Interim Condensed Consolidated Financial Statements

30 June 2017

Under IFRS

GENERAL INFORMATION

Lecta Group is engaged in the production and sale of Coated Woodfree (“CWF”) and Specialty papers. Lecta Group has production sites in France, Italy and Spain and sells all around the world. It employed circa 3,302 FTE people in the quarter ended 30 June 2017.

The parent company of the Lecta Group is Lecta SA, a limited company incorporated and domiciled in the Grand Duchy of Luxembourg. The address of its registered office is:
LECTA SA
20, rue de la Poste
L-2346 Luxembourg

These interim condensed financial statements were approved for issue on 28 July 2017.

All the amounts in the present report are in thousands of euros (EUR K or K€) unless otherwise stated.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

Lecta Group
(in EUR K)

	Notes	Jan to Jun 2017	%	Jan to Jun 2016	%
Revenue	(5)	736,971	100	716,827	100
Changes in inventories of finished goods and work in process		3,303	0	9,244	1
Raw materials and consumables used		(376,116)	(51)	(371,199)	(52)
Labor costs		(95,764)	(13)	(96,253)	(13)
Other operating costs except non-recurring items		(208,290)	(28)	(195,307)	(27)
EBITDA		**60,104**	**8**	**63,312**	**9**
Depreciation		(26,935)	(4)	(27,278)	(4)
Amortization		(162)	(0)	(88)	(0)
Non recurring items	(6)	(3,043)	(0)	(3,853)	(1)
Profit (loss) from operations		**29,964**	**4**	**32,094**	**4**
Financial income		440	0	222	0
Financial expense		(30,986)	(4)	(33,539)	(5)
Profit (loss) before tax		**(581)**	**(0)**	**(1,223)**	**(0)**
Income tax	(7)	(5,445)	(1)	(1,421)	(0)
Profit (loss) after tax from continuing operations		**(6,026)**	**(1)**	**(2,644)**	**(0)**
Profit (loss) after tax from discontinued operations		0	0	0	0
Profit (loss) after tax		**(6,026)**	**(1)**	**(2,644)**	**(0)**
Attributable to:					
Equity holders of the parent	(8)	(7,504)	(1)	(2,744)	(0)
Non-controlling interests	(8)	1,477	0	101	0

The accompanying Notes are an integral part of these Interim Consolidated financial statements.

Consolidated statement of comprehensive income

Lecta Group
(in EUR K)

	Notes	Jan to Jun 2017	Jan to Jun 2016
Profit (loss) for the period		**(6,026)**	**(2,644)**
Exchange differences on translation of foreign operations		(109)	(459)
Net (loss)/gain on cash flow hedges	(10)	312	338
Income tax effect		(84)	(89)
		228	249
Net (loss)/gain on available-for-sale financial assets	(10)	0	(192)
Income tax effect		0	46
		0	(145)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		***118***	***(355)***
Actuarial gains (losses) on defined benefits plans		0	0
Income tax effect		0	(291)
		0	(291)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		***0***	***(291)***
Other comprehensive income, net of tax		**118**	**(646)**
Total comprehensive income, net of tax		**(5,908)**	**(3,289)**
Attributable to:			
Equity holders of the parent		(7,431)	(3,425)
Non-controlling interests		1,523	136

The accompanying Notes are an integral part of these Interim Consolidated financial statements.

Consolidated income statement Quarter

Lecta Group
(in EUR K)

	Notes	2nd quarter 2017		2nd quarter 2016	
			%		%
Revenue	(5)	360,685	100	357,631	100
Changes in inventories of finished goods and work in process		8,743	2	809	0
Raw materials and consumables used		(189,487)	(53)	(182,457)	(51)
Labor costs		(48,846)	(14)	(48,455)	(14)
Other operating costs except non-recurring items		(101,220)	(28)	(96,130)	(27)
EBITDA		**29,875**	**8**	**31,397**	**9**
Depreciation		(13,564)	(4)	(13,712)	(4)
Amortization		(58)	(0)	(44)	(0)
Non recurring items	(6)	(7,529)	(2)	(1,795)	(1)
Profit (loss) from operations		**8,724**	**2**	**15,847**	**4**
Financial income		246	0	128	0
Financial expense		(15,296)	(4)	(16,650)	(5)
Profit (loss) before tax		**(6,326)**	**(2)**	**(674)**	**(0)**
Income tax	(7)	(4,204)	(1)	(2,400)	(1)
Profit (loss) after tax from continuing operations		**(10,531)**	**(3)**	**(3,074)**	**(1)**
Profit (loss) after tax from discontinued operations		0	0	0	0
Profit (loss) after tax		**(10,531)**	**(3)**	**(3,074)**	**(1)**
Attributable to:					
Equity holders of the parent	(8)	(11,048)	(3)	(3,038)	(1)
Non-controlling interests	(8)	517	0	(36)	(0)

The accompanying Notes are an integral part of these Consolidated financial statements.

Consolidated statement of comprehensive income

Lecta Group
(in EUR K)

	Notes	2nd quarter 2017	2nd quarter 2016
Profit (loss) for the period		**(10,531)**	**(3,074)**
Exchange differences on translation of foreign operations		(174)	(119)
Net (loss)/gain on cash flow hedges	(10)	306	293
Income tax effect		(82)	(79)
		224	214
Net (loss)/gain on available-for-sale financial assets	(10)	0	0
Income tax effect		0	0
		0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		***50***	***96***
Actuarial gains (losses) on defined benefits plans		0	0
Income tax effect		0	0
		0	0
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		***0***	***0***
Other comprehensive income, net of tax		**50**	**96**
Total comprehensive income, net of tax		**(10,481)**	**(2,978)**
Attributable to:			
Equity holders of the parent		(11,040)	(2,984)
Non-controlling interests		560	6

The accompanying Notes are an integral part of these Consolidated financial statements.

Consolidated statement of financial position

Lecta Group
(in EUR K)

	Notes	30 Jun 2017	31 Dec 2016	30 Jun 2016
ASSETS				
Property, plant and equipment	(11)	467,341	467,262	476,215
Investment properties	(11)	1,363	1,363	2,081
Goodwill		118,252	118,252	118,252
Other intangible assets		567	2,559	1,569
Available-for-sale financial investments		140	140	140
Biological assets		282	282	280
Deferred income tax assets		53,385	54,793	45,602
Other non-current receivables		1,487	1,545	1,119
Non-current assets		**642,817**	**646,195**	**645,257**
Income tax receivable		7,645	7,403	6,590
Inventories		203,226	196,895	200,062
Trade receivables		231,580	218,162	232,401
Prepayments		2,082	1,342	1,963
Other current receivables		10,509	7,001	9,467
Cash & cash equivalents		107,845	134,360	112,487
Current assets		**562,887**	**565,162**	**562,970**
Non-current assets held for sale	(11)	**0**	**692**	**0**
TOTAL ASSETS		**1,205,704**	**1,212,050**	**1,208,226**
EQUITY & LIABILITIES				
Paid-in capital		1,446	1,446	1,446
Share premium		136,669	136,669	136,669
Net incomes (expenses) recognized directly through Equity		(8,559)	(8,741)	(7,090)
Foreign currency translation		(1,213)	(1,103)	(985)
Accumulated net profits (losses)		(30,052)	(22,549)	(11,894)
Equity holders of the parent		**98,291**	**105,721**	**118,146**
Non-controlling interests		**14,101**	**12,578**	**10,910**
TOTAL EQUITY		**112,392**	**118,300**	**129,057**
Interest-bearing borrowings	(12)	614,668	618,051	613,518
Non-current grants		11,184	12,168	14,526
Non-current provisions		35,756	35,933	36,746
Deferred income tax liabilities		13,160	13,080	17,077
Other non-current liabilities		0	166	489
Non-current liabilities		**674,769**	**679,398**	**682,356**
Current portion of interest-bearing borrowings	(12)	16,062	13,775	4,595
Bank overdrafts		11,095	19,562	17,028
Current grants		3,129	3,471	3,092
Current provisions		2,762	4,736	2,692
Income tax payable		3,331	1,982	2,398
Trade payables		357,022	355,571	352,348
Other liabilities		25,143	15,256	14,662
Current liabilities		**418,544**	**414,353**	**396,813**
TOTAL LIABILITIES		**1,093,312**	**1,093,750**	**1,079,170**
TOTAL EQUITY AND LIABILITIES		**1,205,704**	**1,212,050**	**1,208,226**

The accompanying Notes are an integral part of these Interim Consolidated financial statements.

Consolidated cash flow statement

Lecta Group
(in EUR K)

	Notes	Jan to Jun 2017	Jan to Jun 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		(581)	(1,223)
Net finance costs		30,545	33,317
Non recurring items		3,043	3,853
Depreciation & Amortization		27,097	27,366
EBITDA		**60,104**	**63,312**
Inventories decrease (increase)		(6,274)	(6,179)
Trade receivable decrease (increase)		(13,412)	15,758
Prepayments decrease (increase)		(742)	(923)
Trade payables increase (decrease)		1,274	(39,328)
Working Capital decrease (increase)		**(19,154)**	**(30,671)**
Provisions increase (decrease)		297	1,571
GHG emission rights decrease (increase)		(524)	(2,472)
Proceeds (payments) related to non-recurring items		(3,480)	(3,527)
Income tax paid	(7)	(2,936)	(2,165)
Net cash flow (used in) / from operating activities		**34,308**	**26,048**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of Property, plant and equipment		5,890	16
Purchase of property, plant and equipment		(22,362)	(21,924)
Receipt of Grants		(3,547)	(3,552)
Purchase of subsidiary, net of cash acquired		65	0
Disposal of subsidiary, net of cash sold	(6)	0	(224)
Purchase of other assets		0	(25)
Proceeds from disposal of other assets		62	0
Net cash flow (used in) / from investing activities		**(19,893)**	**(25,709)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(29,413)	(31,114)
Issue costs of Borrowings		(794)	(222)
Proceeds from Borrowings	(12)	16,178	26,000
Repayment of Borrowings	(12)	(18,182)	(32,355)
Payment of finance lease liabilities		(297)	(172)
Net cash flow (used in) / from financing activities		**(32,508)**	**(37,863)**
Net increase (decrease) in Cash & cash equivalents net of Bank overdrafts		(18,092)	(37,524)
Net foreign exchange difference		44	495
Cash & cash equivalents net of Bank overdrafts at 1 January		114,798	132,489
Cash & cash equivalents net of Bank overdrafts at 30 Jun		**96,750**	**95,460**
Of which Cash & cash equivalents		107,845	112,487
Of which Bank overdrafts		(11,095)	(17,028)

The accompanying Notes are an integral part of these Interim Consolidated financial statements.

Consolidated cash flow statement

Lecta Group
(in EUR K)

	Notes	2nd quarter 2017	2nd quarter 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		(6,326)	(674)
Net finance costs		15,050	16,521
Non recurring items		7,529	1,795
Depreciation & Amortization		13,622	13,756
EBITDA		**29,875**	**31,397**
Inventories decrease (increase)		(10,321)	946
Trade receivable decrease (increase)		(9,964)	7,701
Prepayments decrease (increase)		855	(1,185)
Trade payables increase (decrease)		5,782	(22,004)
Working Capital decrease (increase)		**(13,648)**	**(14,541)**
Provisions increase (decrease)		133	999
GHG emission rights decrease (increase)		(524)	0
Proceeds (payments) related to non-recurring items		(2,700)	(2,092)
Income tax paid	(7)	(2,769)	(1,803)
Net cash flow (used in) / from operating activities		**10,367**	**13,961**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of Property, plant and equipment		(69)	(819)
Purchase of property, plant and equipment		(8,904)	(10,534)
Receipt of Grants		(1,341)	(1,388)
Purchase of subsidiary, net of cash acquired		65	0
Disposal of subsidiary, net of cash sold	(6)	0	0
Purchase of other assets		0	(26)
Proceeds from disposal of other assets		95	(224)
Net cash flow (used in) / from investing activities		**(10,154)**	**(12,991)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(8,108)	(19,921)
Issue costs of Borrowings		(784)	(209)
Proceeds from Borrowings	(12)	1,046	16,000
Repayment of Borrowings	(12)	(1,781)	(22,353)
Payment of finance lease liabilities		(167)	(48)
Net cash flow (used in) / from financing activities		**(9,794)**	**(26,532)**
Net increase (decrease) in Cash & cash equivalents net of Bank overdrafts		(9,581)	(25,562)
Net foreign exchange difference		(18)	217
Cash & cash equivalents net of Bank overdrafts at 1 July		106,348	120,804
Cash & cash equivalents net of Bank overdrafts at 30 Jun		**96,750**	**95,460**
Of which Cash & cash equivalents		107,845	112,487
Of which Bank overdrafts		(11,095)	(17,028)

The accompanying Notes are an integral part of these Consolidated financial statements.

Consolidated statement of changes in equity
(in EUR K)
Lecta Group

	Paid-in capital	Share premium	Available-for-sale investments reserve	Cash flow hedging reserve	Actuarial gains (losses) on defined benefits plans reserve	Foreign currency translation	Accumulated net profits (losses)	**Total Equity holders of the parent**	**Non-controlling Interest**	**TOTAL EQUITY**
AT 1 JANUARY 2016	**1,446**	**136,669**	**53**	**(677)**	**(6,244)**	**(526)**	**(9,334)**	**121,387**	**10,774**	**132,161**
Profit for the period			0	0	0	**0**	(2,744)	(2,744)	101	(2,644)
Other comprehensive income (loss)			(145)	214	(291)	(459)	0	(681)	35	(646)
Total comprehensive income of the period	**0**	**0**	**(145)**	**214**	**(291)**	**(459)**	**(2,744)**	**(3,425)**	**136**	**(3,289)**
Variation of percentages of consolidation (see Note 2.2)	0	0	0	0	0	0	185	185	0	185
AT 30 JUN 2016	**1,446**	**136,669**	**(92)**	**(463)**	**(6,535)**	**(985)**	**(11,894)**	**118,146**	**10,910**	**129,057**
AT 1 JANUARY 2017	**1,446**	**136,669**	**(67)**	**(183)**	**(8,492)**	**(1,103)**	**(22,549)**	**105,721**	**12,578**	**118,300**
Profit for the period			0	0	0	0	(7,504)	(7,504)	1,477	(6,026)
Other comprehensive income (loss)			0	182	0	(109)	0	73	45	118
Total comprehensive income of the period	**0**	**0**	**0**	**182**	**0**	**(109)**	**(7,504)**	**(7,431)**	**1,523**	**(5,908)**
Variation of percentages of consolidation (See Note 2.2)							(0)	(0)	0	(0)
AT 30 JUN 2017	**1,446**	**136,669**	**(67)**	**(1)**	**(8,492)**	**(1,213)**	**(30,052)**	**98,291**	**14,101**	**112,392**

NOTES

1. Basis of preparation and accounting policies

1.1. Basis of preparation

The interim condensed consolidated financial statements of Lecta Group for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting.
The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016.

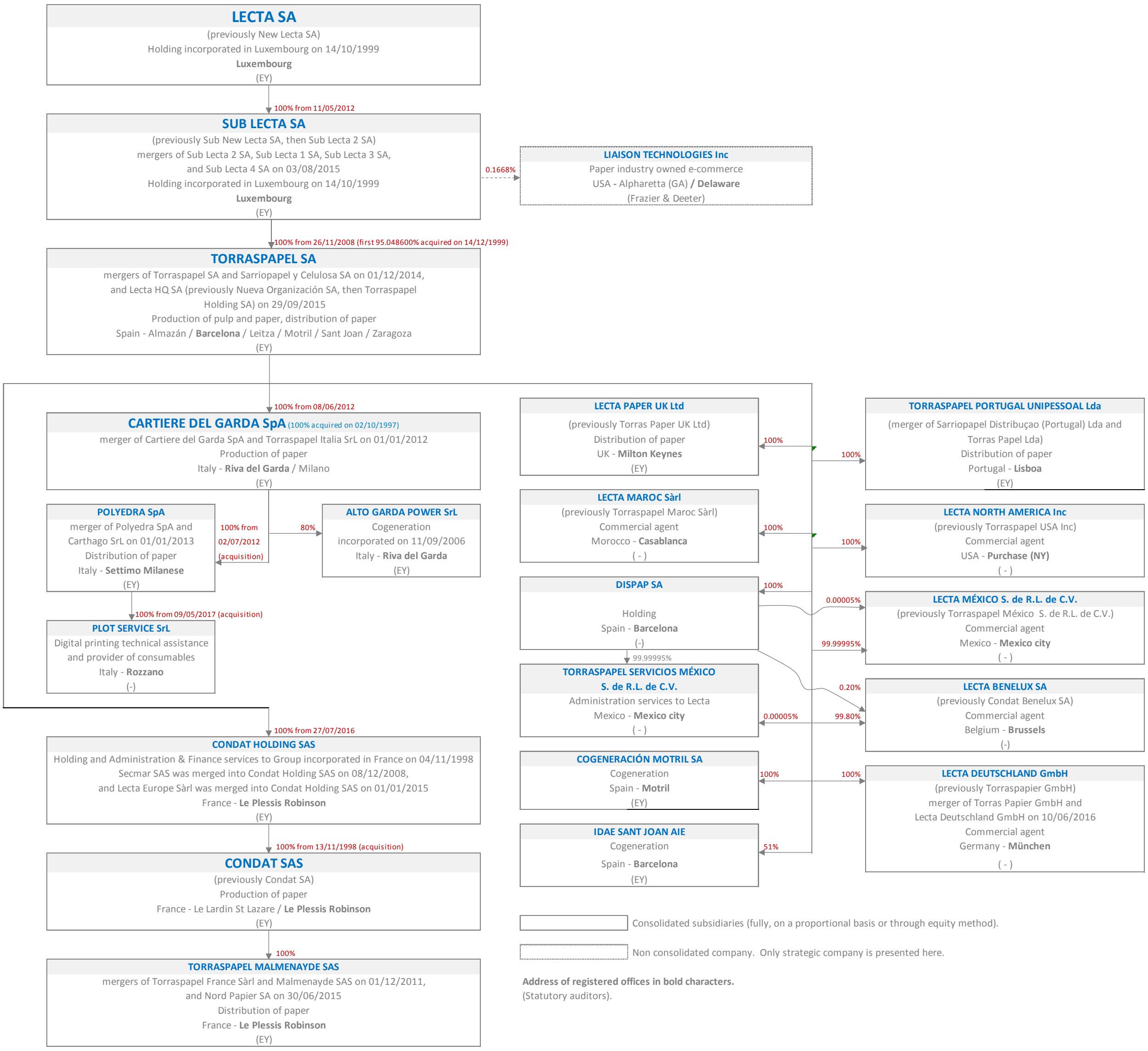
1.2. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

There is no new standard applicable as of 1 January 2017.

2. Lecta Group as at 30 June 2017

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
Cogeneración Motril SA	Cogeneration	Spain	100%	100%	Full
Condat Holding SAS (previously Condat Holding SA; absorbed Secmar SAS and Lecta Europe Sàrl)	Holding, Administration & Finance services to Group	France	100%	100%	Full
Condat SAS (previously Condat SA)	Production of woodfree coated paper	France	100%	100%	Full
Dispap SA	Holding	Spain	100%	100%	Full
IDAE Sant Joan AIE	Cogeneration	Spain	51%	51%	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 Maroc Sàrl (previously Torraspapel Maroc Sàrl)	Commercial agent	Morocco	100%	100%	Full
Lecta México S. de R.L. de C.V. (previously Torraspapel México S. de R.L. de C.V.)	Commercial agent	Mexico	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
Plot Service SrL	Digital printing technical assistance and provider of consumables	Italy	100%	100%	Full
Polyedra SpA (absorbed Carthago SrL)	Distribution of paper	Italy	100%	100%	Full
Sub Lecta SA (previously Sub New Lecta SA, then Sub Lecta 2 SA; absorbed Sub Lecta 4 SA, Sub Lecta 3 SA, and Sub Lecta 1 SA)	Holding and IP management	Luxembourg	100%	100%	Full
Torraspapel Malmenayde Sàrl (merger of Torraspapel France Sàrl and Malmenayde SAS, absorbed Nord Papier SA)	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 Servicios México S. de R.L. de C.V.	Provider of administration services	Mexico	100%	100%	Full
Torraspapel SA (absorbed Sarriopapel y Celulosa SA and Lecta HQ SA)	Production of pulp and paper, distribution of paper	Spain	100%	100%	Full

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.

2002

2004

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

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

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 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.

Torraspapel SA

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

Torraspapel SA

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

Torraspapel SA

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

Torraspapel 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.

Torraspapel 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.

Cartiere del Garda 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 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 (See Note 2.3).

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.

Cogeneración del Ter SA

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

2017

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.

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*	*0.0075%*	*0.0075%*	*(a)*
Ecofolio SAS	*Collection of ecological tax on paper printing*	*France*	*1.81%*	*1.81%*	*(a)*
Gas Intensive Scarl	*Purchase of methane by Italian industries*	*Italy*	*0.52%*	*0.52%*	*(a)*
Liaison Technologies Inc (previously Liaison Technologies LLC)	Paper industry owned e-commerce platform	USA	0.1668%	0.1668%	(a)
Promotora del Ulla SA	*No operating activity*	*Spain*	*45.2%*	*45.2%*	*(b)*
SVL Pilote SAS	Logistics	France	0%	0%	(a)
SVS SAS	Forwarding agent	France	0%	0%	(a)
SVT SAS	Packing	France	0%	0%	(a)
Condat Energie Biomasse SAS	*No operating activity*	France	100%	100%	(b)

In italic: Non-strategic companies.

Other companies are considered as strategic, even if they are not consolidated because of the following reasons:
(a) Lecta Group has no control and no significant influence in these companies.
(b) Immateriality.

Other comments
- On 1 January 2016, Dispap SA, classified up to 31 December 2015 as an Interest in non-consolidated companies, was included in the consolidated subsidiaries (See Note 2.2).
- On 13 June 2016, Cogeneración del Ter SL, en liquidación was liquidated.
- On 29 May 2017, Condat Energie Biomasse SAS was incorporated in France. Its sole activity until 30 June 2017 was the presentation on 1 June 2017 of a proposal in response to a public tender organized by the French Authorities for biomass energy.
- On 27 June 2017, the shareholders meeting of Ecofolio SAS approved the merger by absorption of the company into Eco-Emballages SA. This merger will be effective as of 1 September 2017. In accordance with the exchange parity, Lecta will have 0.20% of the share capital of the resulting company.

3. Lecta capital structure and Significant events

3.1. Lecta capital structure

On 27 July 2016, Lecta Group successfully completed its offering of EUR 600 M new notes (“2016 notes”):
- EUR 225 M of floating rate senior secured notes due 2022, bearing an interest rate of 3 month Euribor (with a floor at 0%) + 6.375%,
- EUR 375 M of fixed rate senior secured notes due 2023, bearing an interest rate of 6.500%,

and the negotiation of a new EUR 65 M Revolving Credit Facility due 2022.

The 2016 notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market.

3.2. Projects and plans

Lecta has Board authorization to explore projects aimed at (i) the simplification of the Group structure from a corporate and tax standpoint, (ii) the optimization of the operating organization, (iii) the strengthening of its specialty papers and merchanting operations, and (iv) the identification of exit opportunities.

On 26 May 2017, Lecta announced its intention to offer newly issued ordinary shares in a private placement to institutional investors. Certain of Lecta's shareholders also intended to sell part or all of their shares. The shares were expected to be admitted to trading on the Madrid, Barcelona, Bilbao and Valencia stock exchanges.
On 21 June 2017, Lecta Board has decided not to pursue a listing at this point despite the positive response shown by potential investors, and to continue assessing all options to optimize value for all stakeholders.

3.3. 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.

For the six-month period ended 30 June 2017 the restructuring cash cost associated to Lecta efficiency programs was EUR (1.4) M (see detailed below), reported in the line "Non-recurring items" (see Note 6). After payments, as at 30 June 2017, the remaining provision for restructuring was EUR 5.8 M.

3.3.1. Summary of the cost reduction initiatives since the end of 2012

The cost reduction initiatives included:

- Agreement with Cartiere del Garda employees to reduce labor cost through the conversion of part of fixed into variable salary linked to the performance of the company (February 2013);
- Reorganization of the Paper merchanting structure in Italy, Portugal, and Spain with total headcount reduction of 137 (until March 2013);
- Harmonization of the bonus scheme indexed to EBITDA performance (March 2013), cancellation of pension fund schemes (May 2013) and mill special agreements (July 2013) in Spain;
- Permanent closure of Condat production line n°6 (with a production capacity of 130,000 tons of CWF) with a job position reduction of 139 (June 2013)
- Denunciation of Progil pension regime to active employees in Condat (June 2013); this denunciation led to a one-off reduction of the provision for defined benefit post- employment plans of EUR 8.0 M reported in the line "Labor costs" in September 2013;
- Curtailment of the provision for Retirement plan IFC following the implementation of the restructuring in Condat; the one-off reduction of the provision for defined benefit post-employment plans of EUR 1.5 M was reported in the line "Labor costs" in September 2013, and EUR 0.2 M in December 2013;
- Denunciation of labor side agreements in Condat (December 2013) related to the working time and the structure of the remuneration. Condat's management successfully negotiated with the unions a new set of labor side agreements designed to promote the company performance, and the individual and collective efforts. Additional negotiations in the same area are still in progress.
- Closure of a warehouse in UK with a job reduction position of 4 (September 2013).
- Reorganization of the Paper merchanting structure in Italy and France aiming at centralizing the management and administration activities, adapting the structure to the reduced size of the market, outsourcing the transportation activity, reorganizing the logistic services with the closure of 3 warehouses in December 2013 and 1 in August 2014, associated to a job position reduction of 78 (until August 2014);
- Permanent closure of Berrobi / Uranga paper mill (with a production capacity of 27,000 tons of base paper) (January 2014);
- Permanent closure of Sarrià de Ter paper mill (with a production capacity of 65,000 tons of base paper and UWF) and Cogeneración del Ter plant (with a power of 25MW), with a job position reduction of 132 (October 2014);
- Centralization of the group financial and IT activities in Barcelona with a job position reductions of 4 (October 2014) and 1 (March 2016);
- Outsourcing of non-core activities in Sant Joan mill associated with the transfer of 133 job positions (February 2015);
- And a general company-wide organization efficiency program with job position reductions of 127 (2013-2016) and 31 (2017).

3.4. Changes in the consolidation perimeter

From 1 January 2008 to 31 December 2015, Dispap SA, a holding company with no operating activity, was excluded from the consolidation perimeter (see Notes 2.2 and 2.3). During this period, it reported a profit of EUR 192 K booked as “Net incomes recognized directly through Equity”.

On 1 January 2016, Dispap SA, in preparation for operating activity, was included again in the consolidation perimeter. The impacts of these movements can be summarized as follows (in K€).

ASSETS	
Deferred income tax assets	54
Other non-current receivables *	1,147
Non-current assets	**1,201**
Income tax receivable	4
Current assets	**4**
TOTAL ASSETS	**1,205**

EQUITY & LIABILITIES	
Paid-in capital	902
Accumulated net profits (losses)	303
Equity holders of the parent	**1,204**
non controlling interest	
TOTAL EQUITY	**1,204**
Income tax payable	1
Current liabilities	**1**
TOTAL LIABILITIES	**1**
TOTAL EQUITY AND LIABILITIES	**1,205**

* The “Other non-current receivables” consisted in a loan of EUR 1,147 K to Torraspapel SA.

3.5. Refinancing of Alto Garda Power SrL debt

On 1 March 2017, Alto Garda Power SrL refinanced its existing debt with a new borrowing having the following main features:
- Amount 7,500,000€
- Duration 6 years
- Amortization in 12 installments, the first one on 15 September 2017
- Interest 6-month Euribor (with a floor at 0%) + 1.650%
- Covenants: net equity of AGP has to be higher than two times outstanding debt at year-end; negative pledge in case of additional debt

The existing hedging instrument, a Collar indexed to 6-month Euribor for the period from June 2007 to December 2018, was terminated on 28 February 2017 for a cost of 380k€ (see Note 16).

3.6. Acquisition of Plot Service SrL

On 9 May 2017, Lecta – through its subsidiary Polyedra SpA - completed the acquisition of 100% shares in Plot Service SrL. This company, headquartered in Rozzano (Milan), is specialized in technical assistance for professional large format graphic peripherals, such as plotters, digital printers, scanners and digitizers. Plot Service SrL has service centers located throughout the country with highly qualified and specialized technicians. This service network will complement the already extensive presence of Polyedra SpA throughout Italy.
This acquisition reaffirms Lecta's desire to further strengthen its leading position in the Print & Communication, Sign & Display, and Packaging segments, progressively addressing the market more as a partner offering complete solutions to its customers’ communication needs.

The cost of acquisition was EUR 13 K. As the part of equity purchased was also EUR 13 K, there was no Goodwill to be considered. The purchase price allocation has been performed, and the measurement period will be closed with the publication of 30 June 2018 accounts.
At acquisition, Cash & cash equivalents net of Interest-bearing borrowings was EUR 39 K.
The fees and expenses in relation with this acquisition amounted to EUR 4 K.

The detail of assets and liabilities at acquisition date was as follows (in EUR K):

ASSETS	
Property, plant and equipment	14
Other intangible assets	0
Deferred income tax assets	0
Other non-current receivables	5
Non-current assets	**20**
Inventories	109
Trade receivables	130
Cash & cash equivalents	78
Current assets	**317**
TOTAL ASSETS	**337**

EQUITY & LIABILITIES	
Paid-in capital	10
Accumulated net profits (losses)	3
Equity holders of the parent	**13**
TOTAL EQUITY	**13**
Interest-bearing borrowings	39
Non-current provisions	47
Non-current liabilities	**86**
Income tax payable	(0)
Trade payables	238
Current liabilities	**238**
TOTAL LIABILITIES	**324**
TOTAL EQUITY AND LIABILITIES	**337**

4. Information by Operating Segment

Lecta Group applied IFRS 8 "Operating Segments" as of 1 January 2009. 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. The Coated Woodfree is quasi exclusively sold to third parties;
– Specialties consist in the sale of specialty papers manufactured by Lecta. The Specialties are quasi 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 5).
  The rationale is that the activity of Lecta is to produce and sell paper. In this context, Lecta operates cogeneration plants that burn gas and biomass, and produce electricity, steam and hot water. The production of steam is internally consumed, while the production of electricity can be internally consumed or sold to the grid, and the production of hot water is supplied to a district heating company. For "Operating Segment" reporting, the sale of electricity and hot water to third parties is not considered as revenue but as reduction in energy cost to produce paper.
- 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, Available-for-sale financial investments, Deferred income tax assets, Non-current income tax receivable, Other non-current receivables and Non-current assets held for sale.

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

4.1. Information about profit or loss

The following table compares sales and profit information of the products and services for the six-month period ended 30 June 2017, with the prior year. It considers the above definitions:

Net Sales of Paper

Products & Services	30 Jun	30 Jun	Change	
(in EUR M)	2017	2016	absolute	%
Coated Woodfree	377	396	-19	-5%
Specialties	222	202	+21	+10%
Purchased products	88	88	+1	+1%
Total	**687**	**685**	+2	+0%

EBITDA

Products & Services	30 Jun	30 Jun	Change	
(in EUR M)	2017	2016	absolute	%
Coated Woodfree	31	38	-7	-18%
Specialties	25	21	4	+17%
Purchased products	4	4	0	+5%
Total	**60**	**63**	-3	-5%

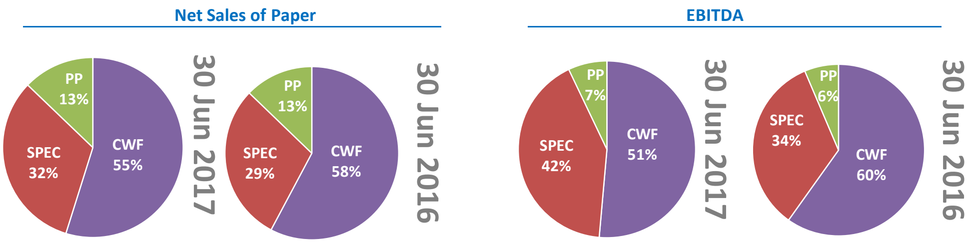
EBITDA Margin

Products & Services	30 Jun	30 Jun	Change
(in EUR M)	2017	2016	Percentage points
Coated Woodfree	8.2%	9.6%	-1.4
Specialties	11.2%	10.6%	+0.6
Purchased products	4.8%	4.6%	+0.2
Total	**8.7%**	**9.2%**	-0.5

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

	Net Sales of Paper			EBITDA		
	30 Jun 2017	30 Jun 2016	Change	30 Jun 2017	30 Jun 2016	Change
Coated Woodfree	**55%**	58%	-3pp	**51%**	60%	-8pp
Specialties	**32%**	29%	+3pp	**42%**	34%	+8pp
Purchased products	**13%**	13%	+0pp	**7%**	6%	+1pp
	100%	100%		**100%**	100%	

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



4.2. Information about geographical areas

The following table presents Net sales of paper to third parties and Non-current assets of the Group's products and services for the six-month periods ended 30 June 2017 and 30 June 2016:

Geographical location of customers (in EUR M)	Net sales of paper 30 Jun 2017	Net sales of paper 30 Jun 2016
Europe	555	556
Americas	80	82
Rest of world	53	47
Total	**687**	**685**

Geographical location of assets (in EUR M)	Non-current assets 30 Jun 2017	Non-current assets 30 Jun 2016
Luxembourg	0	0
Italy	88	92
France	52	60
Spain	330	327
Other	0	0
Total	**470**	**480**

5. Revenue

(in EUR K)	January to June 2017	January to June 2016
Net Sales of Paper	687,333	685,262
Sales of energy	49,638	31,565
Revenue	**736,971**	**716,827**

(in metric tonnes)	January to June 2017	January to June 2016
Volume sold of paper	777,429	758,061

(in MWh)	January to June 2017	January to June 2016
Volume sold of energy	559,031	543,788

6. Non-recurring items

(in EUR K)	January to June	
Profit (Loss) on:	**2017**	**2016**
Property, plant and equipment	5,196	11
Ineffective portion in the variation of cash flow hedging derivatives	45	58
Organization efficiency program	(1,408)	(3,527)
Other non-recurring items	(6,876)	(172)
Income / (Expense)	**(3,043)**	**(3,853)**

Property, plant and equipment
In January 2017, Torraspapel SA sold a plot of land and a building of the mill in Sarrià de Ter, permanently closed in October 2014 (see Note 3.3) against the payment of EUR 6.0 M, leading to the recognition of a pre-tax capital gain of EUR 5.3 M. The payment of this transaction was made in two phases: EUR 0.4 M in December 2016 and EUR 5.6 M in January 2017.

Ineffective portion in the variation of cash flow hedging derivatives
This line was the consequence of the introduction of IAS 32 & 39 (see Note 1.36 of Lecta annual report).

Organization efficiency program (see Note 3.3)
The Organization efficiency program is a body of several plans, aimed at improving the group's competitiveness. The charges for the six-month period were as follows:
- In 2017: EUR (1,408) K
- In 2016: EUR (3,527) K

Other non-recurring items
An accrual of EUR (6.8) M was booked in June 2017 for the fees and costs associated to the attempt of private placement to institutional investors made in the 2nd Quarter 2017 (see Note 3.2).

7. Income tax in the income statement

	January to June	
(in EUR K)	**2017**	**2016**
Current tax	(4,042)	(2,770)
Deferred tax	(1,404)	1,349
Income / (Expense)	**(5,445)**	**(1,421)**

The deferred tax charge of EUR (1,404) K booked in 2017 was the result of:
- EUR 802 K of net deferred tax profit on tax losses to be used against future taxable profits;
- EUR (2,206) K of deferred tax charge on temporary differences;

The deferred tax profit of EUR 1,349 K booked in 2016 was the result of:
- EUR (692) K of net deferred tax charge on tax losses, used against 2016 taxable profits;
- EUR 1,764 K of deferred tax profit, resulting from an additional recognition of tax losses;
- EUR (354) K of deferred tax charge on tax losses, resulting from a change of tax rate in France from 38% to 34.43%;
- EUR 631 K of deferred tax profit on temporary differences.

8. Earnings per share

(in EUR K)	January to June 2017	January to June 2016	2nd quarter 2017	2nd quarter 2016
Profit (loss) after tax attributable to the equity holders of the parent (in EUR K)				
Income statement	(7,504)	(2,744)	(11,048)	(3,038)
Pro-forma interest on warrants	(0)	(0)	(0)	(0)
Total diluted	(7,504)	(2,745)	(11,048)	(3,038)
Weighted number of shares				
Basic shares	560,366	560,366	560,366	560,366
Warrants	7,246	7,246	7,246	7,246
Total	**567,612**	**567,612**	**567,612**	**567,612**
Earnings per share (in EUR)				
Basic	(13.4)	(4.9)	(19.7)	(5.4)
Diluted	(13.4)	(4.9)	(19.7)	(5.4)

"Basic earnings per share" were computed on the basis of the weighted average number of shares issued after deduction of the weighted average number of shares owned by Lecta Group consolidated companies.

"Diluted earnings per share" took into account share equivalents having a dilutive effect after deduction of the weighted average number of share equivalents owned by Lecta Group consolidated companies. The dilutive effect of warrants was calculated using the notional investment method for which the Net earnings were adjusted to include a notional after tax interest income on proceeds coming from the sale of warrants.

9. Dividends paid and proposed

No dividend was paid nor proposed.

10. Components of other comprehensive income

Components of other comprehensive income
Lecta Group
(in EUR K)

Movements of other comprehensive income before tax	Jan to Jun 2017	Jan to Jun 2016
Cash flow hedges		
Gains/(losses) arising during the year		
Foreign currency forward contracts	0	0
Futures contract	(1)	9
Reclassification adjustments for gains/(losses) included in the income statement	313	328
Total effect on other comprehensive income resulting from Cash flow hedges (before tax)	312	338
Available-for-sale financial assets		
Gains/(losses) arising during the year	0	(192)
Reclassification adjustments for gains included in the income statement	0	0
Total effect on other comprehensive income resulting from revaluation of Available-for-sale financial assets (before tax)	0	(192)

Tax effect of components of other comprehensive income Cash flow hedges	Jan to Jun 2017	Jan to Jun 2016
Cash flow hedges		
Gains/(losses) arising during the year		
Foreign currency forward contracts	0	0
Futures contract	(1)	(0)
Reclassification adjustments for gains/(losses) included in the income statement	(83)	(88)
Total tax effect on other comprehensive income resulting from Cash flow hedges	(84)	(89)
Available-for-sale financial assets		
Gains/(losses) arising during the year	0	0
Reclassification adjustments for gains included in the income statement	0	0
Total tax effect on other comprehensive income resulting from revaluation of Available-for-sale financial assets	0	0

Cash flow hedge is used to cover the exposure to variability in cash flows that is attributable to a particular risk associated with a forecast transaction.
In Lecta Group, these are foreign currency, interest rate and energy price hedging instruments (forward, option, cap, floor, collar, swap…). 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" 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 "Non-recurring items" of the Income statement (see Note 6).

During the six-month period ended 30 June 2017, there was a Cash flow hedges effect of EUR 312 K. It consisted of EUR (1) K in relation with the interest rate hedging, and EUR 313 K of real hedging payable transferred to Income statement.

11. Property, plant and equipment and Investment properties

During the six-month period ended 30 June 2017, Lecta Group acquired Property, plant and equipment with a cost of EUR 28.4 M compared to EUR 18.0 M in the same period of 2016.

As at 30 June 2017, Investment properties of EUR 1,363 K consisted in plots of land in Amorebieta / Carmen (EUR 540 K) and Sarrià de Ter (EUR 823 K).

As at 30 June 2016, Investment properties of EUR 2,081 K consisted in plots of land in Amorebieta / Carmen (EUR 540 K) and Sarrià de Ter (EUR 1,541 K).

12. Interest-bearing borrowings

During the six-month period ended 30 June 2017, the repayment of borrowings net of proceeds from borrowings was EUR 2.0 M.

13. Capital commitments

As at 30 June 2017, Lecta Group had firm commitments in relation with orders of Property, plant and equipment net of advances to suppliers of EUR 16.2 M.
These commitments were allocated as follows:

EUR 1.9 M in Italy
EUR 1.2 M in France
EUR 13.1 M in Spain

14. Related party disclosures

14.1. Transactions with non-consolidated companies

.

(in EUR K)		Sales to related parties	(Purchases) from related parties	Finance (costs) from related parties	Amounts owed by related parties	Amounts owed to related parties
		January to June			31 December 2016 / 30 June 2017	
SVL Pilote SAS	2016	0	(3,102)	0	0	1,283
	2017	0	(3,385)	0	0	1,386
SVS SAS	2016	0	(290)	0	0	58
	2017	0	(290)	0	0	106
SVT SAS	2016	0	(979)	0	0	227
	2017	0	(1,002)	0	0	357

These companies were not 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.

15. Hedging derivatives on foreign currencies

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

At 30 June 2017, ordinary sales and purchases were specifically hedged through:
- Forward agreements on realized sales in foreign currencies:.. EUR 31.0 M
- Forward agreements on realized purchases in foreign currencies: .... EUR 15.4 M

The impact of these contracts has been accounted for as fair value hedging, hence recognized in the Income statement (see Note 1.36 of Lecta annual report).

At 30 June 2017, 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.

16. Hedging derivatives on interest rates

2012 Floating Rate Notes:
[1] On 3 May 2013, the interest rate of 26% of the Floating rate notes was hedged with a Swap to exchange 3-month Euribor variable rate against fixed rate of 0.385% for the period from mid-August 2013 to mid-February 2016.
[2] On 24 April 2014, the interest rate of 26% of the Floating rate notes was hedged with a Cap indexed to 3-month Euribor for the period from mid-August 2014 to mid-August 2016.
[3] On 3 October 2014, the interest rate of 26% of the Floating rate notes was hedged with a Cap indexed to 3-month Euribor for the period from mid-November 2014 to mid-August 2016.

Alto Garda Power SrL:
[4] On 5 September 2007, the interest rate of 50% of the forecast debt in Alto Garda Power SrL was hedged with a Collar indexed to 6-month Euribor for the period from June 2007 to December 2018.
On 16 March 2010, the interest rate of 25% of the forecast debt was hedged with a Swap to exchange 6-month Euribor variable rate against fixed rate of 2.995% for the period June 2010 to December 2018.
In December 2012, Alto Garda Power SrL voluntarily repaid EUR 12 M of its debt. Following this repayment, the notional amounts of the Collar and the Swap were higher than the debt. Consequently, the Collar and part of the Swap was considered as hedging instruments, while the balance of the Swap was no more considered as hedging instrument. On 18 December 2013, the Swap to exchange 6-month Euribor variable rate was terminated.
In March 2017, Alto Garda Power SrL refinanced its debt (see Note 3.5). On 28 February 2017, the Collar indexed to 6-month Euribor was terminated.

IDAE Sant Joan AIE:
[5] On 23 July 2010, the interest rate of 75% of the forecast debt in IDAE Sant Joan AIE was hedged with a Swap to exchange 1-month Euribor variable rate against fixed rate of 2.14% for the period from June 2011 to March 2016.

[6] On 23 December 2015, the interest rate of 70% of the forecast debt in IDAE Sant Joan AIE was hedged with a Cap indexed to 3-month Euribor for the period from June 2016 to September 2018. This Cap took effect 3 months after the termination of the prior interest rates hedge of the forecast debt in IDAE Sant Joan AIE (See [5]).

The main characteristics of the above instruments are as follows:

(in EUR K)

	Instrument	Notional amount	Premium paid	Effective date	Termination date	Floor rate	Cap rate	Strike
[1]	Swap 3M Euribor	100,000		15-Aug-2013	15-Feb-2016			0.385%
[2]	Cap 3M Euribor	100,000	45	15-Aug-2014	15-Aug-2016		2.00%	
[3]	Cap 3M Euribor	100,000	5	15-Nov-2014	15-Aug-2016		2.00%	
[4]	Collar 6M Euribor	Max 27.644		29-Jun-2007	28-Feb-2017	4.05%	5.75%	
[5]	Swap 1M Euribor	Max 18,750		30-Jun-2011	31-Mar-2016			2.14%
[6]	Cap 3M Euribor	Max 8,000	20	30-Jun-2016	30-Sep-2018		0.00%	

The impact of these agreements was accounted for as cash flow hedge.
For the cash flow hedge, the intrinsic value considered as effective was recognized directly in Equity, while the time value was considered as ineffective and thus recognized in the Income statement. For the fair value hedge, any gain or loss from re-measuring the hedging instrument at fair value was recognized in the Income statement in the lines "Financial income" or "Financial expense".

17. Hedging derivatives on energy prices

There were no hedging derivatives on energy price.

18. Events after the Statement of Financial Position date

18.1. 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) is challenging part of the Green certificates granted to it for the period 2010-2015. If confirmed the claim would lead to the recognition of a pre-tax loss of circa EUR (5) M. Under such circumstances, Alto Garda Power SrL reserves its rights to defend its own interests.

18.2. Sale of 2016 White certificates

On 28 July 2017, Alto Garda Power SrL sold the White certificates granted to it for the year 2016 against the payment of EUR 9.9 M, leading to the recognition of a pre-tax gain of EUR 7.0 M.