MIQUEL Y COSTAS & MIQUEL, S.A.

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

(Free translation from the original in Spanish)

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**

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**

(Free translation from the original in Spanish)

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**

(Free translation from the original in Spanish)

MIQUEL Y COSTAS & MIQUEL, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED
AT 31 DECEMBER 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.

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**

(Free translation from the original in Spanish)

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)**

(Free translation from the original in Spanish)

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 CO2, must hand over the emission allowances equivalent to the emissions made during the year within the first few months of the following year.

The liability for handing over the emission allowances for the CO2 emissions made during the year is recorded as a provision under “Other current liabilities” on the balance sheet, and the respective cost is recorded in “Other operating expenses” in the income statement (see Note 29.6).

A contingent liability is a potential obligation arising from past events, the materialisation of which is dependent on the occurrence or non-occurrence of one or more future events beyond the Company's control. Such contingent liabilities are not reflected for accounting purposes and a breakdown is presented in the notes to the annual accounts.

3.15 Revenue recognition

Revenue comprises the fair value of the amounts receivable and represents amounts receivable for goods delivered and services rendered in the ordinary course of the Company's activities, net of returns, rebates, discounts and value added tax.

The Company recognises revenue when the amount may be reliably estimated, it is probable that the future economic benefits will flow to the Company, the goods have been made available to the customer, the customer has accepted them and the payment of the respective trade receivables is reasonably assured.

Revenues from services are recognised in the year in which they are rendered, and there is no portion of the services to be rendered still outstanding.

Interest income is recognised using the effective interest rate method.

Dividend income is recognised when the right to receive the payment is established. However, if dividends are paid out from profit generated prior to the acquisition date, they are not recognised as income and are subtracted from the fair value of the investment.

3.16 Leases

- When the Company is the lessee – Finance lease

  Finance lease is recognised at the beginning of the lease and at the present value of the minimum lease payments. For each lease payment there is an allocation between the liability and finance charges so that a constant interest rate can be obtained for the outstanding debt. The payment obligation resulting from the lease, net of the financial charge, is recognised in accounts payable. The interest portion of the finance charge is taken to the income statement. Items of property, plant and equipment acquired under finance lease are depreciated over the asset's useful life, with a firm purchase commitment.

- When the Company is the lessee – Operating lease

  Leases in which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement in the period of accrual on a straight-line basis over the period of the lease.

3.17 Environment

Costs arising from business activity related to the protection and improvement of the environment are expensed for the year in which they are incurred. Capitalisation as tangible or intangible fixed assets is subject to the same criteria used for the other fixed assets.

3.18 Foreign currency transactions

a) Functional and presentation currency

The figures included in the Company's annual accounts are stated using the currency of the main economic market in which the Company operates (functional currency). The annual accounts are presented in Euro, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the transaction dates. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in fair value of monetary instruments denominated in foreign currency classified as available for sale are analysed for translation differences resulting from changes in the amortised cost of the instrument and other changes in its carrying value. Translation differences are recognised in results for the year while other changes in fair value are recognised in equity.

Translation differences on non-monetary items such as equity instruments held at fair value through profit or loss are presented as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in equity.

The outstanding balances at the year-end in non-Euro currency are stated in Euro at the year- end exchange rate, and net loss or profit on exchange is recognised as income or expense.

The balances in non-Euro currency relating to the treasury accounts at the year-end are stated in Euro at the year-end exchange rates, and loss or profit is recognised in the income statement.

3.19 Related-party transactions

In general, transactions between group companies are initially recognised at fair value. If applicable, where the agreed price differs from the fair value, the difference is recognised based on the economic reality of the transaction. Transactions are subsequently measured in accordance with applicable standards.

3.20 Derivative financial instruments

Derivatives are initially recognised at fair value at the date on which the derivative contract is arranged and subsequently are remeasured at their fair value. The method for recognising the gains and losses obtained depends on whether the derivative is designated as a hedging instrument, and, in this case, on the nature of the asset that it hedges.

The company uses financial instruments to hedge risks related to fluctuations in exchange rates on future commercial transactions, and assets and liabilities recognised, denominated in a functional currency that is not the company's functional currency. These derivatives do not usually qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised immediately in the income statement.

4 Financial risk management

4.1 Financial risk factors

The Company's activities are exposed to a variety of financial risks that are managed through identification, evaluation and hedging systems. The Company's overall risk management programme seeks to minimise the potential adverse effects on the Company's financial performance.

Financial risk management in the Company is controlled by the Audit Committee, the Managing Commission and the Corporate Finance Department in accordance with the internal management rules in force. This department identifies and evaluates financial risks in cooperation with the Group's operating units. The rules and internal management practices provide written policies for global risk management, as well as specific areas such as foreign exchange rate risk, commercial credit risk, liquidity risk and interest rate risk.

4.1.1 Foreign exchange rate risk

The Company operates internationally and is exposed to foreign exchange risk from currency exposures, particularly, in relation to the US dollar, which represents a large proportion of the foreign transactions. The exchange rate risk results from business transactions recognised as assets and liabilities denominated in a functional currency other than the Company's functional currency and that will give rise to monetary flows.

In order to manage the risk, the Company mainly uses exchange rate risk hedging arrangements such as exchange insurance, options and currency structures.

4.1.2 Commercial credit risk

The Company's accounts receivable relate to customers located in highly diverse geographies and it is its understanding of these and the monitoring of their activities that enables possible risk situations to be anticipated and, if appropriate, mitigated.

In view of the above, it is essential for the Company to properly control the credit risk and it has therefore implemented a strict credit policy that apart from the prior analysis of customers, includes obtaining external assurance for the main risks.

4.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, available committed credit facilities and the ability to close out market positions.

In order to deliver on this objective, the Company has, in addition to the surpluses invested in sufficiently liquid assets, committed credit facilities for a sufficient amount to finance changes in working capital. The use of these credit facilities at 31 December 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	-	1
Production staff	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.

(Free translation from Spanish)

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

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.

(Free translation from Spanish)

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

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.

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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.