Lecta S.A.
société anonyme
Registered office: 20, Rue de la Poste, L-2346 Luxembourg
R.C.S. Luxembourg: B 72198

1 November 2019

Signing of Lock-up Agreement by key financial stakeholders in support of proposed Recapitalisation transaction

This press release relates to the disclosure of information that qualified, or may have qualified, as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

Lecta S.A. ("**Lecta**", and together with its subsidiaries, the "**Group**") is pleased to announce that a majority of holders of its 2022 and 2023 Senior Secured Notes (together, the "**Existing Notes**", and holders thereof the "**Noteholders**"), holders of the majority of the debt under its revolving credit facility (the "**RCF**") and the Group have executed a lock-up agreement (the "**Lock-up Agreement**"), pursuant to which those parties agree to support the implementation of a comprehensive recapitalisation transaction, initially announced on 24 September 2019 (the "**Recapitalisation**").

The Lock-up Agreement marks an important step in the Group's efforts to implement the Recapitalisation, which will materially deleverage the Group's balance sheet and enhance its liquidity position to allow it to continue its transformation into a specialty paper company, which will be controlled by the Noteholders following the completion of the Recapitalisation.

In addition, the Group has entered into a working capital facility in the form of a receivables factoring financing in France, and is at an advanced stage of agreeing a receivables securitisation in Spain, which together will support the Group's working capital requirements in an amount of approximately €80 million.

Furthermore, constructive discussions between the Group and the French authorities regarding different measures of support for the Group's operations in France are well advanced and the Group has received comfort letters in respect of such support and expects to obtain commitments by the relevant authorities on or around the Recapitalisation completion date.

Lucid Issuer Services Limited ("**Lucid**") has been engaged by Lecta to act as calculation agent for the Lock-up Agreement (the "**Calculation Agent"**). Noteholders should contact Lucid at lecta@lucid-is.com to access further information relating to the Recapitalisation and for details of how to accede to the Lock-up Agreement.

We encourage all Noteholders that have not yet signed the Lock-up Agreement and wish to support the Recapitalisation to complete and execute an accession deed to the Lock-up Agreement in their capacity as Noteholder and provide evidence of their beneficial holdings to Lucid as soon as possible and by no later than 5:00pm (London time) on 29 November 2019. All Noteholders acceding to the Lock-up Agreement by no later than 5:00pm (London time) on 29 November 2019 ("**Consenting Noteholders**") will be entitled to a consent fee (further details of which are set out below and in the Lock-up Agreement).

Lock-up Agreement

Pursuant to the Lock-up Agreement, the participating lenders under the RCF and the participating Noteholders have undertaken to support the implementation of the Recapitalisation on the basis of the agreed terms set out below.

Key Terms of Recapitalisation

Per the Lock-Up Agreement, the Recapitalisation will result in:

- the existing €65 million RCF being fully repaid, and a new super senior multicurrency revolving credit facility in an amount not less than €80 million and not more than €115 million being made available to the Group following the consummation of the Recapitalisation ("**New RCF**");
- the Existing Notes being released by Noteholders in exchange for (i) €200 million of new senior secured notes (which can be increased to €220 million based on the quantum of the New RCF) ("**New Senior Notes**"), (ii) €100 million of new junior unsecured notes ("**Junior Notes**") and (iii) 100% equity ownership (the "**New Equity**") in the Group pursuant to the sale of Sub Lecta S.A. to a new holding company structure wholly controlled by the Noteholders (the "**New Group**"); and
- Consenting Noteholders receiving a consent fee, which will consist of a proportionate entitlement of all the Consenting Noteholders to 5% of the Junior Notes and 5% of the New Equity to be issued in connection with the Recapitalisation.

New RCF

The New RCF will consist of a multicurrency revolving credit facility in an amount not less than €80 million and not more than €115 million. The New RCF will mature two years from the closing of the Recapitalisation, subject to a one-year extension at the New Group's election. The New RCF will rank senior to the New Senior Notes.

New Senior Notes

The New Senior Notes will have an aggregate principal amount of €200 million (which can be increased to €220 million based on the quantum of the New RCF), bear cash interest at a rate of EURIBOR (subject to a zero floor) plus a margin equal to 6.00% per annum, and mature five years from the closing of the Recapitalisation. The New Senior Notes will be secured, have standard protections and are expected to be rated.

Junior Notes

The Junior Notes will have an aggregate principal amount of €100 million, bear cash interest at the rate of EURIBOR (subject to a zero floor) plus a margin equal to 0.25% per annum and a capitalised PIK interest at a rate of 7.00%, and mature eight years from the closing of the Recapitalisation. The Junior Notes will (i) sit outside the consolidation perimeter of the operating group, (ii) be structurally subordinated to the New Senior Notes and the New RCF and (iii) have no security or guarantees.

Key Terms of Lock-up Agreement

The parties to the Lock-Up Agreement have undertaken to support the Recapitalisation and in particular to:

- take all actions which are necessary in order to support, facilitate, implement, consummate or otherwise give effect to all or any part of the Recapitalisation;
- forbear from taking any enforcement action whilst the Recapitalisation is being implemented; and
- amend and waive certain provisions of the Existing Notes and the RCF in order to give effect to the implementation of the Recapitalisation.

Interest payments relating to Existing Notes

In view of the Recapitalisation and the forbearance arrangements that exist under the Lock-up Agreement, the Group will not pay the next interest payment with respect to Existing Notes when due on 4 November 2019.

As noted, under the terms of the Lock-up Agreement, the participating Noteholders have agreed not to take any enforcement action that they would otherwise be entitled to take by reason of the non-payment of interest with respect to the Existing Notes.

Implementation

For the purpose of implementing the Recapitalisation, it is proposed that an English scheme of arrangement will be utilised, which will require that more than 50% of the Noteholders representing more than 75% of the Existing Notes support the Recapitalization. Details of the convening meetings and creditor meetings will be published in due course.

Update on New Working Capital Facilities

The Group has entered, or will shortly enter, into a number of working capital facilities totalling approximately €80 million, aimed at strengthening the Group's liquidity in the short-term and providing sufficient runway to facilitate the implementation of the Recapitalisation.

- On 25 October 2019, certain French subsidiaries of the Group entered into a receivables factoring arrangement with La Banque Postale Leasing & Factoring in an amount up to €50 million.

- The Group is at an advanced stage of agreeing a receivables securitisation facility with a financial institution in relation to the receivables of certain of the Group's subsidiaries in Spain in an amount exceeding €30 million.

Projected Financial Information

A summary of the Group's projected financial information is set out below:

In € million	2019	2020	2021	2022	2023
Net Sales	1,294	1,375	1,408	1,451	1,429
EBITDA	93 (1)	122	134	152	151
Capex	60	99	80	42	30
Unlevered Free Cash Flow	(59)	15	43	93	108

(1) Includes €19m of non-recurring items, of which €10m are non-cash items relating to valuation adjustments to inventories

The Group's EBITDA for the financial year 2019 is projected at €93 million. The projected figure takes into account €19 million of non-recurring items, predominantly comprising (i) losses related to the challenging implementation of the ERP system in Lecta's Riva del Garda Italy paper mill (c.€8 million) and (ii) expenses relating to valuation adjustments to inventories (a non-cash impact of c.€10 million).

The segmental split of the projected EBITDA for the financial year 2019 is set out below:

- Specialties: €55 million *(59%)*
- CWF: €29 million *(32%)*
- Purchased Products: €9 million *(10%)*

EBITDA is projected to increase from €93 million in 2019 (€112 million excluding non-recurring items) to €151 million in 2023. This increase is primarily driven by growth in the Specialties segment, particularly as a result of (i) the ramp up of investments in thermal and self-adhesive paper products (which have largely been incurred) and (ii) new capital expenditure in Condat for the transformation of Line 8 to Glassine paper and power / energy improvements.

Next Steps

Questions about the Recapitalisation and details of how to accede to the Lock-up Agreement should be directed to the Calculation Agent at the telephone numbers and addresses listed below. All holders of the Existing Notes are eligible to participate in the Lock-up Agreement. All documentation relating to Lock-up Agreement, together with any updates, will be available on the dedicated website: https://www.lucid-is.com/lecta/

For additional information, Noteholders are encouraged to get in touch with the Ad Hoc Group via their financial advisor Houlihan Lokey (StarlingHL@hl.com).

Calculation Agent Contact Details

Lucid Issuer Services Limited
Tankerton Works 12 Argyle Walk
London WC1H 8HA
E-mail: lecta@lucid-is.com
Consent Website: https://www.lucid-is.com/lecta/
Tel: +44 207 704 0880
Attention: Oliver Slyfield and Victor Parzyjagla

Disclaimer

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In addition, even if the Group's results of operations, financial condition and liquidity and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in this Information Statement, those results or developments may not be indicative of results or developments in future periods.

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The above press release is made by Denis Cramazou, the Group controller, on behalf of Lecta S.A. If you have any questions in relation to the above, please feel free to contact Denis Cramazou via: dcramazou@lecta.com.