miquel y costas & miquel, s. a.

INTERIM REPORT

THIRD QUARTER 2022

INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER OF 2022

The consolidated results and other financial figures for the third quarter of 2022 are presented in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, subject to the new rules, amendments and interpretations in force since the beginning of this year without having had a significant impact. The results of the individual companies are presented in accordance with the accounting principles and measurement bases contained in the Spanish National Chart of Accounts (*Plan General de Contabilidad*), enacted by Royal Decree 1514/2007, of 16 November and subsequent amendments*. In both cases the data are comparative with those of the same period of the previous year.

MAIN AGGREGATES

As anticipated in previous communications, the third quarter of 2022 faced a global inflationary macroeconomic environment that has maintained and increased the pressure on the price of energy resources and raw materials, which were already at historically high levels at the end of the previous quarter.

The Group has continued to actively manage its pricing policy and to negotiate with customers on how to share the cost increase resulting from the situation described above, which has partially mitigated the problem.

Against this backdrop, the main economic and financial data of the Miquel y Costas Group for the first nine months of 2022 and the comparative figures for 2021, all expressed in thousands of euros, are as shown below:

In thousands of euros	9M 2022	9M 2021	% change
Net turnover amount	259,089	227,656	13.8%
EBITDA[1]	43,408	65,052	(33.3)%
Profit before tax	30,436	52,169	(41.7)%
Profit after tax	23,436	39,690	(41)%
Cash flow after tax[2]	36,725	53,012	(30.7)%

Consolidated net turnover in the first nine months of this year reached EUR 259.1 million, which represents an increase of EUR 31.4 million compared to that obtained in the same period of the previous year, mainly due to the price reviews and the renegotiations mentioned above.

[1] Gross operating profit plus depreciation and amortisation.
[2] Profit after tax plus depreciation and amortisation

*Royal Decree 1159/2010, of 17 September
Royal Decree 302/2016, of 2 December
Royal Decree 1/2021, of 12 January, in force since the beginning of the year

With regard to lines of business, the Tobacco Industry line increased its sales by EUR 8 million, which is up 5.7% on those of the same period last year mainly as a result of price adjustments.

In the Industrial Products line, sales increased by EUR 18 million, which represents an increase of 25.2% compared to those obtained in the same period of the previous year. The strong performance in terms of volume by Clariana and the new industrial products sold by the Parent company, and by Terranova should be noted, which contrasts with the decrease in demand for the historical products of this line of business as a result of an anticipated change in the macroeconomic cycle in developed markets. Also noteworthy of mention is the price increases applied in all companies and the positive performance of the US dollar for export positions.

Turnover for the “Other” line of business increased by EUR 5.5 million compared to that of the same period of the previous year, mainly due to the recovery of volume in the publishing and coloured paper markets (markets affected by COVID in the previous year) and especially due to the price increases applied.

Cumulative sales for the Parent company up until September amounted to EUR 159.2 million, which represents an increase of 17.2% over the same period in 2021 as a result of increased sales in the lines of business in which it operates.

Despite the increase in sales, earnings performance in the first nine months of the year has been marked by the impact of various external elements —already anticipated in previous communications and particularly pronounced in the third quarter— that have impacted the Group’s results, most notably the continued rise in energy prices (both electricity and gas), pulp and other raw materials, along with geopolitical tensions that hinder international trade (Russia-Ukraine armed conflict, Spain-Algeria trade relations).

As a result of the above, and despite operational improvements and the commercial measures taken, consolidated profit after tax stood at EUR 23.4 million, which represents a reduction of EUR 16.3 million compared to that obtained in the same period of the previous year.

By lines of business, energy prices and raw materials impact all lines of business with a reduction in operating profit of EUR 10.8 million for the Tobacco Industry line and EUR 9.5 million for the Industrial Products line, despite price increases applied to customers. The reduction in operating profit was less in the “Others” line of business.

The estimated effective tax rate for the period was 23%, which is slightly lower than that estimated in the same period of the previous year, mainly due to the decrease in the tax base, which offset the reduction in applicable tax credits due to the regulatory changes already mentioned in previous communications.

The Parent company obtained a cumulative profit before tax of EUR 22.6 million, which represents a decrease of 25% compared to the same period in 2021, mainly as a result of the reduction in profit in the Tobacco Industry described above.

CONSOLIDATED BALANCE SHEET

The most significant figures, all expressed in thousands of euros, and the comparative figures at the end of the previous year are as follows:

In thousands of euros	30/09/2022	31/12/2021
Net fixed assets [3]	191,034	179,530
Working capital requirements[4]	96,384	83,853
Other net non-current assets/(liabilities)	(3,614)	(1,923)
Capital employed	**283,805**	**261,460**
Shareholders' equity	(331,002)	(322,897)
Net financial debt[5]	47,197	61,437

Net fixed assets in 2022 increased by EUR 11.5 million as a result of implementing the investment plan, with the Group having invested EUR 25.7 million in fixed assets up until the third quarter.

Working capital requirements increased by EUR 12.5 million during the period mainly due to an increase in inventories of EUR 14.5 million primarily as a result of the increase in the price of supplies, an increase in accounts receivable from public authorities of EUR 6.9 million, an increase in current accounts receivable of EUR 3.2 million due to the higher amount invoiced, and the increase in balances with suppliers and creditors of EUR 14 million.

FINANCIAL POSITION

The consolidated Group's financial position, based on the information prepared in accordance with the international standards adopted at the end of the third quarter and compared to that at the end of the previous year, is shown as follows:

In thousands of euros	30/09/2022	31/12/2021
Long-term financial debt	(56,947)	(41,564)
Short-term financial debt	(6,355)	(16,467)
Cash and other current financial assets	71,413	81,242
Non-current financial assets	39,085	38,226
Net financial debt[5]	**47,197**	**61,437**
Net equity	**331,002**	**322,897**
Leverage ratio	n/a	n/a

[3] Net intangible assets and property, plant and equipment
[4] Inventories plus trade and other receivables and other current assets, less current provisions, trade and other payables and other current liabilities.
[5] Current and non-current financial assets, cash and other cash equivalents, less current and non-current bank borrowings.
[5] Current and non-current financial assets, cash and other cash equivalents, less current and non-current bank borrowings.

The net financial debt at the end of the third quarter, and taking into account the funds used, amounts to an account receivable (net cash) of EUR 47.2 million.

In the first half of the year, the Group strengthened its financial structure by negotiating a portion of its bank borrowings, increasing their average maturities and obtaining more favourable terms in anticipation of the rate hikes that already took place in the third quarter. The new financing obtained meant a net increase in bank borrowings of EUR 5.3 million in the first nine months of the year.

The cash flow after tax obtained in the first nine months of 2022 reached EUR 36.7 million. These funds were mainly used to finance investments in fixed assets for EUR 25.7 million, the distribution of dividends for EUR 8.4 million, the acquisition of treasury shares for EUR 3.5 million, and the financing of the working capital requirements mentioned above.

OUTLOOK

The Group's results in the third quarter were affected by the substantial increase in the price of energy and pulp, confirming the outlook given in previous communications.

Despite the fact that the current inflationary situation is expected to continue in the last quarter of 2022 and additional uncertainties are taken into consideration due to the effects that anti-inflationary measures may have, the Group expects a relative improvement in results compared to the third quarter of this year.

The outlook continues to indicate that production factors will be affected by high volatility, with an impact on demand due to the recession that is expected and that will affect most markets.

Over the coming year, the start-up of the investments made in the current year —both focused on cost reduction and product development, and particularly those associated with the improvements made to one of the paper machines—, should lead to growth for the Group that should occur in the last quarter of 2023, while maintaining prudent financial policies and a solid balance sheet.