SPADEL GROUP: 2020 ANNUAL REPORT

Despite a complicated context, the Spadel Group achieved a solid performance both financially and in terms of sustainability, but remains prudent about the outlook for 2021.

The mineral water Group Spadel ended the 2020 financial year with a stable operating profit (EBIT) compared to 2019 (+0,2%), despite a fall in turnover from 10,7% (-5,5% on a like-for-like basis). This decrease results primarily from a reduction in volumes in the out-of-home consumption sector following the lockdown measures which was not fully compensated for by the excellent performance of our brands in the retail and distribution sector, and an unfavourable "product mix". Changes in behaviour during this lockdown period have effectively promoted the consumption of large formats to the detriment of certain products or individual formats with higher added value.

However, the high level of responsiveness and flexibility displayed by our employees, the implementation of an ambitious savings plan at the start of 2020, the improvement of plant performance and the dynamism of the brands and commercial policy, supported by some non-recurring accounts, have limited the impact of the fall in sales on Group's operating profit (EBIT).

Spadel has reached in 2020 some important milestones in terms of sustainability, by becoming the first mineral group in Europe whose products and production sites are certified carbon neutral and by obtaining for the site of Spa Monopole the Platinum certificate from the AWS (Alliance for Water Stewardship), the most internationally recognized label for the sustainable management of water resources, thus becoming the first mineral company in Europe and the second in the world to obtain this certification.

In the current context of Covid-19 pandemic, it is difficult to assess the impacts that this crisis will have in the coming months on the economy in general, and on the bottled water sector in particular. We must above all highlight the major efforts made by our employees and the Group's plants to ensure constant supply of our products to our clients and the population as a whole.

- ► Turnover down by 10,7% (-5,5% on a like-for-like basis) primarily from a reduction in volumes in the out-of-home consumption sector due to the lockdown measures which was not fully compensated for by the excellent performance of our brands in the retail and distribution sector.
- ► Stable operating profit (EBIT) compared to 2019 (+0,2%), despite a fall in turnover thanks to the responsiveness and flexibility of our employees and an ambitious savings plan at the start of the year, supported by some non-recurring accounts.
- ► Proposed gross dividend: 2,00 euros/share, (1,40 euros net) stable against the previous year.

1. KEY FIGURES

Consolidated results (in thousands of euros)	**2020**	**2019**	Evolution
Turnover	**266.607**	**298.392**	-10,7%
Raw materials, consumables and goods for resale	-57.823	-67.405	-14,2%
Miscellaneous goods and services	-104.979	-121.050	-13,3%
Employee benefits	-63.781	-63.200	0,9%
Depreciation and impairment	-19.498	-19.645	-0,7%
Other operating income and charges	15.265	8.635	76,8%
Operating result (EBIT)	**35.791**	**35.727**	0,2%
Financial income	228	423	-46,1%
Financial charges	-971	-968	0,3%
Profit before taxes	**35.049**	**35.182**	-0,4%
Taxes	-7.715	-8.207	-6,0%
Net result	**27.334**	**26.975**	1,3%
REBIT (Recurrent operating result)	**31.864**	**38.530**	-17,3%
EBITDA (Operational cash-flow) (*)	**55.289**	**55.372**	-0,2%

(*) Operating result + Depreciation and impairment

Consolidated balance sheet (in thousands of euros)	**2020**	**2019**	Evolution
Assets			
Non-current assets	242.241	237.669	1,9%
Current assets	150.126	150.806	-0,5%
Total of assets	**392.367**	**388.475**	1,0%
Liabilities			
Equity	229.901	211.467	8,7%
Non-current liabilities	51.941	63.273	-17,9%
Current liabilities	110.525	113.735	-2,8%
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Total debts	162.466	177.008	-8,2%
Total of liabilities	**392.367**	**388.475**	1,0%

Key figures per share	2020	2019	Evolution
Total of shares	4.150.350	4.150.350	=
Operating result (euros)	8,62	8,61	0,2%
Net result (euros)	6,59	6,50	1,3%

The auditor has confirmed that he has substantially finalised the audit procedures on the consolidated accounts and that these have not lead to corrections which would need to be performed on the accounting data included in this document at the date of the press release.

2. COMMENTS ON THE CONSOLIDATED REPORT

2.1 Turnover

The Group's net consolidated turnover excluding excise duties and environmental and energy taxes amounts to 266,6 million euros, a fall of 10,7% compared to 2019.

This fall is partly attributable to the sale of Welsh subsidiary Brecon Carreg last year, sales of which were included up until November last year. Turnover has also been affected by the accounting reclassification of commercial expenditure to set it off against turnover in accordance with the IFRS 15 standard. It should be noted that this adjustment does not affect operating earnings.

Omitting these items, organic revenue fell by 5,5% over the year.

Organic revenue generated in **Benelux** fell by 5,0% compared to last year (-4,3% in Belux and -6,2% in the Netherlands). Spadel has, however, been able to strengthen its position as leader in the retail and distribution sector primarily through more targeted communication and the effectiveness of the sales teams. The good performance in this segment has however not been able to compensate for the fall in consumption in the out-of-home consumption segment and more particularly hotels and restaurants, which were closed for several months due to lockdown measures.

In **Bulgaria**, other than the closing of the hotels and restaurants sector, the bottled water market was impacted by the fall in tourism around the coast of the Black Sea. The sales of Devin in the "Home and Office Delivery" segment were also strongly impacted by the lockdown measures and the closing of offices. Overall, turnover fell by 7,6% compared to 2019. This drop should not, however, overshadow the remarkable performance of the Devin brand, the undisputed leader, which continued to extend its lead over the competition by achieving a record market share in 2020.

In **France**, turnover edged down by 3,3%. As elsewhere, the French market was shaken by the pandemic and lockdown measures. The transfer of sales to supermarkets following the closure of hotels and restaurants was less marked. French consumers however opted more for Click & Collect or Cash & Carry solutions.
In this difficult context, Wattwiller was able to continue its remarkable growth of recent years with sales increasing by over 6%, notably through an effective TV and digital communication plan.

Carola, which is traditionally largely sold in out-of-home, in particular in hotels and restaurants, was more strongly impacted by the lockdown and closing of establishments. Its sales fell by close to 15%.

2.2 Operating profit

Operating profit (EBIT) stood at 35,8 million euros, stable against 2019 (35,7 million euros).

These results were influenced by the following non-recurring items:

- The difficult market context forced the Group to record a large impairment loss (according to IFRS methodology) in the “Les Grandes Sources de Wattwiller” subsidiary in 2008. Following the remarkable performance of Wattwiller in recent years, a recovery of the impairment loss on the subsidiary’s assets of 3,4 million euros was recorded in 2020, improving the results for the year.
- The Group has revised and standardised its assessment rules for spare parts stocks. The application of these rules had a positive impact of 1,2 million euros on the results for 2020.
- Moreover, the Group was forced to take streamlining measures which resulted in job losses, resulting in a cost of 0,7 million euros.

Recurring operating earnings (REBIT – excluding exceptional items) amounted to 31,8 million euros, a 17,3% decrease compared to previous year. Note that the 2019 operating earnings were negatively impacted by the sale of Welsh subsidiary Brecon Carreg, amounting to 2,8 million euros.

The fall in recurring operating earnings is essentially due to a fall in volumes in the out-of-home consumption sector following the introduction of lockdown measures. The impact of this fall in volumes was accentuated by an unfavourable product mix. Changes in behaviour during this lockdown period have effectively promoted the consumption of large formats to the detriment of certain products or individual formats with higher added value.

The Group quickly mobilised to fight the crisis by initiating a cost-cutting plan leading to massive decreases in overheads, commercial expenditure, production costs, etc., the effects of which absorbed some of the impact of the fall in sales.

2.3 Financial result

Financial income stood at 0,2 million euros, slightly down compared to 2019 0,4 million euros).
Financial expenses stood at 1,0 million euros, in line with the previous year (1,0 million euros).

2.4 Taxes

Tax expenditure for the year came to 7,7 million euros, down compared to 2019 (8,2 million euros).

2.5 Net result

The Group closed the year with a net profit of 27,3 million euros compared to 27,0 million euros the year before.

3. INVESTMENT

Investments in tangible and intangible fixed assets made by the Spadel Group in 2020 amounted to 22,9 million euros compared to 27,1 million euros in 2019 (of which 5,6 million euros were linked to the activation of leasing agreements in accordance with IFRS16 Standard).

The investments mainly concern:

- The installation of new production lines in Bulgaria to increase capacity and respond to growth;
- The purchase of glass bottles and crates for Spa, Bru and Carola;
- The implementation of SAP in the Bulgarian subsidiary;
- The renovation of a loading hall at Spa;
- The installation of a new compressor at Devin;
- The increase of storage space at Carola;
- A new empty bottle inspector at Spa;
- The purchase of land and buildings adjoining the Spa plant;
- New palletising equipment at Spa.

4. BALANCE SHEET DATA

At 31 December 2020, equity capital, valued according to IFRS standards, stood at 229,9 million euros compared to a total of 211,5 million at the end of 2019. Equity capital covers 94,9% of non-current assets.

The solvency ratio, which is the amount of equity capital over total liabilities, came to 58,6%.

The financial debt of the Group stood at 24,5 million euros on 31 December 2020, down compared to the previous year following the annual repayment of the debt incurred for the purchase of the Bulgarian subsidiary in 2017.

Net cash flow from operating activities before tax and financing costs amounted to 58,8 million euros in 2020 compared to 53,3 million euros the year before.

The Group closed 2020 with a treasury of 84,2 million euros.

5. DIVIDENDS

The Board of Directors will propose at the Annual General Meeting, the distribution of a gross dividend of 2,00 euro per share (1,40 euro net). This proposed gross dividend is stable compared to that distributed last year.

6. OUTLOOK

It is difficult to assess the impacts that this health crisis will have in the coming months on the economy in general, and on the bottled water sector in particular.

We must above all highlight the major efforts made by our employees and the Group’s plants to ensure constant supply of our products to our clients and the population as a whole.

The lockdown measures that are currently still in force have had a considerable impact on out-of-home consumption and in the restaurant sector in particular. We note that a portion of this consumption has been reoriented towards the retail sector, although we cannot say for sure what changes in consumption habits this may lead to in the coming months. The recent strengthening of lockdown measures and the uncertainty surrounding their possible lifting in the first half of 2021 could significantly impact the Group's results.

We continue to pay very close attention to the evolution of the crisis and the lifting of governmental restrictions. We are continuously analysing and projecting their effects on our financial results. Our Group continues to display agility and resilience in the face of this crisis by ensuring that we take the measures necessary to limit the short-term impact on our results as far as possible.

We also observe increasing pressure on the price of raw materials, which could impact the Group's results in the short and medium term.

Nevertheless, the solid balance sheet structure of the Group should allow us to meet the challenges of this unprecedented crisis.

The Group is pursuing its efforts as a leader in the mineral water market by continuing to make investments and endeavouring to offer consumers products that are increasingly innovative, focused on health, hydration, natural ingredients and sustainability. Spadel achieved some important milestones in terms of sustainability in 2020, by becoming the first mineral group in Europe whose all products and production sites are certified carbon neutral and by obtaining for the Spa Monopole site the Platinum certificate of the part of the AWS (Alliance for Water Stewardship), the most internationally recognized label for the sustainable management of water resources, thus becoming the first mineral producer in Europe and the second in the world to obtain this certification. The Group intends to pursue the same trajectory and to expand it in the years to come.

7. SHAREHOLDER SCHEDULE:

- Annual Report (website www.spadel.com)	30 April 2021
- General Meeting of the Shareholders	10 June 2021
- Dividend Payment (coupon no. 22)	25 June 2021
- Publication of half-year results 2021	23 August 2021

SPADEL IN SHORT

- Trademarks: SPA, BRU, WATTWILLER, CAROLA, DEVIN.
- Five production sites: SPA MONOPOLE, BRU-CHEVRON, LES GRANDES SOURCES DE WATTWILLER (France), LA S.A. DES EAUX MINERALES DE RIBEAUVILLE (France) and DEVIN (Bulgaria).
- Consolidated turnover 2020: EUR 266,6 million.
- Staff employed on 31 December 2020: 1,305 people.
- Recurring operating earnings (REBIT) 2020: EUR 38,5 million.
- Operating earnings (EBIT) 2019: EUR 35,7 million.
- Net profit 2020: EUR 27,3 million.

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