



miquel y costas & miquel, s. a.

INTERMEDIATE STATEMENT

3rd QUARTER OF 2018

QUARTERLY INFORMATION STATEMENT ON INFORMATION OF THE THIRD QUARTER OF 2018.

The consolidated accumulative results to September are started in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, recording the increase in the scope of consolidation due to the acquisition of Clariana and its subsidiary Boncompte and the hyperinflation treatment of the Argentine subsidiary and the results of the Individual companies have been prepared in accordance with the General Accounting Plan approved by the Royal Decree 1514/2007 of 16th November, to which the aforementioned Clariana company has joined.

MAIN HIGHLIGHTS

We present below the main economic and financial data relating to the Group Miquel y Costas, all expressed in thousand euros

Thousand Euros	3rd Q 2018	3rd Q 2017	Var. %
Net Sales	189,321	181,820	4.1%
Operating Profit ¹	48,204	46,704	3.2%
Profit before tax	37,036	36.304	2.0%
Profit after tax	28,233	27,957	1,0%
Cash-flow after tax ²	39,980	39,309	1.7%

The consolidated net turnover for the third quarter, amounted to EUR 189.3 million, exceeding EUR 7.5 million for the same period of 2017.

By business line, the line of Tobacco Industry has increased its sales, during the first nine months of the year, by 0.4%. This increase is explained by the mix of the product, and has been significantly affected by the negative effects of the Argentine economy. In the line of Industrial Products, sales have increased by EUR 3.7 million, which represents an increase of 6.9% with regard to those obtained in the same period of the previous year, driven mainly by sales of special papers and for those of special pulp, the latter for this line of business. The line of "Other" exceeds the turnover with respect to the previous period by 37.6%, a variation that mainly responds to the incorporation of sales made by Clariana after its acquisition.

The Consolidate amount of net sales of the Parent Company in the first nine months was EUR 126.4 million, which is an increase of 3.5% compared to the same period of the previous year, mainly due to the product mix.

The consolidated profit before tax for the first nine months of the year amounted EUR 37.0 million, exceeding EUR 2.0 million the result of 2017.

These consolidated results of the Group incorporate the specific contribution of the Clariana company acquired at the end of last July, amounting to a net amount to EUR 0.6 million of the transaction processing including its costs.

1. Gross operating result, plus amortizations.
2. Profit after tax plus amortization

Likewise, the consolidated results of the Group are affected by the accounting treatment of Argentina as a hyperinflationary economy since July 1, 2018. In accordance with the accounting rule, the financial information presented corresponding to previous periods has not been restated, having adjusted the operations of the Argentine subsidiary at the closing foreign exchange rate and calculating the adjustment with retroactive effect to January 1, 2018. The effect of the restatement of the financial statements of the Argentine subsidiary has a negative impact of EUR 0.9 million from January to September.

By business lines, the tobacco industry increases its results by improving the product mix and by improving operations, as a result of the investment plan, being able to compensate for the strong increase in energy and cellulose prices. In the Industrial Products line, the volume and sale price increases have not been sufficient to fully absorb the price increases of the main raw materials during the period. The positive evolution of special pulps that benefit from the effect derived from the increase in activity compared to the previous year also stands out in both segments.

As a result of the tax rate, the consolidated BDI experiences lower growth than the BAI, standing at 1.0%, reaching to EUR 28.2 million. Effectively, the tax rate applied in the period was 23.8%, higher than in the same period of the previous year, as a result of a lower application of tax deductions for corporate operations carried out during the year.

In the parent company, the accumulated profit before tax was EUR 30.5 million, which represents a decrease of 2.6% with regard to the same period of the previous year, in a more difficult market conditions than that of the previous exercise. The results have also been affected by the transaction costs for the acquisition of Clariana, although these are of a punctual nature, and due to lower internal dividends.

BALANCE SHEET

Its most relevant magnitudes, all expressed in thousands euros in which the hyperinflationary effects in Argentina mentioned above are collected, as well as those of the end of last year, as follows:

Thousand Euros	30/09/18	31/12/17
Net fix assets ³	159,427	147,008
Operating funds requirement ⁴	81,750	65,150
Other net non-current assets/(Liabilities)	(3,115)	(2,594)
Capital employed	238,057	209,564
Equity	274,593	254,184
Net financial debt ⁵	(36,536)	(44,620)

3. Intangible assets and net tangible assets.

4. Stock more commercial debtors and other accounts receivable and other current assets, less current provisions, commercial creditors and other accounts payable and other current liabilities.

5. Current and non-current financial assets, cash and other equivalent means less debt with current and non-current credit entities.

6. Current and non-current financial assets, cash and other equivalent means less debt with current and non-current credit institutions.

The increase in fixed assets corresponds mainly to the incorporation of Clariana's assets and the increase in value due to the restatement of the balance sheet of the Argentine subsidiary. The variation of the NOFS has come from the integration of Clariana and the increase in inventories and commercial debtors reduced in part by the increase in debits with commercial creditors.

FINANCIAL SITUATION

The financial situation of the consolidated Group, prepared in accordance with the adopted IFR Standards at the end of the third quarter, taking into account that it collects effects not contemplated as follows:

Thousand Euros	30/09/17	31/12/16
Long-term financial debt ^(*)	(73,457)	(61,373)
Short-term financial debt ^(*)	(8,236)	(10,891)
Cash and cash equivalents (short-term)	24,342	37,850
Long-term financial investment	93,887	79,034
Net financial debt⁶	36,536	44,620
Net equity	274,565	254,184
Leverage ratio	n/a	n/a

(*) It includes the contracted with credit entities

The net financial position at the end of the third quarter shows a debit balance EUR 36.5 million, after decreasing to the position at the end of 2017, due to the application of the resources generated together with the increase in financial indebtedness destined to the financing of the newly acquired company among others.

The consolidated operating cash flow after taxes has been increased to EUR 39.9 million, exceeding by EUR 0.7 million the one obtained in the same period of 2017. The Parent Company's cash flow was EUR 30.2 million also EUR 0.7 Million lower than that obtained in the same period of the previous year.

The main applications of generating funds during the exercise, have been investing in fixed assets, amounting to EUR 13.2 million, dividend payments in an amount of EUR 6.5 million, the acquisition of own shares for treasury stock for a value EUR 5.9 million, in the acquisition of Clariana and the variations of the working capital.

OUTLOOK

The Group considers that the current situation of the world economy as well as the strong and persistent increase in the prices of energy and the high price of pulp and other raw materials, to which is added the high inflation that is experiencing the Argentine economy, are factors that hinder the evolution of the business.

However, the Group remains firm in its commitment to its industrial project, in its insists in the investment plan that should support its future growth, of which the incorporation of the Clariana company is part of it, and maintains its growth forecast for the results of the current year in relation to those of last year.