Interim Condensed Consolidated Financial Statements

30 September 2020

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 3,008 FTE people in the quarter ended 30 September 2020.

The parent company of the Lecta Group is Lecta Ltd, a limited company incorporated and domiciled in United Kingdom. The address of its registered office is:
Lecta Ltd
8 Sackville Street,
London W1S 3DG
United Kingdom

These interim condensed financial statements were approved for issue on 25 November 2020.

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 Sep 2020		Jan to Sep 2019	
			%		%
Revenue	(5)	734,175	100	1,051,121	100
Changes in inventories of finished goods and work in process		910	0	(14,211)	(1)
Raw materials and consumables used		(364,866)	(50)	(534,616)	(51)
Labor costs		(121,095)	(16)	(139,204)	(13)
Other operating costs except non-recurring items	(3.5)	(225,586)	(31)	(295,656)	(28)
EBITDA		**23,537**	**3**	**67,434**	**6**
Depreciation		(41,388)	(6)	(43,355)	(4)
Amortization		(127)	(0)	(129)	(0)
Non recurring items	(6)	(162,359)	(22)	(5,086)	(0)
Profit (loss) from operations		**(180,335)**	**(25)**	**18,864**	**2**
Financial income	(12)	424,271	58	431	0
Financial expense	(12)	(38,678)	(5)	(46,624)	(4)
Profit (loss) before tax		**205,258**	**28**	**(27,329)**	**(3)**
Income tax	(7)	(16,553)	(2)	(4,844)	(0)
Profit (loss) after tax		**188,704**	**26**	**(32,173)**	**(3)**
Attributable to:					
Equity holders of the parent	(8)	187,608	26	(33,120)	(3)
Non-controlling interests		1,096	0	947	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 Sep 2020	Jan to Sep 2019
Profit (loss) for the period		**188,704**	**(32,173)**
Exchange differences on translation of foreign operations		195	145
Net (loss)/gain on cash flow hedges	(10)	0	0
Income tax effect		0	0
		0	0
Net (loss)/gain on unlisted securities	(10)	0	(132)
Income tax effect		0	0
		0	(132)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		***195***	***13***
Actuarial gains (losses) on defined benefits plans		0	0
Actuarial gains (losses) on 3rd party agents benefits		84	0
Income tax effect		0	0
		84	0
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		***84***	***0***
Other comprehensive income, net of tax		**279**	**13**
Total comprehensive income, net of tax		**188,983**	**(32,160)**
Attributable to:			
Equity holders of the parent		187,887	(33,107)
Non-controlling interests		1,096	947

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Consolidated income statement Quarter

Lecta Group

(in EUR K)

	Notes	3rd quarter 2020	%	3rd quarter 2019	%
Revenue	(5)	210,938	100	316,547	100
Changes in inventories of finished goods and work in process		6,953	3	(2,873)	(1)
Raw materials and consumables used		(112,054)	(53)	(160,753)	(51)
Labor costs		(39,866)	(19)	(45,707)	(14)
Other operating costs except non-recurring items	(3.5)	(69,034)	(33)	(93,314)	(29)
EBITDA		**(3,063)**	**(1)**	**13,900**	**4**
Depreciation		(13,499)	(6)	(14,106)	(4)
Amortization		(34)	(0)	(43)	(0)
Non recurring items	(6)	(10,038)	(5)	(3,406)	(1)
Profit (loss) from operations		**(26,633)**	**(13)**	**(3,655)**	**(1)**
Financial income	(12)	103,603	49	144	0
Financial expense	(12)	(10,169)	(5)	(15,490)	(5)
Profit (loss) before tax		**66,801**	**32**	**(19,001)**	**(6)**
Income tax	(7)	(1,285)	(1)	(539)	(0)
Profit (loss) after tax		**65,516**	**31**	**(19,540)**	**(6)**
Attributable to:					
Equity holders of the parent	(8)	65,337	31	(19,581)	(6)
Non-controlling interests		179	0	40	0

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

Consolidated statement of comprehensive income

Lecta Group
(in EUR K)

	Notes	3rd quarter 2020	3rd quarter 2019
Profit (loss) for the period		**65,516**	**(19,540)**
Exchange differences on translation of foreign operations		(50)	128
Net (loss)/gain on cash flow hedges	(10)	0	0
Income tax effect		0	0
		0	0
Net (loss)/gain on unlisted securities	(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)***	***128***
Actuarial gains (losses) on defined benefits plans		0	0
Actuarial gains (losses) on 3rd party agents benefits		84	0
Income tax effect		0	0
		84	0
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		***84***	***0***
Other comprehensive income, net of tax		**34**	**128**
Total comprehensive income, net of tax		**65,550**	**(19,412)**
Attributable to:			
Equity holders of the parent		65,288	(19,452)
Non-controlling interests		179	40

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

Consolidated statement of financial position

Lecta Group
(in EUR K)

	Notes	30 Sep 2020	31 Dec 2019	30 Sep 2019
ASSETS				
Property, plant and equipment	(11)	481,930	487,262	494,847
Investment properties	(11)	1,363	1,363	1,363
Goodwill	(3.3)	0	118,252	118,252
Other intangible assets		206	8,088	2,276
Unlisted Securities		77	77	77
Biological assets		289	287	287
Deferred income tax assets	(3.4)	34,773	48,430	52,876
Other non-current receivables		1,467	6,876	1,471
Non-current assets		**520,105**	**670,635**	**671,449**
Income tax receivable		4,037	6,382	5,408
Inventories		202,508	193,070	210,404
Trade receivables		146,246	196,500	214,068
Prepayments		2,137	623	304
Other current receivables		6,604	1,898	6,250
Cash & cash equivalents		154,864	85,850	69,959
Current assets		**516,397**	**484,322**	**506,393**
TOTAL ASSETS		**1,036,502**	**1,154,957**	**1,177,842**

	Notes	30 Sep 2020	31 Dec 2019	30 Sep 2019
EQUITY & LIABILITIES				
Paid-in capital	(2.2)	27,750	1,446	1,446
Share premium	(2.2)	32,175	136,669	136,669
Net incomes (expenses) recognized directly through Equity		(9,319)	(9,403)	(7,993)
Foreign currency translation		(1,110)	(1,305)	(1,184)
Accumulated net profits (losses)		237,165	(85,723)	(66,287)
Equity holders of the parent		**286,661**	**41,684**	**62,650**
Non-controlling interests		**6,456**	**5,358**	**5,074**
TOTAL EQUITY		**293,117**	**47,042**	**67,725**
Interest-bearing borrowings	(12)	397,392	622,771	626,577
Non-current grants		7,103	6,843	7,184
Non-current provisions		25,135	26,694	25,509
Deferred income tax liabilities		10,385	10,229	11,969
Non-current other liabilities		1,870	0	0
Non-current liabilities		**441,886**	**666,537**	**671,239**
Current portion of interest-bearing borrowings	(12)	50,765	92,957	80,607
Bank overdrafts	(12)	18,492	18,808	23,488
Current grants		1,931	1,896	2,101
Current provisions		2,351	14,107	6,107
Income tax payable		3,381	1,030	1,692
Trade payables		205,940	301,631	309,349
Current other liabilities		18,638	10,950	15,533
Current liabilities		**301,500**	**441,378**	**438,878**
TOTAL LIABILITIES		**743,385**	**1,107,915**	**1,110,117**
TOTAL EQUITY AND LIABILITIES		**1,036,502**	**1,154,957**	**1,177,842**

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 Sep 2020	Jan to Sep 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		205,258	(27,329)
Net finance costs		(385,593)	46,193
Non recurring items		162,359	5,086
Depreciation & Amortization		41,514	43,484
EBITDA		**23,537**	**67,434**
Inventories decrease (increase)		(9,454)	28,420
Trade receivable decrease (increase)		50,547	(1,374)
Prepayments decrease (increase)		(1,516)	364
Trade payables increase (decrease)		(95,677)	(88,676)
Working Capital decrease (increase)		**(56,100)**	**(61,266)**
Provisions increase (decrease)		(1,446)	2,448
GHG emission rights decrease (increase)		490	(1,881)
Proceeds (payments) related to non-recurring items		(42,055)	(5,595)
Income tax paid	(7)	2,042	(645)
Net cash flow (used in) / from operating activities		**(73,532)**	**495**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of Property, plant and equipment		12	98
Purchase of property, plant and equipment		(34,065)	(42,092)
Receipt of Grants		722	2,097
Purchase of subsidiary, net of cash acquired		(2,983)	0
Disposal of subsidiary, net of cash sold		(747)	0
Purchase of other assets		(2)	(2)
Proceeds from disposal of other assets		4	459
Net cash flow (used in) / from investing activities		**(37,060)**	**(39,440)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to non controlling interest		0	(1,437)
Share capital increase (redemption)		59,925	0
Interest paid	(12)	(23,001)	(49,978)
Issue costs of Borrowings	(12)	(5,558)	(52)
Proceeds from Borrowings	(12)	532,045	68,145
Repayment of Borrowings	(12)	(380,150)	(17,751)
Payment of finance lease liabilities		(3,265)	(3,667)
Net cash flow (used in) / from financing activities		**179,996**	**(4,740)**
Net increase (decrease) in Cash & cash equivalents net of Bank overdrafts		69,404	(43,684)
Net foreign exchange difference		(75)	108
Cash & cash equivalents net of Bank overdrafts at 1 January		67,043	90,047
Cash & cash equivalents net of Bank overdrafts at 30 September		**136,371**	**46,471**
Of which Cash & cash equivalents		154,864	69,959
Of which Bank overdrafts		(18,492)	(23,488)

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

Consolidated cash flow statement

Lecta Group
(in EUR K)

	Note	3rd quarter 2020	3rd quarter 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		66,801	(19,001)
Net finance costs		(93,434)	15,346
Non recurring items		10,038	3,406
Depreciation & Amortization		13,532	14,149
EBITDA		**(3,063)**	**13,900**
Inventories decrease (increase)		(9,613)	13,917
Trade receivable decrease (increase)		3,400	6,440
Prepayments decrease (increase)		(41)	862
Trade payables increase (decrease)		14,962	(35,506)
Working Capital decrease (increase)		**8,708**	**(14,288)**
Provisions increase (decrease)		(302)	3,056
Proceeds (payments) related to non-recurring items		(16,651)	(3,568)
Income tax paid	(7)	(663)	(1,084)
Net cash flow (used in) / from operating activities		**(11,972)**	**(1,983)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of Property, plant and equipment		2	1
Purchase of property, plant and equipment		(11,025)	(10,605)
Receipt of Grants		(416)	(787)
Proceeds from disposal of other assets		0	14
Net cash flow (used in) / from investing activities		**(11,439)**	**(11,378)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to non controlling interest		0	(1,437)
Share capital increase (redemption)		56,925	0
Interest paid	(12)	(8,647)	(20,365)
Issue costs of Borrowings	(12)	(5,456)	(45)
Proceeds from Borrowings	(12)	44,596	33,121
Repayment of Borrowings	(12)	(5,166)	(1,934)
Payment of finance lease liabilities		(950)	(1,191)
Net cash flow (used in) / from financing activities		**81,302**	**8,149**
Net increase (decrease) in Cash & cash equivalents net of Bank overdrafts		57,891	(5,212)
Net foreign exchange difference		(49)	73
Cash & cash equivalents net of Bank overdrafts at 1 July		78,529	51,610
Cash & cash equivalents net of Bank overdrafts at 30 September		**136,371**	**46,471**
Of which Cash & cash equivalents		154,864	69,959
Of which Bank overdrafts		(18,492)	(23,488)

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	Unlisted securities reserve	Cash flow hedging reserve	Actuarial gains (losses) on defined benefits plans reserve	Actuarial gains (losses) on 3rd party agents benefits reserve	FTA IFRS 9	FTA IFRS 16	Foreign currency translation	Accumulated net profits (losses)	**Total Equity holders of the parent**	**Non-controlling Interest**	**TOTAL EQUITY**
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**	(33,120)	(33,120)	947	(32,173)
Other comprehensive income (loss)			(132)	0	0				145	0	13	0	13
Total comprehensive income of the period	**0**	**0**	**(132)**	**0**	**0**		**0**	**0**	**145**	**(33,120)**	**(33,107)**	**947**	**(32,160)**
AT 30 SEPTEMBER 2019	**1,446**	**136,669**	**(201)**	**0**	**(7,610)**	**0**	**(183)**	**0**	**(1,184)**	**(66,287)**	**62,650**	**5,074**	**67,725**
AT 1 JANUARY 2020	**1,446**	**136,669**	(201)	0	(9,019)	0	(183)		**(1,305)**	**(85,723)**	**41,684**	**5,358**	**47,042**
Profit for the period			0	0	0	0			0	187,608	187,608	1,096	188,704
Other comprehensive income (loss)			0	0	0	**84**			195		279	0	279
Total comprehensive income of the period	**0**	**0**	**0**	**0**	**0**	**84**			**195**	**187,608**	**187,887**	**1,096**	**188,983**
Variation of percentages of consolidation (See Note 2.2)	**26,304**	**(136,669)**								**135,279**	**24,915**	**(0)**	**24,915**
Reclassification	0	0	0	0	272	(272)			0	0	0	0	0
AT 30 SEPTEMBER 2020	**27,750**	**32,175**	**(201)**	**0**	**(8,747)**	**(188)**	**(183)**	**0**	**(1,110)**	**237,165**	**286,661**	**6,456**	**293,117**

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

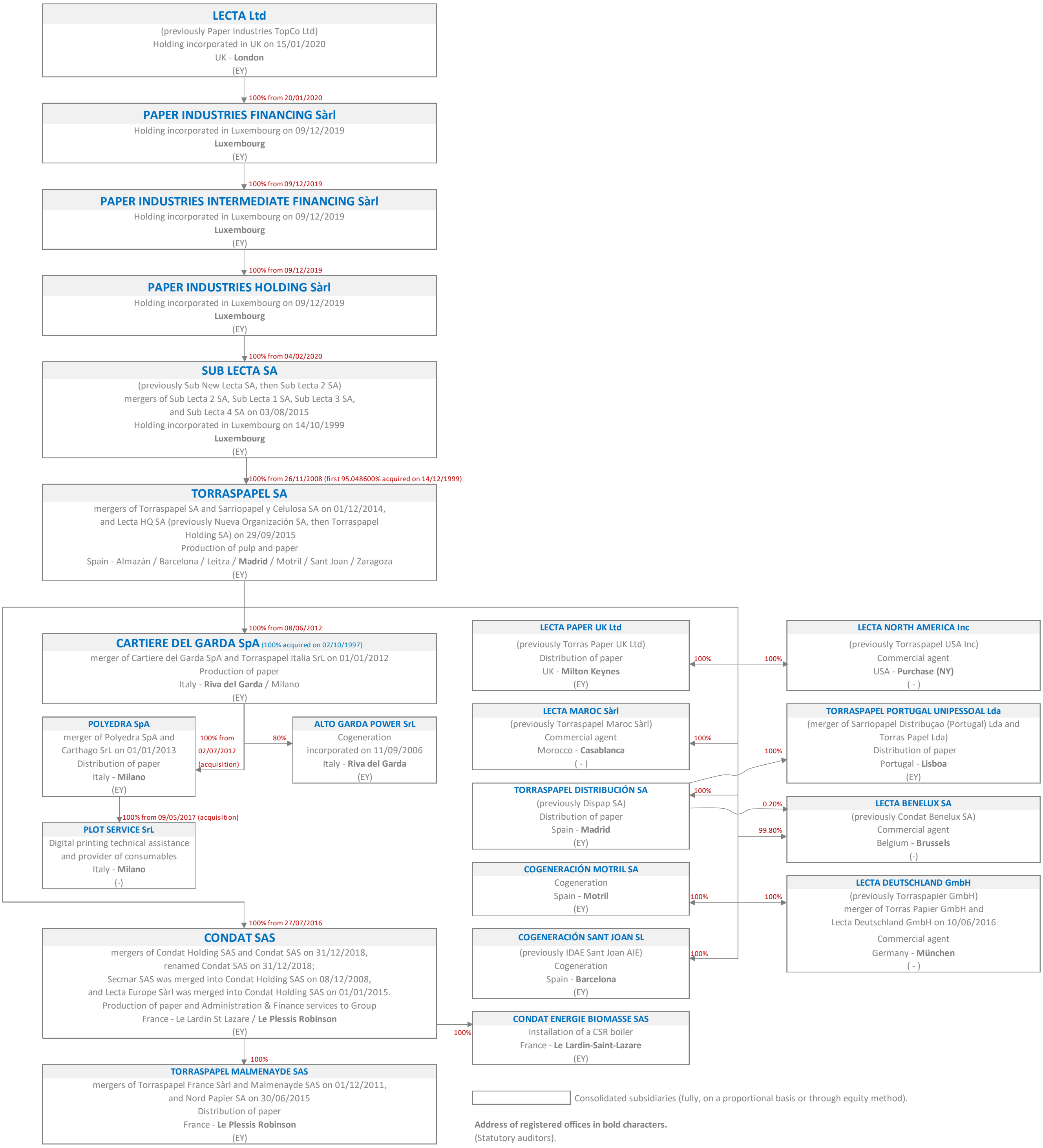
The interim condensed consolidated financial statements of Lecta Group for the nine months ended 30 September 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting.
The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019.

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 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.
Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

2. Lecta Group as at 30 September 2020

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 Energie Biomasse SAS	Installation of a CSR boiler	France	100%	100%	Full
Condat SAS (previously Condat Holding SAS; absorbed Secmar SAS, Lecta Europe Sàrl, and Condat SAS)	Production of woodfree coated paper, Administration & Finance services to Group	France	100%	100%	Full
Lecta Benelux SA (previously Condat Benelux SA)	Commercial agent	Belgium	100%	100%	Full
Lecta Deutschland GmbH (previously Torras Papier GmbH)	Commercial agent	Germany	100%	100%	Full
Lecta Maroc Sàrl (previously Torraspapel Maroc Sàrl)	Commercial agent	Morocco	100%	100%	Full
Lecta North America Inc (previously Torraspapel USA Inc)	Commercial agent	USA	100%	100%	Full
Lecta Paper UK Ltd (previously Torras Paper UK Ltd)	Distribution of paper	UK	100%	100%	Full
Paper Industries Financing Sàrl	Holding	Luxembourg	100%	100%	Full
Paper Industries Holding Sàrl	Holding	Luxembourg	100%	100%	Full
Paper Industries Intermediate Financing Sàrl	Holding	Luxembourg	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 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.

Sarriopapel y Celulosa SA

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

2015

Lecta Europe Sàrl

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

Nord Papier SA

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

Cogeneración Motril SA

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

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

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

Lecta HQ SA

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

Torraspapel SA

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

2016

Dispap SA

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

Lecta Deutschland GmbH

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

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.

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

Cogeneración Sant Joan AIE

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

Condat SAS

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

2019

Cogeneración Sant Joan SL

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

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

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

2020

Lecta Ltd (1st Step of Recapitalization)

On 4 February 2020 the Group was recapitalized (see Note 3.1). Lecta SA sold Sub Lecta SA to Paper Industries Holding Sàrl, and left the Group. Lecta Ltd with a share capital of 3,000k€ became the new parent company of the Group, and three new sub-holdings were added to the consolidation perimeter: Paper Industries Financing Sàrl, Paper Industries Intermediate Financing Sàrl, and Paper Industries Holding Sàrl.

Condat Energie Biomasse SAS

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

Lecta Ltd (2nd Step of Recapitalization)

On 16 July 2020, Lecta Ltd share capital was increased (see Note 3.1).

2.3. Interests in non-consolidated companies

Companies	Activity	Country of incorporation	Interest	Control	Comments
Catalana d'Iniciatives CR SA - in liquidation	*In liquidation*	*Spain*	*0.39%*	*0.39%*	*(a)*
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 not consolidated because of the following reasons:

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

(b) Immateriality.

3. Lecta capital structure and Significant events

3.1. Recapitalization

3.1.1. Main steps

On 1 November 2019, Lecta SA announced that a majority of the holders of its Notes issued in 2016 ("Noteholders" and "2016 Notes"), holders of the majority of the debt under its RCF, and the Group had executed a Lock-Up Agreement ("LUA"). Those parties agreed to support the implementation of a comprehensive recapitalization transaction ("Recapitalization") aiming at materially deleverage the Group's balance sheet and enhance its liquidity position to allow it to continue its transformation into a specialty paper company, to be controlled by the Noteholders following the completion of the Recapitalization.

On 27 November 2019, Lecta SA announced that it had received consents to the LUA from (i) 83% of the aggregate outstanding principal amount under the 2016 Notes and (ii) 69% of the outstanding principal amount under the RCF. These consents exceeded the thresholds required under the LUA. Accordingly, Lecta had to seek to effect the Recapitalization via an English scheme of arrangement relating to the 2016 Notes (the "Scheme") once certain other conditions to launch the Scheme had been achieved.

On 5 December 2019, Lecta SA announced that it had received over 92% consent to the Recapitalization from the Noteholders. In addition, it announced that conditions to launch the Scheme via the issuance of a Practice Statement Letter ("PSL") were satisfied. The PSL - a copy was available at www.lucid-is.com/lecta, and via Euroclear Bank SA/NV and/or Clearstream Bank SA, and the Luxembourg Stock Exchange - enabled the Noteholders to consider the issues to be put before a UK Court at a convening hearing.

By an order dated 19 December 2019, the UK Court had directed that a meeting of the company and the Scheme Creditors had to be convened on or about 23 January 2020 for the purpose of considering and, if thought fit, approving the Scheme proposed.

On 23 January 2020, the meeting was held, and the required majority of the Scheme Creditors approved the Scheme.

On 28 January 2020, the UK Court sanctioned the proposed Scheme, and an order was delivered to the registrar of companies on 30 January 2020.

On 4 February 2020, the Recapitalization was implemented via the transfer of Sub Lecta SA to be indirectly held by Lecta Ltd - a newly incorporated UK company and new parent company of the Group - and the exchange of 2016 Notes to new longer dated debt instruments and equity. The Recapitalization resulted in an improved capital structure for the Lecta Ltd Group. In addition, Lecta Ltd Group announced that it had entered into an agreement with NatWest Markets Plc to provide EUR 115 M super senior facilities ("New SSF") – consisting of a super senior EUR 60 M term loan and a super senior EUR 55 M RCF – to refinance and replace the existing EUR 65 M super senior RCF.
Following the Recapitalization, Lecta Ltd Group benefits from:

- A delevered capital structure reflecting the conversion of EUR 600 M of 2016 Notes into new debt and equity instruments and the payment of a consent fee to eligible holders of the 2016 Notes in connection with the Recapitalization, consisting of:
  - EUR 200 M senior secured notes due 2025, bearing an interest rate of 3-month Euribor (with a floor at 0%) + 6.000%
  - EUR 100 M junior notes due 2028, bearing an interest rate of 3-month Euribor (with a floor at 0%) + 0.25% cash + 7.000% PIK (annual capitalization); and
  - 100% of the equity in Lecta Ltd
- Materially lower annual cash interest burden (reduction in excess of EUR 20 M)
- Longer-dated maturities which provide the Lecta Group with increased runway to complete its ongoing transformation effort
- Significant incremental liquidity through (i) new / upsized receivables financing arrangements and (ii) incremental borrowing capacity under the SSF; and
- A new shareholder base featuring institutions with extensive experience investing in the sector.

In addition, different measures of support of the Group's operations in France from the French authorities were confirmed shortly after the implementation of the Recapitalization.

As at 31 December 2019 and until the Recapitalization implemented on 4 February 2020, Lecta SA was the parent company of the Group. Since the Recapitalization, Lecta Ltd is the new parent company of the Group, and Lecta SA is no longer part of the Group.

While this Recapitalization resulted in a significant deleveraging and the simultaneous provision of new liquidity, the Group has been recently impacted by the Covid-19 pandemic and tighter working capital terms. In this context, the Group has applied extensive operational actions to mitigate the impact of Covid-19 and preserve liquidity. In parallel, Lecta Ltd has been in discussions with its existing security holders and relationship banks.

On 16 July 2020, Lecta Ltd and its subsidiaries completed the second portion of the Recapitalization of the Group's balance sheet, which included:

- A cash capital increase of EUR 50 M
- The issuance of EUR 55.5 M new Senior Secured Notes due 2025 with an OID of 10%
  Note: 55,555,555 warrants were granted for free to the new senior note holders, giving them the right to subscribe up to 225,000,000 new Lecta Ltd shares at a subscription price of 0.01€ per new share for the period commencing on 16 July 2021 and ending on 16 July 2025
- The implementation of EUR 50.4 M ICO loans guaranteed by the Spanish State
- The cancellation in full of EUR 100 M Junior Notes issued in February 2020

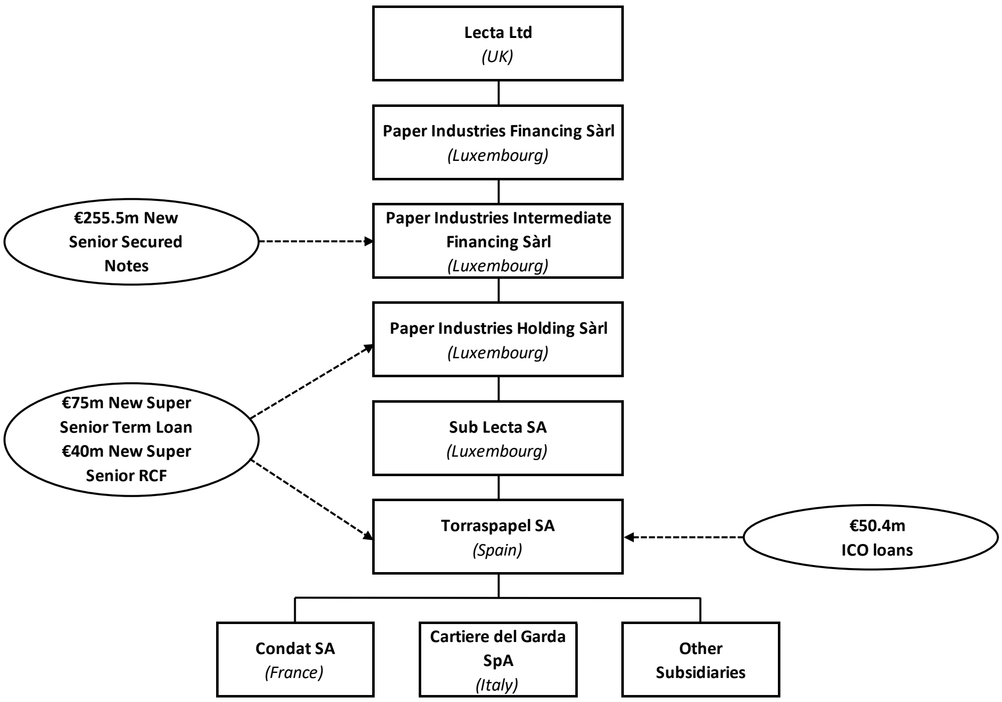
In addition, the Group has obtained from its banks the replacement of short term uncommitted confirming lines with EUR 40 M long dated committed ones, which will provide additional stability to working capital management, and the removal of the EUR 115 M SSFA covenants during the next 24 months.

Following this second portion of the Recapitalization, more than 75% of Lecta Ltd share capital is held by funds managed and advised by Apollo Global Management, Cheyne Capital, and Tikehau Capital.

The Board of Directors was appointed by Shareholders' resolutions of 19 February 2020 and 16 July 2020. It is currently composed of six Directors:

- Dermot Smurfit, Chairman and non-executive director
- Javier Abad, non-executive director
- Dominique Binet, non-executive director
- Marco Casiraghi, non-executive dirctor
- Andrea Minguzzi, executive director
- Eduardo Querol, executive director

The Recapitalization will allow the Group to not only overcome the challenges presented by the Covid-19 pandemic, but also to continue its transformation and emerge with a solid liquidity position and healthy balance sheet. The following chart outlines the corporate and financing structure of the Lecta Ltd Group after giving effect to the Recapitalization:



3.1.2. Accounting treatment

IFRS 5 Non-current assets held for sale and discontinued operations
Before 23 January 2020, with the positive vote of the Scheme Creditors, and before the sanction of the Scheme by the UK Court on 28 January 2020, it was not highly probable that the Recapitalization project would become effective. Moreover, because of the pledge on Sub Lecta SA shares granted by Lecta SA to the 2016 Noteholders and RCF lenders, effective on 31 December 2019, Lecta SA was not able to sell its participation in Sub Lecta SA. This pledge was released only on 4 February 2020. Consequently, before 4 February 2020, the assets (or disposal group) were not available for immediate sale because of the pledge.
As a conclusion, IFRS 5 criteria were not met at 2019 year-end: at that date, the disposal was not highly probable and the assets were not available for immediate sale due to the pledge on Sub Lecta SA shares.

IFRS 9 Financial instruments / fees & costs in relation with the Recapitalization
IFRIC 19 Extinguishing financial liabilities with equity instruments
The transaction is viewed as an exchange of old debt against two different instruments, a new debt and new equity instruments.
After analysis, it was concluded that on or around the Recapitalization date:
- The old debt was quoted on an active market for around 50% of its principal amount (EUR 600 M x 50% = EUR 300 M);
- The new debt was quoted on an active market for around 100% of its principal amount (EUR 300 M); hence, the new debt has to be recognized for its principal amount (EUR 300 M);
- The new equity instruments, not quoted, had to be recognized by difference to reflect the fair value of the financial liability extinguished [EUR 300 M - EUR 300 M = EUR 0 M);
- The difference between the carrying amount of the old debt (EUR 600 M principal + EUR 20 M accrued interests = EUR 620 M) on one hand, the new debt and the new equity instruments (EUR 300 M + EUR 0 M = EUR 300 M) on the other hand, i.e. a gain of EUR 320 M, was reported as "financial income" in the Income statement (see Note 12);
- The fees & costs incurred in the Recapitalization had to be expensed and were reported as "non-recurring items" in the Income statement (see Note 6);
- The remaining fees & costs included in the former financial debt, amounting to EUR 6.2 M, also had to be expensed and were reported as "financial expense" in the Income statement on 4 February 2020 (see Note 12).

3.2. 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 nine-month period ended 30 September 2020 the restructuring cash cost associated to Lecta efficiency programs was EUR (2) M, reported as "non-recurring items" in the Income statement (see Note 6).

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

3.3. Goodwill impairment

The Covid-19 pandemic led the Group to revise its 2020-2023 cash flow projections. The main impacts of the revision consisted in reductions in volume of sales and margin on variable costs.

In consideration of the integrated organization of Lecta focused on production and sale of paper only, the volume of intragroup transactions, the interchangeability of products between mills, Lecta is considered one cash-generating unit. Consequently, goodwill was tested for impairment at Group level only. This is consistent with the Note 4 prepared in accordance with IFRS 8 "Operating Segments".

The recoverable amount of this cash-generating unit has been determined based on value-in-use calculation (see Note 1.21 to the Annual report). This was based upon revised and approved 2020 to 2023 cash-flow projections part of Lecta financial plan.

As mentioned in Note 1.01 to the Annual report, Lecta Group Management made assumptions for the years to come. Conservative assumptions on the annual growth rate were applied to the revised cash flow projections beyond 2023. The WACC rate applied to cash flow projections was 9.5% (like in 2019 and 2018).

As at 31 March 2020, the test led to the total impairment of the goodwill, i.e. a charge of EUR (118) M reported as "non-recurring items" in the Income statement (see Note 6).

3.4. Derecognition of some Deferred Tax Asset

The Covid-19 pandemic led the Group to revise its 2020-2023 cash flow projections. The main impacts of the revision consisted in reductions in volume of sales and margin on variable costs.

As at 31 March 2020, this revision led to the derecognition of EUR (13) M of deferred tax asset on tax losses reported as "income tax" in the Income statement (see Note 7).

3.5. One-off adjustments in Energy

In June and July 2020, the Spanish Authorities published a new Royal Decree (23/2020) and some information about the computation of Ro used to determine the remuneration for the sale of electricity to the grid since the 4th Quarter 2018. This translated in the booking of two adjustments in energy reported as "Other operating costs except non-recurring items" in the Income statement, an income of 3.8M€ in the 2nd Quarter and a charge of (4.9)M€ in the 3rd Quarter of 2020.

4. Information by Operating Segment

It is important to note that the activity of Lecta was strongly impacted by the Covid-19 pandemic as from mid-March 2020.

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 (“CWF”) 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.
Due to the high integration of pulp and base paper into Specialties, their Ebitda contribution is mainly allocated to this line of products.

4.1. Information about profit or loss

The following table compares sales and profit information of the products and services for the nine-month period ended 30 September 2020, with the prior year. It considers the above definitions:

Net Sales of Paper

Products & Services (in EUR M)	Jan to Sep 2020	Jan to Sep 2019	Change absolute	Change %
Coated Woodfree	305	485	-180	-37%
Specialties	301	365	-64	-18%
Purchased products	92	124	-33	-26%
Total	**698**	**974**	-276	-28%

EBITDA

Products & Services (in EUR M)	Jan to Sep 2020	Jan to Sep 2019	Change absolute	Change %
Coated Woodfree	10	23	-13	-57%
Specialties	11	38	-27	-72%
Purchased products	3	6	-3	-54%
Total	**24**	**67**	-44	-65%

EBITDA Margin

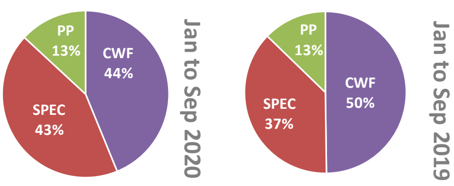
Products & Services	Jan to Sep 2020	Jan to Sep 2019	Change Percentage points
Coated Woodfree	3.2%	4.8%	-1.5
Specialties	3.6%	10.5%	-6.9
Purchased products	3.1%	5.0%	-1.9
Total	**3.4%**	**6.9%**	-3.5

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

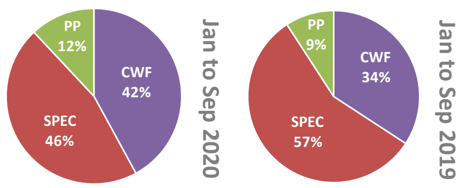
	Net Sales of Paper January to September 2020	2019	Change	EBITDA January to September 2020	2019	Change
Coated Woodfree	**44%**	50%	-6pp	**42%**	34%	+8pp
Specialties	**43%**	37%	+6pp	**46%**	57%	-11pp
Purchased products	**13%**	13%	+0pp	**12%**	9%	+3pp
	100%	100%		**100%**	100%	

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

Net Sales of Paper



EBITDA



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 nine-month periods ended 30 September 2020 and 30 June 2019:

Geographical location of customers (in EUR M)	Net sales of paper Jan to Sep 2020	Net sales of paper Jan to Sep 2019
Europe	568	795
Americas	79	110
Rest of world	52	70
Total	**698**	**974**

Geographical location of assets (in EUR M)	Non-current assets 30 Sep 2020	Non-current assets 30 Sep 2019
Luxembourg	0	22
Italy	68	73
France	53	36
Spain	363	368
Other	0	0
Total	**484**	**499**

5. Revenue

(in EUR K)	January to September **2020**	January to September **2019**
Net Sales of Paper	698,215	974,368
Sales of energy	35,960	76,753
Revenue	**734,175**	**1,051,121**

(in metric tonnes)	**2020**	**2019**
Volume sold of paper	694,840	953,184

(in MWh)	**2020**	**2019**
Volume sold of energy	701,176	900,661

6. Non-recurring items

(in EUR K)	January to September	
Profit (Loss) on:	**2020**	**2019**
Property, plant and equipment	(26)	(26)
Goodwill	(118,252)	0
Unlisted securities	0	132
Organization efficiency program	(2,059)	(3,121)
Recapitalization	(41,718)	(1,792)
Other non-recurring items	(303)	(280)
Income / (Expense)	**(162,359)**	**(5,086)**

Property, plant and equipment
The charge of EUR (26) K is due to a capital loss on the disposal of old information processing equipment.

Goodwill (see Note 3.3)
The charge of EUR (118,252) K is due to the impairment of Goodwill.

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).

Organization efficiency program (see Note 3.2)
The Organization efficiency program is a body of several plans, aimed at improving the group's competitiveness.

Recapitalization (see Note 3.1)
The fees and costs associated to the Recapitalization of the Group are reported in this line. They amounted to EUR (41,718) K in 2020.

7. Income tax in the income statement

	January to September	
(in EUR K)	**2020**	**2019**
Current tax	(2,656)	(2,818)
Deferred tax	(13,897)	(2,025)
Income / (Expense)	**(16,553)**	**(4,844)**

The deferred tax charge of EUR (13,897) K booked in 2020 was the result of:

- EUR (750) K of deferred tax charge on temporary differences;
- EUR (13,147) K of deferred tax charge on tax losses derecognized (see Note 3.4).

The deferred tax charge of EUR (2,025) K booked in 2019 was the result of:

- EUR (1,723) K of net deferred tax charge on tax losses, used against taxable profits
- EUR (302) K of deferred tax charge on temporary differences.

8. Earnings per share

(in EUR K)	January to September 2020	2019
Profit (loss) after tax attributable to the equity holders of the parent (in EUR K)		
Income statement	187,608	(33,120)
Pro-forma interest on warrants	0	(0)
Total diluted	187,608	(33,120)
Weighted number of shares		
Basic shares	2,775,000,000	560,366
Warrants	225,000,000	5,496
Total	**3,000,000,000**	**565,862**
Earnings per share (in EUR)		
Basic	0.1	(59.1)
Diluted	0.1	(59.1)

"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

Dividend was neither 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 Sep 2020	Jan to Sep 2019
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	0	(132)
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)	0	(132)

Tax effect of components of other comprehensive income Cash flow hedges	Jan to Sep 2020	Jan to Sep 2019
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 in 2019(see also Note 6).

11. Property, plant and equipment and Investment properties

During the nine-month period ended 30 September 2020, Lecta Group acquired Property, plant and equipment with a cost of EUR 38.0 M compared to EUR 41.3 M in the same period of 2019.

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.

12. Financial income (expense) - Interest-bearing borrowings

(in EUR K)	January to September 2020	2019
Interest on Senior and Junior Notes	(12,114)	0
Amortization of issue costs on Senior Notes	(253)	0
S/T Senior and Junior Notes (issued in 2020)	**(12,368)**	**0**
Interest on Floating and Fixed Rate Notes	(3,697)	(29,157)
Amortization of issue costs on Floating and Fixed Rate Notes	(6,182)	(1,502)
S/T Floating and Fixed Rate Notes (issued in 2016)	**(9,878)**	**(30,659)**
Financial income in relation with the Recapitalization	423,150	0
Lease obligations	**(592)**	**(721)**
Interest on other long-term borrowings	(5,083)	(2,018)
Interest on rate hedging derivatives	0	0
S/T Other long-term borrowings	**(5,083)**	**(2,018)**
Trade receivables: early payment discounts	(6,741)	(9,909)
Trade receivables: non-recourse assignment cost	(1,980)	(944)
Trade payables: discounts on anticipated payments	623	204
Finance cost in the provision on employee benefits	(98)	(232)
Issue costs expensed as incurred	(2)	(52)
Other financial incomes	498	226
Other financial expenses	(1,938)	(2,089)
Income / (Expense)	**385,593**	**(46,193)**

The following lines of the table are also commented in Note 3.1:

- "Interest on Senior and Junior Notes" of EUR (12,114) K consisted in the interest expense on the new Notes issued on 4 February 2020 and 16 July 2020;
- "Amortization of issue costs on Senior Notes" of EUR (253) K consisted in the amortization of the 10% OID included in the new Notes issued on 16 July 2020;
- "Interest on Floating and Fixed Rate Notes" of EUR (3,697) K consisted in the interest expense accrued until 4 February 2020 on the Notes issued in 2016;
- "Amortization of issue costs on Floating and Fixed Rate Notes" of EUR (6,182) K consisted in the amortization of the remaining fees & costs included in the Floating and Fixed Rate Notes issued in 2016;
- "Financial income in relation with the Recapitalization" of EUR 423,150 K consisted of the Floating and Fixed Rate Notes (principal and accrued interests) capitalized on 4 February 2020 (EUR 319,949 K) and the write-down and cancellation of the Junior Notes (principal and accrued interests) on 16 July 2020 (EUR 103,201 K).

"Issue costs expensed as incurred" of EUR (2) K are in relation with a borrowing in Alto Garda Power SrL.
All fees & costs in relation with the Recapitalization are reported as "non-recurring items" in the income statement (see Notes 3.1 and 12).

Reclassification in the Cash flow statement:
During the nine-month period ended 30 September 2020, the "Interest paid" was EUR (23.0) M, consisting of EUR (5.9) M in 1Q 2020, EUR (8.4) M in 2Q 2020 and EUR (8.6) M in 3Q 2020.
During the nine-month period ended 30 September 2020, the "Proceeds from Borrowings" net of "Repayment of Borrowings" were EUR 151.9 M, consisting of EUR 78.5 M in 1Q 2020, EUR 34.0 M in 2Q 2020 and EUR 39.4 M in 3Q 2020.

13. Capital commitments

As at 30 September 2020, Lecta Group had firm commitments in relation with orders of Property, plant and equipment net of advances to suppliers of EUR 49.6 M.
These commitments were allocated as follows:

EUR 41.8 M in France
EUR 7.7 M in Spain
EUR 0.1 M in Italy

14. Related party disclosures

14.1. Transactions with non-consolidated companies

.

		January to September			31 December 2019 30 September 2020	
(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	2019	0	(4,713)	0	0	1,259
	2020	0	(4,351)	0	0	1,177
SVS SAS	2019	0	(436)	0	0	106
	2020	0	(436)	0	0	106
SVT SAS	2019	0	(1,113)	0	0	217
	2020	0	(523)	0	0	117

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 September 2020, ordinary sales and purchases were specifically hedged through:
- Forward agreements on realized sales in foreign currencies:... EUR 9.4 M
- Forward agreements on realized purchases in foreign currencies: .... EUR 2.5 M
The impact of these contracts has been accounted for as fair value hedging, hence recognized in the Income statement (see Note 1.36 to Annual report).

At 30 September 2020, 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

At 30 September 2020, there were no hedging derivatives on interest rates.

17. Hedging derivatives on raw materials prices

At 30 September 2020, there were no hedging derivatives on raw materials prices.

18. Events after the Statement of Financial Position date

18.1. Investigation on thermal paper imports into the US

The US authorities are investigating the imports of thermal paper into the US from Germany, Japan, South Korea and Spain for possible dumping. The investigation has been launched after a petition filed by the US manufacturer Domtar Appvion on 7 October 2020.
Lecta's sales of thermal paper to the US represent 2.0% of its total sales in value. Lecta has engaged lawyers to build its case and protect it against the imposition of any potential anti-dumping duties. Consequently, the related fees will impact Lecta's costs. No provision to cover any risk is considered as Lecta believes its position is sustainable.

18.2. Assets Purchase Agreement with Avery Dennison

On 13 October 2020, Lecta announced that it has reached an agreement for the acquisition of Avery Dennison Offset Sheets business in the Europe - Middle East - North Africa (EMENA) region. The transaction is subject to competition approval from the German Federal Cartel Office. Lecta taking over the manufacture and sale of Avery Dennison's portfolio of FASSON™ and JAC™ branded self-adhesive papers and films in EMENA. Lecta will manufacture these under a special limited licensing agreement with Avery Dennison, keeping the FASSON™ and JAC™ brands available through the existing network of distributors.
Lecta will bring to current Avery Dennison's customers in the EMENA markets its extensive knowledge in the manufacture of self-adhesive materials with a strong specialization in sheets and facestock materials, as well as its extensive experience in commercial management and service to Distributors.
This acquisition is fully aligned with the Company's transformation process and its reorientation towards the specialty markets. Lecta's self-adhesive materials production plant has received large investments in recent years that place it in the state of the art in both production technology and process automation, which guarantees high quality standards for our customers.
Avery Dennison and Lecta will work together for a very efficient transition process and a profitable business development for all the groups involved.

18.3. Appointment of a new CFO

Lecta has appointed Alain Gaudré as Lecta CFO. Starting on 26 October 2020, he is reporting to Eduardo Querol, Lecta CEO. Alain Gaudré will also be appointed as an additional member to the Board of Directors of Lecta Ltd.
Alain Gaudré has been working as CFO across different industries, including the automotive and packaging industries. He is experienced in the international and industrial environments.