Interim Condensed Consolidated Financial Statements

30 June 2019

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 3,170 FTE people in the quarter ended 30 June 2019.

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 August 2019.

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 2019	%	Jan to Jun 2018	%
Revenue	(5)	734,574	100	747,105	100
Changes in inventories of finished goods and work in process		(11,339)	(2)	19,054	3
Raw materials and consumables used		(373,863)	(51)	(404,110)	(54)
Labor costs		(93,497)	(13)	(96,556)	(13)
Other operating costs except non-recurring items		(202,342)	(28)	(200,352)	(27)
EBITDA		**53,534**	**7**	**65,142**	**9**
Depreciation	(11)	(29,249)	(4)	(25,146)	(3)
Amortization		(86)	(0)	598	0
Non recurring items	(6)	(1,680)	(0)	(2,000)	(0)
Profit (loss) from operations		**22,519**	**3**	**38,594**	**5**
Financial income		286	0	644	0
Financial expense		(31,133)	(4)	(32,123)	(4)
Finance costs	(12)	(30,847)	(4)	(31,479)	(4)
Share of results in associates		0	0	0	0
Profit (loss) before tax		**(8,328)**	**(1)**	**7,115**	**1**
Income tax	(7)	(4,305)	(1)	(5,177)	(1)
Profit (loss) after tax from continuing operations		**(12,633)**	**(2)**	**1,938**	**0**
Profit (loss) after tax from discontinued operations		0	0	0	0
Profit (loss) after tax		**(12,633)**	**(2)**	**1,938**	**0**
Attributable to:					
Equity holders of the parent	(8)	(13,539)	(2)	141	0
Non-controlling interests		906	0	1,797	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 2019	Jan to Jun 2018
Profit (loss) for the period		**(12,633)**	**1,938**
Exchange differences on translation of foreign operations		17	137
Net (loss)/gain on cash flow hedges	(10)	0	0
Income tax effect		0	0
		0	0
Net (loss)/gain on Unlisted securities	(10)	(132)	0
Income tax effect		0	0
		(132)	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		***(116)***	***137***
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		**(116)**	**137**
Total comprehensive income, net of tax		**(12,748)**	**2,076**
Attributable to:			
Equity holders of the parent		(13,654)	278
Non-controlling interests		906	1,797

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

Consolidated statement of financial position

Lecta Group
(in EUR K)

	Notes	30 Jun 2019	31 Dec 2018	30 Jun 2018
ASSETS				
Property, plant and equipment	(11)	499,330	473,852	474,951
Investment properties	(11)	1,363	1,363	1,363
Goodwill		118,252	118,252	118,252
Other intangible assets		2,319	6,203	2,629
Unlisted securities		77	77	141
Biological assets		287	284	284
Deferred income tax assets		54,223	54,477	47,293
Other non-current receivables		1,484	1,472	1,623
Non-current assets		**677,335**	**655,981**	**646,536**
Income tax receivable		2,427	7,125	6,157
Inventories		224,302	238,809	227,698
Trade receivables		220,445	212,643	224,716
Prepayments		1,165	666	1,244
Other current receivables		5,468	8,788	9,027
Cash & cash equivalents		78,895	107,227	101,088
Current assets		**532,701**	**575,257**	**569,930**
TOTAL ASSETS		**1,210,036**	**1,231,239**	**1,216,466**
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		(7,993)	(7,861)	(8,079)
Foreign currency translation		(1,313)	(1,329)	(1,312)
Accumulated net profits (losses)		(46,706)	(33,167)	(34,620)
Equity holders of the parent		**82,103**	**95,757**	**94,103**
Non-controlling interests		**5,034**	**5,564**	**17,568**
TOTAL EQUITY		**87,137**	**101,321**	**111,671**
Interest-bearing borrowings	(12)	627,584	606,945	608,244
Non-current grants		7,673	8,674	9,689
Non-current provisions		25,760	26,293	29,128
Deferred income tax liabilities		12,023	11,545	11,316
Other non-current liabilities		0	0	0
Non-current liabilities		**673,039**	**653,457**	**658,378**
Current portion of interest-bearing borrowings	(12)	54,693	31,589	35,167
Bank overdrafts		27,285	17,180	20,714
Current grants		2,161	2,245	2,356
Current provisions		2,965	8,940	1,445
Income tax payable		548	1,235	7,531
Trade payables		344,828	397,994	364,453
Other liabilities		17,380	17,278	14,750
Current liabilities		**449,860**	**476,460**	**446,418**
TOTAL LIABILITIES		**1,122,899**	**1,129,917**	**1,104,795**
TOTAL EQUITY AND LIABILITIES		**1,210,036**	**1,231,239**	**1,216,466**

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 2019	Jan to Jun 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		(8,328)	7,115
Net finance costs		30,847	31,479
Non recurring items		1,680	2,000
Depreciation & Amortization		29,335	24,548
EBITDA		**53,534**	**65,142**
Inventories decrease (increase)		14,503	(24,996)
Trade receivable decrease (increase)		(7,814)	(1,593)
Prepayments decrease (increase)		(498)	(847)
Trade payables increase (decrease)		(53,170)	(17,184)
Working Capital decrease (increase)		**(46,979)**	**(44,620)**
Provisions increase (decrease)		(608)	(7)
GHG emission rights decrease (increase)		(1,881)	(2,017)
Proceeds (payments) related to non-recurring items		(2,027)	(2,699)
Income tax paid		439	(531)
Net cash flow (used in) / from operating activities		**2,478**	**15,267**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of Property, plant and equipment		97	135
Purchase of property, plant and equipment		(31,486)	(50,785)
Receipt of Grants		2,884	2,222
Purchase of other assets		(14)	(1)
Proceeds from disposal of other assets		457	100
Net cash flow (used in) / from investing activities		**(28,062)**	**(48,329)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(29,614)	(30,403)
Issue costs of Borrowings		(7)	(10)
Proceeds from Borrowings	(12)	55,024	54,506
Repayment of Borrowings	(12)	(35,817)	(36,581)
Payment of finance lease liabilities		(2,476)	(385)
Net cash flow (used in) / from financing activities		**(12,889)**	**(13,073)**
Net increase (decrease) in Cash & cash equivalents net of Bank overdrafts		(38,473)	(46,134)
Net foreign exchange difference		35	132
Cash & cash equivalents net of Bank overdrafts at 1 January		90,047	126,376
Cash & cash equivalents net of Bank overdrafts at 30 June		**51,610**	**80,374**
Of which Cash & cash equivalents		78,895	101,088
Of which Bank overdrafts		(27,285)	(20,714)

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

Consolidated statement of changes in equity

(in EUR K)

Lecta Group

	Paid-in capital	Share premium	Unlisted securities reserve	Cash flow hedging reserve	Actuarial gains (losses) on defined benefits plans reserve	FTA IFRS 9	Foreign currency translation	Accumulated net profits (losses)	**Total Equity holders of the parent**	**Non-controlling Interest**	**TOTAL EQUITY**
Effect of adopting IFRS 9	0	0				(183)	0	0	(183)	0	(183)
AT 1 JANUARY 2018	**1,446**	**136,669**	**(69)**	**0**	**(7,828)**	**0**	**(1,450)**	**(34,760)**	**93,826**	**15,970**	**109,796**
Effect of adopting IFRS 9						0			0	0	0
Profit for the period			0	0	0		**0**	141	141	1,797	1,938
Other comprehensive income (loss)			0	0	0		137	0	137	0	137
Total comprehensive income of the period	**0**	**0**	**0**	**0**	**0**	**0**	**137**	**141**	**278**	**1,797**	**2,076**
Variation of percentages of consolidation (see Note 2.2)	0	0	0	0	0		0	(1)	(1)	0	(1)
AT 30 JUNE 2018	**1,446**	**136,669**	**(69)**	**0**	**(7,828)**	**(183)**	**(1,312)**	**(34,620)**	**94,103**	**17,568**	**111,671**
Effect of adopting IFRS 16									0	0	0
AT 1 JANUARY 2019	**1,446**	**136,669**	**(69)**	**0**	**(7,610)**	**(183)**	**(1,329)**	**(33,167)**	**95,757**	**5,564**	**101,321**
Profit for the period			0	0	0		0	(13,539)	(13,539)	906	(12,633)
Other comprehensive income (loss)			(132)	0	0		17	0	(116)	0	(116)
Total comprehensive income of the period	**0**	**0**	**(132)**	**0**	**0**		**17**	**(13,539)**	**(13,654)**	**906**	**(12,748)**
Variation of percentages of consolidation (See Note 2.2)									(0)	0	(0)
AT 30 JUNE 2019	**1,446**	**136,669**	**(201)**	**0**	**(7,610)**	**(183)**	**(1,313)**	**(46,706)**	**82,103**	**5,034**	**87,137**

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

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 2019 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 2018.

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 2018.

New amended IAS or interpretations effective as of 1 January 2019:

- **IFRS 16** "Leases" was issued in January 2016. It replaces IAS 17 "Leases". The major change introduced by the new Standard is that leases are brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee - the lease customer), treating all leases as finance leases.

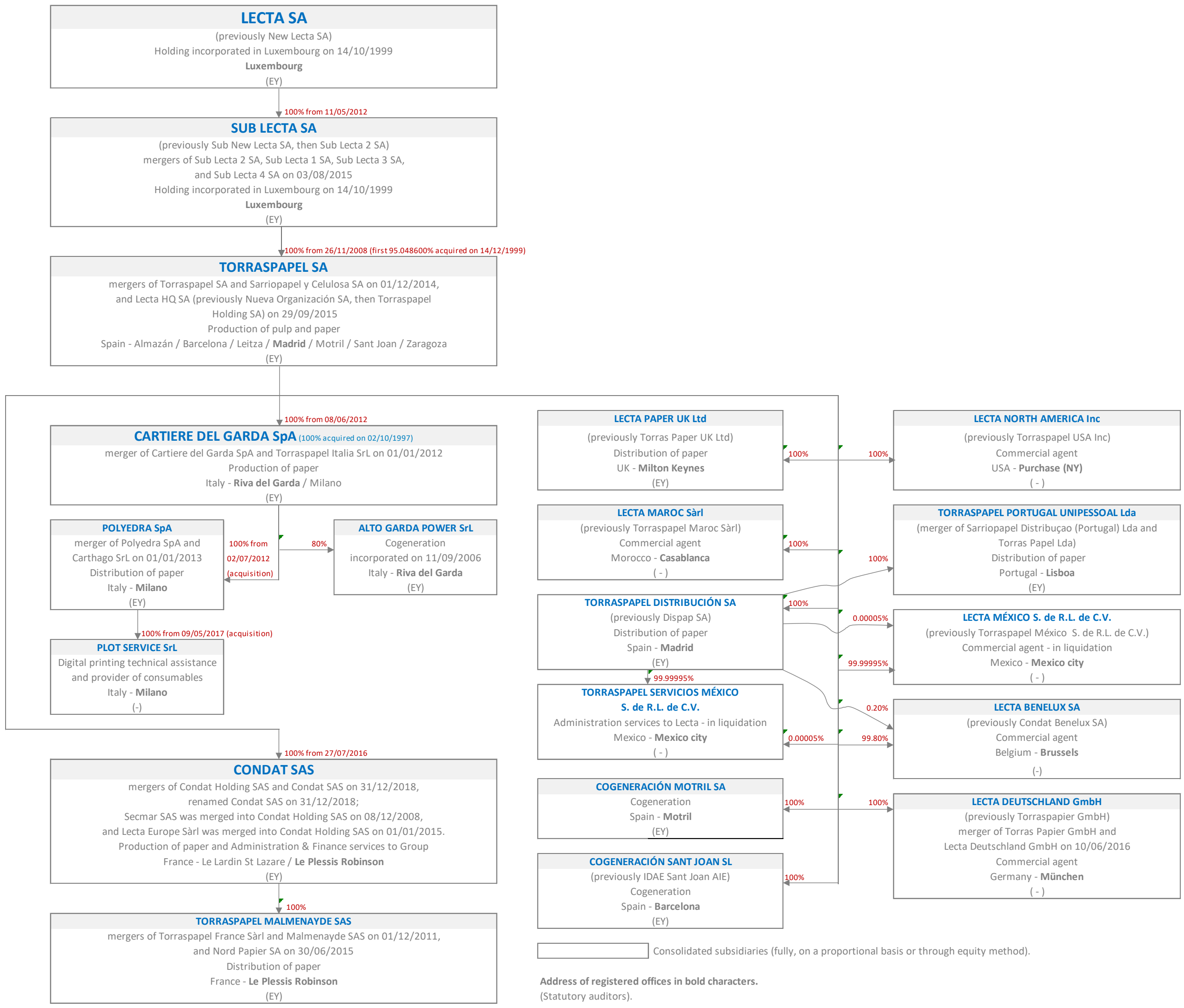
Lecta Group adopted IFRS 16 on 1 January 2019, using the modified retrospective approach and therefore the comparative information was not restated and continues to be reported under IAS 17 and IFRIC 4 "Determining whether an arrangement contains a lease".
The effect of the application of IFRS 16 was as follows:
- In the Statement of financial position, as at 1 January 2019, the Group recognized Right-Of-Use ("ROU") assets and Lease liabilities of circa EUR 24.8 M, reported in Property, plant and Equipment (see Note 11) on the one hand, Interest-bearing borrowings and Current portion of interest-bearing borrowings (see Note 12) on the other hand. The lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rates of the lessees, and the ROU assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group allocated the consideration in the contract to each lease component and separated non-lease components if these were identifiable.
- In the Income statement, for the six months ended 30 June 2019, the Other operating costs except non-recurring items decreased by circa EUR 2.7 M, while the Depreciation and the Financial expense increased by circa EUR 2.5 M and EUR 0.5 M respectively.
- In the Cash flow statement, for the six months ended 30 June 2019, the Net cash flow from operating activities increased by circa EUR 2.2 M, the Net cash flow from financing activities decreased by circa EUR 2.2 M, and there was no impact to Total cash flow.

The reconciliation of the Operating lease commitments reported under IAS 17 "Leases" as at 31 December 2018 and the Lease liabilities reported as at 1 January 2019 is as follows:

(in EUR M)	
Operating lease commitments as at 31 December 2018 (see Note 35.2 to the Group's annual consolidated financial statements as at 31 December 2018)	28.1
Weighted average incremental borrowing rate as at 1 January 2019	4.00%
Discounted operating lease commitments as at 1 January 2019	25.1
Less:	
Commitments relating to short-term leases and leases of low-value assets	0.3
Add:	
Commitments relating to leases previously classified as finance leases	0.5
Lease liabilities as at 1 January 2019	25.3

2. Lecta Group as at 30 June 2019

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
Cogeneración Sant Joan SL (previously IDAE Sant Joan AIE, then Cogeneración Sant Joan AIE)	Cogeneration	Spain	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 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 - in liquidation	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 Distribución SA (previously Dispap SA; spin-off of the distribution activity from Torraspapel SA)	Distribution of paper	Spain	100%	100%	Full
Torraspapel Malmenayde SAS (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 - in liquidation	Mexico	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

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 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.

2015

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.

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.

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.

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.	**Cogeneración Sant Joan AIE**	**Condat SAS**
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 (see Note 3.4).	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. (see Note 3.5).	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).

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)*
Condat Energie Biomasse SAS	*No operating activity*	*France*	*100%*	*100%*	*(b)*
Consorzio Nazionale Imballaggi Scarl	*Recovery & Recycling*	*Italy*	*0.0075%*	*0.0075%*	*(a)*
Gas Intensive Scarl	*Purchase of methane by Italian industries*	*Italy*	*0.52%*	*0.52%*	*(a)*
Promotora del Ulla SA	*No operating activity*	*Spain*	*45.2%*	*45.2%*	*(b)*
SREP SA	*Recycling of packaging and paper in France*	*France*	*0.41%*	*0.41%*	*(a)*
SVL Pilote SAS	*Logistics*	*France*	*0%*	*0%*	*(a)*
SVS SAS	*Forwarding agent*	*France*	*0%*	*0%*	*(a)*
SVT SAS	*Packing*	*France*	*0%*	*0%*	*(a)*

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 29 May 2017, Condat Energie Biomasse SAS was incorporated in France. Its sole activity until today was the presentation on 1 June 2017 of a proposal in response to a public tender organized by the French Authorities for biomass energy. This public tender was cancelled in 2018.
- On 17 December 2018, OpenText Corporation acquired Liaison Technologies Inc, of which the 0.1664% participation of Sub Lecta SA.

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 bearing an interest rate of 4% 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 distribution operations, and (iv) the identification of exit opportunities.

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 2019 the restructuring cash cost associated to Lecta efficiency programs was EUR (1.5) M, reported in the line "Non-recurring items" (see Note 6).

Organization Efficiency Program allows Lecta to maintain the labor costs in spite of salary increases and new job positions in relation with the investments in Specialties.

3.4. Mexican subsidiaries

On 30 November 2018, the two Mexican subsidiaries, i.e. Lecta México S. de R.L. de C.V. and Torraspapel Servicios México S. de R.L. de C.V. were put into liquidation (see Note 2.2). They served as Commercial agent for the manufacturing companies of the Lecta group. As part of the shift of Lecta group business into Specialties and given the decrease in margin of the sales in Mexico, it was considered more cost efficient to have the Mexican clients dealt with directly by the Central Overseas structure in Barcelona.

3.5. Acquisition of non-controlling interests in 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 (see Note 2.2). This acquisition was made through the exercise of the call option against a cash payment of EUR 4.1 M.
As the Non-controlling interests in Cogeneración Sant Joan AIE were EUR 10.5 M, i.e. EUR 9.1 M until December 2017 and EUR 1.4 M from January to November 2018, this acquisition increased the Group's reserves by EUR 6.4 M, i.e. EUR 5.0 M until December 2017 and EUR 1.4 M from January to November 2018 (see Statement of changes in equity).
In addition, the Group now has the control of the cash held by Cogeneración Sant Joan AIE.

3.6. Temporary shutdown of Line 8 at the Condat mill in France

Lecta temporarily shut down Line 8 at its Condat mill in France starting at the end of April 2019.
The decrease in CWF demand over the last several years resulted in overcapacity in the industry. The worsening of this trend observed in the last months is the main reason for this decision.
The Condat brand product range and service levels during this period are guaranteed due to efficiency improvements and streamlining on Condat's Line 4 as well as through the contribution of the Group's other CWF paper mills.
Despite the temporary shutdown, meeting the overall demand of Lecta's CWF customers is assured, given the Group's total production capacity of more than 850,000 tons per year.

At the same time, Lecta continues working on a strategic transformation plan that will allow Condat to diversify its production.
This plan would entail the transformation of Line 8 from manufacturing CWF to manufacturing specialty papers for labels and flexible packaging, a market in which Lecta has extensive experience given its manufacturing operations in Spain (see Note 18.1).

3.7. Implementation of a new ERP at the Cartiere del Garda mill in Italy

In June 2019, a new Enterprise Resource Planning system was implemented in Lecta's Riva del Garda Italy paper mill. Implementation was more challenging than expected, resulting in a loss of production and deliveries of CWF from the mill, as well as extra cost. The estimated and accounted for EBITDA impact in 2Q 2019 was negative EUR (1.9) M.

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 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 "Operating Segment" reporting, the sale of electricity to the grid 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 2019, with the prior year. It considers the above definitions:

Net Sales of Paper

Products & Services (in EUR M)	30 Jun 2019	30 Jun 2018	Change absolute	Change %
Coated Woodfree	345	382	-37	-10%
Specialties	248	230	+19	+8%
Purchased products	87	92	-5	-5%
Total	**681**	**704**	-23	-3%

EBITDA

Products & Services (in EUR M)	30 Jun 2019	30 Jun 2018	Change absolute	Change %
Coated Woodfree	19	30	-11	-36%
Specialties	30	32	-2	-6%
Purchased products	5	3	+1	+41%
Total	**54**	**65**	-12	-18%

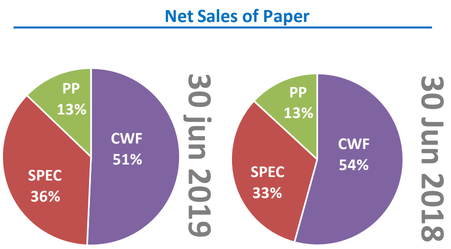
EBITDA Margin

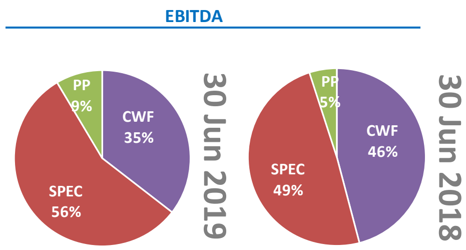
Products & Services	30 Jun 2019	30 Jun 2018	Change Percentage points
Coated Woodfree	5.5%	7.8%	-2.3
Specialties	12.1%	13.9%	-1.9
Purchased products	5.2%	3.5%	+1.7
Total	**7.9%**	**9.3%**	-1.4

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

	Net Sales of Paper 30 Jun 2019	Net Sales of Paper 30 Jun 2018	Net Sales of Paper Change	EBITDA 30 Jun 2019	EBITDA 30 Jun 2018	EBITDA Change
Coated Woodfree	**51%**	54%	-4pp	**35%**	46%	-10pp
Specialties	**36%**	33%	+4pp	**56%**	49%	+7pp
Purchased products	**13%**	13%	-0pp	**9%**	5%	+4pp
	100%	100%		**100%**	100%	

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





4.2. Information about geographical areas

The following table compares Net sales of paper to third parties and Non-current assets of the Group's products and services for the six-month period ended 30 June 2019, with the prior year:

Geographical location of customers (in EUR M)	Net sales of paper 30 Jun 2019	30 Jun 2018
Europe	558	576
Americas	73	79
Rest of world	50	49
Total	**681**	**704**

Geographical location of assets (in EUR M)	Non-current assets 30 Jun 2019	30 Jun 2018
Luxembourg	23	0
Italy	75	80
France	37	43
Spain	367	356
Other	0	0
Total	**503**	**479**

5. Revenue

The following table compares Revenue to third parties and Sales in volume of the Group for the six-month period ended 30 June 2019, with the prior year:

(in EUR K)	2019	2018
Net Sales of Paper	680,772	703,889
Sales of energy	53,802	43,217
Revenue	**734,574**	**747,105**

(in metric tonnes)	2019	2018
Volume sold of paper	666,702	744,982

(in MWh)	2019	2018
Volume sold of energy	615,655	539,425

6. Non-recurring items

(in EUR K) Profit (Loss) on:	2019	2018
Property, plant and equipment	(27)	131
Unlisted securities	132	0
Ineffective portion in the variation of cash flow hedging derivatives	0	438
Organization efficiency program	(1,471)	(1,500)
Other non-recurring items	(315)	(1,069)
Income / (Expense)	**(1,680)**	**(2,000)**

Property, plant and equipment
In June 2019, Torraspapel SA and Condat SAS sold some obsolete equipment and a small house against a total payment of EUR 117 K.
In January 2018, Torraspapel SA sold three long time unused offices in Bilbao against a payment of EUR 120 K.

Unlisted securities
Following the disposal of Liaison shares made in December 2018, reversal of the impairment on non-consolidated shares of EUR 132 K (see also Note 10).

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.

7. Income tax in the income statement

	January to June	
(in EUR K)	2019	2018
Current tax	(3,572)	(5,430)
Deferred tax	(732)	253
Income / (Expense)	**(4,305)**	**(5,177)**

The deferred tax charge of EUR (732) K booked in 2019 was the result of:
- EUR (732) K of deferred tax charge on temporary differences.

The deferred tax profit of EUR 253 K booked in 2018 was the result of:
- EUR (177) K of net deferred tax charge on tax losses, used against taxable profits
- EUR 430 K of deferred tax profit on temporary differences.

8. Earnings per share

(in EUR K)	January to June 2019	2018
Profit (loss) after tax attributable to the equity holders of the parent (in EUR K)		
Income statement	(13,539)	141
Pro-forma interest on warrants	0	(0)
Total diluted	(13,539)	141
Weighted number of shares		
Basic shares	560,366	560,366
Warrants	5,496	5,496
Total	**565,862**	**565,862**
Earnings per share (in EUR)		
Basic	(24.2)	0.3
Diluted	(24.2)	0.2

"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 (none for these two years).

"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.

Nota
IAS 33 paragraph 43 requires that the diluted earnings per share does not assume conversion, exercise or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share.

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 2019	Jan to Jun 2018
Cash flow hedges		
Gains/(losses) arising during the year		
Foreign currency forward contracts	0	0
Futures contract	0	0
Reclassification adjustments for gains/(losses) included in the income statement	0	0
Total effect on other comprehensive income resulting from Cash flow hedges (before tax)	0	0
Unlisted securities		
Gains/(losses) arising during the year	(132)	0
Reclassification adjustments for gains included in the income statement	0	0
Total effect on other comprehensive income resulting from revaluation of Unlisted securities (before tax)	(132)	0

Tax effect of components of other comprehensive income Cash flow hedges	Jan to Jun 2019	Jan to Jun 2018
Cash flow hedges		
Gains/(losses) arising during the year		
Foreign currency forward contracts	0	0
Futures contract	0	0
Reclassification adjustments for gains/(losses) included in the income statement	0	0
Total tax effect on other comprehensive income resulting from Cash flow hedges	0	0
Unlisted securities		
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 Unlisted securities	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).

Unlisted securities: following the disposal of Liaison shares made in December 2018, reversal of the adjustment of fair value on non-consolidated shares of EUR (132) K (see also Note 6).

11. Property, plant and equipment and Investment properties

During the six-month period ended 30 June 2019, Lecta Group acquired Property, plant and equipment with a cost of EUR 30.2 M compared to EUR 32.2 M in the same period of 2018.

As at 1 January 2019, following the implementation of IFRS 16 "Leases", Property, plant and equipment included EUR 24.8 M of Right-Of-Use assets (see Note 1.2).

As at 30 June 2019, 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).

12. Interest-bearing borrowings

(in EUR K)	2019	2018
Interest on Floating and Fixed Rate Notes	(19,399)	(19,399)
Amortization of issue costs on borrowings	(996)	(999)
S/T Floating and Fixed Rate Notes	**(20,394)**	**(20,397)**
Lease obligations	**(476)**	**(1)**
Interest on other long-term borrowings	(1,079)	(1,105)
Interest on rate hedging derivatives	0	0
S/T Other long-term borrowings	**(1,079)**	**(1,105)**
Trade receivables: early payment discounts	(7,071)	(7,127)
Trade receivables: non-recourse assignment cost	(679)	(928)
Trade payables: discounts on anticipated payments	108	93
Finance cost in the provisions on employees benefits	(158)	(151)
Issue costs expensed as incurred	(7)	(10)
Other financial incomes	178	551
Other financial expenses	(1,269)	(2,405)
Income / (Expense)	**(30,847)**	**(31,479)**

As at 1 January 2019, following the implementation of IFRS 16 “Leases”, Interest-bearing borrowings and Current portion of Interest-bearing borrowings included EUR 24.8 M of Lease liabilities (see Note 1.2).

During the six-month period ended 30 June 2019, the proceeds from borrowings net of repayment of borrowings was EUR 19.2 M.

13. Capital commitments

As at 30 June 2019, Lecta Group had firm commitments in relation with orders of Property, plant and equipment net of advances to suppliers of EUR 28.6 M.
These commitments were allocated as follows:

EUR 2.7 M in Italy
EUR 1.0 M in France
EUR 24.9 M in Spain

14. Related party disclosures

14.1. Transactions with non-consolidated companies

		January to June			31 December 2018 / 30 June 2019	
(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
SVL Pilote SAS	2018	0	(3,246)	0	0	1,351
	2019	0	(3,157)	0	0	1,273
SVS SAS	2018	0	(290)	0	0	106
	2019	0	(289)	0	0	105
SVT SAS	2018	0	(653)	0	0	201
	2019	0	(776)	0	0	260

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.

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 2019, ordinary sales and purchases were specifically hedged through:
- Forward agreements on realized sales in foreign currencies: .... EUR 24.4 M
- Forward agreements on realized purchases in foreign currencies: .... EUR 12.7 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 2019, 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

Cogeneración Sant Joan AIE:

[1] 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.

The main characteristics of the above instrument is as follows:

(in EUR K)

	Instrument	Notional amount	Premium paid	Effective date	Termination date	Floor rate	Cap rate	Strike	Value at 30 Jun 2019 Intrinsic	Time	Total
[1]	Cap 3M Euribor	Max 8,000	20	30/Jun/2016	30/Sep/2018		0.00%		0	0	0

The impact of this agreement has been 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 is recognized in the Income statement.

17. Hedging derivatives on raw materials prices

At 30 June 2019, there were no hedging derivatives on raw materials prices.

18. Events after the Statement of Financial Position date

In recent years, Lecta has been evaluating alternatives with respect to the conversion of the Line 8 at the Condat mill in France. The alternatives have included investigating a broad range of possible partnering arrangements with local, regional and national authorities, including amongst others financial support and workforce training subsidies.
In particular, Lecta has become aware that recently a particular initiative being explored requiring the European Commission approval, with respect to energy contribution subsidies over a 3-year period representing an aggregate potential value to the business of up to EUR 35 M over such period, has been objected to on a preliminary basis during the pre-notification phase by the European Commission.

It should be noted that this decision is not binding and the Lecta Group continues to engage with the relevant French authorities with regards to this initiative as well as other potential arrangements not subject to pre-notification.

The Condat mill continues to operate its Line 4 in a business-as-usual-manner.