Miquel y Costas & Miquel, S.A.

Auditor´s report
Annual Accounts and Directors’ Report
as at December 31, 2019

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, 2019, 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, 2019, 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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R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
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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 the operational efficiency of key controls. We carried out tests of detail on a sample of sales recorded and verified the evidence of the existence and recognition of the transaction. For a sample of sales transactions, we verified the appropriate cut-off of operations at the year end, in order to corroborate the correct accrual. We have also verified whether the information disclosed in the accompanying annual accounts on the recognition of revenue is reasonable. As a result of our audit procedures, no essential observations have been revealed.

Other information: Directors' report

Other information comprises only the directors' report for the 2019 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 directors' report. Our responsibility regarding the information contained in the directors' report is defined in the legislation governing the audit practice, which distinguishes two different levels of responsibility:

a) A specific level applicable to the statement of non-financial information, as well as to certain information included in the Annual Corporate Governance Report (ACGR), as defined in article 35.2 b) of Audit Act 22/2015, which solely requires that we verify whether the aforementioned information has been included in the directors' report or, where applicable, that the directors' report includes a reference to a separate statement of non-financial information as stipulated under prevailing regulations, and if not, we are obliged to disclose that fact.

b) A general level applicable to the rest of the information included in the directors' 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 entity 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 this part of the directors' 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 verified that the directors' report includes a reference to the fact that the non-financial information mentioned in paragraph a) above is disclosed in the consolidated directors' report of the Miquel y Costas & Miquel Group, of which the Company is the parent company, that the information of the ACGR, mentioned in that paragraph, has been included in the directors' report and that the rest of the information contained in the directors' report is consistent with that contained in the annual accounts for 2019, 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 & Miquel, 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 8, 2020.

Appointment period

The General Ordinary Shareholders' Meeting held on June 20, 2019 appointed us as auditors for the year ended December 31, 2019.

Previously, we were appointed by resolutions of the General Extraordinary Shareholders' Meeting on December 17, 2002 for an initial period of three years and we have audited the accounts continuously since the year ended December 31, 2002.

Services provided

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

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Juan Bautista Álvarez López

April 8, 2020

MIQUEL Y COSTAS & MIQUEL, S.A.

ANNUAL ACCOUNTS AT 31 DECEMBER 2019
AND DIRECTORS' REPORT FOR 2019

(Free translation from the original in Spanish)

Mr Emilio Coco Foriscot with Tax Identity Card No. 36.956.151-G in his capacity as the non-voting Secretary of the Board of Directors of the trading company Miquel y Costas & Miquel, S.A., with registered office at calle Tuset, nº 10, Barcelona, with TIN A-08020729,

CERTIFIES

That in its meeting of 31 March 2020, the Board of Directors, formed by Mr Jorge Mercader Miró, Mr Jorge Mercader Barata, Mr Javier Basañez Villaluenga, Mr Joaquín Coello Brufau, Mr Alvaro de la Serna Corral, Mr Eusebio Díaz-Morera Puig-Sureda, Mr Joaquín Faura Batlle, Ms Marta Lacambra Puig and Joanfra, S.A. represented by Ms Bernadette Miquel Vacarisas, in the absence of Mr Claudio Aranzadi Martínez for reasons of health, and which was held via conference call, as provided in article 41 of Royal Decree Law 8/2020, of 17 March, with the Board members in attendance having the necessary means and the Secretary having identified them, unanimously authorised the accompanying Annual Accounts and Management Report for 2019 for issue. The Annual Accounts and Management Report (which includes as Appendix II the Non-financial Information Statement) have been printed in one copy of 149 pages, made up of the front-cover, sheets of official stamped paper number 000544218 to number 000544273 (back-cover) and number 000544280 to 000544218 (front) as “Appendix I” to the Management Report, the Annual Corporate Governance Report, made up of 62 pages.

That as provided in article 366 of the Mercantile Registry Regulations, it is placed on record that the lack of the Directors’ signature of the Annual Accounts and Management Report mentioned above, is due to the heath crisis triggered by the COVID -19 outbreak and the declaration of the state of emergency through Royal Decree 463/2020, of 14 March (and its extension which was approved subsequently).

And in witness whereof, I issue this certificate on 8 April 2020

Chariman of the Board of Directors	Board Secretary
D. Jorge Mercader Miró	D. Emilio Coco Foriscot

miquel y costas & miquel, s.a.

(Free translation from the original in Spanish)

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MIQUEL Y COSTAS & MIQUEL, S.A
BALANCE SHEET AT 31 DECEMBER 2019 AND 2018
(EXPRESSED IN THOUSAND EURO)

ASSETS	Note	2019	2018
NON-CURRENT ASSETS		**156,730**	**147,708**
Intangible assets	5	**759**	**719**
Property, plant and equipment	6	**79,261**	**71,190**
Long-term investments in group companies and associates		**43,262**	**42,240**
Equity instruments	8	24,088	24,066
Loans to group companies	7,8, 32	19,174	18,174
Long-term financial assets		**32,230**	**32,211**
Equity instruments	7,9	12	12
Non-current financial investments	7,9	30,389	32,081
Other financial assets	7,9	1,829	118
Deferred tax assets	25	**1,218**	**1,348**
CURRENT ASSETS		**146,842**	**152,034**
Inventories	11	**41,971**	**37,866**
Trade and other receivables		**37,386**	**40,888**
Trade receivables for sales and services	7,12	28,658	29,791
Trade receivables for sales and services from group companies and associates	7,32	9,094	10,516
Other debtors	7,13	3	2
Loans to employees	7,13	1	1
Public Administrations – Other	13	80	578
Short-term investments in group companies and associates		**23,636**	**20,276**
Loans to group companies	7,14,32	23,636	20,276
Short -term investments	7,15	**37,358**	**36,276**
Prepayments and accrued income		**1**	**1**
Cash and cash equivalents	16	**6,040**	**16,727**
TOTAL ASSETS		**303,572**	**299,742**

(Free translation from the original in Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A
BALANCE SHEET AT 31 DECEMBER 2019 AND 2018
(EXPRESSED IN THOUSAND EURO)

EQUITY AND LIABILITIES	**Note**	**2019**	**2018**
EQUITY		**196,713**	**190,420**
Capital and reserves		**196,450**	**190,201**
Capital	17.1	62,000	62,000
Share premium reserve	17.2	40	40
Reserves	18	131,816	113,947
(Own shares)	17.3	(21,483)	(10,339)
Profit for the year	19.1	30,321	30,520
(Interim dividend)	19.2	(6,600)	(6,200)
Other equity instruments	18	356	233
Grants, donations and bequests received	20	**263**	**219**
NON-CURRENT LIABILITIES		**36,675**	**43,991**
Long-term provisions	24	**970**	**1,750**
Long-term debts	7,21	**34,009**	**40,565**
Bank loans		34,009	40,565
Deferred tax liabilities	25	**1,600**	**1,584**
Long-term accrued income	22	**96**	**92**
CURRENT LIABILITIES		**70,184**	**65,331**
Short-term provisions	24	**557**	**153**
Short-term debts	7,21	**12,276**	**5,971**
Bank loans		10,175	3,386
Other financial liabilities		2,101	2,585
Short-term debts with group companies and associates	7,32	**28,329**	**26,191**
Trade and other payables		**29,022**	**33,016**
Trade payables	7,26	14,406	16,945
Trade payables, group companies and associates	7,26,32	4,329	6,152
Other creditors	7,26	835	1,342
Accrued wages and salaries	7,27	3,426	3,997
Current income tax liability	28	535	671
Payable to Public Administrations	27	5,056	2,805
Advance payments from customers	7,27	435	1,104
Short-term accrued income	22		**-**
TOTAL EQUITY AND LIABILITIES		**303,572**	**299,742**

(Free translation from the original in Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A.
INCOME STATEMENT FOR THE YEARS
ENDED AT 31 DECEMBER 2019 AND 2018
(EXPRESSED IN THOUSAND EURO)

	Note	2019	2018
CONTINUING OPERATIONS			
Revenue	29.2	**168,766**	**171,817**
Sales		168,624	171,817
Services rendered		142	185
Changes in inventories of finished goods and work in progress	11	**4,229**	**5,506**
Own work capitalised	5,6	**984**	**694**
Raw materials and consumables	29.3	**(69,342)**	**(71,557)**
Other operating revenue	29.4	**5,108**	**4,512**
Accessory and other income		5,108	4,512
Staff costs	29.5	**(27,699)**	**(27,259)**
Other operating expenses	29.6	**(41,683)**	**(42,467)**
Fixed asset depreciation	5,6	**(8,683)**	**(7,914)**
Release of non-financial fixed asset grants and other	20	**603**	**201**
Excess of accruals		**-**	**-**
Impairment and results on fixed asset disposals	29.7	**-**	**-**
Profit / (loss) on disposals and other		-	-
OPERATING RESULTS		**32,283**	**33,533**
Financial income	30	**7,110**	**6,996**
Financial expenses	30	**(543)**	**(1,012)**
Exchange differences	30	**(238)**	**(53)**
Impairment and results on financial instruments disposals	9,30	**-**	**(47)**
FINANCIAL RESULTS		**6,329**	**5,884**
PROFIT (LOSS) BEFORE INCOME TAX		**38,612**	**39,417**
Corporate income tax	28	(8,291)	(8,897)
PROFIT (LOSS) FOR YEAR FROM CONTINUING OPERATIONS		**30,321**	**30,520**
DISCONTINUED OPERATIONS			
Profit / loss for year from discontinued operations net of taxes		**-**	**-**
PROFIT / LOSS FOR THE YEAR	19.1	**30,321**	**30,520**

(Free translation from the original in Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED
AT 31 DECEMBER 2019 AND 2018
(EXPRESSED IN THOUSAND EURO)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES

	Note	2019	2018
PROFIT AND LOSS FOR THE YEAR	**19**	**30,321**	**30,520**
Income and expenses directly attributed to equity		**594**	**138**
Grants, donations and bequests received	**20**	662	197
Actuarial gains and losses and other adjustments	**23**	130	(13)
Tax effect	**20,23,25**	(198)	(46)
Transfers to the income statement		**(452)**	**(151)**
Grants, donations and bequests received	**20**	(603)	(201)
Tax effect	**20,25**	151	50
TOTAL RECOGNISED INCOME AND EXPENSES		**30,463**	**30,507**

MIQUEL Y COSTAS & MIQUEL, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED
AT 31 DECEMBER 2019 AND 2018
(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 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**
Adjustments due to policy changes 2018 and previous years	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Adjustments due to errors 2018 and previous years	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
ADJUSTED BALANCE, BEGINNING 2019	**62.000**	**40**	**114.180**	**(10.339)**	**-**	**30.520**	**(6.200)**	**219**	**190.420**
Total recognised income and expenses	**-**	**-**	**98**	**-**	**-**	**30,321**	**-**	**44**	**30,463**
Operations with shareholders or owners:	**-**	**-**	**-**	**(11,144)**	**(3,650)**	**-**	**(9,700)**	**-**	**(24,494)**
- Capital increase	-	-	-	-	-	-	-	-	-
- Capital decrease	-	-	-	-	-	-	-	-	-
- Dividend payment	-	-	-	-	(3,650)	-	(9,700)	-	(13,350)
- Trading in own shares (net)	-	-	-	(11,144)	-	-	-	-	(11,144)
Other movements in equity	**-**	**-**	**17,894**	**-**	**3,650**	**(30,520)**	**9,300**	**-**	**324**
BALANCE AT 2019 YEAR END	**62,000**	**40**	**132,172**	**(21,483)**	**-**	**30,321**	**(6,600)**	**263**	**196,713**

(Free translation from the original in Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A.
CASH FLOW STATEMENTS FOR THE YEARS ENDED AT
31 DECEMBER 2019 AND 2018
(EXPRESSED IN THOUSAND EURO)

	Note	2019	2018
A) CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit/loss for the year before taxes		**38,612**	**39,417**
2. Adjustments to profit/loss		**1,723**	**1,750**
Fixed asset depreciation (+)	**5,6**	8,683	7,914
Impairment losses (+/-)	**9,11,12**	209	308
Change in provision (+/-)		(650)	210
Release of grants (-)		(45)	(57)
Gains and losses on disposals of fixed assets (+/-)	**29.7**	-	-
Financial income (-)	**30**	(7,110)	(6,996)
Financial expense (+)	**30**	543	1,012
Exchange differences (+/-)	**30**	(231)	53
Other income/expenses (+/-)		324	(694)
3. Changes in working capital		**(4,314)**	**(7,775)**
Inventories (+/-)		(4,273)	(8,127)
Trade and other receivables (+/-)		3,302	(3,240)
Trade and other payables (+/-)		(3,751)	3,516
Other current liabilities		404	8
Other non-current assets and liabilities (+/-)		4	68
4. Other cash flows from operating activities		**(3,118)**	**(8,626)**
Interest payments (-)		(510)	(1,016)
Amounts received from interest (+)		3,051	3,167
Dividends collected (+)		4,709	
Receipts (payments) for corporate income tax (+/-)		(10,368)	(10,777)
5. Cash flows from operating activities (1+2+3+4)		**32,903**	**24,766**
B) CASH FLOW FROM INVESTING ACTIVITIES			
6. Amounts paid on investments (-)		**(82,801)**	**(57,902)**
Group companies and associated (current and no current)		(4,213)	(7,623)
Intangible assets	**5**	(272)	(280)
Tangible assets		(16,594)	(9,589)
Other financial assets		(61,722)	(40,410)
7. Amounts collected from divestments (+)		**61,750**	**62,277**
Group companies and associates		-	-
Fixed assets		68	354
Other financial assets		61,682	61,923
8. Cash flows from investing activities (6+7)		**(21,051)**	**4,375**

(Free translation from the original in Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A.
CASH FLOW STATEMENTS FOR THE YEARS ENDED AT
31 DECEMBER 2019 AND 2018
(EXPRESSED IN THOUSAND EURO)

	Note	2019	2018
C) CASH FLOW FROM FINANCING ACTIVITIES			
9. Receipts and payments equity instruments		**(11,047)**	**(12,408)**
a) Issuing of equity instruments (+)	**17.3**	(11,144)	(12,466)
b) Redemption of equity instruments (-)	**17.3**	-	-
c) Acquisition of equity instruments (-)		97	58
10. Receipts and payments financial liability instruments		**1,858**	**1,596**
a) Issues			
Bank loans (+)	**21**	28,417	11,261
Amounts due to group companies and associates (+)		2,138	-
b) Return and redemption of			
Bank loans (-)	**21**	(28,217)	(9,665)
Amounts paid to group companies and associates (-)		-	-
Other liabilities		(480)	-
11. Payments for dividends and remuneration of other equity instruments		**(13,350)**	**(11,257)**
a) Dividends (-)	**19.2**	(13,350)	(11,257)
b) Remuneration of other equity instruments (-)			
12. Cash flow from financing activities (9+10+11)		**(22,539)**	**(22,069)**
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS (5+8+12)		**(10,687)**	**7,072**
Cash or cash equivalents at the beginning of the year	**16**	16,727	9,655
Cash or cash equivalents at the end of the year	**16**	6,040	16,727

miquel y costas & miquel, s.a.

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 parent company 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.

The 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.

On 27 August 2019 the public document relating to the merger of Boncompte-Sierra S.L.U (absorbed company) into Clariana S.A. (acquiring company) was registered in the Mercantile Register of Castellón, and 1 January 2019 was established as the date from which the operations of the absorbed company would be understood to have been performed by the acquiring company for accounting purposes.

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

The main figures obtained from the Group's consolidated annual accounts prepared under IFRS-EU, which have been audited, are as follows:

	Thousand Euro	
	2019	**2018**
Total assets	404,042	405,025
Equity	280,580	269,905
Profit and loss attributable to the equity holders of the parent company	39,218	37,277
Net turnover	262,633	259,257

The mentioned Consolidated Financial Statements have been formulated by the Board of Directors of the Company held on 31 March, 2020, 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 31 March 2020 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 2019 and 2018 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.

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.

(IN THOUSAND EURO)

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 2019 contain 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 allowances for greenhouse gases are valued at the acquisition price. In the case of allowances acquired free of charge, the acquisition price is considered the fair value at the time of acquisition.

The emission allowances 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. The company Clariana S.A which was acquired by the group on 25 July 2018 was added to the tax group on 1 January 2019 (Note 1).

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 allowances equivalent to the emissions made during the year within the first few months of the following year.

The liability for handing over the emission allowances 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.

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 2019 and 2018 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 2019, 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 191 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 2019 as at 31 December 2018 is not applicable because the Company has available and realisable resources in excess of bank borrowings:

	31-12-2019	31-12-2018
Total equity	**196,713**	**190,420**
Net financial borrowings:		
Long-term borrowings	34,009	40,565
Short-term borrowings	10,175	3,386
Cash and current financial investments	(43,398)	(53,003)
Long term financial investments	(30,401)	(32,093)
Total net borrowings	**(29,615)**	**(41,145)**
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 2019 and 2018 are as follows:

Description	Industrial property	Research and development expenses	Software	Intangible assets under construction	Total
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 book value	**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 book value	**75**	**-**	**330**	**314**	**719**
Additions	-	-	-	272	272
Other transfers	-	(3)	265	(262)	-
Disposals	-	-	-	-	-
Amortisation charge	(5)	-	(227)	-	(232)
Amortisation disposals	-	-	-	-	-
Other transfers Amortisation	-	3	(3)	-	-
Balance at 31-12-2019	**70**	**-**	**365**	**324**	**759**
Cost	88	961	7,182	324	8,555
Accumulated amortisation	(18)	(961)	(6,817)	-	(7,796)
Net book value	**70**	**-**	**365**	**324**	**759**

- Research and development expenses

At 31 December 2019 and 2018 there are no research and development costs pending amortization.

Research and development expenses recognised in the income statement totals Euro 30 thousand in 2019 (Euro 135 thousand in 2018).

- Fully-amortised intangible assets

The carrying value of intangible assets that are fully amortised and still in use totals Euro 7,494 thousand at 31 December 2019 (Euro 7,168 thousand at 31 December 2018).

- Capitalised financial expenses

  No financial expenses have been capitalised in 2019 and 2018, as part of intangible assets.

- Intangible assets acquired from group companies and associates

  During 2019 intangible assets were sold to Group companies and associates amounting to Euro 5 thousand (Euro 0 thousand in 2018).

- Intangible assets not used in operations

  At 31 December 2019 and 2018 there are no non-operating intangible assets.

- Assets subject to guarantees and ownership restrictions

  At 31 December 2019 and 2018 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 2019 include Euro 78 thousand (Euro 98 thousand in 2018) relating to own work capitalised.

(IN THOUSAND EURO)

6 Property, plant and equipment

Movements in Property, plant and equipment for 2019 and 2018 are as follows:

	Land & Buildings	Plant and other	PPE under construction and advance payments	Total
Balance at 31-12-2017	**14,110**	**45,394**	**8,488**	**67,992**
Cost	19,963	174,185	8,488	202,635
Accumulated depreciation	(5,853)	(128,791)	-	(134,643)
Net book value	**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)
Depreciation charge	(535)	(7,138)	-	(7,673)
Depreciation disposals	60	3,353	-	3,413
Balance at 31-12-2018	**15,009**	**48,244**	**7,937**	**71,190**
Cost	21,337	180,820	7,937	210,093
Accumulated depreciation	(6,328)	(132,576)	-	(138,903)
Net book value	**15,009**	**48,244**	**7,937**	**71,190**
Additions	-	-	16,590	16,590
Other transfers	2,515	14,967	(17,482)	-
Disposals	(1)	(5,428)	(49)	(5,478)
Depreciation charge	(591)	(7,860)	-	(8,451)
Depreciation disposals	1	5,409	-	5,410
Balance at 31-12-2019	**16,933**	**55,332**	**6,996**	**79,261**
Cost	23,851	190,359	6,996	221,205
Accumulated depreciation	(6,918)	(135,027)	-	(141,944)
Net book value	**16,933**	**55,332**	**6,996**	**79,261**

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 2019 amounted to 16,590 thousand Euro (11,225 thousand Euro in 2018) and correspond mainly to additions of construction in progress arising from the continued investment undertaken by the Company.

a) Land value

At 31 December 2019 land and buildings includes land totalling Euro 1,186 thousand (Euro 1,186 thousand at 31 December 2018).

(IN THOUSAND EURO)

b) Impairment losses

During 2019 and 2018 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 2019 amounts to Euro 546 thousand (Euro 559 thousand in 2018), with Euro 13 thousand of depreciation charge at 31 December 2019 (Euro 16 thousand in 2018) in the income statement. During 2019 fully-depreciated fixed assets covered by Royal Decree Law 7/1996 with a gross value of Euro 63 thousand (Euro 226 thousand in 2018) were derecognised.

The breakdown is as follows:

	31-12-2019			
Fixed Assets	**Cost**	**Accumulated depreciation**	**Impairment losses**	**Net book value**
Land	203	-	-	203
Building	720	(380)	-	340
Machinery	2,668	(2,665)	-	3
Other PPE	6	(6)	-	-
Total	**3,597**	**(3,051)**	**-**	**546**

	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**

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 2019 amounts to Euro 234 thousand as a result of this revaluation, (Euro 330 thousand Euro in 2018).

During 2019 there have been disposals covered by the law RDL 16/2012 of gross value of Euro 382 thousand relating to plant and machinery, which were already fully depreciated (Euro 105 thousand in 2018).

The breakdown is as follows:

	31-12-2019			
Property, plant and equipment	**Cost**	**Accumulated depreciation**	**Impairment loss**	**Net book value**
Land and buildings	769	(201)	-	568
Plant and machinery	5,609	(5,350)	-	259
Other tangible fixed assets	19	(19)	-	-
Total	**6,397**	**(5,570)**	**-**	**827**

	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**

e) Assets acquired from Group companies and associates

Investments in tangible fixed assets acquired from group companies and associates in 2019 amounted to Euro 433 thousand (Euro 363 thousand in 2018).

During 2019 tangible fixed assets were sold to Group companies and associates amounting to Euro 34 thousand (Euro 0 thousand in 2018).

f) Capitalised finance costs

During 2019 and 2018 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 92,610 thousand at 31 December 2019 (Euro 89,202 thousand at 31 December 2018).

i) Own work capitalised

The additions for 2019 include Euro 906 thousand for own work capitalised (Euro 596 thousand in 2018) corresponding to own work capitalised.

j) Assets under finance lease

At 31 December 2019 and 2018 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 2019 and 2018 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 2019 and 2018 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 2019 and 2018 is as follows:

	31-12-2019				
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 or loss	-	-	-	-	-
Held-to-maturity investments	-	1,829	-	-	30,401
Loans and other receivables	19,174	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**19,174**	**1,829**	**-**	**-**	**30,401**

	31-12-2019				
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 or loss	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	37,358
Loans and other receivables	32,730	-	28,658	4	-
Available-for-sale assets	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**32,730**	**-**	**28,658**	**4**	**37,358**

(IN THOUSAND EURO)

	31-12-2019				
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	34,009	-	-	-	-
Liabilities at fair value through profit or loss	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**34,009**	-	-	-	-

	31-12-2019				
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	10,175	32,658	14,406	835	5,962
Liabilities at fair value through profit or loss	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**10,175**	**32,658**	**14,406**	**835**	**5,962**

(IN THOUSAND EURO)

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 or loss	-	-	-	-	-
Held-to-maturity investments	-	118	-	-	32,093
Loans and other receivables	18,174	-	-	-	-
Available-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 or loss	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	36,276
Loans and other receivables	30,792	-	29,791	3	-
Available-for-sale assets	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**30,792**	**-**	**29,791**	**3**	**36,276**

31-12-2018

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	40,565	-	-	-	-
Liabilities at fair value through profit or loss	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**40,565**	-	-	-	-

(IN THOUSAND EURO)

	31-12-2018				
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	3,386	32,343	16,945	1,342	7,686
Liabilities at fair value through profit or loss	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**3,386**	**34,343**	**16,945**	**1,342**	**7,686**

The fair value of the financial investments does not differ significantly from the book value.

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 2019 and 2018 are as follows:

Description	Shareholdings in Group companies	Loans to group companies	Total
Balance at 31-12-2017	**22,707**	**11,061**	**33,768**
Cost	22,707	11,061	33,768
Net book value	**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 book value	**24,066**	**18,174**	**42,240**
Additions	22	9,690	9,712
Disposals	-	(7,493)	(7,493)
Transfer to short term	-	(1,197)	(1,197)
Balance at 31-12-2019	**24,088**	**19,174**	**43,262**
Cost	24,088	19,174	43,262
Net value in books	**24,088**	**19,174**	**43,262**

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

- The acquisition of 60% of the capital of the company Clariana, S.A (Note 1) amounting to Euro 552 thousand.

- 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.

No significant movement in 2019.

The movement in intercompany loans in 2019 compared with the previous year results from:

- The grant of two loans in 2019 to the company Clariana, S.A. amounting to Euro 9,000 thousand and Euro 520 thousand with repayment periods of 7 and 4 years, respectively, and bearing interest at an average rate of 5%. In 2019 the Company in turn cancelled loans amounting to Euro 7,493 thousand. The outstanding balance at 31 December 2019 amounts to Euro 9,250. At year end, Euro 1,197 thousand was reclassified to short term (Note 32.1).

- The grant of a loan in 2019 to Miquel y Costas Argentina, S.A amounting to Euro 170 thousand, repayable over 7 years and bearing interest at a variable rate (Euribor + 4). The outstanding balance at 31 December 2019 amounts to Euro 170 thousand.

- The repayment in 2019 of a total of Euro 55 thousand (Euro 55 thousand in 2018) of part of a loan granted in 2017 to the investee Fourtube, S.A amounting to Euro 275 thousand, maturing in 2020 and bearing interest at a rate of 3.5%,

The movement in intercompany loans in 2018 compared with the previous year resulted from:

- 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 2019 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 2019 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 2019 the balance utilised on that policy amounts to Euro 10,814 thousand (Euro 10,814 thousand in 2018).

The breakdown of shareholdings in group companies at 31 December 2019 and 2018 is as follows:

31-12-2019	**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

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, aluminium 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.

- Terranova Papers, S.A., established in Carrer Tuset, No. 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.

(IN THOUSAND EURO)

- 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 owned 100% of Boncompte, S.A in 2018. On 27 August 2019 Boncompte-Sierra S.L.U (the absorbed company) was merged into Clariana S.A.(the acquiring company) (Note 1).

  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 2019.

Company	Capital	Reserves (*)	Operating results	Results for the year	Carrying value in parent	Dividends received (Note 32)
S.A. Payá Miralles (2)	1,878	7,450	1,123	891	4,855	649
Celulosa de Levante, S.A. (1)	1,503	41,537	6,766	5,161	1,858	2,240
Papeles Anoia, S.A. (1)	2,054	8,028	2,724	2,102	2,312	1,782
Desvi, S.A. - consolidated (2)	1,000	10,899	1,543	867	919	-
Sociedad Española Zig-Zag, S.A. (2)	60	284	39	31	183	37
M.B. Papeles Especiales, S.A. (1)	722	25,261	1,776	1,652	4,818	-
Miquel y Costas Tecnologías, S.A. (2)	500	1,488	28	45	248	-
Terranova Papers, S.A. (1)	12,000	9,683	2,102	1,415	8,294	-
Miquel y Costas Logistica, S.A. (2)	100	734	814	624	50	-
Clariana S.A. (1)	157	1,722	497	58	552	-
Total	**19,974**	**107,086**	**17,412**	**12,846**	**24,089**	**4,708**

(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.

(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 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)

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	**Debt securities**	**Equity instruments**	**Total**
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**
Additions	1,711	18,754	-	20,465
Transfers (Note 15)	-	(13,230)	-	(13,230)
Provision for impairment losses (Note 30)	-	-	-	-
Disposals	-	(7,216)	-	(7,216)
Balance at 31-12-2019	**1,829**	**30,389**	**12**	**32,230**
Cost	1,829	30,389	12	32,230
Impairment loss	-	-	-	-
Book value	**1,829**	**30,389**	**12**	**32,230**

Additions amounting to Euro 1,711 thousand in deposits and guarantees relate to the recognition as an asset of the payment under the tax assessment resulting from the tax inspection ended this year (Note 28).

In 2019 the heading Debt securities includes long-term financial investments with maturities beyond 2020, bearing interest at an effective rate ranging from 0.18% to 4,75% (0.35% to 5.65% in 2018), which is not equivalent to the asset yield.

In 2017 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 2019 is as follows:

Currency	Maturity	Nominal in forex*	Profit (loss)*
USD	2020	6,817	106
AUD	2020	329	(2)
NOK	2020	674	(1)
Total (Pérdida) / Beneficio			**103**

* Expressed in Euro thousands.

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	(44)
JPY	2019	(32,592)	6
GBP	2019	48	-
AUD	2019	213	1
NOK	2019	323	1
Total (Loss) / Profit			**(36)**

* Expressed in Euro thousands.

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.

(IN THOUSAND EURO)

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 2019 amounts to Euro 103 thousand (Euro 36 thousand of losses in 2018).

11 Inventories

The breakdown of inventories at 31 December 2019 and 2018 is as follows:

	Prepayments to suppliers	Raw materials and other supplies	Finished goods	Total
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
Balance at 31-12-2019	**123**	*** 11,594**	**30,254**	**41,971**
Cost	123	11,594	30,823	42,540
Impairment loss	-	-	(569)	(569)
Net value in books	123	11,594	30,254	41,971

* The heading Raw materials and other supplies includes Euro 567 thousand in 2019 relating to the emission allowance balance (Euro 156 thousand in 2018).

(IN THOUSAND EURO)

The variation in inventories of finished goods and work in progress totals Euro 4,229 thousand in 2019 (Euro 5,506 thousand in 2018). The variation is the difference between opening inventories of Euro 26,025 thousand in 2019 (Euro 20,519 thousand in 2018) and closing inventories of Euro 30,254 thousand in 2019 (Euro 26,025 thousand in 2018).

a) Purchase commitments

At the end of 2019 and 2018 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 2019 and 2018 is as follows:

Balance at 31-12-2017	**661**
Appropriations	191
Utilisations	(451)
Balance at 31-12-2018	**401**
Appropriations	297
Utilisations	(129)
Balance at 31-12-2019	**569**

12 Trade receivables for sales and services

The breakdown of trade receivables for sales and services at 31 December 2019 and 2018 is as follows:

	31-12-2019	**31-12-2018**
Trade debtors	28,658	29,791
Doubtful debtors	152	111
Impairment provision	(152)	(111)
Total	**28,658**	**29,791**

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

	31-12-2019	31-12-2018
Euro	24,243	23,973
US Dollars	4,112	5,441
GB Pounds	-	67
Other currencies	303	310
Total	**28,658**	**29,791**

At 31 December 2019, overdue accounts receivable totalled Euro 5,566 thousand (Euro 4,512 thousand in 2018). The Company has booked an impairment provision amounting to Euro 152 thousand in 2019 (Euro 111 thousand in 2018), 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:

	31-12-2019	31-12-2015
Up to 3 months	4,790	4,512
Between 3 and 6 months	688	(274)
More than 6 months	88	274
Total	**5,566**	**4,512**

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 2019 and 2018 is as follows:

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**
Provision for impairment of trade receivables	49
Accounts receivable eliminated due to default	(8)
Balance at 31-12-19	**152**

(IN THOUSAND EURO)

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.

13 Other debtors

The breakdown of other debtors and balances with Public Administrations at 31 December 2019 and 2018 is as follows:

	31-12-2019	31-12-2018
Other receivables	3	2
Employees	1	1
Other tax refundable	80	578
Total	**84**	**581**

Other tax refundable includes the VAT refundable to be recovered from the Public Administrations at 2019 and 2018 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 2019 and 2018 is as follows:

	31-12-2019	31-12-2018
Loans to group companies (note 32.1)	1,397	633
Financial accounts (note 32.1)	22,239	19,643
Total	**23,636**	**20,276**

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 2019 amounted to Euro 36,969 thousand (Euro 35,237 thousand in 2018), as well as accrued financial interests amounting in 2019 to Euro 389 thousand (Euro 1,039 thousand in 2018), with maturity less than twelve months and with an effective rate that varies within a range of 0.34% and 4.88% in fiscal 2019 (0.72% and 4.62% in 2018), which is not equivalent to the yield of the asset. The movement for the years 2019 and 2018 is as follows:

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**
Additions	42,968
Transfers (Note 9)	13,230
Disposals	(55,116)
Balance at 31-12-2019	**37,358**

16 Cash and cash equivalents

The breakdown of cash and cash equivalents at 31 December 2019 and 2018 is as follows:

	31-12-2019	**31-12-2018**
Cash	6,040	16,727
Total	**6,040**	**16,727**

17 Capital and share premium

17.1 Capital

At 31 December 2019 share capital was represented by 31,000,000 shares (31,000,000 shares in 2018) 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 2018 and 2019, 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.

No movement in 2019.

At the dates of December 31, 2019 and 2018, 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 (%)	
	2019	**2018**
Jorge Mercader Miró	14.82	14.39
Mª del Carmen Escansany Miquel	11.67	11.67
Dª. Bernardette Miquel Vacarisas	11.45	11.35

(IN THOUSAND EURO)

17.2 Share premium

The breakdown and movement of the share premium for the years 2019 and 2018 is as follows:

Balance at 31-12-17	**40**
Return of contributions to shareholders	-
Balance at 31-12-18	**40**
Return of contributions to shareholders	-
Balance at 31-12-19	**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 2019 and 2018, is as follows:

Description	Number of shares	Value of the operation (Thousand Euro)	Average price (Euro)	Nominal value (Thousand Euro)
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 capital increase	125,016	-	-	250
Capital decrease	(1,275,000)	(37,036)	29.05	(2,550)
Adjudication by exercise of options	-	-	-	-
Balance at 31-12-2018	**600,193**	**10,339**	**17,23**	**1,200**
Acquisition of own shares	696,817	11,144	15,99	1,394
Subscription and acquisition on capital increase	-	-	-	-
Capital decrease	-	-	-	-
Adjudication by exercise of options	-	-	-	-
Balance at 31-12-2019	**1,297,010**	**21,483**	**16,56**	**2,594**

During 2019, the Company acting within the framework approved, has acquired 696,817 shares (513,679 shares in 2018) worth Euro 11,144 thousand (Euro 12,466 thousand in 2018).

The number of treasury shares held at 31 December 2019, after the operations carried out during the year, amount to 1,297,010 (€600,193 shares in 2018).

18 Reserves and Other equity instruments

The breakdown in the accounts related to Reserves and Other equity instruments, at 31 December 2019 and 2018, is as follows:

	31-12-2019	31-12-2018
Legal reserve	12,400	8,260
Reserve Law 16/2012	6,818	6,818
Voluntary reserves	110,701	97,070
Reserves for actuarial gains and losses	191	93
Capitalization reserves	1,706	1,706
Other equity instruments	356	233
Total	**132,172**	**114,180**

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 2018, 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.

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, except for the carrying amount of assets covered by the restatements performed in accordance with Royal Decree – Law 71996. (Note 6.c)

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 Corporate Income Tax Law and the offsetting of negative tax bases.

In 2018 the Company did not apply this tax incentive as a result of the decrease in shareholders' funds following the capital decrease carried out in the year. In 2019 this tax incentive was applied and during 2020 a reserve was established for the amount of the decrease which should figure on the balance sheet for 5 years and is available during that period under the aforementioned terms and conditions (Note 28).

(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 356 thousand in 2019 (Euro 233 thousand in 2018).

- “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, determined by the average share exchange rate for the preceding quarter less 5%, equivalent price of Euro 13.88 following the adjustment relating to that capital increase.

  The plan includes the following phases:

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

  - o 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 2019 (100 thousand in 2018).

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 2019 is as follows:

	2019
Basis of distribution	
Profit for the year (Profit)	30,321
Total	**30,321**
Application	
Legal reserve	13,700
Dividends	16,362
Voluntary reserves	259
Total	**30,321**

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 2019 which are listed below:

- By charge to 2018 profits:

  - Resolution dated 25 March: it was agreed to distribute a third interim dividend out of 2018 profits amounting to Euro 3,100 thousand, which in gross unit terms, with the allocation of the proportional part of the dividend rights of treasury shares held, amounted to Euro 0.10300775 per share. As it was paid after the year end 2018, this distribution met the relevant regulatory requirements as regards profits and liquidity.

- By charge to 2019 profits:

  - Resolution dated 30 September: it was agreed to distribute a first interim dividend out of 2019 profits amounting to Euro 3,300 thousand, which in gross unit terms, with the allocation of the proportional part of the dividend rights of treasury shares held, amounted to Euro 0.11095544 per share.

  - Resolution dated 25 November: it was agreed to distribute a second interim dividend out of 2019 profits amounting to Euro 3,300 thousand which in gross unit terms, with the allocation of the proportional part of the dividend rights of treasury shares held, amounted to Euro 0.11103727 per share.

All of them have been realized in 2019.

During 2018 the Board of Directors agreed to distribute the following interim dividends:

- 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)

(IN THOUSAND EURO)

- By charge to 2018 profits:

  - Resolution dated 1 October agrees to distribute a first interim dividend of profits for 2018 amounting to Euro 3,100 thousand in gross unit terms, with the allocation of the share of the economic rights of the own shares was Euro 0.16159426 per share (Euro 0.10099641 per share following adjustment for the capital increase of November 2018).

  - Resolution dated 22 November agrees to distribute a second interim dividend of profits for 2018, 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.

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.

	2019	2018
Dividends paid during the year	13,350	12,700
Tax effect	(1,533)	(1,443)
Total	**11,817**	**11,257**

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 30 September, 2019 to distribute a first interim dividend of the profits from 2019 of a total amount of 3,300 thousand Euro:

	2019
Profit distribution forecast	
Expected net results after tax at 30 September 2019	20,126
Maximum amount to be distributed as interim dividend	20,126
Interim dividend distributed	3,300
Treasury forecast for 1 year from the date of the interim dividend agreement:	
Treasury balances at 26 September 2019**	107,042
Forecast receipts	174,900
Forecast payments (including interim dividend)	(178,210)
Forecast treasury balances at 30 September 2020	**103,732**

** Includes unused credit facilities with financial institutions.

(IN THOUSAND EURO)

- Provisional resolution of 25 November, 2019 to distribute a second interim dividend of the profits from 2019 of a total amount of 3,300 thousand Euro:

	2019
Profit distribution forecast:	
Profit for the period 1 January to 31 December 2018	30,520
Forecast profit for the period 1 January to 25 November 2019	28,830
Maximum amount to be distributed as interim dividend	59,350
Interim dividends paid by charge to 2018	12,950
Interim dividends paid by charge to 2019	3,300
Proposed dividends by charge to 2019	3,300
Treasury forecast for one year from the date of agreement for interim distribution	
Available liquidity at the date of agreement for distribution of interim dividend*	101,680
Forecast receipts	166,200
Projected payments (including dividends)	(169,134)
Projected cash and bank balances at 25 November 2020	**98,746**

**Includes unused credit facilities with financial institutions

19.3 Complementary Dividend

Under the resolution adopted by the General Shareholders Meeting dated on 20 June 2019, 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 2018 amounting to Euro 3,650 thousand.

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.

(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 2019 totals Euro 0 thousand (Euro 0 thousand in 2018).

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 allowances	Total
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 increases / 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**
Additions	94	36	350	480
Tax effect	(23)	(9)	(88)	(120)
Disposals	-	(33)	-	(33)
Tax effect	-	8	-	8
Other increases / decreases	-	-	215	215
Tax effect	-		(54)	(54)
Transfer to profit and loss	(45)	-	(558)	(603)
Tax effect	11	-	140	151
Balance at 31-12-2019	**230**	**27**	**6**	**263**

(IN THOUSAND EURO)

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

Granting entity	31-12-2019	31-12-2018	Purpose	Date granted
Generalitat de Catalunya	14	24	Fixed asset financing	2008 and 2009
CDTI	36	33	Interest free loans	2018 and 2019
Ministerio Medio Ambiente	8	1	Emission allowances	2018 and 2019
Agencia Valenciana de la Energía	13	15	Improving energy efficiency	2011
Agencia Residuos de Catalunya	4	5	Waste minimization	2011
Generalitat de Catalunya	44	51	Fixed asset financing	2012
Agencia Valenciana de la Energía	67	77	Improving energy efficiency	2012/13/15
Miner	2	3	Fixed asset financing	2013
Instituto Valenciano de competitividad empresarial	76	83	Fixed asset financing	2016, 2017 and 2018
Instituto Divers. y ahorro Energía	87	-	Financiación inmovilizado	2018
Tax effect of grants	(88)	(73)	Financiación inmovilizado	2019
Total	**263**	**219**		

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:

	2019	2018
Release of non-financial fixed asset grants and others	603	201
Total	**603**	**201**

(IN THOUSAND EURO)

21 Creditors and payables

The breakdown of current and non-current debts at 31 December 2019 and 2018 is as follows:

	2019	2018
Long-term debts		
Bank loans	34,009	40,565
Total long-term debts	**34,009**	**40,565**
Short-term debts		
- Bank loans	9,835	3,217
- Credit facilities	274	136
- Interests accrued	66	33
Total debts with banks	**10,175**	**3,386**
- Other financial liabilities	2,101	2,585
Total short-term debts	**12,276**	**5,971**
Total short-term and long-term debts	**46,285**	**46,536**

The effect of implicit interest arising from subsidized loans held by the Company amounts to Euro 36 thousand at 31 December 2019 (Euro 33 thousand at 31 December 2018).

In the line “Other short-term financial liabilities” totalling Euro 2,101 thousand at 31 December 2019 (Euro 2,585 thousand in 2018) 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 2019 and 2018.

Bank loans maturities break down as follows:

Description	**31-12-2019**	**31-12-2018**
Up to 1 year	12,276	5,971
Between 1 and 3 years	19,777	18,517
Between 3 and 5 years	13,418	16,210
More than 5 years	814	5,838
Total	**46,285**	**46,536**

(IN THOUSAND EURO)

Of total loans at 31 December 2019, Euro 0 thousand relates to loans secured through a bank guarantee (Euro 75 thousand at 31 December 2018).

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

	2019	2018
Euros	46,011	46,400
AUD	204	131
JPY	-	5
GBP	65	-
USD	5	-
Total borrowings	**46,285**	**46,536**

The long and short-term loans movements for 2019 and 2018 are as follows:

	Long term loans	Short term loans
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**
Additions	28,279	-
Amortization	(25,000)	(3,217)
Transfers	(9,835)	9,835
Balance at 31-12-2019	**34,009**	**9,835**

a) Subsidised loans

During the year 2019 the Centre for the Development of Industrial Technology (C.D.T.I) granted two loans amounting to 101 and 181 thousand Euro, with repayment period of 9 and 10 years, including 1 and 2 years of grace period respectively.

During the year 2018 the Centre for the Development of Industrial Technology (C.D.T.I) granted three 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.

The Company has a December 2019 loans at zero interest, with a fair value of Euro 830 thousand (Euro 588 thousand at December 31, 2018) and redemption value Euro 866 thousand (Euro 621 thousand at 31 December 2018).

(IN THOUSAND EURO)

b) Bank loans

During 2019, BBVA granted a loan amounting to Euro 28 million, repayable over 5 years and with a 1 year grace period. The Company in turn cancelled a loan of Euro 25 million early, included within Amortisation in the above table.

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.

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

Additionally, the Company has the following credit facilities:

	31-12-2019		**31-12-2018**	
	Maximum limit	**Amount drawn down**	**Maximu m limit**	**Amount drawn down**
Floating rate:				
- maturing in less than one year	25,170	274	27,130	136
- maturing in more than one year	-	-	-	-
Fixed rate:				
- maturing in less than one year	-	-	-	-
	25,170	**274**	**27,130**	**136**

Credit facilities maturing in less than one year are subject to various reviews in during the year. Credit facilities have been renegotiated in order to contribute to the financing of the expected expansion of the Company's operations in 2019 and 2018.

(IN THOUSAND EURO)

22 Long and short term accrued income

The movement in "Accrued income" for the years 2019 and 2018, were as follows:

	Long-Term accrued income	Short-Term accrued income	Total
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**
Additions	4	-	4
Transfers to results (Note 29.4)	-	-	-
Other transfers	-	-	-
Balance at 31-12-19	**96**	**-**	**96**

23 Long-term employee benefits

- Defined-contribution commitments:

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).

- Defined-benefit commitments:

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. 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:

	31-12-2019	31-12-2018
Charges in the income statement in respect of:		
- Financial restatement (Financial expenses) (Note 30)	1	1
- Current service costs	5	9
- Expected return on plan-related assets (Note 30)	-	(1)
Total	**6**	**9**

	31-12-2019	31-12-2018
Debits/(credits) in Equity:		
- Actuarial gains and losses	131	(13)
- Tax effect	(33)	3
Total	**98**	**(10)**

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

Description	31-12-2019	31-12-2018
Present value of the liabilities	(235)	(404)
Fair value of the plan-related assets	133	208
Liability recorded on the balance sheet (Note 24)	**(102)**	**(196)**

(IN THOUSAND EURO)

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

Description	**31-12-2019**	**31-12-2018**
Opening balance	**404**	**335**
Current service cost	5	9
Interest costs (Note 30)	-	1
Actuarial (gains) / losses	(171)	53
Benefits paid	(3)	(12)
Closing balance	**235**	**404**

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

Description	**31-12-2019**	**31-12-2018**
Opening balance	**208**	**180**
Expected return on plan-related assets (Note 30)	-	1
Actuarial gains / (losses)	(41)	39
Return of contributions (returned premiums)	(34)	(12)
Closing balance	**133**	**208**

Company management has engaged an independent actuary to prepare an actuarial valuation at 31 December 2019 and 2018 of each defined benefit liability mentioned above.

The main assumptions applied have been:

Interest rate for valuing liabilities with current personnel at 31/12/2018	0.172%
Interest rate for valuing liabilities with current personnel at 31/12/2019	0.000%
Interest rate for valuing liabilities with retired personnel at 31/12/2018	0.172%
Interest rate for valuing liabilities with retired personnel at 31/12/2019	0.000%
Expected return on assets with current personnel	0.172%
Expected return on assets with retired personnel	0.172%
Annual growth in pensions at the beginning of 2019	0.25%
Annual growth in pensions at the 2019 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 31-12-2017	**149**
Additions	163
Applications	(159)
Valuation adjustments	-
Closing balance at 31-12-2018	**153**
Additions	558
Applications	(154)
Valuation adjustments	-
Closing balance at 31-12-2019	**557**

The balance at 31 December 2019 amounting to Euro 557 thousand relates to the balance of the provision for emission allowances (Euro 153 thousand in 2018).

(IN THOUSAND EURO)

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

Closing balance at 31-12-17	**1,599**
Additions	509
Payments	-
Transfers	(358)
Applications	-
Closing balance at 31-12-18	**1,750**
Additions	537
Payments	(1,223)
Transfers	-)
Applications	(94)
Closing balance at 31-12-19	**970**

The balance at December 31, 2019, amounting to Euro 970 thousand (Euro 1,750 thousand in 2018), 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 102 thousand in 2019 (Euro 196 thousand in 2018). There have been applications for an amount of Euro 64 thousand (Euro 24 thousand in 2018), no payment has been made (Euro 0 thousand in 2018) and a payment of Euro 30 thousand (Euro 0 thousand in 2018) was made in respect of the insurance premium to the external insurance company in order to regularise pension commitments (no expense paid in 2018).

- 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 and 2019.

- Additionally, the current year balance includes provisions for variable remuneration associated with objectives agreed with the relevant personnel in the amount of Euro 537 thousand (1,223 thousand in 2018), with a long-term maturity. During the current year a provision was established amounting to Euro 537 thousand and a payment of Euro 1,223 thousand was made (during 2018 a provision of Euro 413 thousand was established and a balance of Euro 358 thousand was reclassified to short term) (Note 27).

- Finally, during the past year a provision was established for the amount pending disbursement on the acquisition of Clariana, S.A. amounting to Euro 72 thousand which is maintained in 2019.

(IN THOUSAND EURO)

25 Deferred taxes

The movement in deferred taxes in 2019 and 2018 is as follows:

	2019		2018	
	Deferred tax assets	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Opening balance	**1,348**	**1,584**	**1,301**	**1,780**
- Charged in the income statement	(130)	(31)	47	(192)
- Charged directly to equity	-	47	-	(4)
Closing balance	**1,218**	**1,600**	**1,348**	**1,584**

The movement and detail during 2019 and 2018 in deferred tax assets and liabilities is as follows:

			2019	
Deferred tax assets	**Non-deductible depreciation**	**Accruals**	**Equity adjustments**	**Total**
Opening balance	**504**	**844**	**-**	**1,348**
- Charged in the income statement	(117)	(13)	-	(130)
Closing balance	**387**	**831**	**-**	**1,218**

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

(IN THOUSAND EURO)

	2019			
Deferred tax liabilities	**Other adjustments**	**Accelerated tax depreciation**	**Equity adjustments**	**Total**
Opening balance	**-**	**1,475**	**109**	**1,584**
- Charged in the income statement	161	(192)	-	(31)
- Charged directly to equity	-	-	47	47
Closing balance	**161**	**1,283**	**156**	**1,600**

	2018			
Deferred tax liabilities	**Other adjustments**	**Accelerated tax depreciation**	**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**

The Euro 387 thousand related to deferred tax assets in 2019 (Euro 504 thousand in 2018) 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 2019 totalled Euro 347 thousand (Euro 445 thousand in 2018).

- 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 2019 amounted to Euro 40 thousand (Euro 59 thousand in 2018).

(IN THOUSAND EURO)

Deferred tax assets of Euro 831 thousand in 2019 (Euro 844 thousand in 2018) relate mainly to non-tax-deductible provisions for personnel.

Deferred taxes charged directly to equity in 2019 and 2018 are as follows:

Description	31-12-2019	31-12-2018
Capital grants	77	65
Pensions	69	36
Interest free loans	9	8
Other	1	-
Total	**156**	**109**

26 Trade and other payables

The breakdown of trade and other payables at 31 December 2019 and 2018 is as follows:

Description	31-12-2019	31-12-2018
Trade payables		
Trade payables, local currency	12,255	13,674
Trade payables, foreign currency	2,151	3,271
Trade payables, group companies and associates (Note 32.1)	4,107	5,743
Trade payables, group companies and associates in foreign currency (Nota. 32.1)	222	409
Other payables		
Other payables, local currency	797	966
Other payables, foreign currency	38	376
Total	**19,570**	**24,439**

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

	31-12-2019	31-12-2018
Euro	17,159	20,380
US Dollar	2,411	4,051
Pound Sterling	-	5
Others	-	3
Total	**19,570**	**24,439**

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 2019 and 2018 it is as follows:

	31/12/2019	31/12/2018
	Days	**Days**
Average payment period to creditors	38	35
Ratio of operations paid	39	37
Ratio of operations pending payment	19	17
	Thousands of Euro	**Thousand s of Euro**
Total payments made	91,734	85,579
Total outstanding payments	7,499	9,754

27 Other current liabilities

The breakdown of other current liabilities for the years ended at 31 December 2019 and 2018 is as follows:

Description	31-12-2019	31-12-2018
Personnel	3,426	3,997
Customer advances	435	1,104
Other payable to Public Administrations	5,056	2,805
Total	**8,917**	**7,906**

(IN THOUSAND EURO)

The heading personnel includes provisions for variable remuneration, associated with objectives and established and agreed with the personnel involved. In 2019 the balance of these provisions is zero since all amounts are non-current (Nota 24). In 2018 an amount of Euro 602 thousand was included under current of which Euro 358 thousand was 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 2019 and 2018, that were paid in January 2020 and 2019, respectively.

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. On 1 January 2019 the company Clariana, S.A. which was acquired by the group on 25 July 2018, was added to the tax group (Note 1).

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 2019 is the following:

	Income Statement			Income and expenses charged directly to equity		
Profit for the year			**30,321**			**142**
	Increases	**Decreases**	**Total**	**Increases**	**Decreases**	**Total**
Corporate income tax	8,291	-	8,291	47		47
Permanent differences	229	(4,736)	(4,507)	-	-	-
Temporary differences				-	-	-
- arising during the year	546	-	546	-	-	-
- arising in prior years	767	(390)	377	473	(662)	(189)
Taxable income *	**9,672**	**(5,126)**	**35,028**	**520**	**(662)**	**-**

(IN THOUSAND EURO)

* During the year the company has applied a reduction to the tax base of corporate income tax as a capitalization reserve amounting to Euro 259 (amounting to Euro 0 in 2018). 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 34,769 thousand in 2019.

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

Expense for corporate income tax is composed by:

	31-12-2019	31-12-2018
Current tax	8,354	8,792
Deferred tax	99	(243)
Tax paid abroad	7	13
Adjustment to corporate income tax from previous years and others	(169)	335
Total	**8,291**	**8,897**

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 2018 and 2019.

Current corporate income tax results from applying a tax rate of 25% to taxable income and applying 2019 deductions which amounted to Euro 338 thousand (Euro 344 thousand in 2018). Withholdings and payments on account of the year amounted to Euro 7,819 thousand (Euro 8,121 thousand in 2018), resulting an amount payable to Public Administration by Euro 535 thousand in 2019 (Euro 671 thousand in 2018).

The Company has not incurred tax losses in the past, and there are no deductions available to be offset at 2019 year-end.

(IN THOUSAND EURO)

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

	31-12-2019		31-12-2018	
Receivable / payable balances from tax consolidation	**Receivable balances**	**Payable balances**	**Receivable balances**	**Payable balances**
- S.A. Payá Miralles	15	-	37	-
- Celulosa de Levante, S.A.	-	147	-	70
- Papeles Anoia, S.A.	87	-	84	-
- Desvi, S.A	-	50	26	-
- Sociedad Española Zig-Zag, S.A.	1	-	2	-
- M.B. Papeles Especiales, S.A.	275	-	256	-
- Miquel y Costas Energía y Medio Ambiente S.A.	38	-	30	-
- Miquel y Costas Tecnologías, S.A.	-	71	-	5
- Terranova Papers, S.A.	-	444	-	287
- Miquel y Costas Logística S.A.	21	-	28	-
- Clariana S.A.	39	-	-	-
	476	**712**	**463**	**362**

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 the assessments documenting the results of the tax inspection were signed, the Company disagreeing with certain aspects.

In September 2019 the Company was notified of the tax assessment resulting from the tax inspection, with an amount payable to the tax administration of Euro 1,9 million which was placed on deposit by the Company on 5 November 2019. In accordance with the opinion of their advisors, the Directors have solid arguments to consider that following the submission of the relevant appeals, that amount will not give rise to a liability for the Group and they have therefore recognised an asset of Euro 1,710 thousand (Note 9) in the parent company and Euro 72 thousand in the group company MB Papeles Especiales S.A.

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 liabilities will arise for significant amounts.

(IN THOUSAND EURO)

29 Income and expenses

29.1 Transactions denominated in foreign currency

Transactions carried out in foreign currency are as follows:

Description	31-12-2019	31-12-2018
Purchases	15,952	20,346
Sales	20,839	24,403

29.2 Net turnover

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

	(%)	(%)
Market	**2019**	**2018**
Domestic market	15.60	16.51
European Union	32.30	34.57
OECD countries	29.50	26.56
Other countries	22.60	22.36
	100.00	**100.00**

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

	(%)	(%)
Line	**2019**	**2018**
Tobacco industry	89.28	86.55
Industrial Products	4.75	3.38
Graphic Industry and other	5.97	10.07
	100.00	**100.00**

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

	2019	2018
Consumption of goods for resale, raw materials and other consumable materials:		
Purchases	68,710	74,010
Difference between opening and closing inventories	632	(2,453)
Total	**69,342**	**71,557**

(IN THOUSAND EURO)

29.4 Other operating income

The distribution of other operating income is as follows:

Description	2019	2018
Operating grants transferred to income statement	402	259
Revenues from services rendered between group companies (Note 32.2)	4,473	4,066
Electricity sales	36	50
Other	197	137
	5,108	**4,512**

29.5 Staff costs

Breakdown of staff costs is as follows:

	2019	2018
Wages, salaries and similar remuneration	21,334	21,168
Staff welfare expenses	6,212	5,682
- Pension contributions and transfers	697	347
- Other staff welfare expenses	5,515	5,335
Other staff costs	100	350
Provisions	53	59
	27,699	**27,259**

Wages, salaries and similar remuneration include severance expenses totalling Euro 111 thousand in 2019 (Euro 100 thousand in 2018).

The distribution by category of the Company's personnel average in 2019 and 2018 is as follows:

	2019	2018
Members of the Board of Directors (executives)	3	3
Senior Management	5	5
Executives	11	11
Managers and Middle Management	64	51
Administrative and Technical personnel	102	103
Production staff	343	351
	528	**524**

(IN THOUSAND EURO)

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

	31-12-2019		31-12-2018	
	Male	**Female**	**Male**	**Female**
Members of the Board of Directors (executives)	3	-	3	-
Senior Management	4	1	4	1
Executives	10	1	10	1
Managers and Middle Management	60	4	47	4
Administrative and Technical personnel	45	57	45	58
Production staff	234	112	241	118
	356	**175**	**350**	**182**

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

	2019	2018
Senior clerks and foremen	1	1
Production staff	2	3
	3	**4**

29.6 Other operating expenses

The breakdown of Other operating expenses is as follows:

	2019	2018
External services	40,528	41,771
Local taxes	520	530
Loss, impairment and variation in trade provisions (Note 12)	41	1
Gas emission allowances expenses (Note 24)	558	163
Other current operating expenses	36	2
	41,683	**42,467**

The breakdown of external services is as follows:

	2019	2018
Leases and royalties	2,240	2,145
Independent professional services	2,330	2,974
Transport	4,451	4,846
Insurance premiums	529	502
Repairs and maintenance	2,740	2,867
Travel, publicity and advertising	4,119	3,900
Supplies	9,873	10,019
Subcontracted work	11,339	11,493
Other operating expenses	2,907	3,025
	40,528	**41,771**

(IN THOUSAND EURO)

29.7 Results from disposal of fixed assets

	2019	2018
Intangible assets	-	-
Property, plant and equipment	-	-
	-	**-**

30 Finance results

The breakdown of the finance results is as follows:

	2019	2018
Finance income:		
Shares in equity instruments		
- Group companies (Note 32.4)	4,709	4,108
- Third parties	-	7
Marketable securities and other financial instruments:		
- Group companies and associates (Note 32.4)	739	739
- Third parties	1,662	2,142
	7,110	6,996
Finance expenses:		
Debts with group companies and associates (Note 32.4)	(215)	(577)
Debts with third parties	(327)	(434)
Restatement of provisions (Note 23.a)	(1)	(1)
	(543)	(1,012)
Exchange differences:		
Positive exchange differences	636	822
Negative exchange differences	(874)	(875)
	(238)	(53)
Impairment and result from disposal of financial instruments		
Provision for impairment losses (Note 9)	-	**(47)**
Net financial result	**6,329**	**5,884**

(IN THOUSAND EURO)

a) Finance income and expenses

	2019	2018
Finance income:		
- Dividends from shares in group companies (Note 32.4 and Note 8)	4,709	4,108
- Dividends from shares in other companies	-	7
- Interest on debts	1,636	2,102
- Interest on loans	750	758
- Forecast return on assets related to commitments (Note 23)	-	1
- Other finance income	15	20
	7,110	6,996
Finance expenses:		
- Interest on loans	(542)	(1,011)
- Restatement of provisions (Note 23)	(1)	(1)
	(543)	(1,012)
	6,567	**5,984**

31 Remuneration of the Board of Directors and Senior Management

a) Board members' compensation

The members of the Board of Directors receive, pursuant to the authorisation granted by General Shareholder's Meeting:

I. Board members who are directors of the Company have received for their executive duties during the year 2019, through fixed compensation, expenses and other items, Euro 1,079 thousand (1,062 thousand in 2018) and variable remuneration amounting to Euro 898 thousand (990 thousand in 2018). During 2018, variable remuneration incudes the amount accrued under the 2016-2018 three year plan totalling Euro 143 thousand. In addition, during the present year no contributions were made to long-term savings schemes (in the previous year, an amount of Euro 262 thousand was contributed that related to the total amount accrued under the 2016-2018 Employee Welfare Plan). Moreover, during 2017 upon the termination of the previous plan, the "2016 Stock Option Plan" was formalised which at year end 2019 is in the "Vesting Phase". This phase will last for five years and will subsequently lead to the start of the "Exercise Phase" which will last for three years. This phase will mark the start of the period during which the beneficiaries may exercise options.

(IN THOUSAND EURO)

II. 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 2019 and 2018 amounted to Euro 1,516 thousand and Euro 1,526 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 18 thousand in 2018).

Except for the abovementioned concepts there is no receivable or payable balance to the members of the Board of Directors a 31 December 2019 and 2018.

Except for the executive Directors, who have a contract with guarantee clause for cases of dismissal and the President and the Vice-President-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 2019 and 2018 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.

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 2019 has totalled Euro 1,240 thousand (Euro 1,628 thousand in 2018). This remuneration included in 2018 the amounts under the three year plan and Employee Welfare Plan.

(IN THOUSAND EURO)

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 2019 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.

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 2019 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	278,949	4,316,337	14.824%
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. Javier Basañez Villaluenga	Director	82,600	-	0.266%
Joanfra, S.A.	Director	2,460,000	-	7.935%
Mr. Joaquín Faura	Director	8,536	-	0.028%
Mr. Jorge Mercader Barata	Vice Chair	145,000	-	0.468%
Total		**3,034,265**	**4,328,043**	**23.749%**

(IN THOUSAND EURO)

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%**

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 2019 and 2018 the breakdown of the receivable and payable balances with group companies is as follows:

Receivable balances 31-12-2019	Services rendered	Sales	Financial accounts	Short-term loans	Long-terms loans	Total
- S.A. Payá Miralles	194	-	-	-	-	194
- Celulosa de Levante, S.A.	1,276	-	-	-	-	1276
- Papeles Anoia, S.A.	551	1,127	-	-	-	1,678
- Desvi, S.A.	386	35	-	-	10,813	11,234
- Sociedad Española Zig-Zag, S.A.	12	15	-	-	-	27
- Miquel y Costas Tecnologías, S.A.	75	1	-	-	-	76
- MB Papeles Especiales, S.A.	809	88	-	-	-	897
- Miquel y Costas Energía y Medio Ambiente S.A.	99	2	-	-	-	101
- Miquel y Costas Argentina, S.A.	-	1,195	-	-	170	1,365
- Miquel y Costas Deutschland, GmbH	186	392	-	200	-	778
- Terranova Papers, S.A.	765	679	22,197	-	-	23,641
- Miquel y Costas Chile, S.A.	-	45	-	-	-	45
- Miquel y Costas Logística SA	312	61	-	-	-	373
- Fourtube, S.A.	-	-	-	-	138	138
- Clariana, S.A.	392	397	42	1,197	8,053	10,081
Total	**5,057**	**4,037**	**22,239**	**1,397**	**19,174**	**51,904**

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, S.A.	-	473	-	433	7,167	8,073
Total	**4,460**	**6,056**	**19,643**	**633**	**18,174**	**48,966**

(IN THOUSAND EURO)

At 31 December 2019 it has two loans with Clariana, S.A. amounting to Euro 9,250 thousand (3 loan operations with Clariana, S.A. amounting to Euro 7,600 thousand) in 2018) and Euro 170 thousand relating to a loan with Miquel y Costas Argentina.

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 2018 and 2019.

It has in turn granted loans amounting to Euro 10,813 thousand and Euro 138 thousand to Desvi S.A.and Fourtube S.L., respectively, bearing interest at market rates (Euro 10,814 thousand and Euro 193 thousand, respectively in 2018) .

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 31-12-2019	**Purchases**	**Services received**	**Financial accounts**	**Total**
- S.A. Payá Miralles	-	374	469	843
- Celulosa de Levante, S.A.	1,218	236	10,994	12,448
- Papeles Anoia, S.A.	347	53	9,754	10,154
- Desvi, S.A	-	359	2,149	2,508
- Sociedad Española Zig-Zag, S.A.	-	1	336	337
- M.B. Papeles Especiales, S.A.	565	-	3,393	3,958
- Miquel y Costas Energía y Medio Ambiente S.A.	-	112	993	1,105
- Miquel y Costas Tecnologías, S.A.	-	87	71	158
- Terranova Papers, S.A.	13	-	-	13
- Miquel y Costas Argentina	219	-	-	219
- Miquel y Costas Deutschland, GmbH	-	-	-	-
- Miquel y Costas Logísticas SA	524	-	170	694
- Clariana, S,A.	221	-	-	221
Total	**3,107**	**1,222**	**28,329**	**32,658**

(IN THOUSAND EURO)

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**

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 2019 and 2018 is as follows:

Description	31-12-2019	31-12-2018
Sale of goods		
- Celulosa de Levante, S.A.	-	1
- Papeles Anoia, S.A.	8,118	8,136
- Sociedad Española Zig-Zag, S.A.	95	107
- M.B. Papeles Especiales, S.A.	995	810
- Miquel y Costas Argentina, S.A.	1,089	1,045
- Miquel y Costas Deutschland, GmbH	3,005	3,155
- Terranova Papers, S.A.	4,705	5,261
- Miquel y Costas Logistica	572	425
- Miquel y Costas Chile	67	216
- Clariana, S.A.	1,259	1,930
Total	**19,905**	**21,086**

(IN THOUSAND EURO)

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.

The breakdown of services rendered to group companies during 2019 and 2018 is as follows:

Description	31-12-2019	31-12-2018
Services rendered		
- S.A. Payá Miralles	160	184
- Celulosa de Levante, S.A.	1,077	1,050
- Papeles Anoia, S.A.	472	519
- Desvi, S.A	312	307
- Sociedad Española Zig-Zag, S.A.	10	11
- M.B. Papeles Especiales, S.A.	684	758
- Miquel y Costas Tecnologías, S.A.	81	87
- Miquel y Costas Argentina, S.A.	130	164
- Terranova Papers, S.A.	638	560
- Miquel y Costas Deutschland GmbH	158	107
- Miquel y Costas Energía y Medio Ambiente S.A	97	100
- Miquel y Costas Logistica S.A	295	219
- Clariana, S.A.	359	-
Total	**4,473**	**4,066**

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 2019 and 2018 is as follows:

Description	31-12-2019	31-12-2018
Purchases of goods		
- Celulosa de Levante, S.A.	8,621	7,886
- Papeles Anoia, S.A.	3,316	4,584
- M.B. Papeles Especiales, S.A.	3,477	3,536
- Miquel y Costas Argentina, S.A.	2,121	1,911
- Terranova Papers SA	713	803
- Miquel y Costas Logística, S.A.	3,395	2,677
- Miquel y Costas C, S.A.	33	-
- Clariana, S.A.	1,160	-
Total	**22,836**	**21,397**

(IN THOUSAND EURO)

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.

The breakdown of services received by group companies in 2019 and 2018 is as follows:

Description	31-12-2019	31-12-2018
Services received		
- S.A. Payá Miralles	3,529	3,557
- Celulosa de Levante, S.A.	214	-
- Papeles Anoia, S.A.	400	618
- Desvi, S.A.	646	789
- M.B, Papeles Especiales, S.A.	552	443
- Miquel y Costas Energía y Medio Ambiente S.A.	380	447
- Miquel y Costas Tecnologías, S.A.	158	191
- Terranova Papers, S.A.	0	192
- Miquel y Costas Deutscheland GmbH	560	518
- Miquel y Costas Logística, SA	288	266
Total	**6,727**	**7,021**

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 2019 and 2018 is as follows:

Description	31-12-2019	31-12-2018
Financial income (Note 30)		
- Desvi, S.A.	137	137
- Terranova Papers, S.A.	167	397
- Miquel y Costas Tecnologías, S.A.	-	1
- S.A. Payá Miralles	-	18
- Miquel y Costas Deuschland GmbH	8	8
- Miquel y Costas Logística,SA	2	10
- Miquel y Costas Argentina	1	-
- Clariana, S.A.	424	168
Total	**739**	**739**

(IN THOUSAND EURO)

Description	31-12-2019	31-12-2018
Financial expenses (Note 30)		
- Celulosa de Levante, S.A.	92	241
- Papeles Anoia, S.A.	74	188
- Sociedad Española Zig-Zag, S.A.	3	9
- S.A. Payá Miralles	4	28
- MB Papeles Especiales, S.A.	19	58
- Miquel y Costas Energía y Medio Ambiente S.A.	9	29
- Desvi, S.A	13	24
- Miquel y Costas Tecnologías, S.A.	1	-
Total	**215**	**577**

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 2019 and 2018 are as follows:

Description	31-12-2019	31-12-2018
Dividends		
- Celulosa de Levante, S.A.	2,241	487
- Papeles Anoia, S.A.	1,782	1,980
- Miquel y Costas Tecnologías, S.A.	-	135
- MB Papeles Especiales, S.A.	-	1,000
- S.A. Payá Miralles	649	450
- Sociedad Española Zig-Zag, S.A.	37	56
Total	**4,709**	**4,108**

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 specific financing needs of the Group companies in relation to tangible asset investment projects.

In 2019 three loans were granted, two to Clariana, S.A. amounting to Euro 9,520 thousand and at an interest rate of 5% (external loans amounting to Euro 7,223 thousand were in turn cancelled early) and one to Miquel y Costas Argentina, S.A. amounting to Euro 170 thousand at a variable interest rate (euribor +4), (3 loans to Clariana, S.A. amounting to Euro 7,600 thousand and at an interest rate of 5% in 2018).

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 2019 the wastewater treatment plants (EDARI) with primary treatment functioned normally.

Total net investments after deducting grants received and tax deductions applied have totalled Euro 7,367 thousand in 2019 (Euro 2,314 thousand in 2018).

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 2019, 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 allowances, which have totalled Euro 1,039 thousand (Euro 1,055 thousand in 2018), 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. Additionally, the Company is the policyholder of an insurance policy for the Miquel y Costas Group covering environmental contingencies.

(IN THOUSAND EURO)

34 Emission allowances

Law 1/2005/9 March, which regulates the greenhouse gas emission allowance 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 Allowance 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 allowances 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.

Following the procedure mentioned above, the individual assignment of emission allowances was made to the plants included in the 2008-2012 National Greenhouse Gas Emission Allowance 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 allowances subject to the trading scheme allowances for the period 2013-2020.

The assignment of allowances to the Company for 2019 is as follows:

	Allowances assigned (Tm.)
2019	14,025
	14,025

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

Description	Allowances assigned (Tm.)
2020	22,700
	22,700

(IN THOUSAND EURO)

The real emission allowances in the year 2019 total 22,344 allowances (21,020 in 2018). During 2019, a purchase of 8,600 allowances was made to a group company (8,000 in 2018).

For 2019 the amount of the expenses arising from the use of emission allowances has totalled Euro 567 thousand (Euro 163 thousand in 2018) (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 2019 and 2018 of this intangible asset (Note 11) is as follows:

Description	Thousand Euro
Closing balance at 31-12-2017	**141**
Additions	174
Disposals	(159)
Closing balance at 31-12-2018	**156**
Additions	565
Disposals	(154)
Closing balance at 31-12-2019	**567**

35 Contingencies

a) Contingent liabilities

The Company is involved in litigations and disputes in the ordinary course of business. The most significant events which took place during the year are as follows: (I) during the process involving the Company and the former commercial distributor in Italy, the most significant event was that the Company's claim was partly upheld in the judgement in the first instance that in addition, rejected the counter-claim filed by the other party; an appeal has been lodged against this judgement by the defendant; (ii) during the tax inspection relating to corporate income tax, following the notification of the inspection assessment agreement, the Company filed an administrative claim with the Central Economic -Administrative Tribunal.

In accordance with their advisors' opinion, the Directors continue to hold that, based on prevailing accounting legislation, the Company should not recognise any additional amount in respect of results in its annual accounts other than in relation to the news concerning 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 259 thousand at 2019 year-end (Euro 76 thousand in 2018), 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 18,329 thousand (Euro 23,432 thousand in 2018).

b) Contingent assets

The Company's Directors estimate that there are no contingent assets at 31 December 2019 and 2018 except for the matter mentioned in the preceding paragraph a)

36 Commitments

a) Purchase commitments

The Company does not have any signed purchase contract or agreement at 2019 or 2018 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 2019 (Euro 57 thousand in 2018) and relating to other assurance and consolidation services amounted to Euro 14 thousand in 2019 (Euro 33 thousand in 2018). Other assurance services include the issuance of an agreed-upon procedures report relating to Ecoembes and in 2018 apart from the Ecoembes report, they included the review of non-financial information.

Furthermore, there have been no fees accrued during the years 2019 and 2018 for other companies in the PwC network as a result of services rendered to the Company.

38 Subsequent Events

No other events have occurred after the year end date that might significantly affect the information shown in the annual accounts authorised for issue by the directors on this same date or that warrant reporting because of their significance for the various Group companies or for the Group as a whole except for the COVID -19 outbreak.

Since December 2019, COVID-19, a new Coronavirus strain, has spread from China to other countries, including Spain. This has significantly affected global economic activity and as a result, could affect the Company's operations and financial results. The extent to which the Coronavirus could impact our results will depend on future developments that cannot be reliably foreseen, including the actions to contain the virus or treat it and mitigate its impact on the economies of the countries affected, among other things.

As a result of the exceptional circumstances occurring after the year end 2019 and in the period of preparation of these annual accounts, following the publication of Royal Decree 463/2020 on 14 March 2020 and subsequent amendments and Decree -Law 8/2020 of 17 March, under which the state of emergency was declared in order to manage the health crisis triggered by the coronavirus (Covid-19) outbreak, and which came into effect on 14 March, we declare that:

- The contingency plans envisaged for these circumstances have been activated which have permitted the continuity of the business, attempting as far as possible to approximate it to normality. In this respect, organizational measures to manage the crisis have been implemented on both an individual (management of situations of contagion or isolation) and collective basis.

- At the date of preparation of these annual accounts, all centres are continuing logistics and shipment activities, delivering on their commitments in this exceptional situation. However, some production assets have been impacted by contingencies caused by the force majeure event. Production employees have been affected by the complete territorial lockdown, decreed by the health authorities, which has led to temporary layoffs. Additionally, in other cases, the annual calendar has been changed, by mutual agreement with the workers' representatives.
- At the reporting date, the economic impacts of the general crisis are not known and therefore it is impossible to quantify them.

(Free translation from Spanish)

1. NET INCOME

Net income for 2019 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	2019	2018	Var.
Net turnover	168,766	171,817	-1.8%
Operating profit	32,283	33,533	-3.7%
Net profit before taxes (BAI)	38,612	39,417	-2.0%
Net profit after tax (BDI)	30,321	30,520	-0.7%
Cash-flow after tax (CFDI)	39,004	38,434	1.5%

The total of consolidated net sales for the year amounted to Euro 168,8 million, which represents an increase of 1.8% over the previous year.

The net profit before tax was Euro 30.3 million, in line with the previous year while cash flow was 1.5% up on that same period, due to the increase in amortisations.

2. FINANCIAL POSITION

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

	31-12-2019	31-12-2018
Total equity	**196,713**	**190,420**
Net borrowings:		
Long-term borrowings	34,009	40,565
Short-term borrowings	10,175	3,386
Cash and current asset investments	(43,398)	(53,003)
Long-term financial investments	(32,230)	(32,211)
Total net borrowings	**(31,444)**	**(41,263)**
Leverage index	Not applicable	Not applicable

(Free translation from Spanish)

The company's net financial position with financial entities at the end of 2019, which includes the implicit interest, has a credit balance of Euro 31.4 million, representing a decrease of Euro 9.8 million.

The average payment period for the Company to 31 December, 2019 amounted to 38 days.

3. STOCK EXCHANGE INFORMATION

The main information on share trading in 2019 is as follows, presented adjusted for the capital increase indicated:

Trading days	255 days
Nº shares traded	4.522.721
Value traded	Euro 71.931 thousand
Maximum quotation	Euro 17.68 / share
Minimum quotation	Euro 14.82 / share
Average quotation	Euro 15.91 / share
Final quotation	Euro 16.40 / share

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 2019 that must be reported under the OEHA 3050/2004, 15 September.

In addition, no transactions have been made during 2019 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.

There were no significant operations performed by the Company with other Group companies that have not been eliminated in the preparation of the consolidated financial statement, such operations always forming part of the Company's ordinary business.

(Free translation from Spanish)

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 7.4 million.

6. R&D&i ACTIVITIES

In 2019 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 2019 has been 528 (524 in 2018). Training activities have continued in the industrial and management areas, to which Euro 93 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 2019 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. During the process involving the Company and the former commercial distributor in Italy, the most significant event was that the Company's claim was partly upheld in the judgement in the first instance that in addition, rejected the counter-claim filed by the other party; an appeal has been lodged against this judgement by the defendant; (ii) during the tax inspection process relating to corporate income tax, following the notification of the inspection assessment agreement, the Company filed an administrative claim with the Central Economic -Administrative Tribunal.

In accordance with their advisors' opinion, the Directors continue to hold that, based on prevailing accounting legislation, the Company should not recognise any additional amount in respect of results in its annual accounts other than in relation to the news concerning the new events.

9. SUBSEQUENT EVENTS

No other events have occurred after the year end date that might significantly affect the information shown in the annual accounts authorised for issue by the directors on this same date or that warrant reporting because of their significance for the various Group companies or for the Group as a whole except for the COVID -19 outbreak. The situation at the date hereof is that all centres are continuing logistics and shipment activities, delivering on their commitments in this exceptional situation. However, some production assets have been impacted by contingencies caused by the force majeure event. Production employees have been affected by the complete territorial lockdown, decreed by the health authorities, which has led to temporary layoffs. Additionally, in other cases, the annual calendar has been changed, by mutual agreement with workers' representatives.

10. OUTLOOK

Since December 2019, COVID-19, a new Coronavirus strain, has spread from China to other countries, including Spain. This has significantly affected global economic activity and as a result, could affect the Company's operations and financial results. The extent to which the Coronavirus will impact our results will depend on future developments that cannot be reliably forecast, including the actions to contain the virus or treat it and mitigate its impact on the economies of the countries affected, among other things.

11. PURCHASE OF TREASURY SHARES

During 2019 the Company made use of the authorisation for the derivative acquisition of treasury shares granted by the General Shareholders' Meetings of 22 June 2016 and 20 June 2018 and acquired 696,817 shares on the stock market, the total number of treasury shares held amounting to 1,297,010 shares at year end.

On 16 January of the present year, following the recommendations of Spain's National Securities Market Commission (CNMV), the Company reported to it as a significant event its intention to carry out a Share Buy-back Program, which establishes the framework for its treasury share transactions, for a maximum of 620,000 shares and an amount of Euro 11 million to be completed within 12 months.

The 2016 Stock Option Plan which is currently in effect remained unchanged during the period.

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 2019.

13. NON-FINANCIAL INFORMATION

The Company on an individual level has availed itself of the exemption included in Law 11/2018 of 28 December 2018, approved on 13 December 2018, and does not present an individual non-financial information and diversity statement, as the requisite information on this company is included in the Consolidated Non-financial Information Statement which forms part of and may be consulted in the Consolidated Management Report of the Consolidated Annual Accounts for 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	N° 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
[✓] 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	
INSINGER DE BEAUFORT ASSET MANAGEMENT N.V.	0.00	4.16	0.00	0.00	4.16
MRS.BERNADETTE MIQUEL VACARISAS	0.15	11.31	0.00	0.00	11.46
MRS. MARIA DEL CARMEN ESCASANY MIQUEL	3.35	8.32	0.00	0.00	11.67
EDM GESTIÓN S.A. SGIIC	0.00	3.68	0.00	0.00	3.68
SANTANDER ASSET MANAGEMENT S.A. SGIIC	0.00	5.15	0.00	0.00	5.15
INDUMENTA PUERI, S.L.	0.00	8.66	0.00	0.00	8.66
SANTANDER SMALL CAPS ESPAÑOLA, FI	3.29	0.00	0.00	0.00	3.29
EDM INVERSIÓN FI	3.01	0.00	0.00	0.00	3.01

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
INSINGER DE BEAUFORT ASSET MANGEMENT N.V.	INSTITUCIONES DE INVERSION COLECTIVA	4.16	0.00	4.16
MRS. BERNADETTE MIQUEL VACARISAS	BELEN SORIA MIQUEL	0.01	0.00	0.01
MRS. BERNADETTE MIQUEL VACARISAS	JOSÉ SORIA MIQUEL	0.01	0.00	0.01
MRS. BERNADETTE MIQUEL VACARISAS	VÍCTOR SORIA MIQUEL	0.01	0.00	0.01
MRS. BERNADETTE MIQUEL VACARISAS	JOSÉ SORIA SORJUS	0.01	0.00	0.01
MRS. BERNADETTE MIQUEL VACARISAS	AGRICOLA DEL SUDESTE ALMERIENSE, S.A.	3.37	0.00	3.37
MS. BERNADETTE MIQUEL VACARISAS	JOANFRA, S.A.	7.93	0.00	7.93
MRS. MARIA DEL CARMEN ESCASANY MIQUEL	ENKIDU INVERSIONES, S.L.	8.32	0.00	8.32
EDM GESTION S.A. SGIIC	INSTITUCIONES DE INVERSIÓN COLECITVA	3.68	0.00	3.68
SANTANDER ASSET MANGAMENT S.A. SGIIC	SANTANDER SMALL CAPS ESPAÑOLA FI	3.29	0.00	3.29
SANTANDER ASSET MANGAMENT S.A. SGIIC	SANTANDER ACCIONES ESPAÑOLAS FI	1.86	0.00	1.86
INDUMENTARIA PUERI S.L.	GLOBAL PORTFOLIO INVESTMENTS SL	8.66	0.00	8.66

Indicate the most significant movements in the shareholding structure that occurred during the year

Significant movements

FIL LIMITED, on April 17, 2019, reported that its participation fell by 1%.

EDM INVERSION FI, on first of August 08, 2019, reported that its direct participation by 3.008%.

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. JAVIER BASAÑEZ VILLALUENGA	0.27	0.00	0.26	0.00	0.53	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	0.90	13.92	0.00	0.00	14.82	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.	7.93	0.00	0.00	0.00	7.93	0.00	0.00

% total voting rights held by the Board of Directors	23.75

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. JORGE MERCADER MIRÓ	HACIA, S.A.	13.92	0.00	13.92	0.00
MR. ÁLVARO DE LA SERNA CORRAL	MRS. MERCEDES DE LA SERNA VILLALONGA	0.01	0.00	0.01	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. JIMENA DE LA SERNA VILLALONGA	0.01	0.00	0.01	0.00
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	MRS. MARTA VENTÓS OMEDES	0.04	0.00	0.04	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
MR. JORGE MERCADER BARATA	MR. JORGE MERCADER MIRÓ	HACIA, S.A.	MR. JORGE MERCADER BARATA is Director and Secretary of HACIA S.A.
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 the EDM Group which the EDM GESTIÓN S.A. SGIIC is a memeber
MR. ÁLVARO DE LA SERNA CORRAL	MRS. MARÍA DEL CARMEN ESCASANY	ENKIDU INVERSIONES, S.L	MR. ÁLVARO DE LA SERNA CORRAL is Managing Director and Secretary of ENKIDU INVERSIONES, S.L.
JOANFRA, S.A.	MRS. BERNADETTE MIQUEL VACARISAS	JOANFRA, S.A.	JOANFRA S.A. is a company controlled by MRs. BERNADETTE MIQUEL VACARISAS, where is Director and Secretary.

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
[✓] No

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

[ ] Yes
[✓] 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 the existence of pacts, agreements or 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
[✓] 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
1,297,010	0	4.18

(*) Through to:

Name or company name of the direct shoulder 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 2018, the according to execute the authorization of the General Meeting.

A.11. Estimated floating capital:

	%
Estimated floating capital	51.62

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
[✓] 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
[✓] 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
[✓] 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
[✓] 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
[✓] 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 Articles of Association 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		Total
			Electronic vote	Others	
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
20/06/2019	43.51	23.89	0.00	4.19	71.59
Of the floating capital	3.51	18.63	0.00	4.19	26.33

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
[✓] No

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

[✓] 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
[✓] 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	Representative	Type of directorship	Office on the board	Date of first appointm.	Date of last appointm.	Election of procedure
MR. JOAQUÍN COELLO BRUFAU		Independent	DIRECTOR	26/06/2008	20/06/2019	SHAREHOLDERS MEETING AGREEMENT
MR. JAVIER BASAÑEZ VILLALUENGA		Executive	DIRECTOR	28/07/2008	20/06/2019	SHAREHOLDERS MEETING AGREEMENT
MR. JOAQUÍN FAURA BATLLE		Independent	COORDINATING INDEPENDENT DIRECTOR	29/10/2013	20/06/2019	SHAREHOLDERS MEETING AGREEMENT
MR. JORGE MERCADER MIRÓ		Executive	CHAIRMAN	05/11/1991	20/06/2019	SHAREHOLDERS MEETING AGREEMENT
MR. JORGE MERCADER BARATA		Executive	VICECHAIRMAN	27/06/2012	20/06/2018	SHAREHOLDERS MEETING AGREEMENT
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA		Independent	DIRECTOR	18/04/1997	20/06/2018	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. ÁLVARO DE LA SERNA CORRAL		External Propietary Directors	DIRECTOR	28/07/2008	20/06/2019	SHAREHOLDERS MEETING AGREEMENT
JOANFRA, S.A.	MRS. BERNADETTE MIQUEL VACARISAS	External Proprietary Directors	DIRECTOR	25/10/1999	17/06/2015	SHAREHOLDERS MEETING AGREEMENT
MR. JOSÉ CLAUDIO ARANZADI MARTÍNEZ		Independent	DIRECTOR	20/06/2019	20/06/2019	SHAREHOLDERS MEETING AGREEMENT
MRS. MARTA LACAMBRA I PUIG		Independent	DIRECTOR	20/06/2019	20/06/2019	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
MR. ANTONIO CANET MARTÍNEZ	OTHER EXTERNAL	17/06/2015	20/06/2019	HUMAN RESOURCES, NOMINATIONS AND REMUNERATIONS COMMITTEE	NO
MR. CARLES ALFRED GASÒLIBA BÖHM	OTHER EXTERNAL	17/06/2015	20/06/2019	HUMAN RESOURCES, NOMINATIONS AND REMUNERATIONS COMMITTEE	NO

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	Graduate in Political, Economic and Commercial Sciences from the Central University of Barcelona; Registered, non-practicing auditor of the Accounting Institute and Account Auditors; Certified for transportation services management. He is currently Secretary General of the Miquel y Costas Group and President of Bacesa de Inversiones, SICAV, S.A. as well as Director of Miquel y Costas & Miquel S.A.
MR. JORGE MERCADER MIRÓ	CHAIRMAN	Doctor in Industrial Engineering from the Technical School of Industrial Engineers of Barcelona and Master of Economics and Business from IESE (Institute for Higher Business Studies). He is currently President of Miquel y Costas & Miquel S.A. and from Hacia S.A. Additionally, he is a member of the Honorary Council of the Círculo de Economía Foundation, Trustee of the Fundación Princesa de Girona and of the Pasqual Maragall Foundation, Vice President of the Cerdà Institute and President of the Gala-Dalí Foundation.
MR. JORGE MERCADER BARATA	VICEPRESIDENT & GENERAL MANAGER	Industrial Engineer, Chemical specialty; MBA from IESE (Institute of Higher Business Studies); CEIBS Exchange Program. Shanghai (China). He is currently Vice President-General Director of Miquel y Costas & Miquel S.A. Additionally, he is President of ASPAPEL (Spanish Association of Pulp, Paper and Cardboard Manufacturers), Director of Hacia, S.A., Trustee of the Princess of Girona Foundation, Member of the Advisory Council of UEA (Unió Empresarial Anoia) and Member of the Executive Committee of the Alumni Association of IESE.

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.	Graduate in Economic and Business Sciences from the Autonomous University of Madrid and Master in Economics and Business from IESE (Institute of Higher Business Studies). He is currently a director of Credit Suisse AG Branch in Spain and Director of Viña Castellar Invest SICAV, S.A., Enkidu Inversiones S.L. and Miquel y Costas & Miquel S.A.

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
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.U, Agrícola del Sudeste Almeriense S.A., and Joanfra S.A. and individual representative of Joanfra S.A. in the Board of Directors of Celler Cal Costas, S.L.U and 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. JOAQUÍN COELLO BRUFAU	Naval Engineer from the Technical School of Naval Engineers of Madrid in both specialties of the career: Naval Construction and Exploitation and Maritime Transport and MBA from IESE (Institute of Higher Business Studies). He is currently President of Asoport (State Association of Port Operating Companies), Senior Academic of the Royal Academy of Engineering, Advisor to the Presidency of Gamesa, Advisor to AudingIntraesa, Noatum Maritime, Ership, Tecnalia and Enertika, and Director of the Comexi Group, Portel and Miquel y Costas & Miquel S.A.
MR. JOAQUÍN FAURA BATLLE	Law degree from the University of Barcelona and Master in Economics and Business Management from IESE (Institute of Higher Business Studies). He is currently Senior Advisor to the Presidency of Telefónica de España, Chairman of the bilateral Hispano-Korean Committee and is part of the Executive Committee of IESE Members. He is a Trustee of the Barcelona Digital Foundation, Representative Member of the Patronage Council of the Board of Trustees of the Gran Teatre del Liceu Foundation and Director of Foment del Treball and Miquel y Costas & Miquel, S.A.
MRS. MARTA LACAMBRA I PUIG	Degree in Economic Sciences and Master in Economic Theory and Quantitative Methods from the Autonomous University of Barcelona; II Training program for managers by EAPC / IESE; Master in Economics and Management of the Autonomous and local Treasury from the Faculty of Economic Sciences of the University of Barcelona; Senior Management Program (PADE) by IESE. She is currently the General Director of the Fundación Cataluña - La Pedrera, CEO of Món St. Benet S.L., Member of the Board of the Círculo de Cultura; Member of the Academic Council of the Chair of Leadership and Democratic Governance of ESADE and Director of Miquel y Costas & Miquel S.A.

INDEPENDENT EXTERNAL DIRECTOR	
Name or company name of director	Profile
MR. JOSÉ CLAUDIO ARANZADI MARTÍNEZ	Industrial Engineer from the Higher School of Industrial Engineers of Bilbao and Bachelor of Economic Sciences from the University of Paris 1. He is currently Coordinator of the publication of the Ministry of Defense "Energy and Geostrategy", Member of the Advisory Committee of the GED company and Director of Miquel y Costas & Miquel S.A.

Total number of Independent external directors	4
% of the entire board	40,00%

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. JOAQUÍN FAURA BATLLE	Mr. Joaquín Faura Batlle performs the functions of Director-General in Telefónica Cataluña, company providing services in communications to Miquel y Costas Group.	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.

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. EUSEBIO DÍAZ-MORERA PUIG-SURERDA	Board Member initially qualified as Independent that on the occasion of exceeding the legally established limit in the continued exercise of his directorship, as Article 529 duodecies 4-i) of the	OTHER SHAREHOLDERS OF THE COMPANY	Lawy Degree by Economics and MBA from IESE (Institute for Higher Business Studies). He is currently President of EDM Holding S.A. and Director of

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
	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.		de EDM Holding, S.A.; Cementos Molins, S.A .; Kawakan S.L. and Other Companies IIC and Miquel y Costas & Miquel S.A.

Total number of Other external directors	1
% of the entire board	10.00

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
Non data			

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			
	Exercise 2019	Exercise 2018	Exercise 2017	Exercise 2016	Exercise 2019	Exercise 2018	Exercise 2017	Exercise 2016
Executives					0.00	0.00	0.00	0.00
Proprietary	1	1	1	1	10.00	10.00	10.00	10.00
Independent	1				10.00	0.00	0.00	0.00
Others External					0.00	0.00	0.00	0.00
Total:	2	1	1	1	20.00	10.00	10.00	10.00

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

[✓] 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 for the selection of Directors followed by the Company favors the diversity of knowledge, experience and gender. Gender diversity is one of the aspects that the Council considers in the selection processes, when these take place. Thus, following the proposal for appointment Mrs. Marta Lacambra i Puig as Independent Director of the Company, the Human Resources, Appointments and Remuneration Committee favorably assessed it and proposed it to the Board of Directors who, in turn, favorably informed his appointment by proposing it to the General Shareholders Meeting of the Company which took place on June 20, 2019, in which his designation was approved.

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 of Directors, 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

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
Non data	

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
[✓] 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 been granted the standard powers established by the Company as "Management".

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	S.A. PAYÁ MIRALLES	SECRETARY	NO
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. JORGE MERCADER MIRÓ	CELULOSA DE LEVANTE, S.A.	DIRECTOR	NO
MR. JORGE MERCADER BARATA	MIQUEL Y COSTAS DEUTSCHLAND, GMBH	SOLE DIRECTOR	NO
MR. JORGE MERCADER BARATA	PAPELES ANOIA, S.A.	CHAIRMAN	NO
MR. JORGE MERCADER BARATA	CELULOSA DE LEVANTE, S.A.	DIRECTOR	NO

Name or Company name of director	Company name of Group entity	Position	Does the director hold executive Functions
MR. JORGE MERCADER BARATA	S.A. PAYA MIRALLES	DIRECTOR	NO
MR. JORGE MERCADER BARATA	CLARIANA, S.A.	DIRECTOR (PERSONAL REPRESENTATIVE)	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
MR. JORGE MERCADER BARATA	MIQUEL Y COSTAS TECNOLOGIAS, S.A.	CHAIRMAN	NO
MR. JORGE MERCADER BARATA	TERRANOVA PAPERS, S.A.	CHAIRMAN (PERSONAL REPRESENTATIVE)	NO
MR. JORGE MERCADER BARATA	MIQUEL Y COSTAS LOGÍSTICA, S.A.	CHAIRMAN (PERSONAL REPRESENTATIVE)	NO
MR. JORGE MERCADER BARATA	FOURTUBE, S.L.	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:

[✓] 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)	3,493
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)	

Said remuneration includes variable remunerations in favour of the Executive Directors arising from compliance with the 2016-2018 Triannual Plan and the 2016-2018 Social Security Plan, which accrues is consolidated in 2018, as this is the end of the triennium.

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 BASETS	MANAGER OF MB PAPELES ESPECIALES, S.A.
MR. JAVIER ARDIACA COLOMER	MANAGER OF THE MISLATA FACTORY.

Total senior management remuneration (€k)	1,475

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

[ ] Yes
[✓] 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.

The Regulations of the Board of Directors, regarding the appointment of Directors, establish:

- 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.

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

- Los Consejeros ejercerán su cargo durante el plazo previsto en los Estatutos sociales, pudiendo ser reelegidos.
Los Estatutos Sociales establecen, en relación a los Consejeros, que no será necesario que ostenten la condición de accionistas y serán siempre elegidos y renovados por la Junta General y ejercerán el cargo por el plazo de cuatro años.

The Regulations of the Board of Directors on the removal of Directors also establishes that:

- 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.

- El Consejo 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 CNMV 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 Act and article 13.6 of the Regulations of the Board of Directors of the Company in matters of annual evaluation of the operation of the administrative bodies, in the financial year The Directors have evaluated the performance of the functions of the Board of Directors, that of its Specialized Committees, those of the President and those of the Vice-President-General Director, applying the questionnaire methodology, with debate and subsequent analysis in a face-to-face session.

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.

In accordance with the recommendation of the frequency included in the Code of Good Governance, in the year the Council has not been assisted by an independent external consultant

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

The Regulations of the Board of Directors establish that the Board will propose to the General Meeting the dismissal of the Directors in the cases in which they are involved in incompatibility or legal prohibition, when their permanence on the Board may put at risk the interests of the Company or when the reasons for which they were appointed disappear, understanding that the latter circumstance occurs with respect to a proprietary Director when the sale of the total shareholding of which he is the owner or whose interests he represents and also when said participation takes place decrease to a level that requires the reduction of the number of your proprietary Directors.

The aforementioned Regulations also provide that, in relation to the Director's Information Duties, the latter must inform the Company of those personal circumstances that affect or may affect the Company's credit or reputation, especially the criminal cases in which it appears, as accused and its relevant procedural vicissitudes. The Board may require the Director, after examining the situation that the latter presents, to resign and this decision must be accepted by the Director.

Additionally, the Board may require the Director to resign due to non-observance of his general obligations established in said Regulations.

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

[ ] Yes
[✓] 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
[✓] No

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

[ ] Yes
[✓] 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
[✓] 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.

The Articles of Association establish that, in the event of inability to attend a Board meeting, each of its components may delegate their representation and vote to a Director in writing and with special character for each session.

For its part, the Regulations of the Board of Directors establish that the representation in another Director will be conferred with instructions about the determinations to be adopted in the treatment of the different items on the Agenda of the meeting.

There is no maximum number of delegations established or limitation regarding the categories in which it is possible to delegate beyond the limitations imposed by legislation.

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	0

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	6

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:

[✓] 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. ÁLVARO DE LA SERNA CORRAL	MEMBER OF AUDIT COMMITTEE
MR. JOAQUÍN FAURA BATLLE	CHAIRMAN OF AUDIT COMMITTEE
MRS. MARTA LACAMBRA I PUIG	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?

[ ] Yes
[✓] No

Complete if the Secretary is not also a Director:

Name the Secretary	Representant
MR. EMILIO COCO FORISCOT	

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 of the Regulations of the Board of Directors, the Audit Committee annually issues, prior to the issuance of the accounts audit report, a report expressing its opinion on the independence of the auditors. Said Regulations include, among the basic responsibilities of the Audit Committee, that of maintaining adequate relations with the external auditors to receive information on those matters that may jeopardize their independence, for examination by the Committee, and any other related with the process of developing the auditing of accounts and, where appropriate, the authorization of services other than those prohibited under the applicable regulations, as well as those other communications provided for in the auditing legislation and in the technical auditing standards . In any case, the Audit Committee must receive annually from the auditors the written confirmation of its independence from the Company or entities directly or indirectly related to it, as well as detailed and individualized information on the additional services of any kind provided and the corresponding fees received from these entities by the aforementioned auditors, or by the persons or entities related to them, in accordance with the provisions of the legislation on auditing accounts.

In relation to financial analysts, investment banks and rating agencies, the Company preserves its independence by making available to the market, in public disclosure, all the Company information that is provided to say agents without giving any preferential treatment to none of them. The aforementioned Regulation establishes that the Council will inform the public immediately about the following matters:

Therefore 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
[✓] No

In the case of disagreements with the outgoing auditor, explain the content of said disagreements:

[ ] Yes
[✓] 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.

[✓] Yes
[ ] No

	Company	Group	Total
Amount of tasks other than audit services	1	0	1

(thousands euros)			
	Company	Group	Total
Amount of tasks other than audit services / total amount invoiced by the Audit Company (in %)	0.92	0.00	0.50

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
[✓] 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	18	18

	Individual	Consolidated
Number of years audited by the current audit company / Number of years the company has been audited (in %)	58.06	58.06

C.1.35. Indicate and, where applicable, provide details of whether there is a procedure whereby directors can have external assessment:

[✓] 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."

Each Director has a dossier for each Board meeting that is explained and, where appropriate, discussed, which contains detailed information of all the topics that are dealt with in the session. Those points of greater complexity, such as the annual budget, investment plan, strategic plan, and others of special significance, receive this treatment in a reinforced way. The Directors, in the period between councils, can consult and request as much necessary information as they 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:

[✓] Yes
[ ] No

Explain the rules

The Regulations of the Board of Directors, in relation to the information duties of the Director, establish 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
[✓] 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:

	Board of directors	General Meeting
Body authorising the clauses	✓	-

	Yes	No
The general meeting of the clauses is reported?		✓

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. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	BOARD MEMBER	Other External
JOANFRA, S.A.	SECRETARY	Proprietary Director
MR. JOSÉ CLAUDIO ARANZADI MARTÍNEZ	BOARD MEMBER	Independent

% executive directors	0.00
% proprietary directors	25.00
% independent directors	50.00
% other external	25.00

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 regulatin of the Human Resources, Nominations and Remuneration Committee, are in of the Articles of Association and of the Regulations of the Board of the Company.

As of December 31, 2019, it is composed of four 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.

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 2019 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 for re-election of Directors to those whose term expired; proposal for the appointment of new Directors, evaluation and proposal for the appointment of members for the Human Resources, Appointments and Remuneration Committee and for the Audit Committee, Report on the appointment of a new Secretary not a Director of the Board of Directors, appointment of positions in the within the Human Resources, Appointments and Remuneration Commission itself.

AUDIT COMMITTEE		
Name	Position	Type
MR. JOAQUÍN FAURA BATLLE	CHAIRMAN	Independent
MR. ÁLVARO DE LA SERNA CORRAL	BOARD MEMBER	External Proprietary Director
MRS. MARTA LACAMBRA I PUIG	BOARD MEMBER	Independent

% 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 of the Articles of Association and provisions of the Regulations of the Board of the Company.

As of December 31, 2019, 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 adequate relationships with external auditors or audit companies to receive information on those matters that may jeopardize their independence, for consideration by the Committee, and any other related to the process of developing the audit of accounts, and, where appropriate, the authorization of services other than those prohibited under applicable regulations, as well as those other communications provided for in the auditing legislation and in the technical auditing standards.

In any case, the Audit Committee must receive annually from the auditors or external audit companies, the written confirmation of their independence from the Company or entities directly or indirectly related to it, as well as detailed and individualized information on the additional services of any kind provided and the corresponding fees received from these entities by the aforementioned external auditors or audit companies, or by the persons or entities related to them in accordance with the provisions of the legislation on audit of 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 2019, the Audit Committee has met six times in order to address, among others, the following issues: supervision of the Financial Statements and management information of the Company and the consolidated Group; review and information to the Council on the Periodic Public Information consisting of the semiannual and intermediate reports; analysis and study of financial policy, informing the Board of Directors thereof; examine the communications received through the Communications Channel, examine the Internal Control for the prevention of criminal risks and designate its President.

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. JOAQUÍN FAURA BATLLE / MR. ÁLVARO DE LA SERNA CORRAL7 MRS. MARTA LACAMBRA I PUIG
Date of appointment as Chairman	04/09/2019

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 2019		Exercise 2018		Exercise 2017		Exercise 2016	
	Number	%	Number	%	Number	%	Number	%
HUMAN RESOURCES, NOMINATIONS AND REMUNERATIONS COMMITTEE	1	25.00	1	16.70	1	20.00	1	20.00

	Number of female directors							
	Exercise 2019		Exercise 2018		Exercise 2017		Exercise 2016	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	33.33	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	576
INDUMENTA PUERI, S.L.	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	1,231
SANTANDER ASSET MANAGEMENT S.A. SGIIC	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	849
EDM GESTION S.A. SGIIC	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	509
MRS. BERNADETTE MIQUEL VACARISAS	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	484
MRS. MARIA DEL CARMEN ESCASANY MIQUEL	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	1,616

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)
JOANFRA, S.A.	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	1,096
MR. JORGE MERCADER MIRÓ	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	2,031
MR. JAVIER BASAÑEZ VILLALUENGA	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	37
MR. ÁLVARO DE LA SERNA CORRAL	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	14
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	18
MR. JORGE MERCADER BARATA	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	65
MRS. MARINA JURADO SALVADO	MIQUEL Y COSTAS & MIQUEL S.A	Executive	Dividends and other distributed profit	19
MR. JAVIER ARDIACA COLOMER	MIQUEL Y COSTAS & MIQUEL S.A	Executive	Dividends and other distributed profit	11
MR. JOSEP PAYOLA BASSETS	MIQUEL Y COSTAS & MIQUEL S.A	Executive	Dividends and other distributed profit	15
MR. JAVIER GARCÍA 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	4

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)
MRS. OLGA ENCUENTRA CATALÁN	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	6
MR. JOSÉ MARÍA MASIFERN VALÓN	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	11
MR. IGNASI NIETO MAGALDI	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	3
MR. VICENÇ FEBRÉ MUNIENTE	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	1
MR. JORDI PRAT CANADELL	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	1

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 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.

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
[✓] No

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.

7.- Compliance Officer
Control, measures, evidence and, where appropriate, mitigating actions.

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
Taxation

Penalty Risks

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 year: Fiscal. The Tax Agency has completed the process of verifying the Company's tax obligations and two subsidiaries with the result of disagreement due to interpretative differences.

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, its Delegate Committees, carry out selective monitoring of the application, adaptation and observance of the aforementioned regulations.

Also in the field of taxation, it maintains a constant update of the tax regulations through its advisers, analyzes the economic facts to treat them with the greatest guarantees in the responsible Committees and activates the action procedures in cases where the Administration Tax so I asked.

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.

The communications and complaints that, for this channel and for these purposes, the staff transmits may be anonymous or have their identification at the option of their author, and will receive in all circumstances the qualification and treatment of confidentials.

- 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 Information Systems Department which has adequate human and technical resources for its proper performance, following the established organizational guidelines.

Regarding the control mechanisms for data recovery and ensuring the continuity of operations, the Group has a Contingency Plan that is permanently reviewed 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 processes of valuation, judgments or calculations to be carried out for the preparation and publication of the Financial Statements are carried out by the Internal Services as well as those other processes that may be relevant for the purposes of preparing said Financial Information.

Verification, auditing, evaluation services, etc. that affect different activities are, according to their idiosyncrasy, carried out with the periodicity established by external services, such as the Non-Financial Information Statement and the Evaluation of the Board of Directors, among others, and on industrial activity on specific topics.

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 the control service 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 Supervicion Services. 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

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 implanted 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 ☐

The Company has established the rules of action in relation to communication, rules that respect current legislation and the appropriate treatment of each recipient of information. The publication of these standards is included in various regulatory texts, which are published on the corporate website, but in a differentiated way.

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 Company prepares annually most of the reports included in this Recommendation.

Due to not being mandatory and considering that its main application is internal examination and analysis, it does not consider its publication on the corporate website necessary.

7. The company should broadcast its general meetings live on the corporate website.

Complies ☐ 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 director selection policy followed by the Company complies with the requirements indicated in letters a) b) and c) and, although the Gender diversity is one of the aspects that the Council considers in the selection processes, it considers the suitability, knowledge and experience of the candidate, whatever their sex, to be of greater relevance.

As a consequence of the foregoing, on June 20, 2019, the General Meeting, at the proposal of the Board, appointed Mrs. Marta Lacambra Director of the Society.

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 ☐

The Proprietary and Independent Directors constitute a majority that the Company understands is reinforced by the presence of a Director with the qualification of "Other External", which comes from a previous qualification of Independent.

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 ☐

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 ☐

The powers contemplated in the Unified Good Governance Code are broader than those established in the Company's regulations.

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 ☐

The organic structure of the Company offers guarantees of supervision of the Information Systems and Internal Control and is supplemented by the ICFR Control and Criminal Risk Prevention Service.

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 the Human Resources Committee, Nomination and Remuneration Committee, have the knowledge, skills and experience appropriate to the functions they must 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, 50% of whom are independent directors, and one of whom has been elected as Chairman of the Comission.

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 ☑

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 ☐

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 ☐

Only if it requires the restatement of the Financial Statements and submitted to the review and opinion of the Audit Committee**.**

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 Company has only made attributions of stock options. These share options are personal and non-transferable and cannot be disposed of. The options assigned must be maintained until the end of the 5-year consolidation period. Only once the shares are acquired are they freely available and sold.

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

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

31/03/2020

Indicate whether any board members have voted against or abstained with respect to the approval of this report.

[ ] Yes
[✓] No