MIQUEL Y COSTAS & MIQUEL, S.A.

ANNUAL ACCOUNTS AT 31 DECEMBER 2020
AND DIRECTORS' REPORT FOR 2020

(Free translation from the original in Spanish)

pwc

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 31 December 2020, 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 31 December 2020, 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
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matter	How our audit addressed the key audit matter
Recognition of sales revenue As detailed in note 29 to the accompanying annual accounts, the Company operates on the domestic and international market, the latter accounting for the largest volume of sales in terms of amount and number of orders. Although the recognition and evaluation of sales revenues is not especially complex, we focused our analysis on the recognition of revenue mainly due to the significance of this component within the accompanying annual accounts taken as a whole and, therefore, on the increased concentration therein of the inherent risk of material misstatement.	We gained an understanding of the accounting policies for recognising business revenues. In this respect, we assessed the design of the key internal controls related to revenue recognition and tested their operational efficiency. We carried out tests of detail on a sample of sales recorded and verified the evidence of the existence and recognition of the transaction. 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 2020 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 directors' report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the statement of non-financial information and certain information included in the Annual Corporate Governance Report, as referred to in the Auditing Act, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the directors' report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report 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 information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the directors' report is consistent with that contained in the annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.

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

The directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of the Company, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the aforementioned determine 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 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 commission 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 entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 entity's audit commission 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 entity's audit commission with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the entity's audit commission, 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 commission

The opinion expressed in this report is consistent with the content of our additional report to the audit commission of the Company dated 22 April 2021.

Appointment period

The General Ordinary Shareholders' Meeting held on 30 June 2020 appointed PricewaterhouseCoopers Auditores, S.L. as auditors for a period of one year for the year ended 31 December 2020.

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

22 April 2021

The Annual Accounts and Directors Report, of which the Annual Corporate Governance Report forms a separate section, for the year ended at 31 December 2020, are formulated under the agreement adopted by the meeting of the Board of Directors of Miquel y Costas & Miquel, S.A. dated on 25 March 2021 identified by the signature of the members of the Board contained in this document, in order to meet the provisions of Article 253 of the Spanish Companies Act.

Barcelona, 25 March 2021

Chairman of the Board of Directors

Jorge Mercader Miró

Members of the Board:

Joanfra, S.A. represented by Bernardette Miquel Vacarisas	Álvaro de la Serna Corral	Javier Basañez Villaluenga
Eusebio Díaz-Morera Puig-Sureda	Joaquín Coello Brufau	Claudio Aranzadi Martínez
Joaquín Faura Batlle	Jorge Mercader Barata Vice Chair of the Board	Marta Lacambra Puig

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MIQUEL Y COSTAS & MIQUEL, S.A
BALANCE SHEET AT 31 DECEMBER 2020 AND 2019
(EXPRESSED IN THOUSAND EURO)

ASSETS	Note	2020	2019
NON-CURRENT ASSETS		**147,978**	**156,730**
Intangible assets	5	**765**	**759**
Property, plant and equipment	6	**82,482**	**79,261**
Long-term investments in group companies and associates		**40,469**	**43,262**
Equity instruments	8	26,111	24,088
Loans to group companies	7,8, 32	14,358	19,174
Long-term financial assets		**22,955**	**32,230**
Equity instruments	7,9	12	12
Non-current financial investments	7,9	21,114	30,389
Other financial assets	7,9	1,829	1,829
Deferred tax assets	25	**1,307**	**1,218**
CURRENT ASSETS		**171,775**	**146,842**
Inventories	11	**37,664**	**41,971**
Trade and other receivables		**34,955**	**37,386**
Trade receivables for sales and services	7,12	26,277	28,658
Trade receivables for sales and services from group companies and associates	7,32	8,561	9,094
Other debtors	7,13	-	3
Loans to employees	7,13	-	1
Public Administrations – Other	13	117	80
Short-term investments in group companies and associates		**21,105**	**23,636**
Loans to group companies	7,14,32	21,105	23,636
Short -term investments	7,15	**70,908**	**37,358**
Prepayments and accrued income		**2**	**1**
Cash and cash equivalents	16	**7,141**	**6,040**
TOTAL ASSETS		**319,753**	**303,572**

(Free translation from the original in Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A
BALANCE SHEET AT 31 DECEMBER 2020 AND 2019
(EXPRESSED IN THOUSAND EURO)

EQUITY AND LIABILITIES	Note	2020	2019
EQUITY		**200,611**	**196,713**
Capital and reserves		**200,385**	**196,450**
Capital	17.1	62,000	62,000
Share premium reserve	17.2	40	40
Reserves	18	148,428	131,816
(Own shares)	17.3	(30,991)	(21,483)
Profit for the year	19.1	30,629	30,321
(Interim dividend)	19.2	(10,200)	(6,600)
Other equity instruments	18	479	356
Grants, donations and bequests received	20	**226**	**263**
NON-CURRENT LIABILITIES		**33,177**	**36,675**
Long-term provisions	24	**1,612**	**970**
Long-term debts	7,21	**30,045**	**34,009**
Bank loans		30,045	34,009
Deferred tax liabilities	25	**1,420**	**1,600**
Long-term accrued income	22	**100**	**96**
CURRENT LIABILITIES		**85,965**	**70,184**
Short-term provisions	24	**1,179**	**557**
Short-term debts	7,21	**14,864**	**12,276**
Bank loans		13,385	10,175
Other financial liabilities		1,479	2,101
Short-term debts with group companies and associates	7,32	**40,246**	**28,329**
Trade and other payables		**29,676**	**29,022**
Trade payables	7,26	13,264	14,406
Trade payables, group companies and associates	7,26,32	3,959	4,329
Other creditors	7,26	1,028	835
Accrued wages and salaries	7,27	3,668	3,426
Current income tax liability	28	515	535
Payable to Public Administrations	27	6,795	5,056
Advance payments from customers	7,27	447	435
Short-term accrued income	22	**-**	**-**
TOTAL EQUITY AND LIABILITIES		**319,753**	**303,572**

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MIQUEL Y COSTAS & MIQUEL, S.A.
INCOME STATEMENT FOR THE YEARS
ENDED AT 31 DECEMBER 2020 AND 2019
(EXPRESSED IN THOUSAND EURO)

	Note	2020	2019
CONTINUING OPERATIONS			
Revenue	29.2	**168,645**	**168,766**
Sales		168,591	168,624
Services rendered		54	142
Changes in inventories of finished goods and work in progress	11	**(2,247)**	**4,229**
Own work capitalised	5,6	**636**	**984**
Raw materials and consumables	29.3	**(64,279)**	**(69,342)**
Other operating revenue	29.4	**4,805**	**5,108**
Accessory and other income		4,805	5,108
Staff costs	29.5	**(27,984)**	**(27,699)**
Other operating expenses	29.6	**(38,290)**	**(41,683)**
Fixed asset depreciation	5,6	**(8,822)**	**(8,683)**
Release of non-financial fixed asset grants and other	20	**406**	**603**
Excess of accruals		**-**	**-**
Impairment and results on fixed asset disposals	29.7	**-**	**-**
Profit / (loss) on disposals and other		-	-
OPERATING RESULTS		**32,870**	**32,283**
Financial income	30	**6,776**	**7,110**
Financial expenses	30	**(485)**	**(543)**
Exchange differences	30	**(301)**	**(238)**
Impairment and results on financial instruments disposals	9,30	**-**	**-**
FINANCIAL RESULTS		**5,990**	**6,329**
PROFIT (LOSS) BEFORE INCOME TAX		**38,860**	**38,612**
Corporate income tax	28	(8,231)	(8,291)
PROFIT (LOSS) FOR YEAR FROM CONTINUING OPERATIONS		**30,629**	**30,321**
DISCONTINUED OPERATIONS			
Profit / loss for year from discontinued operations net of taxes		**-**	**-**
PROFIT / LOSS FOR THE YEAR	19.1	**30,629**	**30,321**

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MIQUEL Y COSTAS & MIQUEL, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED
AT 31 DECEMBER 2020 AND 2019
(EXPRESSED IN THOUSAND EURO)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES

	Note	2020	2019
PROFIT AND LOSS FOR THE YEAR	**19**	**30,629**	**30,321**
Income and expenses directly attributed to equity		**259**	**594**
Grants, donations and bequests received	**20**	357	662
Actuarial gains and losses and other adjustments	**23**	(12)	130
Tax effect	**20,23,25**	(86)	(198)
Transfers to the income statement		**(305)**	**(452)**
Grants, donations and bequests received	**20**	(406)	(603)
Tax effect	**20,25**	101	151
TOTAL RECOGNISED INCOME AND EXPENSES		**30,583**	**30,463**

MIQUEL Y COSTAS & MIQUEL, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED
AT 31 DECEMBER 2020 AND 2019
(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 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**
Adjustments due to policy changes 2019 and previous years	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Adjustments due to errors 2019 and previous years	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
ADJUSTED BALANCE, BEGINNING 2020	**62,000**	**40**	**132,172**	**(21,483)**	**-**	**30,321**	**(6,600)**	**263**	**196,713**
Total recognised income and expenses	**-**	**-**	**(9)**	**-**	**-**	**30,629**	**-**	**(37)**	**30,583**
Operations with shareholders or owners:	**-**	**-**	**-**	**(9,508)**	**(3,800)**	**-**	**(13,500)**	**-**	**(26,808)**
- Capital increase	-	-	-	-	-	-	-	-	-
- Capital decrease	-	-	-	-	-	-	-	-	-
- Dividend payment	-	-	-	-	(3,800)	-	(13,500)	-	(17,300)
- Trading in own shares (net)	-	-	-	(9,508)	-	-	-	-	(9,508)
Other movements in equity	**-**	**-**	**16,744**	**-**	**3,800**	**(30,321)**	**9,900**	**-**	**123**
BALANCE AT 2020 YEAR END	**62,000**	**40**	**148,907**	**(30,991)**	**-**	**30,629**	**(10,200)**	**226**	**200,611**

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MIQUEL Y COSTAS & MIQUEL, S.A.
CASH FLOW STATEMENTS FOR THE YEARS ENDED AT
31 DECEMBER 2020 AND 2019
(EXPRESSED IN THOUSAND EURO)

	Note	2020	2019
A) CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit/loss for the year before taxes		**38,860**	**38,612**
2. Adjustments to profit/loss		**4,240**	**1,723**
Fixed asset depreciation (+)	**5,6**	8,822	8,683
Impairment losses (+/-)	**9,11,12**	505	209
Change in provision (+/-)		709	(650)
Release of grants (-)		(406)	(45)
Gains and losses on disposals of fixed assets (+/-)	**29.7**	-	-
Financial income (-)	**30**	(6,776)	(7,110)
Financial expense (+)	**30**	485	543
Exchange differences (+/-)		223	(231)
Other income/expenses (+/-)		678	324
3. Changes in working capital		**5,465**	**(4,314)**
Inventories (+/-)		2,307	(4,273)
Trade and other receivables (+/-)		2,335	3,302
Trade and other payables (+/-)		552	(3,751)
Other current liabilities		272	404
Other current assets		(1)	-
Other non-current assets and liabilities (+/-)		-	4
4. Other cash flows from operating activities		**(2,045)**	**(3,118)**
Interest payments (-)		(497)	(510)
Amounts received from interest (+)		4,964	3,051
Dividends collected (+)		1,812	4,709
Receipts (payments) for corporate income tax (+/-)		(8,324)	(10,368)
5. Cash flows from operating activities (1+2+3+4)		**46,520**	**32,903**
B) CASH FLOW FROM INVESTING ACTIVITIES			
6. Amounts paid on investments (-)		**(119,179)**	**(82,801)**
Group companies and associated (current and no current)		(2,023)	(4,213)
Intangible assets	**5**	(259)	(272)
Tangible assets		(10,907)	(16,594)
Other financial assets	**9,15**	(105,990)	(61,722)
7. Amounts collected from divestments (+)		**89,393**	**61,750**
Group companies and associates		7,347	-
Fixed assets		72	68
Other financial assets	**9,15**	81,974	61,682
8. Cash flows from investing activities (6+7)		**(29,786)**	**(21,051)**

MIQUEL Y COSTAS & MIQUEL, S.A.
CASH FLOW STATEMENTS FOR THE YEARS ENDED AT
31 DECEMBER 2020 AND 2019
(EXPRESSED IN THOUSAND EURO)

	Note	2020	2019
C) CASH FLOW FROM FINANCING ACTIVITIES			
9. Receipts and payments equity instruments		**(9,508)**	**(11,047)**
a) Issuing of equity instruments (+)	**17.3**	(9,508)	(11,144)
b) Redemption of equity instruments (-)		-	-
c) Acquisition of equity instruments (-)		-	97
10. Receipts and payments financial liability instruments		**11,175**	**1,858**
a) Issues			
Bank loans (+)	**21**	19,284	28,417
Amounts due to group companies and associates (+)		11,917	2,138
b) Return and redemption of			
Bank loans (-)	**21**	(20,026)	(28,217)
Amounts paid to group companies and associates (-)		-	-
Other liabilities		-	(480)
11. Payments for dividends and remuneration of other equity instruments		**(17,300)**	**(13,350)**
a) Dividends (-)	**19.2**	(17,300)	(13,350)
b) Remuneration of other equity instruments (-)			
12. Cash flow from financing activities (9+10+11)		**(15,633)**	**(22,539)**
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS (5+8+12)		**1,101**	**(10,687)**
Cash or cash equivalents at the beginning of the year	**16**	6,040	16,727
Cash or cash equivalents at the end of the year	**16**	7,141	6,040

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.

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.

(IN THOUSAND EURO)

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	
	2020	**2019**
Total assets	416,919	404,042
Equity	293,627	280,580
Profit and loss attributable to the equity holders of the parent company	44,878	39,218
Net turnover	274,151	262,633

The mentioned Consolidated Financial Statements have been formulated by the Board of Directors of the Company held on 25 March, 2021, pending their approval by the shareholders, without any modification being envisaged.

2 Basis of presentation

2.1 Fair presentation

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

The figures included in the annual accounts (balance sheet, income statement, statement of changes in equity, statement of cash flow and notes to the annual accounts) and directors' report, are stated in Thousand Euro, except when specified otherwise. The Company considers that the annual accounts fairly express the equity, financial position and results of the Company as well as the accuracy of the cash flows stated on the cash flow statement. The functional and presentation currency of the annual accounts is the Euro. The annual accounts have been formulated by the Board of Directors on 25 March 2021 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 figures in the balance sheet and income statement for 2019 and 2020 are considered comparable except for the reclassification to fixed assets of certain inventories of spare parts with finite lives. See further details in Note 6.

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 2020 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 of a single class.

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.

Additionally, the Group's employees have had the voluntary option to take advantage of the current Employee Social Security Plan, which accrues in three years (subject to compliance with the conditions established in said Plan). The company commitment is only to take three year contributios of a predetermined amount.

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 CO_2, 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 CO_2 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 2020 and 2019 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 2020, 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 178 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 2020 as at 31 December 2019 is not applicable because the Company has available and realisable resources in excess of bank borrowings:

	31-12-2020	31-12-2019
Total equity	**200,611**	**196,713**
Net financial borrowings:		
Long-term borrowings	30,045	34,009
Short-term borrowings	13,385	10,175
Cash and current financial investments	(78,049)	(43,398)
Long term financial investments	(21,126)	(30,401)
Total net borrowings	**(55,745)**	**(29,615)**
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 2020 and 2019 are as follows:

Description	Industrial property	Research and development expenses	Software	Intangible assets under construction	Total
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**
Additions	-	-	-	259	259
Other transfers	-	-	350	(348)	2
Disposals	-	-	-	-	-
Amortisation charge	(4)	-	(251)	-	(255)
Amortisation disposals	-	-	-	-	-
Other transfers Amortisation	-	-	-	-	-
Balance at 31-12-2020	**66**	**-**	**464**	**235**	**765**
Cost	88	961	7,532	235	8,816
Accumulated amortisation	(22)	(961)	(7,068)	-	(8,051)
Net book value	**66**	**-**	**464**	**235**	**765**

- Research and development expenses

At 31 December 2020 and 2019 there are no research and development costs pending amortization.

Research and development expenses recognised in the income statement totals Euro 157 thousand in 2020 (Euro 30 thousand in 2019).

- Fully-amortised intangible assets

The carrying value of intangible assets that are fully amortised and still in use totals Euro 7,638 thousand at 31 December 2020 (Euro 7,494 thousand at 31 December 2019).

- Capitalised financial expenses

  No financial expenses have been capitalised in 2020 and 2019, as part of intangible assets.

- Intangible assets acquired from group companies and associates

  During 2020, there were no sales of intangible assets to Group and associated companies (Euro 5 thousand in 2019).

- Intangible assets not used in operations

  At 31 December 2020 and 2019 there are no non-operating intangible assets.

- Assets subject to guarantees and ownership restrictions

  At 31 December 2020 and 2019 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 2020 include Euro 62 thousand (Euro 78 thousand in 2019) relating to own work capitalised.

(IN THOUSAND EURO)

6 Property, plant and equipment

Movements in Property, plant and equipment for 2020 and 2019 are as follows:

	Land & Buildings	Plant and other	PPE under construction and advance payments	Total
Balance at 31-12-2018	**15,009**	**48,244**	**7,937**	**71,190**
Cost	21,337	180,820	7,937	210,094
Accumulated depreciation	(6,328)	(132,576)	-	(138,904)
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	221,206
Accumulated depreciation	(6,918)	(135,027)		(141,945)
Net book value	**16,933**	**55,332**	**6,996**	**79,261**
Additions	-	1,577	10,285	11,862
Other transfers	4,027	8,722	(12,751)	(2)
Disposals	-	(1,379)	-	(1,379)
Depreciation charge	(732)	(7,835)	-	(8,567)
Depreciation disposals	-	1,307	-	1,307
Balance at 31-12-2020	**20,228**	**57,724**	**4,530**	**82,482**
Cost	27,878	199,279	4,530	231,687
Accumulated depreciation	(7,650)	(141,555)	-	(149,205)
Net book value	**20,228**	**57,724**	**4,530**	**82,482**

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 2020 amounted to 11,862 thousand Euro (16,590 thousand Euro in 2019) and correspond mainly to additions of construction in progress arising from the continued investment undertaken by the Company. These additions include gross additions of 1,577 thousand euros as a result of the reclassification from inventories of certain spare parts older than one year and with a finite life.

a) Land value

At 31 December 2020 land and buildings includes land totalling Euro 1,198 thousand (Euro 1,186 thousand at 31 December 2019).

(IN THOUSAND EURO)

b) Impairment losses

During 2020 and 2019 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 2020 amounts to Euro 532 thousand (Euro 546 thousand in 2019), with Euro 14 thousand of depreciation charge at 31 December 2020 (Euro 13 thousand in 2019) in the income statement. During 2020 fully-depreciated fixed assets covered by Royal Decree Law 7/1996 with a gross value of Euro 4 thousand (Euro 63 thousand in 2019) were derecognised.

The breakdown is as follows:

	31-12-2020			
Fixed Assets	**Cost**	**Accumulated depreciation**	**Impairment losses**	**Net book value**
Land	203	-	-	203
Building	720	(392)	-	328
Machinery	2,664	(2,663)	-	1
Other PPE	6	(6)	-	-
Total	**3,593**	**(3,061)**	**-**	**532**

	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**

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 2020 amounts to Euro 149 thousand as a result of this revaluation (Euro 234 thousand Euro in 2019).

During 2020 there have been disposals covered by the law RDL 16/2012 of gross value of Euro 62 thousand relating to plant and machinery, which were already fully depreciated (Euro 382 thousand in 2019).

The breakdown is as follows:

	31-12-2020			
Property, plant and equipment	**Cost**	**Accumulated depreciation**	**Impairment loss**	**Net book value**
Land and buildings	769	(225)	-	544
Plant and machinery	5,547	(5,413)	-	134
Other tangible fixed assets	19	(19)	-	-
Total	**6,335**	**(5,657)**	**-**	**678**

	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**

e) Assets acquired from Group companies and associates

Investments in tangible fixed assets acquired from group companies and associates in 2020 amounted to Euro 296 thousand (Euro 433 thousand in 2019).

During 2020 tangible fixed assets were sold to Group companies and associates amounting to Euro 76 thousand (Euro 34 thousand in 2019).

f) Capitalised finance costs

During 2020 and 2019 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 97,520 thousand at 31 December 2020 (Euro 92,610 thousand at 31 December 2019).

i) Own work capitalised

The additions for 2020 include Euro 574 thousand for own work capitalised (Euro 906 thousand in 2019) corresponding to own work capitalised.

j) Assets under finance lease

At 31 December 2020 and 2019 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 2020 and 2019 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 amounted to Euro 655 thousand. No commitments last year.

o) Property, plant and equipment located abroad

At 31 December 2020 and 2019 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 2020 and 2019 is as follows:

31-12-2020

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	-	-	21,126
Loans and other receivables	14,358	-	-	-	-
Available-for-sale assets	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**14,358**	**1,829**	**-**	**-**	**21,126**

31-12-2020

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	-	-	-	-	70,908
Loans and other receivables	29,666	-	26,277	-	-
Available-for-sale assets	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**29,666**	**-**	**26,277**	**-**	**70,908**

(IN THOUSAND EURO)

	31-12-2020				
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	30,045	-	-	-	-
Liabilities at fair value through profit or loss	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**30,045**	**-**	**-**	**-**	**-**

	31-12-2020				
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	13,385	44,205	13,264	1,028	5,594
Liabilities at fair value through profit or loss	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Total	**13,385**	**44,205**	**13,264**	**1,028**	**5,594**

(IN THOUSAND EURO)

	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**

			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**	-	-	-	-

(IN THOUSAND EURO)

	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**

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 2020 and 2019 are as follows:

Description	Shareholdings in Group companies	Loans to group companies	Total
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 book value	**24,088**	**19,174**	**43,262**
Additions	2,023	-	2,023
Disposals	-	(3,474)	(3,474)
Transfer to short term	-	(1,342)	(1,342)
Balance at 31-12-2020	**26,111**	**14,358**	**41,811**
Cost	26,111	14,358	40,469
Net value in books	**26,111**	**14,358**	**40,469**

- The movement in the equity investments in group companies caption is mainly due to:

  The capital increase in the Group company Desvi S.A. amounting to Euro 2,000 thousand which was approved by that company's General Meeting on 17 September 2020. The parent company Miquel y Costas subscribed 1,000,000 new shares on the capital increase, with a par value of Euro 2.00 each, with the corresponding disbursement amounting to Euro 2,000 thousand, retaining an interest of 96.67% following the increase.

No significant movement in 2019.

The movement in intercompany loans in 2020 compared with the previous year results from:

- Loan to Fourtube S.L.: repayment took place in 2020 of a total amount of Euro 69 thousand (Euro 55 thousand in 2019) of part of the loan granted in 2017 to the investee Fourtube S.L., amounting to Euro 275 thousand, maturing in 2022 and bearing interest at a rate of 3.5%. At 31 December 2020 the balance amounts to Euro 69 thousand.

- Facility granted to Desvi S.A.: The drawn-down balance decreased by Euro3,405 thousand from Euro 10,814 thousand in 2019 to Euro 7,409 thousand at year end 2020. This facility was granted for an amount of Euro 10,500 thousand, maturing up until 31 December 2021 and bearing interest at a market rate. On 10 April 2017 the company and Desvi S.A agreed to extend the limit of the facility to Euro 10,900 thousand.

- With respect to the loans granted 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%, the outstanding balance at 31 December 2020 of these loans amounts to Euro 8,052 thousand. At year end, an amount of Euro 1,342 thousand was reclassified to short term (Note 32.1).

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).

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(IN THOUSAND EURO)

- 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 breakdown of shareholdings in group companies at 31 December 2020 is as follows:

31-12-2020	**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.	96.67	3.33	96.67	3.33
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 breakdown of shareholdings in group companies at 31 December 2019 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.	96.67	3.33	96.67	3.33
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.

(IN THOUSAND EURO)

- 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.

- 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 2020.

Company	Capital	Reserves (*)	Operating results	Results for the year	Carrying value in parent	Dividends received (Note 32)
S.A. Payá Miralles (2)	1,878	7,541	1,275	1,024	4,861	799
Celulosa de Levante, S.A. (1)	1,503	44,048	9,834	7,622	1,861	2,581
Papeles Anoia, S.A. (1)	2,054	9,380	3,220	2,471	2,315	1,584
Desvi, S.A. - consolidated (2)	3,000	5,870	2,250	1,188	2,920	-
Sociedad Española Zig-Zag, S.A. (2)	60	315	(6)	(2)	183	-
M.B. Papeles Especiales, S.A. (1)	722	26,918	3,812	3,264	4,826	-
Miquel y Costas Tecnologías, S.A. (2)	500	1,536	119	220	250	-
Terranova Papers, S.A. (1)	12,000	(2,405)	3,105	2,277	8,293	-
Miquel y Costas Logistica, S.A. (2)	100	1,357	1,269	963	50	-
Clariana S.A. (1)	157	1,783	(164)	(459)	552	-
Total	**21,974**	**96,343**	**24,714**	**18,568**	**26,111**	**4,964**

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

(2) Companies not audited.

(*) Includes reserves, share premium, value adjusments, 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 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	8,874	2,724	2,102	2,312	1,782
Desvi, S.A. - consolidated (2)	1,000	9,715	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	(3,826)	2,102	1,415	8,294	-
Miquel y Costas Logistica, S.A. (2)	100	734	814	624	50	-
Clariana S.A. – consolidated (1)	157	1,722	497	58	552	-
Total	**19,974**	**93,239**	**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, share premium, value adjustments, 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 31-12-2018	**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	-	4,545	-	4,545
Transfers (Note 15)	-	(10,533)	-	(10,533)
Provision for impairment losses (Note 30)	-	-	-	-
Disposals	-	(3,287)	-	(3,287)
Balance at 31-12-2020	**1,829**	**21,114**	**12**	**22,955**
Cost	1,829	21,114	12	22,955
Impairment loss	-	-	-	-
Book value	**1,829**	**21,114**	**12**	**22,955**

There were no movements in the heading “Deposits and guarantee deposits” during the year. The addition amounting to Euro 1,711 thousand in 2019 related to the capitalisation of the payment of the agreed assessment resulting from the tax inspection ended in that year (Note 28).

In 2020 the heading “Debt securities” includes long-term financial investments maturing after 2021, bearing interest at an effective rate in the range of 1.86% to 4.75% (0.18% to 4.75% in 2019), which is not equivalent to the return on the asset.

There were no movements in the heading “Equity instruments” in 2020 and 2019.

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 2020 is as follows:

Currency	Maturity	Nominal in forex*	Profit (loss)*
USD	2021	12.766	268
JPY	2021	(10,200)	-
AUD	2021	436	(8)
NOK	2021	334	(1)
Total (Pérdida) / Beneficio			**259**

* Expressed in Euro thousands.

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 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 2020 amounts to Euro 259 thousand (Euro 103 thousand of losses in 2019).

11 Inventories

The breakdown of inventories at 31 December 2020 and 2019 is as follows:

	Prepayments to suppliers	Raw materials and other supplies	Finished goods and goods in progress	Total
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
Balance at 31-12-2020	**82**	**9,575**	**28,007**	**37,664**
Cost	82	9,575	29,077	38,734
Impairment loss	-	-	(1,070)	(1,070)
Net value in books	82	9,575	28,007	37,664

* The heading Raw materials and other supplies includes Euro 488 thousand in 2020 relating to the emission allowance balance (Euro 567 thousand in 2019).

(IN THOUSAND EURO)

The variation in inventories of finished goods and work in progress totals Euro (2,247) thousand in 2020 (Euro 4,229 thousand in 2019). The variation is the difference between opening inventories of Euro 30,254 thousand in 2020 (Euro 26,025 thousand in 2019) and closing inventories of Euro 28,007 thousand in 2020 (Euro 30,254 thousand in 2019).

a) Purchase commitments

At the end of 2020 and 2019 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 2020 and 2019 is as follows:

Balance at 31-12-2018	**401**
Appropriations	297
Utilisations	(129)
Balance at 31-12-2019	**569**
Appropriations	779
Utilisations	(278)
Balance at 31-12-2020	**1,070**

12 Trade receivables for sales and services

The breakdown of trade receivables for sales and services at 31 December 2020 and 2019 is as follows:

	31-12-2020	**31-12-2019**
Trade debtors	26,277	28,658
Doubtful debtors	152	152
Impairment provision	(152)	(152)
Total	**26,277**	**28,658**

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

	31-12-2020	31-12-2019
Euro	21,726	24,243
US Dollars	4,303	4,112
GB Pounds	9	-
Other currencies	239	303
Total	**26,277**	**28,658**

At 31 December 2020, overdue accounts receivable totalled Euro 4,214 thousand (Euro 5,566 thousand in 2019). The Company has booked an impairment provision amounting to Euro 152 thousand in 2020 (Euro 152 thousand in 2019), 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:

	31-12-2020	31-12-2019
Up to 3 months	2,923	4,790
Between 3 and 6 months	746	688
More than 6 months	545	88
Total	**4,214**	**5,566**

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 2020 and 2019 is as follows:

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**
Provision for impairment of trade receivables	-
Accounts receivable eliminated due to default	-
Balance at 31-12-20	**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. In the current year, a direct loss for bad debts of 4 thousand euros has been recorded (Note 29.6).

13 Other debtors

The breakdown of other debtors and balances with Public Administrations at 31 December 2020 and 2019 is as follows:

	31-12-2020	31-12-2019
Other receivables	-	3
Employees	-	1
Other tax refundable	117	80
Total	**117**	**84**

Other tax refundable includes the VAT refundable to be recovered from the Public Administrations at 2020 and 2019 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 2020 and 2019 is as follows:

	31-12-2020	31-12-2019
Loans to group companies (note 32.1)	1,542	1,397
Financial accounts (note 32.1)	19,563	22,239
Total	**21,105**	**23,636**

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 2020 amounted to Euro 70,399 thousand (Euro 36,969 thousand in 2019), as well as accrued financial interests amounting in 2020 to Euro 250 thousand (Euro 389 thousand in 2019), with maturity less than twelve months and with an effective rate that varies within a range of 0.21% and 2.99% in fiscal 2019 (0.34% and 4.88% in 2019), which is not equivalent to the yield of the asset. In addition, this caption includes 259 thousand euros relating to derivative financial instruments (Note 10). The movement for the years 2020 and 2019 is as follows:

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**
Additions	101,704
Transfers (Note 9)	10,533
Disposals	(78,687)
Balance at 31-12-2020	**70,908**

16 Cash and cash equivalents

The breakdown of cash and cash equivalents at 31 December 2020 and 2019 is as follows:

	31-12-2020	31-12-2019
Cash	7,141	6,040
Total	**7,141**	**6,040**

17 Capital and share premium

17.1 Capital

At 31 December 2020 share capital was represented by 31,000,000 shares (31,000,000 shares in 2019) 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 2019 and 2020, the Board of Directors did not use the aforementioned authorization.

At the dates of December 31, 2020 and 2019, 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 (%)	
	2020	**2019**
D. Jorge Mercader Miró	15.61	14.82
Dª. Mª del Carmen Escasany Miquel	11.74	11.67
Indumenta Pueri S.L.	11.40	8.66
Dª. Bernardette Miquel Vacarisas	11.75	11.45

17.2 Share premium

The breakdown and movement of the share premium for the years 2020 and 2019 is as follows:

Balance at 31-12-18	**40**
Return of contributions to shareholders	-
Balance at 31-12-19	**40**
Return of contributions to shareholders	-
Balance at 31-12-20	**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 2019 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 2020 and 2019, is as follows:

Description	Number of shares	Value of the operation (Thousand Euro)	Average price (Euro)	Nominal value (Thousand Euro)
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**	**21,843**	**16.56**	**2,594**
Acquisition of own shares	725,001	9,508	13.11	1,450
Subscription and acquisition on capital increase	-	-	-	-
Capital decrease	-	-	-	-
Adjudication by exercise of options	-	-	-	-
Balance at 31-12-2020	**2,022,011**	**30,991**	**15.33**	**4,044**

During 2020, the Company acting within the framework approved, has acquired 725,001 shares (696,817 shares in 2019) worth Euro 9,508 thousand (Euro 11,144 thousand in 2019).

The number of treasury shares held at 31 December 2020, after the operations carried out during the year, amount to 2,022,011 (€1,297,010 shares in 2019).

(IN THOUSAND EURO)

18 Reserves and Other equity instruments

The breakdown in the accounts related to Reserves and Other equity instruments, at 31 December 2020 and 2019, is as follows:

	31-12-2020	31-12-2019
Legal reserve	12,400	12,400
Reserve Law 16/2012	6,818	6,818
Voluntary reserves	127,063	110,701
Reserves for actuarial gains and losses	182	191
Capitalization reserves	1,965	1,706
Other equity instruments	479	356
Total	**148,907**	**132,172**

a) Legal reserve

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.

This tax incentive was applied in 2020 and 2019 (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 2017. Both plans total Euro 479 thousand in 2020 (Euro 356 thousand in 2019).

- 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:

  - Vesting phase: It begins on 7 February 2017 and lasts for five years.
  - Exercise phase: It begins on the day following the end of the vesting phase and lasts for three years. This phase marks the start of the period in which the beneficiaries may exercise the options.

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

Maturities	Option value
27/01/2025	1.25

(IN THOUSAND EURO)

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

The value is taken to the income statement as a staff cost for the year, on an accrual basis, with a balancing item in equity. The amount of Euro 100 thousand was charged to the income statement at 31 December 2020 (100 thousand in 2019).

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 2020 is as follows:

	2020
Basis of distribution	
Profit for the year (Profit)	30,629
Total	30,629
Application	
Legal reserve	17,300
Dividends	12,619
Voluntary reserves	710
Total	**30,629**

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 2020 which are listed below:

- Against 2019 profits:

  - Resolution of 30 March 2020: it was agreed to distribute a third dividend on account of 2019 profits amounting to Euro 3,300 thousand. In terms of the gross amount by unit, considering the allocation of the proportional part of the dividend rights of the treasury shares held, the distribution amounted to 0.11161354 euro per share. As payment took place after year end 2019, this distribution met applicable regulatory requirements in terms of profits and liquidity.

- Against 2020 profits:

  - Resolution of 28 September: it was agreed to distribute an initial dividend on account of 2020 profits amounting to Euro 3,400 thousand. In terms of the gross amount by unit, considering the allocation of the proportional part of the dividend rights of the treasury shares held, the distribution amounted to 0.11628998 euro per share.

  - Resolution of 30 November: it was agreed to distribute a new dividend on account of 2020 profits, that anticipated the usual of the following April, amounting to Euro 6,800 thousand. In terms of the gross amount by unit, considering the allocation of the proportional part of the dividend rights of the treasury shares held, this distribution amounted to 0.23415972 euro per share.

All of them have been realized in 2020.

During 2019 the Board of Directors agreed to distribute the following interim dividends:

- 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.

(IN THOUSAND EURO)

- 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.

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.

	2020	2019
Dividends paid during the year	17,300	13,350
Tax effect	(1,722)	(1,533)
Total	**15,578**	**11,817**

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 28 September, 2020 to distribute a first interim dividend of the profits from 2020 of a total amount of 3,400 thousand Euro:

	2020
Profit distribution forecast	
Expected net results after tax at 28 September 2020	21,315
Maximum amount to be distributed as interim dividend	21,315
Interim dividend distributed	3,400
Treasury forecast for 1 year from the date of the interim dividend agreement:	
Available liquidity at date of interim dividend agreement **	114,053
Forecast receipts	161,000
Forecast payments (including interim dividend)	(158,460)
Forecast treasury balances at 28 September 2021	**116,593**

** Includes unused credit facilities with financial institutions.

(IN THOUSAND EURO)

- Provisional resolution of 30 November, 2020 to distribute a second interim dividend of the profits from 2020 of a total amount of 3,400 thousand Euro:

	2020
Profit distribution forecast:	
Profit for the period 1 January to 31 December 2019	30,321
Forecast profit for the period 1 January to 25 November 2020	29,040
Maximum amount to be distributed as interim dividend	59,361
Interim dividends paid by charge to 2019	13,700
Interim dividends paid by charge to 2020	3,400
Proposed dividends by charge to 2020	6,800
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*	120,017
Forecast receipts	161,000
Projected payments (including dividends)	(166,342)
Projected cash and bank balances at 30 November 2021	**114,675**

**Includes unused credit facilities with financial institutions

19.3 Complementary Dividend

Under the resolution adopted by the General Shareholders Meeting dated on 30 June 2020, 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 2019 amounting to Euro 3,800 thousand.

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.

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 2020 totals Euro 0 thousand (Euro 0 thousand in 2019).

(IN THOUSAND EURO)

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 31-12-2018	**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**
Additions	-	40	333	373
Tax effect	-	(10)	(83)	(93)
Disposals	-	(36)	-	(36)
Tax effect	-	9	-	9
Other increases / decreases	-	-	20	20
Tax effect	-		(5)	(5)
Transfer to profit and loss	(45)	-	(361)	(406)
Tax effect	11	-	90	101
Balance at 31-12-2020	**196**	**30**	**-**	**226**

(IN THOUSAND EURO)

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

Granting entity	31-12-2020	31-12-2019	Purpose	Date granted
Generalitat de Catalunya	5	14	Fixed asset financing	2008 and 2009
CDTI	40	36	Interest free loans	2019 and 2020
Ministerio Medio Ambiente	-	8	Emission allowances	2019 and 2020
Agencia Valenciana de la Energía	10	13	Improving energy efficiency	2011
Agencia Residuos de Catalunya	3	4	Waste minimization	2011
Generalitat de Catalunya	37	44	Fixed asset financing	2012
Agencia Valenciana de la Energía	56	67	Improving energy efficiency	2012/13/15
Miner	2	2	Fixed asset financing	2013
Instituto Valenciano de competitividad empresarial	68	76	Fixed asset financing	2016, 2017 and 2019
Instituto Divers. y ahorro Energía	80	87	Fixed asset financing	2020
Tax effect of grants	(75)	(88)F		
Total	**226**	**263**		

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:

	2020	2019
Release of non-financial fixed asset grants and others	406	603
Total	**406**	**603**

(IN THOUSAND EURO)

21 Creditors and payables

The breakdown of current and non-current debts at 31 December 2020 and 2019 is as follows:

	2020	2019
Long-term debts	**30,045**	**34,009**
Bank loans	30,045	34,009
Total long-term debts	**30,045**	**34,009**
Short-term debts		
- Bank loans	13,331	9,835
- Credit facilities	-	274
- Interests accrued	54	66
Total debts with banks	**13,385**	**10,175**
- Other financial liabilities	1,479	2,101
Total short-term debts	**14,864**	**12,276**
Total short-term and long-term debts	**44,909**	**46,285**

The effect of implicit interest arising from subsidized loans held by the Company amounts to Euro 40 thousand at 31 December 2020 (Euro 36 thousand at 31 December 2019).

In the line “Other short-term financial liabilities” totalling Euro 1,479 thousand at 31 December 2020 (Euro 2,101 thousand in 2019) 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 2020 and 2019.

Bank loans maturities break down as follows:

Description	31-12-2020	31-12-2019
Up to 1 year	14,864	12,276
Between 1 and 3 years	22,016	19,777
Between 3 and 5 years	7,229	13,418
More than 5 years	800	814
Total	**44,909**	**46,285**

Of total loans at 31 December 2020, Euro 0 thousand relates to loans secured through a bank guarantee (Euro 0 thousand at 31 December 2019).

(IN THOUSAND EURO)

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

	2020	2019
Euros	44,909	46,011
AUD	-	204
JPY	-	-
GBP	-	65
USD	-	5
Total borrowings	**44,909**	**46,285**

The long and short-term loans movements for 2020 and 2019 are as follows:

	Long term loans	Short term loans
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**
Additions	19,284	-
Amortization	(9,917)	(9,835)
Transfers	(13,331)	13,331
Balance at 31-12-2020	**30,045**	**13,331**

a) Subsidised loans

During the year 2020 the Centre for the Development of Industrial Technology (C.D.T.I) granted two loans amounting to 125 and 159 thousand Euro, with repayment period of 10, including 3 years of grace period respectively.

During the year 2019 the Centre for the Development of Industrial Technology (C.D.T.I) granted three 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.

The Company has a December 2020 loans at zero interest, with a fair value of Euro 1,074 thousand (Euro 830 thousand at December 31, 2019) and redemption value Euro 1,114 thousand (Euro 866 thousand at 31 December 2019).

(IN THOUSAND EURO)

b) Bank loans

During 2020, Sabadell granted a loan amounting to Euro 16 million, repayable over 5 years and with a 1 year grace period. The Company in turn cancelled a loan of Euro 10 million early, included within Amortisation in the above table.

Additionally, during 2020, Caixabank granted a loan amounting to Euro 3 million, repayable over 5 years and with a 1 year grace period. The Company in turn cancelled a loan of Euro 3 million early, included within Amortisation in the above table.

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.

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

Additionally, the Company has the following credit facilities:

	31-12-2020		31-12-2019	
	Maximum limit	**Amount drawn down**	**Maximum limit**	**Amount drawn down**
Floating rate:				
- maturing in less than one year	20,815	-	25,170	274
- maturing in more than one year	-	-	-	-
Fixed rate:				
- maturing in less than one year	-	-	-	-
	20,815	**-**	**25,170**	**274**

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 2020 and 2019.

(IN THOUSAND EURO)

22 Long and short term accrued income

The movement in "Accrued income" for the years 2020 and 2019, were as follows:

	Long-Term accrued income	Short-Term accrued income	Total
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**
Additions	4	-	4
Transfers to results (Note 29.4)	-	-	-
Other transfers	-	-	-
Balance at 31-12-20	**100**	**-**	**100**

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.

The Group companies have also promoted a PPSE that has been nourished by company contributions, as the conditions established in the previous three years have been met, for those employees who have voluntarily chosen to take advantage of the PPSE.

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).

(IN THOUSAND EURO)

- 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.

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:

	31-12-2020	31-12-2019
Charges in the income statement in respect of:		
- Financial restatement (Financial expenses) (Note 30)	-	1
- Current service costs	6	5
- Expected return on plan-related assets (Note 30)	-	-
Total	**6**	**6**

	31-12-2020	31-12-2019
Debits/(credits) in Equity:		
- Actuarial gains and losses	(12)	131
- Tax effect	3	(33)
Total	**(9)**	**98**

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

Description	**31-12-2020**	**31-12-2019**
Present value of the liabilities	(240)	(235)
Fair value of the plan-related assets	91	133
Liability recorded on the balance sheet (Note 24)	**(149)**	**(102)**

(IN THOUSAND EURO)

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

Description	31-12-2020	31-12-2019
Opening balance	**235**	**404**
Current service cost	6	5
Interest costs (Note 30)	-	-
Actuarial (gains) / losses	-	(171)
Benefits paid	(1)	(3)
Closing balance	**240**	**235**

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

Description	31-12-2020	31-12-2019
Opening balance	**133**	**208**
Expected return on plan-related assets (Note 30)	-	-
Actuarial gains / (losses)	(12)	(41)
Return of contributions (returned premiums)	(30)	(34)
Closing balance	**91**	**133**

Company management has engaged an independent actuary to prepare an actuarial valuation at 31 December 2020 and 2019 of each defined benefit liability mentioned above.

The main assumptions applied have been:

Interest rate for valuing liabilities with current personnel at 31/12/2019	0.000%
Interest rate for valuing liabilities with current personnel at 31/12/2020	0.000%
Interest rate for valuing liabilities with retired personnel at 31/12/2019	0.000%
Interest rate for valuing liabilities with retired personnel at 31/12/2020	0.000%
Expected return on assets with current personnel	0.000%
Expected return on assets with retired personnel	0.000%
Annual growth in pensions at the beginning of 2020	0.25%
Annual growth in pensions at the 2020 year end	0.25%
Mortality tables	PERMF-2020
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 31-12-2018	**153**
Additions	558
Applications	(154)
Reclassification	-
Closing balance at 31-12-2019	**557**
Additions	1,179
Applications	(557)
Reclassification	-
Closing balance at 31-12-2020	**1,179**

The balance at 31 December 2020 amounting to Euro 1,179 thousand relates to:

- Euros 829 thousand relates to the balance of the provision for emission allowances (Euro 558 thousand in 2019). (Note 34).
- Euros 350 thousand related to a new reserve established for other taxes this year.

(IN THOUSAND EURO)

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

Closing balance at 31-12-18	**1,750**
Additions	537
Payments	(1,223)
Transfers	-
Applications	(94)
Closing balance at 31-12-19	**970**
Additions	612
Payments	30
Transfers	-
Applications	-
Closing balance at 31-12-20	**1,612**

The balance at December 31, 2020, amounting to Euro 1,612 thousand (Euro 970 thousand in 2019), 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 149 thousand in 2020 (Euro 102 thousand in 2019). There have been applications for an amount of Euro 17 thousand (Euro 64 thousand in 2019), no payment has been made (Euro 0 thousand in 2019) and a payment of Euro 30 thousand (Euro 30 thousand in 2019) was made in respect of the insurance premium to the external insurance company in order to regularise pension commitments.

- 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 2019 and 2020.

- Additionally, the current year balance includes provisions for variable remuneration associated with objectives agreed with the relevant personnel in the amount of Euro 1,132 thousand (537 thousand in 2019), with a long-term maturity. During the current year a provision was established amounting to Euro 595 thousand and no payment was made (during 2019 a provision of Euro 537 was established and Euro 1,223 thousand was paid). The short-term portion is explained in Note 27.

- Finally, in 2018 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 and 2020.

(IN THOUSAND EURO)

25 Deferred taxes

The movement in deferred taxes in 2020 and 2019 is as follows:

	2020		2019	
	Deferred tax assets	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Opening balance	**1,218**	**1,600**	**1,348**	**1,584**
- Charged in the income statement	89	(165)	(130)	(31)
- Charged directly to equity	-	(15)	-	47
Closing balance	**1,307**	**1,420**	**1,218**	**1,600**

The movement and detail during 2020 and 2019 in deferred tax assets and liabilities is as follows:

		2020		
Deferred tax assets	**Non-deductible depreciation**	**Accruals**	**Equity adjustments**	**Total**
Opening balance	**387**	**831**	**-**	**1,218**
- Charged in the income statement	(97)	186	-	89
Closing balance	**290**	**1,017**	**-**	**1,307**

		2019		
Deferred tax assets	**Non-tax 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**

(IN THOUSAND EURO)

	2020			
Deferred tax liabilities	**Other adjustments**	**Accelerated tax depreciation**	**Equity adjustments**	**Total**
Opening balance	**161**	**1,283**	**156**	**1,600**
- Charged in the income statement	21	(186)	-	(165)
- Charged directly to equity	-	-	(15)	(15)
Closing balance	**182**	**1,097**	**141**	**1,420**

	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**

The Euro 290 thousand related to deferred tax assets in 2020 (Euro 387 thousand in 2019) 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 2020 totalled Euro 267 thousand (Euro 347 thousand in 2019).

- 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 2020 amounted to Euro 23 thousand (Euro 40 thousand in 2019).

(IN THOUSAND EURO)

Deferred tax assets of Euro 1,017 thousand in 2020 (Euro 831 thousand in 2019) relate mainly to non-tax-deductible provisions for personnel.

Deferred taxes charged directly to equity in 2020 and 2019 are as follows:

Description	31-12-2020	31-12-2019
Capital grants	65	77
Pensions	66	69
Interest free loans	10	9
Other	-	1
Total	**141**	**156**

26 Trade and other payables

The breakdown of trade and other payables at 31 December 2020 and 2019 is as follows:

Description	31-12-2020	31-12-2019
Trade payables		
Trade payables, local currency	11,325	12,255
Trade payables, foreign currency	1,939	2,151
Trade payables, group companies and associates (Note 32.1)	3,838	4,107
Trade payables, group companies and associates in foreign currency (Note 32.1)	121	222
Other payables		
Other payables, local currency	992	797
Other payables, foreign currency	36	38
Total	**18,251**	**19,570**

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

	31-12-2020	31-12-2019
Euro	16,154	17,159
US Dollar	2,095	2,411
Pound Sterling	2	-
Others	-	-
Total	**18,251**	**19,570**

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 2020 and 2019 it is as follows:

	31/12/2020	31/12/2019
	Days	**Days**
Average payment period to creditors	40	38
Ratio of operations paid	42	39
Ratio of operations pending payment	20	19
	Thousands of Euro	**Thousands of Euro**
Total payments made	87,907	91,734
Total outstanding payments	7,584	7,499

27 Other current liabilities

The breakdown of other current liabilities for the years ended at 31 December 2020 and 2019 is as follows:

Description	31-12-2020	31-12-2019
Personnel	3,668	3,426
Customer advances	447	435
Other payable to Public Administrations	6,795	5,056
Total	**10,910**	**8,917**

(IN THOUSAND EURO)

The heading Personnel includes the provisions for variable objective-related compensation established and agreed with the employees involved. In 2020 these provisions amount to Euro 1,864 thousand (Euro 1,592 thousand in 2019). The long-term portion is explained in 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 2020 and 2019, that were paid in January 2021 and 2020, 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 2020 is the following:

	Income Statement			Income and expenses charged directly to equity		
Profit for the year			**30,629**			**(46)**
	Increases	**Decreases**	**Total**	**Increases**	**Decreases**	**Total**
Corporate income tax	8,231	-	8,231	-	(15)	(15)
Permanent differences	215	(4,964)	(4,749)	-	-	-
Temporary differences				-	-	-
- arising during the year	595	-	595	-	-	-
- arising in prior years	895	(320)	575	61	-	61
Taxable income *	**9,936**	**(5,284)**	**35,281**	**61**	**(15)**	**-**

* During the year the company has applied a reduction to the tax base of corporate income tax as a capitalization reserve amounting to Euro 710 (amounting to Euro 259 in 2019). 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 34,571 thousand in 2020.

(IN THOUSAND EURO)

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

Expense for corporate income tax is composed by:

	31-12-2020	31-12-2019
Current tax	8,422	8,354
Deferred tax	(256)	99
Tax paid abroad	2	7
Adjustment to corporate income tax from previous years and others	63	(169)
Total	**8,231**	**8,291**

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).

Current corporate income tax results from applying a tax rate of 25% to taxable income and applying 2020 deductions which amounted to Euro 221 thousand (Euro 338 thousand in 2019). Withholdings and payments on account of the year amounted to Euro 7,907 thousand (Euro 7,819 thousand in 2019), resulting an amount payable to Public Administration by Euro 515 thousand in 2020 (Euro 535 thousand in 2019).

The Company has not incurred tax losses in the past, and there are no deductions available to be offset at 2020 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:

	31-12-2020		31-12-2019	
Receivable / payable balances from tax consolidation	**Receivable balances**	**Payable balances**	**Receivable balances**	**Payable balances**
- S.A. Payá Miralles	56	-	15	-
- Celulosa de Levante, S.A.	-	230	-	147
- Papeles Anoia, S.A.	133	-	87	-
- Desvi, S.A	-	86	-	50
- Sociedad Española Zig-Zag, S.A.	-	-	1	-
- M.B. Papeles Especiales, S.A.	334	-	275	-
- Miquel y Costas Energía y Medio Ambiente S.A.	34	-	38	-
- Miquel y Costas Tecnologías, S.A.	-	41	-	71
- Terranova Papers, S.A.	-	523	-	444
- Miquel y Costas Logística S.A.	29	-	21	-
- Clariana S.A.	315	-	39	-
	901	**880**	**476**	**712**

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 1,851 thousand 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 was recovered in the year 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 2017, 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	31-12-2020	31-12-2019
Purchases	14,114	15,952
Sales	22,724	20,839

29.2 Net turnover

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

Market	(%) 2020	(%) 2019
Domestic market	14.04	15.60
European Union	31.77	32.30
OECD countries	32.21	29.50
Other countries	21.98	22.60
	100.00	**100.00**

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

Line	(%) 2020	(%) 2019
Tobacco industry	90.26	89.28
Industrial Products	2.12	4.75
Graphic Industry and other	7.62	5.97
	100.00	**100.00**

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

	2020	2019
Consumption of goods for resale, raw materials and other consumable materials:		
Purchases	62,339	62.339
Difference between opening and closing inventories	1,940	1.940
Total	**64,279**	**64.279**

(IN THOUSAND EURO)

29.4 Other operating income

The distribution of other operating income is as follows:

Description	2020	2019
Operating grants transferred to income statement	172	402
Revenues from services rendered between group companies (Note 32.2)	4,508	4,473
Electricity sales	22	36
Other	103	197
	4,805	**5,108**

29.5 Staff costs

Breakdown of staff costs is as follows:

	2020	2019
Wages, salaries and similar remuneration	21,797	21,334
Staff welfare expenses	6,033	6,212
- Pension contributions and transfers	457	697
- Other staff welfare expenses	5,576	5,515
Other staff costs	100	100
Provisions	54	53
	27,984	**27,699**

Wages, salaries and similar remuneration include severance expenses totalling Euro 141 thousand in 2020 (Euro 111 thousand in 2019).

The distribution by category of the Company's personnel average in 2020 and 2019 is as follows:

	2020	2019
Members of the Board of Directors (executives)	3	3
Senior Management	5	5
Executives	10	11
Managers and Middle Management	60	64
Administrative and Technical personnel	107	102
Production staff	345	343
	530	**528**

(IN THOUSAND EURO)

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

	31-12-2020		31-12-2019	
	Male	**Female**	**Male**	**Female**
Members of the Board of Directors (executives)	3	-	3	-
Senior Management	4	1	4	1
Executives	8	2	10	1
Managers and Middle Management	56	5	60	4
Administrative and Technical personnel	48	60	45	57
Production staff	233	116	234	112
	352	**184**	**356**	**175**

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

	2020	**2019**
Senior clerks and foremen		
Production staff	-	1
	2	2
	2	**3**

29.6 Other operating expenses

The breakdown of Other operating expenses is as follows:

	2020	**2019**
External services	36,622	40,528
Local taxes	916	520
Loss, impairment and variation in trade provisions (Note 12)	4	41
Gas emission allowances expenses (Note 24)	703	558
Other current operating expenses	45	36
	38,290	**41,683**

The breakdown of external services is as follows:

	2020	**2019**
Leases and royalties	2,200	2,240
Independent professional services	2,838	2,330
Transport	4,728	4,451
Insurance premiums	658	529
Repairs and maintenance	2,880	2,740
Travel, publicity and advertising	3,077	4,119
Supplies	7,082	9,873
Subcontracted work	10,553	11,339
Other operating expenses	2,606	2,907
	36,622	**40,528**

(IN THOUSAND EURO)

29.7 Results from disposal of fixed assets

	2020	2019
Intangible assets	-	-
Property, plant and equipment	-	-
	-	**-**

30 Finance results

The breakdown of the finance results is as follows:

	2020	2019
Finance income:		
Shares in equity instruments		
- Group companies (Note 32.4)	4,964	4,708
- Third parties	-	-
Marketable securities and other financial instruments:		
- Group companies and associates (Note 32.4)	719	739
- Third parties	1,093	1,663
	6,776	7,110
Finance expenses:		
Debts with group companies and associates (Note 32.4)	(207)	(215)
Debts with third parties	(278)	(327)
Restatement of provisions (Note 23.a)	-	(1)
	(485)	(543)
Exchange differences:		
Positive exchange differences	862	636
Negative exchange differences	(1,163)	(874)
	(301)	(238)
Impairment and result from disposal of financial instruments		
Provision for impairment losses (Note 9)	-	-
Net financial result	**5,990**	**6,329**

(IN THOUSAND EURO)

a) Finance income and expenses

	2020	2019
Finance income:		
- Dividends from shares in group companies (Note 32.4 and Note 8)	4,964	4,708
- Dividends from shares in other companies	-	-
- Interest on debts	1,080	1,637
- Interest on loans	724	750
- Forecast return on assets related to commitments (Note 23)	-	-
- Other finance income	8	15
	6,776	7,110
Finance expenses:		
- Interest on loans	(485)	(542)
- Restatement of provisions (Note 23)	-	(1)
	(485)	(543)
	6,291	**6,567**

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 2020, through fixed compensation, expenses and other items, Euro 1,089 thousand (1,079 thousand in 2019) and variable remuneration amounting to Euro 1,047 thousand (898 thousand in 2019). No contributions have been made to long-term savings schemes during the year, nor in the previous year. In 2017, upon the expiry of the previous plan, the "2016 Stock Option Plan" was formalised which at year end 2020 is in the "Vesting Phase". This phase will last for five years and will subsequently trigger 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 their 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 2020 and 2019 amounted to Euro 1,531 thousand (5% of profit after tax) and Euro 1,516 thousand (5% of profit after tax), 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 28 thousand has been paid in the current year (Euro 18 thousand in 2019).

Except for the abovementioned concepts there is no receivable or payable balance to the members of the Board of Directors a 31 December 2020 and 2019.

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 2020 and 2019 no advances or loans have been granted to the Directors.

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 2020 has totalled Euro 1,264 thousand (Euro 1,240 thousand in 2019).

(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 2020 are as follows:

Name or registered name of the Director	Office	Number of direct shares	Number of indirect shares	% of share capital
D. Jorge Mercader Miró	Presidente	370,000	4,470,000	15.613%
D. Eusebio Díaz-Morera Puig-Sureda	Consejero	73,805	10,954	0.273%
D. Álvaro de la Serna Corral	Consejero	30,800	752	0.102%
D. Javier Basañez Villaluenga	Consejero	82,600	-	0.266%
Joanfra, S.A	Consejero	2,480,000	-	8.000%
D. Joaquin Faura	Consejero	8,536	-	0.028%
D. Jorge Mercader Barata	Vicepresidente	145,000	-	0.468%
Total		**3,190,741**	**4,481,706**	**24.750%**

(IN THOUSAND EURO)

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
D. Jorge Mercader Miró	Presidente	278,949	4,316,337	14.824%
D. Eusebio Díaz-Morera Puig-Sureda	Consejero	28,380	10,954	0.127%
D. Álvaro de la Serna Corral	Consejero	30,800	752	0.102%
D. Javier Basañez Villaluenga	Consejero	82,600	-	0.266%
Joanfra, S.A.	Consejero	2,460,000	-	7.935%
D. Joaquin Faura	Consejero	8,536	-	0.028%
D. Jorge Mercader Barata	Vicepresidente	145,000	-	0.468%
Total		**3,034,265**	**4,328,043**	**23.749%**

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 2020 and 2019 the breakdown of the receivable and payable balances with group companies is as follows:

Receivable balances 31-12-2020	Services rendered	Sales	Financial accounts	Short-term loans	Long-terms loans	Total
- S.A. Payá Miralles	191	-	-	-	-	191
- Celulosa de Levante, S.A.	1,278	-	-	-	-	1,278
- Papeles Anoia, S.A.	527	1,231	-	-	-	1,758
- Desvi, S.A	362	24	-	-	7,409	7,795
- Sociedad Española Zig-Zag, S.A.	8	-	-	-	-	8
- Miquel y Costas Tecnologías, S.A.	83	2	-	-	-	85
- M.B. Papeles Especiales, S.A.	902	81	-	-	-	983
- Miquel y Costas Energía y Medio Ambiente S.A.	96	2	-	-	-	98
- Miquel y Costas Argentina, S.A.	-	553	-	-	170	723
- Miquel y Costas Deutschland GmbH	187	127	-	200	-	514
- Terranova Papers, S.A.	866	750	18,006	-	-	19,622
- Miquel y Costas Chile SA	-	-	-	-	-	-
- Miquel y Costas Logística SA	171	419	-	-	-	590
- Fourtube S.L	-	-	-	-	69	69
- Clariana, SA	407	294	1,557	1,342	6,710	10,310
Total	**5,078**	**3,483**	**19,563**	**1,542**	**14,358**	**44,024**

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**

(IN THOUSAND EURO)

At 31 December 2020 the Company has two loans amounting to Euro 8,052 thousand with Clariana, S.A. (Euro 9,250 thousand in 2019) and Euro 170 thousand in respect of a loan with Miquel y Costas Argentina S.A.

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 2020 and 2019.

It has in turn granted loans amounting to Euro 7,409 thousand and Euro 69 thousand to Desvi S.A.and Fourtube S.L., respectively, bearing interest at market rates (Euro 10,813 thousand and Euro 138 thousand, respectively in 2019) .

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 31-12-2020	Purchases	Services received	Financial accounts	Total
- S.A. Payá Miralles	-	276	1,084	1,360
- Celulosa de Levante, S.A.	783	58	18,866	19,707
- Papeles Anoia, S.A.	421	69	10,293	10,783
- Desvi, S.A	-	335	-	335
- Sociedad Española Zig-Zag, S.A.	-	1	336	337
- M.B. Papeles Especiales, S.A.	759	-	6,408	7,167
- Miquel y Costas Energía y Medio Ambiente S.A.	-	78	1,375	1,453
- Miquel y Costas Tecnologías, S.A.	-	63	409	472
- Terranova Papers, S.A.	42	-	-	42
- Miquel y Costas Argentina	135	-	-	135
- Miquel y Costas Deutschland GmbH	72	-	-	72
- Miquel y Costas Logística, SA	692	-	1,475	2,167
- Clariana, SA	175	-	-	175
Total	**3,079**	**880**	**40,246**	**44,205**

(IN THOUSAND EURO)

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 S.A.	524	-	170	694
- Clariana, S,A.	221	-	-	221
Total	**3,107**	**1,222**	**28,329**	**32,658**

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 2020 and 2019 is as follows:

Description	31-12-2020	31-12-2019
Sale of goods		
- Papeles Anoia, S.A.	8,395	8,118
- Sociedad Española Zig-Zag, S.A.	17	95
- M.B. Papeles Especiales, S.A.	629	995
- Miquel y Costas Argentina, S.A.	1,786	1,089
- Miquel y Costas Deutschland GmbH	3,289	3,005
- Terranova Papers, S.A.	3,271	4,705
- Miquel y Costas Logistica,S.A.	735	572
- Miquel y Costas Chile. S.A	18	67
- Clariana, S.A.	1,202	1,259
Total	**19,342**	**19,905**

(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 2020 and 2019 is as follows:

Description	31-12-2020	31-12-2019
Services rendered		
- S.A. Payá Miralles	157	160
- Celulosa de Levante, S.A.	1,100	1,077
- Papeles Anoia, S.A.	451	472
- Desvi, S.A	297	312
- Sociedad Española Zig-Zag, S.A.	6	10
- M.B. Papeles Especiales, S.A.	764	684
- Miquel y Costas Tecnologías, S.A.	89	81
- Miquel y Costas Argentina, S.A.	-	130
- Terranova Papers, S.A.	712	638
- Miquel y Costas Deutschland GmbH	158	158
- Miquel y Costas Energía y Medio Ambiente S.A	95	97
- Miquel y Costas Logistica S.A	332	295
- Clariana, S.A.	347	359
Total	**4,508**	**4,473**

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 2020 and 2019 is as follows:

Description	31-12-2019	31-12-2019
Purchases of goods		
- Celulosa de Levante, S.A.	8,991	8,621
- Papeles Anoia, S.A.	3,529	3,316
- M.B. Papeles Especiales, S.A.	3,877	3,477
- Miquel y Costas Argentina, S.A.	1,635	2,121
- Terranova Papers SA	554	713
- Miquel y Costas Logística, S.A.	4,401	3,395
- Miquel y Costas C, S.A.	16	33
- Clariana, S.A.	1,416	1,160
Total	**24,419**	**22,836**

(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 2020 and 2019 is as follows:

Description	31-12-2020	31-12-2019
Services received		
- S.A. Payá Miralles	2,971	3,529
- Celulosa de Levante, S.A.	30	214
- Papeles Anoia, S.A.	399	400
- Desvi, S.A.	808	646
- M.B, Papeles Especiales, S.A.	658	552
- Miquel y Costas Energía y Medio Ambiente S.A.	339	380
- Miquel y Costas Tecnologías, S.A.	169	158
- Terranova Papers, S.A.	10	0
- Miquel y Costas Deutscheland GmbH	423	560
- Miquel y Costas Logística, SA	341	288
Total	**6,148**	**6,727**

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 2020 and 2019 is as follows:

Description	31-12-2020	31-12-2019
Financial income (Note 30)		
- Desvi, S.A.	121	137
- Terranova Papers, S.A.	144	167
- Miquel y Costas Tecnologías, S.A.	-	-
- S.A. Payá Miralles	-	-
- Miquel y Costas Deuschland GmbH	9	8
- Miquel y Costas Logística,SA	-	2
- Miquel y Costas Argentina	6	1
- Clariana, S.A.	439	424
Total	**719**	**739**

(IN THOUSAND EURO)

Description	31-12-2020	31-12-2019
Financial expenses (Note 30)		
- Celulosa de Levante, S.A.	88	92
- Papeles Anoia, S.A.	66	74
- Sociedad Española Zig-Zag, S.A.	2	3
- S.A. Payá Miralles	3	4
- MB Papeles Especiales, S.A.	26	19
- Miquel y Costas Energía y Medio Ambiente S.A	9	9
- Miquel y Costas Logistica, S.A.	5	-
- Desvi, S.A.	7	13
- Miquel y Costas Tecnologías, S.A,	1	1
Total	**207**	**215**

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 2020 and 2019 are as follows:

Description	31-12-2020	31-12-2019
Dividends (Note 30)		
- Celulosa de Levante, S.A.	2,581	2,241
- Papeles Anoia, S.A.	1,584	1,782
- Miquel y Costas Tecnologías, S.A.	-	-
- MB Papeles Especiales, S.A.	-	-
- S.A. Payá Miralles	799	649
- Sociedad Española Zig-Zag, S.A.	-	36
Total	**4,964**	**4,708**

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 2020 no new loans were granted to Group companies.

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, indexed to the euribor.

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.

Total net investments after deducting grants received and tax deductions applied have totalled Euro 3,187 thousand in 2020 (Euro 7,367 thousand in 2019).

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 2020, 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 1,489 thousand (Euro 1,039 thousand in 2019), 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. This Plan ends this year.

According to Royal Decree 18/2019, the process for the free assignment of emission allowances for 2021 is in the approval phase.

The assignment of allowances to the Company for 2020 is as follows:

	Allowances assigned (Tm.)
2020	13,736

The breakdown of the movement in 2020 and 2019 of this intangible asset (Note 11) is as follows:

Description	**Thousand Euro**
Closing balance at 31-12-2018	**156**
Additions	565
Disposals	(154)
Closing balance at 31-12-2019	**567**
Additions	488
Disposals	(567)
Closing balance at 31-12-2020	**488**

At 31 December the outstanding balance of Euro 488 thousand relates to 14,995 emission allowances.

The real emission allowances in the year 2020 total 25,464 allowances (22,344 in 2019). These allowances will be returned in 2021 and therefore the Company has established a provision in this respect amounting to Euro 829 thousand (Note 24).

During 2020, a purchase of 1,282 allowances was made to a group company (8,600 in 2019).

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

35 Contingencies

a) Contingent liabilities

The Company is involved in lawsuits and disputes in the ordinary course of business. In 2020 there were no relevant events and therefore there were no other changes to the administrative appeal filed against the tax inspectorate's assessment agreement regarding corporate income tax. In keeping with their advisors, the directors continue to hold that, pursuant to prevailing accounting legislation, the parent company should not recognise any amount in its consolidated annual accounts for this item. Events that have taken place from the year end to the date of issue of this report are described in the subsequent events section below.

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 2020 year-end (Euro 259 thousand in 2019), 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 19,268 thousand (Euro 18,329 thousand in 2019).

b) Contingent assets

The Company's Directors estimate that there are no contingent assets at 31 December 2020 and 2019 except for the matter mentioned in the preceding paragraph a).

36 Commitments

a) Purchase commitments

The Company has no significant purchase and sale commitments signed at the end of the 2020 fiscal year, except for those mentioned in Note 6.

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 2020 (Euro 57 thousand in 2019) and relating to other assurance and consolidation services amounted to Euro 14 thousand in 2020 (Euro 14 thousand in 2019). Other assurance services include the issuance of an agreed-upon procedures report relating to Ecoembes and in 2019 apart from the Ecoembes report, they included the review of non-financial information.

Furthermore, there have been no fees accrued during the years 2020 and 2019 for other companies in the PwC network as a result of services rendered to the Company.

38 Impacts of Covid-19

The early and rigorous roll-out of internal protocols helped to prevent and minimise the risks of the spread of the coronavirus with respect to people and the Company's operations, enabling work centre to continue operating and therefore to deliver on their commitments in an exceptional situation.

During the different phases of the first state of emergency, some production assets were impacted by force majeure contingencies as production employees were affected by the total lockdown mandated in the Odena basin (Anoia region) by the authorities and which forced temporary lay-off proceedings to be introduced on the grounds of force majeure.

After the end of the first state of emergency and as a result of the fall in demand in the graphic arts and printing market triggered by the pandemic, partial temporary lay-off proceedings were brought in for economic, production and organisational reasons and affected part of the workforce at the Mislata production site.

The Company has analysed the possible accounting implications as a result of the pandemic and has not detected to date any effect which warrants specific disclosure.

In light of the evolution of the business in 2020 compared with the same period in the previous year, no risk is considered to exist regarding the application of the going -concern principle or the Company's ability to fulfil its obligations. No changes have been made to rental contracts in effect and there are no workforce restructuring plans for this reason. The Company has not only maintained its dividend distribution policy throughout 2020 but in December brought forward the pay-out usually made in April of the following year. The parent company is not looking to make any adjustments to the stock option plan in effect besides those required under prevailing regulations.

With respect to the measurement of assets and liabilities on the balance sheet, the impact of items such as customer collectability, the net realisable value of inventories, investments in Group companies and associates or the recoverability of tax assets, has been assessed and where necessary, the corresponding value adjustment has been made. No significant impact has in any event been detected.

At the present date, it is unknown whether there will be any future economic impacts deriving from the health crisis and the Group therefore continues to pay special attention to its business continuity plans and operational resilience, through ongoing monitoring.

39 Subsequent Events

In January 2021 the Provincial Court of Barcelona delivered a judgement in the trial against the former distributor in Italy Tobacco's Import-Export SPA and confirmed the appropriateness of the termination of the distribution agreement by Miquel y Costas & Miquel, S.A, requiring the distributor to pay the pertinent indemnity for damages through the payment of Euro 1,999 thousand. On 1 February the defendant filed an appeal against the judgement with the Supreme Court and the admission process is under way.

No other significant subsequent events for the reporting period are known at the date of preparation of these annual accounts.

(Free translation from Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A. AND SUBSIDIARY COMPANIES
DIRECTORS' REPORT FOR 2020
(IN THOUSAND EURO)

1. NET INCOME

Net income for 2020 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	2020	2019	Var.
Net turnover	168,645	168,766	(0.1)%
Operating profit	32,870	32,283	1.8%
Net profit before taxes (BAI)	38,860	38,612	0.6%
Net profit after tax (BDI)	30,629	30,321	1.0%
Cash-flow after tax (CFDI)	39,451	39,004	1.1%

The total of consolidated net sales for the year amounted to Euro 168,7 million, which represents an increase of 1.8% over the previous year.

Profit before taxes amounted to Euro 38.9 million, 6% up on the previous year, with cash flow up 1.1% compared with that same period, due to the increase in amortisation/depreciation.

2. FINANCIAL POSITION

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

	31-12-2020	31-12-2019
Total equity	**200,611**	**196,713**
Net borrowings:		
Long-term borrowings	30,045	34,009
Short-term borrowings	13,385	10,175
Cash and current asset investments	(78,049)	(43,398)
Long-term financial investments	(21,126)	(32,230)
Total net borrowings	**(55,745)**	**(31,444)**
Leverage index	Not applicable	Not applicable

(IN THOUSAND EURO)

The company's net financial position with financial entities at the end of 2020, which includes the implicit interest, has a credit balance of Euro 55.5 million, representing an increasing of Euro 25.9 million.

The average payment period for the Company to 31 December 2020 amounted to 40 days (38 days last year). See more detail in Note 26.

3. STOCK EXCHANGE INFORMATION

The main information on share trading in 2020 is as follows, presented adjusted for the capital increase indicated:

Trading days	257 days
Nº shares traded	8,328,718
Value traded	Euro 106,223 thousand
Maximum quotation	Euro 16.72 / share
Minimum quotation	Euro 10.10 / share
Average quotation	Euro 12.76 / share
Final quotation	Euro 14.72 / 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 2020 that must be reported under the OEHA 3050/2004, 15 September.

Nor has the Company carried out transactions during the period with its or the Group's directors and executives, other than those relating to the distribution of dividends and the payment of remuneration for their positions as such and if appropriate, the remuneration linked to the Company's financial assets.

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.

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 3.2 million.

6. R&D&i ACTIVITIES

In 2020 the Company's R&D&i mainly focused on the development of new techniques and production processes in order to continue to enhance the quality and consistency of its products, as well as obtaining new papers with industry specific properties. Resources for these activities amounted to Euro 1.1.

7. PERSONNEL

The average number of personnel working for the Company in 2020 has been 530 (528 in 2019). Considering the limitations, training actions continued in each industrial and management area, the Company contributing Euro 21 thousand in 2020.

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.

The Company is involved in lawsuits and disputes in the ordinary course of business. In 2020 there were no relevant events and therefore there were no other changes to the administrative appeal filed against the tax inspectorate's assessment agreement regarding corporate income tax. In keeping with their advisors, the directors continue to hold that, pursuant to prevailing accounting legislation, the parent company should not recognise any amount in its consolidated annual accounts for this item. Events that have taken place from the year end to the date of issue of this report are described in the subsequent events section below.

9. SUBSEQUENT EVENTS

In January 2021 the Provincial Court of Barcelona delivered a judgement in the trial against the former distributor in Italy Tobacco's Import-Export SPA and confirmed the appropriateness of the termination of the distribution agreement by Miquel y Costas & Miquel, S.A, requiring the distributor to pay the pertinent indemnity for damages through the payment of Euro 1,999 thousand. On 1 February the defendant filed an appeal against the judgement with the Supreme Court and the admission process is under way.

No other significant subsequent events for the reporting period are known at the date of preparation of these annual accounts.

(Free translation from Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A. AND SUBSIDIARY COMPANIES
DIRECTORS' REPORT FOR 2020
(IN THOUSAND EURO)

10. OUTLOOK

The Company considers that the performance posted in 2020 will continue in terms of results for the first quarter of 2021. However, as from the second quarter, the increases in raw material and energy prices and the volatility in demand make it difficult to predict how results will evolve.

11. PURCHASE OF TREASURY SHARES

During 2020 the Company made use of the authorisation for the derivative acquisition of treasury shares granted to the General Shareholders' Meeting on 20 June 2018 within the framework of the Programme for the repurchase of shares reported to the CNMV, on 16 January and 27 November 2020 and the special operations which have been reported on a timely basis, and acquired 725,001 listed shares, representing 2.34% of share capital.

It should be noted that the stock option plan, which forms part of the employee compensation plan in effect, is in the vesting phase.

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 2020.

13. NON-FINANCIAL INFORMATION

The Company on an individual level has availed itself of the exemption included in Law 11/2018 of 28 December 2019, approved on 13 December 2019, 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 2020.

ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT PUBLIC LIMITED COMPANIES

ISSUER IDENTIFICATION

ENDING DATE OF REFERENCE FINANCIAL YEAR:	31/12/2020
TAX IDENTIFICATION CODE	A-08020729

REGISTERED NAME:

MIQUEL Y COSTAS & MIQUEL, S.A.

REGISTERED ADRESS:

TUSET, 10, BARCELONA

(Free translation from the original in Spanish)

MODEL OF ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A. OWNERSHIP STRUCTURE

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

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

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

[ ] Yes
[✓] 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	0.33	11.42	0.00	0.00	11.75
MRS. MARIA DEL CARMEN ESCASANY MIQUEL	3.36	8.39	0.00	0.00	11.75
EDM GESTIÓN S.A. SGIIC	0.00	3.68	0.00	0.00	3.68
INDUMENTA PUERI, S.L.	0.00	11.40	0.00	0.00	11.40
QMC III IBERIAN CAPITAL FOUND FIL	3.02	0.00	0.00	0.00	3.02

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	AGRICOLA DEL SUDESTE ALMERIENSE, S.A.	3.41	0.00	3.41
MS. BERNADETTE MIQUEL VACARISAS	JOANFRA, S.A.	8.00	0.00	8.00
MRS. MARIA DEL CARMEN ESCASANY MIQUEL	ENKIDU INVERSIONES, S.L.	8.39	0.00	8.39
INDUMENTARIA PUERI S.L.	GLOBAL PORTFOLIO INVESTMENTS SL	11.05	0.00	11.05
EDM GESTION S.A. SGIIC	EDM INVERSIÓN FI	3.00	0.00	3.00
QMC III IBERIAN CAPITAL FOUND FIL	ALANTRA ASSET MANAGEMENT SCIIC S.A.	3.02	0.00	3.02

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

Significant movements

Mr. Jorge Mercader Miró Director of the Company, as detailed in section A.3, reported, on 07/10/2020, that it exceeded 15%

QMC III IBERIAN CAPITAL FUND FIL reported, on 05/08/2020, that it's direct participation exceeded by 3%.

ALANTRA ASSET MANAGEMENT SGII S.A. reported, on 05/08/2020, that its indirect participation exceeded 3%.

INDUMENTA PUERI S.L., reported, on 09/29/2020, that its indirect participation exceeded by 11%.

SANTANDER ASSET MANAGEMENT S, A, SGIIC communicated, on 02/18/2020 that its indirect participation decreased by 5% and on 04/13/2020, which decreased by 3%.

SANTANDER SMALL CAPS ESPAÑOLA F.I. reported, on 03/04/2020, that its direct stake decreased by 3%.

The detail of the shares with insignificant value and whose reflection in the Report would be 0.00, have not been included in it.

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	0.00	0.00	0.27	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	1.19	14.42	0.00	0.00	15.61	0.00	0.00
MR. JORGE MERCADER BARATA	0.47	0.00	0.00	0.00	0.47	0.00	0.00
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	0.24	0.03	0.00	0.00	0.27	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.	8.00	0.00	0.00	0.00	8.00	0.00	0.00

% total voting rights held by the Board of Directors	24.75

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.	14.42	0.00	14.42	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 a 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 company GESTIÓN S.A. SGIIC form part.
MR. ÁLVARO DE LA SERNA CORRAL	MRS. MARÍA DEL CARMEN ESCASANY MIQUEL	ENKIDU INVERSIONES, S.L	MR. ÁLVARO DE LA SERNA CORRAL is a Managing Director and Secretary of ENKIDU INVERSIONES, S.L.

Name or company name of related director or representative	Name or company name of significant related shareholder	Company name of the significant shareholder group	Description of the relationship/position
JOANFRA, S.A.	MRS. BERNADETTE MIQUEL VACARISAS	JOANFRA, S.A.	JOANFRA S.A. is a society controlled by 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
2,022,011		6.52

(*) 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 20 June 2018, the according to execute the authorization of the General Meeting.

A.11. Estimated floating capital:

	%
Estimated floating capital	48.42

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

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

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

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

Date of General Meeting	Attendance data				
	% physical presente	% represented	% remote voting		Total
			Electronic vote	Others	
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
30/06/2020	48.99	23.77	0.00	0.00	72.76
Of the floating capital	7.99	19.21	0.00	0.00	27.20

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". 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		Other External	DIRECTOR	26/06/2008	20/06/2019	SHAREHOLDERS MEETING AGREEMENT
MR. JOSÉ CLAUDIO ARANZADI MARTÍNEZ		Independent	DIRECTOR	20/06/2019	20/06/2019	SHAREHOLDERS MEETING AGREEMENT
MR. JAVIER BASAÑEZ VILLALUENGA		Executive	DIRECTOR	28/07/2008	20/06/2019	SHAREHOLDERS MEETING AGREEMENT
MRS. MARTA LACAMBRA PUIG		Independent	DIRECTOR	20/06/2019	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

Name of director	Represent-tative	Type of directorship	Office on the board	Date of first appointm.	Date of last appointm.	Election procedure
MR. JORGE MERCADER BARATA		Executive	VICECHAIRMAN	27/06/2012	20/06/2018	SHAREHOLDERS MEETING AGREEMENT
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA		Other External	DIRECTOR	18/04/1997	20/06/2018	SHAREHOLDERS MEETING AGREEMENT
MR. ÁLVARO DE LA SERNA CORRAL		External Proprietary 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	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
No data					

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

EXECUTIVE DIRECTORS		
Name or company name of director	Position in the company's management structure	Profile
MR. JAVIER BASAÑEZ VILLALUENGA	GENERAL SECRETARY	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.

Name or company name of director	Position in the company's management structure	Profile
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 Princesa de Girona Foundation 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, specialty Chemistry; MBA from IESE (Institute of Higher Studies of the Company); CEIBS Exchange Program. Shanghai (China). Currently he is Vice President-General Director of Miquel y Costas & Miquel S.A. Additionally, Director of Hacia, S.A., Trustee of the Princesa de Girona Foundation, Member of the Advisory Council of UEA (Unió Empresarial Anoia) and Member of the Executive Committee of the IESE Alumni Association.

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 Economics and Business Administration 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., Sasekilia S.L. and Miquely Costas & Miquel S.A.
JOANFRA, S.A.	JOANFRA, S.A.	The representative natural person of Joanfra S.A., is licensed in Administration and Business Management (ADE) by the Universidad de Barcelona; Postgraduate in eBusiness Management by the Universidad Pompeu Fabra. He is currently Manager of Celler Cal Costas, S.L.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. 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.
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.
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 Strategic Advisor of Telefónica de España, Chairman of the bilateral Hispano-Korean Committee and Director of Miquel y Costas & Miquel, S.A.

Total number of Independent external directors	3
% of the entire board	30,00%

The 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.

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 functions of Strategic Advisor of Telefónica de España company that presents accessory services in	The Council considers in no incompatibility in the performance of its function as Independent Director because

Name or Company of director	Description of relationship	Reasons
	communications to Miquel y Costas Group.	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	Counselor initially independent that, with reason having reached the limit legally established in the continued exercise of your position, in accordance with section 4.i) of Article 529 duodecíes of the Law of Capital Companies in the moment of his reelection for the General Shareholders' Meeting held on June 20, 2018, happened to belong to this typology.	OTHER SHAREHOLDERS OF THE COMPANY	Bachelor of Science Economics and MBA from IESE (Institute of Higher Studies of the Company). Currently he is President of EDM Holding S.A. and Director of EDM Holding, S.A.; Cementos Molins, S.A. EDM Gestión SAU SGIIC and Others IIC and Miquel companies and Costas & Miquel S.A.
MR. JOAQUIN COELLO BRUFAU	Initially independent director who, due to exceeding the legally established limit in the continued exercise of his position, in accordance with section 4.i) of article 529 duodecíes of the Capital Companies Act, on June 20, 2020, became a member of this typology.		Naval Engineer from the Technical School of Naval Engineers of Madrid in both career specialties: Shipbuilding and Exploitation and Maritime Transport and MBA from IESE (Institute of Higher Studies of the Company). At present he is President of Asoport (State Association of Port Operating Companies). Full member of the Royal Academy of Engineering. Advisor to Meta Engineering (formerly Audingintraesa), Noatum Maritime, Ership, Tecnalia and Advisor to Comexi Group and Miquel y Costas & Miquel S.A

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

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

Name or company name of director	Date of charge	Former category	Current category
MR. JOAQUIN COELLO BRUFAU	20/06/2020	Independent	Other External

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

	Number of female directors				% of total female directors of each type			
	Exercise 2020	Exercise 2019	Exercise 2018	Exercise 2017	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	1			10.00	10.00	0.00	0.00
Others External					0.00	0.00	0.00	0.00
Total:	2	2	1	1	20.00	20.00	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 they take place.

C.1.6 Explain the measures which, where appropriate, have been agreed by the Appointments Committee so that the selection procedures are unaffected by any implicit bias that hampers the selection of female directors, and which shows that the company purposefully seeks and includes women that satisfy the professional profile sought among the potential candidates and to achieve a balanced presence of women and men. Also indicate whether these measures include encouraging the company to have a significant number of senior managers:

Explanation of measures

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

The egulation 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.

The Company's labor and Human Resources development policy has always been governed by the principle of non-discrimination, with respect for the rights and dignity of people (without distinction of gender) being one of its pillars. In keeping with this principle and following the spirit of current legislation to achieve effective equality between men and women, the company has an equality plan with the aim of contributing to the elimination of discriminatory behaviors in the workplace on the basis of gender and includes, among others, the implementation of measures that favor the incorporation, permanence and development of people in order to achieve a balanced participation between women and men at all levels of the organization.

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

Explanation of reasons

When in particular there are vacancies to fill and in all other cases, 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 Appointments Committee's on the verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors

Explanation of reasons

The Company, and particularly its Board and the Human Resources, Appointments and Remuneration Committee, considers it essential in the selection of Board members to evaluate the candidate's competence, knowledge, experience and aptitudes to actively collaborate with the Company, ensuring that During the aforementioned selection process, there is no discrimination on the basis of gender.

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	YES
MR. JORGE MERCADER BARATA	PAPELES ANOIA, S.A.	CHAIRMAN	NO
MR. JORGE MERCADER BARATA	CELULOSA DE LEVANTE, S.A.	DIRECTOR	NO
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

Name or Company name of director	Company name of Group entity	Position	Does the director hold executive Functions?
MR. JORGE MERCADER BARATA	MIQUEL Y COSTAS 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. Identify, where applicable, the directors or representatives of legal persons of your company, who are members of the Board of Directors or director representatives, legal persons of other companies listed on regulated stock exchanges in Spain other than those of your group, that have been reported by the company:

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

The Regulations of the Board of Directors establish that in order for the Director to be able to dedicate the time and effort necessary to perform his function effectively, he may not be part of a number of boards of more than four.

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)	3,667
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 derived from compliance with the 2019-2021 Triannual Plan and the 2019-2021 Social Security Plan, whose accrual and consolidation occur 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.

number of women in senior management	1
Percentage of the total members of senior management	16.66
Total senior management remuneration (€k)	1,530

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:

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

2. El 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

The Board of Directors will assess at the next meeting, based on the conclusions obtained from its annual evaluation, the need or convenience of adopting measures that involve changes in its internal organization and the procedures applicable to its activities.

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 the Capital Companies Law, in the Regulations of the Company's Board of Directors and based on the recommendations established by the Code of Good Governance regarding the annual evaluation of the operation of the governing bodies. administration during the fiscal year, in February 2021, the Directors, assisted by an independent external consultant, have evaluated the performance of the functions of the Board of Directors, its Committees, those of the President and those of the Vice-President-General Director ..

From the annual evaluation carried out, it is concluded that the overall result of the self-evaluation has been positive and that the Directors consider satisfactory (i) the quality and efficiency of the operation of the Board of Directors, (ii) the operation and composition of its committees, (iii) the diversity in the composition and powers of the Board; (iv) the performance of the Chairman of the Board and his duties and (v) the performance of the Company's chief executive.

At the next meeting, the Board of Directors will assess the need or convenience of implementing action plans.

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

The independent external consultant, who has assisted the Board in carrying out the evaluation, provides advisory services to the Company on contractual and stock market matters.

In compliance with the provisions of Recommendation 36 of the Code of Good Governance of Listed Companies, the members of the Human Resources, Appointments and Remuneration Committee verified the independence of the aforementioned external consultant, previously confirmed in writing by him, submitting his appointment to the consideration of the Board of Directors

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 Bylaws 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	11
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	5
Number of meeting held by the AUDIT COMMITTEE	7

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	11
% of attendance over the total number of votes during the year	97.27
Number of meetings with attendance in person, or representations made with specific instructions of all the directors	8
% votes cast with attendance in person and representations made with specific instructions, on total votes during the year	97.27

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

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated annual accounts it prepares from being laid before the General Meeting of Shareholders with a qualified audit 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.

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
NONE	NONE

On July 27, 2020, Mr. Emilio Coco Foriscot submitted his resignation from the position of Non-Director Secretary, which was accepted by the Company's Board of Directors.

At the meeting of the Board of Directors of March 25, 2021, Ms. Victoria Lacasa Estébanez was appointed Non-Director Secretary of the Company's Board of Directors. This appointment was communicated by OIR sent to the CNMV on March 26, 2021.

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:

a) Relevant information capable of sensitively influencing 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 (thousands euros)	1	0	1

	Company	Group	Total
Amount of tasks other than audit services / total amount invoiced by the Audit Company (in %)	1.05	0.00	0.54

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	19	19

	Individual	Consolidated
Number of years audited by the current audit company / Number of years the company has been audited (in %)	59.38	59.38

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

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 on 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 Unless there are special circumstances that have been recorded in the minutes, indicate whether the Board has been informed of or has otherwise become aware of any situation that affects a director, whether or not it is related to his or her actions in the company, that could damage the company's credit and reputation:

[ ] Yes
[✓] No

C.1.38 Detail the major agreements, entered into by the company based on the takeover, and the effects of these agreements.

There are no significant agreements entered into by the Company that come into force, are modified or terminate in the event of a change of control as a result of a takeover bid.

C.1.39 Identify, individually, when referring to Directors and in aggregate form in all other cases, and provide detailed information on agreements between the Company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other type of operations.

Number of beneficiaries:	3
Type of beneficiary	Description of agreement:
Executive Directors	The contractual conditions determine that in the event of involuntary cessation of executive functions, except for serious breach, they will be entitled to compensation equivalent to a gross annuity. On the other hand, two beneficiaries will receive the same treatment in the event of a change of control. Both indemnities, that is, the one foreseen for the case of involuntary termination and the one foreseen for the case of change of control, are mutually exclusive and involve the recognition of one year of salary. Additionally, if once the termination has occurred, the Company restricts the Director's ability to attend, the Director

Type of beneficiary	Description of agreement:
	will be entitled to compensation equivalent 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	BOARD MEMBER	Other External
MR. JOSÉ CLAUDIO ARANZADI MARTÍNEZ	CHAIRMAN	Independent
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	BOARD MEMBER	Other External
JOANFRA, S.A.	SECRETARY	Proprietary Director
MRS. MARTA LACAMBRA I PUIG	BOARD MEMBER	Independent

% executive directors	0.00
% proprietary directors	20.00
% independent directors	40.00
% other external	40.00

Explain the committee’s duties, other than those already described in section C.1.9, and describe the procedures and rules for the organisation and operation of the organisation. For each of these functions, indicate your most important actions during the year and how you have exercised in practice each of the functions attributed to you, whether by law, by the Articles of Association or by other corporate agreements.

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 31 December 2020, it is composed of five 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 2020 financial year, the Human Resources, Appointments and Remuneration Committee has met five times to discuss, among others, the following topics: structure and evolution of the workforce, examination of the remuneration of Directors, evaluation and proposal of appointment of a new member for the Human Resources, Appointments and Remuneration Committee, appointment of the Chairman of the Commission, proposal for approval of the Social Welfare Plan 2019-2021, and take reason for the resignation presented by the non-director Secretary of the Board of Directors.

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

% executives directors	0.00
% proprietary directors	33.33
% independent directors	66.67
% other external	0.00

Explain the functions, including, if applicable, those additional to those legally envisaged, which have been attributed to this committee, describe the procedures and rules for the organization and functioning of the same. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it either in the law or in the articles of association or other corporate resolution.

The procedure of the Audit Committee, are regulated in of the Articles of Association and provisions of the Regulations of the Board of the Company.

As of 31 December 2020, 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 financial year 2020, the Audit Committee met seven times in order to discuss, 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 semi-annual and intermediate reports; analysis and study of financial policy reporting it to the Board of Directors; examine the communications received through the Communications Channel, examine the Internal control for the prevention of criminal risks; Issue the Report on the Operation and Activities of the Committee in fiscal year 2019; Issue the Report on the Independence of the Auditors; Proposal for the reelection of the Auditors of Accounts of the Company and its Group

Identify the directors who are members of the Audit Committee who have been appointed on the basis of knowledge and experience of accounting or auditing, or both, and state the date the Chairman was appointed.

Name of directors with experience	MRS. MARTA LACAMBRA PUIG / MR. JOAQUÍN FAURA BATLLE / MR. ÁLVARO DE LA SERNA CORRAL
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 2020		Exercise 2019		Exercise 2018		Exercise 2017	
	Number	%	Number	%	Number	%	Number	%
HUMAN RESOURCES, NOMINATIONS AND REMUNERATIONS COMMITTEE	2	40.00	1	25.00	1	16.70	1	20.00
AUDIT COMMITTEE	1	33.33	1	33.30	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.

The powers and operating rules of the Human Resources, Appointments and Remuneration Committee and those of the Audit Committee are regulated in the Company Bylaws and in the Regulations of the Company's Board of Directors, the texts of which are available on the corporate website.

During the year, no changes were made to its regulations.

The Audit Committee prepares an 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	762
INDUMENTA PUERI, S.L.	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	1,909
SANTANDER ASSET MANAGEMENT S.A. SGIIC	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	103
MRS. BERNADETTE MIQUEL VACARISAS	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	667
MRS. MARIA DEL CARMEN ESCASANY MIQUEL	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	2,147
ALANTRA ASSET MANAGEMENT SCIIC S.A.	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	449
EDM GESTIÓN, S.A. SGIIC	MIQUEL Y COSTAS & MIQUEL S.A	Corporate	Dividends and other distributed profit	555

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	1,465
MR. JORGE MERCADER MIRÓ	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	2,818
MR. JAVIER BASAÑEZ VILLALUENGA	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	49
MR. ÁLVARO DE LA SERNA CORRAL	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	18
MR. EUSEBIO DÍAZ-MORERA PUIG-SUREDA	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	50
MR. JORGE MERCADER BARATA	MIQUEL Y COSTAS & MIQUEL S.A	Board Member	Dividends and other distributed profit	86
MRS. MARINA JURADO SALVADO	MIQUEL Y COSTAS & MIQUEL S.A	Executive	Dividends and other distributed profit	25
MR. JAVIER ARDIACA COLOMER	MIQUEL Y COSTAS & MIQUEL S.A	Executive	Dividends and other distributed profit	14
MR. JOSEP PAYOLA BASETS	MIQUEL Y COSTAS & MIQUEL S.A	Executive	Dividends and other distributed profit	20
MR. JAVIER GARCÍA BLASCO	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	20
MR. JOAQUÍN FAURA BATLLE	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	5

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	8
MR. JOSÉ MARÍA MASIFERN VALÓN	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	15
MR. IGNASI NIETO MAGALDI	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	4
MR. JORDI PRAT CANADELL	MIQUEL Y COSTAS & MIQUEL, S.A.	Executive	Dividends and other distributed profit	2

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 data		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 data		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, to the extent that those derived from corruption are significant (the latter being understood to be within the scope of Royal Decree Law 18/2017) 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 it has sufficient capacity and that it is adequately prepared to withstand and manage the risks it has identified.

The Board Regulations establish that it is the function of the Audit Committee to supervise the effectiveness of the internal control and risk management systems of the Company, particularly the internal control systems over financial information, and to discuss with the auditors of accounts or companies. external auditors, the significant weaknesses of the internal control system detected in the course of the audit, without violating its independence.

The Regulations of the Board also provide that the Audit Committee, in the development of the powers attributed to it, will identify the different types of risk that the Company faces, the level of risk that the Company considers acceptable, the measures provided to mitigate its impacts and the systems to control and manage the aforementioned risks, the application of which it will propose to the Board of Directors.

Likewise, the Audit Committee submits them to the audit examination and with it compares the established risk assessment processes, the description of those identified with an indication of the tolerance and the assessment that each one of them presents.

E.5 State what risks, including tax-related risks, have occurred during the year.

Risk materialized in the exercise: Legal. In the ongoing litigation that the Company maintains with a former distributor in Italy, as of the date of this report, a judgment issued by the Provincial Court has already been obtained establishing that the contractual resolution requested by the Company was justified. This ruling has been appealed by the distributor before the Supreme Court.

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. Filing of economic-administrative claim before the Central Administrative Economic Court against the settlement agreement of the tax inspection in relation to Corporation Tax.

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, 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 CNMV 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 on 27 July 2020.

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 an ethical channel in place through which the Organization's staff can transmit their suggestions or make recommendations on any matter whose content is related to the Group, as well as report on compliance irregularities or process complaints about illegal activities or suspect.

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 updated and disseminated internal policies and procedures on the operation of Information Systems and access security, the segregation of duties, as well as the development or maintenance of computer applications.

The management of access to Information Systems is assigned to the Information Systems Department, which has adequate human and technical resources for its correct 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 carried out by the Group's external Auditors includes the verification of the Information Systems controls.

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 the Group, 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 the listed company is controlled, pursuant to the meaning established in Article 42 of the Commercial Code, by another listed or non-listed entity, and has, directly or through its subsidiaries, business relationships with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to the activities of any of them, this is reported publicly, with specific information about:

a) The respective areas of activity and possible business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.

b) The mechanisms established to resolve any conflicts of interest that may arise.

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 define and promote a policy for communication and contact with shareholders and institutional investors within the framework of their involvement in the company, as well as with proxy advisors, that complies in full with the rules on market abuse and gives equal treatment to shareholders who are in the same position. The company should make said policy public through its website, including information regarding the way in which it has been implemented and the parties involved or those responsible its implementation.

Further, without prejudice to the legal obligations of disclosure of inside information and other regulated information, the company should also have a general policy for the communication of economic-financial, non-financial and corporate information through the channels it considers appropriate (media, social media or other channels) that helps maximise the dissemination and quality of the information available to the market, investors and other stakeholders.

Complies ☐ Complies partially ☑ Explain ☐

The Company has established rules of action in relation to communication policy, which respect the legislation in force and the treatment appropriate to each recipient of information. These standards are included in various regulatory texts that are published on the corporate website.

The dissemination of information through the media is articulated through an external agency. Prior to dissemination through this channel, the information that will be made available to the market, investors and other stakeholders is rigorously reviewed internally by the Company in order to ensure that it is clear. and truthful.

Additionally, the Company holds meetings with the agents who request it in order to clarify and explain the information disclosed through the different channels, counting on this with a single centralized internal "spokesperson" that manages communications with financial analysts, investors and others. interest groups.

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 ordinary general meeting, even if their distribution is not obligatory:

a) Report on auditor independence.

b) Reports on the operation of the Audit and Control Committee and the Appointments and Remuneration Committee.

c) Audit Committee report on related party transactions.

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. That the company transmit live, through its website, the holding of general shareholders' meetings.

And that the company has mechanisms that allow the delegation and the exercise of the vote by telematic means and even, in the case of companies with high capitalization and to the extent that it is proportionate, the attendance and active participation in the General Meeting.

Complies ☐ Complies partially ☑ Explain ☐

Due to the health emergency caused by the COVID-19 pandemic, the Company held the Ordinary General Shareholders' Meeting for the 2020 financial year exclusively telematically, with said General Meeting being broadcast live through the telematic assistance platform made available to provision on the corporate website (www.miquelycostas.com) for all registered shareholders, being able to delegate or exercise the vote electronically through the link provided for this purpose on said platform.

The Regulations of the General Meeting establish that the Board will arbitrate the appropriate procedures so that the Company and its shareholders can make use of all those electronic means that facilitate their communication, active participation and exercise of their political rights.

8. The Audit and Control Committee should strive to ensure that the financial statements that the board of directors presents to the general shareholders' meeting are drawn up in accordance to accounting legislation. And in those cases where the auditors includes any qualification in its report, the chairman of the Audit and Control Committee should give a clear explanation at the general meeting of their opinion regarding the scope and content, making a summary of that opinión available to the shareholders at the time of the publication of the notice of the meeting, along with the rest of proposals and reports of the board.

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 policy aimed at promoting an appropriate composition of the board that:

a) Is concrete and verifiable.

b) Ensures that appointment or re-election proposals are based on a prior analysis of the Board's needs.

c) Favours diversity of knowledge, experience, age and gender. Therefore, measures that encourage the company to have a significant number of female senior managers are considered to favour gender diversity.

The results of the prior analysis of competences required by the board should be written up in the nomination committee's explanatory report, to be published when the general shareholders' meeting is convened that will ratify the appointment and re-election of each director.

The Appointments Committee should run an annual check on compliance with this Policy and set out its findings in 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).

The selection process is aimed at ensuring that the members of the Board of Directors are endowed with the experience and knowledge necessary to fulfill their functions and responsibilities and to provide adequate specialization to cover the different committees set up by the Board.

Said selection process must at all times comply with the pillars of the Company and therefore, avoiding that during the same produces any type of discrimination based on age or gender; compliance with this is verified and endorsed by the Human Resources, Appointment and Remuneration Committee.

15. Proprietary and independent directors should constitute an ample majority on the Board of Directors, while the number of executive directors should be the mínimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Further, the number of female directors should account for at least 40% of the members of the board of directors before the end of 2022 and thereafter, and not less than 30% previous to that.

Complies ☐ Complies partially ☑ Explain ☐

The Company partially complies with the first part of the recommendation, the number of executive directors being three out of ten. The proprietary and independent directors, number two and three, respectively, constitute half of the members of the Board, it being important to note that the two directors who respond to the type of "other external", initially joined the Board as independent, being modified its original condition by reason of the term of its permanence in the same, in accordance with the provisions of the Capital Companies Law.

The Board of Directors has 20% female Directors. Although gender diversity is one of the aspects that the Board considers in the selection processes, it considers the suitability, knowledge and experience of the candidate to be more relevant. It should be noted that one of the latest additions during the exercise 2019 has been that of an independent director.

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, related or not to their actions within the company, and 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.

When the board is informed or becomes aware of any of the situations mentioned in the previous paragraph, the board of directors should examine the case as soon as possible and, attending to the particular circumstances, decide, based on a report from the nomination and remuneration committee, whether or not to adopt any measures such as opening of an internal investigation, calling on the director to resign or proposing his or her dismissal. The board should give a reasoned account of all such determinations in the annual corporate governance report, unless there are special circumstances that justify otherwise, which must be recorded in the minutes. This is without prejudice to the information that the company must disclose, if appropriate, at the time it adopts the corresponding measures.

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 position before their tenure expires, through resignation or resolution of the general meeting, should state the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for the general meeting resolution, in a letter to be sent to all members of the board.

This should all be reported in the annual corporate governance report, and if it is relevant for investors, the company should publish an announcement of the departure as rapidly as possible, with sufficient reference to the reasons orcircumstances provided by the director.

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 granted to the Coordinating Director of the Company are those provided for in current legislation.

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 there is an executive committee, there should be at least two nonexecutive members, at least one of whom should be independent; and its secretary should be the secretary of the board of directors.

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 and Control Committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters, both financial and non-financial**.**

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 complemented by the SCIIF control and criminal risk prevention service, which supervises the aforementioned Information Systems and Internal Control and reports directly to the Audit Committee..

41. The head of the unit handling the internal audit function should present an anual work programme to the Audit and Control Committee, for approval by this committee or the board, inform it directly of any incidents or scope limitations arising during its implementation, the results and monitoring of its recommendations, and submit an activities report at the end of each year.

Complies☐ Complies partially ☑ Explain ☐ Not Applicable ☐

SCIIF control service and Criminal Risk Prevention defined according to the organizational dimension of the Company, it is included in recommendation 40 and, in its control function, submits to the Audit Committee for approval, its annual work plan, informs it of its execution, including incidents and limitations in its development, results and monitoring of your recommendations; Every six months it submits an activity report for your consideration.

42. The Audit and Control Committee have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

a) Monitor and evaluate the preparation process and the integrity of the financial and non-financial information, as well as the control and management systems for financial and non-financial risks related to the company and, where appropriate, to the group – including operating, technological, legal, social, environmental, political and reputational risks or those related to corruption – reviewing compliance with regulatory requirements, 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 and removal of the head of the internal audit service; propose the service's budget; approve or make a proposal for approval to the board of the priorities and annual work programme of the internal audit unit, ensuring that it focuses primarily on the main risks the company is exposed to (including reputational risk); 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 that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting irregularities, or those of any other nature, related to the company, that they notice within the company or its group. This mechanism must guarantee confidentiality and enable communications to be made anonymously, respecting the rights of both the complainant and the accused party.

d) In general, ensure that the internal control policies and systems established are applied effectively in practice

2. With regard to the External Auditor:

a) In the event of resignation of the External Auditor, the Committee should investigate the issues giving rise to the resignation.

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 through the CNMV, 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 plenary session to inform them 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. The risk control and management policies 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, and risks relating to corruption), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

b) A risk control and management model based on different levels, of which a specialised risk committee will form part when sector regulations provide or the company deems it appropriate.

c) The level of risk that the company considers acceptable.

d) The measures in place to mitigate the impact of identified risk events should they occur.

e) The internal control and reporting systems to be sued to control and manage the above risks, including the 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 ☐

This recommendation is observed by the Company, insofar as the members of the Human Resources, Appointments and Remuneration Committee have the knowledge, skills and experience appropriate to the functions they have to perform within it. In accordance with the provisions of the Capital Companies Act, the Committee is made up entirely of non-executive Directors and is chaired by an independent Director.

The option marked responds to the fact that the number of independent members is 40%, although it should be mentioned that two of the five members of the Committee respond to the typology of "Other External", whose previous condition was that of independent, modified in accordance with applicable regulations.

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Complies ☐ 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 ☐

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 the policies and rules of the company in the environmental, social and corporate governance areas, and internal rules of conduct, should be assigned to one board committee or split between several, which could be the Audit and Control Committee, the nomination committee, a committee specialised in sustainability or corporate social responsibility, or a dedicated committee established by the board under its powers of selforganisation. Such a committee should be made up solely of non-executive directors, the majority being independent and specifically assigned the following minimum functions.

Complies ☐ Complies partially ☑ Explain ☐

The Company fully complies with the first part of the recommendation as the aforementioned powers are redistributed between its two committees, both made up of non-executive directors. However, the members that make up the Human Resources, Appointments and Remuneration Committee are not mostly independent.

54. The minimum functions referred to in the previous recommendation are as follows:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules, and ensure that the corporate culture is aligned with its purpose and values.

b) Monitor the implementation of the general policy regarding the disclosure of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders. Similarly, the way in which the entity communicates and relates with small and medium-sized shareholders should be monitored.

c) Periodically evaluate the effectiveness of the company's corporate governance system and environmental and social policy, 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) Ensure the company's environmental and social practices are in accordance with the established strategy and policy.

e) Monitor and evaluate the company's interaction with its stakeholder groups.

Complies ☑ Complies partially ☐ Explain ☐

55. Environmental and social sustainability policies should identify and include at least.

a) The principles, commitments, objectives and strategy regarding shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conducts.

b) The methods or systems for monitoring compliance with policies, associated risks and their management.

c) The mechanisms for supervising non-financial risk, including that related to ethical aspects and business conduct.

d) Channels for stakeholder communication, participation and dialogue.

e) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

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. The payment of the variable components of remuneration is subject to sufficient verification that previously established performance, or other, conditions have been effectively met. Entities should include in their annual directors' remuneration report the criteria relating to the time required and methods for such verification, depending on the nature and characteristics of each variable component.

Additionally, entities should consider establishing a reduction clause ('malus') based on deferral for a sufficient period of the payment of part of the variable components that implies total or partial loss of this remuneration in the event that prior to the time of payment an event occurs that makes this advisable.

Complies ☑ Complies partially ☐ Explain ☐ Not Applicable ☐

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduces their amount.

Complies ☑ Complies partially ☐ Explain ☐ Not Applicable ☐

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies ☑ Complies partially ☐ Explain ☐ Not Applicable ☐

62. Following the award of shares, options or financial instruments corresponding to the remuneration schemes, executive directors should not be able to transfer their ownership or exercise them until a period of at least three years has elapsed.

Except for the case in which the director maintains, at the time of the transfer or exercise, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice his or her fixed anual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to the shares that the director needs to dispose of to meet the costs related to their acquisition or, upon favourable assessment of the nomination and remuneration committee to address an extraordinary situation

Complies ☐ Complies partially ☑ Explain ☐ Not Applicable ☐

The Company has only granted share option powers. These stock options are personal and non-transferable and cannot be disposed of. The assigned options must be held until the end of the 5-year vesting period. Only once the shares are acquired are they freely available and disposed of.

The Company is considering the adaptation of the regulation itself of the instrument that is decided at any time, where the requirements set forth in the second part of the recommendation are incorporated.

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.

For the purposes of this recommendation, payments for contractual termination include any payments whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship that linked the director with the company, including previously unconsolidated amounts for long-term savings schemes and the amounts paid under post-contractual noncompete agreements

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 communicated by the holder to the CNMV and to the Company and, where appropriate, once adjusted for the corporate operations that have taken place. For these reasons, the values reported may not exactly match the reality of the participation.

It is also stated that the information that has been provided by an indirect owner to the Company, if it includes that of the direct titles, this is the one that is reported.

According to the Instructions for completing this report, only the direct holders who exceed 3% of the total voting rights are identified (1% if they are resident in a tax haven), so there may be discrepancies between the total of the indirect participation and the sum of the corresponding direct participations that are reported

C.1.4

Includes the natural person representative of the proprietary director Joanfra S.A

H.

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).

The Company has not adhered to the Code of Good Tax Practices of July 20, 2010.

This annual report on corporate governance has been approved by the Company's Board of Directors on:

25/03/2021

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

[ ] Yes
[✓] No