Interim Condensed Consolidated Financial Statements

31 March 2020

Under IFRS

GENERAL INFORMATION 3

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 4

NOTES 9

1. Basis of preparation and accounting policies 9
 1.1. Basis of preparation 9
 1.2. Significant accounting policies 9

2. Lecta Group at 31 March 2020 10
 2.1. Organization Chart 10
 2.2. Consolidated subsidiaries 11
 2.3. Interests in non-consolidated companies 15

3. Lecta capital structure and Significant events 16
 3.1. Recapitalization 16
  3.1.1. Main steps 16
  3.1.2. Accounting treatment 17
 3.2. Organization efficiency program 18
 3.3. Goodwill impairment 18
 3.4. Derecognition of some Deferred Tax Asset 18

4. Information by Operating Segment 19
 4.1. Information about profit or loss 20
 4.2. Information about geographical areas 21

5. Revenue 21

6. Non-recurring items 22

7. Income tax in the income statement 22

8. Earnings per share 23

9. Dividends paid and proposed 23

10. Components of other comprehensive income 24

11. Property, plant and equipment and Investment properties 24

12. Financial income (expense) - Interest-bearing borrowings 25

13. Capital commitments 25

14. Related party disclosures 26
 14.1. Transactions with non-consolidated companies 26

15. Hedging derivatives on foreign currencies 26

16. Hedging derivatives on interest rates 26

17. Hedging derivatives on raw material prices 26

18. Events after the Statement of Financial Position date 27
 18.1. Lecta Group Recapitalization 27

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 3,105 FTE people in the quarter ended 31 March 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 27 May 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 Mar 2020		Jan to Mar 2019	
			%		%
Revenue	(5)	316,608	100	388,935	100
Changes in inventories of finished goods and work in process		2,112	1	(13,797)	(4)
Raw materials and consumables used		(155,955)	(49)	(191,691)	(49)
Labor costs		(42,551)	(13)	(46,713)	(12)
Other operating costs except non-recurring items		(95,997)	(30)	(109,978)	(28)
EBITDA		**24,218**	**8**	**26,755**	**7**
Depreciation		(14,456)	(5)	(14,464)	(4)
Amortization		(42)	(0)	(43)	(0)
Non recurring items	(6)	(145,086)	(46)	(699)	(0)
Profit (loss) from operations		**(135,365)**	**(43)**	**11,550**	**3**
Financial income	(12)	320,341	101	189	0
Financial expense	(12)	(18,358)	(6)	(15,670)	(4)
Profit (loss) before tax		**166,618**	**53**	**(3,931)**	**(1)**
Income tax	(7)	(14,897)	(5)	(1,834)	(0)
Profit (loss) after tax		**151,722**	**48**	**(5,765)**	**(1)**
Attributable to:					
Equity holders of the parent	(8)	151,633	48	(5,810)	(1)
Non-controlling interests		88	0	45	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 Mar 2020	Jan to Mar 2019
Profit (loss) for the period		**151,722**	**(5,765)**
Exchange differences on translation of foreign operations		419	241
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		***419***	***109***
Actuarial gains (losses) on defined benefits plans		0	0
Actuarial gains (losses) on 3rd party agents benefits		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		**419**	**109**
Total comprehensive income, net of tax		**152,140**	**(5,656)**
Attributable to:			
Equity holders of the parent		152,052	(5,701)
Non-controlling interests		88	45

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

Consolidated statement of financial position

Lecta Group
(in EUR K)

	Notes	31 Mar 2020	31 Dec 2019	31 Mar 2019
ASSETS				
Property, plant and equipment	(11)	480,452	487,262	499,759
Investment properties	(11)	1,363	1,363	1,363
Goodwill	(3.3)	0	118,252	118,252
Other intangible assets		8,051	8,088	6,121
Unlisted Securities		77	77	77
Biological assets		289	287	287
Deferred income tax assets	(3.4)	35,395	48,430	54,296
Other non-current receivables		1,471	6,876	1,481
Non-current assets		**527,097**	**670,635**	**681,635**
Income tax receivable		6,338	6,382	7,980
Inventories		195,886	193,070	218,039
Trade receivables		199,862	196,500	233,340
Prepayments		116	623	244
Other current receivables		8,530	1,898	8,891
Cash & cash equivalents		103,172	85,850	63,132
Current assets		**513,904**	**484,322**	**531,626**
TOTAL ASSETS		**1,041,001**	**1,154,957**	**1,213,262**

	Notes	31 Mar 2020	31 Dec 2019	31 Mar 2019
EQUITY & LIABILITIES				
Paid-in capital	(2.2)	3,000	1,446	1,446
Share premium	(2.2)	(0)	136,669	136,669
Net incomes (expenses) recognized directly through Equity		(9,403)	(9,403)	(7,993)
Foreign currency translation		(886)	(1,305)	(1,088)
Accumulated net profits (losses)		201,190	(85,723)	(38,977)
Equity holders of the parent		**193,901**	**41,684**	**90,056**
Non-controlling interests		**5,448**	**5,358**	**5,609**
TOTAL EQUITY		**199,349**	**47,042**	**95,665**
Interest-bearing borrowings	(12)	436,302	622,771	626,507
Non-current grants		6,581	6,843	8,227
Non-current provisions		27,997	26,694	26,089
Deferred income tax liabilities		10,447	10,229	12,065
Non-current liabilities		**481,328**	**666,537**	**672,888**
Current portion of interest-bearing borrowings	(12)	48,860	92,957	50,126
Bank overdrafts		19,452	18,808	26,225
Current grants		1,623	1,896	2,150
Current provisions		9,637	14,107	8,715
Income tax payable		2,487	1,030	3,130
Trade payables		262,400	301,631	336,710
Other liabilities		15,865	10,950	17,653
Current liabilities		**360,325**	**441,378**	**444,708**
TOTAL LIABILITIES		**841,652**	**1,107,915**	**1,117,597**
TOTAL EQUITY AND LIABILITIES		**1,041,001**	**1,154,957**	**1,213,262**

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 Mar 2020	Jan to Mar 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		166,618	(3,931)
Net finance costs		(301,984)	15,481
Non recurring items		145,086	699
Depreciation & Amortization		14,498	14,506
EBITDA		**24,218**	**26,755**
Inventories decrease (increase)		(2,798)	20,834
Trade receivable decrease (increase)		(2,936)	(20,480)
Prepayments decrease (increase)		509	422
Trade payables increase (decrease)		(39,242)	(61,344)
Working Capital decrease (increase)		**(44,467)**	**(60,568)**
Provisions increase (decrease)		(658)	(314)
GHG emission rights decrease (increase)		(4)	39
Proceeds (payments) related to non-recurring items		(20,983)	(947)
Income tax paid	(7)	(144)	(97)
Net cash flow (used in) / from operating activities		**(42,038)**	**(35,132)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(10,746)	(15,722)
Receipt of Grants		(1,229)	(561)
Purchase of subsidiary, net of cash acquired		(2,983)	0
Disposal of subsidiary, net of cash sold		(747)	0
Purchase of other assets		(2)	(11)
Proceeds from disposal of other assets		0	457
Net cash flow (used in) / from investing activities		**(15,707)**	**(15,837)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Share capital increase (redemption)		3,000	0
Interest paid		(22,176)	(21,103)
Issue costs of Borrowings		(2)	(6)
Proceeds from Borrowings	(12)	445,088	20,143
Repayment of Borrowings	(12)	(350,330)	0
Payment of finance lease liabilities		(1,165)	(1,229)
Net cash flow (used in) / from financing activities		**74,415**	**(2,195)**
Net increase (decrease) in Cash & cash equivalents net of Bank overdrafts		16,670	(53,163)
Net foreign exchange difference		7	23
Cash & cash equivalents net of Bank overdrafts at 1 January		67,043	90,047
Cash & cash equivalents net of Bank overdrafts at 31 March		**83,720**	**36,907**
Of which Cash & cash equivalents		103,172	63,132
Of which Bank overdrafts		(19,452)	(26,225)

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	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**	(5,810)	(5,810)	45	(5,765)
Other comprehensive income (loss)			(132)	0	0				241	0	109	0	109
Total comprehensive income of the period	**0**	**0**	**(132)**	**0**	**0**		**0**	**0**	**241**	**(5,810)**	**(5,701)**	**45**	**(5,656)**
AT 31 MARCH 2019	**1,446**	**136,669**	**(201)**	**0**	**(7,610)**	**0**	**(183)**	**0**	**(1,088)**	**(38,977)**	**90,056**	**5,609**	**95,665**
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	151,633	151,633	88	151,722
Other comprehensive income (loss)			0	0	0	**0**			419		419	0	419
Total comprehensive income of the period	**0**	**0**	**0**	**0**	**0**	**0**			**419**	**151,633**	**152,052**	**88**	**152,140**
Variation of percentages of consolidation (See Note 2.2)	**1,554**	**(136,669)**								**135,279**	**165**	**(0)**	**165**
Reclassification	0	0	0	0	272	(272)			0	0	0	0	0
AT 31 MARCH 2020	**3,000**	**(0)**	**(201)**	**0**	**(8,747)**	**(272)**	**(183)**	**0**	**(886)**	**201,190**	**193,901**	**5,448**	**199,349**

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

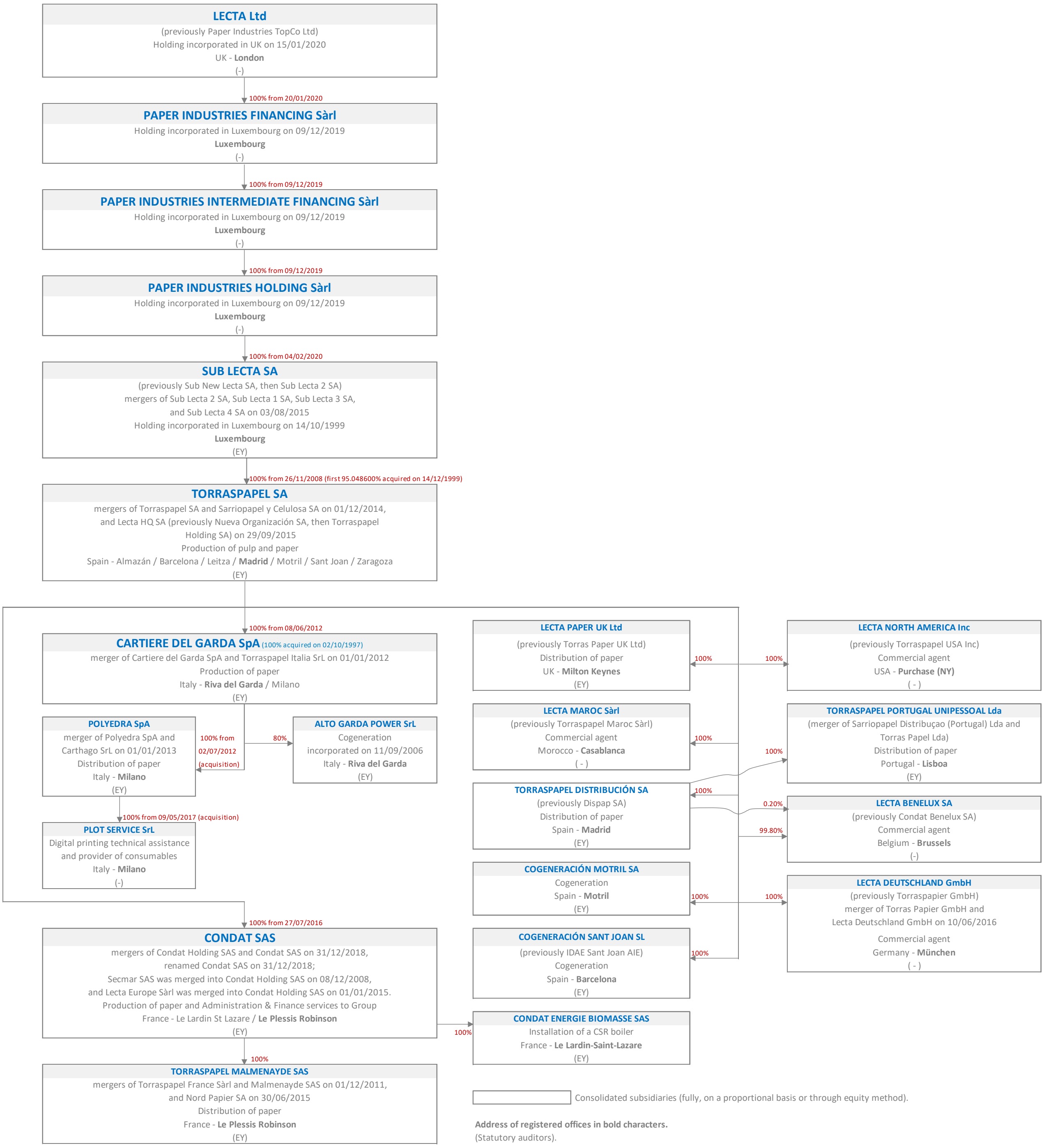
The interim condensed consolidated financial statements of Lecta Group for the three months ended 31 March 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting.
The interim condensed consolidated financial statements do not include all the information and disclosures required 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 31 March 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

Torraspapel SA

Lecta HQ 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

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

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

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 installation.

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 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.

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.

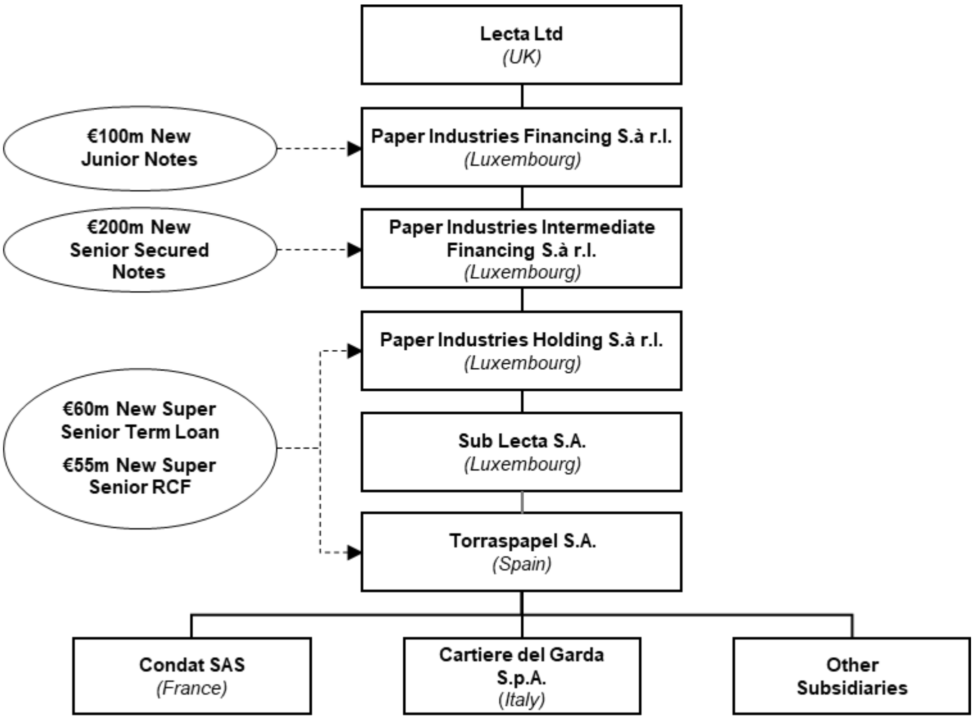
On 28 January 2020, the UK Court sanctioned the proposed Scheme, and an order was delivered to the registrar of companies on 30 January 2020.

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 benefit 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.

The following chart outlines the corporate and financing structure of the Lecta Ltd Group after giving effect to 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.

3.1.2. Accounting treatment

<u>IFRS 5 Non-current assets held for sale and discontinued operations</u>
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.

<u>IFRS 9 Financial instruments / fees & costs in relation with the Recapitalization</u>
<u>IFRIC 19 Extinguishing financial liabilities with equity instruments</u>
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 three-month period ended 31 March 2020 the restructuring cash cost associated to Lecta efficiency programs was EUR (0.5) 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).

On 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).

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 three-month period ended 31 March 2020, with the prior year. It considers the above definitions:

Net Sales of Paper

Products & Services (in EUR M)	Q1 2020	Q1 2019	Change absolute	Change %
Coated Woodfree	141	186	-45	-24%
Specialties	121	129	-8	-6%
Purchased products	37	44	-7	-15%
Total	**300**	**360**	-60	-17%

EBITDA

Products & Services (in EUR M)	Q1 2020	Q1 2019	Change absolute	Change %
Coated Woodfree	14	8	+6	+78%
Specialties	9	17	-8	-46%
Purchased products	1	2	-1	-38%
Total	**24**	**27**	-3	-9%

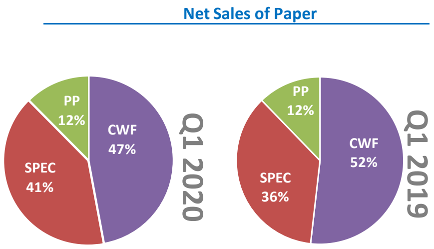
EBITDA Margin

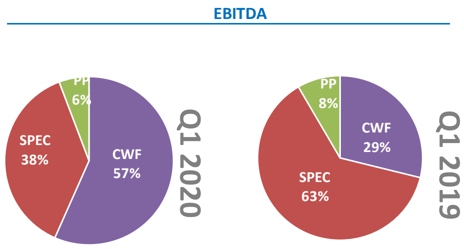
Products & Services	Q1 2020	Q1 2019	Change Percentage points
Coated Woodfree	9.7%	4.1%	+5.6
Specialties	7.5%	13.0%	-5.5
Purchased products	3.7%	5.1%	-1.4
Total	**8.1%**	**7.4%**	+0.6

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

	Net Sales of Paper Q1 2020	Net Sales of Paper Q1 2019	Net Sales of Paper Change	EBITDA Q1 2020	EBITDA Q1 2019	EBITDA Change
Coated Woodfree	**47%**	52%	-5pp	**57%**	29%	+28pp
Specialties	**41%**	36%	+5pp	**38%**	63%	-25pp
Purchased products	**12%**	12%	+0pp	**6%**	8%	-3pp
	100%	100%		**100%**	100%	

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





4.2. Information about geographical areas

The following table presents Net sales of paper to third parties and Non-current assets of the Group's products and services for the three-month periods ended 31 March 2020 and 31 March 2019:

Geographical location of customers (in EUR M)	Net sales of paper 31 Mar 2020	Net sales of paper 31 Mar 2019
Europe	241	291
Americas	35	40
Rest of world	24	28
Total	**299**	**360**

Geographical location of assets (in EUR M)	Non-current assets 31 Mar 2020	Non-current assets 31 Mar 2019
Luxembourg	0	0
Italy	75	81
France	37	41
Spain	377	386
Other	0	0
Total	**490**	**508**

5. Revenue

(in EUR K)	January to March **2020**	**2019**
Net Sales of Paper	299,343	359,619
Sales of energy	17,265	29,316
Revenue	**316,608**	**388,935**

(in metric tonnes)	**2020**	**2019**
Volume sold of paper	299,977	354,801

(in MWh)	**2020**	**2019**
Volume sold of energy	309,729	321,273

6. Non-recurring items

(in EUR K)	January to March	
Profit (Loss) on:	**2020**	**2019**
Goodwill	(118,252)	0
Unlisted securities	0	132
Organization efficiency program	(575)	(816)
Recapitalization	(26,205)	0
Other non-recurring items	(54)	(16)
Income / (Expense)	**(145,086)**	**(699)**

Goodwill
The charge of EUR (118.3) M is due to the impairment of Goodwill (see Note 3.3).

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 (26.2) M in 2020.

7. Income tax in the income statement

	January to March	
(in EUR K)	**2020**	**2019**
Current tax	(1,643)	(1,133)
Deferred tax	(13,254)	(701)
Income / (Expense)	**(14,897)**	**(1,834)**

The deferred tax charge of EUR (13,254) K booked in 2020 was the result of:
- EUR (107) 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 (701) K booked in 2019 was the result of:
- EUR (701) K of deferred tax charge on temporary differences.

8. Earnings per share

(in EUR K)	January to March 2020	2019
Profit (loss) after tax attributable to the equity holders of the parent (in EUR K)		
Income statement	151,633	(5,810)
Pro-forma interest on warrants	0	(0)
Total diluted	151,633	(5,810)
Weighted number of shares		
Basic shares	300,000,000	560,366
Warrants	0	5,496
Total	**300,000,000**	**565,862**
Earnings per share (in EUR)		
Basic	0.5	(10.4)
Diluted	0.5	(10.4)

"Basic earnings per share" were computed on the basis of the weighted average number of shares issued after deduction of the weighted average number of shares owned by Lecta Group consolidated companies (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 Mar 2020	Jan to Mar 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 Mar 2020	Jan to Mar 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 (see also Note 6).

11. Property, plant and equipment and Investment properties

During the three-month period ended 31 March 2020, Lecta Group acquired Property, plant and equipment with a cost of EUR 8.2 M compared to EUR 16.1 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 March 2020	2019
Interest on Senior and Junior Notes	(2,994)	0
S/T Senior and Junior Notes	**(2,994)**	**0**
Interest on Floating and Fixed Rate Notes	(3,697)	(9,679)
Amortization of issue costs on borrowings	(6,182)	(495)
S/T Floating and Fixed Rate Notes	**(9,878)**	**(10,174)**
Financial income in relation with the Recapitalization	319,949	0
Lease obligations	**(196)**	**(228)**
Interest on other long-term borrowings	(1,201)	(558)
Interest on rate hedging derivatives	0	0
S/T Other long-term borrowings	**(1,201)**	**(558)**
Trade receivables: early payment discounts	(2,870)	(3,551)
Trade receivables: non-recourse assignment cost	(555)	(596)
Trade payables: discounts on anticipated payments	256	59
Finance cost in the provisions on employees benefits	(33)	(79)
Issue costs expensed as incurred	(2)	(6)
Other financial incomes	136	130
Other financial expenses	(628)	(479)
Income / (Expense)	**301,984**	**(15,481)**

The following lines of the table are also commented in Note 3.1:
- "Interest on Senior and Junior Notes" of EUR (2,994) K consisted in the interest expense accrued on the new Notes issued on 4 February 2020;
- "Interest on Floating and Fixed Rate Notes" of EUR (3,697) K consisted in the interest expense accrued until 4 February 2020 of the Notes issued in 2016;
- "Amortization of issue costs on borrowings" of EUR (6,182) K consisted in the remaining fees & costs included in the notes (Floating and Fixed Rate Notes) issued in 2016;
- "Financial income in relation with the Recapitalization" of EUR 319,949 K consisted of the Floating and Fixed Rate Notes (principal and accrued interests) capitalized on 4 February 2020.

During the three-month period ended 31 March 2020, the proceeds from borrowings net of repayment of borrowings was EUR 94.8 M.

13. Capital commitments

As at 31 March 2020, Lecta Group had firm commitments in relation with orders of Property, plant and equipment net of advances to suppliers of EUR 24.4 M.
These commitments were allocated as follows:

EUR 16.3 M in France
EUR 8.1 M in Spain

14. Related party disclosures

14.1. Transactions with non-consolidated companies

.

(in EUR K)		January to March Sales to related parties	January to March (Purchases) from related parties	January to March Finance (costs) from related parties	31 December 2019 / 31 March 2020 Amounts owed by related parties	31 December 2019 / 31 March 2020 Amounts owed to related parties
SVL Pilote SAS	2019	0	(1,590)	0	0	1,259
	2020	0	(1,459)	0	0	1,172
SVS SAS	2019	0	(145)	0	0	106
	2020	0	(145)	0	0	106
SVT SAS	2019	0	(429)	0	0	217
	2020	0	(239)	0	0	177

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 31 March 2020, ordinary sales and purchases were specifically hedged through:
- Forward agreements on realized sales in foreign currencies: .... EUR 23.5 M
- Forward agreements on realized purchases in foreign currencies: .... EUR 3.9 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 31 March 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 31 March 2020, there were no hedging derivatives on interest rates.

17. Hedging derivatives on raw materials prices

At 31 March 2020, there were no hedging derivatives on raw materials prices.

18. Events after the Statement of Financial Position date

18.1. Lecta Group Recapitalization

On 4 February 2020, Lecta Ltd and its subsidiaries completed a recapitalization of the Group's balance sheet, which included:

- The equitization of 50% of the Group's EUR 600 M senior secured notes issued in 2016,
- The issuance of EUR 100 M of junior notes due 2028 and EUR 200 M of senior secured notes due 2025,
- The refinancing of EUR 65 M of super senior RCF with a new EUR 115 M super senior facility agreement ("SSFA"),

and simultaneously, the Group secured new factoring lines in France and Spain.

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 lockdown 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 regarding a possible transaction ("**Transaction**") expected to comprise the following:

- A EUR 150 M liquidity injection, EUR 100 M of which would result from a EUR 50 M share capital increase by Lecta Ltd and EUR 50 M from an issuance of new senior secured notes due 2025 (anticipated to have a 10% Original Issue Discount for a total face value of EUR 55.5 M), and EUR 50 M (EUR 30 M already formalized and an additional EUR 20 M has received final committee approval subject to the Transaction being implemented) from Spanish banks under Covid-19 related government aid schemes; and
- The cancellation in full of the EUR 100 M junior notes to further strengthen the balance sheet.

In addition, the Group has proposed to its banks (and completion of the Transaction is conditional upon, among other things) the replacement of short term uncommitted confirming lines with long dated committed lines, which will provide additional stability to working capital management, and the removal of the EUR 115 M SSFA covenants during the next 24 months. The table below outlines the key expected terms of the Transaction.

The implementation of the Transaction will require security holders to grant a number of approvals and consents. In this respect, the Company has already received binding commitments from certain security holders in excess of the threshold necessary to support the implementation of the Transaction. Furthermore, the Company has received an underwriting proposal from funds managed and or advised by Apollo, Cheyne Capital and Tikehau Capital (the "G3") and certain additional security holders to fully underwrite the EUR 50 M share capital increase and the EUR 50 M new senior secured notes due 2025 as part of the Transaction.

Lecta strongly believes that the Transaction will allow it 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, by:

- Significantly improving the Group's liquidity profile;
- Reducing the Group's net leverage;
- Having clear support from existing security holders (together with a proposal from the G3 and certain other security holders to fully underwrite the share capital increase and the new senior secured notes due 2025);
- Containing additional support from working capital providers, with access to government-supported financing in France and Italy also currently under discussion; and
- Increasing the Group's flexibility, with the covenant holiday removing any potential risk of default and committed supply chain lines providing significant stability.

A further announcement in respect of the Transaction will be made in due course.

Key Considerations

New Shares	▪ Amount: EUR 50 M ordinary shares ▪ Ownership: 72.5% of fully diluted post issuance equity for subscribers
New Super Senior Notes	▪ Amount: EUR 55.5 M ▪ OID: 10% ▪ Coupon: Euribor (subject to a zero floor) + 7% ▪ Ranking: *Pari passu* to Existing SSNs ▪ Maturity: Same as Existing SSNs (2025) ▪ New Warrants: 7.5% of pro forma equity at exit will be attached to the New SSNs which can be traded separately after 12 months from issuance (i.e. stapled for first 12 months) ▪ All other terms and conditions as per current Existing SSNs
Junior Notes	▪ Full write down and cancellation of EUR 100 M Junior Notes
New State Guaranteed Term Loan	▪ EUR 10 M term loan with 3-year maturity and 4.5% interest ▪ EUR 40 M term loan with 4-year maturity and 3.5% interest
Amendments to New SSFA	▪ Minimum Liquidity and Minimum EBITDA Covenant Holiday for 24 months
Fees	▪ Holders who confirmed underwriting commitment by 29 April 2020 5:30pm UK time to receive a fee of 6% (in aggregate) of fully diluted equity ▪ G3 leading the Transaction to receive a fee of 4% (in aggregate) of fully diluted equity

Simplified Corporate Structure