LECTA SA and Subsidiaries

Management report for the period ended 30 June 2018.

The discussion contained herein is based on our reviewed interim financial information for the periods ended 30 June 2018 and 30 June 2017.

RESULTS OF OPERATIONS

Presentation of Financial Data

Lecta consolidated financial statements are prepared in accordance with IFRS adopted by the European Union.

Segment reporting

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

Lecta's revenue consists of net sales of paper and sales of energy (see the section Revenue in the Interim Financial statements). The core 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 the segment reporting, the sale of electricity to the grid is not considered as revenue but as reduction in energy cost to produce paper.

The following table compares sales and profit information of the products and services for the six-month period and the quarter ended 30 June 2018, with the same periods of last year and the prior quarter:

Net Sales of Paper

Products & Services (in EUR M)	30 Jun 2018	30 Jun 2017	Change absolute	Change %	Q2 2018	Q2 2017	Change absolute	Change %	Q2 2018	Q1 2018	Change absolute	Change %
Coated Woodfree	382	377	+5	+1%	185	181	+3	+2%	185	197	-12	-6%
Specialties	230	222	+7	+3%	117	111	+6	+5%	117	112	+5	+4%
Purchased products	92	88	+4	+5%	46	44	+2	+4%	46	46	-0	-1%
Total	**704**	**687**	+17	+2%	**348**	**337**	+11	+3%	**348**	**356**	-8	-2%

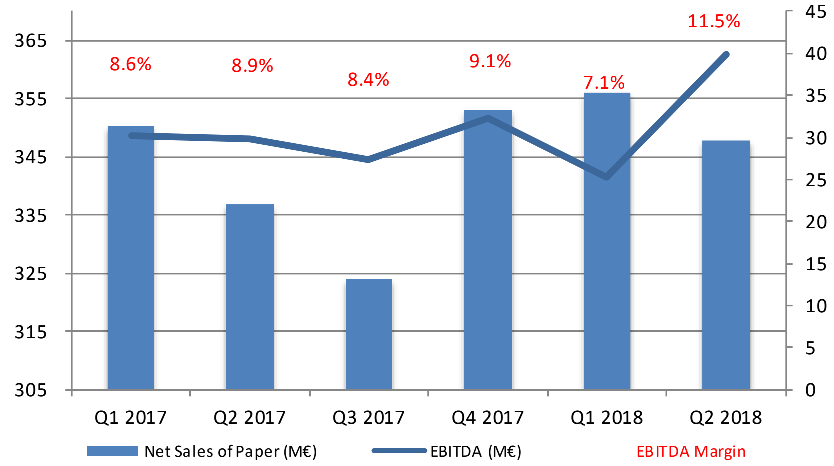
EBITDA

Products & Services (in EUR M)	30 Jun 2018	30 Jun 2017	Change absolute	Change %	Q2 2018	Q2 2017	Change absolute	Change %	Q2 2018	Q1 2018	Change absolute	Change %
Coated Woodfree	30	31	-1	-3%	21	15	+5	+35%	21	9	+11	+124%
Specialties	32	25	+7	+28%	17	12	+5	+41%	17	15	+3	+20%
Purchased products	3	4	-1	-24%	2	2	-0	-19%	2	2	+0	+14%
Total	**65**	**60**	+5	+8%	**40**	**30**	+10	+33%	**40**	**25**	+15	+58%

EBITDA Margin

Products & Services	30 Jun 2018	30 Jun 2017	Change Percentage points	Q2 2018	Q2 2017	Change Percentage points	Q2 2018	Q1 2018	Change Percentage points
Coated Woodfree	7.8%	8.2%	-0.4	11.2%	8.5%	+2.7	11.2%	4.7%	+6.5
Specialties	13.9%	11.2%	+2.7	14.9%	11.1%	+3.8	14.9%	12.9%	+2.0
Purchased products	3.5%	4.8%	-1.3	3.8%	4.8%	-1.1	3.8%	3.3%	+0.5
Total	**9.3%**	**8.7%**	+0.5	**11.5%**	**8.9%**	+2.6	**11.5%**	**7.1%**	+4.4

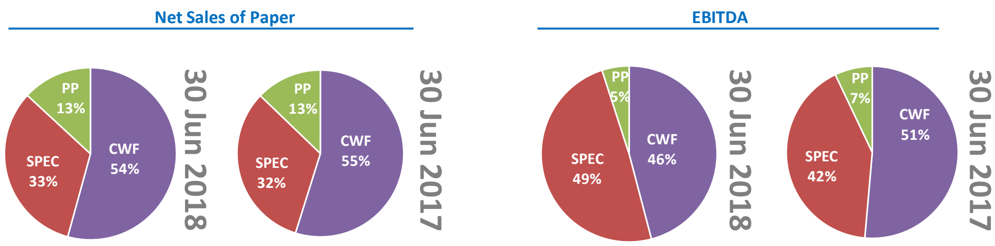
Evolution of Net Sales of Paper, EBITDA, and EBITDA Margin:



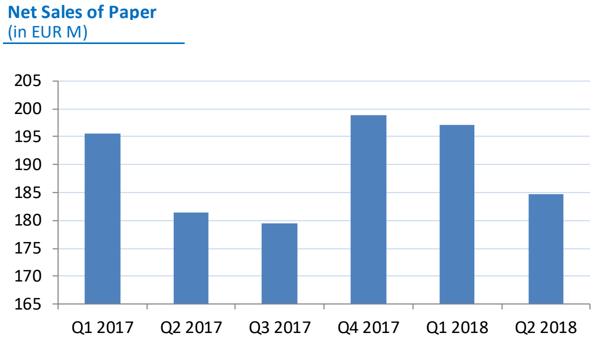
Breakdown of Net Sales of Paper and EBITDA by Product and Service:

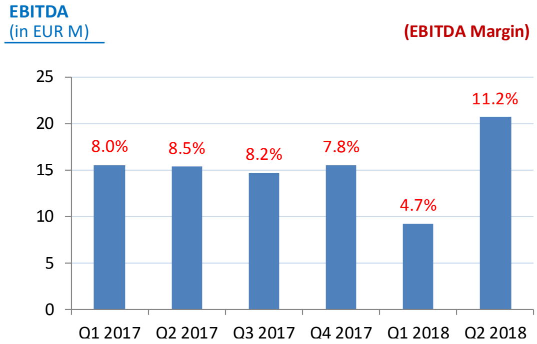
	Net Sales of Paper			EBITDA		
	30 Jun 2018	30 Jun 2017	Change	30 Jun 2018	30 Jun 2017	Change
Coated Woodfree	**54%**	55%	-1pp	**46%**	51%	-5pp
Specialties	**33%**	32%	+0pp	**49%**	42%	+8pp
Purchased products	**13%**	13%	+0pp	**5%**	7%	-2pp
	100%	100%		**100%**	100%	

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



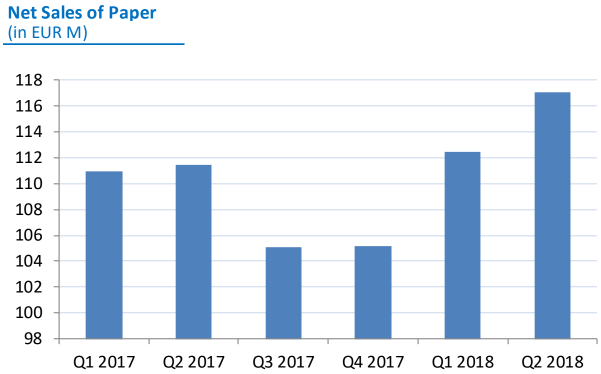
CWF

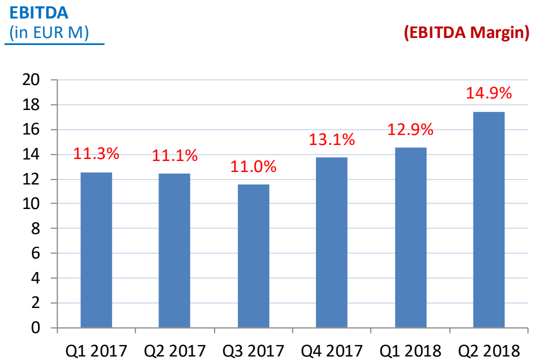




In 2Q2018, the net sales of Coated Woodfree were €185 million vs €181 million in 2Q2017, an increase of €3 million or +2%. The Ebitda at €21 million was higher than in 2Q2017 (€15 million). This increase was mainly thanks to higher net sales price, a reduction in net energy costs and fixed expenses, partly offset by an increase of raw materials costs.

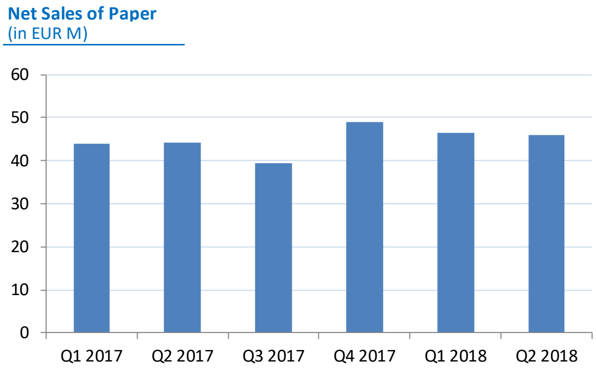
Specialties

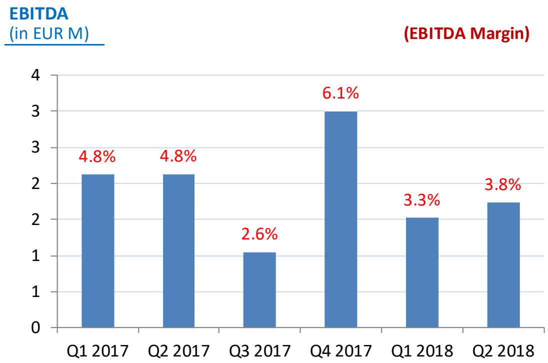




In 2Q2018, the net sales of Specialties were €117 million vs €111 million in 2Q2017, an increase of €6 million or +5%. The Ebitda at €17million was higher than in 2Q2017 (€12 million). This increase was mainly thanks to higher net sales price and a reduction in fixed expenses, partly offset by an increase of raw materials costs.

Purchased products





In 2Q2018, the net sales of Purchased products were €46 million vs €44 million in 2Q2017, an increase of €2 million or +4%. The Ebitda at €2 million was slightly lower than in 2Q2017.

Three Months Ended 30 June 2018 Compared to Three Months Ended 30 June 2017

The following table sets forth Lecta's income statement line items in absolute numbers, as a percentage of revenue for the quarters ended 30 June 2018 and 30 June 2017 and in the percentage change quarter over quarter:

	Three months ended 30 June					
(in millions of euro, except percentages)	2018 (unaudited)	%	2017 (unaudited)	%	Change	% change
Volume sold (in thousands of metric tonnes)	358.2		377.0		-18.8	-5.0%
Revenue	371.7	100.0	360.7	100.0	+11.0	+3.0%
Change in inventories of finished goods and work in progress	16.8	4.5	8.7	2.4	+8.0	+92.0%
Raw materials and consumables used	(203.5)	(54.7)	(189.5)	(52.5)	-14.0	+7.4%
Labor costs	(49.6)	(13.3)	(48.8)	(13.5)	-0.7	+1.5%
Other operating costs except non-recurring items	(95.6)	(25.7)	(101.2)	(28.1)	+5.7	-5.6%
EBITDA	39.9	10.7	29.9	8.3	+10.0	+33.4%
Depreciation	(12.6)	(3.4)	(13.6)	(3.8)	+1.0	-7.1%
Amortization	(0.0)	(0.0)	(0.1)	(0.0)	+0.0	-15.2%
Non-recurring items	(1.3)	(0.4)	(7.5)	(2.1)	+6.2	-82.3%
Profit from operations	25.9	7.0	8.7	2.4	+17.2	+196.6%
Finance costs	(16.1)	(4.3)	(15.1)	(4.2)	-1.1	+7.1%
Profit (loss) before tax from continuing operations	9.8	2.6	(6.3)	(1.8)	+16.1	-
Income tax	(4.1)	(1.1)	(4.2)	(1.2)	+0.1	-3.1%
Profit (loss) after tax from continuing operations	5.7	1.5	(10.5)	(2.9)	+16.2	-153.9%
Profit (loss) after tax from discontinued operations	0.0	0.0	0.0	0.0	+0.0	-
Profit (loss) after tax	5.7	1.5	(10.5)	(2.9)	+16.2	-153.9%

Revenue

For the second quarter ended 30 June 2018, Lecta had revenue of €371.7 million versus €360.7 million in the second quarter ended 30 June 2017, an increase of €11.0 million or +3%. This increase was attributable to:

- Higher sales of CWF, Specialties and Purchased Products of €+10.9 million or +3%, from €337.0 million in 2Q2017 to €347.9 million in 2Q2018, resulting from lower sales volumes of 18,800 metric tons or -5%, 358,200 metric tons in 2Q2018 vs 377,000 metric tons in 2Q2017, but an increase in average net sales price of +77€/t or +9%, 971€/t in 2Q2018 vs 894€/t in 2Q2017; and
- Higher sales of energy of €+0.1 million or +0%, from €23.7 million in 2Q2017 to €23.8 million in 2Q2018, resulting from slightly lower sales volumes of 500 MWh or -0%, 282,800 MWh in 2Q2018 vs 283,400 MWh in 2Q2017, and a stable average sales price at 84€/MWh.

Raw Materials and Consumables Used

The costs of raw materials and consumables used increased by €14.0 million, or +7%, from €189.5 million in 2Q2017 to €203.5 million in 2Q2018, and as a percentage of revenue they increased from 52.5% in 2Q2017 to 54.7% in 2Q2018. The absolute increase was mainly attributable to an increase in the average consumption prices of pulp of +100€/t from 2Q2017 to 2Q2018.

Labor Costs

Labor costs increased by €0.7 million, or +2%, from €48.8 million in 2Q2017 to €49.6 million in 2Q2018, and as a percentage of revenue they decreased from 13.5% in 2Q2017 to 13.3% in 2Q2018.
The headcount decreased by 48 heads, from 3,301 employees in 2Q2017 to 3,252 employees in 2Q2018.

Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items decreased by €5.7 million, or -6%, from €101.2 million in 2Q2017 to €95.6 million in 2Q2018, and as a percentage of revenue they decreased from 28.1% in 2Q2017 to 25.7% in 2Q2018. The absolute decrease was essentially due to lower costs of energy, packaging materials, distribution, selling variable costs, production consumables and overhead costs, partly offset by an increase in outsourcing and maintenance costs.

EBITDA

EBITDA increased by €10.0 million, or +33%, from €29.9 million in 2Q2017 to €39.9 million in 2Q2018. This increase was the result of lower net energy costs, packaging materials, distribution, selling variable, production consumables and overheads costs, partly offset by lower sales of paper in volume and higher outsourcing, labor and maintenance costs, in a context of higher unit gross margin.

Depreciation and Amortization

Depreciation and amortization decreased by €1.0 million, or -7%, from €13.6 million in 2Q2017 to €12.6 million in 2Q2018.

Non-recurring items

In 2Q2018, Lecta recorded a non-recurring charge of €-1.3 million mainly in relation with its Organization efficiency program. In 2Q2017, Lecta recorded a non-recurring charge of €-7.5 million, including €-6.8 million associated to the attempt of private placement to institutional investors (see the section Projects and plans in the Interim Financial Statements) and €-0.7 million of Organization efficiency program.

Finance Costs

Finance costs increased by €1.1 million or +7%, from €15.1 million in 2Q2017 to €16.1 million in 2Q2018.

Income Tax

Lecta recorded income tax charges of €-4.1 million in 2Q2018 and €-4.2 million in 2Q2017.

Six months Ended 30 June 2018 Compared to Six months Ended 30 June 2017

The following table sets forth Lecta's income statement line items in absolute numbers, as a percentage of revenue for the Six months Ended 30 June 2018 and 30 June 2017 and in the percentage change period over period:

(in millions of euro, except percentages)	2018 (unaudited)	%	2017 (unaudited)	%	Change	% change
	Six months ended 30 June					
Volume sold (in thousands of metric tonnes)	745.0		777.4		-32.4	-4.2%
Revenue	747.1	100.0	737.0	100.0	+10.1	+1.4%
Change in inventories of finished goods and work in progress	19.1	2.6	3.3	0.4	+15.8	-
Raw materials and consumables used	(404.1)	(54.1)	(376.1)	(51.0)	-28.0	+7.4%
Labor costs	(96.6)	(12.9)	(95.8)	(13.0)	-0.8	+0.8%
Other operating costs except non-recurring items	(200.4)	(26.8)	(208.3)	(28.3)	+7.9	-3.8%
EBITDA	65.1	8.7	60.1	8.2	+5.0	+8.4%
Depreciation	(25.1)	(3.4)	(26.9)	(3.7)	+1.8	-6.6%
Amortization	0.6	0.1	(0.2)	(0.0)	+0.8	-
Non-recurring items	(2.0)	(0.3)	(3.0)	(0.4)	+1.0	-34.3%
Profit from operations	38.6	5.2	30.0	4.1	+8.6	+28.8%
Finance costs	(31.5)	(4.2)	(30.5)	(4.1)	-0.9	+3.1%
Profit (loss) before tax from continuing operations	7.1	1.0	(0.6)	(0.1)	+7.7	-
Income tax	(5.2)	(0.7)	(5.4)	(0.7)	+0.3	-4.9%
Profit (loss) after tax from continuing operations	1.9	0.3	(6.0)	(0.8)	+8.0	-132.2%
Profit (loss) after tax from discontinued operations	0.0	0.0	0.0	0.0	+0.0	-
Profit (loss) after tax	1.9	0.3	(6.0)	(0.8)	+8.0	-132.2%

Revenue

For the Six months Ended 30 June 2018, Lecta had revenue of €747.1 million versus €737.0 million in the six months ended 30 June 2017, an increase of €10.1 million or +1%. This increase was attributable to:

- Higher sales of CWF, Specialties and Purchased Products of €+16.6 million or +2%, from €687.3 million in 1H2017 to €703.9 million in 1H2018, resulting from lower sales volumes of 32,400 metric tons or -4%, 745,000 metric tons in 1H2018 vs 777,400 metric tons in 1H2017, but an increase in average net sales price of +61€/t or +7%, 945€/t in 1H2018 vs 884€/t in 1H2017; and
- Lower sales of energy of €-6.4 million or -13%, from €49.6 million in 1H2017 to €43.2 million in 1H2018, resulting from lower sales volumes of 53,200 MWh or -9%, 539,400 MWh in 1H2018 vs 592,700 MWh in 1H2017, and a decrease in average sales price of -4€/MWh or -4%, 80€/MWh in 1H2018 vs 84€/MWh in 1H2017. The lower sales volume was due to the planned downtime in 1Q2018 for the replacement of the gas turbines in Motril and Zaragoza cogeneration plants.

Raw Materials and Consumables Used

The costs of raw materials and consumables used increased by €28.0 million, or +7%, from €376.1 million in 1H2017 to €404.1 million in 1H2018, and as a percentage of revenue they increased from 51.0% in 1H2017 to 54.1% in 1H2018. The absolute increase was mainly attributable to higher purchased volumes and an increase in the average consumption price of pulp of +107€/t from 1H2017 to 1H2018.

Labor Costs

Labor costs increased by €0.8 million, or +1%, from €95.8 million in 1H2017 to €96.6 million in 1H2018, and as a percentage of revenue they decreased from 13.0% in 1H2017 to 12.9% in 1H2018.
The headcount decreased by 36 heads, from 3,281 employees in 1H2017 to 3,245 employees in 1H2018.

Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items decreased by €7.9 million, or -4%, from €208.3 million in 1H2017 to €200.4 million in 1H2018, and as a percentage of revenue they decreased from 28.3% in 1H2017 to 26.8% in 1H2018. The absolute decrease was essentially due to lower costs of energy, packaging materials, distribution, and overheads costs, partly offset by an increase in outsourcing, selling variable, maintenance and production consumables costs.

EBITDA

EBITDA increased by €5.0 million, or +8%, from €60.1 million in 1H2017 to €65.1 million in 1H2018. This increase was the result of lower costs of packaging materials, distribution and overheads costs, partly offset by lower sales of paper in volume, higher net energy costs, outsourcing, selling variable, labor, maintenance and production consumables costs, in a context of higher unit gross margin.

Depreciation and Amortization

Depreciation and amortization decreased by €2.5 million, or -9%, from €27.1 million in 1H2017 to €24.5 million in 1H2018.

Non-recurring items

In 1H2018, Lecta recorded a non-recurring charge of €-2.0 million mainly in relation with its Organization efficiency program. In 1H2017, Lecta recorded a non-recurring charge of €-3.0 million, including €+5.3 million of capital gain on the disposal of a plot of land and a building of the mill in Sarrià de Ter, permanently closed in October 2014, €-6.8 million associated to the attempt of private placement to institutional investors (see the section Projects and plans in the Interim Financial Statements), and €-1.6 million of Organization efficiency program.

Finance Costs

Finance costs increased by €0.9 million or +3%, from €30.5 million in 1H2017 to €31.5 million in 1H2018.

Income Tax

Lecta recorded income tax charges of €-5.2 million in 1H2018 and €-5.4 million in 1H2017.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Lecta's primary sources of liquidity are cash from operating activities and the RCF credit line.

Notes

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

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

Credit Facilities

Lecta has been making timely payments on the debt outstanding under its Credit Facilities.
As part of the refinancing made on 27 July 2016, Lecta successfully completed the negotiation of a €65 million RCF due 2022. €15 million were used at 30 June 2018.

Cash

At 30 June 2018 Lecta had €101.1 million of cash and cash equivalent.

Capital Resources

Lecta’s total capital resources amounted to €111.7 million in Total equity and €608.2 million in Non-current interest-bearing borrowings as at 30 June 2018, compared to €112.4 million and €614.7 million, respectively, as at 30 June 2017. In addition, Current interest-bearing borrowings amounted to €35.2 million as at 30 June 2018, compared to €16.1 million as at 30 June 2017.

CASH FLOW

Three Months Ended 30 June 2018 Compared to Three Months Ended 30 June 2017

Lecta’s cash flows for the three months ended 30 June 2018 and 30 June 2017 were as follows:

(in millions of euro)	Three months ended 30 June 2018 (unaudited)	2017 (unaudited)	Change
Cash flows from (used in) operating activities			
EBITDA	39.9	29.9	+10.0
Inventories	(18.8)	(10.3)	-8.5
Trade receivables	(3.8)	(10.0)	+6.2
Prepayments	(0.7)	0.9	-1.6
Trade payables	0.7	5.8	-5.1
Working capital	(22.6)	(13.6)	-9.0
Provisions	0.0	0.1	-0.1
Greenhouse gas emission rights	(2.0)	(0.5)	-1.5
Proceeds (payments) related to non-recurring items	(1.5)	(2.7)	+1.2
Income tax paid	0.0	(2.8)	+2.8
Net cash flow (used in) / from operating activities	13.7	10.4	+3.3
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(20.7)	(8.9)	-11.7
Proceeds from disposal of property, plant and equipment	0.0	(0.1)	+0.1
Receipt of grants	3.0	(1.3)	+4.4
Purchase of other assets	(0.0)	0.0	-0.0
Proceeds from disposal of other assets	0.2	0.1	+0.1
Net cash flow (used in) / from investing activities	(17.4)	(10.2)	-7.3
Cash flows from (used in) financing activities			
Dividends paid to non-controlling interest	(0.2)	0.0	-0.2
Interest paid	(9.5)	(8.1)	-1.4
Issue costs of borrowings	(0.0)	(0.8)	+0.8
Proceeds from borrowings	24.4	1.0	+23.3
Repayment of borrowings	(18.2)	(1.8)	-16.4
Payments of finance lease liabilities	(0.3)	(0.2)	-0.1
Net cash flow (used in) / from financing activities	(3.8)	(9.8)	+6.0
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	(7.5)	(9.6)	+2.1
Net foreign exchange difference	0.1	(0.0)	+0.1
Cash & cash equivalents net of Bank overdrafts at 1 April	87.8	106.3	-18.5
Cash & cash equivalents net of Bank overdrafts at period end	80.4	96.7	-16.4
Of which cash and cash equivalents	101.1	107.8	-6.8
Of which bank overdrafts	(20.7)	(11.1)	-9.6

During the three months ended 30 June 2018, Lecta’s cash and cash equivalents increased by €1.3 million or +1%, from €99.8 million at 1 April 2018 to €101.1 million at 30 June 2018. The principal uses of cash during the three months ended 30 June 2018 were for Working Capital of €-22.6 million, Greenhouse emission rights of €-2.0 million, Payments related to non-recurring items of €-1.5 million, Purchase of property plant and equipment of €-20.7 million and Interest payments of €-9.5 million.

During the three months ended 30 June 2018, the cash flows from operating activities were €+13.7 million, €+3.3 million more than reported during the three months ended 30 June 2017. The principal sources and uses of cash in operating activities were from:

- Ebitda of €+39.9 million;
- Increase in Working capital of €-22.6 million due to increases in inventories (impact of €-18.8 million), in trade receivables (impact of €-3.8 million), in prepayments (impact of €-0.7 million) and in trade payables (impact of €+0.7 million);
- Greenhouse gas emission rights of €-2.0 million consisted in anticipated purchases of CO_2 emission rights, reported in "Other intangible assets";
- Payments related to non-recurring items of €-1.5 million in relation with the attempt of private placement to institutional investors (see the section Projects and plans in the Interim Financial Statements), and the Organization efficiency program.

During the three months ended 30 June 2018, the cash flows used in investing activities were €-17.4 million, €-7.3 million more than the cash flows used in investing activities during the three months ended 30 June 2017. The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €-20.7 million;
- Receipt of grant of €3.0 million in relation with White certificates;
- Proceeds from disposal of other assets of €+0.2 million.

During the three months ended 30 June 2018, the cash flows used in financing activities were €-3.8 million, €+6.0 million less than the cash flows used in financing activities during the three months ended 30 June 2017.
The principal uses and sources of cash in financing were for:

- Dividends paid to non-controlling interest of €-0.2 million;
- Interest paid of €-9.5 million;
- Proceeds from borrowings net of Repayment of borrowings of €+6.2 million;
- Payments of finance lease liabilities of €-0.3 million.

Six months Ended 30 June 2018 Compared to Six months Ended 30 June 2017

Lecta's cash flows for the Six months Ended 30 June 2018 and 30 June 2017 were as follows:

(in millions of euro)	Six months ended 30 June 2018 (unaudited)	2017 (unaudited)	Change
Cash flows from (used in) operating activities			
EBITDA	65.1	60.1	+5.0
Inventories	(25.0)	(6.3)	-18.7
Trade receivables	(1.6)	(13.4)	+11.8
Prepayments	(0.8)	(0.7)	-0.1
Trade payables	(17.2)	1.3	-18.5
Working capital	(44.6)	(19.2)	-25.5
Provisions	(0.0)	0.3	-0.3
Greenhouse gas emission rights	(2.0)	(0.5)	-1.5
Proceeds (payments) related to non-recurring items	(2.7)	(3.5)	+0.8
Income tax paid	(0.5)	(2.9)	+2.4
Net cash flow (used in) / from operating activities	15.3	34.3	-19.0
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(50.8)	(22.4)	-28.4
Proceeds from disposal of property, plant and equipment	0.1	5.9	-5.8
Receipt of grants	2.2	(3.5)	+5.8
Purchase of other assets	(0.0)	0.0	-0.0
Proceeds from disposal of other assets	0.1	0.1	+0.0
Net cash flow (used in) / from investing activities	(48.3)	(19.9)	-28.4
Cash flows from (used in) financing activities			
Dividends paid to non-controlling interest	(0.2)	0.0	-0.2
Interest paid	(30.4)	(29.4)	-1.0
Issue costs of borrowings	(0.0)	(0.8)	+0.8
Proceeds from borrowings	54.5	16.2	+38.3
Repayment of borrowings	(36.6)	(18.2)	-18.4
Payments of finance lease liabilities	(0.4)	(0.3)	-0.1
Net cash flow (used in) / from financing activities	(13.1)	(32.5)	+19.4
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	(46.1)	(18.1)	-28.0
Net foreign exchange difference	0.1	0.0	+0.1
Cash & cash equivalents net of Bank overdrafts at 1 January	126.4	114.8	+11.6
Cash & cash equivalents net of Bank overdrafts at period end	80.4	96.7	-16.4
Of which cash and cash equivalents	101.1	107.8	-6.8
Of which bank overdrafts	(20.7)	(11.1)	-9.6

During the Six months Ended 30 June 2018, Lecta's cash and cash equivalents decreased by €40.0 million or -28%, from €141.1 million at 1 January 2018 to €101.1 million at 30 June 2018. The principal uses of cash during the Six months Ended 30 June 2018 were for Working Capital of €-44.6 million, Greenhouse emission rights of €-2.0 million, Payments related to non-recurring items of €-2.7 million, Purchase of property plant and equipment of €-50.8 million and Interest payments of €-30.4 million.

During the Six months Ended 30 June 2018, the cash flows from operating activities were €+15.3 million, €-19.0 million less than reported during the six months ended 30 June 2017. The principal sources and uses of cash in operating activities were from:

- Ebitda of €+65.1 million;
- Increase in Working capital of €-44.6 million due to increases in inventories (impact of €-25.0 million), in trade receivables (impact of €-1.6 million), in prepayments (impact of €-0.8 million), and reduction in trade payables (impact of €-17.2 million);
- Greenhouse gas emission rights of €-2.0 million consisted in anticipated purchases of CO2 emission rights, reported in "Other intangible assets";
- Payments related to non-recurring items of €-2.7 mainly in relation with the Organization efficiency program;
- Income tax payments of €-0.5 million, of which €-0.4 million in relation with CICE tax credits in order to neutralize the above Ebitda profit booked in "Labor costs", as the cash was not collected during the Six months Ended 30 June 2018.

During the Six months Ended 30 June 2018, the cash flows used in investing activities were €-48.3 million, €-28.4 million more than the cash flows used in investing activities during the six months ended 30 June 2017.
The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €-50.8 million;
- Proceeds from disposal of property, plant and equipment of €+0.1 million;
- Receipt of grant of €+2.2 million in relation with White certificates;
- Proceeds from disposal of other assets of €+0.1 million.

During the Six months Ended 30 June 2018, the cash flows used in financing activities were €-13.1 million, €+19.4 million less than the cash flows used in financing activities during the six months ended 30 June 2017.
The principal uses and sources of cash in financing were for:

- Dividends paid to non-controlling interest of €-0.2 million;
- Interest paid of €-30.4 million;
- Proceeds from borrowings net of Repayment of borrowings of €+17.9 million;
- Payments of finance lease liabilities of €-0.4 million.

Projects and Plans

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

Capital Expenditures and Investments

In the three months ended 30 June 2018, capital expenditures were €20.7 million, i.e. €1.7 million for major paper machine rebuilds, €5.1 million for cost reduction and productivity improvement, €4.1 million for maintenance, €1.5 million for information technology, €2.3 million for environment and safety, and a reduction in capital payables of €5.8 million.

In the six months Ended 30 June 2018, capital expenditures were €51.2 million, i.e. €5.1 million for major paper machine rebuilds, €8.3 million for cost reduction and productivity improvement, €8.5 million for maintenance, €3.6 million for information technology, €6.7 million for environment and safety, and a reduction in capital payables of €19.0 million.

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 30 June 2018 the restructuring cash cost associated to Lecta efficiency programs was €-1.6 million, reported in the line “Non-recurring items”.
For the six-month period ended 30 June 2018 the restructuring cash cost associated to Lecta efficiency programs was €-2.2 million, reported in the line “Non-recurring items”.
Organization Efficiency Program allows Lecta to maintain the labor costs in spite of salary increases and new job positions in relation with the investments in Specialties.

Events After the Statement of Financial Position Date

Nothing to be reported.

MANAGEMENT AND CORPORATE GOVERNANCE OF LECTA SA

Board of Directors

The Board of Directors was appointed at the Shareholders' meeting of 23 April 2018. The Board is currently composed of twelve Directors:

- Santiago Ramírez Larrauri, Chairman;
- Eduardo Querol,
- Andrea Minguzzi,
- Emanuela Brero,
- Giorgio De Palma,
- Pierre Denis,
- Martine Gerber,
- Stella Le Cras,
- Bruce Hardy McLain,
- Thomas Morana,
- François Pfister,
- Delphine Tempé.

The Board of Directors