIRECTOR	NO
MR. JORGE MERCADER BARATA	SOCIEDAD ESPAÑOLA ZIG, ZAG, S.A.	CHAIRMAN	NO
MR. JORGE MERCADER BARATA	DESVI, S.A.	DIRECTOR	NO
MR. JORGE MERCADER BARATA	MB PAPELES ESPECIALES, S.A.	CHAIRMAN (PERSONAL REPRESENTATIVE)	NO
MR. JORGE MERCADER BARATA	MIQUEL Y COSTAS ENERGIA Y MEDIO AMBIENTE, S.A.	CHAIRMAN	NO

Name or Company name of director	Company name of Group entity	Position	Does the director hold executive Functions?
MR. JORGE MERCADER BARATA	MIQUEL Y COSTAS TECNOLOGIAS, S.A.	CHAIRMAN	NO
MR. JORGE MERCADER BARATA	MIQUEL Y COSTAS LOGISTICA, S.A.	CHAIRMAN (PERSONAL REPRESENTATIVE)	NO
MR. JORGE MERCADER BARATA	CLARIANA, S.A.	DIRECTOR (PERSONAL REPRESENTATIVE)	NO

C.1.11. Provide details, where applicable, of the directors of your Company who are members of the Boards of Directors of other Companies listed on official Securities Markets in Spain different from your Group, of which the Company has been notified.

Name or Company name of director	Company name of the Group entity	Position
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	CEMENTOS MOLINS, S.A.	DIRECTOR

C.1.12. Indicate and, where applicable, explain whether or not the Company has laid down rules on the number of Boards on which its directors can participate:

[3] Yes
[ ] No

Explanation of the rules and identification of the document where it is regulated

Art. 19.1 Of the Regulations governing of the Board of Directors sets down:

"Al objeto de que el consejero pueda dedicar tiempo y esfuerzo necesario para desempeñar su función con eficacia, no podrá formar parte de un número de consejos superior a cuatro.

A los efectos del cómputo del número de Consejos a los que se refiere el párrafo anterior, se tendrán en cuenta las siguientes reglas:

a) No se computarán aquellos Consejos de los que forme parte como Consejero dominical propuesto por Miquel y Costas y Miquel S.A. o por cualquier sociedad del Grupo de ésta.

b) Se computará como un solo Consejo todos los Consejos de Sociedades que formen parte de un mismo grupo, así como aquellos de los que forme parte en calidad de Consejero dominical de alguna Sociedad del grupo, aunque la participación en el capital de la sociedad o su grado de control no permita considerarla como integrante del grupo.

c) No se computarán aquellos Consejos de sociedades patrimoniales o que constituyan vehículos o complementos para el ejercicio profesional del propio consejero, de su cónyuge o persona análoga relación de afectividad, o de sus familiares cercanos.

d) No se considerarán para su cómputo aquellos Consejos de sociedades que, aunque tengan carácter mercantil, su finalidad sea complementaria o accesoria a otra actividad que para el Consejero suponga una actividad de ocio, asistencia o ayuda a terceros o cualquier otra que no suponga para el Consejero una propia y verdadera dedicación a un negocio mercantil."

C.1.13 Indicate the overall remuneration for the board of directors:

Remuneration of the board of directors (€ thousand)	3,840

Amount of overall remuneration corresponding to the rights accumulated by directors with respect to pensions (€ thousand)	649
Overall remunerations of the board of directors (€ thousand)	

C.1.14 Identify members of the senior management that are not in turn executive directors, and indicate the total remuneration accruing to them during the year:

Name (person or company)	Position (s)
MR. JAVIER GARCÍA BLASCO	COMMERCIAL MANAGER OF THE ROLLING PAPERS DIVISION
MRS. MARINA JURADO SALVADO	COMMERCIAL MANAGER OF THE SMOKING DIVISION.
MR. IGNASI NIETO MAGALDI	DEPUTY GENERAL MANAGER
MR. JOSE MARIA MASIFERN VALÓN	MANAGER OF THE BESÓS FACTORY.
MR. JOSEP PAYOLA BASSETS	MANAGER OF MB PAPELES ESPECIALES, S.A.
MR. JAVIER ARDIACA COLOMER	MANAGER OF THE MISLATA FACTORY.

Total senior management remuneration (€k)	2,391

In April 2018, Mr Jordi Bernadro Arrufat, who served as Manager of the company of the Celulosa de Levante Group, S.A.

The total amount of compensation for the year includes, exceptionally, compensation and the variable remuneration derived from compliance with the 2016-2018 Triana Plan and the 2016-2018 Social Security Plan, the accrual and consolidation of which take place in 2018, by be this the end of the triennium

C.1.15 Indicate whether or not there has been any modification to the regulations of the board during the year:

[ ] Yes
[3] No

C.1.16 Indicate the procedures for the appointment, re-election, assessment and removal of directors. Provide details of the competent bodies, the procedures to be followed and the criteria applicable in each procedure.

Article 15 of the Regulations governing the Board of Directors, on the "Appointment of Directors", sets down:

"1.Los Consejeros serán elegidos por la Junta General o designados por el Consejo de Administración en el supuesto de cooptación, de conformidad con las previsiones contenidas en la Ley de Sociedades de Capital y en los Estatutos Sociales. La elección o designación de los Consejeros deberá estar precedida de la correspondiente propuesta de la Comisión de Recursos Humanos, Nombramientos y Retribuciones cuando se trate de Consejeros Independientes y de un informe en el caso de los restantes Consejeros.

2. Los Consejeros designados deberán cumplir los requisitos exigidos estatutariamente para el ejercicio del cargo y no podrán estar incursos en las causas de inhabilitación establecidos legalmente.

3. Los Consejeros ejercerán su cargo durante el plazo previsto en los Estatutos Sociales, pudiendo ser reelegidos.

4. La Sociedad tiene establecido un programa de orientación a los nuevos Consejeros y de actualización a los Consejeros con mandato en vigor, a cargo de la Secretaría del Consejo."

Article 23 of the Articles of Association sets down, in relation to the directors, that it will not be necessary for them to hold the status of shareholders, but that they will always be elected and re-elected by the General Meeting and will hold the position for a period of four years.

Article 13.6 of the Regulations governing the Board of Directors sets down:

"El Consejo una vez al año, evaluará la calidad y eficiencia del funcionamiento del Consejo; el desempeño de sus funciones por el Presidente y por el primer ejecutivo, y el funcionamiento de las Comisiones."

Article 16 of the Regulations governing the Board of Directors sets down on the termination of the directors:

"1. Los Consejeros cesarán en el cargo cuando haya transcurrido el período para el que fueron nombrados y cuando lo decida la Junta General en uso de las atribuciones que le otorga la Ley.

2. El Consejero propondrá a la Junta General el cese de los Consejeros, entre otros, en los siguientes supuestos:

a) Cuando se vean incursos en incompatibilidad o prohibición legal.

b) Cuando su permanencia en el Consejo pueda poner en riesgo los intereses de la sociedad o cuando desaparezcan las razones por las que fueran nombrados. Se entenderá que se produce esta última circunstancia respecto de un Consejero dominical cuando se lleve a cabo la enajenación de la total participación accionarial de la que sea titular o a cuyos intereses represente y también cuando dicha participación disminuya hasta un nivel que exija la reducción del número de sus Consejeros dominicales.

3. Cuando un Consejero termine su mandato o por cualquier otra causa cese en el desempeño de su cargo no podrá prestar servicios en otra entidad que tenga relaciones con competidores de empresas del Grupo Miquel y Costas en el plazo de dos años.

4. Si el cese se produjera antes del término de su mandato, explicará las razones en una carta que se remitirá a todos los miembros del Consejo. El cese se comunicará a la C.N.M.V. como hecho relevante y se dará cuenta del mismo en el I.A.G.C. "

C.1.17 Explain to what degree the self-assessment has led to significant changes in its internal organization and the procedures applicable to its activities:

Description of changes

Based on the conclusions reached by the assessment of the Board of Directors and the discussions, it has considered that no exceptional measures of improvement are necessary that involve significant changes of importance.

Describe the evaluation process and the areas evaluated by the Board of Directors, assisted by an outsourced consultant, regarding the operation and composition of its committees, and any other area or aspect that has been subject to evaluation

Description of the evaluation process and areas evaluated

In order to comply with the provisions of article 529 nonies of the Capital Companies Law and in article 13.6 of the Regulations of the Board of Directors of the Company regarding the annual evaluation of the operation of the administrative bodies, in the year the Directors have evaluated the performance of the functions of the Board of Directors, those of its Specialized Committees, those of its Chairman and those of the Vice-Chairman-CEO.

From the annual assessment carried out, it is concluded that the overall result of the assessment has been positive and that the Directors consider it to be completely satisfactory: (i) the quality and efficiency of the functioning of the Board of Directors, as well as their composition and operation, (ii) the operation and composition of its committees, (iii) the performance of the Chairman of the Board of Directors of its functions, and (iv) the actions of the company's first executive.

After assessing the considerations of all the Directors, the Board has considered that it is not necessary to adopt a plan to correct deficiencies

C.1.18 Explain, for any of the years in which the evaluation has been assisted by an external advisor, the business relationship the adviser or any group company maintains with the company or any group company.

The independent External Consultant that has assisted the Board of the Company during the periodic evaluation, provides legal advice in the contract and securities market.

C.1.19 Indicate the circumstances under which directors are obliged to resign.

Article 16.2 of the Regulation of the Board of Directors establishes that the Board will propose to the General Meeting the removal of directors in the event that they are involved in incompatibility or legal prohibition, when their continuation on the Board could compromise interests of the Company or when the reasons for which they were appointed disappear. Understanding this last circumstance in respect of a proprietary director when carrying out the sale of the total shareholding of who owns or whose interests they represent and such participation also decrease to a reduction in the number of Proprietary Directors.

Article 25.3 of the Board of Directors' Regulations establishes in relation to the director's obligation that they must inform the Company of those personal circumstances that affect or may affect the credibility or reputation of the Company, particularly any criminal cases they may be involved in and the relevant proceedings. The Board may request the Director, after reviewing the situation as presented, to resign and this decision must be strictly

In addition by the Board, may require the Director to resign because of and generally because of non-compliance of the general obligations of the Director set forth in Article 19 of that Regulation.

C.1.20 Are reinforced majorities other than those applicable by law required for any type of decision?

[ ] Yes
[3] No

Where applicable, describe the differences

C.1.21 Explain whether there are specific requirements, other than those regarding directors, to be appointed chairman of the board.

[ ] Yes
[3] No

C.1.22Indicate whether the Articles of Association or the Board Regulations establish any age limit for directors:

[ ] Yes
[3] No

C.1.23 Indicate whether the Articles of Association or the Board regulations set a limited term, or other requirements stricter than those legally determined, of office for independent directors different to the one established in the regulations

[ ] Yes
[3] No

C.1.24 Indicate whether the bylaws or the board regulations establish specific standards for proxy voting in the board of directors, the way this is done and, in particular, the maximum number of proxies a director may have, and whether it is mandatory to grant proxy to a director of the same type. If so, briefly give details on such standards.

Article 23, paragraph 7 of the Articles of Association sets down: In the case of impossibility of attending a Board Meeting, each one of its members may delegate their representation and vote to a Director in writing and with a special character for each session.

Article 13.5 of the Regulations of the Board of Directors sets down: Representation by another director will be done with instructions about the determinations to adopt in the treatment of the different points on the Agenda for the meeting.

C.1.25 Indicate the number of meetings that the Board of Directors has held over the year. Also indicate, where applicable, how many times the Board has met without the Chairman being present. In calculating this number, proxies, given with specific instructions will be counted as attendance.

Number of meetings of the Board	13
Number of Board meetings without the Chairman attending	0

If the Chairman is an executive Director, indicate the number of meetings held without an executive director present or represented and chaired by the Lead Director

Number of meetings	1

Indicate the number of meetings held by the different Board Committees over the year:

Number of meeting held by the HUMAN RESOURCES, NOMINATIONS AND REMUNERATIONS COMMITTEE	4
Number of meeting held by the AUDIT COMMITTEE	8

C.1.26 Indicate the number of meetings held by the Board of Directors during the year attended by all its members. In calculating this number, proxies given with specific instructions will be counted as attendances:

Number of meetings attended in person by at least 80% of the directors	13
% of attendance over the total number of votes during the year	100.00
Number of meetings with attendance in person, or representations made with specific instructions of all the directors	13

% votes cast with attendance in person and representations made with specific instructions, on total votes during the year	100.00

C.1.27 Indicate if the individual and consolidated Annual Accounts submitted for approval to the Board are previously certified:

[3] Yes
[ ] No

Identify, where applicable, the person(s) who has/have certified the Company's individual and consolidated Annual Accounts in order to be formulated by the Board:

Name	Position
MR. JOAQUIN COELLO BRUFAU	MEMBER OF AUDIT COMMITTEE
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	CHAIRMAN OF AUDIT COMMITTEE
MR. ÁLVARO DE LA SERNA CORRAL	MEMBER OF AUDIT COMMITTEE

C.1.28 Explain, where applicable, the mechanisms established by the Board of Directors to prevent the individual and consolidated Annual Accounts being submitted to the General Meeting of Shareholders with qualifications in the auditors' report.

The Company and the Companies of the Miquel y Costas Group prepare their annual accounts following the legal precepts and faithfully applying the generally accepted principles of accounting under the supervision of the financial-economic department and the monitoring of the Audit Committee.

Each year those in charge of the economic-financial department together with the auditors will carry out an inspection and monitoring of the recommendations which arise from the work carried out in the auditing of accounts.

In the fulfilment of its powers, the Audit Committee meets with the external auditors in order to be informed about all those matters related to the process of conduct of the auditing of accounts and to deal with those matters which might give rise to possible reservations so as to make available the necessary steps to prevent them.

Finally, the Audit Committee takes the annual accounts to the Board of Directors for their formulation.

Note that, successive audit reports of individual and consolidated financial statements do not include any qualifications.

C.1.29 Is the Secretary of the Board a director?

[3] Yes
[ ] No

Complete if the Secretary is not also a Director:

C.1.30 Indicate the specific mechanisms introduced by the company to preserve the independence of the external auditors, as well as, if any, mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice

In accordance with the provisions in Article 11.2 f) of the Regulations of the Board, the Committee Audit issues for each year completed a report expressing his opinion on the independence of the auditors.

Article 11.2 e) of the Regulations of the Board of Directors includes among the basic responsibilities of the Audit Committee the requirement to maintain a close relationship with external auditors, so as to receive any information which could jeopardize their independence, and additionally for subsequent related discussion by the Committee, and to provide any other information related to the development process of the audit, including information related to current legislation governing auditing standards and auditing techniques. In any event, the Committee should receive from the auditor's written confirmation of their independence from the company or entities related to the company, whether directly or indirectly, and information relating to any additional services provided to any such entities by the auditors or by persons or entities related to them in compliance with the provisions of the legislation on auditing.

In relation to financial analysts, investment banks and rating agencies, the Company preserves its independence by publicly disclosing to the market any and all information supplied to such agents, without providing preferential treatment to any of them.

Therefore, article 27 of the Regulations of the Board of Directors requires that the Board will inform the public immediately with regard to the following:

a) Relevant facts capable of significantly affecting the formation of stock prices;

b) Changes to the ownership structure of the Company, such as variations in significant holdings, syndication agreements, and other forms of coalition, of which it has knowledge;

c) Significant changes to the rules of governance of the Company;

d) The own shares policies which intends to adopt for the Company subject to powers obtained at the General Meeting.

Likewise, the Internal Code of Conduct contemplates and determines the causes and conditions of information release to the different financial agents.

C.1.31 Indicate whether or not the external auditor has been changed during the year. Where applicable, identify the incoming and outgoing auditors.

[ ] Yes
[3] No

In the case of disagreements with the outgoing auditor, explain the content of said disagreements:

[ ] Yes
[3] No

C.1.32 Indicate if the audit Company performs other tasks for the Company and/or its Group other than auditing activities, and if so, state the amount of the fees received for said activities and their percentage of the fees billed to the Company and/or its Group.

[3] Yes
[ ] No

	Company	Group	Total
Amount of tasks other than audit services (thousands euros)	43	32	75
Amount of tasks other than audit services / total amount invoiced by the Audit Company (in %)	60.40	62.19	61.16

C.1.33 Indicate if the auditor's report on the annual accounts corresponding to the previous year involves reservations or exceptions. Where applicable, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of the said reservations or exceptions

[ ] Yes
[3] No

C.1.34 Indicate how many years the current audit Company has been auditing, without interruption, the Annual Accounts of the Company and/or its Group. Also indicate the percentage of the number of years audited by the current Audit Company over the total number of years that the Annual Accounts have been audited:

	Individual	Consolidated
Number of years without interruption	17	17

	Individual	Consolidated
Number of years audited by the current audit company / Number of years the company has been audited (in %)	56.67	56.67

C.1.35. Indicate and, where applicable, provide details of whether there is a procedure whereby directors can have external assessment:

[3] Yes
[ ] No

Details of the procedure

Article 13.2 of the Regulations of the Board of Directors establishes in relation to the meetings of this Board that:

"La convocatoria incluirá siempre el Orden del Día de la sesión que deberá contemplar, entre otros puntos, los relativos a las informaciones de las sociedades filiales y de las Comisiones del Consejo, así como las propuestas y sugerencias que formulen el Presidente y los demás miembros del Consejo que serán cursadas con una antelación no menor a cinco días hábiles a la fecha del propio Consejo, de acuerdo con lo establecido en los Estatutos Sociales."

For every meeting of the Board of Directors, prepares a dossier given, explained and debated if it contains detailed information on all topics that are processed in the session. Those matters of greater complexity, such as the annual budget, investment plan, strategic plan and others of special significance, will receive this treatment in a particularly strong manner. The directors, in the period which passes between meetings of the Board, may ask for all the complementary information that they may require.

C.1.36 Indicate and, where applicable, give details of whether or not the Company has laid down rules that oblige the directors to report and, in cases that damage the Company's credit and reputation, resign:

[3] Yes
[ ] No

Explain the rules

Article 25.3 of the Regulations In relation to the information duties of the Board of Director of the Council, it establishes that:

"El Consejero deberá informar a la Sociedad de aquellas circunstancias personales que afecten o puedan afectar al crédito o reputación de la Sociedad, en especial, de las causas penales en que aparezca como imputado y de sus vicisitudes procesales relevantes, de todo lo cual se dará cuenta en el I.A.G.C.. El Consejo podrá exigir al Consejero después de examinar la situación que éste presente, su dimisión y esta decisión deberá ser acatada por el Consejero".

C.1.37 Indicate whether or not any member of the Board of Directors has informed the Company that he/she has been prosecuted or actions against him/her have been opened for any of the offences laid down in Article 213 of the Spanish Companies Act:

[ ] Yes
[3] No

C.1.38 Detail significant agreements reached by the Company that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid, and its effects.

No significant agreements by the Company which take effect are amended or terminated in the event of change of control following a takeover bid. Only the clauses include in Company contracts with each of the two Executive Directors provide that such Directors are entitled to terminate its contractual relationship with the Company in case of change of control.

C.1.39 Identify in aggregate terms and indicate in detail any agreements between the company and its directors, managers or employees that have guarantee or ring-fencing severance clauses for when such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end due to a public takeover bid or other kinds of transactions.

Number of beneficiaries:	3
Type of beneficiary	Description of agreement:
Executive Directors	The contractual conditions stipulate that in the event of an involuntary termination of performance of said executive duties, unless in the event of serious breach, they shall be

	entitled to compensation equivalent to an annual gross payment. In addition, two of them, will be entitled to the same treatment in the event of a change of control. Once the termination has occurred, the Company limits its liability Counsellor Concurrency, the Directors shall be entitled to compensation equal to 50% of the gross monthly salary for a period of two years.

Indicate whether, beyond the cases stipulated by the regulations, these contracts have to be reported and/or approved by the bodies of the company or its group. If so, specify the procedures, assumptions foreseen and the nature of the bodies responsible for their approval or communication:

Indicate whether these contracts must be disclosed and/or approved by the company or group governance bodies:

	Board of directors	General Meeting
Body authorising the clauses	Yes	No

	Yes	No
The general meeting of the clauses is reported?		3

There is nothing established beyond the assumptions foreseen in the regulations.

C.2. Committees of the Board of Directors

C.2.1 Detail all the board committees, their members and the proportion of proprietary directors and independent directors sitting on them:

HUMAN RESOURCES, NOMINATIONS AND REMUNERATIONS COMMITTEE		
Name	**Position**	**Type**
MR. JOAQUÍN COELLO BRUFAU	CHAIRMAN	Independent
MR. ANTONIO CANET MARTÍNEZ	BOARD MEMBER	Other External
MR. CARLES-ALFRED GASOLIBA BOHM	BOARD MEMBER	Other External
MR. JOAQUÍN FAURA BATLLE	BOARD MEMBER	Independent
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	BOARD MEMBER	Other External
JOANFRA, S.A.	SECRETARY	Proprietary Director

% executive directors	0.00
% proprietary directors	16.67
% independent directors	33.33
% other external	50.00

Explain the functions, including, if applicable, those additional to those legally envisaged, which have been attributed to this committee, describe the procedures and rules for the organization and functioning of the same. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it either in the law or in the articles of association or other corporate resolutions.

The procedure of the Human Resources, Nominations and Remuneration Committee, are regulated in Article 23 of the Articles of Association and Article 12 and related provisions of the Regulations of the Board of the Company.

As of December 31, 2018, it is composed of six directors, two of whom are independent and is chaired by a Director of this last Category.

The Regulation of the Board of Directors establishes that the Committee will meet at least once a year and will adopt its decisions by majority and report the content of its meetings to the Board of Directors.

Article 12.6 of the aforementioned Regulation states that "the Human Resources, Appointments and Remuneration Committee, in matters not foreseen in the present standards, will be governed by the operating guidelines of the Board of Directors ".

The basic duties attributed of the Human Resources, Nominations and Remuneration Committee is:

a) Propose to the Board of Directors the naming of independent Directors for appointment by co-optation or for submission to the decision of the Shareholders General Meeting and the re-election or removal of said Directors by the Shareholders General Meeting; the remuneration of Directors and the salary policy of top management personnel; the individual remuneration of executive Directors and other terms of their contracts; the basic conditions of contracts for senior executives; the general policy on Human Resources of the Group Companies.

b) Inform the Board of Directors of the naming of proprietary Directors and executives for appointment by co-optation or for submission to the decision of the Shareholders General Meeting, and their re-election or removal by the Shareholders General Meeting; the appointment of the Chairman of the Board of Directors; the appointments and removals of top management and the basic terms of their contracts; issues of gender diversity; appointments and removals of the top executives which the chief executive proposes to the Board; the appointment and removal of the Secretary of the Board of Directors.

c) Evaluate the profile of the most suitable candidates to form part of the various Committees, according to their knowledge, skills and experience; the competence, knowledge and skills of candidates for Directors; the succession of the Chairman and chief executive and, if necessary, make proposals to the Board of Directors so that this succession occurs in an orderly and planned fashion; compliance with internal codes of conduct and corporate governance rules.

During the 2018 financial year, the Human Resources, Appointments and Remuneration Committee met four times to discuss, among others, the following topics: structure and evolution of the workforce, examination of the remuneration of Directors, proposal to appoint a consultant external to assist the Board of Directors in the performance of its annual evaluation, in that of its specialized Committees, in that of the Chairman and in that of the Vice-Chairman-General after verification of its independence; Proposal for re-election of the Director to whom his term expired; evaluation and proposal for the incorporation of a new member within the Human Resources, Appointments and Remuneration Committee and within the Audit Committee; proposal for the appointment of a new Coordinating Director.

AUDIT COMMITTEE		
Name	Position	Type
MR. JOAQUÍN COELLO BRUFAU	BOARD MEMBER	Independent
MR. JOAQUÍN FAURA BATLLE	CHAIRMAN	Independent
MR. ÁLVARO DE LA SERNA CORRAL	BOARD MEMBER	External Proprietary Director

% executives directors	0.00
% proprietary directors	33.33
% independent directors	66.67
% other external	0.00

Explain the functions, including, if applicable, those additional to those legally envisaged, which have been attributed to this committee, describe the procedures and rules for the organization and functioning of the same. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it either in the law or in the articles of association or other corporate resolution.

The procedure of the Audit Committee, are regulated in Article 23 of the Articles of Association and Article 11 and related provisions of the Regulations of the Board of the Company.

As of December 31, 2018, it is composed of three directors, two independent and presided over by one Director of this category.

The basic duties attributed of the Audit Committee are:

a) To inform the General Assembly of Shareholders on matters raised there by the shareholders on matters within its jurisdiction and in particular on the outcome of the audit, explaining how it has contributed to the integrity of the financial information and the role that the Audit Committee has played in this process.

b) Establish and supervise a procedure that allows employees to communicate, in a confidential manner, and if deemed anonymous anonymity, irregularities of special importance, particularly financial and accounting that they notice wider Society.

c) Supervise the effectiveness of the Company's internal control and risk management systems including control systems over financial reporting and discuss with auditors or external audit firms the significant weaknesses of the internal control system detected in the Company. Development of the audit, without breaking their independence.

d) Know and supervise the process of preparation and presentation of regulated financial information. Prior to the adoption of the corresponding resolution by the Board, the Audit Committee shall inform the Board about the periodic financial information as well as other information that the Company must disclose to the markets and its supervisory bodies, presenting, where appropriate, recommendations or Proposals aimed at safeguarding the integrity of such information

e) Maintain a fluid relationship with external auditors to receive information on any issues that may jeopardize their independence, for consideration by the Committee, and any others related to the accounts development process and the auditing technical standards. The Committee must in any case receive written confirmation annually from the auditors of their independence from the entity or from entities directly or indirectly linked to it, and information on any additional services provided to these entities by said auditors or by persons or entities linked to them, in line with the provisions of the legislation on auditing accounts.

f) The Committee must issue an annual report, prior to the release of the audit report, expressing an opinion about the auditors' or auditing firms' independence. This report must in any case pronounce on the provision of the additional services referred to in the previous section e).

g) Establish and supervise a procedure that allows employees to communicate, in a confidential manner, and if deemed anonymous anonymity, irregularities of special importance, particularly financial and accounting that they notice wider Society.

During the exercise 2018, the Audit Committee, It has met six times to discuss, among others, the following issues: supervision Financial Statements and the management information of the Company and the consolidated group, review and reporting to the Board on Intermediate Management Report, in relation to the Half-yearly interim reports, analysis and study of financial policy, informing the Board of Directors, examine the communications received through the Communications Channel, examine the Internal Control for the prevention of criminal risks. authorization of the contract with PricewaterhouseCoopers Auditores, S.L., for the rendering of due diligence services in relation to the purchase of the company Clariana, S.A. and its subsidiary Boncompte Sierra S.L.U.

Identify the directors who are members of the Audit Committee who have been appointed Chairman on the basis of knowledge and experience of accounting or auditing, or both, and state the date that said director was appointed Chairman

Name of directors with experience	MR. JOAQUIN COELLO BRUFAU// MR. JOAQUÍN FAURA BATLLE // MR. ALVARO DE LA SERNA CORRAL
Date of appointment as Chairman	20/06/2018

C.2.2 Fill in the following table with information on the number of female directors sitting on board committees over the last four years.

	Number of female directors							
	Exercise 2018		Exercise 2017		Exercise 2016		Exercise 2015	
	Number	%	Number	%	Number	%	Number	%
HUMAN RESOURCES, NOMINATIONS AND REMUNERATIONS COMMITTEE	1	0.00	1	0.00	1	0.00	0	0.00
AUDIT COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 Indicate, where applicable, the existence of Committee regulations, the location at which they are available for consultation, and the modifications that have been made during the financial year. Also indicate whether any annual report on each Committee's activities has been voluntarily drafted.

HUMAN RESOURCES, NOMINATIONS AND REMUNERATION COMMITTEE

The competencies and performance standards of the Commission of Human Resources, Nominations and Remunerations are governed by Article 23 Article of Association and 12 and related provisions of the Regulation in the Board of Directors of the Company, the text of which is available on the corporate website.

AUDIT COMMITTEE

The competencies and performance standards of the Audit Committee are regulated in Article 23 of the Articles of Association and Article 11 and related provisions of the Regulations of the Board of the Company, whose texts are available on the corporate website.

The Audit Committee prepares one Annual Activity Report.

D. RELATED-LINKED TRANSACTIONS AND INTRA-GROUP

D.1. Explain, if applicable, the procedures for approving related party or intra-group transactions.

The linked transactions, with related parties, if they take place and their significance so requires, must be submitted and approved by the Board of Directors.

D.2. Detail the significant operations that imply a transferral of resources or obligations between the Company and entities within its Group and the significant shareholders of the Company:

Name or Corporate Name of significant shareholder	Name or Corporate Name of the Company or Group Company	Nature of relationship	Type of operation	Amount (Thousand Euros)
INSINGER DE BEAUFORT ASSET MANAGEMENT N.V.	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	532
FIDELITY INTERNATIONAL LIMITED	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	270
SANTA LUCIA S.A. COMPAÑIA DE SEGUROS Y REASEGUROS	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	615
INDUMENTA PUERI, S.L.	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	1,109
SANTANDER ASSET MANAGEMENT S.A. SGIIC	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	752
EDM GESTION S.A. SGIIC	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	471

D.3. Detail the significant operations that imply a transferral of resources or obligations between the Company and entities within its Group and the Directors or Executives of the Company:

Name or corporate name of the directors or executives	Name or Corporate Name of the Company or Group Company	Nature of relationship	Type of operation	Amount (Thousand Euros)
MR. ANTONIO CANET MARTÍNEZ	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	148
JOANFRA, S.A.	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	1.008
MR. JORGE MERCADER MIRÓ	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	1.822
MR. JAVIER BASAÑEZ VILLALUENGA	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	34
MR. ÁLVARO DE LA SERNA CORRAL	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	13
MR. CARLES-ALFRED GASÒLIBA BÖHM	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	24
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	14
MR. JORGEMERCADER BARATA	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	59
MRS. MARINA JURADO SALVADO	MIQUEL Y COSTAS & MIQUEL S.A	Executive	Dividends and other distributed profit	17
MR. JAVIER ARDIACA COLOMER	MIQUEL Y COSTAS & MIQUEL S.A	Executive	Dividends and other distributed profit	10
MR. JOSEP PAYOLA BASSETS	MIQUEL Y COSTAS & MIQUEL S.A	Executive	Dividends and other distributed profit	14

Name or corporate name of the directors or executives	Name or Corporate Name of the Company or Group Company	Nature of relationship	Type of operation	Amount (Thousand Euros)
MR. JAVIERGARCÍA BLASCO	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	14
MR. JOAQUÍN FAURA BATLLE	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	3
MS. OLGA ENCUENTRA CATALÁN	MIQUEL Y COSTAS & MIQUEL, S.A.	Board Member	Dividends and other distributed profit	5
MS. JOSE MARIA MASIFERN VALÓN	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	10
MR. IGNASI NIETO MAGALDI	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	3

D.4. Detail the significant transactions in which the company has engaged with other companies belonging to the same group, except those that are eliminated in the process of drawing up the consolidated financial statements and that do not form part of the company's habitual traffic with respect to its object and conditions.

In any event, provide information on any intra-group transaction with companies established in countries or territories considered tax havens

Name of Group Company	Brief description of operation:	Amount (Thousand Euros
No Dates		N.A.

D.5 State the amount of the transactions carried out with other related parties.

Name of related party	Brief description of operation:	Amount (Thousand Euros
No Dates		N.A.

D.6. Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and/or the Group, and its directors, Executives or significant shareholders.

In accordance with Act 8.2 of the Internal Rules of Conduct, people subject to it are obliged to inform the Secretary of the Board of Directors about the possible conflicts of interest to which they are subject as a result of their family relations, their personal property or for any other reason. Any doubt about the possibility of a conflict of interest, must be brought to the Secretary of the Board before adopting any decision which might be affected by the said conflict of interest.

Article 21.2 of the Regulations of the Board of Directors establishes that, before accepting any managerial position in another company or entity that may represent a conflict of interest, the Director should consult the Human Resources Committee.

In addition to the above, annually, the Board members make a declaration concerning the situation of conflict of interest of what the Secretary records in writing in the register of conflicts of interest.

D.7. Is there more than one listed Company of the Group in Spain?

[ ] Yes
[3] No

Identify the subsidiary Companies that are listed in Spain:

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of the company's Risk Management System including risks of a tax-related nature.

The Audit Committee complying tasks set out in the Bylaws and the Regulations of the Board of Directors business risk controls, supervises and directs the actions of the Internal Control Service relative risks the business in general and in particular those relating to information and observation of legality in its commercial, penal and tax issues.

E.2. Identify the corporate bodies responsible for drawing up and enforcing the Risk Management System including tax-related risks.

1. - Human Resources, Nominations and Remunerations Committee:

Under its supervision and control are all aspects of the personnel providing the services: prevention and security, retention, replacement, etc.

2. - Audit Committee:

Understand and supervise the financial reporting and Internal Control Systems of the Company as well as the internal control report for the risk prevention of the Company.

3. - Managing Committee:

Belongs to the managerial level and control the industrial operational areas, both productive and logistics general, including environmental and trade.

4. - Risk and Control Committee:

Belongs to the managerial level and have assigned the functions of control economic, financial, and legal and credit risk control and risk of accidents in their prevention and insurance.

5. - Investments and Environment Committee

Belongs to the management level monitoring of risks associated with investments in fixed assets in all its considerations: management, environment, etc.

6. - Area Committees:

Monitoring the operational and commercial aspects of each of the business areas of the Group.

E.3. Indicate the main risks, including fiscal, which may prevent the company from achieving its business targets.

The principal risks identified and managed in the Miquel y Costas Group are summarised below:

Macro-economic risks:
Raw Materials and Energy.
Economic and financial environment.
Legal and regulatory. in civil, commercial, and tax matters among others

Operations and Markets:
Sector concentration.
Quality and quality assurance.
Research and development of new products.

Facilitation:
Integrity of assets.
IT systems.
Human resources.

E.4. Identify whether the entity has a risk tolerance level including tax-related risks.

The Company considers that has sufficient capacity and is properly prepared to withstand and manage the risks that have identified.

E.5 State what risks, including tax-related risks, have occurred during the year.

Materialized risk in the exercise: Legal risk Circumstances that have motivated: New stages of a petition a former distributor in Italy for breach of contract and proceedings.

Risk arising during the year: Environmental Risk: The Management Committee has overseen and taken the appropriate measures to remedy any small incidents arising from the activity

Risk materialized in the fiscal year: Fiscal. The Tax Agency has opened a process of checking the main taxes to those that the Company and two subsidiaries are subject

E.6. Explain the response and supervision plans for the principal risks faced by the company including tax-related risks.

The Company monitors all legislation that affects you through its Committees, its Executive Committee, of its internal and external collaboration of its advisory services. As soon as he is known, the channels through areas responsibility should be aware of it for proper compliance.

Additionally, the Board of Directors and, where appropriate, the Audit Committee make selective monitoring implementation, adequacy and compliance with those rules.

In the tax area, in addition to supervising Corporate Tax, the Value Added Tax and the other taxes to which it is subject, it has responded to the information requirements established by the current inspection.

F. SYSTEMS OF INTERNAL RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk management and control systems for financial reporting (ICFR) in the entity.

F.1. The entity's control environment

Give information, describing the key features of at least:

F.1.1 which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision

Audit Committee, as provided in Article 11.2 c) of the Regulations of the Board of Directors, which lists basic responsibilities entrusted with the monitoring of the effectiveness of internal control system of the Company, as well as knowledge and monitoring the process of preparing and presenting the Financial Information Regulated. Under his direction operates the internal audit service.

F.1.2 whether, especially in the process of drawing up the financial information, the following elements exist:

- Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity

The goal of the Human Resources, Nomination and Remuneration Committee is the review and definition of the organizational structure and reporting and submission to the Board of Directors. Council acting by delegation, the General Management is responsible for implementing the resolutions of the Board in relation to the Group's organizational structure.

The Company has documented internal procedures to ensure the correct development of the assigned functions

- Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether specific mention is made of recording the transactions and drawing up of the financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions.

The Company has an internal Code of Conduct approved by the Board of Directors which defines the principles and standards of practice in Stock Markets. Company's staffs are familiar with and understand such regulations, and a copy of the Code of Conduct is available in the corporate website and the C.N.M.V. website.

That regulation, since its original version, has been adapted how many legislative changes or other has been required, having adopted its current wording in the meeting of the Board of Directors in July 25, 2016.

Additionally it has procedures that establish the action guidelines and give the treatment to sensitive information.

- Whistle-blower channel, to allow financial and accounting irregularities to be communicated to the audit committee, as well as possible non-compliance with the code of conduct and irregular activities in the organisation, reporting where applicable if this is confidential in nature.

The Audit Committee has implemented a channel for collecting confidential communications of employees so that they can transfer the relevant irregularities, among others, conduct or activities of the organization irregulars or breaches of the code of conduct, which can detect in any company of group.

- Periodic training and refresher courses for employees involved in preparing and revising the financial information, and in ICFR assessment, covering at least accounting standards, audit, internal control and risk management.

The staff involved in the preparation and review of Financial Information and who are responsible for the evaluation of Internal Control Systems participate in training programs and are regularly updated in relation to accounting standards, internal control and risk management.

These training programs are mainly promoted by the directives of areas, with the Human Resources Department responsible for the supervision and mentoring.

F.2. Financial reporting risk assessment

Give information on at least:

F.2.1 the key features of the risk identification process, including error and fraud risks, with respect to:

- If the process exists and is documented.

For corporate risk management, the Company has designed a comprehensive risk map of the most important processes involved in determining Financial Information. This document is based on the model proposed by the COSO report and is updated on an on-going basis within the Internal Audit Plan.

This document establishes that corporate risk management is a process undertaken by the Board of Directors and the Committees, together with Management and other staff of the Company, and that its basic function is the identification and evaluation of potential occurrences that could jeopardize the attainment of the Company´s objectives.

- Whether the process covers all the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), whether the information is updated and with what frequency.

The framework for corporate risk management is aimed primarily at achieving the objectives of the Company from the perspective of financial reporting and as part of the on-going process of risk evaluation includes verification of compliance with the following principles:

- Integrity.
- Appropriate registry.
- Proper valuation.
- Adequate cut-off on operations.
- Adequate presentation and classification.

- The existence of a process for identifying the consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, instrumental or special purpose vehicles.

Financial Management carries out an on-going identification process of the scope of consolidation of the MCM Group, continuously for which has multidepartment information sources.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they impact the financial statements.

Internal Control System is focused on assessing the risk of achieving the objectives related to the category Financial Information; however, the evaluation process includes objectives related to operational and regulatory compliance. An evaluation of risks related to the environment, quality, knowledge, development, intellectual and industrial property and reputation is included within these operational objectives and their performance.

- Which of the entity's governance bodies supervises the process.

Ultimately, the Board of Directors, through the Audit Committee, which has delegated the responsibility to periodically monitor the Internal Control System and the Risk Management of the Company.

F.3. Control activities

Give information on the main features, if at least the following exist:

F.3.1 Procedures for review and authorisation of the financial information and the description of the ICFR, to be published on the securities markets, indicating who is responsible for it, and the documentation describing the activity and controls flows (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgements, estimates, valuations and projections.

The Interim Half Year Financial Reporting is analysed by the Audit Committee, in accordance with the authority delegated by the Board of Directors.

The Board of Directors is the body that decides, based on the Audit Committee's report, the terms of the Financial-Economic Information that the Company must make public.

The Accounting and Consolidation Department together with the Management Control Department prepare monthly Financial Information of all Group companies, manage and monitor the transactions supporting documentation and processes in response to risk prevention. This Financial Information is reviewed and analysed, together with estimates and valuations, within the Management Committee and the Committee of Control and Risk Management.

General Management presents to the Board of Directors at least monthly, the information of the period.

F.3.2 Internal control policies and procedures on information systems (inter alia, on access security, control of changes, operation thereof, operating continuity and separation of functions) which support the relevant processes of the company in drawing up and publishing financial information.

The Company has internal updated and published policies and procedures relating to the operation of Information Systems and security access, segregation of duties, as well as the development and maintenance of software applications.

Access to the Information System is assigned to the Department of Information Systems and adequate human and technical resources are made available for its proper performance.

The Group has a contingency plan for data recovery and to ensure continuity of operations, which is continually revised and updated.

The annual review of internal control performed by the external auditors of the Group includes verification checks of Information Systems.

F.3.3 Internal control procedures and policies designed to supervise the management of activities subcontracted to third parties, and those aspects of the valuation, calculation and assessment outsourced to independent experts, which may materially impact the financial statements.

The majority of the valuation, judgment or calculation processes utilized in the preparation and publication of financial statements, as well as other processes relevant to the preparation of Financial Information, are carried out by Internal Services. Outsourced activities, which mainly relate to valuation matters, are intended to compare and check internal estimates.

Third-party subcontracting is the responsibility of the contracting party supervising and monitoring such engagement. Before setting up a collaboration agreement with a subcontracted company, the area of business affected by this ensures the skills, accreditation and technical and legal capacity of the third party.

F.4. Information and communication

Give information on the main features, if at least the following exist:

F.4.1 A specific function to define and keep the accounting policies updated (accounting policy department or area) and deal with queries or conflicts stemming from their interpretation, ensuring fluent communication with those in charge of operations in the organisation, and an up-to-date manual of accounting policies, communicated to the units through which the entity operates.

The Accounting and Management Control Department is responsible for defining and keeping up to date the accounting policies of Group MCM, as well as keeping those responsible for the applicable areas informed of any changes or updates to such policies, and resolving conflicts related to their interpretation.

The accounting policies applied by the Company are based on the framework established in the Code of Commerce, the General Accounting Plan in force and other corporate legislation, as well as the International Financial Reporting Standards and European Directives and Regulations in this regard taken by the European Union.

F.4.2 Mechanisms to capture and prepare the financial reporting in standardised formats, for application and use by all the units of the entity or the group, that support the main financial statements and the notes, and the information detailed on ICFR.

The Group's information systems are mainly supported by an integrated corporate application (ERP) allowing a centralised and automated management of the different areas such as production, orders, sales, purchases, logistics, stock and control of warehousing, accounting, payroll, etc., and that provides reliability in the processes and a certain degree of security regarding the integrity, reliability and uniformity of the financial information obtained.

Affiliated companies that form part of the Consolidated Group in Spain, follow a single chart of accounts and homogeneous. The information is processed by the integrated management system which enables automatic capture of Financial Information and its preparation by the Corporate Accounting Department. The companies not integrated in this associated computer system and some of the foreign companies follow the criterion of maximum homogeneity and additionally the Group has implemented control measures that guarantee that the financial data collected by these companies are complete, accurate and timely in a timely manner.

F.5. Supervision of the system's operation

Give information, describing the key features of at least:

F.5.1 The ICFR supervision activities carried out by the Audit Committee and whether the entity has an internal audit function whose powers include providing support to the Audit Committee in its task of supervising the internal control system, including the ICFR. Likewise, give information on the scope of the ICFR assessment carried out during the year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on the financial reporting has been considered.

The Audit Committee. Its functions are focused on evaluating the proper design, implementation and effective functioning of all processes of the Company, as well as risk management systems and internal control, including SCIIF.

The Audit Committee approves the annual work plan and performs periodic monitoring. At its meetings, the Audit Committee discusses the evaluations and recommendations that Internal Audit Team has issued and proposes appropriate corrective measures and evaluates the effects of implementation.

F.5.2 Whether there is a discussion procedure by which the auditor (in line with the technical auditing notes), the internal audit function and other experts can inform the senior management and the audit committee or the directors of the entity of significant weaknesses in the internal control encountered during the review processes for the annual accounts or any others within their remit. Likewise, give information of whether there is an action plan to try to correct or mitigate the weaknesses observed.

The Audit Committee keeps in regular contact with the External Auditor and the Internal Audit Department. The Committee is the body that keeps the Board of Directors informed about the matters dealt with and the actions taken.

During the Committee's meetings with the External Auditor it is discussed the work programme and conclusions thereof regarding the internal control carried out during the audit process of the annual accounts.

The Committee, monitors the activity carried out and the compliance with the agreed action plans to reduce any weaknesses in the sector.

Financial management keeps in regular contact with the External Auditor to corroborate actions taken to prevent or redirect any weaknesses identified.

F.6. Other relevant information

The relevant information has been previously described.

F.7. External auditor report

Report of:

F.7.1 Whether the ICFR information disclosed to the markets has been submitted to review by the external auditor, in which case the entity must attach the corresponding report as an annex. Otherwise, explain the reasons why it was not.

The Company believes that the systems offer sufficient guarantee of quality of their financial information.

G. DEGREE OF COMPLIANCE OF THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations given in the Unified Code of Good Governance.

Should any recommendation not be followed or be only partially followed, a detailed explanation should be given of the reasons so that the shareholders, investors and the market in general have sufficient information to assess the way the company works. General explanations will not be acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

   Complies ☑ Explain

2. When a dominant and a subsidiary company are publicly traded, the two should provide detailed disclosure on:

   a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

   b) The mechanisms in place to resolve possible conflicts of interest.

   Complies Complies partially Explain Not applicable☑

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

   a) Changes taking place since the previous annual general meeting.

   b) The specific reasons for the company not following a given Good Governance Code recommendation and any alternative procedures followed in its stead.

   Complies ☑ Complies partially Explain

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

   This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

   Complies ☑ Complies partially Explain

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complies ☑ Complies partially Explain

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) Report on auditor independence.

b) Reviews of the operation of the audit committee and the nomination and remuneration committee.

c) Audit committee report on third-party transactions.

d) Report on corporate social responsibility policy.

Complies Complies partially☑ Explain

The Committee audit, and the Human Resources Committee, Nomination and Remuneration Committee analyze the issues referred to in paragraphs a) and d) above and inform the Board of Directors. The Company has a report on the independence of the auditor and a report on the activities of the Committee audit. The latter is available to shareholders who request it from the date of convening the General Meeting until its conclusion.

The Human Resources Committee, Nomination and Remuneration Committee reports in detail to the Board of Directors of its activities and operation.

The Company is in the process of preparing a report on corporate social responsibility policy beginning in the year 2018 that will contain the actions carried out in the year in relation to the same.

The preparation of a report on corporate social responsibility policy during the year is foreseen.

7. The company should broadcast its general meetings live on the corporate website.

Complies Complies partially Explain ☑

The Company does not consider it necessary, for the moment, broadcast live general meetings of shareholders because of the complexity and cost it involved.

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Complies ☑ Complies partially Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies ☑ Complies partially Explain

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies Complies partially Explain Not applicable ☑

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies Complies partially Explain Not applicable ☑

12. The board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies ☑ Complies partially Explain

13. The Board of Directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.

Complies ☑ Explain

14. The board of directors should approve a director selection policy that:

a) Is concrete and verifiable.

b) Ensures that the appointment or reelection proposals are based on a prior analysis of the board's needs.

c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies Complies partially ☑ Explain

The selection policy advisors followed by the Company meets the requirements listed in letters a), b) and c) being gender diversity one of the aspects that the Board intends to pay particular attention in future selection processes when vacancies occur within it.

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies Complies partially Explain ☑

Although they are not a majority, the number of proprietary and independent directors is significant. In addition, it must be taken into account that in the case of one of the directors belonging to the category of Other External Members, in origin their membership of the Board was due in their capacity as proprietary.

The current composition of both the Board and its delegated Committees is rooted in the current regulations that can not be considered in any case as independent directors who have been directors for a continuous period exceeding 12 years, which is why two of Independent directors have been considered as external directors.

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies ☑ Explain ☐

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Complies Explain ☑

Initially, the number of independent directors on the Board was four, but, due to current regulations, two of them have been re-qualified to the category of Other External Directors.

18. Companies should disclose the following director particulars on their websites and keep them regularly up dated:

a) Background and professional experience.

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.

d) Dates of their first appointment as a board member and subsequent re-elections.

e) Shares held in the company, and any options on the same.

Complies ☑ Complies partially Explain

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies ☑ Complies partially Explain Not applicable ☐

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latters' number should be reduced accordingly.

Complies ☑ Complies partially Explain Not applicable

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complies Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decides whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies ☑ Complies partially Explain

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies ☑ Complies partially Explain Not applicable ☐

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Complies ☑ Complies partially Explain Not applicable ☐

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of director's regulations should lay down the maximum number of company boards on which directors can serve.

Complies ☑ Complies partially Explain

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies ☑ Complies partially Explain

27. Director absences should be kept to a strict minimum and quantified in the Annual Corporate Governance Report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Complies ☑ Complies partially Explain

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Complies ☑ Complies partially Explain Not Applicable ☐

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies ☑ Complies partially Explain

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies ☑ Explain Not Applicable ☐

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complies ☑ Complies partially Explain

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies ☑ Complies partially Explain

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies ☑ Complies partially Explain

34. When a lead independent director has been appointed, the Bylaws or Board of Directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman and vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Complies ☑ Complies partially Explain Not Applicable ☐

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies ☑ Explain

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the board's operation.

b) The performance and membership of its committees.

c) The diversity of board membership and competences.

d) The performance of the chairman of the board of directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process.

This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies ☑ Complies partially ☐ Explain

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Complies Complies partially Explain Not Applicable ☑

38. The board of directors should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Complies Complies partially Explain Not Applicable ☑

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Complies ☑ Complies partially ☐ Explain

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies☑ Complies partially Explain

41. The head of the unit handling internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies ☑ Complies partially Explain Not Applicable ☐

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, reelection and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event,accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies ☑ Complies partially Explain

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies ☑ Complies partially Explain

44. The Audit Committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies ☑ Complies partially Explain Not Applicable ☐

45. Risk control and management policy should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other offbalance-sheet risks.

b) The determination of the risk level the company sees as acceptable.

c) The measures in place to mitigate the impact of identified risk events should they occur.

d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

Complies ☑ Complies partially Explain

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complies ☑ Complies partially Explain

47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies ☐ Complies partially ☑ Explain

The members of rhe Human Resources Committee, Nomination and Remuneration Committee have the knowledge, aptitudes and experience appropriate to the functions they have to perform within it.

The Human Resources Committee, Nomination and Remuneration Committee is composed, in accordance with the provisions of article 529 quindecíes by non-executive directors, two of which hold the status of independent directors, including their Chairman.

The current composition of both the Board and its delegated Committees is rooted in the current regulations that can not be considered in any case as independent directors who have been directors for a continuous period exceeding 12 years, which is why two of Independent directors have been considered as external directors.

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Complies Complies partially Explain Not Applicable ☑

49. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive Directors.

When there are vacancies on the board, any Director may approach the Nomination Committee to propose candidates that it might consider suitable.

Complies ☑ Complies partially Explain Not Applicable ☐

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior officer contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Complies ☑ Complies partially Explain

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies ☑ Complies partially Explain

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be minuted and a copy made available to all board members.

Complies Complies partially☑ Explain Not Applicable

The composition of the Human Resources, Appointments and Remuneration Committee is adapted to the provisions of the Capital Companies Act. It is composed of six directors, none of them executives. Two of its members hold the status of independent, not constituting, therefore, a majority of Directors of this category within the committee.

The current composition of both the Board and its delegated Committees is rooted in the current regulations that can not be considered in any case as independent directors who have been directors for a continuous period exceeding 12 years, which is why two of Independent directors have been considered as external directors.

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the communication and relations strategy with shareholders and investors, including small and medium sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholder groups.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies ☑ Complies partially ☐ Explain

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be deployed.

b) The corporate strategy with regard to sustainability, the environment and social issues.

c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.

d) The methods or systems for monitoring the results of the practices referred to above and identifying and managing related risks.

e) The mechanisms for supervising non-financial risk, ethics and business conduct.

f) Channels for stakeholder communication, participation and dialogue.

g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies ☑ Complies partially Explain ☐

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Complies Complies partially ☑ Explain

The actions carried out by the Company in this matter are not documented in an independent report except for issues related to CO_2 emissions and the management of water resources, in which the Group has a report that documents and evaluates the policies followed and the actions carried out in these areas.

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not as high as to compromise the independent judgement of non-executive directors.

Complies ☑ Explain

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies ☑ Complies partially ☐ Explain

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards on going achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies ☑ Complies partially Explain Not Applicable ☐

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies ☑ Complies partially Explain Not Applicable ☐

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduces their amount.

Complies ☑ Complies partially Explain Not Applicable ☐

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies ☑ Complies partially Explain ☐ Not Applicable ☐

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies Complies partially ☑ Explain Not Applicable ☐

The Directors are free to transfer the acquired shares

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data subsequently found to be misstated.

Complies ☑ Complies partially Explain Not Applicable ☐

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies ☑ Complies partially Explain Not Applicable ☐

H. OTHER INFORMATION OF INTEREST

1. If there is any other aspect relevant to the corporate government in the company or in the group entities that has not been reflected in the rest of the sections of this report, but is necessary to include to provide more comprehensive and well-grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly.

2. This section may also include any other relevant information, clarification or detail related to previous sections of the report insofar as they are relevant and not reiterative.

   Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the mandatory information to be provided when different from that required by this report.

3. The company may also indicate if it has voluntarily signed up to other international, industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing. In particular, mention will be made as to whether it has adhered to the Code of Best Tax Practices (Código de Buenas Prácticas Tributarias) of 20 July 2010.

A.2

The figures presented correspond to those reported by the owner to the CNMV and the Company, assuming that there have been no subsequent transactions of purchase or sale of securities, and once adjusted for the corporate operations. For these reasons, the reported values may not exactly match the reality of the participation.

It is also stated that the information provided by the direct holders is the one that the indirect holder has informed the Company

A.3

In relation to the shares of Mrs. Mercedes de la Serna Villalonga and Mrs. Jimena de la Serna Villalonga, indirect shares of Mr. Álvaro de la Serna Corral, it should be noted that in both cases the percentage of voting rights attributed to the shares as well as the total percentage of voting rights amounts to 0.001%.

H.1.1.

The content mentioned in this report referred to the Spanish local legislation as well as the other information published by Miquel y Costas & Miquel, S.A. in Spain are available in the Company's corporate website (www.miquelycostas.com) and in the Comisión Nacional del Mercado de Valores (C.N.M.V.) website (www.cnmv.es).

Section C.1.4

The number of Female Directors that is mentioned corresponds with the representative, individual of the External Proprietary Directors Joanfra S.A

Section C.1.25

During the financial year 2018 the Board of Directors held 12 face-to-face meetings and on 1 occasion adopted resolutions through the procedure of adoption of resolutions in writing and without face-to-face sessions foreseen in article 248.2 of the Capital Companies Law and in article 100 of the Regulations of the Board of Directors

This annual report on corporate governance has been approved by the Company's Board of Directors on

25/03/2019.

Indicate whether any board members have voted against or abstained with respect to the approval of this report.

[ ] Sí
[3] No

miquel y costas & miquel, s.a.

(Free translation from Spanish)

Mr. Francisco Javier Basañez Villaluenga with DNI No. 36949799-T, in his capacity as Secretary of the Board of Directors of the Mercantile Company Miquel y Costas & Miquel, S.A., established in Barcelona, street Tuset, No. 10, with NIF No. A-08020729.

CERTIFIES:

That dated March 25, 2019, the Board of Directors of Miquel y Costas & Miquel, S.A. approved the Non-financial information statement of the Company for the year 2018. This report consists of 26 pages, and is presented together with the verification report issued by independent lender. These documents is attached as separate section to the Management Report accompanying 2018 financial statements of the Consolidated Group, which have been formulated on the same date by all members of the Board of Directors and unanimously approved.

Barcelona, 26 March 2019.

(Free translation from Spanish)

NON-FINANCIAL INFORMATION STATEMENT

The data contained in this document attached as Appendix II, refer basically to the Group as well as to Miquel y Costas & Miquel, S.A., since such data and mainly the consolidated data are those used by the Directors and Management in management

Miquel y Costas & Miquel, S.A. and subsidiaries

Independent verification report
of Consolidated Non-Financial Information Report
for the year ended December 31, 2018

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDEPENDENT VERIFICATION REPORT

To the shareholders of Miquel y Costas & Miquel, S.A.,

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying Consolidated Non-Financial Information Statement ("NFIS") for the year ended 31 December 2018 of Miquel y Costas & Miquel, S.A. and subsidiaries ("Grupo Miquel y Costas") which forms part of Grupo Miquel y Costas' Consolidated Management Report.

The content of the NFIS includes additional information to that required by current commercial legislation on non-financial reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in the Appendix I. "Traceability table under Law 11/2018" included in the accompanying NFIS.

Responsibility of the Directors

The preparation of the NFIS included in Grupo Miquel y Costas' Management Report and the content thereof are the responsibility of the Board of Directors of Miquel y Costas & Miquel, S.A. The NFIS has been drawn up in accordance with the provisions of current commercial legislation and with the selected Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") in line with the details provided for each matter in the Appendix I. "Traceability table under Law 11/2018" in the mentioned NFIS.

This responsibility also includes the design, implementation and maintenance of the internal control that is considered necessary to ensure NFIS is free from material misstatement, due to fraud or error.

The Directors of Miquel y Costas & Miquel, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFIS is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance verification report based on the work carried out in relation solely to fiscal year 2018. The data relating to previous years were not subject to the verification envisaged in current commercial legislation. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in terms of nature and timing of execution, and are more restricted than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to Management and several Grupo Miquel y Costas' units that were involved in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with Grupo Miquel y Costas personnel to ascertain the business model, policies and management approaches applied and the main risks related to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the content included in the NFIS for 2018 based on the materiality analysis carried by Grupo Miquel y Costas, considering the content required under current commercial legislation.
- Analysis of the procedures used to compile and validate the information presented in NFIS for 2018.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFIS for 2018.
- Verification, through sample testing, of the information relating to the content of the NFIS for 2018 and its adequate compilation using data supplied by the information sources.
- Obtainment of a management representation letter from the Directors and Management.

Conclusions

Based on the procedures performed in our verification and on the evidence we have obtained, no matters have come to our attention which may lead us to believe that the 2018 NFIS of Miquel y Costas & Miquel, S.A. and subsidiaries for the year ended 31 December 2018 has not been prepared, in all of their significant matters, in accordance with the provisions of current commercial legislation and with the selected GRI Standards in line with the details provided for each matter in the Appendix I. "Traceability table under Law 11/2018" in the mentioned NFIS.

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Ignacio Marull

26th April, 2019

APPENDIX II

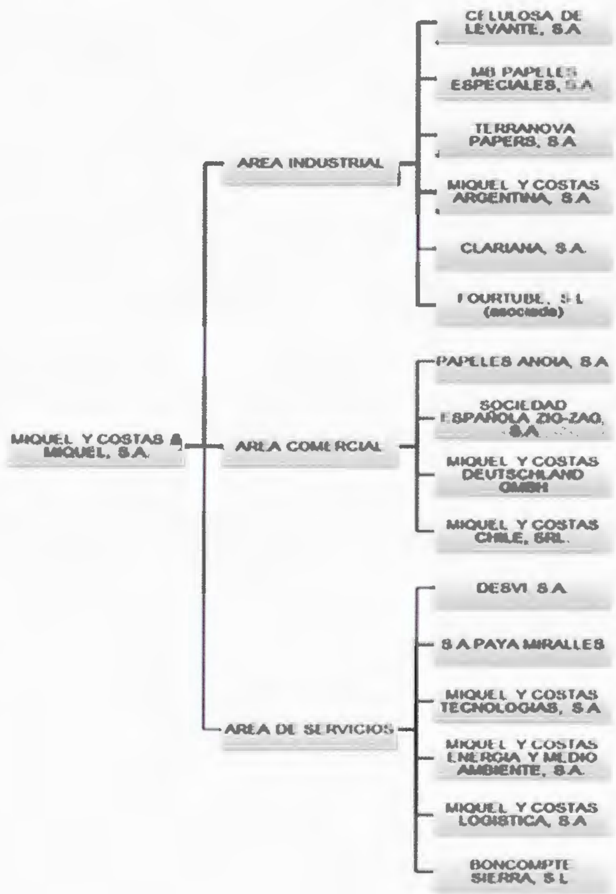
NON-FINANCIAL INFORMATION STATEMENT OF THE MIQUEL Y COSTAS GROUP

(Free translation from Spanish)

This Non-Financial Information Statement, which forms part of the Consolidated Directors' Report for 2018, complies with the general provisions of Law 11/2018 of 28 December, whereby the Spanish Code of Commerce was amended, the revised Spanish Companies Act introduced under Royal Decree-Law 1/2010 of 2 July, and Audit Law 22/2015 of 20 July, relating to non-financial information and diversity, by reference to the Global Reporting Initiative Standards related to the content of the Law, as set out in Appendix I. Traceability table under Law 11/2018.

1. The Group's business model

Miquel y Costas & Miquel, S.A. is the parent company of the Miquel y Costas Group (hereinafter the Group), an industrial group having its registered office at calle Tuset, 8 y 10, 7ª planta, 08006-Barcelona. The Group's current parent company was incorporated as a public limited liability company ("sociedad anónima") in 1929 and the Group is now formed by 15 subsidiaries and 1 associate. While still a paper business, the Group's activities range from industrial manufacturing to marketing and services. The Group companies are shown below:



The main corporate purpose since the outset has been the manufacture of low-grammage fine and specialty papers, the main specialty being high-tech paper for cigarettes, as well as printing paper, specialty paper and cellulose pulp (from annual plantations). Following the acquisition of the company Clariana, S.A. in the middle of 2018, the Group's business also includes the manufacture of coloured paper and card.

The Group currently has three main business lines: "Tobacco industry" products, "Industrial products" and "Other", consisting of marketing, services and other activities.

The Group's in-depth knowledge of the manufacture of specialty papers, perfected by means of systematic research and technological experience, has allowed it to extend the portfolio to include other products based on similar technical fundamentals.

This effort and experience is reflected in the quality of the cigarette paper, specialty paper for industry, printing paper and specialty pulps manufactured, placing the Miquel y Costas Group in a leading position in Spain's paper industry among manufacturers of low-grammage papers, as well as in a pre-eminent position worldwide.

The industrial activity is highly integrated, so synergies are generated in the research and technology areas both to develop new products and in relation to process control and management, where the Group has made considerable progress.

The Group has industrial plants in Besós (Barcelona), Capellades (Barcelona) and Mislata (Valencia) engaged in the production of fine and specialty lightweight and converted papers, particularly for the cigarette industry; in Tortosa (Barcelona), where it produces textile pulps using flax and hemp for the cigarette industry and other fibres for other industrial sectors; in La Pobla de Claramunt (Barcelona), where it has a plant producing speciality papers for industrial uses and another making highly porous specialty papers; in Villarreal (Castellón), which manufactures coloured paper and card, and in Avellaneda (Buenos Aires, Argentina), making cigarette rolling paper packs and other converted papers. The Group also has an associate, Fourtube (Seville), engaged in the manufacture of converted paper.

The high tech nature of the business, thanks to the Group's own developments, has earned it a place in the majority of the world's markets. In addition to meeting domestic demand, a highly significant portion of the Group's sales are exports, which are deeply rooted in the Group, as shown by the fact that nearly one hundred and twenty-five years ago the Company already had its own sales agencies and a large number of customers in La Habana, México D.F., Valparaíso, New York, etc. Export sales accounted for over 89% in 2018, the main market being the European Union at a little over 34%, while OECD countries and the rest of the world accounted for almost 26% and 29%, respectively.

The international arena in which the parent company and most of the Group companies operate exposes them to foreign exchange risk. Currency fluctuations are partially offset by monetary flows from imports and exports. In aggregate terms, the Group is a net exporter.

As sales are made in a wide variety of markets, the Group is also exposed to trade credit risks, which are managed by means of internal credit policies and credit risk insurance policies.

In a global, fiercely competitive market, the Group invests continuously in research, development and innovation, giving rise to new products that meet the highest standards of quality and consistency, and emerging needs, while the latest generation technology, much of which is exclusive, assures an increase in productivity and quality in the range of products.

The Group consumes power, mainly electricity and gas, so a significant part of its investments are made in technologies designed to enhance production yields and reduce energy consumption, while also managing these resources effectively. Procurement policies are also in place for the main raw materials to minimize the possible impacts of purchase price fluctuations.

The Board of Directors is the Company's ultimate decision-making body, barring matters reserved for the General Meeting. The relevant information is set out in the Annual Corporate Governance Report, which forms part of the 2018 Annual Accounts, as well as in the corporate website http://www.miquelycostas.com/esp/InformeGobierno.php?Ejercicio=2018

2. Environment

The Miquel y Costas Group companies form part of the paper industry and therefore demand forest products. They are engaged in the manufacture and marketing of paper for the tobacco industry and industrial products, one of their objectives being to achieve a high level of commitment to the suitable development of forest management and the efficient use of resources for environmental protection.

The industry has a vision of sustainability based on four action areas: sustainable forest management, efficient and responsible production, contribution to improving the quality of life and wealth generation and leadership in recovery and recycling.

The timber used to produce cellulose is obtained from forest plantations of fast-growing species. These plantations bring various environmental, forest-related, social and economic benefits. In the first case, they help to increase forested areas and conserve natural woodland, as well as acting as efficient CO_2 sinks and providing effective erosion control.

The main economic and social benefits relate to rural development as a driver of employment and wealth creation. They also serve to reduce Spain's raw material deficit, since the paper industry is one of the few sectors showing an extremely high rate of consumption of local raw materials, playing a significant role in stimulating sustainable growth in the forestry industry.

The cellulose and paper sectors are intensive in gas and power consumption. By developing and applying new production technologies that are increasingly environmentally friendly, the paper industry has saved a considerably amount of water and energy, and has considerably cut emissions, discharges and waste generated in the process. A major commitment has been made to cogeneration and clean, renewable fuels.

The general objectives of the environmental policy applied by Miquel y Costas & Miquel, S.A. and its Group are designed to ensure that the products supplied to customers meet stipulated requirements at all times, the necessary operational and human conditions are in place to continuously and profitably improve product quality, and that business activities are conducted in the most environmentally friendly manner possible, minimizing impacts generated.

Miquel y Costas & Miquel, S.A. and its Group have a Quality, Environment, Custody Chain and Product Safety Management System in place in order to achieve their objectives in these areas. The Integrated Management System (IMS) complies with the current version of the UNE-EN ISO 9001 and UNE-EN ISO 14001 standards at all the plants, as indicated in the table below, the IATF 16949 standard at MB Papeles Especiales and Terranova Papers, defining the basic requirements for the automobile quality management system in car and parts companies, and the BRC-IOP Packaging standard at Terranova Papers, which is an international standard developed to provide a common basis for certifying companies that manufacture packaging and packaging materials.

Work centre	Location	Company
Tuset offices	Barcelona	Miquel y Costas & Miquel, S.A.
Besós plant	Barcelona	Miquel y Costas & Miquel, S.A.
Capellades plant	Capellades (Barcelona)	Miquel y Costas & Miquel, S.A.
Mislata plant	Valencia	Miquel y Costas & Miquel, S.A. S.A. Payá Miralles
MB plant	La Pobla de Claramunt (Barcelona)	MB Papeles Especiales, S.A.
TP plant	La Pobla de Claramunt (Barcelona)	Terranova Papers, S.A.
Celesa plant	Tortosa (Tarragona)	Celulosa de Levante, S.A.
Clariana plant	Villarreal (Castellón)	Clariana, S.A.

This report does not include data related to the production plants of Miquel y Costas & Miquel, S.A. in Capellades (Barcelona), Miquel y Costas Logística, S.A., Miquel y Costas Argentina S.A. and the offices in Tuset (Barcelona) due to the limited relevant of related environmental aspects.

Miquel y Costas & Miquel, S.A. and its Group companies have been certified under the UNE-EN ISO 14001:2015 standard since 10-10-2006. This covers the design, production and sale of cigarette, plugwrap and tipping papers for the tobacco industry, cigarette rolling paper packs, fine paper for publishing, the graphics industry and packaging, specialty paper for filters and absorbent paper. Design, production and sale of special cellulose pulps using non-timber fibres.

The custody chain standards FSC-STD-40-003, FSC-STD-40-004, FSC-STD-50-001, PEFC-ST-2002:2013 and PEFC-ST-2001:2008 are also fulfilled by the companies Miquel y Costas & Miquel, S.A. (at all its plants), MB Papeles Especiales, S.A. and Terranova Papers, S.A.

Miquel y Costas & Miquel, S.A. and its Group companies have been custody chain certified since 16-10-2009. This covers fine and specialty papers, filter and absorbent paper for the cigarette industry, printing paper, cigarette rolling paper packs and specialty paper.

As part of the Integrated Management System, Miquel y Costas & Miquel, S.A. and its Group apply:

- The Quality, Environment and Product Security Policy (POLCAM) at the companies Miquel y Costas & Miquel, S.A., MB Papeles Especiales, S.A., Terranova Papers, S.A. and Celulosa de Levante, S.A. (Celesa).

- The Custody Chain Policy (POLCDC) at the companies Miquel y Costas & Miquel, S.A., MB Papeles Especiales, S.A. and Terranova Papers, S.A.

As a result of the IMS and the application of these policies, three procedures are applied to identify, assess, prevent and mitigate significant risks and impacts, as well as for verification and control purposes.

The general supplier assessment procedure (PRCOM02) states that all raw material inputs into the custody chain (wood pulp) must go through the stipulated due diligence system, which is also necessary to comply with Regulation (EU) No. 995/2010 (EUTR) in the case of non-EU suppliers.

As a consequence of the POLCDC and the PRCOM02, FSC or PEFC certified or FSC controlled timber is purchased, thereby reducing the risk of using timber produced in a non-sustainable way.

The general risk and opportunity analysis procedure (PRRYO01) states that each plant that is ISO 9001 and ISO 14001 certified must identify risks and opportunities in its organization annually based on the context, stakeholders and all the IMS processes. The procedure is based on a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis and an FMEA (Failure Mode and Effects Analysis). As a result, preventive actions and improvement plans/objectives are developed to address the risks and opportunities for inclusion in the annual investment plan.

The main risks in the Group's IMS environmental control process identified by means of the general risk and opportunity analysis procedure (PRRYO01) are as follows:

- Possible breach of the thresholds laid down in Integrated Environmental Authorisations (IEAs) for each environmental aspect (emissions, waste, discharges, noise, light and soil)
- Possible incorrect functioning of the environmental Best Available Techniques (BATs) in place in the plants
- Lack of knowledge of amendments to environmental legislation
- Failure to meet deadlines for environmental legal formalities

The procedure for identifying and assessing environmental aspects (PRSAM01) lays down the methodology relating to the activities, products and services of companies that have implemented the IMS, including atmospheric emissions, wastewater, waste, noise and consumption of natural resources and their associated environmental impact from a life cycle perspective.

An assessment is carried out to determine which aspects are significant, as well as the associated risks, to include them in the PRRYO01 and plan preventive actions and improvements/objectives to reduce the environmental impact.

Through the procedure to identify and assess environmental aspects (PRSAM01), the Group identifies the environmental impacts of its activities, the main ones being:

- Consumption: Decrease in natural resources, abiotic depletion, global warming and indirect impacts associated with the manufacture of the good consumed.
- Emissions and smells: Air pollution, abiotic depletion and global warming. Human toxicity.
- Waste: Impacts associated with waste management (decrease in natural resources, air pollution, water pollution and landfill clogging).
- Discharges: Reduction in water quality, abiotic depletion and indirect impacts associated with water purification.
- Noise and light: Disturbance and possible harm to health.
- Soil: Pollution of water and soil, abiotic depletion and aquatic ecotoxicity.

There is a general procedure consisting of annual internal audits (PRAUD01) to verify and control the application of the policies and procedures described. Annual external audits are also carried out by authorized companies under the above-mentioned standards.

In addition, the Miquel y Costas Group works closely with its suppliers and contractors to guarantee their commitment to the environment, as indicated in the POLCAM. The policy is available on the corporate website http://www.miquelycostas.com/esp/PoliticaCalidad.php. As regards supplier assessment from an environmental viewpoint, further information is provided in section 6 (Society) of this report.

A six-monthly procedure is also carried out to check the functioning of the operational control defined and compliance with the environmental policy, objectives and requirements applicable at each plant, as described in the PRSAM04 and in the general internal audit procedure (PRAUD01).

The net investment, after deducting grants received, totaled €5,199 thousand in 2018 (€2,038 thousand in 2017). The Group's main environmental investments in the production process in 2018 were designed to reduce power consumption and so help combat climate change.

As regards investments not directly related to the production process, the main resources were employed to modernize structures through responsible renovation, to undertake projects to guarantee and improve the drying of purification plant sludge, and to optimize and replace power and steam generators, in the last two cases to reduce the consumption of natural resources (water and fuel).

Environmental protection costs incurred by the Group in 2018, after deducting revenue from the sale of by-products, amounted to €3,492 thousand (€2,681 thousand in 2017). They included no extraordinary items and related mainly to fees paid to regional governments for the use of water, raw materials and power consumed in environmental protection activities, and waste collection and treatment.

Pollution and climate change

The main greenhouse gases emitted by the Miquel y Costas Group relate to combustion equipment that generates the steam used in pulp and paper manufacturing processes. These facilities are included in the European Union's emission allowance trading scheme and are regulated accordingly.

Annual emissions are verified annually by an authorized external entity and are reported to the authorities in order for an equivalent number of allowances to be surrendered, thereby compensating for the emissions generated.

The Greenhouse Gases (GHG) protocol standard lays down a classification of emissions in terms of "scopes". Scope 1 refers to direct emissions from sources owned or controlled, while scope 2 includes indirect emissions due to the generation of electricity purchased.

The data are as follows for the Group as a whole:

t CO2/t prod	2017	2018 (Includes Clariana,S.A.)
Scope 1	0.92	0.78
Scope 2*	0.64	0.44

*The figure is calculated based on the electricity mix of the Catalan Office for Climate Change (OCCC)

The data for the company Miquel y Costas & Miquel, S.A. are as follows:

t CO2/t prod	2017	2018
Scope 1	0.79	0.75
Scope 2*	0.50	0.39

*The figure is calculated based on the electricity mix of the Catalan Office for Climate Change (OCCC)

In addition, through the CDP (Carbon Disclosure Project), the Group reports its emissions data to demonstrate its commitment to the environment and the reduction of GHG emissions. The report provides details of GHG reduction targets, as indicated in the section on risks.

Score	2017	2018
CDP Climate Change	B	B

The Miquel y Costas Group received a score of B, which is within the management range and for comparative purposes is above the European regional average (score of C) and the average for the paper and forestry industry (score of B-).

In the report to the Carbon Disclosure Project, risks are separated into three types:

- Risks of changes to legislation (EU ETS, energy, etc.)
- Risks of changes to physical climate parameters (natural catastrophes and changes to climate conditions)
- Risks of other changes related to the climate (corporate reputation and image)

As a result of this analysis and in order to improve the above-mentioned indicators, targets are set to mitigate the risks identified:

- In the short term, for the period 2008-2020, a 20% GHG emissions reduction target has been set through the following measures adopted in the transition towards a decarbonised economy: installation of low-emission equipment by Terranova Papers, optimisation of cogeneration boiler operations at the plants of Besós and MB Papeles Especiales, increase in the portfolio of energy reduction projects and study of investments in biomass combustion technologies.

- In the medium term, in the period 2008-2025, a 32% GHG emissions cutting target has been set based on the analysis of investments in more sustainable technologies.

- In the long term, in the period 2030-2050, a 40% GHG emissions cutting target will be applied through the study of new low-carbon-emission technologies for the pulp and paper industry.

Emissions of NO_x and SO_x from the combustion boilers are measured periodically, as indicated in the relevant IEAs.

kg/t prod	2017	2018 (Includes Clariana, S.A.)
NOx	1.05	0.89
SOx	0.01	0.02

Circular economy

Pulp and paper manufacturing processes consume virgin material as a raw materials, but shrinkage during the production process is recovered.

As regards wood pulp, the main raw material used in our paper plants, 78% of the pulp purchased in 2018 was certified through the custody chain in place (excluding Clariana, S.A.). €120 million was spent to purchase cellulose pulp, natural fibers, chemical products and other raw materials.

The principal raw materials are wood pulp and textile fibers. This does not include other fibers employed in the production process, such as synthetic fibers, nor those purchased from Group companies.

t fibre	2017	2018 (Includes Clariana, S.A.)
Wood and non-wood fibres	63,469	78,517

Waste is managed through authorised companies, always observing the hierarchy of prevention, reuse, recycling, other types of recovery and disposal.

kg waste/t prod	2017	2018 (Includes Clariana, S.A.)
Hazardous waste	3.44	2.95
Non-hazardous waste	118.62	120.37

One of the measures implemented in a number of plants consists of optimising the sludge dehydration system in order to reduce the amount of this waste generated.

Sustainable use of resources

The paper industry employs water in its production processes, mainly as a means of transport to generate the physical and chemical reactions that are necessary to make pulp, paper and board. It should be noted that paper plants use water from different sources, but only a small percentage is consumed, since most of it is returned to the receiving medium. The paper industry cannot therefore be strictly classed as a large "consumer" of water, but as a user. (Source: Voluntary agreement between the Environmental Ministry and Aspapel dated 2009).

Water used in the production process is mainly obtained from natural sources owned by the Miquel y Costas Group. Water and fiber recovery equipment is employed during production and the fiber is returned to the process. Data for all the Group's plants:

m3/t prod	2017	2018 (Includes Clariana, S.A.)
Capture of groundwater	23.18	22.61
Capture of municipal water	0.13	0.14

m^3/t prod	2017	2018 (Includes Clariana, S.A.)
Discharge	21.35	20.98

The data for the company Miquel y Costas & Miquel, S.A. are as follows:

m3/t prod	2017	2018
Capture of groundwater	17.76	16.94
Capture of municipal water	0.13	0.24

m^3/t prod	2017	2018
Discharge	15.01	15.79

The Group reports water consumption data through the CDP (Carbon Disclosure Project) to demonstrate our commitment to combating climate change.

Score	2017	2018
CDP Water	B	B

The Miquel y Costas Group obtained a score of B, which is within the management range and is above the European regional average and the average for the paper and forestry industry (score of C in both cases).

Finally, the main energy sources are natural gas and electricity.

Consumption of natural gas and electricity	2017	2018 (Includes Clariana, S.A.)
Natural gas (Nm^3/t prod)	0.43	0.35
Electricity consumed (MWh/t prod)	1.64	1.37

Biodiversity

The production plants are located in areas that are not protected or regarded as high value in biodiversity terms. However, controls are carried out in some plants by calculating biodiversity indicators.

The IBMWP index is a tool used to assess the quality of river water. The Miquel y Costas Group employs it at the plants in La Pobla de Claramunt and in Tortosa, in accordance with the relevant Integrated Environmental Authorizations (IEAs), since they discharge into a public waterway.

The data reported by the Group are based on product tones produced (including Clariana, S.A.).

t prod	2017	2018
Product	70,720	93,905

The calculation base for the data reported by the company Miquel y Costas & Miquel, S.A. is as follows:

t prod	2017	2018
Product	41,538	44,469

3. Social and personnel-related matters

The Miquel y Costas Group's headcount at year-end 2018 totals 897 (including the company Clariana, S.A.). The average number of employees during the year was 887, the year-end figures being used due to the high stability of the workforce, as follows:

Classification by gender and professional category	Women	Men	Total
Production personnel	144	447	591
Administrative and technical personnel	98	75	173
Supervisors and middle management	10	88	98
Directors	2	24	26
Senior management	1	5	6
Executive Board directors	0	3	3
Total	**255**	**642**	**897**

The classification by age and gender is as follows:

Classification by age and gender	Women	Men	Total
< 20	0	3	3
21 to 30	17	32	49
31 to 40	52	145	197
41 to 50	97	222	319
51 to 60	60	187	247
> 60	28	54	82
Total	**254**	**643**	**897**

The distribution by country is as follows:

Distribution by country	Women	Men	Total
Spain	235	621	856
Argentina	19	18	37
Chile	0	1	1
Germany	0	2	2
Philippines	0	1	1
Total	**254**	**643**	**897**

As regards the individual figures for Miquel y Costas & Miquel, S.A., the headcount at the year end is shown below:

Classification by gender and professional category	Women	Men	Total
Production personnel	118	241	359
Administrative and technical personnel	58	45	103
Supervisors and middle management	4	47	51
Directors	1	10	11
Senior management	1	4	5
Executive Board directors	0	3	3
Total	182	350	532

The prevalent feature of the Group's labour and human resources development policy has always been the non-discrimination principle, which is based on respect for people's rights and dignity (irrespective of gender), conduct that is upright, honest and responsible, and the avoidance of all forms of discrimination.

In line with these guiding principles and with Law 3/2007 on the effective equality of women and men, the Company has an Equality Plan to help to eradicate discriminatory behavior in the workplace by reason of gender, including measures to favor hiring, continuance and personal development so as to:

- Achieve a balance of women and men at all levels of business organization.

- Promote measures that favor a work-life balance.

- Tackle any incidents that may arise in connection with moral or gender harassment.

In the latter case, the Company has implemented an internal procedure to prevent moral or gender harassment in the workplace, the purpose being to discourage and, if necessary, penalize any act of harassment that takes place.

The total number and distribution of employment contracts in the Group as a whole is set out below:

Classification by contract	Women	Men	Total
Indefinite	29%	71%	788
Temporary	27%	73%	109
Total			897

Only one Group employee has a part-time contract at the year-end.

The individual figures for Miquel y Costas & Miquel, S.A. are as follows:

Classification by contract	**Women**	**Men**	**Total**
Indefinite	34%	66%	467
Temporary	35%	65%	65
Total			532

The annual distribution of indefinite, temporary and part-time contracts by age in the Group companies is as follows:

Classification of contracts by age	Temporary	Indefinite	Total
< 20	1	2	3
21 to 30	17	32	49
31 to 40	48	149	197
41 to 50	32	287	319
51 to 60	10	237	247
> 60	1	81	82
Total	109	788	897

The distribution by category and gender is as follows:

Classification by category and gender	Women		Men		Total
	Temporary	Indefinite	Temporary	Indefinite	
Production personnel	12	135	60	392	599
Administrative and technical personnel	16	77	13	60	166
Supervisors and middle management	1	9	7	80	97
Directors	0	4	0	22	26
Senior management	0	1	0	5	6
Executive Board directors	0	0	0	3	3
Total	**29**	**226**	**80**	**562**	**897**

In 2018, the number of lay-offs by age, gender and professional category is shown below for the Spanish companies:

Lay-offs by gender and age	Women	Men	Total
< 20	0	0	0
21 to 30	0	3	3
31 to 40	1	2	3
41 to 50	3	6	9
51 to 60	0	2	2
> 60	0	1	1
Total	4	14	18

Lay-offs by professional category and gender	Women	Men	Total
Production personnel	1	7	8
Administrative and technical personnel	3	5	8
Supervisors and middle management	0	0	0
Directors	0	1	1
Senior management	0	1	1
Executive Board directors	0	0	0
Total	4	14	18

Average remuneration broken down by gender, age and professional category is shown below for the Spanish companies:

Category category	MEN Age	Average wage	WOMEN Age	Average wage	Wage gap by professional
Senior management + Middle management	<=30	0.00	<=30	0.00	13%
	31-49	108,867.68	31-49	0.00	
	>=50	109,257.78	>=50	123,429.11	
	Total	109,109.81		123,429.11	
Supervisors and middle management	<=30		<=30	0.00	-15%
	31-49	46,955.10	31-49	43,388.18	
	>=50	52,979.22	>=50		
	Total	50,078.93		42,503.84	
Administrative and technical personnel (1)	<=30	24,461.07	<=30	23,548.36	-20%
	31-49	37,965.68	31-49	29,080.04	
	>=50	43,961.44	>=50	36,382.35	
	Total	38,587.23		30,792.94	
Production personnel (2)	<=30	25,225.35	<=30	25,576.46	-15%
	31-49	31,180.40	31-49	26,851.32	
	>=50	32,106.50	>=50		
	Total	31,181.68		26,390.32	
Non-continuous production personnel (3)	<=30		<=30	0.00	-16%
	31-49	26,484.51	31-49	20,162.40	
	>=50	27,537.09	>=50	22,596.80	
	Total	26,141.10		22,047.09	

(*) The shaded boxes without data relate to information on a single person.
Pre-retired employees are not included.
The wage gap is the difference between the average salary for women versus the average salary for men.

(1) Difference between women and men in the "Administrative and technical personnel" group: the men are sales representatives and engineers, while the women are administrative personnel and sales assistants.

(2) Difference between women and men in the "Production personnel" group aged 31 to 49: the women are mostly labourers while the men are operatives in all categories.

(3) Difference between women and men in the "Non-continuous production personnel" group: the men are maintenance workers and the women are paper conversion workers.

Details of the remuneration of Board directors and senior managers may be consulted in the Annual Corporate Governance Report, which forms part of the 2018 Annual Accounts, as well as in the corporate website: http://www.miquelycostas.com/esp/InformeGobierno.php?Ejercicio=2018.

The following data refer to employees with disabilities by gender and contract type for the Spanish companies:

Employees with a disability rating by category and gender	Women	Men	Total
Temporary	0	1	1
Indefinite	1	6	7
Total	1	7	8

The Miquel y Costas Group meets all prevailing legal requirements and, in particular, those related to disabled employees. In this case, in accordance with the Law on the Social Integration of the Disabled (LISMI), in view of the special nature and complexity of work posts in the paper industry from the viewpoint of occupational safety, the Company opts to request the certificate of exceptionality. This legal option and alternative allows the law to be observed by hiring employees through Special Employment Centers to carry out certain production work, which also helps to create jobs. No work posts have been adapted for disabled employees.

The following data on absenteeism for 2018 include hours of sick leave, occupational accidents and maternity/paternity leave:

Absenteeism (hours)	Hours
Hours due to illness	73,300.40
Hours due to occupational accidents	6,253.92
Maternity/paternity leave hours	7,542.86

* Not including data on Clariana, S.A. nor on the foreign subsidiaries.

The current work calendar applies to all the employees and is in line with legislation in each country. The measures put in place to promote a work-life balance and the co-responsible use of this right by both parents are laid down in prevailing legislation, such as the reduction in working hours for child care, parental leave, etc. The office personnel have a flexible working day, while production work is organized in rotating morning, evening and night shifts, as well as a non-stop system (depending on the plant).

Work is regulated and organized as laid down in collective bargaining agreements. Each plant comes under the national collective agreements for the pulp, paper and board industry or for graphic arts, paper conversion, board conversion, publishing and ancillary industries. Trade union membership rights are guaranteed through freedom of association for workers, facilitating the creation of trade union platforms. The Group has not implemented a right to disconnect policy because the situations in question have not been identified and priority has not been afforded to developing and regulating such a policy.

As regards social dialogue, the Group is covered by the above-mentioned collective bargaining agreements and holds periodic meetings with the employees' legal representatives, besides the communication mechanisms that are common practice in the business world. Meetings are regularly held with the employees' representatives (works committee and delegates) to discuss various matters affecting labour relations in the plants and with the health and safety committees.

The employees' representatives are informed quarterly of trends in the economic sector, the Company's business situation and performance, forecast new contracts and absenteeism statistics. A channel for communicating with the Board committee is available in the form of an open inbox. The Group applies national employment legislation in each country in which it has employees, all of whom are covered by national collective bargaining agreements.

Group management understands that occupational risk prevention is a key aspect of business management to which all those involved must pay the utmost attention so as to achieve a safe and healthy work environment in all the offices and plants.

With the aim of guiding those that are responsible for managing the Company, whether senior or middle management, a prevention policy has been put in place, based on the following principles:

- Personal health and safety must be managed with the same professional rigor as any other of the Company's key areas and all managers must specifically consider these aspects in all activities they carry out or order and in all decisions taken.
- The procedures applied to evaluate performance and promote personnel will include aspects related to occupational health and safety.
- The relevant actions will be promoted so that all persons working in the Group's plants and offices have the same level of occupational health and safety, including employees and personnel from external companies, by implementing the necessary coordination and control procedures with contractors.
- Work will be performed safely, adopting the appropriate preventive measures as an integral part of each activity. Measures will be in place so that occupational health and safety training and motivation forms part of the professional training of all persons, so as to assure that they all have sufficient training and information related to risks, preventive measures and emergency measures applicable to their posts.
- Mechanisms will be provided to ensure fluid communication with workers in relation to prevention and to encourage their active engagement and that of their representatives in risk assessment processes and in the design and application of preventive programs.
- Systems will be in place to allow the ongoing identification of hazards and assessment of occupational risks as a basis for establishing appropriate control measures and programs, so as to create and maintain safe work environments.
- Management will apply and monitor the necessary prevention plans and programs both to assure compliance with prevailing legislation and other requirements applicable to the Company and to allow continuous improvement until the target of zero injuries is reached.

The collective bargaining agreements applicable at the Miquel y Costas Group's plants, that is the national collective agreements for the pulp, paper and board industry and for graphic arts, paper conversion, board conversion, publishing and ancillary industries, encourages compliance with the provisions of current occupational health and safety legislation, particularly Law 31/1995 of 8 November on Occupational Risk Prevention and related enabling regulations.

In addition, the national collective agreement for the pulp, paper and board industry urges the greatest possible cooperation from all industry companies, the Group participating actively through the ORP Technical Forum, which focuses on ensuring that preventive measures effectively reduce risks and potential accidents during the production process.

Accident data for each plant in 2018 are as follows:

Work centre (1)	Lost-time occupational accidents No. of accidents (men)	No. of accidents (women)	FR (2)	SR (3)
Miquel y Costas & Miquel, Tuset offices	0	0	0	0
Miquel y Costas & Miquel, Besós plant	3	0	9.0	0.2
Miquel y Costas & Miquel, Besós plant	2	0	15.2	0.3
Miquel y Costas & Miquel, Mislata plant	2	0	15.2	0.4
Miquel y Costas & Miquel, Capellades plant	1	1	8.1	0.2
MB plant	1	0	7.4	0.2
Terranova plant	0	0	0	0
Clariana plant	6	0	44.9	0.6

Plant (1)	Lost-time accidents on the way to/from work No. of accidents (men)	No. of accidents (women)
Miquel y Costas & Miquel, Tuset offices	0	1
Miquel y Costas & Miquel, Besós plant	4	0
Miquel y Costas & Miquel, Besós plant	1	0
Miquel y Costas & Miquel, Mislata plant	1	0
Miquel y Costas & Miquel, Capellades plant	0	2
MB plant	1	0
Terranova plant	0	0
Clariana plant	0	0

(1) Not including foreign subsidiaries
(2) Frequency rate: number of accidents per million hours worked
(3) Severity rate: number of days lost per thousand hours worked

During this period there was one fatal accident during a train journey from the worker's home to the place of work.

The occupational risk prevention system identifies, assesses and controls the risk that there may be workers engaged in professional activities showing a high incidence or risk of certain diseases. No professional disease was identified or declared in 2018.

Occupational risk prevention is a key aspect of management in all the Group companies to which all those involved must pay the utmost attention so as to achieve a safe and healthy work environment.

OHSAS 18001:2007 certification lays down the requirements that must be fulfilled by an occupational health and safety management system so that organizations can effectively control related risks in their activities and continuously improve performance. OHSAS 18001:2007 certification entails an improvement in occupational health and safety management, demonstrates a commitment to compliance with prevailing legislation and helps to identify potential emergency situations and management system weaknesses, facilitating the integration of quality, environment and occupational health and safety systems.
In order to guarantee this, the Group obtained certification in 2011 for the Tuset work centre (headquarters), the Besós plant (Barcelona), the Capellades plant (Barcelona), the Mislata plant (Valencia), the MB Papeles Especiales plant (La Pobla de Claramunt), the Terranova Papers plant (La Pobla de Claramunt) and the Celesa plant (Tortosa).

An annual Training Plan is drawn up after defining the work posts and identifying training needs arising from objectives set (defined by the department/area head, plant manager, general manager and/or division manager, relating to new products, processes or facilities, due to regulations applicable to a product or process, requirements of the Quality, Environment, Custody Chain and Occupational Safety Management System or changes to the Integrated Management System). This guarantees training for personnel that could influence product quality, customer service, environmental aspects and all matters related to the posts they hold, which could improve their performance.

The number of training hours per professional category in 2018 is shown below for the Spanish companies:

No. of training hours per professional category	Hours
Production personnel	2,444
Administrative and technical personnel	5,190
Supervisors and middle management	1,576
Directors	623
Senior management	149
Executive Board directors	72
Total	10,054

4. Respect for human rights

The management of Miquel y Costas & Miquel, S.A. and its Group companies declares a strong commitment to assuring respect for human rights in all areas and at all levels of the organization. The prevalent feature of the Group's labour and human resources development policy has always been the non-discrimination principle, the guiding principles being:

- Respect for personal rights and dignity, regardless of gender.
- Upright, honest and responsible conduct.
- Rejection of any form of discrimination.

Business policies have been defined in strict compliance with the fundamental principles and values promoted by the main international human rights organizations, such as the United Nations or the World Labour Organization.

The labour policies in place in the Group are in line with prevailing employment legislation at all times and include due diligence procedures to assure compliance.

In line with the guiding principles, Miquel y Costas & Miquel, S.A. and its Group have drawn up and are committed to maintaining an Equality Plan to help to eradicate discriminatory behavior in the workplace by reason of gender, including measures to favor hiring, continuance and personal development so as to:

- Achieve a balance of women and men at all levels of business organization.
- Promote measures that favor a work-life balance.
- Tackle any incidents that may arise in connection with sexual, moral or gender harassment.

An internal procedure is also in place to prevent sexual, moral or gender harassment in the workplace, including penalties for any act of harassment that may occur in the Group companies.

Compliance with legislation on contracting and working conditions excludes the possibility of work situations that are abusive, forced or regarded as unlawful, such as child labour.

On 27 November 2017, the Board of Directors approved the Code of Ethics, demonstrating the Miquel y Costas Group's desire to do business in line with the values of integrity, transparency, equality, commitment and excellence that guide the conduct of its employees, senior management and the Board. The Code of Ethics guarantees the Group's undertaking to carry out its activities in accordance with solid ethical values and to comply with applicable legislation. All the companies of the Miquel y Costas Group aim to do business observing the values of integrity, transparency, equality, commitment and excellence that guide the conduct of all their employees, management and the Board. The principles and values that underlie the Code of Ethics are mandatory for all personnel employed by or providing services to any Group company.

Trade union rights and freedom of association for all our workers are observed in accordance with the law, as well as the rights and guarantees laid down in employment legislation for the employees' legal representatives at all the plants.

5. Combating corruption and bribery

The Miquel y Costas Group has had an "Internal Control Model for Criminal Risk Prevention" in place since 2016. This management and organization model has been designed to cover all business areas and includes surveillance and control measures necessary to prevent and detect the commission of offences (particularly criminal offences that may benefit the legal entity), thus guaranteeing the Company's good intentions with respect to third parties.

Prevailing legislation is observed through the periodic review, analysis and oversight of the control activities applied to the processes exposed to risk so as to identify conduct and procedures that are punishable under criminal law, both by the employees and third parties within the Group or during its activities, as well as to adopt suitable measures in each case.

Once the criminal risk control management system has been implemented, the offences that could show the highest incidence are identified and prioritized, while also detecting the areas and processes most exposed to risk and the mitigating control mechanisms. The management model is kept up to date by means of the following actions:

- Periodic supervision of the effectiveness of controls;
- Action plans to put in place new controls or improve existing mechanisms;
- Internal audit plan for controls regarded as critical; and
- External audit of the management model.

A periodic follow-up is carried out of compliance with the control mechanisms implemented in the processes most exposed to risk, conclusions are drawn on their design and their operational effectiveness for the prevention or detection of offences, particularly criminal offences, is evaluated. The actions taken and findings are overseen and approved by the Audit Committee (Board committee). An annual report is also issued by an external auditor on the compliance management system.

In addition to the Code of Ethics, on 27 November 2017 the Audit Committee, as the Board committee responsible for these matters, approved the Corporate Social Responsibility Policy and the Anti-corruption and Anti-bribery Policy, as ratified by the Board of Directors on 18 December 2017.

The Code of Ethics, Corporate Social Responsibility Policy and Anti-corruption and Anti-bribery Policy are applicable to all the companies of the Miquel y Costas Group and all their personnel. The Corporate Social Responsibility (CSR) Policy, besides strict compliance with applicable legal obligations, is designed to assure the voluntary inclusion in governance, management and business strategies of social, labour, environmental and human rights concerns that arise in relation to the stakeholders that represent sustainable value for the Miquel y Costas Group.

Similarly, the Anti-corruption and Anti-bribery Policy bolsters the Group's commitment to doing business in accordance with prevailing legislation, based on the values and principles underlying the Code of Ethics. The Anti-corruption and Anti-bribery Policy includes mechanisms to avoid the risk of money laundering.

The risk prevention and control model is applied for the purposes of fulfilling the Code of Ethics, Corporate Social Responsibility Policy and Anti-corruption and Anti-bribery Policy.

The Code of Ethics, Corporate Social Responsibility Policy and Anti-corruption and Anti-bribery Policy in place in all the companies of the Miquel y Costas Group are publicly available (internally and externally) on the website http://www.miquelycostas-gob.com/.

The Group has a Compliance Officer who responds to queries relating to these mechanisms and there are channels available to report suspicions of the commission of unlawful actions.

The Miquel y Costas Group has a contact inbox in its corporate governance website (for external use) and an internal whistleblower channel at each work center.

All notifications received are treated as highly confidential and are examined by the Audit Committee. No matter related to discrimination or harassment was reported in 2018.

There were no confirmed cases of corruption during the year. Accordingly:

- No employee was warned or dismissed in this respect.
- There were no terminations or non-renewals of agreements with any business partner.
- No legal claims have been received in this regard against the organization or any of its employees.

All the centers located in Spain and the most significant corruption-related risks have been evaluated.

Work centers are set out below by type:

- Industrial: Miquel y Costas y Miquel S.A. (Besós plant, Mislata plant, Capellades plant), MB Papeles Especiales, S.A., Terranova Papers, S.A., Celulosa de Levante, S.A., Miquel y Costas Logística, S.A.
- Commercial: Papeles Anoia, S.A., Sociedad Española, Zig-Zag S.A.
- Services: Miquel y Costas & Miquel (Tuset offices), Miquel y Costas Tecnología, S.A., Miquel y Costas Energía y Medioambiente, S.A.

The most relevant risks related to corruption and to the Group's activities are described below:

- Fraud and swindles.
- Frustration of enforcement.
- Criminal insolvency.
- Money laundering.
- Bribery.
- Influence peddling.

In the interests of our zero tolerance stance in relation to acts of corruption and offences of any kind, assure observance of the prevention procedure and identify possible warning signs, as well as to guarantee fulfilment of the principles contained in the Code of Ethics, Corporate Social Responsibility Policy and Anti-corruption and Anti-bribery Policy, in 2018 the Group:

- Furnished information to the members of the governance team on the policies and training available in the organization in relation to procedures to combat corruption.

- Informed 91% of the organization's employees, 85% having received training (the remaining percentage relates to new joiners and workers on sick leave).

- Informed three significant business partners representing 35% of share capital.

6. <u>Society</u>

The Group keeps permanently in contact with its local communities, including education authorities, businesses, municipal entities and their sectors. The purpose of this relationship is to obtain information on potential collabourators and establish close contacts among industry companies and associations so as to improve the management and knowledge of different situations, or in the interests of economic development in the local population or zone in which the companies are located.

Partnerships have been undertaken in relation to educational programs or agreements for practical training in some of the Group companies, as well as a project to restore heritage assets such as a paper mill, a singular XVIII-century building that is undergoing a full renovation.

As regards business associations, the Group, through its companies, is a sponsor member of the paper museum Museu Molí Paperer de Capellades (Barcelona) and a member of the Anoia UEA (Unió Empresarial de l´Anoia) regional business association. The Group made donations totaling €54 thousand during the year.

As regards the supply chain, the procurement department assesses suppliers of production materials taking into account aspects related to quality, price, delivery period, technical service and assistance, and the environment. Regular audits are carried out covering all these matters, including internal questionnaires that must be completed and visits to the supplier's facilities by the Group's technical personnel, over 120 reviews having been carried out with an average score of 92.2 out of 100.

The procurement department places raw material orders regularly with each supplier, analyzing available stocks and future needs. Raw materials are then assigned to the plants as necessary. As regards the other production materials, the department negotiates prices and delivery terms with each supplier and each plant is responsible for quantifying material needs (product, quantity and delivery date). The procurement department then prepares and sends the orders to the suppliers.

For supplier approval purposes, the Miquel y Costas Group has a general supplier assessment procedure (PRCOM02) that describes the selection, evaluation and monitoring of suppliers in their facilities, determining their capacity to meet quality requirements for each product and service, including environmental criteria for all suppliers and custody chain criteria for raw materials of forest origin. When contracting all its production suppliers, the Group also informs them of its Code of Ethics, Corporate Social Responsibility and Anti-Corruption Policy, as well as including CSR aspects in the supplier audits. In addition, there is an operational control procedure (PRSAM04) for environmental aspects associated with equipment and facility maintenance activities and those performed by subcontractors.

Specifically for subcontractors that carry out work in the facilities of Miquel y Costas & Miquel, S.A. and its Group, the CTAIMA platform is used to coordinate business activities, informing the companies of the environmental requirements to be fulfilled in order to work inside the facilities.

Finally, a welcome guide is provided to all subcontracted personnel who are to work for the Group containing environmental information, among other aspects.

Tax information

The Group makes contributions to the territories in which it is located. Certain assistance is also received to promote public policies aligned with those of the Group. Details of this assistance may be found in note 14 a) to the 2018 Consolidated Annual Accounts.

Net profits obtained by country are as follows:

COUNTRY	PROFIT BEFORE TAXES	INCOME TAX PAYMENTS
SPAIN	50,287	10,777
OTHER COUNTRIES (Argentina, Chile and Germany)	-633	45
TOTAL	49,654	10,822

* Data in thousands of euros, including the negative impact of hyperinflation in Argentina

Consumers

The Group complies with legislation in force in the countries where its products are sold. Most are industrial products that are included in other companies' production processes. Products used in the food industry fulfil all requirements to guarantee the health and safety of consumers and, in the case of Terranova Papers, meet the BRC-IOP standard. Product technical specifications are defined by customers, no claim having been received in relation to consumer health.

Appendix I. Traceability table under Law 11/2018

SCOPE	Content	GRI Standards	Page of report
Business model	Brief description of the group's business model, including: 1.) business context 2.) organization and structure 3.) markets in which it operates 4.) objectives and strategies 5.) main factors and trends that may affect its future performance.	102-1	1
		102-2	2
		102-3	1
		102-4	4
		102-6	2
		102-7	1
Political	A description of the policies applied by the group in relation to environmental matters, social issues, respect for human rights, combating corruption and bribery, and those related to personnel, including any measures that may have been adopted under the principle of equal treatment and opportunities for women and men, non-discrimination and inclusion of the disabled and universal accessibility.	103, 102-16, 102-17	3, 4, 6, 11, 14, 15, 19, 20, 22
Results of policies KPIs	The results of the policies, including the relevant non-financial key performance indicators that allow: 1.) monitoring and assessment of progress; and 2.) favour comparability between companies and industries, in accordance with the national, European or international reference frameworks used for each matter.	102-8,102-41, 102-41, 301-1, 302-1, 302-4, 303-1, 305-1, 305-2, 305-7, 308-1, 401-1, 403-2, 404-1, 405-1, 405-2, 406-1	7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 20, 21, 22
S/T, M/T and L/T risks	The main risks related to these matters and the group activities including, where relevant and proportionate, its commercial relationships, products or services that could have adverse effects on those areas; and * how the group manages those risks, * explaining the procedures employed to detect and assess them in accordance with the national, European or international reference frameworks for each matter. * Information must be included on any impacts detected, providing a breakdown, particularly of the main short-, medium- and long-term risks.	102-15	1, 5, 7, 15, 18, 20
Environmental matters	**Overall environment**		
	1. Detailed information on the current and foreseeable effects of the company's activities on the environment and, if applicable, on health and safety, environmental assessment or certification procedures; 2.) Resources devoted to preventing environmental risks; 3.) Application of the precautionary principle, the amount of provisions and guarantees for environmental risks. (e.g. under environmental responsibility legislation).	103	4, 5, 6
		102-11	6
	Pollution		
	1. Measures to prevent, reduce or repair carbon emissions that seriously affect the environment.	103	6, 7, 8
	2. Taking into account any form of atmospheric pollution specific to an activity, including noise and light.	305-7	6, 8
	Circular economy and waste prevention and management		

SCOPE	Content	GRI Standards	Page of report
	Circular economy;	103	4, 8
	Waste: Measure for the prevention, recycling, reuse, other forms of recovery and disposal of waste;	103	8
	Actions to combat food waste.	103	Immaterial
	Sustainable use of resources		
	Consumption of water and water supply in accordance with local limits;	303-1	8
	Consumption of raw materials and measures adopted to use them more efficiently;	103	8
		301-1	8
	Direct and indirect consumption of energy, measures taken to improve energy efficiency and the use of renewable energies.	103	9
		302-1	9
		302-4	9
	Climate change		
	Significant aspects of the greenhouse gas emissions generated by the company's activities, including the use of the goods and services produced;	103	7
		305-1	7
		305-2	7
	Measures to adapt to the consequences of climate change;	103	5, 6, 7
	Medium- and long-term reduction goals set voluntarily for greenhouse gas emissions and the means used to achieve them.	103	7
	Protection of biodiversity		
	Measures taken to preserve or restore biodiversity;	103	9
	Impacts of activities or operations on protected areas.	304-2	9
Social and personnel-related matters	**Employment**		
	Total number and distribution of employees by gender, age, country and professional category;	103	10, 11
		102-8	10, 11
		405-1	10, 11
	Total number and distribution of employment contract types;	102-8	11
	Annual average indefinite contracts, temporary contracts and part-time contracts by gender, age and professional category;	102-8	10, 12
		405-1	12
	Number of lay-offs by gender, age and professional category;	401-1	12
	Average remuneration and trends by gender, age and professional category or equivalent value;	405-2	13
	Wage gap, remuneration for the same posts or the company's average remuneration;	103	13
		405-2	13
	Average remuneration of Board directors and executives, including variable remuneration, per diems, indemnities, payments to long-term pension schemes and any other remuneration broken down by gender;	103	13
	Implementation of right to disconnect policies;	103	14
	Disabled employees.	405-1	14
	Work organization		
	Organization of working hours;	103	14
	Number of hours of absenteeism;	403-2	14

SCOPE	Content	GRI Standards	Page of report
	Measures to facilitate a work-life balance and encourage the co-responsibility of both parents.	103	11
	Health and safety		
	Health and safety in the workplace;	103	15, 16
	Occupational accidents, particularly frequency and severity, professional diseases, broken down by gender.	403-2	16
		403-3	16
	Labour relations		
	Organization of social dialogue, including procedures to inform, consult and negotiate with personnel;	103	14.15
	Percentage of employees covered by collective bargaining agreements by country;	102-41	15
	Main content of the collective agreements, particularly in relation to occupational health and safety.	403-4	16
	Training		
	Training policies implemented;	103	17
	Total training hours by professional category.	404-1	17
	Universal accessibility for the disabled	**103**	**14**
	Equality		
	Measures adopted to promote equal treatment and opportunities for women and men;	103	11
	Equality plans (Chapter III of Organic Law 3/2007 of 22 March on the effective equality of women and men), measures taken to promote employment, sexual and gender harassment protocols, integration and universal accessibility for the disabled;		
	The policy on all kinds of discrimination and, if applicable, on diversity management.		
Human rights	**Human rights**		
	Application of due diligence procedures in relation to human rights; Prevention of risks of infringement of human rights and, if applicable, measures to mitigate, manage and repair any abuses committed;	103	17, 18
		102-16	17, 18
		102-17	17, 18
		412-2	18
	Claims for the infringement of human rights;	406-1	20
	Promotion and fulfilment of the provisions of the fundamental conventions of the International Labour Organization relating to freedom of association and the right to collective negotiation;	407-1	19
	Elimination of discrimination in the field of employment and occupation;	103	21
		406-1	19, 20
	Elimination of forced or compulsory labour;	409-1	19
	Effective abolition of child labour.	408-1	19
Corruption and bribery	**Corruption and bribery**		
	Measures taken to prevent corruption and bribery;	103	18, 19
		102-16	19
		102-17	19
		205-2	20

SCOPE	Content	GRI Standards	Page of report
	Measures to combat money laundering.	205-2	20, 21
	Contributions to foundations and non-profit entities.	413-1	21
Society	**Company's commitments to sustainable development**		
	The impact of the company's activity on employment and local development;	103	21
		203-2	21
		413-1	21
	The impact of the company's activity on local populations and on the territory;	203-2	21
	Relations and modes of dialogue with members of local communities;	102-43	21
	Associations or sponsorships.	102-12	21
		102-13	21
	Subcontracting and suppliers		
	The inclusion in the procurement policy of social, gender equality and environmental matters; Consideration of social and environmental responsibility in relations with suppliers and subcontractors;	102-9	21
		103	21, 22
		308-1	21, 22
		414-1	21, 22
	Oversight systems, audits and related findings.	103	21
	Consumers		
	Consumer health and safety measures;	103	22
	Claim systems, complaints received and solutions.	103	22
	Tax information		
	Profits obtained by country	103	22
	Income tax paid	103	22
	Government grants received	201-4	22