Lecta Paper Industries Financing Group

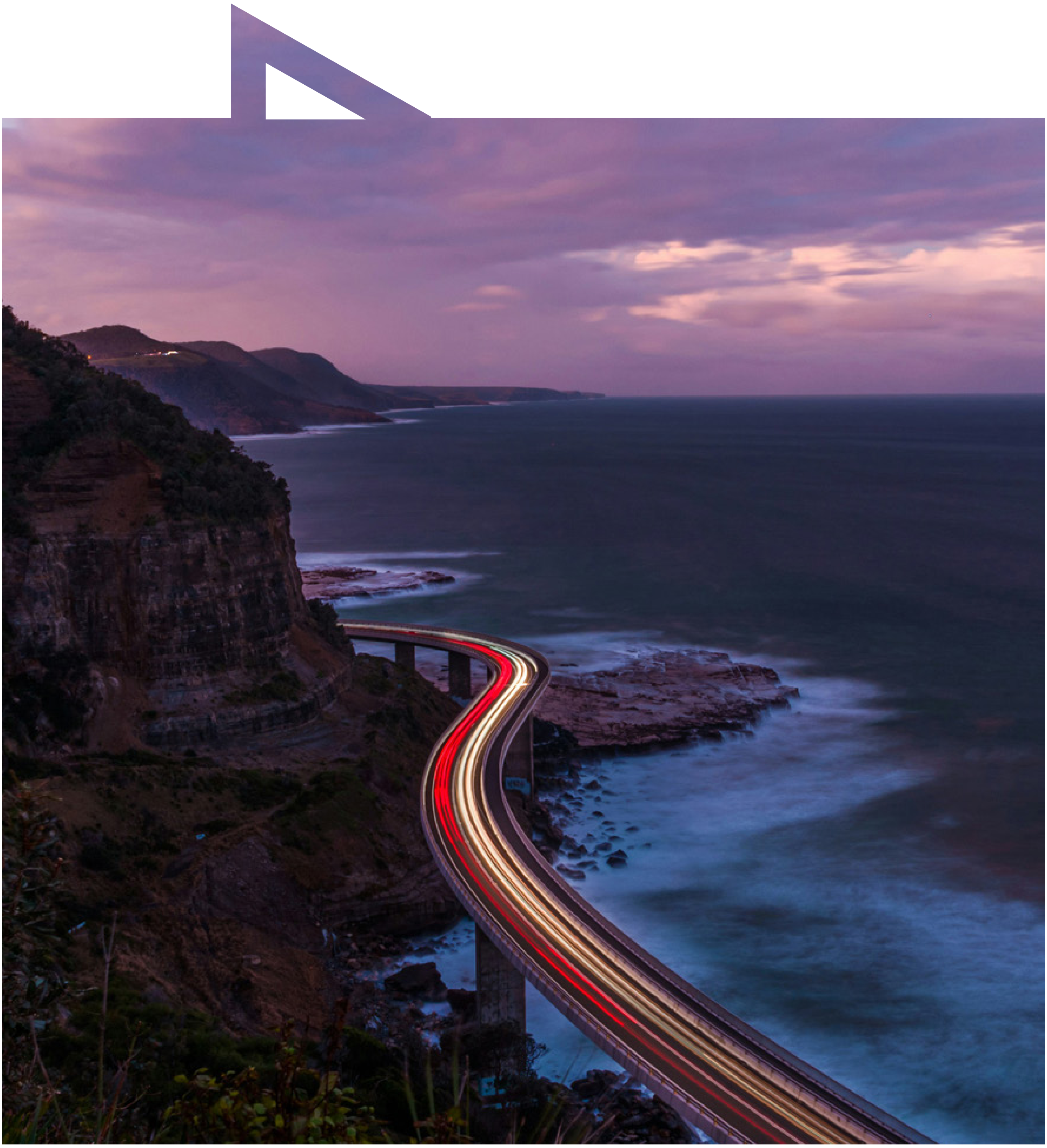
FY2023 Annual Report

Each step we take along the path we've chosen
encourages us to keep moving forward
with determination towards our future.

Lecta Paper Industries Financing Group

(formerly "Paper Industries Financing Group")

Managers' Report for the period ended
31 December 2023



Overview

Lecta PIF Group was formed in 1997 through the acquisition of Cartiere del Garda ("Garda") of Italy in October of that year, to which Condat of France was added in November 1998 and Torraspapel of Spain in December 1999. All three companies were long-established paper manufacturers.

Today, Lecta PIF Group is one of the leading manufacturers and distributors of specialty papers for labels and flexible packaging, coated and uncoated paper for publishing, along with other high value-added print media in Europe.

Lecta PIF Group produces pulp, base paper and finished products with state-of-the-art technology. Its integrated production and distribution system, and in-depth product expertise, are key to its business model.

Lecta PIF Group is a multinational group with circa 2,800 employees and seven mills in France, Italy and Spain. All of Lecta PIF Group's mills are certified to the strictest standards in environmental management (ISO 14001 and European EMAS), energy efficiency (ISO 50001), quality (ISO 9001), as well as occupation health and safety (OHSAS 18001 and ISO 45001). Lecta PIF Group has also certified the Chain of Custody standards of all its mills to PEFC and FSC® C011032. Finally, two of its mills are Food safety standards (ISO 22000 and FSSC 22000) certified.

In addition to sales offices in nine countries (Belgium, France, Germany, Italy, Morocco, Portugal, Spain, UK, and USA), Lecta PIF Group is present in the distribution business, with its own distributors in France, Italy, Portugal and Spain.

The comparative Revenue and EBITDA number has been restated in current year. Please refer to Note 37 for further detail on the restatement and Note 1.04 for definition of EBITDA.

In the year ended 31 December 2023, Lecta PIF Group's mills produced an aggregate of 700,000 metric tonnes of specialty papers and coated woodfree ("CWF") paper. Lecta PIF Group delivered a total of 797,000 metric tonnes of paper, of which 722,000 metric tonnes related to Lecta PIF Group products and 75,000 metric tonnes related to third party products. 221,000 metric tonnes were delivered through Lecta PIF Group's own distributors.

During the year ended 31 December 2023, Lecta PIF Group incurred revenue of €1,238 million and EBITDA of €34 million. Lecta PIF Group marketed products in Europe (90%), Americas (5%) and the rest of the world (5%).

The following table sets forth certain operating and consolidated financial data for Lecta PIF Group's business:

(in millions of euro)	2023	2022	Var. %
Volume sold of paper (in thousands of metric tonnes)	797	1,147	-31%
Volume sold of energy (in thousands of MWh)	532	788	-32%
Net Sales of Paper	1,177	1,711	-31%
Sales of Energy	61	177	-65%
Revenue	1,238	1,888	-34%
EBITDA	**34**	**147**	**-77%**

Factors Affecting Lecta PIF Group's Results of Operations

Post Covid-19 Pandemic effects and market de-stocking

It is important to note that the activity of Lecta PIF Group was strongly impacted by the COVID-19 pandemic in 2020 and 2021. In 2022 high uncertainty related to geopolitics factors such as Ukraine-Russia war and consequent energy crisis caused unbalance demand offer situation. During 2023 all paper industry experimented an unprecedent de-stocking process impacting order intake and causing low level of activity and significant number of market downtime. During the second half of 2023, the Group faced a slightly recovery in the paper demand in Europe. The commercial downtime implemented during all 2023 had been significantly reduced during last quarter of 2023.

Raw Materials Costs

Pulp, chemicals and energy represent Lecta PIF Group's primary input costs.

Lecta PIF Group purchases approximately 60% of its pulp requirements. Wood pulp is the principal raw material required to manufacture paper. The price of pulp is highly volatile and sensitive to changes in wood prices, industry capacity, producer inventories, demand for paper, cyclical changes in the world economy, and fluctuations in the U.S. dollar, the reference currency for trading. Fluctuations in pulp prices may impact, in turn, prices of final paper products.

The price of crude oil also impacts oil-based raw materials and transportation costs. It was also highly volatile in the recent period. In order to reduce its energy costs Lecta PIF Group operates six cogeneration plants with a total installed capacity of 177MW.

Labor Costs

Another significant portion of operating costs is labor. Lecta PIF Group has achieved significant productivity improvements (as measured by net sales of paper per employee) and has reduced its headcount by more than a third since the start of graphic paper demand slowdown, despite the acquisition of two paper distributors in France and Italy.

Cost-Savings Measures and Efficiency of Operations

Paper producers have a high proportion of fixed costs, and as a result, fluctuations in volumes and prices for paper products cause corresponding fluctuations in their profitability. As pricing in the paper industry is highly competitive, particularly for the commodity products, producers must focus on achieving greater efficiency and cost-control to improve their competitive positions.

To that end, Lecta PIF Group has undertaken a group wide organization efficiency program aimed at developing the synergies through the integration of its businesses in France, Italy, Portugal and Spain, outsourcing the non-core activities, giving its subsidiaries reduced production, logistics and distribution costs, and adapting its production capacity to the evolution of the markets through conversion or closure. The program also entails significant headcount reduction. During 2023 Lecta PIF Group has ceased the activity on Paper Machine 4 (PM4) at its Condat mill which was producing Coated Woodfree Paper (CWF). Lecta PIF Group has focused Condat mill completely on the production of specialty papers, on PM8, in which it has invested through a conversion in 2021.

The reorganization project was announced in June 2023 to the employee representatives and consultation and negotiation process ended on 11 October 2023, with all unions representatives signing the social plan. Social plan conditions were approved by government authorities on the 31 October 2023. Effective reduction of the workforce started in December and will continue during several months of 2024.

Effect of Currency Fluctuations

Lecta PIF Group sales are denominated principally in euro. They are also denominated in pounds sterling, U.S. dollar and other currencies. The principal raw material, pulp, is a commodity priced in U.S. dollar. The other costs are predominantly denominated in euro.

As a consequence, Lecta PIF Group is structurally a net buyer of U.S. dollars. As such, all other things being equal, a weakening of the U.S. dollar would have a positive impact on the earnings. However, the U.S. dollar price of pulp and the euro price of paper are correlated to the U.S. dollar such that in the long run, a weakening of the U.S. dollar exerts downward pressure on euro paper prices and upward pressure on pulp prices.

Lecta PIF Group has a policy of hedging its foreign exchange exposure on non-euro denominated sales and purchases once they are committed. It only hedges a low portion of its projected foreign exchange flows.

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Results of Operations

Presentation of Financial Data

Lecta PIF Group's consolidated financial statements are prepared in accordance with EU applicable IFRSs.

Segment reporting

Lecta PIF Group's activity is analyzed through three lines of products and services:
– Coated Woodfree;
– Specialties;
– Purchased Products.

Lecta PIF Group's revenue consists of net sales of paper and sales of energy (see the section Overview above). The core activity of Lecta PIF Group is to produce and sell paper. In this context, Lecta PIF Group operates cogeneration plants that burn gas and produce electricity and steam. The production of steam is internally consumed, while the production of electricity can be internally consumed or sold to the grid. For segmental reporting, the sale of electricity to the grid is not considered as revenue but as reduction in energy cost to produce paper.

The following table compares sales and profit information of the products and services for:
– The year 2023, with the year 2022; and
– The three-month period ended 31 December 2023, with the same period of last year and the prior quarter.

Net Sales of Paper

Products & Services (in EUR M)	31 Dec 2023	31 Dec 2022	Change absolute	Change %	Q4 2023	Q4 2022	Change absolute	Change %	Q4 2023	Q3 2023	Change absolute	Change %
Coated Woodfree	551	809	-258	-32%	142	169	-28	-16%	142	132	+10	+8%
Specialties	481	722	-240	-33%	119	139	-20	-14%	119	110	+9	+8%
Purchased products	145	180	-35	-20%	35	42	-7	-17%	35	30	+5	+15%
Total	**1,177**	**1,711**	-534	-31%	**295**	**350**	-55	-16%	**295**	**272**	+23	+9%

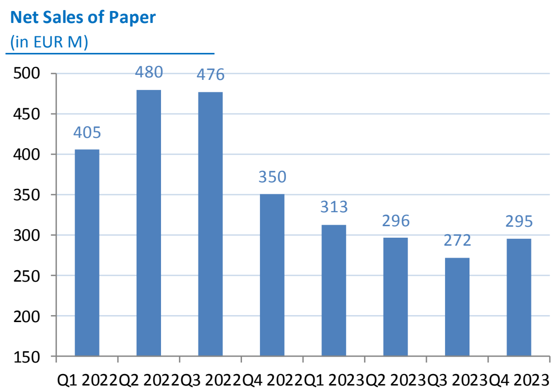
EBITDA

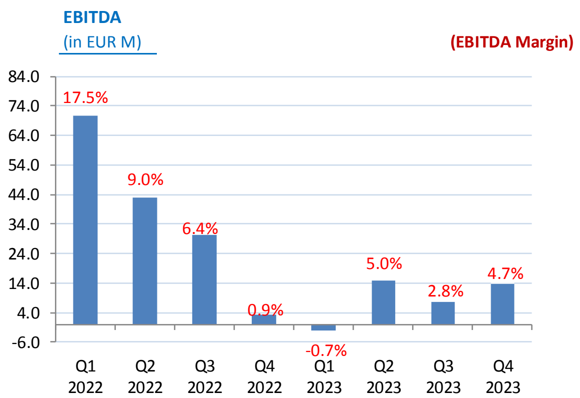
Products & Services (in EUR M)	31 Dec 2023	31 Dec 2022	Change absolute	Change %	Q4 2023	Q4 2022	Change absolute	Change %	Q4 2023	Q3 2023	Change absolute	Change %
Coated Woodfree	39	84	-45	-53%	12	5	+7	+159%	12	15	-3	-22%
Specialties	(10)	47	-57	nm	(0.1)	(4)	+4	-98%	(0)	(8)	+8	-99%
Purchased products	4	16	-12	-73%	1.9	3	-1	-38%	2	1	+1	+202%
Total	**34**	**147**	-113	-77%	**14**	**3**	+11	+331%	**14**	**8**	+6	+81%

EBITDA Margin

Products & Services	31 Dec 2023	31 Dec 2022	Change Percentage points	Q4 2023	Q4 2022	Change Percentage points	Q4 2023	Q3 2023	Change Percentage points
Coated Woodfree	7.2%	10.4%	-3.2	8.5%	2.8%	+5.8	8.5%	11.7%	-3.2
Specialties	-2.1%	6.5%	-8.6	-0.1%	-3.2%	+3.2	-0.1%	-7.6%	+7.5
Purchased products	3.0%	9.0%	-5.9	5.4%	7.2%	-1.8	5.4%	2.0%	+3.3
Total	**2.9%**	**8.6%**	-5.7	**4.7%**	**0.9%**	+3.8	**4.7%**	**2.8%**	+1.9

Evolution of Net Sales of Paper, EBITDA, and EBITDA Margin:





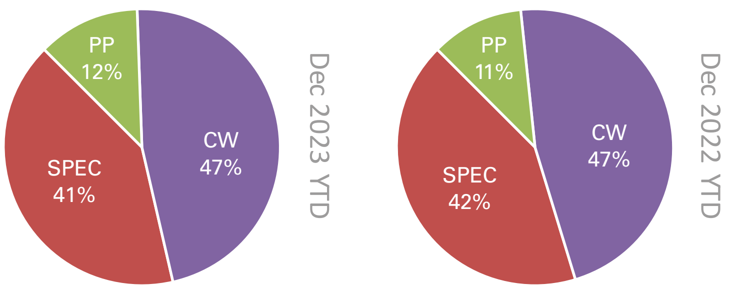
Breakdown of Net Sales of Paper and EBITDA by Product and Service:

	Net Sales of Paper			EBITDA		
	Q4 2023	(Restated) Q4 2022	Change	Q4 2023	(Restated) Q4 2022	Change
Coated Woodfree	**48%**	48%	-0pp	**88%**	160%	-72pp
Specialties	**40%**	40%	+1pp	**-2%**	-172%	+170pp
Purchased products	**12%**	12%	-0pp	**14%**	112%	-98pp
	100%	100%		**100%**	100%	

	Net Sales of Paper			EBITDA		
	Dec 2023 YTD	(Restated) Dec 2022 YTD	Change	Dec 2023 YTD	(Restated) Dec 2022 YTD	Change
Coated Woodfree	**47%**	47%	-0pp	**119%**	57%	+63pp
Specialties	**41%**	42%	-1pp	**-33%**	32%	-66pp
Purchased products	**12%**	11%	+2pp	**14%**	11%	+3pp
	100%	100%		**100%**	100%	

Net Sales of Paper

CWF: Coated WoodFree
SPEC.: Specialities
PP: Purchased products



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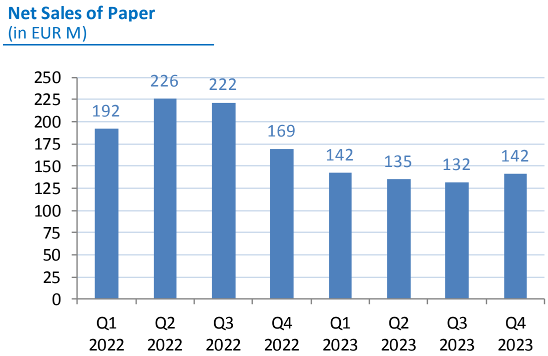
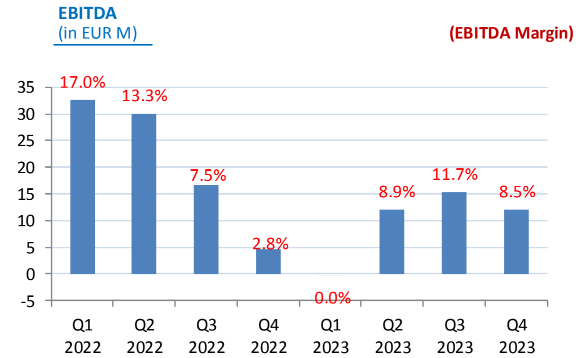
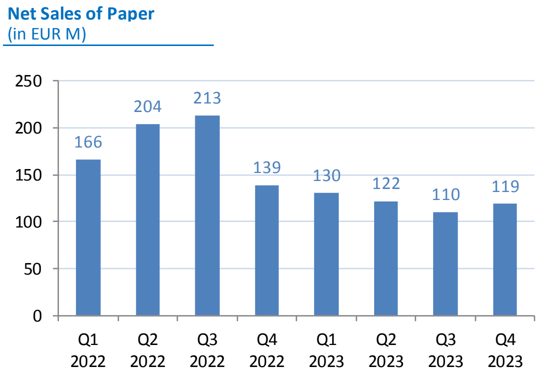
CWF

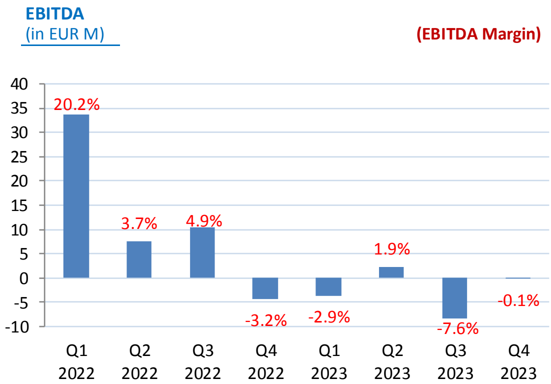




In 4Q2023, the net sales of Coated Woodfree paper were €142 million vs €169 million in 4Q2022, a decrease of €28 million or -16%. The EBITDA of €12 million was higher than in 4Q2022 (€5 million). This increase was essentially due to higher volume, higher margin on variable costs, and lower fixed costs, partly offset by lower sales prices.

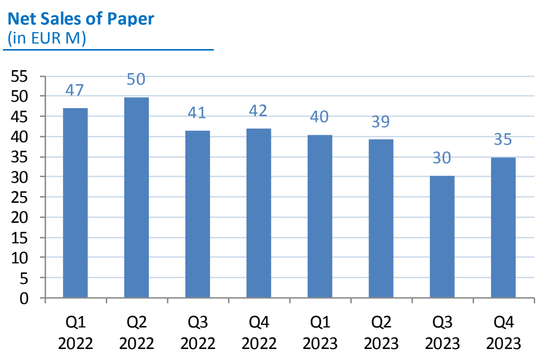
Specialties

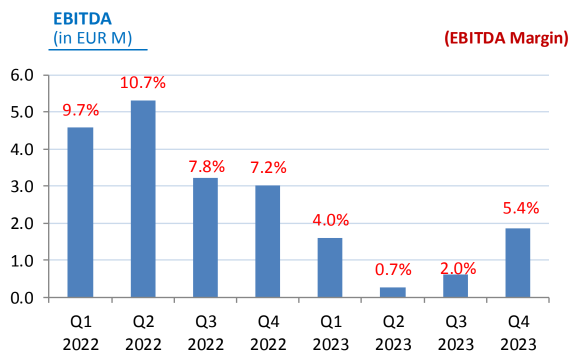




In 4Q2023, the net sales of Specialties were €119 million vs €139 million in 4Q2022, a decrease of €20 million or -14%. The EBITDA of €(0.1) million was higher than in 4Q2023 (€(4) million). This increase was essentially due to higher volume, higher margin on variable costs, and lower fixed costs, partly offset by lower sales prices.

Purchased products





In 4Q2023, the net sales of Purchased products were €35 million vs €42 million in 4Q2022, a decrease of €7 million or -17%. The EBITDA of €1.9 million was lower than 4Q2022 (€3 million). This decrease was due to a decrease in volume, lower sales prices, lower margin on variable costs, partly offset by lower fixed costs.www

Three Months Ended 31 December 2023
Compared to Three Months Ended 31 December 2022

The following table sets forth Lecta PIF Group's income statement line items in absolute numbers, as a percentage of revenue for the quarters ended 31 December 2023 and 31 December 2022 and in the percentage change quarter over quarter:

	Three months ended 31 December					
(in millions of euro, except percentages)	**2023**	**%**	**2022**	**%**	**Change**	**% change**
Volume sold (in thousands of metric tonnes)	219.1		207.1		+12.0	
Revenue	305.3	100.0	380.8	100.0	-75.5	-19.8%
Changes in inventories of finished goods andwork in process	(2.0)	(0.7)	12.8	3.4	-14.8	-115.6%
Raw materials and consumables used	(143.7)	(47.1)	(161.6)	(42.4)	+17.9	-11.1%
Labor costs	(44.6)	(14.6)	(47.3)	(12.4)	+2.7	-5.6%
Other operating costs except one-off costs	(101.2)	(33.1)	(181.6)	(47.7)	+80.4	-44.3%
EBITDA	13.9	4.5	3.2	0.8	+10.6	-
Depreciation	(12.1)	(4.0)	(13.1)	(3.4)	+0.9	-7.0%
Amortization	(0.0)	(0.0)	0.0	0.0	-0.0	-
Goodwill impairement	0.0	0.0	0.0	0.0	+0.0	-
Recapitalization fees & costs	(1.3)	(0.4)	0.0	0.0	-1.4	-
Other one-off costs	(2.2)	(0.7)	(5.6)	(1.5)	+3.4	-61.2%
Profit (loss) from operations	(1.8)	(0.6)	(15.4)	(4.0)	+13.6	-88.4%
Finance income (expense)	(16.8)	(5.5)	(9.8)	(2.6)	-7.0	+71.1%
Profit (loss) before tax from continuing operations	(18.6)	(6.1)	(25.2)	(6.6)	+6.6	-26.2%
Income tax	(20.8)	(6.8)	1.1	0.3	-21.9	-
Profit (loss) after tax	(39.4)	(12.9)	(24.1)	(6.3)	-15.3	+63.7%

Revenue

For the fourth quarter ended 31 December 2023, Lecta PIF Group earned revenue of €305.3 million versus €380.8 million in the fourth quarter ended 31 December 2022, which represents a decrease of €75.5 million or -19.8%. This decrease was primarily attributable to:

- Lower sales of CWF paper, Specialties and Purchased Products of €54.8 million or -15.6%, from €350.2 million in 4Q2022 to €295.48 million in 4Q2023, resulting from higher sales volumes of 12,000 metric tonnes or +5.8%, with 219,100 metric tonnes in 4Q2023 vs 207,100 metric tonnes in 4Q2022, and a decrease in average net sales price of 343€/t or -20%, with 1,348€/t in 4Q2023 vs 1.691€/t in 4Q2022; and

- Lower sales of energy of €20.7 million or -68%, from €30.6 million in 4Q2022 to €9.9 million in 4Q2023, resulting from higher sales volumes of 4,000 MWh or +3%, with 136,400 MWh in 4Q2023 vs 132,400 MWh in 4Q2022, and a decrease in average net sales price of 158€/MWh or -69%, with 73€/MWh in 4Q2023 vs 231€/MWh in 4Q2022.

Raw Materials and Consumables Used

The costs of raw materials and consumables used decreased by €18 million, or -11.1%, from €161.6 million in 4Q2022 to €143.7 million in 4Q2023, and as a percentage of revenue, these costs increase from 42% in 4Q2022 to 47% in 4Q2023. The absolute decrease was mainly attributable to lower purchased volumes, higher volume of production, a decrease in the average consumption price of pulp of 320€/t.

Labor Costs

Labor costs decreased by €2.7 million, or -5.6% from at €47.3 million in 4Q2022 to €44.6 million in 4Q2023, and as a percentage of revenue they increased from 12.4% in 4Q2022 to 14.6% in 4Q2023.

The headcount decreased by 23 heads, from 2,829 employees in twelve months ended 31 December 2022 to 2,806 employees in twelve months ended 31 December 2023.

Other Operating Costs except One-Off Costs

Other operating costs except one-off costs decreased by €80.4 million, or -44.3%, from €181.6 million in 4Q2022 to €101.2 million in 4Q2023, and as a percentage of revenue these costs decreased from 47.7% in 4Q2022 to 33.1% in 4Q2023. The absolute decrease was primarily due to lower costs of energy, distribution, maintenance, and production consumables.

EBITDA

EBITDA increased by €10.6 million, from €3.2 million in 4Q2022 to €13.9 million in 4Q2023. This increase was the result of higher sales of paper in volume, higher margin on variable costs, and lower fixed costs, partly offset by lower sales prices.

Depreciation and Amortization

Depreciation and amortization decreased by €1 million, or -7%, from €13.1 million in 4Q2022 to €12.1 million in 4Q2023.

One-Off Costs

In 4Q2023, Lecta PIF Group recorded one-off costs of €(2.2) million, including €(0.1) million of property plant and equipment, €(1.2) million of organization efficiency program, and €(0.8) million of Other Items. In 4Q2022, Lecta PIF Group recorded one-off costs of €(5.6) million, including €(0.7) million of property plant and equipment, and €(4.8) million of organization efficiency program.

Finance Costs

Finance costs increased by €7.0 million or 71.1%, from €9.8 million in 4Q2022 to €16.8 million in 4Q2023.

Income Tax

Lecta PIF Group recorded an income tax charge of €(20.8) million in 4Q2023 and an income tax income of €1.1 million in 4Q2022.

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Twelve Months Ended 31 December 2023 Compared to Twelve Months Ended 31 December 2022

The following table sets forth Lecta PIF Group's income statement line items in absolute numbers, as a percentage of revenue for the twelve Months ended 31 December 2023 and 31 December 2022 and in the percentage change period over period:

(in millions of euro, except percentages)	2023	%	Year Ended 31 December 2022	%	Change	% change
Volume sold (in thousands of metric tonnes)	797.0		1,147.4		-350.4	
Revenue	1,238.3	100.0	1,888.2	100.0	-649.9	-34.4%
Change in inventories of finished goods and work in progress	(63.7)	(5.1)	63.2	3.3	-126.9	-
Raw materials and consumables used	(542.7)	(43.8)	(836.6)	(44.3)	+293.9	-35.1%
Labor costs	(168.0)	(13.6)	(186.5)	(9.9)	+18.5	-9.9%
Other operating costs except one-off costs	(429.9)	(34.7)	(780.9)	(41.4)	+351.0	-44.9%
EBITDA	34.0	2.7	147.4	7.8	-113.4	-76.9%
Depreciation	(51.5)	(4.2)	(53.7)	(2.8)	+2.2	-4.1%
Amortization	0.0	0.0	0.0	0.0	-0.0	-100.0%
Goodwill impairement	0.0	0.0	0.0	0.0	+0.0	-
Recapitalization fees & costs	(1.3)	(0.1)	0.0	0.0	-1.4	-
Other one-off costs	(42.5)	(3.4)	(2.1)	(0.1)	-40.3	-
Profit from operations	(61.3)	(4.9)	91.7	4.9	-152.9	-166.8%
Finance income (expense)	(53.5)	(4.3)	(33.2)	(1.8)	-20.3	+61.2%
Profit (loss) before tax from continuing operations	(114.7)	(9.3)	58.5	3.1	-173.2	-
Income tax	(29.8)	(2.4)	(16.9)	(0.9)	-12.9	+76.4%
Profit (loss) after tax	(144.5)	(11.7)	41.6	2.2	-186.1	-

Revenue

For the twelve months ended 31 December 2023, Lecta PIF Group earned revenue of €1,238.3 million versus €1,888.2 million in the twelve months ended 31 December 2022, a decrease of €649.9 million or 34.4%. This decrease was essentially attributable to:

- Lower sales of CWF paper, Specialties and Purchased Products of €534.1 million or 31.2%, from €1,711.0 million in twelve months ended 31 December 2022 to €1,176.9 million in twelve months ended 31 December 2023, resulting from lower sales volumes of 350,400 metric tonnes or -30.5%, with 797,000 metric tonnes in twelve months ended 31 December 2023 vs 1,147,400 metric tonnes in twelve months ended 31 December 2022, and a decrease in average net sales price of 15€/t or 1%, with 1,491€/t in twelve months ended 31 December 2023 vs 1,477€/t in twelve months ended 31 December 2022; and
- Lower sales of energy of €-115.8 million or -65%, from €177.2 million in twelve months ended 31 December 2022 to €61.4 million in twelve months ended 31 December 2023, resulting from lower sales volumes of -256,200 MWh or -33%, with 532,300 MWh in twelve months ended 31 December 2023 vs 788,400 MWh in twelve months ended 31 December 2022, and a decrease in average net sales price of -109€/MWh or -49%, with 115€/MWh in twelve months ended 31 December 2023 vs 225€/MWh in twelve months ended 31 December 2022.

Raw Materials and Consumables Used

The costs of raw materials and consumables used decreased by €293.9 million or 35.1% from €836.6 million in twelve months ended 31 December 2022 to €542.7 million in twelve months ended 31 December 2023 and as a percentage of revenue they decreased from 44.3% in twelve months ended 31 December 2022 to 43.8% in twelve months ended 31 December 2023. The absolute decrease was mainly attributable to lower purchased volumes, lower volume of production, and a decrease in the average consumption price of pulp of 1554€/t.

Labor Costs

Labor costs decreased by €18.5 million, or -9,9%, from €186.5 million in twelve months ended 31 December 2022 to €168.0 million in the twelve months ended 31 December 2023, and as a percentage of revenue they increased from 9.9% in twelve months ended 31 December 2022 to 13.6% in twelve months ended 31 December 2023.

The headcount decreased by 106 heads, from 2,935 employees in twelve months ended 31 December 2022 to 2,829 employees in twelve months ended 31 December 2023.

Other Operating Costs except One-Off Costs

Other operating costs except one-off costs decreased by €351 million, or -44.9%, from €780.9 million in the twelve months ended 31 December 2022 to €429.9 million in the twelve months ended 31 December 2023. As a percentage of revenue, these costs decreased from 41.4% in the twelve months ended 31 December 2022 to 34.7% in the twelve months ended 31 December 2023. The absolute decrease was primarily due to lower costs of energy, packaging materials, distribution, selling variable, maintenance, production consumables, and overheads.

EBITDA

EBITDA decreased by €113.4 million, or -76.9%, from €147.4 million in twelve months ended 31 December 2022 to €34.0 million in twelve months ended 31 December 2023. This decrease was the result of lower sales of paper in volume, lower sales prices, and lower fixed costs.

Depreciation and Amortization

Depreciation and amortization decreased by €2.2 million, or -4.1%, from €53.7 million in the twelve months ended 31 December 2022 to €51.4 million in the twelve months ended 31 December 2023.

One-Off Costs

In the twelve months ended 31 December 2023, Lecta PIF Group recorded one-off costs of €(43.8) million, including €(3.6) million of property plant and equipment, €(17.6) million of Organization efficiency, and €(21.3) of Other Items.

In the twelve months ended 31 December 2022, Lecta PIF Group recorded one-off costs of €(2.1) million, including €6.8 million of property plant and equipment (sale of Getafe warehouse), and €(8.7) million of Organization efficiency program (including €(4.5) million for the extension of SSFA, €(2.6) million of indemnities to redundant employees, and €(1.6) million consisted of projects aiming at improving the efficiency of the Group and simplifying its organization).

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Finance Costs

In the twelve months ended 31 December 2023, Lecta PIF Group reported finance costs of €(53.5) million.

In the twelve months ended 31 December 2022, Lecta PIF Group reported finance costs of €(33.2) million.

Income Tax

In the twelve months ended 31 December 2023, Lecta PIF Group reported an income tax charge of €(29.8) million.

In the twelve months ended 31 December 2022, Lecta PIF Group reported an income tax charge of €(16.9) million.

Research & Development

Research and development decreased from €0.5 million in the twelve months ended 31 December 2022 to €0.1 million in the twelve months ended 31 December 2023. These costs were expensed as incurred.

Liquidity and Capital Resources

Liquidity

Lecta PIF Group's primary sources of liquidity are cash from operating activities, the RCF credit line, and the assignment of trade receivables.

Cash

At 31 December 2023, Lecta PIF Group had €172.1 million of cash and cash equivalents.

Capital Resources

Lecta PIF Group's total capital resources amounted to €111.8 million in Total equity and €495.8 million in Non-current interest-bearing borrowings as at 31 December 2023, compared to €255.7 million in Total equity and €432.3 million in Non-current interest-bearing borrowings as at 31 December 2022. In addition, Current interest-bearing borrowings amounted to €43.4 million as at 31 December 2023, compared €11.0 million as at 31 December 2022.

The Lecta Group appointed Lazard as Debt Advisor early in 2023 to address 2025 maturities and optimize funding needs to enable the Company to best execute its Business Plan.

On 7 June 2023, the agent under the term and revolving facilities agreement dated 27 January 2020 (as amended and restated from time to time, the "SSFA"), acting on the instructions of the requisite majority of lenders, granted a waiver to Paper Industries Intermediate Financing, as agent for each obligor under the SFA, with respect to its obligation to comply with a minimum EBITDA covenant under the SFA until the quarter ending 30 June 2024.

On 13 October 2023, Lecta Group announced that holders of its 2025 First and Second Senior Secured Notes (respectively, the "First SSNs" and "Second SSNs", together, the "Existing SSNs"), holders of the debt under its super senior facilities agreement (the "SSFA") and the Group executed a lock-up agreement (the "Lock-Up Agreement"), pursuant to which those parties have agreed to support the implementation of the comprehensive refinancing package (the "Refinancing").

The Company received consents from: (i) 88% by value of aggregate outstanding principal under the First SSNs; (ii) 99% by value of aggregate outstanding principal under the Second SSNs; and (iii) 100% by value of aggregate outstanding principal under the SSFA for the changes necessary to implement the Refinancing.

As a result of the level of consents already achieved, the Company is, and as contemplated under the Lock-Up Agreement, able to seek to effect the Refinancing via an English scheme of arrangement relating to the Existing SSNs (the "Scheme").

A Scheme of Arrangement is a statutory procedure, which permits a company to enter into an arrangement or compromise with its creditors (or any class of them) which, if approved by the requisite majority of such members or creditors and sanctioned by the court, will be binding on all of them, whether or not they voted in favor of it.

The relevant Scheme must be approved by the statutory majority of each relevant class of creditors at a Scheme Meeting, convened by the High Court for the purpose of considering the Scheme. The Scheme Meeting was convened at the Convening Hearing on 2 November 2023, and took place on 20 November 2023, final Scheme Sanction Hearing was the 24th November.

Refinancing Effective Date takes place on 5th December 2023 and results in:

- the extension of the maturities of the €115m debt held under the SSFA to Q1 2028;
- the exchange of the Existing SSNs into a single tranche of €264m senior secured notes (the "New SSNs") maturing in Q3 2028, with the Company having the option to pay interest in-kind subject to meeting certain conditions;
- the issuance of a €97m facility in the form of tradeable notes (the "New Money Facility") maturing Q1 2028, ranking senior to the New SSNs and junior to the SSFA;
- the issuance of Warrants, to participants in the New Money Facility pro rata to their commitments, entitling holders thereof to subscribe (at a later date and in accordance with their terms) for shares in the company Lecta Ltd Company equal to, in aggregate, 5% of the fully diluted share capital of the company Lecta Ltd.
- Noteholders and SSFA Lenders who provide consent to the Refinancing by the relevant deadlines and upon meeting certain conditions receiving a consent fee.

Lecta Paper Industries Intermediate Financing S.à r.l. (the "Issuer") and the Co-Issuer (Lecta Paper UK Ltd) requested the Luxembourg Stock Exchange to remove the Existing SSNs from the Euro MTF of the Luxembourg Stock Exchange, effective immediately following the mark-down and cancellation of the Existing SSNs in accordance with the terms of the Scheme.

New SSNs and New Money Facility will be listed respectively in the Luxembourg Stock Exchange and Vienna Stock Exchange.

For the future, as part of our ongoing efforts to manage our debt profile, Lecta PIF Group may at any time and from time to time seek to refinance our existing indebtedness (and/or repay, prepay or repurchase our existing indebtedness prior to its scheduled maturity).

Self-Adhesive
Adestor

Cash Flow

Three Months ended 31 December 2023 Compared to Three Months ended 31 December 2022

Lecta PIF Group's cash flows for the three months ended 31 December 2023 and 31 December 2022 were as follows:

(in millions of euro)	Three months ended 31 December 2023	2022	Change
Cash flows from (used in) operating activities			
EBITDA	13.9	3.2	+10.6
Inventories	4.3	(6.7)	+11.0
Trade receivables	22.2	42.9	-20.7
Prepayments	1.1	1.6	-0.5
Trade payables	(16.8)	(95.0)	+78.2
Working capital	10.8	(57.2)	+68.0
Provisions and grants increase (decrease)	10.5	6.7	+3.8
Receipt of grants	0.0	1.4	-1.4
Other intangible assets - CO_2 emission rights decrease (increase)	(4.3)	(1.8)	-2.6
Labor share based payment	0.0	0.0	+0.0
Recapitalization fees & costs	(1.1)	(0.2)	-0.9
Other one-off costs	(10.0)	(5.0)	-5.0
Income tax paid	(12.4)	(1.3)	-11.1
Net cash flow (used in) / from operating activities	7.4	(54.1)	+61.4
Cash flows from (used in) investing activities			
Proceeds from disposal of Property, plant and equipment	0.0	0.0	-0.0
Purchase of property, plant and equipment	(16.0)	(16.8)	+0.8
Capital grants	5.7	0.0	+5.7
Purchase of net cash acquired	(1.0)	0.0	-0.0
Variation of Deposits and guarantees	1.3	(0.7)	+2.0
Purchase of other assets	0.0	0.0	+0.0
Proceeds from disposal of other assets	0.0	0.0	+0.0
Net cash flow (used in) / from investing activities	(9.9)	(17.4)	+7.5
Cash flows from (used in) financing activities			
Interest paid	(14.1)	(9.1)	-5.0
Issue costs of borrowings	(0.1)	(0.3)	+0.2
Proceeds from borrowings	118.5	16.8	+101.6
Repayment of borrowings	(58.4)	(9.9)	-48.5
Loans repaid (granted)	0.0	(0.1)	+0.1
Payments of finance lease liabilities	(1.2)	(1.1)	-0.1
Net cash flow (used in) / from financing activities	44.6	(3.6)	+48.2
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	42.0	(75.1)	+117.2
Net foreign exchange difference	0.0	(0.2)	+0.2
Cash & cash equivalents net of Bank overdrafts at 1 October	109.5	205.4	-95.9
Cash & cash equivalents net of Bank overdrafts at period end	151.6	130.1	+21.5
Of which cash and cash equivalents	172.1	148.3	+23.8
Of which bank overdrafts	(20.5)	(18.2)	-2.3

During the three months ended 31 December 2023, Lecta PIF Group's cash and cash equivalents increased by €45.2 million or 36%, from €126.8 million at 1 October 2023 to €172.1 million at 31 December 2023. The principal uses of cash during the three months ended 31 December 2021 were for CO_2 emission rights of €(4.3) million, Other one-off costs of €(10.0) million, Income tax paid of €(12.4) million, Purchase of property plant and equipment of €(16.0) million, Interest payments of €(14.1) million, and Proceeds from borrowings net of repayments of borrowings €60.1 million.

During the three months ended 31 December 2023, the cash flows from operating activities were €7.4 million, €61.4 million less than €(54.1) million of cash flows from operating activities during the three months ended 31 December 2022. The principal sources and uses of cash in operating activities were from:

- EBITDA of €13.9 million;
- Decrease in Working capital of €10.8 million due to decreases in inventories (impact of €4.3 million), decrease in trade receivables (impact of €22.2 million), in prepayments (impact of €1.1 million), and in trade payables (impact of €(16.8) million);
- Increase in Provisions and grants (impact of €+10.5 million), which includes grants movements in White certificates in order to neutralize the profit booked in "Other operating costs except one-off costs" above EBITDA, as the cash was not collected as at 31 December 2023;
- CO_2 emission rights of €(4.3) million consisting in anticipated purchases of CO_2 emission rights, reported in "Other intangible assets";
- Recapitalization fees & costs of €(1.1) million
- Other one-off costs of €(10.0) million mainly in relation with the Organization efficiency program.;
- Income tax payments of €(12.4) million.

During the three months ended 31 December 2023, the cash flows used in investing activities were €(9.9) million, €7.5 million less than €(17.4) million of cash flows used in investing activities during the three months ended 31 December 2022. The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €(16.0) million;
- Capital grants of €5.7 million;
- Purchase of subsidiary, net of cash acquires of €(1.0) million
- Variation of Deposits and guarantees of €1.3 million.

During the three months ended 31 December 2023, the cash flows from financing activities were €44.6 million, €48.2 million more than €(3.6) million of cash flows used in financing activities during the three months ended 31 December 2022. The principal uses and sources of cash in financing activities were from:

- Interest paid of €(14.1) million;
- Issue costs of borrowings of €(0.1) million;
- Proceeds from borrowings net of repayments of borrowings of €60.1 million.
- Payments of finance lease liabilities of €(1.2) million.

Twelve Months ended 31 December 2023 Compared to Twelve Months ended 31 December 2022

Lecta PIF Group's cash flows for the Twelve Months ended 31 December 2023 and 31 December 2022 were as follows:

	Year ended 31 December		
(in millions of euro)	**2023**	**2022**	**Change**
Cash flows from (used in) operating activities			
EBITDA	34.0	147.4	-113.4
Inventories	95.1	(88.4)	+183.4
Trade receivables	56.2	(8.6)	+64.7
Prepayments	(0.7)	0.2	-0.8
Trade payables	(112.5)	37.2	-149.7
Working capital	38.0	(59.6)	+97.6
Provisions and grants increase (decrease)	17.9	28.3	-10.4
Receipt of grants	9.0	(5.0)	+14.0
Other intangible assets - CO_2 emission rights decrease (increase)	(17.9)	(32.4)	+14.5
Labor share based payment	0.0	0.0	+0.0
Recapitalization fees & costs	(1.1)	(0.4)	-0.7
Other one-off costs	(22.3)	(10.1)	-12.2
Income tax paid	(22.5)	(4.4)	-18.1
Net cash flow (used in) / from operating activities	35.2	63.8	-28.6
Cash flows from (used in) investing activities			
Proceeds from disposal of Property, plant and equipment	0.1	12.1	-12.0
Purchase of property, plant and equipment	(62.6)	(34.2)	-28.4
Capital grants	11.4	0.0	+11.4
Purchase of net cash acquired	(1.0)	0.0	-0.0
Disposal of subsidiary, net of cash sold	0.0	0.0	+0.0
Variation of Deposits and guarantees	1.1	(1.9)	+2.9
Purchase of other assets	0.0	(0.0)	+0.0
Proceeds from disposal of other assets	0.0	0.0	+0.0
Net cash flow (used in) / from investing activities	(51.0)	(24.0)	-27.0
Cash flows from (used in) financing activities			
Equity dividends paid	0.0	0.0	+0.0
Dividends paid to non-controlling interest	0.0	(2.0)	+2.0
Share capital increase (redemption)	0.0	0.0	+0.0
Interest paid	(47.7)	(32.3)	-15.4
Issue costs of borrowings	(0.9)	(0.5)	-0.5
Proceeds from borrowings	162.7	24.6	+138.2
Repayment of borrowings	(71.8)	(19.9)	-51.9
Loans repaid (granted)	0.0	0.0	+0.0
Payments of finance lease liabilities	(4.9)	(4.5)	-0.4
Net cash flow (used in) / from financing activities	37.5	(34.6)	+72.0
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	21.6	5.2	+16.4
Net foreign exchange difference	(0.1)	0.1	-0.2
Cash & cash equivalents net of Bank overdrafts at 1 January	130.1	124.8	+5.3
Cash & cash equivalents net of Bank overdrafts at period end	151.6	130.1	+21.5
Of which cash and cash equivalents	172.1	148.3	+23.8
Of which bank overdrafts	(20.5)	(18.2)	-2.3

During the twelve months ended 31 December 2023, Lecta PIF Group's cash and cash equivalents increased by €23.8 million or 16.5%, from €148.3 million at 1 January 2023 to €172.1 million at 31 December 2023. The principal uses of cash during the twelve months ended 31 December 2023 were for CO_2 emission rights of €(17.9) million, Other one-off costs of €(22.3) million, Income tax paid of €(22.5) million, Purchase of property plant and equipment of €(62.6) million, Interest payments of €(47.7) million and Proceeds from borrowings net of repayments of borrowings of €90.9 million.

During the twelve months ended 31 December 2023, the cash flows from operating activities were €35.2 million,

€28.6 million less than €63.8 million of cash flows from operating activities during the twelve months ended 31 December 2022. The principal sources and uses of cash in operating activities were from:

- EBITDA of €+34.0 million;
- Decrease in Working capital of €38.0 million due to decreases in inventories (impact of €+95,1 million), in trade receivables (impact of €+56.2 million), in trade payables (impact €-112.5 million), and increase in prepayments (impact €-0.7million);
- Increase in Provisions and grants (impact of €+17.9 million), which includes grants movements in White certificates in order to neutralize the profit booked in "Other operating costs except one-off costs" above EBITDA, as the cash was not collected as at 31 December 2023;
- Receipt of grant of €9.0 million, related to White certificates;
- CO_2 gas emission rights of €(17.9) million, consisting in anticipated purchases of CO_2 emission rights, reported in "Other intangible assets";
- Recapitalization fees & costs of €(1.1) million in relation with the Recapitalization of the Group (see the section Recapitalization – Main steps above);
- Other on-off costs of €(22.3) million, mainly in relation with the Organization efficiency program;
- Income tax paid of €(22.5) million.

During the twelve months ended 31 December 2023, the cash flows used in investing activities were €(51.0) million, €27.0 million more than €(24.0) million of cash flows used in investing activities during the twelve months ended 31 December 2022. The principal uses and sources of cash in investing activities were from:

- Disposal of Property, plant and equipment of €0.1 million;
- Purchase of property, plant and equipment of €(62.6) million;
- Capital grants of €11.4 million;
- Purchase of subsidiary, net of cash sold of €(1.0) million
- Variation of Deposits and guarantees of €1.1.

During the twelve months ended 31 December 2023, the cash flows used in financing activities were €37.5 million, €72.0 million less than €(34.6) million of cash flows from financing activities during the twelve months ended 31 December 2022. The principal uses and sources of cash in financing activities were from:

- Interest paid of €(47.7) million;
- Issue costs of borrowings of €(0.9) million;
- Proceeds from borrowings net of repayments of borrowings of €90.9 million.
- Payments of finance lease liabilities of €(4.9) million.

Projects and Plans

Capital Expenditures and Investments

In the three months ended 31 December 2023, capital expenditure amounted to €13.0 million, i.e. €10.8 million for cost reduction and productivity improvement, €5.5 million for maintenance, €0.5 million for information technology, €1.8 million for environment and safety, and an increase of €5.7 million in capital payables.

In the twelve months ended 31 December 2022, capital expenditure amounted to €56.8 million, i.e. €36.7 million for cost reduction and productivity improvement, €20.1 million for maintenance, €2.6 million for information technology, €3.6 million for environment and safety, and an increase of €6.1 million in capital payables.

Cast-Coated
Eurokote

Organization Efficiency Program

The integration process covers Lecta industrial operations in Italy, France and Spain, as well as the paper distribution ones in the same countries and, additionally, Portugal. Within the Organization efficiency program, Lecta PIF Group planned several cost reduction projects.

Overall through Organization Efficiency Program, Lecta PIF Group aims at maintaining the labor costs stable in spite of salary inflation and new job positions in relation with the investments in Specialties. More specific action, see the following point 3.3, refers to structural decline of some market.

For the twelve months ended 31 December 2023 the restructuring cash cost associated to Lecta efficiency programs was EUR (42.5) M, reported as "Other one-off costs" in the Income statement.

Lecta has ceased the activity on Paper Machine 4 (PM4) at its Condat mill which was producing Coated Woodfree Paper (CWF). Lecta has focused Condat mill completely on the production of specialty papers, on PM8, in which it has invested through a conversion in 2021.

The reorganization project was announced in June 2023 to the employee representatives and consultation and negotiation process ended on 11 October 2023, with all unions representatives signing the social plan. Social plan conditions were approved by government authorities on the 31 October 2023. Effective reduction of the workforce started in December and will continue during several months of 2024.

In December 2023, a provision for restructuring of EUR 19.8 M was accounted for in the line "One-off costs".

Contractual Obligations

The following table summarizes Lecta PIF Group's contractual obligations and principal payments as of 31 December 2023 under debt instruments, capital and operating leases and other agreements. The information presented in the table below reflects the estimates of the contractual maturities of obligations. These maturities may differ significantly from the actual maturity of these obligations.

	2023		
(in millions of euro)	Total	Less than 1 year	More than 1 year
RCF - Term Loan	86.5	0.7	85.8
Notes	364.6	1.0	363.6
Other debt	91.0	30.0	61.0
Externalized pension funds	4.4	0.0	0.0
Debt on assigned receivables	5.7	5.7	0.0
Lease obligations	20.9	4.4	16.6
Bank overdrafts	20.5	20.5	0.0
Interest rate hedging	0.0	0.0	0.0
Other IFRS adjustments	(29.6)	(2.0)	(27.6)
Total debt	**564.0**	**60.3**	**499.3**

Total debt included in the above table include accrued interest or outstanding purchase obligations.
The outstanding purchase obligations are entered into in the normal course of business.

Employee Benefits

Lecta PIF Group currently operates defined contribution pension plans and defined benefit pension plans for its employees.

The employee benefit provisions primarily comprise obligations under the pension plans, death and disability plans, staff leaving indemnities and long-term service awards. The employee benefit provisions amounted to €11.3 million as at 31 December 2023 vs €15.2 million as at 31 December 2022.

Contingent Liabilities

Lecta PIF Group is involved from time to time in legal proceedings and other claims that arise in the normal course of business. In the judgment of management, no losses, in excess of provisions made or covered by insurance programs, which would be material in relation to Lecta PIF Group's financial position are likely to arise in respect of these matters, although their occurrence may have a significant effect on periodic results.

Challenge of 2010-2015 Green certificates by GSE

Alto Garda Power SrL, the Italian cogeneration plant of Lecta, was informed in a preliminary statement dated 14 July 2017 that the publicly owned company GSE SpA (Gestore dei Servizi Energetici) was challenging part of the Green certificates granted to it for the period 2010-2015. On 30 October 2017, GSE SpA claimed the reimbursement of EUR (5.2) M.

In December 2017, Alto Garda Power SrL presented a claim against GSE petition in the administrative Court of Rome.

GSE SpA agreed with Alto Garda Power SrL to postpone the claimed reimbursement waiting for the decision of the Court, and not to pay during this period a part of the green certificates granted for the years 2016-2017 and recognized in "Other receivables" (see Note 23).

In the meantime, Italian legislation aimed at the green economy and renewable source has introduced some changes to the sanctioning powers of the GSE, allowing it to enter into settlement agreements in wider circumstances than in the prior legislation (size of possible reimbursements to be assessed according to the extent of the breach detected). An implementing legislation was expected to be adopted which should clarify this simplification measure, but no new regulation was implemented also in 2022.

Alto Garda Power SrL is confident on the rightness of its position and reserves its rights to defend its own interests. Nevertheless, considering the time already spent from the inspection, the unclear time frame to clarify the litigation, and some adverse decisions in similar claims, the company has decided to impair the receivables pending to be collected for EUR 5.2 M and book an additional risk provision of EUR 2.3 M in case the challenging part of the Green certificate would be extended to 2016-2017.

During 2023 there are no further updates regarding this matter.

Paperboard
Diva Art

Off-Balance Sheet Arrangements

Lecta PIF Group avails itself of certain off-balance sheet arrangements like derecognition of receivables and supply-chain finance. Most of these arrangements have been in place for a long time, and Lecta PIF Group has no reason to believe that they will cease to be available in the future.

Outlook after the Statement of Financial Position Date

During the second half of 2023, the Group faced a slightly recovery in the paper demand in Europe. The commercial downtime implemented during all 2023 had been significantly reduced during last quarter of 2023. In the first quarter of 2024 level of order intake improved steadily and the Group didn't implement any commercial downtime in its plants.

Auditor and disclosure of information to auditor

Each of the Managers in office at the date when this Annual Report and Accounts was approved confirms that:

- so far as the Manager is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Manager has taken all the steps that he/she ought to have taken as a Manager in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Metallized
Metalvac

Sensitivity Analysis

Lecta PIF Group's profitability is affected by a number of variables. The table below illustrates how a change in selected factors (on the assumption that other factors are neutral) related to the business may affect Lecta PIF Group's financial performance on an annual basis.

	Percentage Change	Estimated effect on EBITDA (in millions of euro)
Paper prices	+/-1%	+/-11.8
Volumes	+/-1%	+/-2.9
Currency:		
USD against EUR (1)	+/-1%	/+1.0
GBP against EUR	+/-1%	/+0.7
Pulp prices	+/-1%	/+1.6
Energy costs	+/-1%	/+1.3

(1) A one percent weakening of the US dollar against the euro, with all other things being equal, would result in a €1.0 million increase in EBITDA. However, the weakening of the US dollar against the euro tends to exert downward pressure on euro paper prices and upward pressure on US dollar pulp prices that may have an adverse effect on Lecta PIF Group's results of operations.

CWF2S
Condat
Creator
Garda

Financial Risk Management

Customer Credit Risk

Lecta PIF Group strictly monitors customer credit risk. In 2023, Lecta's ten largest customers of paper account for circa 18% of its sales of paper. Credit insurance covers a large part of the Trade receivables. Lecta's customers of energy are large multinational corporations.

(in EUR K)	31 Dec 2023	31 Dec 2022
Gross amount of Trade receivables	119,089	176,878
Impairment	(6,696)	(8,315)
Trade receivables as per Balance sheet	112,393	168,563
of which not past due	105,438	155,504
of which past due:	6,955	13,059
Amount covered by a credit insurance	3,242	6,379
Amount of recoverable VAT	0	116
Amount eligible to credit risk,	**3,713**	**6,564**
past due since less than one month	3,974	5,848
past due since more than one month but no later than three months	850	1,147
past due since more than three months but no later than one year	(747)	(247)
past due since more than one year but no later than five years	(364)	(184)
past due since more than five years	0	0

The line "Impairment" includes a bad debt provision of EUR 1,507 K as at 31 December 2023 (EUR 1,597 K as at 31 December 2022) already booked at the time of Polyedra's acquisition in 2012 (see Note 2.2). Its progressive reduction follows the conversion of the provision into a real bad debt charge, tax deductible or not.

Liquidity risk

Since the Recapitalization implemented in December 2023, the liquidity risk can be considered as remote.

Market risk

Lecta PIF Group profit is affected by cyclical changes in the overall economic activity and exposed to variations in the price of paper, raw materials and energy. To reduce their impacts:

- Lecta PIF Group customer base is highly diversified in terms of geography and channels of sales.
- Lecta PIF Group produces part of its needs of pulp (circa 40%) and base paper (circa 89%), the main raw materials used in the production of Coated Woodfree and Specialties. It also produces part of its energy requirement.
- Lecta PIF Group signed multi-year contracts for raw materials supply.
- Lecta PIF Group signed multi-year contracts for energy supply.

Lecta PIF Group does not currently hedge against the fluctuations of raw materials prices.

Interest Rate Risk

Lecta PIF Group's profit before tax is exposed to the fluctuations of interest rate, as a vast proportion of its Borrowings is indexed to 3-month Euribor.

Unfavorable impact on profit before tax of an increase of 1% (100 basis points) of 3-month Euribor, from 2.132% (as at 31 December 2022) to 3.909%, all other things being equal, based on actual figures as at 31 December 2023, is:

	FY23
Interest rate	Estimated effect on Lecta Group EBT
3-month Euribor	-6.3 MEUR

There were no hedging derivatives on interest rates as at 31 December 2023.

Lecta PIF Group's counterparts are leading financial institutions that had credit ratings equal to or better than A-2 short-term or BBB long-term ratings (or equivalent) when the hedging instruments were traded.

Foreign Currency Exchange Risk

Lecta PIF Group's EBITDA is exposed to the fluctuations of non-euro currencies on future sales and purchases.

Favorable (unfavorable) impacts on EBITDA of a decrease of 0.01 of exchange rate [e.g. for USD/EUR from 1.08 (average in 2023) to 1.07, or for GBP/EUR from 0.87 (average in 2022) to 0.86], all other things being equal, based on actual figures of 2023, are:

Currency	Estimated effect on Lecta Group EBITDA
USD	+0.6 MEUR
GBP	+0.8 MEUR

Lecta PIF Group covers the fluctuations of non-euro currencies, mainly USD and GBP, according to the following rules (see Note 36.6):

- Statement of financial position approach for trade receivables and payables: on a regular basis, the actual sales and purchases denominated in non-euro currencies are covered through forward agreements with fixed expiry dates consistent with those of the hedged items.

- Income statement approach for forecast incomes and expenses: on an occasional basis, a part of the future sales and purchases to be made in non-euro currencies may be covered through forward agreements or options for a maximum period of six months.

Business risk

Lecta PIF Group negotiates insurance policies for major risks, such as property damage & business interruption, and general liability. Lecta PIF Group also invests in the prevention and the protection of its assets following the recommendations by leading insurance companies.

CO_2 emission rights

Lecta PIF Group emits more CO_2 than the CO_2 emissions rights ("ER") granted for free. This deficit is covered with the purchases of ER from third parties +/- the stock of ER available at the end of the prior period. The purchase price of ER is exposed to market fluctuations.

Lecta PIF Group did not acquire any derivative to cover the purchase price fluctuation of ER.

Future Prospects

Given the high volatility of expert reports focused on our main market segments, we are not providing any forecast this year. Lecta PIF Group will adjust itself to market conditions and continue to execute its strategy, aligning its CWF production capacity to market demand, developing its Specialty paper business, and pursuing its organization efficiency program.

Paperboard
EraCup

Management and Corporate Governance of Lecta PIF Group

Board of Managers

The Board of Managers was appointed by Shareholders' resolutions on 9th April 2024. The Board is currently composed of five Managers:

- Gilles J. Van Nieuwenhuyzen, class A manager, CEO of Lecta Ltd Group;
- Joost Mees, class B manager;
- Ludovic Trogliero, class B manager;
- Giovanni Incardona, class B manager; and
- Alain Gaudré, class B manager, CFO of Lecta Ltd Group.

General

Lecta PIF Group is a private limited liability company governed by the laws of Grand Duchy of Luxembourg, its articles of incorporation and by-laws.

Remuneration

During the year ended 31 December 2023, the members of the Board of Managers of Lecta PIF Group, did not receive any compensation for their office.

Ownership Interests in Lecta PIF Group

Lecta PIF Group has issued one class of shares.

As at 31 December 2023, the share capital of Lecta PIF Group was composed of 12.000 ordinary shares with a par value of EUR 1,00 representing EUR 12.000, all shares being fully paid.

All shares are owned by Lecta Ltd, a UK company. As the sole shareholder, the Board of Lecta Ltd defines the strategy of the Lecta Group which is subsequently applied via Lecta PIF Group own board.

As a reminder, Lecta Ltd Board is currently composed of seven Directors:

- Dermot F. Smurfit, Chairman and non-executive director (resigned on 1 January 2024);
- Javier Abad, Chairman and non-executive director (appointed on 1 January 2024);
- Dominique Binet, non-executive director;
- Marco Casiraghi, non-executive director;
- Alain Gaudré, CFO and executive director;
- Georges Gravanis, non-executive director; and
- Gilles J. Van Nieuwenhuyzen, CEO and executive director.

Managers' Responsibilities

The Managers are responsible for preparing the Annual report and the financial statements in accordance with applicable EU and Grand Duchy of Luxembourg and regulations.

Company law requires the Managers to prepare financial statements for each financial year. Under that law the Managers have chosen to prepare the Company financial statements in accordance with International Accounting Standards in conformity with the requirements of the amended Law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings. In preparing these financial statements, the Managers are required to:

- Select suitable accounting policies and then apply them consistently;

- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- Make judgements and accounting estimates that are reasonable and prudent;

- Provide additional disclosures when compliance with the specific requirements in International Accounting Standards in conformity with the requirements of the Luxembourg law are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and

- Make an assessment of the Company's ability to continue as a going concern.

The Managers are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the amended Law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Managers are also responsible for preparing the Managers' report in accordance with the amended Law of 19 December 2002 and the applicable regulations.

Responsibility statement

We confirm that to the best of our knowledge the financial statements, prepared in accordance with EU-adopted IFRSs, give a true and fair view of the financial position and financial performance of the Company.

The Board of Managers

Signed on behalf of Managers

Gilles Van Nieuwenhuyzen
Chief Executive Officer

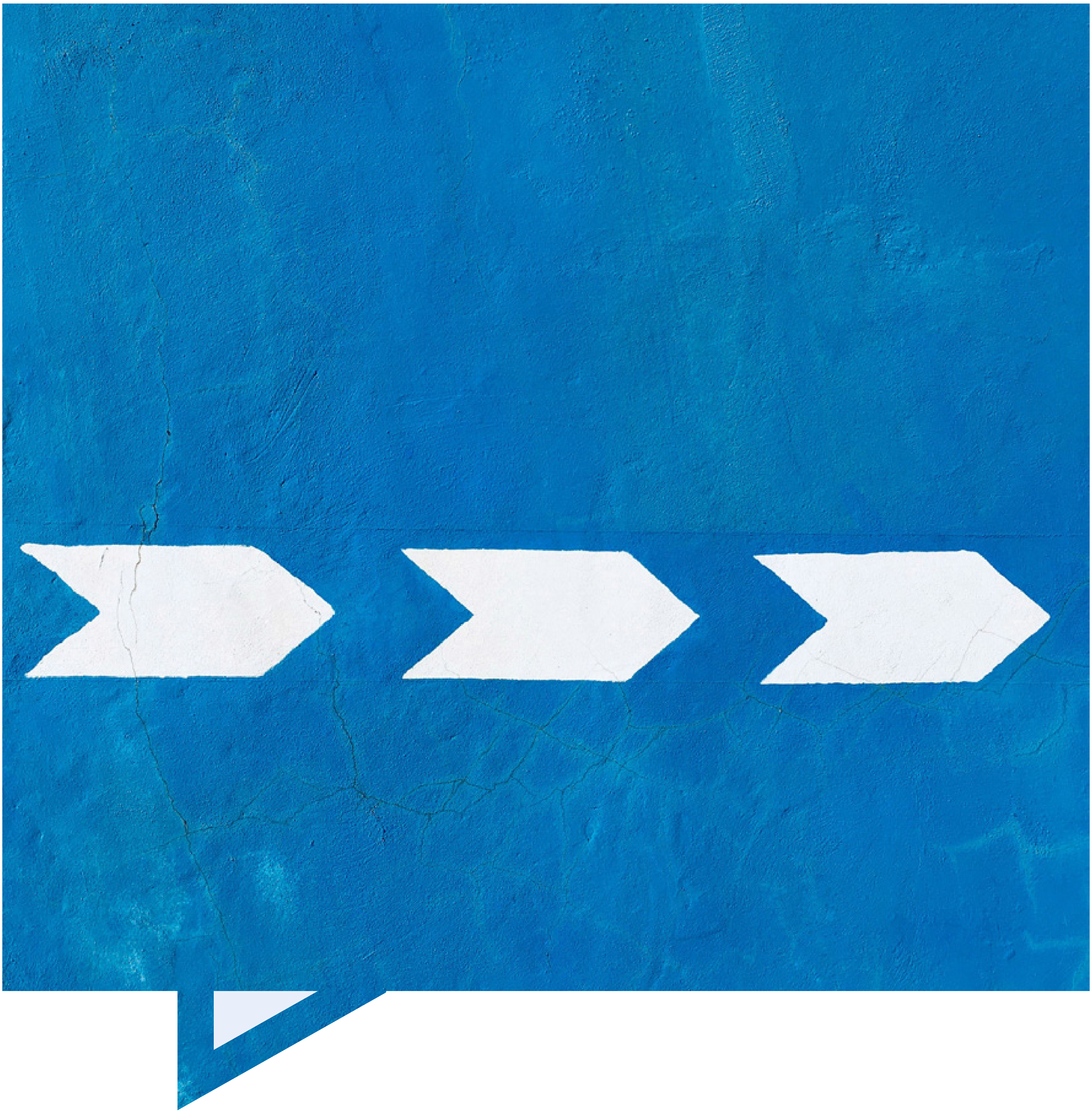
Lecta Paper Industries Financing Group

(formerly "Paper Industries Financing Group")

Consolidated Financial Statements

31 December 2023

Under IFRS



Independent Auditor’s Report

Building a better working world

Ernst & Young
Société anonyme
35E, Avenue John F. Kennedy
L-1855 Luxembourg

Tel : +352 42 124 1
www.ey.com/luxembourg

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent auditor’s report

To the Shareholders of
Lecta Paper Industries Financing S.à r.l.
(formerly “Paper Industries Financig S.à r.l.”)
17, Boulevard F.W. Raiffeisen
L-2411 Luxembourg

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Lecta Paper Industries Financing S.à r.l. (formerly “Paper Industries Financig S.à r.l.”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the “Law of 23 July 2016”) and with International Standards on Auditing (“ISAs”) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (“CSSF”). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “responsibilities of the “réviseur d’entreprises agréé” for the audit of the consolidated financial statements” section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (“IESBA Code”) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Other information

The Board of Managers is responsible for the other information. The other information comprises the information included in the consolidated annual report but does not include the consolidated financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers and those charged with governance for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS as adopted by the European Union relating to the preparation and presentation of the consolidated financial statements, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.
- Conclude on the appropriateness of Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Zeeshan

Zeeshan Ahmed

Luxembourg, 30 April 2024

A member firm of Ernst & Young Global Limited

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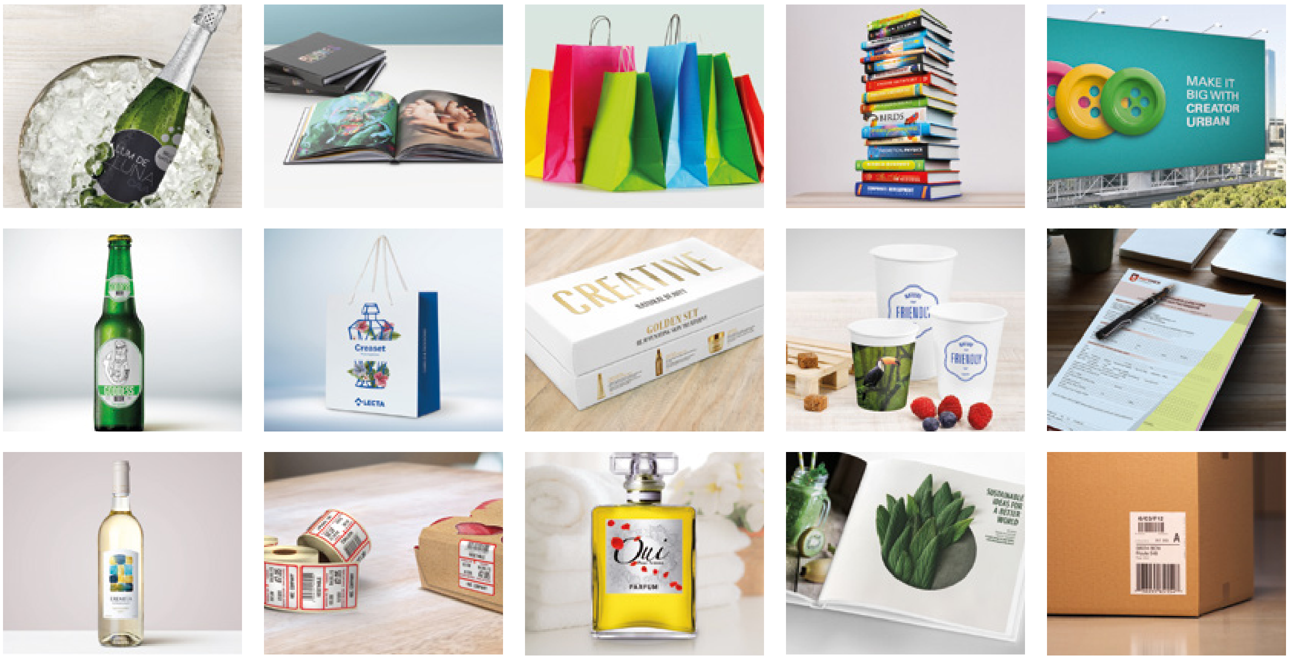
General information



Lecta PIF Group is engaged in the production and sale of Specialty papers and Coated Woodfree paper ("CWF"). Lecta PIF Group has production sites in France, Italy and Spain and sells all around the world. It employed circa 2,806 FTE in the year ended 31 December 2023.

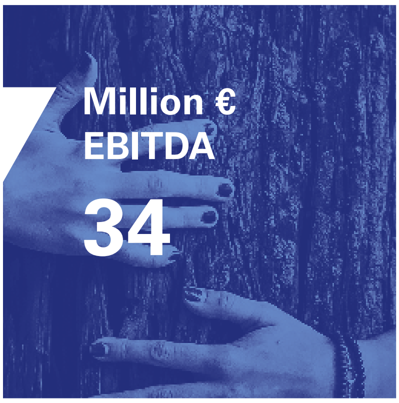
The parent company of the Lecta PIF Group is Lecta Paper Industries Financing, which was incorporated and domiciled in Luxembourg. The address of its registered office is:

Lecta Paper Industries Financing
17, Boulevard F.W. Raiffeisen
L-2411, Luxembourg
Luxembourg

The consolidated financial statements of Lecta PIF Group for the year ended 31 December 2023 were authorized for issue in accordance with Shareholder approval on 30 April 2024.

All the amounts in the report are presented in thousands of euro (Euro K or k€) unless otherwise stated.

EBITDA is defined as earnings before depreciation, amortization, one-off costs, finance costs, net income from associates and income tax. Please refer to Note 1.04 for further detail.



Consolidated Financial Statements

Consolidated income statement

Lecta Paper Industries Financing Group
(in EUR K)

	Notes	Jan to Dec 2023	(Restated*) Jan to Dec 2022
Volume sold (metric tons)		797,012	1,147,403
Volume energy sold (MWh)		532,278	788,439
Revenue	(8)	1,238,307	1,888,220
Changes in inventories of finished goods and work in process		(63,686)	63,170
Raw materials and consumables used		(542,732)	(836,610)
Labor costs	(33.1)	(168,005)	(186,504)
Other operating costs except one-off costs		(429,889)	(780,861)
EBITDA		**33,995**	**147,414**
Depreciation	(9)	(51,464)	(53,670)
Recapitalization fees & costs	(11)	(1,341)	30
Other one-off costs	(11)	(42,460)	(2,113)
(Loss)/Profit from operations		**(61,271)**	**91,661**
Finance income	(12)	2,007	2,769
Finance expense	(12)	(55,466)	(35,934)
(Loss)/Profit before tax		**(114,730)**	**58,496**
Income tax	(13)	(29,751)	(16,866)
(Loss)/Profit after tax from continuing operations		**(144,481)**	**41,630**
Profit (loss) after tax from discontinued operations		0	0
(Loss)/Profit after tax		**(144,481)**	**41,630**
Attributable to:			
Equity holders of the parent		(145,135)	41,424
Non-controlling interests		654	206

The accompanying Notes are an integral part of these Consolidated financial statements and see Note 1.04 for EBITDA definition.

The above consolidated income statement should be read in conjunction with the accompanying notes.

The consolidated financial statements were authorized for issue in accordance with Shareholder approval on 30 April 2024.

*The comparative figures in the Consolidated Income Statement for the previous year have been restated to reflect the reclassification of finance expenses related to discounts given to customers, as noted in Note 12 of the financial statements. This adjustment corrects a misstatement regarding 'trade receivables: early payment discounts' totalling €19,497k in 2022, which were incorrectly categorised as finance expenses. As per IFRS 15, these adjustments are presented as deductions against revenue to ensure accurate reporting, with no impact on the profit for 2022.

Accordingly, finance income related to discounts provided by suppliers, totaling €1,088k in 2022, which were incorrectly categorised as finance income as disclosed in Note 12 under 'discounts for anticipated payments,' has been reclassified to the 'Raw materials and consumables used' line item in the income statement.

Consolidated statement of comprehensive income

Lecta Paper Industries Financing Group
(in EUR K)

	Notes	Jan to Dec 2023	Jan to Dec 2022
(Loss)/Profit for the year		**(144,481)**	**41,630**
Exchange differences on translation of foreign operations		(110)	50
Net (loss)/gain on unlisted securities	(17)	0	(9)
Income tax effect		0	2
		0	(7)
Net other comprehensive income to be reclassified to profit or loss in subsequent years		**(110)**	**43**
Remeasurement gain (loss) on defined benefits plans	(28) & (33.2)	1,180	2,586
Remeasurement gain (loss) on 3rd party agents benefits	(28)	(111)	284
Labor share based payment	(1.29) & (35.2)	0	0
Income tax effect		(381)	(730)
		688	2,140
Net other comprehensive income not being reclassified to profit or loss in subsequent years		**688**	**2,140**
Other comprehensive income, net of tax		**579**	**2,182**
Total comprehensive (loss)/income, net of tax		**(143,903)**	**43,813**
Attributable to:			
Equity holders of the parent		(144,556)	43,606
Non-controlling interests		654	206

The accompanying Notes are an integral part of these Consolidated financial statements.
The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

Lecta Paper Industries Financing Group
(in EUR K)

	Notes	31 Dec 2023	31 Dec 2022
ASSETS			
Property, plant and equipment	(15.1)	506,543	493,387
Investment properties	(15.2)	1,363	1,363
Intangible assets	(16)	26,104	30,309
Unlisted securities	(17)	1,010	68
Biological assets	(18)	290	294
Deferred income tax assets	(29)	7,875	39,926
Other non-current receivables	(22)	2,368	3,421
Non-current assets		**545,553**	**568,767**
Income tax receivable	(29)	8,421	5,629
Inventories	(19)	195,023	290,100
Trade receivables	(20)	112,393	168,571
Prepayments	(21)	2,043	1,356
Other current receivables	(22)	7,619	12,781
Cash & cash equivalents	(23)	172,083	148,275
Current assets		**497,582**	**626,712**
TOTAL ASSETS		**1,043,135**	**1,195,479**
EQUITY & LIABILITIES			
Paid-in capital	(24.1)	12	12
Share premium	(24.1)	56,925	56,925
Other reserves	(24.2)	(5,922)	(6,674)
Foreign currency translation	(24.3)	(411)	(301)
Accumulated net profits (losses)	(24.4)	55,330	200,530
Equity holders of the parent		**105,934**	**250,491**
Non-controlling interests		**5,880**	**5,226**
TOTAL EQUITY	(24)	**111,814**	**255,717**
Interest-bearing borrowings	(25)	495,790	432,297
Non-current grants	(27)	4,911	5,504
Non-current provisions	(28)	26,733	6,378
Non-current employee defined benefits	(28)	9,445	12,917
Deferred income tax liabilities	(29)	117	8,731
Non-current liabilities		**536,997**	**465,827**
Current portion of interest-bearing borrowings	(25)	43,419	10,984
Bank overdrafts	(26)	20,497	18,201
Current grants	(27)	12,936	1,576
Current provisions	(28)	21,689	26,442
Current employee defined benefits	(28)	1,757	2,938
Income tax payable	(29)	2,542	15,531
Trade payables	(30)	276,135	388,657
Other current liabilities	(31)	15,349	9,605
Current liabilities		**394,324**	**473,935**
TOTAL LIABILITIES		**931,321**	**939,762**
TOTAL EQUITY AND LIABILITIES		**1,043,135**	**1,195,479**

The accompanying Notes are an integral part of these Consolidated financial statements.
The above consolidated statement of financial position should be read in conjunction with the accompanying notes.
The perior year has been presented to conform with the current year.

Consolidated cash flow statement

Lecta Paper Industries Financing Group
(in EUR K)

(in EUR K)	Notes	Jan to Dec 2023	(Restated*) Jan to Dec 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		(114,730)	58,496
Finance expense		55,466	35,934
Finance income		(2,007)	(2,769)
Recapitalization fees & costs		1,341	(30)
Other one-off costs		42,460	2,113
Depreciation & Amortization		51,464	53,670
EBITDA		**33,995**	**147,414**
Inventories decrease (increase)	(19)	95,074	(88,359)
Trade receivable decrease (increase)	(20)	56,165	(8,572)
Prepayments (increase) decrease	(21)	(689)	152
Trade payables (decrease) increase	(30)	(112,512)	37,167
Working Capital decrease (increase)		**38,038**	**(59,612)**
Provisions and grants increase (decrease)	(28)	17,905	28,344
Receipt of Grants	(27)	8,951	(5,029)
Other intangible assets - CO_2 emission rights (increase) decrease	(16)	(17,892)	(32,442)
Recapitalization fees & costs	(11)	(1,082)	(425)
Other one-off costs	(11)	(22,271)	(10,104)
Income tax paid	(29.1)	(22,473)	(4,394)
Net cash flow (used in) / from operating activities		**35,171**	**63,752**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of Property, plant and equipment	(15)	86	12,108
Purchase of property, plant and equipment	(15)	(62,582)	(34,224)
Capital grants	(27)	11,360	0
Purchase of subsidiary, net of cash acquired		(969)	(1)
Variation of Deposits and guarantees	(23)	1,059	(1,888)
Purchase of other assets	(4.1)	29	(2)
Net cash flow (used in) / from investing activities		**(51,016)**	**(24,006)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to non controlling interest	(14)	0	(2,000)
Interest paid	(12)	(47,695)	(32,263)
Issue costs of Borrowings	(25)	(915)	(457)
Proceeds from Borrowings	(25)	162,748	24,588
Repayment of Borrowings	(25)	(71,769)	(19,910)
Payment of finance lease liabilities	(25)	(4,909)	(4,525)
Net cash flow (used in) / from financing activities		**37,461**	**(34,567)**
Net increase (decrease) in Cash & cash equivalents net of Bank overdrafts	(23)	21,615	5,179
Net foreign exchange difference	(24)	(103)	76
Cash & cash equivalents net of Bank overdrafts at 1 January		130,074	124,819
Cash & cash equivalents net of Bank overdrafts at 31 December		**151,586**	**130,074**
Of which Cash & cash equivalents		172,083	148,275
Of which Bank overdrafts	(26)	(20,497)	(18,201)

The accompanying Notes are an integral part of these Consolidated financial statements.
The above consolidated cash flow statement should be read in conjunction with the accompanying notes.
*The reclassification affects the Group cash flow statement by reducing net cash flows from operating activities and net cash flows from operating activities and net cash flows used in financing activities.

Consolidated statement of changes in equity

Lecta Paper Industries Financing Group
(in EUR K)

	Paid-in capital	Share premium	Unlisted securities reserve	Actuarial gains (losses) on defined benefits plans reserve	Actuarial gains (losses) on 3rd party agents benefits	Labor share based payment	First Time Adoption IFRS 9	Foreign currency translation	Accumulated net profits (losses)	**Total Equity holders of the parent**	**Non-controlling Interest**	**TOTAL EQUITY**
AT 1 JANUARY 2022	**12**	**56,925**	**(201)**	**(8,079)**	**(345)**	**0**	**(183)**	**(351)**	**159,106**	**206,885**	**7,019**	**213,905**
Profit for the period	0	0	0	0	0	0	0	0	41,424	41,424	206	41,630
Other comprehensive income (loss)	0	0	(7)	1,856	284	0	0	50	0	2,182	0	2,182
Total comprehensive income of the period	**0**	**0**	**(7)**	**1,856**	**284**	**0**	**0**	**50**	**41,424**	**43,606**	**206**	**43,813**
Dividends to non-controlling interests	0	0	0	0	0	0	0	0	0		(2,000)	(2,000)
AT 31 DECEMBER 2022	**12**	**56,925**	**(208)**	**(6,223)**	**(61)**	**0**	**(183)**	**(301)**	**200,530**	**250,491**	**5,226**	**255,717**
AT 1 JANUARY 2023	**12**	**56,925**	**(208)**	**(6,223)**	**(61)**	**0**	**(183)**	**(301)**	**200,530**	**250,491**	**5,226**	**255,717**
Profit for the period	0	0	0	0	0	0	0	0	(145,135)	(145,135)	654	(144,481)
Other comprehensive income (loss)	0	0	0	864	(111)	0	0	(110)	(64)	579	0	579
Total comprehensive income of the period	**0**	**0**	**0**	**864**	**(111)**	**0**	**0**	**(110)**	**(145,200)**	**(144,556)**	**654**	**(143,902)**
Dividends to non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0
AT 31 DECEMBER 2023	**12**	**56,925**	**(208)**	**(5,359)**	**(172)**	**0**	**(183)**	**(411)**	**55,330**	**105,934**	**5,880**	**111,814**

The accompanying Notes are an integral part of these Consolidated financial statements.
The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes
1. Summary of significant accounting policies

1.01. Basis of preparation

The consolidated financial statements of Lecta PIF Group have been prepared in accordance with the Standards and Interpretations adopted by the International Accounting Standards Board (IASB), and by the EU applicable as at 1 January 2022. They comprise:

- International Financial Reporting Standards (IFRS),
- International Accounting Standards (IAS),
- Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

The consolidated financial statements have been prepared on an historical cost basis, except for the measurement at fair value of Unlisted securities, Derivative financial instruments and certain intangible assets. The carrying values of recognized assets and liabilities that are hedged, are adjusted to record changes in the fair values attributable to the hedged risks.

Going concern
Lecta PIF Group financial statements have been prepared on a going concern basis.

In assessing Lecta PIF Group's ability to continue as a going concern, Management has considered the Group's cash flows, liquidity, ability to meet loan financial covenants and business activities. The Group prudently manages its liquidity risk, and the refinancing undertaken by the Group in December 2023 has allowed it to emerge with a solid liquidity position and healthy balance sheet. In adopting the going concern basis, the Management has considered reasonable business forecasts but also potential scenarios arising from the political and macroeconomic uncertainty that has arisen since the invasion of Ukraine early in 2022, impact of war in middle east, high interest rate, high inflation, fluctuating energy cost and from the principal risk set out in note 36.

Under a severe but plausible downside scenario with a general economic slowdown reducing revenue by 12.5% in all Operating segments for each consecutive months through 30 June 2025 compared to the plan and supply chain difficulties or input prices increases reducing margin of about 9.5%, the Group remains liquid, in compliance with loan financial covenants and there is sufficient cash flow without the requirement to withdraw undrawn credit facility). A reverse test scenario has been modelled which show that a revenue contraction by 24% for each consecutive months up through 30 June 2025 with no mitigation, would be required to breach covenant which is considered extremely remote in likelihood of occurring. Mitigation available within the control of the management include reducing discretionary capex and indirect cost. As the Group is in financial covenant holiday during the going concern period up to June 2024 with the first financial covenant test begin from September 2024, the Group has performed financial covenant and financial liquidity assessment during the Going Concern period, which indicates significant headroom in financial covenant and financial liquidity during the Going Concern period.

Regarding climate change assessment Management has concluded that there is no material adverse impact over the going concern period and hence has not included any impact in either base case or downside scenario of the going concern assessment.

As a result of the Group's current financial position and cash flow forecasts and projections, Management is confident the Group will be able to maintain liquidity, in compliance with loan financial covenants and continue as a going concern for a foreseeable future. Accordingly, the going concern basis of accounting has been adopted in preparing the financial statements.

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the financial statements.

1.02. New accounting standards and interpretations

Accounting standards that have been issued and have been adopted
The standards and interpretations listed below have become effective since 1 January 2023 for annual periods beginning on or after 1 January 2023

The following revisions to IFRS are effective from 1 January 2023
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

- International Tax Reform – Pilar Two Model Rules – Amendments to IFRS 12

These amendments do not have an impact on the financial statements.

Accounting standards that have been issued but have not yet been adopted
These amendments have been issued but have not been applied in these financial statements.

The following revisions to IFRS are effective from 1 January 2024

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants - Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Disclosure: supplier Finance Arrangement – Amendments to IAS 7 and IFRS 7

The following revisions to IFRS are effective from 1 January 2025
- Lack of exchangeability – Amendments to IAS 21

New standards or interpretations issue, but not yet effective, are not expected to have a material impact on the Company's net assets or results.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group.

Based on the assessment performed, management expects that all the jurisdictions in which the Group operates would be covered by the transitional safe harbour relief and management is not currently aware of any circumstances under which this might change. Therefore, the Group does not expect a potential exposure to Pillar Two top-up taxes.

1.03. Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company Lecta Ltd and its subsidiaries as at 31 December each year. Subsidiaries are entities in which Lecta PIF Group has the sole power to exercise control over their operations. All the consolidated subsidiaries are listed in Note 2.2.

Certain subsidiaries of Lecta PIF Group are however not consolidated on the basis of immateriality (see Note 2.3).

Subsidiaries are consolidated from the date on which control is transferred to Lecta PIF Group and cease to be consolidated from the date on which Lecta loses control.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

All inter-company transactions, balances and unrealized gains and losses on transactions between Lecta PIF Group companies are eliminated on consolidation. Where local accounting policies followed by subsidiaries differ significantly from those adopted for the purpose of the consolidated financial statements, appropriate adjustments are made in order to achieve a consistent basis of accounting.

1.04. Glossary of non-GAAP measures

EBITDA: Earnings before depreciation, amortization, one-off costs, finance costs, net income from associates and income tax. It includes non-cash (expenses) incomes, consisting of variations of inventories and operating provisions. This aggregate is a key performance indicator for Lecta PIF Group and the paper industry.

One-off costs: Profits, losses or costs isolated for a better understanding of the business performance. This heading comprises essentially:

- The profit and losses on disposals or impairments of Investment in associates, Unlisted securities (see Note 1.16), and certain long-lived assets including Goodwill (see Note 1.18),

- The costs of restructuring and material reorganization,

- The acquisition costs in relation with business combinations, and the profit following the immediate recognition of negative goodwill,

- The costs caused by unusual and infrequent events, like the ones attributable to the coronavirus pandemic.

1.05. Foreign currency transactions

The presentation currency of Lecta PIF Group is the euro (EUR), which is also the parent company's functional currency.

For each entity of Lecta PIF Group, transactions in foreign currencies are recorded in their functional currency at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the year-end closing date. Exchange differences are taken to the Income statement: Foreign exchange differences for operating business items are recorded in the line "Other operating costs except one-off costs", and financial items are recorded in the lines "Finance income" and "Finance expense". An exception to the above would be the case of a foreign currency borrowing that would provide a hedge against a net investment in a foreign entity. Lecta PIF Group does not have such borrowing.

1.06. Foreign currency translations - subsidiaries

The Income statements of the non-euro consolidated subsidiaries are translated into euro at the weighted average exchange rates for the year. Their assets and liabilities are translated into euro at the exchange rate prevailing at the year-end closing date. The exchange differences are taken directly to Equity. On disposal of the entity, the exchange differences accumulated are included in the line "Other one-off costs" in the Income statement as a component of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are stated in the currency of the acquired entity at the date of the acquisition.

Lecta PIF Group doesn't have any entity within the group which operates in a hyper-inflationary economy.

1.07. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Lecta PIF Group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognized:

- Sales of goods: Revenue is recognized when goods leave the warehouses of the Group, or when the goods are delivered to the customer. This method enables a reliable measurement of revenue. It acknowledges that the control of the goods has been transferred either to the buyer or to the transporter.

- Sales of energy: Revenue is recognized when the energy is effectively supplied to the buyer.

- In accordance with IFRS 15, "Revenue from contracts with customers", the early payment discount and the discount on anticipated payments are no longer presented as finance income or expense. They are now presented as a deduction against revenue and less cost of raw materials and consumables used. This reclassification between line items does not impact the profit for the period (see Notes 4 and 12).

1.08. Interest and Dividend recognition

- Interest: Revenue is recognized as interest accrues.
- Dividends: Revenue is recognized when the shareholders' right to receive the payment is established.

1.09. Property, plant and equipment

Work in progress, property, plant and equipment purchased by the Lecta PIF Group's companies are stated at historical cost, net of accumulated impairment losses, if any, and increased where appropriate by terminal environmental reinstatement costs (none in Lecta PIF Group).

When acquired through a business combination, the assets are stated at their fair value at the date of acquisition.

The Property, plant and equipment present in Lecta PIF Group at First Time Adoption of IFRS as at 1 January 2004, were subject to specific rules: those of Cartiere del Garda SpA were fair valued and these fair values were used as deemed cost at that date, while the values of property, plant & equipment of all other companies used under the previous GAAP were maintained.

At closing date, Property, plant and equipment are stated at the above-mentioned gross value less accumulated depreciation and any impairment.

Depreciation is calculated on a straight-line basis over the following estimated useful lives unless the term of the lease is shorter:

Land & Building	
Land as freehold	No depreciation
Road, railways and car parks	20 to 40 years
Buildings	30 to 40 years
Plant & machinery	
Machinery	10 to 20 years
Quality control systems	5 to 10 years
Motor vehicles	
Forklifts	3 to 8 years
Other motor vehicles	3 to 7 years
Fixtures & fittings	
Hardware and office equipment	3 to 5 years
R&D equipment	6 to 10 years
Furniture, fixtures and fittings	5 to 10 years

1.10. Maintenance

Maintenance costs relating to an existing tangible asset are capitalized, if and only if it has a useful life of more than one year and if it replaces an identifiable component of the existing tangible asset. The cost represents a new component which will be depreciated individually. The depreciation will not exceed the remaining useful life of the existing tangible asset except when it extends its useful life. This capitalization also translates into derecognizing the replaced component.

For any given plant, the maintenance of existing Safety and Environment installations may be necessary to continue to obtain the future economic benefits from the other assets of this plant dedicated to production. Under such circumstances, they may qualify for recognition as Property, plant and equipment. Should they not meet the above criteria, these costs are expensed.

Recurring maintenance or day-to-day servicing costs (outside contractors, felt & wires) are always expensed.

The overhauls of gas turbines of cogeneration plants are capitalized as Property, plant and equipment and depreciated over 3 to 6 years.

1.11. Leases

A contract contains a lease if it conveys the right to control the use of an asset for a period of time in exchange for consideration. The right to control the use of an asset exists if:

(i) The contract involves the use of an identified asset,
(ii) The Group has the right to obtain substantially all the economic benefits from use of the asset and
(iii) The Group has the right to direct the use of the asset.

Under IFRS 16, the Group recognizes right-of-use assets under Property Plant and equipment caption and lease liabilities for most leases under captions non-current financial liabilities and other current financial liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings: 1-10 years,
- Plant and machinery: 1-8 years,
- Forklifts and motor vehicles: 1-5 years.

Right of use assets are subject to impairment test.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases (less than 12 months renewal period included) and assets of low value. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.12. Investment properties

Investment properties consist of land or buildings, held to earn rentals or capital appreciation.

Investment properties purchased by Lecta PIF Group's companies are stated at historical cost, increased where appropriate by terminal environmental reinstatement costs (none in PIF Group). When acquired by Lecta PIF Group through a business combination, they are stated at their fair value at the date of acquisition.

At closing date, investment properties are stated at the above-mentioned gross value less accumulated depreciation and any impairment.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Land	No depreciation

Investment properties in Lecta PIF Group consisted of plots of land in Amorebieta/Carmen mill closed in 2009, and in Sarrià del Ter mill closed in 2014 (see Note 16).

1.13. Intangible assets

Intangible assets acquired separately are recognized at cost. Intangible assets acquired as part of a business combination are recognized separately from Goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value. The carrying values of intangible assets with definite useful lives are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying values of intangible assets with indefinite useful lives are tested for impairment on a yearly basis.

Research and Development costs are expensed when incurred, except for certain development costs that are recognized when it is probable that the project will generate future economic benefits, and the costs can be measured reliably.

Other internally generated intangible assets are not capitalized, but expensed against profit in the year the costs were incurred.

Other intangible assets are amortized on a straight-line basis, over the shortest period between their own legal duration and the useful life of the assets to which they benefit.

In Lecta PIF Group, this heading comprises essentially:

Patents	3 to 5 years
Customer portfolio	7 years
Trademarks	3 to 5 years
Non-competition clause	2 years
Development costs	2 to 5 years
Rights to connect to the electricity network	10 years
CO_2 emission rights (see Note 1.14)	No amortization
Green & White certificates (see Note 1.15)	No amortization

1.14. CO_2 emission rights

In order to comply with the Kyoto protocol, the European Union has set up the CO_2 (or Greenhouse Gas) emission rights scheme. Lecta PIF Group elected to use the implicit rule of IAS 20 "Accounting for government grants and disclosure of government assistance" to account for the CO_2 emission rights. This rule is sometimes referred to as "net liability method":

- According to the "net liability method", the rights that have been granted free of charge by each National Authority are not recognized. A provision at fair value is recognized for the tonnes of CO_2 emitted in excess of the rights granted by each National Authority.
- Purchased rights are initially recognized at cost in the line "Intangible assets" of the Statement of financial position.
- After initial recognition, the purchased rights that are not in excess of the above-mentioned provisioned tonnes are measured at fair value.
- The rights in excess are kept at their historical cost, unless the market price drops below this cost. In such a case, these rights are impaired.
- All movements in the Income statement are reported in the line "Other operating costs except one-off costs".

These rules are implemented separately for each Subsidiary, because National Authorities grant the rights to single companies.

1.15. Green & White certificates

On top of selling steam and electricity to Garda mill, excess electricity to the national grid, Alto Garda Power SrL sells hot water to the local urban heating network. In the past, this gives Alto Garda Power SrL title to the grant of Green certificates for a period of eight years starting in January 2010 and ended in 2018. No obligation was attached to these Green certificates.

Lecta PIF Group elected to use the implicit rule of IAS 20 "Accounting for government grants and disclosure of government assistance" to account for the Green certificates. They are recognized as an intangible asset, initially at nominal value, until they are sold to a third party. Following a change in Italian regulation dated 6 July 2012, the Green certificates are recognized as a non-monetary government grant, which corresponds to GSE (Gestore dei Servizi Energetici) guaranteed price. An additional profit can be recognized in the line "Other operating costs except one-off costs" of the Income statement upon the sale of Green certificate if the actual sales price is higher than the guaranteed one.

Thanks to its savings in the consumption of natural gas, Alto Garda Power SrL was entitled to a grant of White certificates for an initial period of ten years starting in January 2012 and an additional period of ten years starting on December 2022 following steam turbine revamping. No obligation is attached to these White certificates.

Lecta PIF Group elected to use the implicit rule of IAS 20 "Accounting for government grants and disclosure of government assistance" to account for the White certificates. They are recognized as a non-monetary government grant, which corresponds to GSE (Gestore dei Servizi Energetici) guaranteed price. An additional profit can be recognized in the line "Other operating costs except one-off costs" of the Income statement upon the sale of White certificate if the actual sales price is higher than the guaranteed one.

1.16. Financial assets

Initial recognition and measurement
Financial assets are classified at initial recognition, as subsequently measured, by considering the four categories defined by *IFRS 9 Financial instruments*:

A) Financial assets at amortized cost (debt instruments)
B) Financial assets at fair value through OCI (debt instruments),
C) Financial assets designated at fair value through OCI (equity instruments),
D) Financial assets at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e. the date the Group commits to purchase or sell the asset.

A) Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the Income statement when the asset is derecognized, modified or impaired.

In Lecta PIF Group, this category includes:

- The Trade receivables (see Note 1.20);

- The financial investments originated by the group reported in the line "Other non-current assets" in the Non-current assets of the Statement of financial position (see Notes 1.22 and 1.33):
    - Deposits,
    - Guarantees,
    - Loans to non-consolidated companies or third parties.

B) Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the Income statement and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

C) Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Lecta PIF Group elected to classify irrevocably one of its investments under this category: its participation in Promotora del Ulla SA (see Notes 2.3 and 18).

D) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of financial position at fair value with net changes in fair value recognized in the Income statement.

In Lecta PIF Group, this category includes:

- Money market funds used to safely invest temporary excess cash reported in the line "Cash and cash equivalents", in the Current assets of the Statement of financial position;

- Non-listed equity investments reported in the line "Unlisted securities", in the Non-current assets of the Statement of financial position.

Impairment
See Note 1.20.

Derecognition
See Note 1.35.

1.17. Biological assets

In Lecta PIF Group, biological assets are limited to standing timber. The latter is exclusively dedicated to internal consumption for the production of pulp. They are reported in the line "Biological assets", under Non-current assets of the Statement of financial position. They are measured at cost.

1.18. Impairment of certain long-lived assets

Property, plant and equipment, Investment properties and Intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. This review is done each year for the Goodwill and other indefinite life intangible assets. Where the carrying values exceed the estimated recoverable amount, the asset or the associated cash-generating unit is written down to its recoverable amount.

The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognized in the line "Other one-off costs" in the Income statement.

1.19. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes materials, direct labor and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is computed according to the weighted average cost method. Net realizable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Given the lack of meaningful market references, the inventoried spare parts are impaired in accordance with slow moving rules reflecting their obsolescence.

1.20. Trade receivables

Specific allowance
Trade receivables are recognized and carried at original invoice amount less an allowance for uncollectable amounts.

An estimate for doubtful debts is made when collection of part or all of a receivable is no longer probable. Bad debts are written off when identified.

General allowance
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs.

Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

1.21. Prepayments

This heading comprises payments to trade or other payables for future benefits such as insurance premiums, maintenance expenses and rents. Prepayments are stated at their nominal value.

1.22. Other receivables

This heading comprises:

- Deposits and guarantees;
- Grants receivables;
- Capital receivables on the sale of long-lived assets;
- Shareholders receivables (e.g. on capital increase);
- Dividends receivables;
- Favorable options on non-consolidated companies;
- Favorable currency hedging;
- Favorable interest rate hedging;
- Favorable energy price hedging; and
- Miscellaneous other receivables (e.g. expected reimbursement through an insurance contract).

1.23. Cash and cash equivalents

This heading comprises:

- Cash in hand;
- Cash in banks' current accounts;
- Short-term deposits and certificates of deposit with an original maturity of three months or less; and
- Marketable securities (Government bonds, Treasury bills and similar short-term securities).

Any gains and losses on Cash and cash equivalents deriving from foreign exchange are recognized in the Income statement, under the lines "Financial income" and "Financial expense".

Note: In the Cash flow statement, the analysis is focused on variation of Cash and cash equivalents **net of Bank overdrafts.**

1.24. Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as Financial liabilities at fair value through profit or loss, Loans and borrowings, Payables, or Derivatives designated as hedging instruments in an effective hedge.

All financial liabilities are recognized initially at fair value and, in the case of Loans and borrowings and Payables, net of directly attributable transaction costs.

A) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include (a) financial liabilities held for trading and (b) financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the lines "Finance income" and "Finance expense" of the Income statement.

In Lecta PIF Group, no financial liabilities were designated as at fair value through profit or loss.

B) Loans and borrowings
This is the category most relevant to the Group. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the Income statement.

In Lecta PIF Group, this category applies to Interest-bearing borrowings, and Bank overdrafts.

Derecognition
See Note 1.35

1.25. Grants

Grants constitute deferred income related to Property, plant and equipment, or Borrowings with off-market interest rates. Grants are recognized at their fair value. They are released on a straight-line basis in the line "Depreciation" of the Income statement, over the expected useful life of the relevant asset.

1.26. Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium.

1.27. Provisions

Provisions are recognized when:

- Lecta PIF Group has a present obligation (legal or constructive) as a result of a past event; and
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- A reliable estimate of the amount of the obligation can be made.

Where PIF Group expects the impact of a provision to be neutralized, for example under an insurance contract, a separate asset is recognized when it is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the change of the provision due to the time value of money is recognized in the lines "Finance income" or "Finance expense" in the Income statement.

1.28. Employee defined benefits

Lecta PIF Group's employees take advantage of various benefits schemes:

- Short-term employee benefits:
  These include wages, salaries, paid holidays, social contributions, sick leave, compensated absences, bonuses, profit sharing and non-monetary benefits, all paid within 12 months after service is rendered.

- Defined **contribution** post-employment plans:
  The cost to the employer is fixed and predictable. The charge for the period is the contribution due in respect of the service rendered during the period. Payments in advance are reported in the line "Prepayments" of the Statement of financial position. Payments in arrears are reported in the line "Trade payables" of the Statement of financial position. Any accrual that does not fall due within 12 months beyond Statement of financial position date is discounted and recognized at its present value.

- Defined **benefit** post-employment plans:
  The employer retains a risk of additional contributions to be paid.
  The plan is valued in the Statement of financial position at the present value of the obligation less the fair value of any plan assets legally separate from the employer. Any unrecognized past service costs, is immediately recognized.
  All actuarial gains or losses are immediately recognized. For any curtailment, plan amendment or settlement, the resulting change is immediately recognized.

- Other long-term benefits:
  These include long-service or jubilee benefits.
  All actuarial gains or losses and any past service costs are immediately recognized.

- Termination benefits:
  These include early retirement schemes or redundancy programs.
  They are recognized as a liability and an expense when and only when a company of Lecta PIF Group is demonstrably committed to terminate the employment of a group of employees before the normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy.

The employee benefits may be funded, resulting in a debt obligation with financial institutions, resulting in the booking of a provision. Independent qualified actuaries review any material long-term obligation of Lecta PIF Group.

The costs are accounted for as follows:

- The actuarial gains and losses of Defined **benefit** post-employment plans are directly recognized in the lines "Other reserves" and "Deferred tax" of the Statement of financial position.

- All the other costs are recognized in the Income statement, in the following lines:
    - Costs related to active employees: "Labor costs";
    - Costs related to retired people: "Other operating costs except one-off costs"; and
    - Costs due to the time value of money: "Finance expense".

1.29. Share-based payments

Not used.

1.30. Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where Lecta Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Income tax payable includes withholding tax.

1.31. Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the Statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences (e.g. accelerated tax depreciation, deductible legal revaluation), except (i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or (ii) in respect of taxable temporary differences that will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences (e.g. employee benefits paid to financial institutions for which the deductibility is deferred), carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available to use these assets. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Statement of financial position date. Deferred tax relating to items recognized outside the Income statement is also recognized outside the Income statement, i.e. in the Statement of comprehensive income or directly in Equity in the Statement of financial position.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1.32. Trade payables

This heading comprises:

- Trade payables;
- Employees and social charges;
- VAT and other taxes except Income tax and withholding tax; and
- Any accruals on the above.

1.33. Other liabilities

This heading comprises:

- Capital payables following the purchase of long-lived assets;
- Shareholders payables (e.g. on capital redemption);
- Dividends payables;
- Unfavorable options on non-consolidated companies;
- Unfavorable currency hedging;
- Unfavorable interest rate hedging;
- Unfavorable energy price hedging; and
- Miscellaneous other payables (one-off costs).

1.34. Derivative hedging instruments

Lecta PIF Group uses derivative instruments to hedge foreign currency, interest rate and energy price fluctuations. Such derivative instruments are stated at their fair values as communicated by the financial institutions and the energy companies that are the counterparties to these transactions.

For accounting purposes, derivative instruments are classified in the three following categories:

- **Fair value hedges:** to cover the exposure to changes in the fair value of a recognized asset or liability.

  In Lecta PIF Group, these are forward agreements on realized day-to-day sales and purchases in non-euro currencies. Any gain or loss from re-measuring the hedging instrument at fair value is recognized in the line "Other operating costs except one-off costs" of the Income statement against "Trade receivables" or "Trade payables". In Lecta PIF Group, there are no such instruments.

- **Cash flow hedges**: to cover the exposure to variability in cash flows that is attributable to a particular risk associated with a forecast transaction.

  In Lecta PIF Group, these could be the interest rate, exchange rate and energy price swaps, caps, floors, collars, options. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in the line "Net incomes (expenses) recognized directly through Equity" of the Statement of financial position against "Other receivables" or "Other payables". It is removed from Equity when the hedged item affects the Income statement. The ineffective portion of gain or loss is immediately recognized in the line "one-off costs" of the Income statement. In Lecta PIF Group, there are no such instruments.

- **Hedges of net investments in foreign entities denominated in a non-euro currency:**
  In Lecta PIF Group, there is no such instrument. The accounting treatment is the same as for Cash flow hedges.

1.35. Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

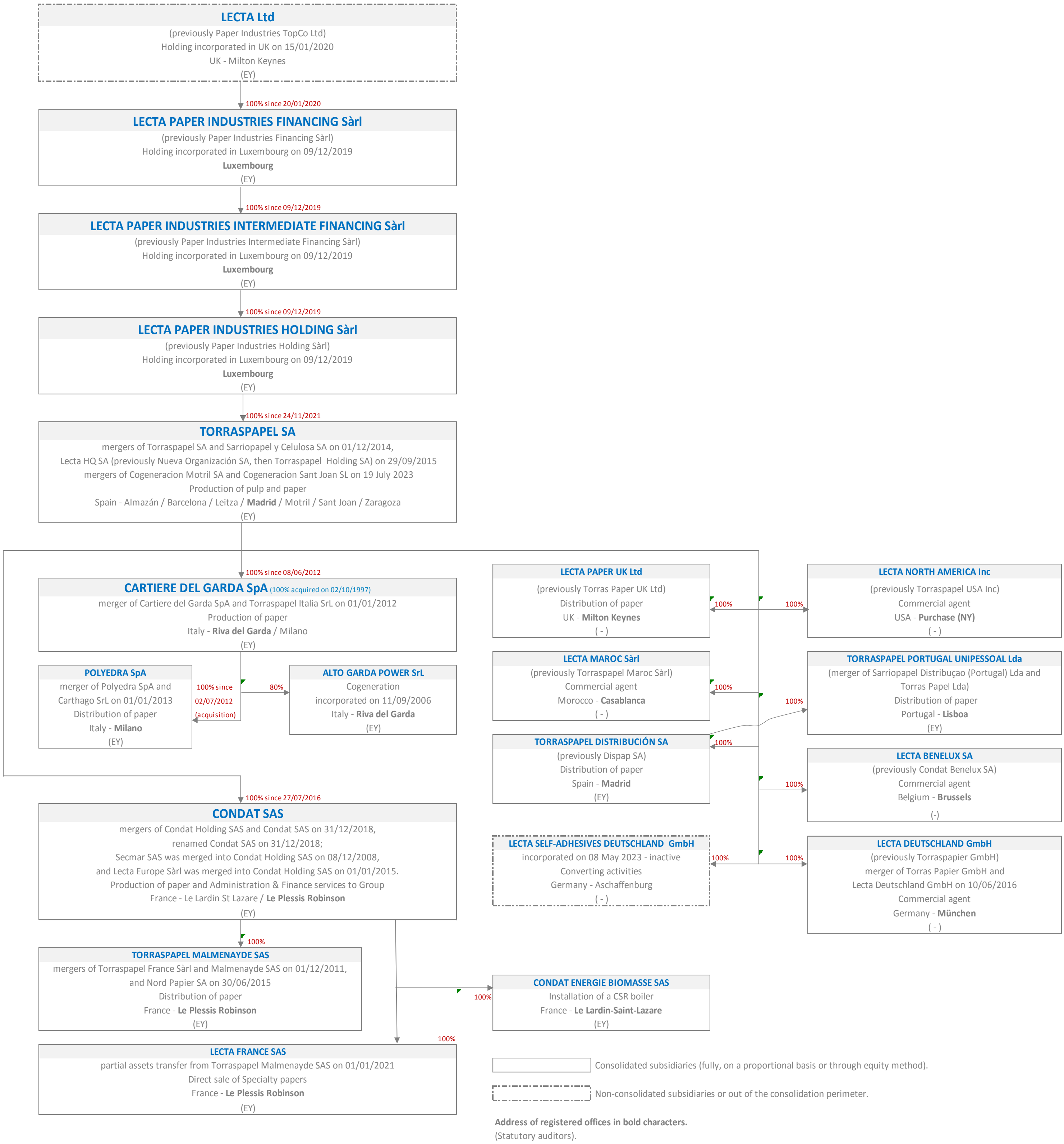
1.36. Significant accounting judgements, estimates and assumptions

Deferred tax assets
Deferred tax assets is recognized for deductible temporary differences and unused tax losses (tax credits) carried forward, to the extent that it is probable that future taxable profits will be available. In the prior year, based on the budget and plan, Lecta PIF Group estimates that the level of future taxable profits will be enough to recover deferred tax assets of EUR 17.6 M. In the current financial year, all the deductible temporary differences related to unused tax losses (tax credit) carried forward have been fully reversed. Although the updated Lecta budget and plan presents future taxable profit, management considered possible the recoverability of such tax credit due to uncertainty and volatility of the current business environmental.

Revaluation of intangible assets and unlisted securities
Intangible assets carries at fair value with changes in fair value being recognized in the statement of profit or loss. CO_2 emissions provision amount is measured at fair value by reference to comparable market data. Unlisted securities carries at fair value with changes in fair value being recognized in other comprehensive income. For unlisted securities a valuation methodology based on a net assets model was used, as there is a lack of comparable market data because of the nature of the investments.

2. Lecta Paper Industries Financing Group at 31 December 2023

2.1. Organization Chart



2.2. Consolidated subsidiaries

Subsidiaries	Activity	Country of incorporation	Interest	Control	Consol. method
Alto Garda Power SrL	Cogeneration	Italy	80%	80%	Full
Cartiere del Garda SpA (absorbed Torraspapel Italia SrL)	Production of woodfree coated paper	Italy	100%	100%	Full
Condat Energie Biomasse SAS	Installation of CSR boiler	France	100%	100%	Full
Condat SAS (previously Condat Holding SAS; absorbed Secmar SAS, Lecta Europe Sàrl, and Condat SAS)	Production of woodfree coated paper, Administration & Finance services to Group	France	100%	100%	Full
Lecta Benelux SA (previously Condat Benelux SA)	Commercial agent	Belgium	100%	100%	Full
Lecta Deutschland GmbH (previously Torras Papier GmbH)	Commercial agent	Germany	100%	100%	Full
Lecta France SAS	Sale of Specialty paper	France	100%	100%	Full
Lecta Maroc Sàrl (previously Torraspapel Maroc Sàrl)	Commercial agent	Morocco	100%	100%	Full
Lecta North America Inc (previously Torraspapel USA Inc)	Commercial agent	USA	100%	100%	Full
Lecta Paper UK Ltd (previously Torras Paper UK Ltd)	Distribution of paper	UK	100%	100%	Full
Paper Industries Financing Sàrl	Holding	Luxembourg	100%	100%	Full
Paper Industries Holding Sàrl	Holding	Luxembourg	100%	100%	Full
Paper Industries Intermediate Financing S.à r.l.	Holding	Luxembourg	100%	100%	Full
Polyedra SpA (absorbed Carthago SrL)	Distribution of paper	Italy	100%	100%	Full
Torraspapel Distribución SA (previously Dispap SA; spin-off of the distribution activity from Torraspapel SA)	Distribution of paper	Spain	100%	100%	Full
Torraspapel Malmenayde SAS	Distribution of paper	France	100%	100%	Full
Torraspapel Portugal Unipessoal Lda (merger of Sarriopapel Distribuiçao (Portugal) Lda and Torras Papel Lda)	Distribution of paper	Portugal	100%	100%	Full
Torraspapel SA (absorbed Sarriopapel y Celulosa SA and Lecta HQ SA; spin-off of the distribution activity to Torraspapel Distribución SA)	Production of pulp and paper	Spain	100%	100%	Full
Lecta Self-Adhesive Deutschland Gmbh	Self-adhesive converting site	Germany	100%	100%	N/A*

**Lecta Self-Adhesive Deutschland Gmbh has not been consolidated in the FY23 financial statements.*

1997

Sub Lecta 1 SA

Sub Lecta 1 SA was incorporated in Luxembourg on 11 August 1997. On 2 October 1997, Sub Lecta 1 SA acquired Cartiere del Garda SpA, an Italian producer of coated woodfree paper, from Bertelsmann Group.

1998

Condat Holding SAS

Condat Holding SAS was set up by Cartiere del Garda SpA and incorporated in France on 4 November 1998.
On 13 November 1998, Condat Holding SAS acquired Condat SAS, a French producer of coated woodfree paper, from Jefferson Smurfit Group.

Lecta Europe Sàrl

Lecta Europe Sàrl, in charge of administration and finance for the Group was set up by Condat Holding SAS and incorporated in France on 30 November 1998.

1999

Sub Lecta 2 SA

Sub Lecta 2 SA was incorporated in Luxembourg on 14 October 1999.

Lecta HQ SA

Lecta HQ SA (previously called Torraspapel Holding SA), incorporated in Spain on 24 September 1999, became a subsidiary of Sub Lecta 2 SA on 28 October 1999.

Lecta HQ SA

On 14 December 1999, Lecta HQ SA acquired 95.05% of Torraspapel SA, a Spanish paper merchant and producer of pulp and paper, from Grupo Torras SA and Paltor ApS, two companies under the control of Kuwait Investment Authority.

Lecta SA

The parent company Lecta SA was incorporated in Luxembourg on 14 October 1999. On 13 December 1999, the shares of Sub Lecta 1 SA and Sub Lecta 2 SA were contributed to Lecta SA. Consequently, the above subsidiaries have been consolidated since 1 December 1999.

2002

Torraspapel SA

On 13 December 2002, Torraspapel SA acquired 25.59% of Sub Lecta 1 SA. Due to the presence of non-controlling interests in Torraspapel SA, this acquisition resulted in non-controlling interests in Sub Lecta 1 SA and its subsidiaries.

2004

Torraspapel Servicios México S. de R.L. de C.V.

Torraspapel Servicios México S. de R.L. de C.V. was set up by Dispap SA and incorporated in Mexico on 6 October 2004. It is a provider of administration services to Lecta México S. de R.L. de C.V. It started its activities in 2005. It is consolidated since 01 January 2005.

2006

Sarriopapel Distribuiçao (Portugal) Lda

On 1 July 2006, Sarriopapel Distribuiçao (Portugal) Lda absorbed Torras Papel Lda and was renamed Torraspapel Portugal Lda. Both companies were consolidated before the merger.

Alto Garda Power SrL

On 11 September 2006, Alto Garda Power SrL was incorporated in Italy. It is 80% owned by Cartiere del Garda SpA and 20% by Alto Garda Servizi SpA, a local utility controlled by the City of Riva del Garda. This company's purpose is to own and operate a cogeneration plant and provide steam and electricity to its shareholders and the market.

2007

Cogeneración del Ter SL

Cogeneración del Ter SL is a cogeneration plant located in Sarrià de Ter (Spain). It was 70% owned by Torraspapel SA and 30% by La Energía SA, a subsidiary of energy services Gas Natural Group when it was consolidated from 1 July 2007.

IDAE Sant Joan AIE

On 11 December 2007, IDAE Sant Joan AIE was incorporated in Spain. It is 51% owned by Torraspapel SA and 49% by Instituto para la Diversificación y Ahorro de la Energía (IDAE) the Spanish Institute for Energy Diversification and Saving. This company's purpose is to own and operate a cogeneration plant and provide steam and electricity to Torraspapel SA and the market.

2008

Lecta North America Inc.

On 1 January 2008, Lecta North America Inc, the 100% owned commercial agent in North America for Lecta PIF Group, was included in the consolidation perimeter.

Dispap SA

On 1 January 2008, Dispap SA, a paper distributor in Spain having no more operating activity, was excluded from the consolidation perimeter.

Secmar SAS

On 6 May 2008, Torraspapel SA acquired 100% of Secmar SAS. Secmar SAS was a French company holding 100% of Malmenayde SAS and 66% of Nord Papier SA, two French paper merchants

Secmar SAS

On 3 November 2008, Torraspapel SA contributed Secmar SAS to Condat Holding SAS and received in return a 23.17% interest in that company

Lecta HQ SA

On 26 November 2008, Lecta HQ SA acquired 4.95% non-controlling interests in Torraspapel SA following the exercise of a put option, negotiated in December 1999 at the time of the acquisition of Torraspapel SA. It now holds 100% in Torraspapel SA

Secmar SAS

On 8 December 2008, Secmar SAS was merged into Condat Holding SAS. Malmenayde SAS and Nord Papier SA became direct subsidiaries of Condat Holding SAS.

2009

Cogeneración del Ter SL

On 18 December 2009, Torraspapel SA acquired an additional 5% in Cogeneración del Ter SL. It now holds 75% in Cogeneración del Ter SL.

2010

Lecta Deutschland GmbH

On 1 January 2010, Lecta Deutschland GmbH, the 100% owned commercial agent in Germany for Lecta Group products, was included in the consolidation perimeter.

Lecta Benelux SA

On 1 January 2010, Lecta Benelux SA, the 100% owned commercial agent in Benelux for Condat products, was included in the consolidation perimeter.

2011

Cogeneración Motril SA

On 26 July 2011, Torraspapel SA acquired 24% additional equity in Cogeneración Motril SA to increase its participation to 75%.

Malmenayde SAS

On 1 December 2011, Malmenayde SAS was merged into Torraspapel France Sàrl, and the resulting entity was named Torraspapel Malmenayde Sàrl.

Cogeneración Motril SA

On 5 December 2011, Torraspapel SA acquired 6% additional equity in Cogeneración Motril SA. It now holds 81% in Cogeneración Motril SA.

Torraspapel Italia SrL

On 31 December 2011, Torraspapel Italia SrL, the commercial agent in Italy for Torraspapel products was excluded from the consolidation perimeter. On 1 January 2012, Torraspapel Italia SrL was merged into Cartiere del Garda SpA.

2012

Sub Lecta 3 SA

On 26 April 2012, Sub Lecta 3 SA was incorporated in Luxembourg. It is 100% owned by Sub Lecta 1 SA. Its purpose is to be a holding company.

Polyedra SpA

On 2 July 2012, Cartiere del Garda SpA acquired 100% of Polyedra SpA. Polyedra SpA is an Italian paper merchant who in turn holds 100% of Carthago SrL, another Italian paper merchant.

Condat Holding SAS

On 25 September 2012, Condat Holding SAS acquired 34% non-controlling interests in Nord Papier SA. It now holds 100% in Nord Papier SA.

2013

Carthago SrL

On 1 January 2013, Carthago SrL was merged into Polyedra SpA.

Sub Lecta 4 SA

On 29 November 2013, Sub Lecta 4 SA was incorporated in Luxembourg. It is 100% owned by Sub Lecta 3 SA. Its purpose is to be a holding company.

Torraspapel Argentina SA

On 10 December 2013, Torraspapel SA and Sarriopapel y Celulosa SA sold 100% of their participation in the Argentinean paper distributor Torraspapel Argentina SA.

2014

Cogeneración del Ter SL

On 23 October 2014, following the permanent closure of the paper mill located in Sarrià de Ter, the liquidation of Cogeneración del Ter SL was initiated.

Sarriopapel y Celulosa SA

On 1 December 2014, Sarriopapel y Celulosa SA was merged into Torraspapel SA. Following this merger, Torraspapel SA directly holds 100% in Torraspapel Portugal Lda and Torras Papier GmbH.

2015

Lecta Europe Sàrl

On 1 January 2015, Lecta Europe Sàrl was merged into Condat Holding SAS.

Nord Papier SA

On 30 June 2015, Nord Papier SA was merged into Torraspapel Malmenayde SAS.

Cogeneración Motril SA

On 6 July 2015, the shareholders meeting of Cogeneración Motril SA, decided a share capital decrease to 0€ against losses, immediately followed by a capital increase of 2.6M€. The majority shareholder of 81% (Torraspapel SA) subscribed to the capital increase for an amount of 2.1M€, while the minority shareholders of 19% did not take part to the capital increase. This operation was delivered to the Registry of the Commercial Court ("Registro Mercantil") in October 2015.

Sub Lecta 4 SA, Sub Lecta 3 SA and Sub Lecta 1 SA

On 3 August 2015, Sub Lecta 4 SA, Sub Lecta 3 SA and Sub Lecta 1 SA were merged into Sub Lecta 2 SA and the resulting entity was renamed Sub Lecta SA on 17 August 2015.

Lecta HQ SA

On 29 September 2015, Lecta HQ SA was merged into Torraspapel SA (reverse merger).

Torraspapel SA

On 16 November 2015, Torraspapel SA acquired 25% additional equity in Cogeneración del Ter SA, en liquidación (liquidation initiated on 23 October 2014), against 1€ cash payment to increase its participation to 100%.

2016

Dispap SA

On 1 January 2016, Dispap SA a holding company having no operating activity was included in the consolidation perimeter.

Lecta Deutschland GmbH

On 10 June 2016, Lecta Deutschland GmbH was merged into Torras Papier GmbH and the resulting entity was renamed Lecta Deutschland GmbH.

2017

Cogeneración del Ter SA

On 13 June 2016, Cogeneración del Ter SA was liquidated.

Plot Service SrL

On 9 May 2017, Polyedra SpA acquired 100% of Plot Service SrL. Plot Service SrL is specialized in technical assistance for professional large format graphic peripherals.

Torraspapel Distribución SA

On 15 December 2017, the distribution activity in Spain was spin-off from Torraspapel SA to Dispap SA. Torraspapel SA also assigned its participation in Torraspapel Portugal Unipessoal Lda to Dispap SA. The latter was renamed Torraspapel Distribución SA.

2018

Lecta México S. de R.L. de C.V. and Torraspapel Servicios México S. de R.L. de C.V.

On 30 November 2018, the two Mexican subsidiaries, Lecta México S. de R.L. de C.V. and Torraspapel Servicios México S. de R.L. de C.V. were put into liquidation.

Cogeneración Sant Joan AIE

On 21 December 2018 Torraspapel SA acquired the 49% non-controlling interests in IDAE Sant Joan AIE, and the company was renamed Cogeneración Sant Joan AIE.

Condat SAS

On 31 December 2018, Condat SAS was merged into Condat Holding SAS and the resulting company was renamed Condat SAS.

2019

Cogeneración Sant Joan SL

In June 2019 transformation from an economic Grouping (AIE) into a limited liability company (SL).

Lecta México S. de R.L. de C.V. and Torraspapel Servicios México S. de R.L. de C.V.

In September 2019, the two Mexican subsidiaries, Lecta México S. de R.L. de C.V. and Torraspapel Servicios México S. de R.L. de C.V. were liquidated.

2020

Lecta Ltd (1st Step of Recapitalization)

On 4 February 2020 the Group was recapitalized. Lecta SA sold Sub Lecta SA to Paper Industries Holding Sàrl, and left the Group. Lecta Ltd with a share capital of 3,000k€ became the new parent company of the Group, and three new sub-holdings were added to the consolidation perimeter: Paper Industries Financing Sàrl, Paper Industries Intermediate Financing Sàrl, and Paper Industries Holding Sàrl.

Condat Energie Biomasse SAS

On 1 January 2020, Condat Energie Biomasse SAS, a company with no operating activity, was added to the consolidation perimeter to match with the launch of a CSR boiler project.

Lecta Ltd (2nd Step of Recapitalization)

On 16 July 2020, Lecta Ltd share capital was increased.

2021

Plot Services SrL

Plot Services SrL was disposed on 1 March 2021.

Lecta France SAS

On 31 March 2021, Torraspapel Malmenayde SAS made the transfer of the net assets of its Specialty papers direct sale activity to Lecta France SAS, with accounting and tax retroactive effects as at 1 January 2021.
On 16 April 2021, Torraspapel Malmenayde SAS made a distribution in kind of all Lecta France SAS shares to Condat SAS.

Sub Lecta SA

On 24 November 2021, Sub Lecta SA distributed its 100% participation in Torraspapel SA to Paper Financing Holding Sàrl, before being liquidated on 22 December 2021.

2023

Cogeneración Motril SA

On 19 July 2023 the company has been merged into Torraspapel SAU with retroactive effect as of 01 January 2023.

Cogeneración Sant Joan SL

On 19 July 2023 the company has been merged into Torraspapel SAU with retroactive effect as of 01 January 2023.

Lecta Self-Adhesive Deutschland Gmbh

On 8 May 2023 the company was incorporated in Duesseldorf Germany and finally registered on 2nd October 2023. The Company will operate a converting center in Germany for self-adhesive business. The company as of 30 December 2023 was inactive and not included in the perimeter of consolidation.

2.3. Interests in non-consolidated companies

Companies	Activity	Country of incorporation	Interest	Control	Comments
Catalana d'Iniciatives CR SA	*In liquidation*	*Spain*	*0.39%*	*0.39%*	*(a)*
Consorzio Nazionale Imballaggi Scarl	*Recovery & Recycling*	*Italy*	*0%*	*0%*	*(a)*
Gas Intensive Scarl	*Purchase of methane by Italian industries*	*Italy*	*1%*	*1%*	*(a)*
Promotora del Ulla SA	*In liquidation*	*Spain*	*45.20%*	*45.20%*	*(a),(b)*
CITEO	*Recycling of packaging and paper in France*	*France*	*0%*	*0%*	*(a)*
SVL Pilote SAS	Logistics	France	0%	0%	(a)
SVT SAS	Packing	France	0%	0%	(a)

In italic: Non-strategic companies.

These companies are not consolidated because of the following reasons:

(a) Lecta PIF Group has no control and no significant influence in these companies.

(b) Immaterial to the Group due to no operating activity.

On 18 December 2020, Lecta France SAS was incorporated with no operating activity. It was not consolidated as at 31 December 2020. On 31 March 2021, the activity of direct sales of Specialties in France was spin-off from Torraspapel Malmenayde SAS to Lecta France SAS (see Note 2.2). Lecta France SAS is consolidated as at 31 December 2021.

3. Significant events of 2023

3.1. Changes in Lecta Paper Industries Financing Board

There are no significant changes in Lecta Paper Industries Financing Board.

On 9th April a new Board of Managers has been appointed. The Board is currently composed of five Managers:

– Gilles J. Van Nieuwenhuyzen, class A manager, CEO of Lecta Ltd Group;
– Joost Mees, class B manager;
– Ludovic Trogliero, class B manager;
– Giovanni Incardona, class B manager; and
– Alain Gaudré, class B manager, CFO of Lecta Ltd Group.

3.2. 2023 Organization efficiency program

The integration process covers Lecta industrial operations in Italy, France and Spain, as well as the paper distribution ones in the same countries and, additionally, Portugal. Within the Organization efficiency program, Lecta planned several cost reduction projects.

Overall through Organization Efficiency Program, Lecta aims at maintaining the labor costs stable in spite of salary inflation and new job positions in relation with the investments in Specialties. More specific action, see the following point 3.3, refers to structural decline of some market.

For the twelve months ended 31 December 2023 the restructuring cost associated to Lecta PIF efficiency programs was EUR (42.5) M, reported as "Other one-off costs" in the Income statement.

3.3. Activity cease Paper Machine 4 at Condat mill

Lecta has ceased the activity on Paper Machine 4 (PM4) at its Condat mill which was producing Coated Woodfree Paper (CWF). Lecta has focused Condat mill completely on the production of specialty papers, on PM8, in which it has invested through a conversion in 2021.

The reorganization project was announced in June 2023 to the employee representatives and consultation and negotiation process ended on 11 October 2023, with all unions representatives signing the social plan. Social plan conditions were approved by government authorities on the 31 October 2023. Effective reduction of the workforce started in December and will continue during several months of 2024.

In December 2023, a provision for restructuring of EUR 19.8 M was accounted for in the line "One-off costs" (see note 11).

3.4 Refinancing

The Group appointed Lazard as Debt Advisor early in 2023 to address 2025 maturities and optimize funding needs to enable the Company to best execute its Business Plan.

On 7 June 2023, the agent under the term and revolving facilities agreement dated 27 January 2020 (as amended and restated from time to time, the "SSFA"), acting on the instructions of the requisite majority of lenders, granted a waiver to Paper Industries Intermediate Financing, as agent for each obligor under the SFA, with respect to its obligation to comply with a minimum EBITDA covenant under the SFA until the quarter ending 30 June 2024.

On 13 October 2023, Lecta announced that holders of its 2025 First and Second Senior Secured Notes (respectively, the "First SSNs" and "Second SSNs", together, the "Existing SSNs"), holders of the debt under its super senior facilities agreement (the "SSFA") and the Group executed a lock-up agreement (the "Lock-Up Agreement"), pursuant to which those parties have agreed to support the implementation of the comprehensive refinancing package (the "Refinancing").

The Company receives consents from: (i) 88% by value of aggregate outstanding principal under the First SSNs; (ii) 99% by value of aggregate outstanding principal under the Second SSNs; and (iii) 100% by value of aggregate outstanding principal under the SSFA for the changes necessary to implement the Refinancing.

As a result of the level of consents already achieved, the Company is, and as contemplated under the Lock-Up Agreement, seeks to effect the Refinancing via an English scheme of arrangement relating to the Existing SSNs (the "Scheme").

A Scheme of Arrangement is a statutory procedure, which permits a company to enter into an arrangement or compromise with its creditors (or any class of them) which, if approved by the requisite majority of such members or creditors and sanctioned by the court, will be binding on all of them, whether or not they voted in favor of it.

The relevant Scheme must be approved by the statutory majority of each relevant class of creditors at a Scheme Meeting, convened by the High Court for the purpose of considering the Scheme. The Scheme Meeting was convened at the Convening Hearing on 2 November 2023, and took place on 20 November 2023, final Scheme Sanction Hearing was the 24th November.

Refinancing Effective Date takes place on 5th December 2023 and results in:

- the extension of the maturities of the €115m debt held under the SSFA to Q1 2028;
- the exchange of the Existing SSNs into a single tranche of €264m senior secured notes (the "New SSNs") maturing in Q3 2028, with the Company having the option to pay interest in-kind subject to meeting certain conditions;
- the issuance of a €97m facility in the form of tradeable notes (the "New Money Facility") maturing Q1 2028, ranking senior to the New SSNs and junior to the SSFA;
- the issuance of Warrants, to participants in the New Money Facility pro rata to their commitments, entitling holders thereof to subscribe (at a later date and in accordance with their terms) for shares in the Company equal to, in aggregate, 5% of the fully diluted share capital of the Company.
- Noteholders and SSFA Lenders who provide consent to the Refinancing by the relevant deadlines and upon meeting certain conditions receiving a consent fee.

Paper Industries Intermediate Financing S.à r.l. (the "Issuer") and the Co-Issuer (Lecta Paper UK Ltd) requested the Luxembourg Stock Exchange to remove the Existing SSNs from the Euro MTF of the Luxembourg Stock Exchange, effective immediately following the mark-down and cancellation of the Existing SSNs in accordance with the terms of the Scheme.

New SSNs and New Money Facility will be listed respectively in the Luxembourg Stock Exchange and Vienna Stock Exchange.

Following the refinancing, the Group capitalised transaction cost paid amounting to €13m, to be amortised over the loan period. Additionally, it also generated €15m additional liabilities payable toward the end of the maturity period, to be accrued on a straight-line basis throughout the loan period.

The refinancing of the existing SSN has yielded a loan modification gain of €3.2m, while the refinancing of the existing SSFA incurred a loan modification loss of €3.1m. Collectively, this adjustment have resulted in a net immaterial impact, thus no net modification gain is recognised in the income statement hence no modification gain or loss being recognised.

The carrying value of the warrant granted to the participant of the loan is not being recognised due to immateriality.

4. Significant events of 2022

4.1. Changes in Lecta Paper Industries Financing Sàrl Board

On 7 March 2022, Lecta Ltd, the only shareholder of Paper Industries Financing Sàrl approved:

– The removal of Martinus Weijermans as the manager B of the company, with effect as of 15 March 2022;

– The appointment of Ludovic Trogliero as the manager B of the company, with effect as of 15 March 2022.

Following this change, the Board of Paper Industries Financing Sàrl has been composed of two members:

– Joost Mees, manager A;
– Ludovic Trogliero, manager B.

4.2. Cancellation of gas supply contract

In 2023, Lecta PIF Group signed a new contract for supplying gas to its mill operations. Although, the gas pricing will vary with market fluctuations, the new agreement does not have substantial impact on the business operation. These price changes will contribute to the raw material cost, which will be recoverable through sales

4.3. Military operations initiated by Russia against the Ukraine

As mentioned in Lecta FY 2022 Annual Report, although neither the company's performance and going concern nor operations, at the date of this report, have been significantly impacted by the above in terms of volume sold since the Group is not selling in these countries, Management continue to monitor the evolving situation and its impact on the financial position and results of the Company. In 2022, prices of raw materials and energy had been clearly impacted by the conflict, but the Group had successfully translated this increase to the selling price. In 2023 the price evolution was the opposite and the Management in maintaining the level of margins despite the slowdown of economy and destocking process affection all the paper sector.

4.4. 2022 Organization efficiency program

The integration process covers Lecta industrial operations in Italy, France and Spain, as well as the paper distribution ones in the same countries and, additionally, Portugal. Within the Organization efficiency program, Lecta planned several cost reduction projects. No provision for restructuring was recognized.

For the twelve-month period ended 31 December 2022 the restructuring cash cost associated to Lecta efficiency programs was EUR (8.7) M, reported as "Other one-off costs" in the Income statement (see Note 11).

Through Organization Efficiency Program, Lecta aims at maintaining the labor costs stable in spite of salary inflation and new job positions in relation with the investments in Specialties.

5. Information by Operating Division

The Chief Operating Decision Makers analyze the group activity through three lines of products and services, within a unique operating segment, "production and sale of paper".

The definition of products and services is:

- Coated Woodfree consists in the sale of fine paper manufactured by Lecta PIF Group. The Coated Woodfree is nearly exclusively sold to third parties;
- Specialties consist in the sale of specialty papers manufactured by Lecta PIF Group. The Specialties are nearly exclusively sold to third parties;
- Purchased Products consist in the sale of products purchased from third parties.

For products and services reporting, definitions are as follows:

- Net sales of Paper consist of "Revenue" reported in the Income statement less "Sales of energy" (see Note 8).
- EBITDA is the EBITDA reported in the Income statement. There is no significant non-cash expense within the EBITDA.
- Non-current assets is the sum of "Property, plant and equipment", "Investment properties", "Other intangible assets" and "Biological assets" reported in the Statement of Financial Position.

Following items are not included: "Goodwill", "Investment in associates", "Unlisted" securities, "Deferred income tax assets", "Non-current income tax receivable", "Other non-current receivables" and "Non-current assets held for sale".

The reclassification of the early payment discount and the discount on anticipated payments mentioned in note 1.36 will impact non-GAAP measures EBITDA computation. FY23 EBITDA pre reclassification was EUR 47,877 K and FY23 EBITDA post reclassification EUR 33,995 K. FY22 EBITDA pre reclassification was EUR 165,824 K and FY22 EBITDA post reclassification EUR 147,414 K.

The intra-segment and inter-segment sales are made at market price.

The rationale is that the activity of Lecta PIF Group is to produce and sell paper. In this context, Lecta PIF Group operates cogeneration plants that burn gas and produce electricity and steam. The production of steam is internally consumed, while the production of electricity can be internally consumed or sold to the grid.

(in EUR M)	2023	(Restated) 2022
Coated Woodfree	551	809
Specialties	481	722
Purchased products	145	180
Net Sales of Paper	**1,177**	**1,711**
Sales of Energy	**61**	**177**
Revenue	**1,238**	**1,888**

5.1. Information about profit or loss

The following table compares sales and profit information of the products and services for the year ended 31 December 2023, with the prior year. It considers the above definitions:

Net Sales of Paper

Products & Services (in EUR M)	Jan to Dec 2023	(Restated) Jan to Dec 2022	Change absolute	Change %
Coated Woodfree	551	809	-258	-32%
Specialties	481	722	-240	-33%
Purchased products	145	180	-35	-20%
Total	**1,177**	**1,711**	**-534**	-31%

EBITDA

Products & Services (in EUR M)	Jan to Dec 2023	(Restated) Jan to Dec 2022	Change absolute	Change %
Coated Woodfree	39	84	-45	-53%
Specialties	-10	47	-57	nm
Purchased products	4	16	-12	-73%
Total	**34**	**147**	-113	-77%

EBITDA Margin

Products & Services (in EUR M)	Jan to Dec 2023	(Restated) Jan to Dec 2022	Change absolute	Change %
Coated Woodfree	7.2%	10.4%	-3.2	
Specialties	-2.1%	6.5%	-8.6	
Purchased products	3.0%	9.0%	-5.9	
Total	**2.9%**	**8.6%**	-5.7	

Breakdown of Net Sales of Paper and EBITDA by Product and Service:

	Net Sales of Paper			EBITDA		
	Dec 2023 YTD	(Restated) Dec 2022 YTD	Change	Dec 2023 YTD	(Restated) Dec 2022 YTD	Change
Coated Woodfree	**47%**	47%	-0pp	**116%**	57%	+59pp
Specialties	**41%**	42%	-1pp	**-29%**	32%	-61pp
Purchased products	**12%**	11%	+2pp	**13%**	11%	+2pp
	100%	100%		**100%**	100%	

5.2. Information about geographical areas

The following tables present Net Sales of Paper to third parties and Non-current assets of Lecta PIF Group's products and services for the years ended 31 December 2023 and 2022:

Geographical location of customers (in EUR M)	Net sales of paper Jan to Dec 2023	Net sales of paper (Restated) Jan to Dec 2022
Europe	1,056	1,450
Americas	65	170
Rest of world	57	91
Total	**1,177**	**1,711**

Geographical location of assets (in EUR M)	Non-current assets 31 Dec 2023	Non-current assets 31 Dec 2022
Italy	82	83
France	142	120
Spain	310	323
Total	**534**	**525**

6. Personnel

Lecta PIF Group employed circa 2,806 FTE people in the year ended 31 December 2023.

The following schedule presents the number of employees at year-end, computed on a full-time equivalent basis. It includes permanent and temporary employees.

Companies	DEC 2023	DEC 2022
Cartiere del Garda SpA	474	469
Condat SAS	349	403
Lecta Benelux SA	4	8
Lecta Deutschland GmbH	22	14
Lecta France	8	10
Lecta Ltd	0	0
Lecta Maroc Sàrl	2	2
Lecta North America Inc	10	10
Lecta Paper UK Ltd	13	13
Polyedra SpA	140	143
Torraspapel Distribución SA	90	99
Torraspapel Malmenayde Sàrl	84	78
Torraspapel Portugal Unipessoal Lda	24	24
Torraspapel SA	1,587	1,579
Total	**2,806**	**2,852**

7. Research and Development costs

(in EUR K)	2023	2022
Costs	85	512

All these costs were expensed as incurred, in compliance with the accounting policy (see Note 1.13).

8. Revenue

	January to December	
		(Restated)
(in EUR K)	2023	2022
Net Sales of Paper	1,176,923	1,711,030
Sales of energy	61,384	177,190
Revenue	**1,238,307**	**1,888,220**

		(Restated)
(in metric tonnes)	2023	2022
Volume sold of paper	797,012	1,147,403

		(Restated)
(in MWh)	2023	2022
Volume sold of energy	532,278	788,439

The remaining performance obligations as at 31 December are, as follows:

		(Restated)
(in EUR K)	2023	2022
Within one year	88,848	46,080

9. Depreciation

(in EUR K)	Notes	2023	2022
Depreciation of Property, plant and equipment	(15)	(51,019)	(50,842)
Depreciation costs of the Right-of-Use	(15)	(1,785)	(4,433)
Amortization of Grants		1,339	1,605
Depreciation		**(51,464)**	**(53,670)**

10. Amortization

Not applicable.

11. One-off costs

	January to December	
(in EUR K)	2023	2022
Recapitalization fees & costs	(1,341)	30
Property, plant and equipment	(3,557)	6,777
Organization efficiency program	(17,612)	(8,743)
Other items	(21,292)	(147)
Other one-off costs	(42,460)	(2,113)
One-off costs	**(43,802)**	**(2,083)**

Recapitalization fees & costs

The fees and costs associated to the Recapitalization of the Group are reported in this line. They amounted to EUR 1.3 M in 2023 and 30 K in 2022.

Property, plant and equipment

2023

The loss of EUR 3,557 K was mainly due to an impairment of tangible assets associated to the closure of line PM4 in Condat.

2022

The profit of EUR 6,777 K was mainly due to a capital gain on the sale of a warehouse in Getafe for EUR 6,953 K, the sale of land in Motril for EUR 96 K, a capital loss on the disposal of a warehouse in Truccazzano for EUR (75) K and the change of offices and warehouse in Le Plessis. For EUR (116) K.

Organization efficiency program

It is formed of several plans, aimed at improving the group's competitiveness (see Note 3.2):

2023

The loss was mainly due to a provision for restructuring due to the closure of line PM4 in Condat, which amounted EUR 19,820k, partially offset by the reversal of other existing liabilities.

2022

EUR (8,743) K cost included EUR (4,509) K for the extension of SSFA, EUR (2,598) K of indemnities to redundant employees, and the balance of EUR (1,636) K consisted of projects aiming at improving the efficiency of the Group and simplifying its organization.

Other items

2023

This caption includes non-operating costs and contracts associated to the closure of PM4 in Condat Mill.

2022

This line included a charge of EUR (178) K in Torraspapel Malmenayde SAS for the change of offices and warehouse,and a profit of EUR 397 k in Alto Garda Power SrL for the reversal of a tax litigation provision.

12. Finance income (expense)

(in EUR K)	January to December 2023	(Restated) 2022
Interest on Senior Notes and New Money	(25,272)	(16,947)
Amortization of issue costs on Senior Notes and New Money	(3,081)	(1,200)
Senior Notes and New Money	**(28,353)**	**(18,147)**
Lease obligations	**(1,122)**	**(477)**
Interest on other long-term borrowings	(14,079)	(8,939)
Other long-term borrowings	**(14,079)**	**(8,939)**
Trade receivables: non-recourse assignment cost	(8,091)	(4,897)
Finance cost in the provision on employees benefits	(519)	(71)
Issue costs expensed as incurred	(915)	(457)
Other financial incomes	2,007	2,769
Other financial expenses	(2,386)	(2,947)
Finance income	2,007	2,769
Finance expense	(55,466)	(35,934)

- *Interest on Senior Notes and New Money* of EUR (25,272) K consisted in the interest expense on the new Notes issued on 4 February 2020 and 16 July 2020 and refinance on 5 December 2023.

- *Amortization of issue costs on Senior Notes* of EUR (1,502) K consisted in the amortization of the 10% OID included in the new Notes issued on 16 July 2020.

- *Amortization of issue costs on New Senior Notes and New Money notes* of EUR 481 k issued on 5 December 2023, which consisted in the amortization of refinancing costs and OID.

- *Issue costs expensed as incurred* of EUR (915) K were in relation with a borrowing in Torraspapel SA (EUR (150) K) and in Condat Energie Biomasse SAS (EUR (760) K).

- *Other financial incomes* of EUR 2,007 K and "other financial expenses" of EUR (2,386) K were mainly due to foreign currency exchange differences and bank services.

13. Income tax in the Income statement

13.1. Overview

(in EUR K)	2023	2022
Current tax	(6,695)	(14,102)
Deferred tax	(23,056)	(2,764)
Income / (Expense)	**(29,751)**	**(16,866)**

Deferred tax

2023

The deferred tax charge of EUR (23,056) K was the result of:

- EUR (19,615) K of deferred tax impairment for tax losses carried forward in Torraspapel.
- EUR (4,021) K of deferred tax impairment for tax losses carried forward in Condat.
- EUR 580 K of deferred tax income based on temporary differences.

2022

The deferred tax charge of EUR (2,764) K was the result of:

- EUR (2,764) K of deferred tax charge on temporary differences.

13.2. Effective income tax rate

(in EUR K)	2023	2022
Profit (loss) before tax	(114,730)	58,496
Nominal tax rate in Luxembourg	24.94%	24.94%
Tax at nominal tax rate	28,614	(14,589)
Impact of local tax rates (1):	1,097	325
In the current year	1,097	325
In the forthcoming years	0	0
Adjustments on usable tax losses (2):	(13,961)	(996)
Recognition (derecognition) of tax losses	(13,961)	(996)
Other adjustments	0	0
Unabsorbed tax losses (3)	(30,875)	8,913
Permanent differences on tax bases (4)	(16,371)	6,961
Other adjustments (5)	1,745	(8,567)
P&L income tax	(29,751)	(16,866)
Effective tax rate	**(25.9)%**	**28.8 %**

2023

(1) (Impact of local tax rates:
- The local tax rates in the current year were generally higher than the Luxembourg actual nominal tax rate of 24.94%. Applied to the sum of locally computed profit (loss) before tax, negative in 2023, the difference in tax rates generated an impact of EUR 1,097 K;

(2) Adjustments on usable tax losses:
- Some deferred tax assets on tax losses were derecognized or not recognized for a total of EUR (13,961) K;

(3) Unabsorbed tax losses included:
- Unabsorbed tax losses amounting EUR (30,875) K.

(4) Permanent differences on tax bases:
- Non-deductible depreciation generated an impact of EUR 259 K;
- Thin capitalization rules on Finance expense generated an impact of EUR (5,641) K;
- Other definitively non-taxable profits (recapitalization, intercompany dividends) or non-deductible expenses (goodwill impairment) resulted in an impact of EUR (10,990) K

(5) Other adjustments included:
- EUR (688) K for the IRAP ("Imposta Regionale sulle Attivita Produttive", EUR (129) K for the CVAE ("Cotisation sur la Valeur Ajoutée des Enterprises, and other tax differences computed on a different base than the taxable earnings and other temporary differences amounting EUR 629 K.

2022

(1) Impact of local tax rates:
- The local tax rates in the current year were generally higher than the Luxembourg actual nominal tax rate of 24.94%. Applied to the sum of locally computed profit (loss) before tax, positive in 2022, the difference in tax rates generated an impact of EUR 325 K;

(2) Adjustments on usable tax losses:
- Some deferred tax assets on tax losses were derecognized or not recognized for a total of EUR (996) K;

(3) Permanent differences on tax bases:
- Non-deductible depreciation generated an impact of EUR (200) K;
- Thin capitalization rules on Finance expense generated an impact of EUR (1,978) K;
- Other definitively non-taxable profits (recapitalization, intercompany dividends) or non-deductible expenses resulted in an impact of EUR 9,139 K;

(4) Other adjustments included:
- The IRAP ("Imposta Regionale sulle Attivita Produttive"), the CVAE ("Cotisation sur la Valeur Ajoutée des Entreprises"), and other similar taxes that were computed on a different base than the taxable earnings;
- Temporary differences

14. Dividends paid

Paper Industries Financing Sàrl did not pay dividends in 2023 and 2022.

No dividends have been paid to Non-controlling interests in 2023 while in 2022 EUR 2,000K were paid.

15. Property, plant and equipment and Investment properties

15.1. Property, plant and equipment

	Purchased					Leased			
(in EUR K)	Land & Building	Plant & machinery	Motor vehicles	Fixtures & fittings	Work in progress	Land & Building	Motor vehicles	Fixtures & fittings	**TOTAL**
At 1 January 2022									
Cost	256,177	1,415,221	7,108	119,439	98,843	24,747	2,042	264	**1,923,842**
Depreciation & Impairment	(145,421)	(1,166,812)	(7,172)	(82,454)	0	(12,684)	(1,576)	(264)	**(1,416,383)**
Net carrying amount	**110,756**	**248,409**	**(64)**	**36,985**	**98,843**	**12,064**	**466**	**(0)**	**507,458**
Additions	0	0	0	4	36,891	8,681	957	0	**46,533**
Depreciation charge	(5,209)	(36,041)	(112)	(9,480)	0	(3,970)	(463)	0	**(55,275)**
Impairment losses charged	0	(3)	0	(114)	0	0	0	0	**(117)**
Disposals	(4,213)	393	0	(1,394)	0	0	0	0	**(5,214)**
Reclassification in / (out)	5,610	91,543	184	2,818	(100,155)	(28)	28	0	**(0)**
Exchange adjustments	0	(0)	0	1	0	(0)	0	0	**1**
									0
At 31 December 2022									**0**
Cost	252,583	1,505,840	6,033	115,172	35,580	33,044	3,054	264	**1,951,570**
Depreciation & Impairment	(145,638)	(1,201,539)	(6,024)	(86,353)	0	(16,298)	(2,066)	(264)	**(1,458,183)**
Net carrying amount	**106,944**	**304,301**	**8**	**28,819**	**35,580**	**16,746**	**988**	**(0)**	**493,387**
Additions	2,548	39,815	0	3,081	17,536	6,343	262	0	**69,585**
Depreciation charge	(7,918)	(34,042)	(76)	(8,983)	0	(1,317)	(468)	0	**(52,804)**
Impairment losses charged	(59)	(3,557)	0	0	0	0	0	0	**(3,616)**
Disposals	0	0	0	(8)	0	0	0	0	**(8)**
Exchange adjustments	0	0	0	(1)	0	(1)	(0)	0	**(1)**
									0
At 31 December 2023									**0**
Cost	255,131	1,545,638	5,909	116,268	53,116	37,527	3,028	264	**2,016,881**
Depreciation & Impairment	(153,615)	(1,239,122)	(5,976)	(93,360)	0	(15,756)	(2,246)	(264)	**(1,510,339)**
Net carrying amount	**101,516**	**306,516**	**(68)**	**22,908**	**53,116**	**21,771**	**782**	**(0)**	**506,543**

The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments".

The EUR 69.6 M reported in "Additions" in 2023 included EUR 6.6 M of capitalized leases in accordance with IFRS 16 Leases (see Note 1.11). The balance of EUR 63.0 M is broken down in the following table.

Additions

(in EUR K)	2023	2022
Major paper machine rebuilds	1,676	477
Cost reduction and productivity improvement	35,053	14,319
Major maintenance	20,063	16,143
Information technology	2,551	3,021
Environment and safety	3,637	2,936
Total Capital expenditure = Additions	**62,980**	**36,895**

2023

Cost reduction and productivity improvement Capex were allocated as follows:
- EUR 7.8 M in Spain;
- EUR 25.3 M in France, of which EUR 3.2 M in relation with the conversion of Line 8 from CWF to Specialties production, being the rest linked to CSR boiler construction.
- EUR 2.0 M in Italy.

Maintenance Capex (see Note 1.10) were allocated as follows:
- EUR 3.9 M in Italy, of which EUR 1.5 M for the gas turbine overhaul of the cogeneration;
- EUR 1.7 M in France for several maintenance capex in lines 4 and 8;
- EUR 14.5 M in Spain, of which EUR 0.3 M for the overhaul of the cogeneration plants.

Information Technology Capex amounted to EUR 2.5 M, including actions related to ERP implementation and the renovation of other software and hardware.

Environment and safety Capex were allocated as follows:
- EUR 0.8 M in Italy;
- EUR 1.3 M in France;
- EUR 1.4M in Spain, including the treatment of waste water and the reduction of NO_x emissions.

2022

Cost reduction and productivity improvement Capex were allocated as follows:
- EUR 2.2 M in Spain;
- EUR 11.1 M in France, of which EUR 3.4 M in relation of with the conversion of Line 8 from CWF to Specialties production.
- EUR 1.0 M in Italy.

Maintenance Capex (see Note 1.10) were allocated as follows:
- EUR 3.5 M in Italy, of which EUR 1.5 M for the gas turbine overhaul of the cogeneration;
- EUR 2.8 M in France for several maintenance capex in lines 4 and 8;
- EUR 10.7 M in Spain, of which EUR 1.3 M for the overhaul of the cogeneration plants.

Information Technology Capex amounted to EUR 2.5 M, including actions related to ERP implementation and the renovation of other software and hardware.

Environment and safety Capex were allocated as follows:
- EUR 0.2 M in Italy;
- EUR 0.5 M in France;
- EUR 2.2 M in Spain, including the treatment of waste water and the reduction of NO_x emissions.

15.2. Investment properties

(in EUR K)	Land	TOTAL
At 1 January 2022		
Cost	1,363	**1,363**
Depreciation & Impairment	0	**0**
Net carrying amount	1,363	**1,363**
At 31 December 2022		
Cost	1,363	**1,363**
Depreciation & Impairment	0	**0**
Net carrying amount	1,363	**1,363**
At 31 December 2023		
Cost	1,363	**1,363**
Depreciation & Impairment	0	**0**
Net carrying amount	1,363	**1,363**

As at 31 December 2023, the detail of Purchased Investment properties was as follows:

	At 31 December 2023			
(in EUR K)	Cost	Depreciation & Impairment	Net carrying amount	Fair value
Plot of land in Amorebieta/Carmen	540	0	540	1,254
Plot of land in Sarrià de Ter	823	0	823	823
Total	**1,363**	**0**	**1,363**	**2,077**

The fair value is measured using level 2 valuation method.

There were no transfers between any levels during the year.

16. Intangible assets

(in EUR K)	CO_2 emission rights	Other intangible assets	TOTAL
At 1 January 2022			
Gross amount	24,976	13,669	**38,646**
Amortization & Impairment	0	(8,590)	**(8,590)**
Net carrying amount	**24,976**	**5,079**	**30,056**
Purchases	32,442	0	**32,442**
Reclassification in / (out)	(32,188)	0	**(32,188)**
At 31 December 2022			
Gross amount	25,230	13,669	**38,899**
Amortization & Impairment	0	(8,590)	**(8,590)**
Net carrying amount	**25,230**	**5,079**	**30,309**
Additions	0	0	**0**
Amortization charge	0	(18)	**(18)**
Purchases	17,892	0	**17,892**
Reclassification in / (out)	(22,080)	0	**(22,080)**
At 31 December 2023			
Gross amount	21,042	13,669	**34,712**
Amortization & Impairment	0	(8,608)	**(8,608)**
Net carrying amount	**21,042**	**5,061**	**26,104**

The reclassification of EUR (22,080) K in "CO_2 emission rights" is the counterpart of the reclassification of "CO_2 emission rights" reported in "Provisions" (see Note 28). It consisted in the surrender of non-granted ER against the extinguishment of the deficit of 2021.

The fair value is measured using level 1 valuation method.

There were no transfers between any levels during the year.

17. Unlisted securities

(in EUR K)	
At 1 January 2022	
Fair value	77
Increases of fair value through Equity	(9)
At 31 December 2022	
Fair value	68
Additions	**943**
At 31 December 2023	
Fair value	**1,010**

At 31 December 2023, the detail of the unlisted securities was as follows:

Companies	Control	Fair value	Revenue	Profit (loss) after tax	Equity	Borrowings (Cash)	Closing date of latest available accounts
Catalana d'Iniciatives CR SA (in liquidation)	0.39%	(0)	0	0	(13)	11	31/12/2019
Consorzio Nazionale Imballaggi Scarl	0%	0.38	32,321	1,078	26,398	(42,326)	31/12/2022
Gas Intensive Scarl	0.7%	2	3,093	(0)	1,916	(2,411)	31/12/2022
Promotora del Ulla SA (in liquidation)	45%	64	0	(2)	141	(57)	31/12/2021
CITEO group (prev. SREP SA and Ecofolio SAS) SREP SA	0.3%	1	992,566	2	503	(386,410)	31/12/2022
SVL Pilote SAS	0.0%	0	5,800	65	769	1,502	31/12/2020
SVT SAS	0.0%	0	1,033	(62)	(76)	(63)	31/12/2020
Lecta Self-Adhesive Deutschland	100.0%	968	0	(539)	429	25	31/12/2023

The increase is due to the investment for the start-up of the new company Lecta Self-Adhesive Deutschland, which has not been consolidated as at 31 December 2023 since it has remained inactive.

The fair value is measured using level 3 valuation method.

There were no transfers between any levels during the year.

18. Biological assets

(in EUR K)	
At 1 January 2022	
Cost	291
At 31 December 2022	
Cost	294
At 31 December 2023	
Cost	**290**

Biological assets only consisted of standing timber.

19. Inventories

(in EUR K)	Wood / Pulp / Base Paper	Other Raw materials	Work In Process	Finished goods	Purchased products	Other inventories	**TOTAL**
At 1 January 2022							
Cost	47,052	9,805	28,166	80,669	15,140	31,881	**212,713**
Provision for slow moving inventory	(400)	0	0	(1,938)	(1,607)	(7,023)	**(10,969)**
Net carrying amount	**46,652**	**9,805**	**28,166**	**78,731**	**13,533**	**24,857**	**201,744**
At 31 December 2022							
Cost	66,272	17,710	30,775	135,052	21,692	34,134	**305,634**
Provision for slow moving inventory	(1,478)	0	0	(2,900)	(2,095)	(9,061)	**(15,534)**
Net carrying amount	**64,794**	**17,710**	**30,775**	**132,152**	**19,597**	**25,073**	**290,100**
At 31 December 2023							
Cost	41,994	10,740	25,960	73,873	25,118	35,815	**213,501**
Provision for slow moving inventory	0	0	0	(1,637)	(4,548)	(12,294)	**(18,478)**
Net carrying amount	**41,994**	**10,740**	**25,960**	**72,236**	**20,571**	**23,521**	**195,023**

Wood is used for the production of pulp, which in turn is the main component in the production of paper. Base paper is employed for the production of Specialties.

Other Raw materials mainly consist of coatings and chemicals used in the production process.

Finished goods consist of paper produced and ready for sale, while Purchased products consist of paper purchased from third parties and ready for trading.

Other inventories include spare parts for the maintenance of plant & machinery, felts and wires.

20. Trade receivables

(in EUR K)	
At 1 January 2022	
Cost	174,000
Impairment	(13,985)
Net carrying amount	**160,014**
Non-current	**0**
Current	**160,014**
At 31 December 2022	
Cost	176,886
Impairment	(8,315)
Net carrying amount	**168,571**
Non-current	**0**
Current	**168,571**
At 31 December 2023	
Cost	119,089
Impairment	(6,696)
Net carrying amount	**112,393**
Non-current	**0**
Current	**112,393**

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

The Financial instruments on Trade receivables are detailed in Note 36.

21. Prepayments

(in EUR K)	
At 1 January 2022	
Cost	1,504
Impairment	0
Net carrying amount	**1,504**
Non-current	**0**
Current	**1,504**
At 31 December 2022	
Cost	1,356
Impairment	0
Net carrying amount	**1,356**
Non-current	**0**
Current	**1,356**
At 31 December 2023	
Cost	2,043
Impairment	0
Net carrying amount	**2,043**
Non-current	**0**
Current	**2,043**

This caption included prepayments of insurance premiums, maintenance expenses and rents.

22. Other receivables

(in EUR K)	Deposits and guarantees	Grants receivables	Misc. other receivables	TOTAL
At 1 January 2022				
Cost or fair value	1,544	7,549	15	**9,107**
Impairment	0	0	0	**0**
Net carrying amount	**1,544**	**7,549**	**15**	**9,107**
Non-current	**1,539**	**5,405**	**0**	**6,944**
Current	**5**	**2,144**	**15**	**2,163**
At 31 December 2022				
Cost or fair value	3,432	12,585	185	**16,202**
Impairment	0	0	0	**0**
Net carrying amount	**3,432**	**12,585**	**185**	**16,202**
Non-current	**3,421**	**(0)**	**0**	**3,421**
Current	**11**	**12,585**	**185**	**12,781**
At 31 December 2023				
Cost or fair value	2,372	7,600	15	**9,987**
Impairment	0	0	0	**0**
Net carrying amount	**2,372**	**7,600**	**15**	**9,987**
Non-current	**2,368**	**(0)**	**0**	**2,368**
Current	**5**	**7,600**	**15**	**7,619**

2023

As at 31 December 2023, EUR (7,600) K of "Grants receivables" consisted of:

- EUR 7,600 K of White certificates granted for the year 2023 in Alto Garda Power SrL.

2022

As at 31 December 2022, EUR 12,585 K of "Grants receivables" consisted of:

- EUR 7,790 K of White certificates granted for the year 2022, both in Alto Garda Power SrL (see Note 1.15), and
- EUR 4,295 K of grants on energy in Cartiere del Garda SpA and EUR 500 K in Torraspapel SA.

23. Cash & cash equivalents

(in EUR K)	
At 1 January 2022	**138,280**
Cash in hand	22
Current accounts	137,651
Marketable securities	606
At 31 December 2022	**148,275**
Cash in hand	18
Current accounts	147,572
Marketable securities	686
At 31 December 2023	**172,083**
Cash in hand	19
Current accounts	171,087
Marketable securities	976

Marketable securities are Government bonds, Treasury bills and similar short-term securities highly liquid that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

24. Equity

24.1. Paid-in capital and Share premium

		2023	
		Paid-in capital	
Class	Rights, preferences and restrictions	Number	EUR
-	ordinary	12,000	12,000.00

Paper Industries Financing Sàrl ("PIF") was incorporated on 9 December 2019, with a share capital composed of 12,000 ordinary shares with a par value of EUR 1 representing EUR 12,000.

Since 20 January 2020, its share capital is fully held by Lecta Ltd.

As at 31 December 2023 and 31 December 2022, the share capital of PIF was composed of 12,000 ordinary shares with a par value of EUR 1 representing EUR 12,000, all shares being fully paid.

24.2. Other reserves

The other reserves consist of the net income (expense) recognized directly through equity.

The origin of this reserve was as follows:

(in EUR K)	At 31 December 2023	At 31 December 2022
Unlisted securities, adjustment at fair value (see Note 17)	(277)	(277)
Actuarial gains (losses) on defined benefit plans (see Note 33.2)	(7,268)	(8,448)
Actuarial gains (losses) on 3rd party agents benefits (see Notes 28)	(108)	(61)
Deferred tax on the above items (see Note 29.3)	1,914	2,295
First time adoption of IFRS 9 (see Note 1.16)	(183)	(183)
Total	**(5,922)**	**(6,674)**

24.3. Foreign currency translation

This unrealized loss of EUR (411) K as at 31 December 2023 was the consequence of the consolidation of subsidiaries for which the transactions, assets and liabilities are not recorded in euro (see Note 1.05):

- Lecta North America Inc (USD),
- Lecta Paper UK Ltd (GBP),
- Lecta Maroc Sàrl (MAD).

24.4. Accumulated net profit (losses)

The breakdown of this reserve was as follows:

(in EUR K)	At 31 December 2023	At 31 December 2022
Accumulated net profit (losses)	55,330	200,530
Total	**55,330**	**200,530**

25. Interest-bearing borrowings

25.1. Overview

(in EUR K)	Senior Notes and New Money	Lease obligations	Other borrowings	TOTAL
At 1 January 2022	**253,124**	**13,565**	**166,341**	**433,029**
Non-current	252,955	10,491	147,007	**410,454**
Current	168	3,074	19,333	**22,575**
Increase of principal	0	9,638	24,588	**34,226**
Repayment of principal	0	(4,525)	(19,910)	**(24,435)**
Increase of interests	16,947	477	13,836	**31,259**
Repayment of interests	(16,510)	(477)	(15,028)	**(32,014)**
Amortization of issue costs	1,200	0	0	**1,200**
Exchange adjustments	0	(0)	16	**16**
At 31 December 2022	**254,760**	**18,678**	**169,843**	**443,281**
Non-current	254,156	15,942	162,199	**432,297**
Current	605	2,736	7,644	**10,984**
Increase of principal	79,789	6,249	82,960	**168,997**
Repayment of principal	0	(4,909)	(71,769)	**(76,677)**
Increase of interests	23,246	1,122	24,547	**48,915**
Repayment of interests	(23,876)	(1,122)	(23,832)	**(48,831)**
Amortization of issue costs	2,600	0	0	**2,600**
At 31 December 2023	**336,519**	**20,942**	**181,748**	**539,209**
Non-current	335,486	16,559	143,745	**495,790**
Current	1,033	4,383	38,003	**43,419**

The borrowings were essentially denominated in Euro.

The maturity of the Senior and Junior Notes and other borrowings is:

	At 31 December 2023		At 31 December 2022	
(in EUR K)	Senior Notes and New Money	Other borrowings	Senior Notes and New Money	Other borrowings
later than one year and not later than five years	335,486	143,745	254,156	162,199
not later than one year	1,033	38,003	605	7,644
Total	**336,519**	**181,748**	**254,760**	**169,843**

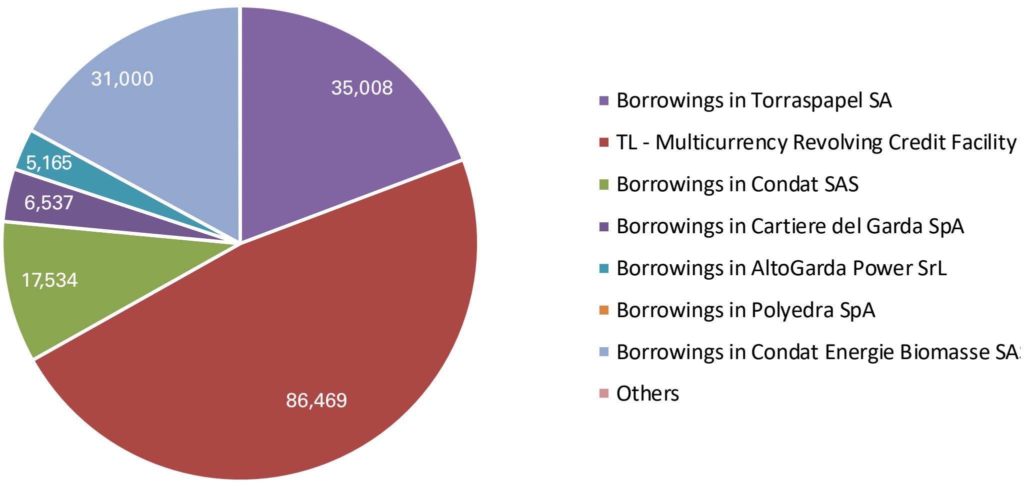
25.2. Senior Notes and New Money

As at 31 December 2023, there mainly were:

- EUR 264 M Senior Secured Notes (the "New SSN") maturing in Q3 2028.
- EUR 97 M New Money facility maturing Q1 2028, ranking senior to the New SSNs and junior to the SSFA.

25.3. Other borrowings

At 31 December 2023, "Other" of EUR 181,748 K borrowings consisted of:



Borrowings in Torraspapel SA

(a) Borrowings granted in 2012 and 2013 by public institutions to encourage environmental friendly installations and innovation. Their duration is 15 years. Interest rate is between 3.95% and 4.925%.
(b) Borrowings granted in 2020 by the Spanish government (ICO) to support access to credit by enterprises in the Covid-19 emergency phase. The three new borrowings have the following main features:
b1) Amount of EUR 10.4M, for a duration of 5 years, and with an interest rate of 4.92%
(b2) Amount of EUR 20 M, for a duration of 5 years, and with an interest rate of 3.5%
(b3) Amount of EUR 20 M, for a duration of 5 years, And with an interest rate of 4.5%.
(c) Borrowings granted in 2022 by Gedesco Services Spain, S.A.U. of EUR 15 M, for a duration of 1 year, with an interest rate of 4% paid at the beginning.

At 31 December 2023, the principal and accrued interests were EUR 35,008 K.

Term-Loan and Multicurrency Revolving Credit Facility in Torraspapel SA and Paper Industries Holding Sàrl

Committed TL and RCF lines of EUR 85 M and EUR 35 M (not drawn) respectively bearing an interest rate of 3-month Euribor (with a floor at 1%) + 6.75% due 2028 in Torraspapel SA.

At 31 December 2023, the principal and accrued interests were EUR 86,496 K.

Borrowings in Condat SAS

Since March 2020, EUR 19.0 M interest-free loan granted by Nouvelle Aquitaine Region, in relation with the conversion of Line 8 in Condat's mill:
- Drawing of EUR 10.0 M in 2020 and EUR 9.0 M in 2021, with the balance planned in 2021;
- Repayment of a quarter of the principal at each anniversary date of the loan from 2024 to 2027.

At 31 December 2023, the carrying amount was EUR 17,534 K.

Borrowings in Polyedra SpA

(a) Since June 2018, EUR 4.0 M borrowing with 1-month Euribor +1.55% interest. Equal quarterly installments of principal and interest to be paid until March 2023.

At 31 December 2023, the debt was fully repaid.

Borrowings in Cartiere del Garda SpA ("CdG")

(a) Since 29 June 2018, EUR 3.0 M borrowing with 3-month Euribor + 2.35% interest. Equal quarterly installments of principal and interest to be paid until 29 June 2023.
(b) Debt on assigned receivables bearing 3-month Euribor + 2.8% interest.
(c) On 23 December 2020, CdG obtained a new borrowing having the following main features:
- Amount EUR 1.1 M€
- Duration 6 years
- Amortization in 48 installments, the first one in January 2023
- Interest 6-month Euribor (with a floor at 0%) + 0.90% pre-amortization, and 6-month Euribor (with a floor at 0%) + 1.45% after
- No covenants
- 90% of the loan guaranteed by the free of charge direct guarantee of collective loan-guarantee consortiums (Confidi) with the 80% counter-guarantees of the Central SMEs and mid-caps Guarantee Fund established by the Ministry of Economic Development to support access to credit by enterprises in the Covid-19 emergency phase.

At 31 December 2023, the principal and accrued interests were EUR 846 K and the debt on assigned receivables was EUR 5,690 K, i.e. a total of EUR 6,537 K.

Borrowings in Alto Garda Power SrL ("AGP")

(a) On 15 December 2020, AGP refinanced its existing debt with:
(a1) a first borrowing having the following main features:
- Amount EUR 5.0 M
- Duration 6 years, until 15 December 2026
- Amortization in 12 installments, the first one on 15 June 2021
- Interest 6-month Euribor (with a floor at 0%) + 1.650%
- No covenants
- 80% of the loan guaranteed by the free of charge direct guarantee of the Central SMEs and mid-caps Guarantee Fund established by the Ministry of Economic Development to support access to credit by enterprises in the Covid-19 emergency phase.
(b) a second borrowing of EUR 3.8 M having the following main features:
- Duration 7 years, until 15 December 2027
- grace period (interest-only period) of 1 year
- Amortization in 12 installments, the first one on 15 June 2022
- Interest 6-month Euribor (with a floor at 0%) + 2.25%
- Covenants: Net equity/Total Assets (included junior shareholder loan) ≥ 50%
If at the end of each year the ratio Total Assets/Net: (i) [30%; 50%[AGP has to pay EUR 5 K indemnity, (ii) [0%; 30%[AGP has to pay EUR 5 K indemnity and the bank has the right to terminate the loan agreement.

At 31 December 2023, the principal and accrued interests were EUR 5,165 K.

Borrowings in Condat Energie Biomasse SAS

On 11 November 2022 Condat Energie Biomasse signed a loan agreement with Kyotherm in order to finance the capital expenditure in relation to a refused derived fuel plant for the purpose of providing steam to a papermill operated by the company Condat SAS which is located in Le-Lardin-Saint-Lazare, France.
Interest rate is 6.75 % + OAT TEC 10.
The duration is 10 years since the last drawdown to be executed within 30 June 2025.

At 31 December 2023, the carrying amount was EUR 31,000 K.

Lecta PIF Group's capital management aims to ensure adequate financial structure for the ongoing activity and also that it meets financial covenants related to the interest-bearing loans and borrowings. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants in the current period.

25.4. Lease obligations

The maturity of the leases obligations was:

	At 31 December 2022			At 31 December 2021		
(in EUR K)	Present value	Interest to be paid	Future minimum payments	Present value	Interest to be paid	Future minimum payments
later than five years	0	0	0	0	0	0
later than one year and not later than five years	15,942	1,275	17,218	10,491	839	11,331
not later than one year	2,736	0	2,736	3,074	0	3,074
Total	**18,678**	**1,275**	**19,953**	**13,565**	**839**	**14,404**

26. Bank overdrafts

(in EUR K)	
At 1 January 2022	**13,461**
At 31 December 2022	**18,201**
At 31 December 2023	**20,497**

2023	2022
The variation of bank overdrafts consisted in an increase of EUR 868 K in Polyedra SpA and EUR 1,427 K in Cartiere del Garda SpA.	The variation of bank overdrafts consisted in a decrease of EUR (7,016) K in Polyedra SpA.

27. Grants

(in EUR K)	
At 1 January 2022	
Net carrying amount	**8,678**
Non-current	6,965
Current	1,713
At 31 December 2022	
Net carrying amount	**7,081**
Non-current	5,504
Current	1,576
At 31 December 2023	
Net carrying amount	**17,847**
Non-current	4,911
Current	12,936

2023

The breakdown of EUR 17,847 K Grants net of amortization as at 31 December 2023 was as follows:
- EUR 3,486 K in Torraspapel Group;
- EUR 3,001 K in Condat SAS;
- EUR 11,360 K in Condat Energie Biomasse.

2022

The breakdown of EUR 7,081 K Grants net of amortization as at 31 December 2022 was as follows:
- EUR 4,125 K in Torraspapel Group;
- EUR 2,956 K in Condat SAS.

Grants related to Property, plant and equipment or Borrowings with off-market interest rates may be subject to a unique subsequent condition: keep the granted investments running for a minimum period of five years.

28. Provisions

(in EUR K)	Other social commitments	Organization efficiency program	GHG emission rights	Other	TOTAL
At 1 January 2022	**20,096**	**0**	**29,568**	**5,724**	**55,388**
Non-current	17,498	0	0	5,658	**23,155**
Current	2,598	0	29,568	67	**32,233**
Additional	444	0	49,210	4,568	**54,222**
Utilized	(2,099)	0	(20,440)	(3,365)	**(25,904)**
Unused reversed	0	0	0	26	**26**
In(de)creases of fair value through Equity	(2,586)	0	0	(284)	**(2,869)**
Reclassification in / (out)	0	0	(32,188)	0	**(32,188)**
Variation of percent of consolidation	0	0	0	0	**0**
At 31 December 2022	**15,856**	**0**	**26,150**	**6,670**	**48,675**
Non-current	12,917	0	0	6,378	**19,295**
Current	2,938	0	26,150	292	**29,380**
Additional	436	23,595	26,581	1,787	**52,399**
Utilized	(1,215)	(1,075)	(9,176)	(572)	**(12,037)**
Unused reversed	0	0	(0)	0	**(0)**
In(de)creases of fair value through Equity	(1,175)	0	0	42	**(1,134)**
Increases of fair value through Equity	1		0	0	**1**
Decreases of fair value through Equity	(1,177)		0	42	**(1,135)**
Reclassification in / (out)	(2,700)	(2,700)	(22,080)	(800)	**(28,279)**
At 31 December 2023	**11,202**	**19,821**	**21,475**	**7,127**	**59,624**
Non-current	9,445	19,821	0	6,913	**36,178**
Current	1,757	0	21,475	214	**23,446**

The reclassification of EUR (22,080) K is the counterpart of the reclassification of “CO_2 emission rights” reported in “Intangible assets” (see Note 16). It consisted in the surrender of non-granted ER against the extinguishment of the deficit of 2022. This “Deficit of CO_2 emission rights” was largely offset by an associated asset.

Provision for “Other social commitments” was composed of “Defined benefit post-employment plans” and “Other long-term benefits” (see Notes 1.28, 33.4 and 33.5):

(in EUR K)	At 31 December 2023	At 31 December 2022
Cartiere del Garda SpA	**2,459**	**2,895**
Polyedra SpA	**910**	**1,009**
Condat SAS	**5,856**	**9,826**
Lecta France SAS	**123**	**176**
TPM SAS	**1,205**	**1,304**
Torraspapel SA	**3**	**3**
Lecta Deutschland GmbH	**645**	**642**
Total	**11,202**	**15,856**

Provision for "Other" consisted of:

(in EUR K)	At 31 December 2023	At 31 December 2022
Social security, redundancies, overtime	1,633	1,761
Litigations with suppliers, penalties	2,565	2,241
Tax control	1,630	1,459
3rd party agents benefits	1,218	1,129
Miscellaneous	80	80
	7,127	6,670

The provision for "3rd party agent benefits" was in relation with the ISC ("Indennità Suppletiva di Clientela"). The ISC is due to the 3rd party sales agents in Italy when their contract is terminated with the company initiative for reasons not attributable to the agent, or in case of resignations for total and permanent invalidity, retirement, or death. This provision was subject to an actuarial valuation that falls into the scope of IAS 37.

29. Income tax in the Statement of financial position

29.1. Overview

(in EUR K)	Income tax receivable	Income tax payable	Deferred tax assets	Deferred tax liablities	TOTAL assets (liabilities)
At 1 January 2022	1,515	1,711	40,938	6,252	**34,490**
Non-current	0	0	40,938	6,252	**34,687**
Current	1,515	1,711	0	0	**(196)**
Variations through income statement	0	14,102	(323)	2,441	**(16,866)**
Increases of fair value through Equity	0	0	2	0	**2**
Decreases of fair value through Equity	0	0	(692)	38	**(730)**
Payments	4,115	(280)	0	0	**4,394**
Exchange adjustments	0	(2)	0	0	**2**
At 31 December 2022	5,629	15,531	39,926	8,731	**21,294**
Non-current	0	0	39,926	8,731	**31,195**
Current	5,629	15,531	0	0	**(9,901)**
Variations through income statement	0	6,695	(21,965)	1,091	(29,751)
Increases of fair value through Equity	0	0	12	1	11
Decreases of fair value through Equity	0	0	(391)	0	(391)
Payments	2,791	(19,682)	0	0	22,474
Exchange adjustments	(0)	(2)	0	0	2
At 31 December 2023	8,421	2,542	17,581	9,823	13,637
Non-current	0	(0)	17,581	9,823	7,759
Current	8,421	2,542	0	0	5,878

French Tax-pooling Group

As at 31 December 2023, the French tax-pooling group consisted in Condat SAS (formerly Condat Holding SAS), Torraspapel Malmenayde SAS, Condat Energie Biomasse SAS and Lecta France SAS.

Spanish Tax-pooling Group

As at 31 December 2023, the Spanish tax-pooling group consisted in Torraspapel SA, which includes Cogeneración Motril SA and Cogeneración Sant Joan SL (both merged as at 1 January 2023) and Torraspapel Distribución SA.

Italian Tax-pooling Group

As at 31 December 2023, the Italian tax-pooling group consisted in Cartiere del Garda SpA, Alto Garda Power SrL, and Polyedra SpA.

Luxembourg Tax-pooling Group

As at 31 December 2023, the Luxembourg tax-pooling group consisted of Paper Industries Financing Sàrl, Paper Industries Intermediate Financing Sàrl, and Paper Industries Holding Sàrl.

29.2. Income tax receivable and payable

EUR 8,421 K of income tax receivable included EUR 767 K in Torraspapel tax group, EUR 6,488 K in Cartiere del Garda tax group, and EUR 1,165 K in Condat tax group.

EUR 2,542 K of income tax payable consisted in tax credits or income tax advance payments included EUR 2,225 K in Torraspapel tax group, EUR 632 K in Cartiere del Garda tax group, and EUR (315) K in Condat tax group. Condat SAS can use CICE tax credits against income tax payment or collect them after a cooling off period of three years. Cartiere del Garda SpA can recover IRES advance payments against future IRES payments, while each company of the Italian tax group can recover IRAP advance payments against future IRAP or VAT payments.

The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments".

29.3. Deferred income tax

The following schedule details the deferred income tax assets and liabilities by nature.

(in EUR K)	31 Dec 2023	31 Dec 2022	Variations 2023 through Income stat.	Variations 2023 through Equity	Variations 2022 through Income stat.	Variations 2022 through Equity
Loss to be carried forward up to 5 years	0	0	0	0	0	0
Loss to be carried forward up to 15 years	0	0	0	0	0	0
Loss to be carried forward up to 18 years	0	0	0	0	0	0
Loss to be carried forward indefinitely	0	13,781	(13,781)	0	(0)	0
S/T Tax losses	**0**	**13,781**	**(13,781)**	**0**	**(0)**	**0**
Provision for early retirement scheme	44	46	(2)	0	3	0
Charges for other social commitments	5,027	3,273	1,754	0	(180)	0
Non-deductible provisions	2,982	1,604	1,378	0	(562)	0
Deductible legal revaluation in Italy	493	0	493	0	0	0
Net expenses recognized directly through Equity	1,953	2,333	0	(379)	0	(689)
Other deferred tax assets	7,082	18,890	(11,808)	0	417	0
S/T Temporary differences	**17,581**	**26,145**	**(8,184)**	**(379)**	**(323)**	**(689)**
Deferred tax assets	**17,581**	**39,926**	**(21,965)**	**(379)**	**(323)**	**(689)**
Accelerated tax depreciation	4,227	2,966	(1,261)	0	(1,560)	0
Deductible legal revaluation in Italy	4,994	4,302	(691)	0	164	0
Net incomes recognized directly through Equity	39	38	0	(1)	0	(38)
Other deferred tax liabilities	562	1,424	862	0	(1,045)	0
S/T Temporary differences	**9,823**	**8,731**	**(1,091)**	**(1)**	**(2,441)**	**(38)**
Deferred tax liabilities	**9,823**	**8,731**	**(1,091)**	**(1)**	**(2,441)**	**(38)**
Net value	**7,758**	**31,195**	**(23,056)**	**(381)**	**(2,764)**	**(727)**

The variation of Deferred tax in the income statements is a charge of EUR (23,056) K in 2023 (see Note 13.1).

At 31 December 2023, the Group had not recognised a deferred tax asset in respect of gross tax losses of EUR 24,103 K (2022: EUR 1,739 K) related to Spain and France subsidiaries, as there is insufficient evidence that the losses will be utilised. These losses are available to be carried indefinitely.

French Tax-pooling Group

There is no time limit to use the tax losses in France.

The tax losses can be used to neutralize up to 50% of taxable income exceeding EUR 1 M in France.

Condat tax group reported taxable losses in 2022 and 2023. As at 31 December 2023, the deferred tax asset on losses to be carried forward, amounting EUR 4,021 K, have been impaired., as there is insufficient evidence that the losses will be utilized.

In France, the 2010 finance law set up the CVAE ("Cotisation sur la Valeur Ajoutée des Entreprises") as part of the new CET ("Contribution Economique Territoriale"). Lecta PIF Group decided to report it as Income tax in line with the accounting treatment followed for similar taxes in other countries.

Spanish Tax-pooling Group

There is no time limit to use the tax losses in Spain (it was limited to 18 years until 2014).

The tax losses can be used to neutralize up to 25% of taxable income exceeding EUR 1 M in Spain. However, Spanish entities have a limitation of 50% to compensate losses generated by the participants with the profit of other participants of the tax group.

Torraspapel tax group reported taxable profit in 2021 and 2022. As at 31 December 2023, the deferred tax asset on losses to be carried forward, amounting EUR 9,759 K, have been impaired, as there is insufficient evidence that the losses will be utilized.

Italian Tax-pooling Group

There is no time limit to use the tax losses in Italy (it was limited to 5 years until 2010).

The tax losses can be used to neutralize up to 80% of taxable income.

As at 31 December 2023, there was no deferred tax asset on losses to be carried forward in the Italian tax pooling group.

Luxembourg Tax-pooling Group

There is no time limit to use the tax losses in Luxembourg.

The tax losses can be used to neutralize 100% of taxable income in Luxembourg

As at 31 December 2022, there was no deferred tax asset on losses to be carried in the Luxembourg tax group.

The Income tax rates used for deferred tax purposes were as follows:

Country	as at 31 Dec 2023	as at 31 Dec 2022
Belgium	25%	25%
France [(a)]	25% to 25.83%	25% to 25.83%
Germany	33%	33%
Italy [(b)]	24%	24%
Luxembourg	25%	25%
Morocco	31%	31%
Portugal	21%	21%
Spain	25%	25%
UK	19%	19%
USA (1)	21%	21%

(1) In the basis of the average earnings of Lecta North America Inc the tax is calculated in the basis of scale that goes from 21% to 34%.

Note

(a) Corporate tax in France applies to Condat SAS ("Condat"), Torraspapel Malmenayde SAS ("TPM"), and Condat Energie Biomasse SAS ("CEB"). It consists in IS and CVAE. IS rate varied from 25% to 25.83% as of 2022 and 2021. CVAE rate is 0.75%. Only IS tax losses are recoverable.

As at 31 December 2022, deferred tax on temporary differences were computed with the rate of 27.33% (= 25.83% IS + 1.5% CVAE) for Condat, and 26.5% (= 25% IS + 1.5% CVAE) for TPM and CEB.

As at 31 December 2023, deferred tax on temporary differences were computed with the rate of 26.58% (= 25.83% IS + 0.75% CVAE) for Condat, and 25.75% (= 25% IS + 0.75% CVAE) for TPM and CEB.

(b) Corporate tax in Italy applies to Cartiere del Garda SpA ("CdG"), Alto Garda Power SrL ("AGP") and Polyedra SpA. It consists in IRES and IRAP. IRES rate was 24% in 2022. IRAP rates vary in function of the location and activity: for CdG, AGP and Polyedra, 2022 IRAP rate was 3.9%. Only IRES tax losses are recoverable.

As at 31 December 2023, deferred tax on losses to be carried forward was computed with IRES rate of 24% (no application to 2022).

As at 31 December 2023, deferred tax on temporary differences was computed with the rate of 27.9% (= 24% IRES + 3.9% IRAP) for CdG, AGP, and Polyedra.

30. Trade payables

(in EUR K)	
At 1 January 2022	
Net carrying amount	**351,492**
Non-current	0
Current	351,492
At 31 December 2022	
Net carrying amount	**388,657**
Non-current	0
Current	388,657
At 31 December 2023	
Net carrying amount	**276,135**
Non-current	0
Current	276,135

The Financial instruments on Trade payables are detailed in Note 35.

31. Other Liabilities

(in EUR K)	Capital payables	Fees & costs recapitalization	Misc. other payables	TOTAL
At 1 January 2022				
Net carrying amount	**5,584**	**1,399**	**1,449**	**8,432**
Non-current	0	0	0	**0**
Current	5,584	1,399	1,449	**8,432**
Movements	2,671	(778)	(720)	**1,173**
At 31 December 2022				
Net carrying amount	**8,255**	**621**	**730**	**9,605**
Non-current	0	0	0	**0**
Current	8,255	621	730	**9,605**
Movements	6,143	331	(730)	5,744
At 31 December 2023				
Net carrying amount	**14,398**	**951**	**0**	**15,349**
Non-current	0	0	0	0
Current	14,398	951	0	15,349

32. Commitments and contingencies

32.1. Non-capitalized leases

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases (less than 12 months renewal period included) and assets of low value. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term in the line "Other operating costs except one-off costs" of Income statement (see Note 1.11).

32.2. Capital commitments

At 31 December 2023, Lecta PIF Group had firm commitments due to purchase orders of Property, plant and equipment net of advances to suppliers of EUR 30.2 M.

The breakdown of these commitments was:

- EUR 3.5 M in Italy, of which EUR 1.7 M for Cartiere del Garda and EUR 1.8 M for Alto Garda Power;
- EUR 14.3 M in France, of which EUR 0.1 M for Condat and 14.2 for Condat Energie Biomasse;
- EUR 12.4 M in Spain, of which EUR 0.4 M in Information technology, EUR 6.5 M for the mill of Zaragoza, EUR 0.3 M for the plant of Almazán, EUR 2.5 M for the mill of Leitza, EUR 2.0 M for the mill of Sant Joan and EUR 0.7 M for the mill of Motril.

32.3. Other contracts

32.3.1. Condat SAS contract with Périgord Énergies SNC

In order to realize savings on energy costs, Condat SAS entered into a contract to purchase steam from the cogeneration plant of Périgord Énergies SNC (see Note 35.2.2). For a period of twelve years ended on 30 March 2013, Condat SAS was committed to buy and use a minimum quantity of 224 GWh of steam throughout a 5-month Winter period (from November to March each year).

A new contract was signed on 17 January 2014. It took effect retroactively from April 2013. Condat SAS has to communicate on a yearly basis the volume of gas to be purchased by Périgord Énergies SNC for the supply of steam needed by Condat's production of paper. To supply the steam, Périgord Énergies SNC operates the standard boilers of Condat SAS or its cogeneration. Until 2022, 80% of the profit made by Périgord Énergies SNC on the sale to the market of the electricity produced by the cogeneration (one of the two cogeneration-lines as from the 1 May 2014) was transferred to Condat SAS. For the years 2023 and 2024, the profit will be shared equally between the two companies, in return Perigord Energie did the revamping of the gas turbine of one of the 2 cogeneration lines. For the following years, the parties will define the conditions of the sharing before 31 October of the previous year, with a minimum of 50% for Condat SAS. Condat SAS is also committed to pay the fixed expenses of Périgord Énergies SNC to operate and maintain the standard boilers of Condat SAS, as well as the non-depreciated part of the capital expenditures agreed by the two parties.

In 2023, Condat SAS paid a total of 23.7 EUR M to Périgord Énergies SNC for the supply of steam, the operating and maintenance expenses. The amount of the energy cost has decreased a lot due to the lack of paper activity of the mill: one paperline (line 4) stopped in March 2023, and the specialties paper line 8 run around only 160 days.

32.3.2. Alto Garda Power SrL contract with Alto Garda Servizi Teleriscaldamento SpA

With effect from September 2008, Alto Garda Servizi Teleriscaldamento SpA, 20% shareholder of Alto Garda Power SrL, is committed to buy from the latter:

- A minimum quantity of 40,5 GWh of hot water per year at a base price of 26 EUR/MWh subject to methane gas and inflation adjustments and volume discounts.

The estimated yearly revenue at base price is EUR 1.1 M.

32.3.3. Lecta annual commitments

Lecta negotiates annual commitments to purchase volumes of raw materials in order to benefit from favorable conditions. When there is a "take or pay" clause Lecta has the possibility to resell the non-consumed volumes at market price less a fee to the suppliers.

32.4. Guarantees issued

32.4.1. By Lecta PIF Group

Paper Industries Financing and certain of its subsidiaries guarantee the payment of amounts due under certain commitments

The main guarantees are listed below:

	Principal (in EUR M)
Senior Secured Notes	265
New Money	97
Term-Loan and RCF	121
Confirming line	40
Interest-free loan	19
Kyotherm loan	45
ICO loan	28

Shares in the main subsidiaries of Paper Industries Financing, Receivables, Credit rights deriving from certain bank accounts, and some intercompany loans have been pledged to secure the payment of amounts due.

32.5. Lawsuits

The Group is the subject of a number of lawsuits, which have arisen, in the normal course of business. While any litigation has an element of uncertainty, the management of the Group believes that the outcome of such lawsuits will not have a material adverse effect on its financial condition or operations.

32.6. Challenge of 2010-2015 Green certificates by GSE

Alto Garda Power SrL, the Italian cogeneration plant of Lecta, was informed in a preliminary statement dated 14 July 2017 that the publicly owned company GSE SpA (Gestore dei Servizi Energetici) was challenging part of the Green certificates granted to it for the period 2010-2015. On 30 October 2017, GSE SpA claimed the reimbursement of EUR (5.2) M.

In December 2017, Alto Garda Power SrL presented a claim against GSE petition in the administrative Court of Rome.

GSE SpA agreed with Alto Garda Power SrL to postpone the claimed reimbursement waiting for the decision of the Court, and not to pay during this period a part of the green certificates granted for the years 2016-2017 and recognized in “Other receivables” (see Note 22).

In the meantime, Italian legislation aimed at the green economy and renewable source has introduced some changes to the sanctioning powers of the GSE, allowing it to enter into settlement agreements in wider circumstances than in the prior legislation (size of possible reimbursements to be assessed according to the extent of the breach detected). An implementing legislation was expected to be adopted which should clarify this simplification measure, but no new regulation was implemented also in 2022.

Alto Garda Power SrL is confident on the rightness of its position and reserves its rights to defend its own interests. Nevertheless, considering the time already spent from the inspection, the unclear time frame to clarify the litigation, and some adverse decisions in similar claims, the company has decided to impair the receivables pending to be collected for EUR 5.2 M and book an additional risk provision of EUR 2.3 M in case the challenging part of the Green certificate would be extended to 2016-2017.

During 2023 there are no further updates regarding this matter.

33. Employee defined benefits

33.1. Amounts recognized in Profit or Loss

(in EUR K)	2023	2022
Short-term employees benefits	(167,582)	(179,852)
Defined contributions post-employment plans	(2,370)	(6,268)
Defined benefit post-employment plans	1,948	(384)
Labor costs	**(168,005)**	**(186,504)**
Defined benefit post-employment plans	(277)	40
Other operating costs except unusual items	**(277)**	**37**
Defined benefit post-employment plans	(501)	(70)
Other long-term benefits	(18)	(1)
Finance costs	**(519)**	**(71)**

33.2. Amounts recognized directly through Equity

(in EUR K)	2023	2022
Defined benefit post-employment plans	1,180	2,586
Actuaries gains and losses	**1,180**	**2,586**

33.3. Defined contribution post-employment plans

Mandatory state (national) or multi-employers plans

Belgium

ONP ("Office Nationale des Pensions").

France

"Sécurité Sociale", Humanis Retraite (Fusion Arrco + Agirc).

Germany

BFA ("Bundesversicherungsanstalt für Angestellte").

Morocco

CNSS ("Caisse Nationale de Sécurité Sociale").

Portugal

IGFSS ("Instituto de Gestão Financeira da Segurança Social").

Spain

"Seguridad Social".

Italy

Staff leaving indemnity TFR ("Trattamento Fine Rapporto"). It is an employees' deferred compensation. Employees receive a lump sum payment on the date of leave regardless of the reason for leaving. In 2007, the regulation changed for companies with more than 49 employees. Based on this new regulation the TFR is no longer a defined benefit plan but has become a defined contribution plan. While the TFR contribution amounts accrued until 31 December 2006 continues to be managed by the Company (see Note 36.5), the TFR amounts accrued from 1 January 2007 have to be paid monthly to an external pension fund, as social security contributions (no more subject to actuarial evaluation).

UK

NIC ("National Insurance Contribution") paid directly to HMRC.

USA

"Social Security".

Voluntary plans

Belgium
Lecta Benelux SA.
Death and retirement plan

The insurance company "Integrale" covers the risk of death for managers ("cadres") in Belgium. The benefit is 200% of the annual salary, increased by 25% for each minor child. If the risk doesn't materialize, a pension is paid to the beneficiaries when they retire. The cost of the premium is shared between the beneficiaries (1/3) and the company (2/3). For the Netherland employees the insurance company is ASR Levensverzekering.

France
Condat SAS
Death and disability plan

The insurance company "Malakoff" covers the risks of death, permanent and temporary disability and serious illness for all employees. Aon manages this agreement of "Prévoyance".

- Death and disability: the minimum benefit is 230% of the annual salary (tranches A and B of "Sécurité Sociale"). This benefit is increased by 25% of the annual salary for each minor child.
- Pension for spouse and children.

France
Torraspapel Malmenayde SAS
Death plan

The insurance companies "AXA" or "OMNIREP" cover all the employees. The benefit is between 110% and 500% of the annual salary (tranches A, B and C of "Sécurité Sociale") according to the family situation. This benefit may be increased by 25% to 100% of the annual salary for each minor child.

- If the death is due to an accident, the benefit is doubled.
- An additional insurance company OCIRP covers the managers ("cadres+ Art. 36").

Temporary disability plan

The insurance companies "AXA" or "OMNIREP" cover all the employees.
After 60 days or 90 days of consecutive absence, the daily allowance is between 75% and 90% of the annual salary (tranches A, B and C of "Sécurité Sociale") under deduction of Sécurité Sociale payments.

Permanent disability plan

The insurance company "AXA" covers all the employees. The benefit is between 45% and 90% of the annual salary (tranches A, B and C of "Sécurité Sociale") according to the level of permanent disability.

Germany
Lecta Deutschland GmbH
Death and disability plan

The risks of death, permanent and temporary disability are covered with the insurance company AXA. Each employee would receive up to EUR 77 K, EUR 307 K and EUR 153 K respectively.

Italy

Cartiere del Garda SpA

Pension plan "Fondo Integrativo Laborfonds" for workers and salaried

The supplementary pension is in accordance with the collective labor agreement CCNL ("Contratti Collettivi Nazionali di Lavoro" - Paper). The employees can voluntarily join the externalized pension fund "Laborfonds" managed at Regional level (Trentino Alto Adige) contributing 1% to 10% of their gross salary and TFR (see Note 36.5). For such employees, the company is obliged to contribute 1.2% of their gross salary (from 01.01.2012).

Retirement plan "Previndai": the supplementary pension for managers is in accordance with CCNL Dirigenti Industria. The managers contribute part or total of their TFR plus 3 to 4% of their gross salary up to a cap. The company also contributes 4% of the gross salary up to a cap.

Death and disability plan

The risks of death, permanent and temporary disability and accident are covered for managers in accordance with CCNL, for middle managers in accordance with CCNL and company agreement. The insurance companies are MetLife Europe Limited and Lloyd's. The insurance company MetLife Europe Limited and Lloyd's. covers the risks only of death for all remaining employees. The company pays 50% of premiums and the employees pay the other 50%.

Italy

Polyedra SpA

Pension Plan "Fondo Integrativo Fonte"

For workers and salaried the supplementary pension is in accordance with the collective labor agreement CCNL ("Contratti Collettivi Nazionali di Lavoro" - Commerce). The employees can voluntarily join the pension fund "Fonte" contributing 0.55% max of their gross salary and TFR. For such employees, the company is obliged to contribute 1.55% of their gross salary.

Retirement plan "Negri":

The supplementary pension for managers is in accordance with CCNL Dirigenti Commercio. The managers contribute part or total of their TFR max 1% of their gross salary. The company also contributes 2.43% of the gross salary.

Morocco

Lecta Maroc Sàrl.

Death and disability plan

The insurance company "Axa Maroc" covers all the employees. The benefit is equivalent to the annual salary of the employees.

Pension Plan. Company contributes 4% of their gross salary with WAFA ASSURANCE.

Portugal

Torraspapel Portugal Lda.

Death and disability plan

The insurance company Vitória covers all the employees.

- Death and disability: the benefit is equivalent to the annual salary of the employee.

In case of accident, the benefit is twice the annual salary of the employee.

Spain

Spanish companies of Torraspapel group

Retirement plan:

All the employees except those working in the mill of Leitza have a defined contribution plan. The companies and the employees respectively contribute 3.5% and 1% of a portion of the gross salary to VidaCaixa. On 20 May 2013 the company denounced the plan and stopped its contribution. A court ruling has been given in favor of the company. On 23 Oct 2016 the Supreme Court confirmed the sentence of the court, confirming the correct performance of the Company. BBVA covers the liabilities prior to 2001.

Death and disability plan

Vida Caixa covers:

- For employees under economic conditions of the “Convenio Colectivo Estatal de Pastas, Papel, y Cartón” this benefit is EUR 15 K, and EUR 30 K in case of accident. The premium is shared between the company (60%) and the employees (40%).
- For the administrative and blue collars of the mill of Leitza, the risk of death and disability is covered as follows: from EUR 20 K to EUR 40 K, depending on the kind of contingency. In this case, the premium is shared between the company (55%) and the employees (45%).
- For the other employees, this benefit is equivalent to the annual salary. In case of accident, the benefit is twice the annual salary.
- Vida Caixa covers on an individual basis (“Ad personam”) the additional benefit for employees with higher historical rights (i.e. employees working for Torraspapel SA in 1995.

UK

Lecta Paper UK Ltd.

Retirement plan, individual and voluntary agreement

The liability of the company is paid to the insurance companies Royal London, Aegon and Reassure.

Death plan

The insurance company “UNUM” covers all the employees, who have been with the company over 6 months. The benefit is equivalent to four times the annual salary for TUPED employees, three times the annual salary for the employees who started to work in the company before December 1999 and two times the annual salary for all other employees.

USA

Lecta North America Inc.

Retirement plan

On a voluntary basis, each employee may contribute part of his/her salary to the insurance company “ADP”, the company paying the same amount up to 3% of the annual employee salary.

Death plan

The insurance company “GUARDIAN” covers the employees up to USD 50 K or USD 100K in case of accident death.

33.4. Defined benefit post-employment plans

(in EUR K)	2023	2022
PRESENT VALUE		
Opening balance	19,102	23,090
Current service cost	(1,767)	502
Interest cost	427	91
Actuarial gains and losses	(1,071)	(2,605)
Benefits paid	(1,523)	(1,978)
Closing balance	15,168	19,102
Funded	**0**	**0**
Unfunded	**15,168**	**19,102**
ASSETS		
Opening balance	3,865	3,744
Expected return on plan assets	74	21
Actuarial gains and losses	(109)	(19)
Benefits paid	136	118
Closing balance	**3,966**	**3,865**
PROVISION		
Present value of the plan	15,168	19,102
Assets	(3,966)	(3,865)
Provision	**11,202**	**15,237**

The principal assumptions used in determining the defined benefit post-employment obligations are as follows:

Discount rate (varies with the duration of tl	2023	2022
- IFC Condat SAS	3.10%	3.10%
- Progil Condat SAS	3.16%	3.16%
- IFC Torraspapel Malmenayde SAS	3.10%	3.10%
- IFC Lecta France SAS	3.10%	3.10%
- Retirement Lecta Deutschland GmbH	1.78%	1.78%
- TFR Cartiere del Garda SpA	3.15%	3.15%
- TFR Polyedra SpA	3.74%	3.74%

Future salary increase:	2023	2022
- Condat SAS	5.50%	5.50%
- Torraspapel Malmendayde SAS	5.50%	5.50%
- Lecta France SAS	5.50%	5.50%
- Lecta Deutschland GmbH	NA (1)	NA (1)
- Cartiere del Garda SpA	NA (2)	NA (2)
- Polyedra SpA	NA (2)	NA (2)

(1) Does not apply because the pension was based on the salary of each beneficiary at the age of 42.

(2) Due to the change in TFR regulation, applied as of 2007, the future salaries were subject to monthly social security contributions only.

A quantitative sensitivity analysis for the discount rate as at 31 December 2023 is shown below:

	Discount rate	
(in EUR M)	-0.50%	+0.50%
Impact of net defined benefit post-employment obligation	+0.5	-0.5

33.5. Other long-term benefits

France

(in EUR K)	2023	2022
Provision	556	616

Condat SAS

Long service benefits "Médailles du travail"

1 month of gross salary after 18 years of seniority in the company or after 20, 30, 35 or 40 years as salaried employee.

33.6. Termination benefits

The termination benefits are part of the "Organization efficiency program" (see Notes 11 and 28).

33.7. Future payments

The following are the expected payments or contributions to the defined benefit plans in future years:

(in EUR K)	2023	2022
Within the next 12 months	1,458	2,771
Between 2 and 5 years	5,322	7,139
Beyond 5 years	4,174	5,663
Total expected payments	**10,955**	**15,573**

34. Related party disclosures

34.1. Transactions with non-consolidated companies

(in EUR K)		January to December			31 December 2022 / 31 December 2023	
		Sales to related parties	(Purchases) from related parties	Finance (costs) from related parties	Amounts owed by related parties	Amounts owed to related parties
SVL Pilote SAS	2022	0	(5,483)	0	0	1,011
	2023	0	(5,413)	0	0	381
SVS SAS	2022	0	0	0	0	0
	2023	0	0	0	0	0
SVT SAS	2022	0	(167)	0	0	94
	2023	0	(1,042)	0	0	69

These companies were non-consolidated because of absence of control or immateriality (see Note 2.3)
All the transactions with related parties were made on an arm's length basis.

34.2. Key management personnel compensation

During the year ended 31 December 2023, the former and current members of the Board of Managers of Lecta PIF Group, did not receive any compensation direct remuneration for their office.

35. Financial instruments

35.1. Equity derivatives

There were no equity derivatives on minorities of consolidated companies.

35.2. Derivatives held for trading

These are options on the shares or the assets of non-consolidated companies.

35.2.1. Purchased call option agreement on the shares of SVL Pilote SAS

Current shareholder	
• Private owner: 100% • If the option was exercised, Condat SAS would acquire up to 100% of the shares. The call option on 1 October 2022 and the shares were not purchased.	As at 31 December 2023, the call option is expired, hence there is no financial impact in the current financial year.

35.2.2. Purchased call option agreement on the tangible assets of Périgord Énergies SNC

Current shareholder	
• Engie Energy Services SA: 99.8% • SETHELEC SNC: 0.2%.	In 2012, Perigord Energies SNS entered into a contract to supply Condat SAS with steam for mill operation, with an option for Condat SAS to purchase cogeneration plant from Perigord Energies SNS. Various extension were made through addendums with the latest addendum signed in August 2022, expiring in March 2029, granting Condat SA with the similar option as the initial contract to purchase cogeneration plant from Perigord Energies SAS. In the current financial year, an amendment was made to the contract signed in 2023 entrusting Perigord Energies SNS with managing water and wastewater treatment plant of Condat SAS commencing in July 2023, for the same contract duration similar to the addendum signed in August 2022, which is ending in March 2029.

35.3. Assignment of trade receivables

From time to time, Lecta PIF Group assigns trade receivables to financial institutions through non-recourse agreements.

Such operations are accounted for in conformity with the accounting policy described in Note 1.35.

- Factoring and Securitization: The corresponding advance is accounted for the other borrowings and disclosed in Note 25.3. There were EUR 5.7 M as at 31 December 2023.

- Non-recourse invoice discounting and factoring: The residual commitment computed using the continuous involvement methodology is have been considered immaterial (€ 16K) and not accounted for in the borrowings. The face value of these discounted invoices was EUR 30 M as at 31 December 2023.

- Non-recourse assignment: In such case, there is no residual commitment. The face value of these discounted invoices was EUR 62 M as at 31 December 2023.

35.4. Derivatives on foreign currencies

The Lecta PIF Group operations are impacted by the fluctuations of the non-euro currencies, mainly USD, GBP and CAD.

The exchange risk management policy carried out, as a rule by the Group, is to cover between 40% and 50% of export billing. In 2023, given the sales volume reduction, the uncertainty of the markets, as the main cause, among others, and due to the significant fluctuations suffered by currencies due to different situations in international markets, our export coverage average was around 25% at Group level. Also due to specific factors related to the Group, such immediate pulp payments to be accomplished at sight or even in advance, we have been more conservative when closing hedges, to avoid failing to comply with the terms with our banks.

At 31 December 2023, ordinary sales and purchases were specifically hedged through:

- Forward agreements on realized sales in foreign currencies: None. Lecta PIF Group hedges at September 30th were about 3.2m€ that were cancelled during the following months being nil at the end of the year . The currency that we mainly hedge is the USD but in 2023 the most relevant currency in terms of hedging was CAD, due to the regular payment performance of our main Canadian customer, Spicers.

- Forward agreements on realized purchases in foreign currencies: EUR 5.5 M. Internal policy assumes that invoices exceeding $50,000 USD are hedged. During 2023, the percentage of coverage was about 55% than expected due to the need to make immediate payments: uncertainty of the supply chain worldwide caused that many payments were made at short term to grant raw material for paper manufacturing.

The impact of these contracts has been accounted for as fair value hedging, hence recognized in the Income statement (see Note 1.34).

At 31 December 2023, there were no options on future sales in foreign currencies and on future purchases in foreign currencies. Therefore, nothing had to be fair valued through Income statement.

At 31 December 2023, there were no mid or long-term currency forward contracts for the purpose of hedging the fluctuation of exchange rate of USD against EUR of mid or long-term agreements. If any, the impact of such contracts would be accounted for as cash flow hedge. The intrinsic value, considered as effective, would be recognized directly in Equity while the time value would be considered as ineffective, and thus recognized in the Income statement (see Note 1.34).

35.5. Hedging derivatives on interest rates

There was no hedging derivative on interest rates.

35.6. Hedging derivatives on raw materials prices

There was no hedging derivative on raw materials prices.

35.7. Fair value of financial instruments

Fair value hierarchy

Lecta PIF Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1

Quoted (unadjusted) prices in active markets for identical assets or liabilities The fair value of 2016 Notes was based on ex-coupon quotations. It should be considered with caution as the High Yield Bonds market has low liquidity

Level 2

Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

- For the hedging instruments, the inputs that have a significant effect on their fair value were observable.
- For the other items, of which Trade receivables and Trade payables, no valuation techniques had to be applied, as they were all short-term

Level 3

Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

It applies to unlisted securities (see Note 18). The fair value consists in the historical cost less eventual impairment

As at 31 December 2023, Lecta PIF Group held the following financial instruments:

		At 31 December 2023		At 31 December 2022	
		Carrying amount	Fair value	Carrying amount	Fair value
(in EUR K)		ASSETS			
Grants Receivables - White Certificates	Level 1	7,600	7,443	7,790	7,821
		LIABILITIES			
New Senior Secured Notes issued on 5th December 2023	Level 2	257,218	264,619	0	0
New Money Notes issued on 6th December 2023	Level 2	95,514	97,200	0	0
Senior Secured Notes issued on 4th February 2020	Level 2	0	0	200,000	163,408
Senior Secured Notes issued on 16th July 2020	Level 2	0	0	55,556	52,089

The following financial instruments carrying amount approximates their fair value:

- Unlisted securities
- Trade receivables
- Prepayments
- Grant receivables – Green Certificates
- Grant receivables – Capital Investments
- Miscellaneous other receivables
- Cash and cash equivalents
- Interest bearing borrowings except Notes
- Bank overdrafts
- Trade payables
- Capital payables
- Miscellaneous other payables

36. Financial risk management objectives and policies

36.1. Customer credit risk

Lecta PIF Group strictly monitors customer credit risk. In 2023, Lecta's ten largest customers of paper account for circa 18% of its sales of paper. Credit insurance covers a large part of the Trade receivables. Lecta's customers of energy are large multinational corporations.

(in EUR K)	31 Dec 2023	31 Dec 2022
Gross amount of Trade receivables	119,089	176,878
Impairment	(6,696)	(8,315)
Trade receivables as per Balance sheet	112,393	168,563
of which not past due	105,438	155,504
of which past due:	6,955	13,059
Amount covered by a credit insurance	3,242	6,379
Amount of recoverable VAT	0	116
Amount eligible to credit risk,	**3,713**	**6,564**
past due since less than one month	3,974	5,848
past due since more than one month but no later than three months	850	1,147
past due since more than three months but no later than one year	(747)	(247)
past due since more than one year but no later than five years	(364)	(184)
past due since more than five years	0	0

The line "Impairment" includes a bad debt provision of EUR 1,507 K as at 31 December 2023 (EUR 1,597 K as at 31 December 2022) already booked at the time of Polyedra's acquisition in 2012 (see Note 2.2). Its progressive reduction follows the conversion of the provision into a real bad debt charge, tax deductible or not.

36.2. Liquidity risk

After refinancing implemented in December 2023, extension and availability of new credit lines support that the liquidity risk can be considered remote. See Note 23 Cash & cash equivalents and Note 25 Interest-bearing borrowings for additional information.

36.3. Future discounted contractual payments

(in EUR K)	31 Dec 2023	31 Dec 2022
Financial liabilities as per Balance sheet	851,190	859,872
Future interest, post Balance Sheet date	1,526	1,490
Reversal of non-cash liabilities (IFRS adjustments)	29,625	4,923
Adjusted financial liabilities	**882,341**	**866,285**
Due no later than one month	207,993	206,016
Due later than one month and no later than three months	32,038	25,685
Due later than three months and no later than one year	123,858	229,262
Due later than one year and no later than five years	518,452	405,322
Discounted cash flows	**882,341**	**866,285**

36.4. Market risk

Lecta PIF Group profit is affected by cyclical changes in the overall economic activity and exposed to variations in the price of paper, raw materials and energy. To reduce their impacts:

- Lecta PIF Group customer base is highly diversified in terms of geography and channels of sales.
- Lecta PIF Group produces part of its needs of pulp (circa 40%) and base paper (circa 89%), the main raw materials used in the production of Coated Woodfree and Specialties. It also produces part of its energy requirement.
- Lecta PIF Group signed multi-year contracts for raw materials supply.
- Lecta PIF Group signed multi-year contracts for energy supply.

The table below illustrates how a change in selected factors (on the assumption that other factors are neutral) related to Lecta PIF Group's business may affect financial performances. Based on actual figures of 2023:

	Changes	Estimated effect on Lecta Group EBITDA
Paper prices	+/- 10 EUR/T	+/- 7.9 EUR
Pulp prices	+/- 10 EUR/T	-/+ 2.4M EUR
Volume produced and sold	+/- 10 KT	+/- 3.3M EUR

36.5. Interest rate risk

Lecta PIF Group's profit before tax is exposed to the fluctuations of interest rate, as a vast proportion of its Borrowings is indexed to 3-month Euribor.

Unfavorable impact on profit before tax of an increase of 1% (100 basis points) of 3-month Euribor, from 2.132% (as at 31 December 2022) to 3.909%, all other things being equal, based on actual figures as at 31 December 2023, is:

Interest rate	Estimated effect on Lecta Group EBT
3-month Euribor	-5.7 MEUR

There were no hedging derivatives on interest rates as at 31 December 2023.

Lecta PIF Group's counterparts are leading financial institutions that had credit ratings equal to or better than A-2 short-term or BBB long-term ratings (or equivalent) when the hedging instruments were traded.

36.6. Currency risk on transactions

Lecta PIF Group's EBITDA is exposed to the fluctuations of non-euro currencies on future sales and purchases.

Favorable (unfavorable) impacts on EBITDA of a decrease of 0.01 of exchange rate [e.g. for USD/EUR from 1.08 (average in 2023) to 1.07, or for GBP/EUR from 0.87 (average in 2022) to 0.86], all other things being equal, based on actual figures of 2023, are:

Currency	Estimated effect on Lecta Group EBITDA
USD	+0.6 MEUR
GBP	+0.8 MEUR

Lecta PIF Group covers the fluctuations of non-euro currencies, mainly USD and GBP, according to the following rules (see Note 36.4):

- Statement of financial position approach for trade receivables and payables: on a regular basis, the actual sales and purchases denominated in non-euro currencies are covered through forward agreements with fixed expiry dates consistent with those of the hedged items.

- Income statement approach for forecast incomes and expenses: on an occasional basis, a part of the future sales and purchases to be made in non-euro currencies may be covered through forward agreements or options for a maximum period of six months.

36.7. Currency risk on investments

Lecta PIF Group has no significant investments in the non-euro zone.

36.8. Currency risk on borrowings

The borrowings of PIF Group are essentially denominated in euro.

36.9. Business risk

Lecta PIF Group negotiates insurance policies for major risks, such as property damage & business interruption, and general liability. Lecta PIF Group also invests in the prevention and the protection of its assets following the recommendations by leading insurance companies.

36.10. CO_2 emission rights

Lecta PIF Group emits more CO_2 than the CO_2 emissions rights ("ER") granted for free. This deficit is covered with the purchases of ER from third parties +/- the stock of ER available at the end of the prior period (see Notes 16 and 28). The purchase price of ER is exposed to market fluctuations.

Lecta PIF Group did not acquire any derivative to cover the purchase price fluctuation of ER.

37. Previous year adjustments

The comparative figures in the Consolidated Income Statement for the previous year have been restated to reflect the reclassification of finance expenses related to discounts given to customers, as noted in Note 12 of the financial statements. This adjustment corrects a misstatement regarding 'trade receivables: early payment discounts' totalling €19,497k in 2022, which were incorrectly categorised as finance expenses. As per IFRS 15, these adjustments are presented as deductions against revenue to ensure accurate reporting, with no impact on the profit for 2022.

Accordingly, finance income related to discounts provided by suppliers, totalling €1,088k in 2022, which were incorrectly categorised as finance income as disclosed in Note 12 under 'discounts for anticipated payments,' has been reclassified to the 'Raw materials and consumables used' line item in the income statement.

The reclassification affects the Group cash flow statement by reducing net cash flows from operating activities and net cash flows used in financing activities (see Note 5 'Information by operating segment').

Comparative information in the strategic report and managers' report relating to revenue, adjusted EBITDA, and finance costs has been restated to reflect these adjustments.

Income statement disclosure:

Line item description (FY22)	Restated figure (€k)	Adjustment (€k)	Figure previously reported (€k)	Adjustment as % of previously reported figure
Revenue	1,888,220	(19,497)	1,907,717	1%
Finance expense	(35,934)	19,497	(55,431)	35%
Raw materials and consumables used	(836,610)	1,088	(837,698)	0%
Finance income	2,769	(1,088)	3,857	28%

Cash flow disclosure:

Line item description (FY22)	Restated figure (€k)	Adjustment (€k)	Figure previously reported (€k)	Adjustment as % of previously reported figure
Finance expense (Cash flow from operating activities)	35,934	(19,497)	55,435	35%
Finance income (Cash flow from operating activities)	2,769	(1,088)	3,857	28%
Net cash flow from operating activities	63,752	(18,409)	82,162	22%
Interest paid (cash flow from financing activities)	(32,263)	18,409	(50,672)	36%
Net cash flow used in financing activities	(34,567)	18,409	(52,976)	35%

Note 5 – Information by operating segment disclosure:

Product types

Line item description (FY22)	Restated figure (€M)	Adjustment (€M)	Figure previously reported (€M)	Adjustment as % of previously reported figure
Coated Woodfree	809	(13)	822	2%
Specialties	722	(6)	728	1%
Purchased products	180	(1)	181	1%
Net Sales of Paper	1,711	(20)	1,731	1%
Sales of Energy	177	0	177	0%
Revenue	1,888	(20)	1,908	1%

Net sales of Paper

Line item description (FY22)	Restated figure (€M)	Adjustment (€M)	Figure previously reported (€M)	Adjustment as % of previously reported figure
Coated Woodfree	809	(13)	822	2%
Specialties	722	(6)	728	1%
Purchased products	180	(1)	181	1%
Total	1,711	(20)	1,731	1%

EBITDA

Line item description (FY22)	Restated figure (€M)	Adjustment (€M)	Figure previously reported (€M)	Adjustment as % of previously reported figure
Coated Woodfree	84	(13)	97	13%
Specialties	47	(5)	52	10%
Purchased products	16	(1)	17	6%
Total	147	(19)	166	12%

EBITDA Margin

Line item description (FY22)	Restated figure (%)	Adjustment (%)	Figure previously reported (%)	Adjustment as % of previously reported figure
Coated Woodfree	10.4	(1.4)	11.8	N/A
Specialties	6.5	(0.7)	7.2	N/A
Purchased products	9.0	(0.2)	9.2	N/A
Total	8.6	(1)	9.6	N/A

Breakdown of Net Sales of Paper by percentages

Line item description (FY22)	Restated figure (%)	Adjustment (%)	Figure previously reported (%)	Adjustment as % of previously reported figure
Coated Woodfree	47	(1)	48	N/A
Specialties	42	0	42	N/A
Purchased products	11	1	10	N/A
Total	100	0	100	N/A

Breakdown of EBITDA by percentages

Line item description (FY22)	Restated figure (%)	Adjustment (%)	Figure previously reported (%)	Adjustment as % of previously reported figure
Coated Woodfree	57	(1)	58	N/A
Specialties	32	(0)	32	N/A
Purchased products	11	1	10	N/A
Total	100	0	100	N/A

EBITDA Margin

Line item description (FY22)	Restated figure (€M)	Adjustment (€M)	Figure previously reported (€M)	Adjustment as % of previously reported figure
Europe	1,450	(16)	1,466	1%
Americas	170	(2)	172	1%
Rest of World	91	(1)	92	1%
Total	1,711	(20)	1,731	1%

38. Events after the Statement of financial position date

On 9th April 2024 in the three Luxembourg companies new managers have been appointed. The Board is currently composed by five directors, as follow:

– Gilles J. Van Nieuwenhuyzen (Lecta Group CEO);

– Joost Mees;

– Ludovic Trogliero;

– Giovanni Incardona; and

– Alain Gaudré (Lecta Group CFO).

In the same date the name of the Luxembourg holding companies have been changed as follow:

– Lecta Paper Industries Holding SH (previously Paper Industries Holding SH Sàrl);

– Lecta Paper Intermediate Financing SH (previously Lecta Paper Intermediate Financing SH Sàrl);

– Lecta Paper Industries Financing (previously Lecta Paper Industries Financing Sàrl).

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