



**miquel y costas & miquel,s.a.**

## **INTERMEDIATE STATEMENT**

**1<sup>st</sup> QUARTER OF 2020**



## **INTERMEDIATE STATEMENT** **FIRST QUARTER 2020 RESULTS**

The consolidated results and other financial figures for the first quarter of 2020 are homogeneous with those of 2019 and are presented in accordance with the provisions of the International Financial Reporting Standards (IFRS) in force, as adopted by the European Union, with the exception of IFRS 16 Leases, whose recognition took place from the second quarter of the previous year, with the transition method that contemplates its application retroactively with the cumulative effect of the initial application of the standard recognized on the date of transition; and those of the Parent Company, in accordance with the accounting principles and valuation rules contained in the General Accounting Plan, approved by Royal Decree 1514/2007, of November 16.

### **MAIN HIGHLIGHTS**

We present below the main economic and financial data relating to the Group Miquel y Costas of the first three months of the year 2020 and compared with the previous year all them expressed in thousands euros.

#### Profit and Loss

<b><i>Thousand Euros</i></b>	<b>1st Q 2020</b>	<b>1st Q 2019</b>	<b>Variation</b>
Sales	67,176	71,739	-6.4%
EBITDA <sup>1</sup>	17,624	17,282	2.0%
Operating Profit	13,090	12,994	0.7%
Profit before tax	13,219	12,849	2.9%
Profit after tax	10,159	9,920	2.4%
Cash-flow after tax <sup>2</sup>	14,692	14,208	3.4%

### **EVOLUTION OF RESULTS**

Since December 2019, COVID-19, a new strain of coronavirus, has spread from China to other countries, including Spain. This event significantly affects economic activity worldwide and, consequently, the Group's operations and financial results.

At the date of publication of this report all the centres are active, having maintained their logistics and expedition activity at all times, fulfilling their commitments within the exceptional situation. During the different phases of the alarm state, some productive assets have been subjected to force majeure contingencies due to the fact that production personnel have been affected by a total territorial confinement decreed by the authorities, which has forced the presentation of ERTE. Additionally, in two work centres, the annual calendar has been modified, in agreement with the representation of the employees.

It is shown that the figures and explanations in this report include the economic effects of the current health situation up to March.

<sup>1</sup> Gross operating result, plus depreciation and provisions

<sup>2</sup> Profit after tax plus amortization and provisions



The consolidated net turnover for the first quarter of this year that amounted to EUR 67.2 million, EUR 4.6 million lower than that of the same period of the previous year, but 7.5% higher than that of the preceding quarter.

All the lines have been affected, among other factors, by the aforementioned the pandemic. By business line, that of the Tobacco Industry has reduced its turnover by 5.6% compared to the same period of the previous year, due to the lower demand for some of its products as well as the drop in activity of some market, being notable on the contrary the significant improvement in sales of special pastes. The Industrial Products business line has registered a decrease of EUR 1.2 million compared to that of the first quarter of the previous year with a notable increase in Terranova to the special papers. Sales in the "Others" line have experienced a slight decrease of EUR 0.7 million compared to the previous year.

The Parent Company has reached a sales figure of EUR 42.1 million, EUR 0.9 million higher than the previous quarter, although 3.9 million lower than that of the first quarter from the previous year, which was the highest of the year.

The consolidated profit after tax has reached EUR 10.2 million, which represents an increase of 2.4% compared to that obtained in the same period of the previous year, despite the fact that it was again affected for the treatment of hyperinflation in Argentina, although to a lesser extent than in 2019. The improvement in operations as a result of the investments made and the more favourable prices of pulp and energy supplies have contributed to improved results. With all this, the Tobacco Industry line has obtained a similar result to that of the same period last year. The Industrial Products line has increased its results by 4.8%, compared to the same quarter of the previous year, and the "Others" business line has exceeded them to EUR 0.4 million.

The estimated effective tax rate for this period has been 23.1%, slightly higher than of the same quarter of the previous period and in line with the last fiscal year.

The net result of the Parent Company was EUR 6.9 million, 3% less than the result of the first quarter of 2019. The improvement in operating costs is a significant cause of the variation in the result in the period it has been lower than the reduction was 8.5% of sales

#### Balance Sheets

<i>Thousand Euros</i>	<b>31/03/20</b>	<b>31/12/19</b>
Net fixed assets <sup>3</sup>	173,814	170,482
Working capital requirement <sup>4</sup>	101,949	92,588
Other non-current assets/(Liabilities)	(3,053)	(1,885)
<b>Capital employed</b>	<b>272,710</b>	<b>261,185</b>
Equity	284,712	280,580
Net financial debt <sup>5</sup>	(12,002)	(19,395)

<sup>3</sup> . Intangible fixed assets and property, plant and equipment minus depreciation.

<sup>4</sup> Inventories plus trade and other receivables less short-term provisions, trade and other payables and short-term accruals

<sup>5</sup> Current and non-current financial assets, cash and cash equivalents less short-term and long-term financial debt.



### Financial Rates

<b>Thousand Euros</b>	<b>31/03/20</b>	<b>31/12/19</b>
Net financial debt <sup>a</sup>	(12,002)	(19,395)
Net equity <sup>b</sup>	284,712	280,580
Leverage ratio <sup>a/b x 100</sup>	(4.2%)	(6.9%)

The increase in fixed assets corresponds to the investments that have been made in this period. The variation in the net financial position is mainly explained by the higher payments within the fiscal cycle to the Public Administrations. The variation of the NOF, where the monitoring of compliance with the payment terms established with the commercial debtors has been extreme, also includes the increase in raw material stocks as a result of the application of the contingency plans against the Covid-19 to minimize the impact of operations due to possible breaks in supply chains.

### **FINANCIAL POSITION**

The Cash flow after taxes was higher than the one obtained in the first quarter of 2019 by 3.4%, reaching EUR 14.7 million. The main applications of the resources generated in the period were the investment in fixed assets, 6.9 million and the acquisition of treasury stock amounting to 1.6 million. The rest of resources, have been used to finance changes in working capital.

### **OUTLOOK**

The Group estimates that in the second quarter, in view of the result achieved in the first quarter, which, as indicated, incorporates the effects of the pandemic by Covid-19 until March 31, it will be able to maintain a similar trajectory of Improvement of results except for the volatility and uncertainty that the current medical-health and economic situation can generate in the economy and in the markets. Both the results obtained in the first quarter and the forecast for the second include, in addition to the favourable effects of the investments made, the maintenance of special attention to the measures established on the items that make up the working capital.

The Group maintains prudence regarding the forecast of results for the second half of the year as well as with respect to the planned investment plan based on the evolution of the current situation. In any case, it will prioritize meticulousness in the analysis of these investments, in particular those aimed at cost reductions and diversification of the product portfolio.