Management report

For the period ended 30 June 2019

The discussion contained herein is based on our reviewed interim financial information for the periods ended 30 June 2019 and 30 June 2018.

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 ended 30 June 2019, with the same period of last year and the prior quarter:

Net Sales of Paper

Products & Services	30 Jun	30 Jun	Change		Q2	Q2	Change		Q2	Q1	Change	
(in EUR M)	2019	2018	absolute	%	2019	2018	absolute	%	2019	2019	absolute	%
Coated Woodfree	345	382	-37	-10%	160	185	-25	-14%	160	186	-26	-14%
Specialties	248	230	+19	+8%	118	117	+1	+1%	118	130	-12	-9%
Purchased products	87	92	-5	-5%	43	46	-3	-6%	43	44	-1	-2%
Total	**681**	**704**	-23	-3%	**321**	**348**	-27	-8%	**321**	**360**	-38	-11%

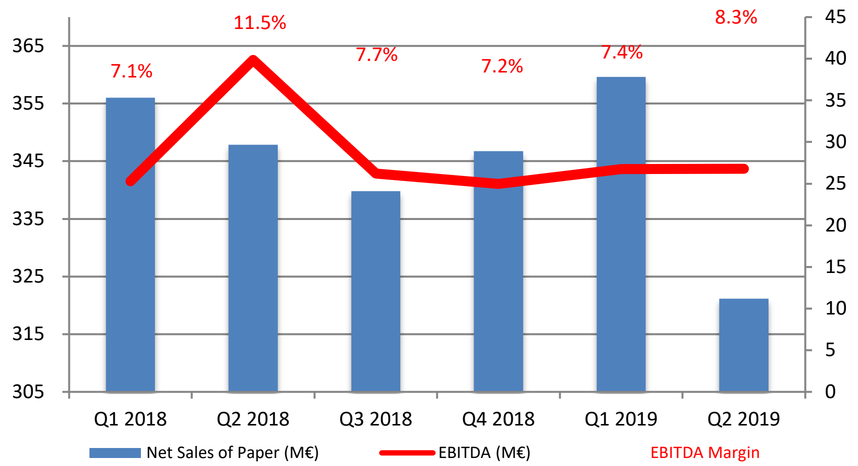
EBITDA

Products & Services	30 Jun	30 Jun	Change		Q2	Q2	Change		Q2	Q1	Change	
(in EUR M)	2019	2018	absolute	%	2019	2018	absolute	%	2019	2019	absolute	%
Coated Woodfree	19	30	-11	-36%	11	21	-9	-45%	11	8	+4	+46%
Specialties	30	32	-2	-6%	13	17	-4	-24%	13	17	-4	-21%
Purchased products	5	3	+1	+41%	2	2	+1	+34%	2	2	+0	+3%
Total	**54**	**65**	-12	-18%	**27**	**40**	-13	-33%	**27**	**27**	+0	+0%

EBITDA Margin

Products & Services	30 Jun 2019	30 Jun 2018	Change Percentage points	Q2 2019	Q2 2018	Change Percentage points	Q2 2019	Q1 2019	Change Percentage points
Coated Woodfree	5,5%	7,8%	-2,3	7,1%	11,2%	-4,1	7,1%	4,2%	+2,9
Specialties	12,1%	13,9%	-1,9	11,1%	14,9%	-3,8	11,1%	12,9%	-1,8
Purchased products	5,2%	3,5%	+1,7	5,4%	3,8%	+1,6	5,4%	5,1%	+0,3
Total	**7,9%**	**9,3%**	-1,4	**8,3%**	**11,5%**	-3,1	**8,3%**	**7,4%**	+0,9

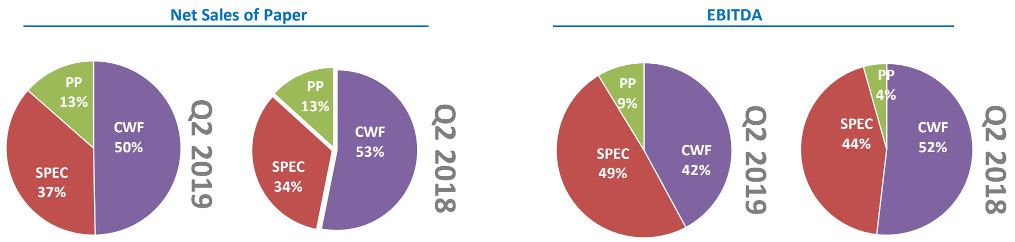
Evolution of Net Sales of Paper, EBITDA, and EBITDA Margin:



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

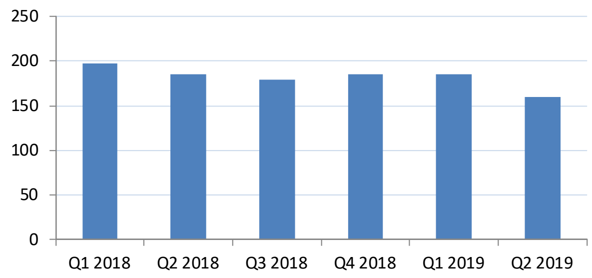
	Net Sales of Paper			EBITDA		
	Q2 2019	Q2 2018	Change	Q2 2019	Q2 2018	Change
Coated Woodfree	**50%**	53%	-3pp	**42%**	52%	-10pp
Specialties	**37%**	34%	+3pp	**49%**	44%	+5pp
Purchased products	**13%**	13%	+0pp	**9%**	4%	+4pp
	100%	100%		**100%**	100%	

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



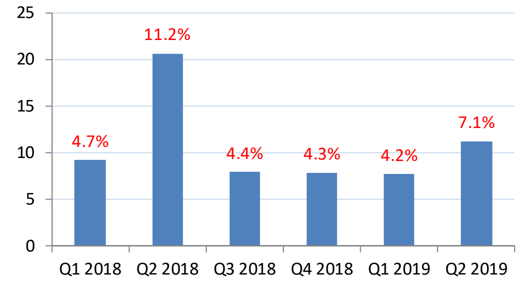
CWF

Net Sales of Paper
(in EUR M)



EBITDA
(in EUR M)

(EBITDA Margin)

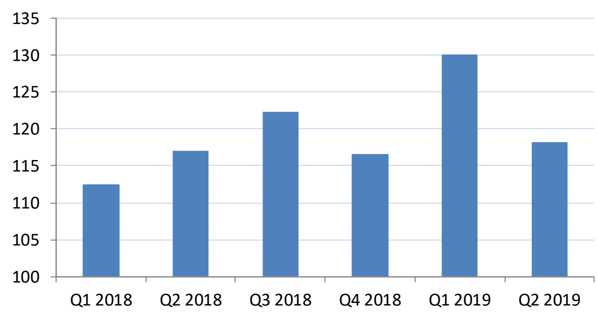


In 2Q2019, the net sales of Coated Woodfree were €160 million vs €185 million in 2Q2018, a decrease of €25 million or -14%. The Ebitda at €11 million was lower than in 2Q2018 (€21 million). This decrease was mainly due to a reduction in sales volume and an increase in distribution costs, partly offset by an increase of net sales price and a reduction of variable production costs and fixed expenses.

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

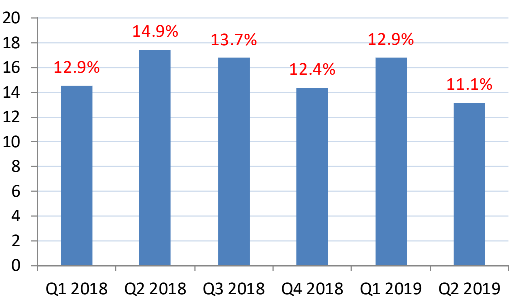
Specialties

Net Sales of Paper
(in EUR M)



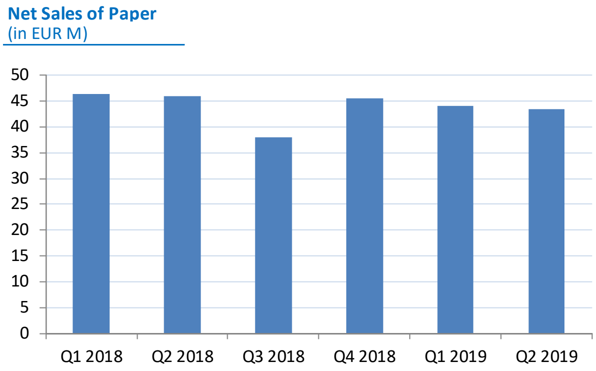
EBITDA
(in EUR M)

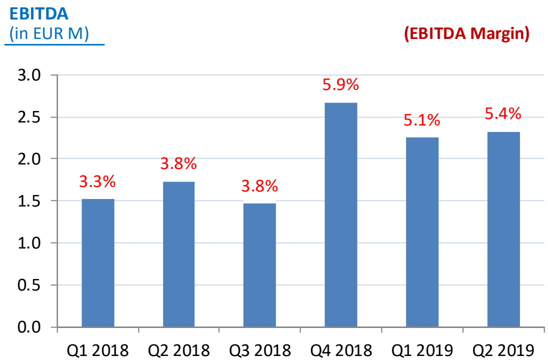
(EBITDA Margin)



In 2Q2019, the net sales of Specialties were €118 million vs €117 million in 2Q2018, an increase of €1 million or +1%. The Ebitda at €13million was lower than in 2Q2018 (€17 million). This decrease was mainly due to an increase in variable production costs, distribution costs and fixed expenses, partly offset by an increase in volume and net sales price.

Purchased products





In 2Q2019, the net sales of Purchased products were €43 million vs €46 million in 2Q2018, a decrease of €3 million or -6%. The Ebitda at €2.3 million was slightly higher than in 2Q2018.

Three Months Ended 30 June 2019 Compared to Three Months Ended 30 June 2018

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 2019 and 30 June 2018 and in the percentage change quarter over quarter:

	Three months ended 30 June					
(in millions of euro, except percentages)	2019 (unaudited)	%	2018 (unaudited)	%	Change	% change
Volume sold (in thousands of metric tonnes)	311,9		358,2		-46,3	-12,9%
Revenue	345,6	100,0	371,7	100,0	-26,0	-7,0%
Change in inventories of finished goods and work in progress	2,5	0,7	16,8	4,5	-14,3	-85,4%
Raw materials and consumables used	(182,2)	(52,7)	(203,5)	(54,7)	+21,3	-10,5%
Labor costs	(46,8)	(13,5)	(49,6)	(13,3)	+2,8	-5,6%
Other operating costs except non-recurring items	(92,4)	(26,7)	(95,6)	(25,7)	+3,2	-3,3%
EBITDA	26,8	7,7	39,9	10,7	-13,1	-32,8%
Depreciation	(14,8)	(4,3)	(12,6)	(3,4)	-2,2	+17,4%
Amortization	(0,0)	(0,0)	(0,0)	(0,0)	+0,0	-12,6%
Non-recurring items	(1,0)	(0,3)	(1,3)	(0,4)	+0,4	-26,6%
Profit from operations	11,0	3,2	25,9	7,0	-14,9	-57,6%
Finance costs	(15,4)	(4,4)	(16,1)	(4,3)	+0,8	-4,7%
Profit (loss) before tax from continuing operations	(4,4)	(1,3)	9,8	2,6	-14,2	-145,1%
Income tax	(2,5)	(0,7)	(4,1)	(1,1)	+1,6	-39,4%
Profit (loss) after tax from continuing operations	(6,9)	(2,0)	5,7	1,5	-12,5	-
Profit (loss) after tax from discontinued operations	0,0	0,0	0,0	0,0	+0,0	-
Profit (loss) after tax	(6,9)	(2,0)	5,7	1,5	-12,5	-

Revenue

For the second quarter ended 30 June 2019, Lecta had revenue of €345.6 million versus €371.7 million in the second quarter ended 30 June 2018, a decrease of €26 million or -7.0%. This decrease was attributable to:

- Lower sales of CWF, Specialties and Purchased Products of €-26.7 million or -7.7%, from €347.9 million in 2Q2018 to €321.2 million in 2Q2019, resulting from lower sales volumes of 46,300 metric tons or -12.9%, 311,900 metric tons in 2Q2019 vs 358,200 metric tons in 2Q2018, but an increase in average net sales price of +59€/t or 6%, 1.030€/t in 2Q2019 vs 971€/t in 2Q2018; and
- Higher sales of energy of €+0.7 million or +3%, from €23.8 million in 2Q2018 to €24.5 million in 2Q2019, resulting from higher sales volumes of 11,600 MWh or +4%, 294,400 MWh in 2Q2019 vs 282,800 MWh in 2Q2018, but a decrease in average sales price of -1€/MWh or -1%, 83€/MWh in 2Q2019 vs 84€/MWh in 2Q2018.

Raw Materials and Consumables Used

The costs of raw materials and consumables used decreased by €21.3 million, or-10.5%, from €203.5 million in 2Q2018 to €182.2 million in 2Q2019, and as a percentage of revenue they decreased from 54.7% in 2Q2018 to 52.7% in 2Q2019. The absolute decrease was mainly attributable to lower produced and purchased volumes, and a decrease in the average consumption prices of pulp of -20€/t from 2Q2018 to 2Q2019.

Labor Costs

Labor costs decreased by €2.8 million, or -5.6%, from €49.6 million in 2Q2018 to €46.8 million in 2Q2019, but as a percentage of revenue they increased from 13.3% in 2Q2018 to 13.5% in 2Q2019.
The headcount decreased by 83 heads, from 3,252 employees in 2Q2018 to 3,170 employees in 2Q2019.

Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items decreased by €3.2 million, or -3.3%, from €95.6 million in 2Q2018 to €92.4 million in 2Q2019, and as a percentage of revenue they increased from 25.7% in 1Q2018 to 26.7% in 2Q2019. The absolute decrease was essentially due to lower costs of energy, packaging, distribution, selling variable cost, maintenance, production consumables, and overhead, partly offset by higher outsourcing cost.

EBITDA

EBITDA decreased by €13.1 million, or -33%, from €39.9 million in 2Q2018 to €26.8 million in 2Q2019. This decrease was the result of lower sales of paper in volume, higher outsourcing cost, partly offset by lower net energy cost, costs of packaging, distribution, selling variable, labor, maintenance, production consumables, and overhead, in a context of higher unit gross margin.
In June 2019, a new Enterprise Resource Planning system was implemented in Lecta's Riva del Garda Italy paper mill. Implementation was more challenging than expected, resulting in a loss of production and deliveries of CWF from the mill, as well as extra cost. The estimated and accounted for EBITDA impact in 2Q 2019 was negative €(1.9) million.
It has to be noted that because of the implementation of IFRS 16 "Leases" as of 1 January 2019 (see Note 1.2 to the Interim financial statements), in 2Q2019 the Other operating costs except non-recurring items have been reduced by circa €1.3 million, while the Depreciation and the Finance costs have been increased by circa €1.3 million and €0.3 million respectively.

Depreciation and Amortization

Depreciation and amortization increased by €2.2 million, from €12.6 million in 2Q2018 to €14.8 million in 2Q2019.

Non-recurring items

In 2Q2019, Lecta recorded a non-recurring charge of €1.0 million, including €0.7 million of Organization efficiency program. In 2Q2018, Lecta recorded a non-recurring charge of €1.3 million, including €0.9 million of Organization efficiency program.

Finance Costs

Finance costs decreased by €0.8 million or -5%, from €16.1 million in 2Q2018 to €15.4 million in 2Q2019.

Income Tax

Lecta recorded income tax charges of €2.5 million in 2Q2019 and €4.1 million in 2Q2018.

Six Months Ended 30 June 2019 Compared to Six Months Ended 30 June 2018

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 2019 and 30 June 2018 and in the percentage change period over period:

	Six months ended 30 June					
(in millions of euro, except percentages)	2019 (unaudited)	%	2018 (unaudited)	%	Change	% change
Volume sold (in thousands of metric tonnes)	666.7		745.0		-78.3	-10.5%
Revenue	734.6	100.0	747.1	100.0	-12.5	-1.7%
Change in inventories of finished goods and work in progress	(11.3)	(1.5)	19.1	2.6	-30.4	-159.5%
Raw materials and consumables used	(373.9)	(50.9)	(404.1)	(54.1)	+30.2	-7.5%
Labor costs	(93.5)	(12.7)	(96.6)	(12.9)	+3.1	-3.2%
Other operating costs except non-recurring items	(202.3)	(27.5)	(200.4)	(26.8)	-2.0	+1.0%
EBITDA	53.5	7.3	65.1	8.7	-11.6	-17.8%
Depreciation	(29.2)	(4.0)	(25.1)	(3.4)	-4.1	+16.3%
Amortization	(0.1)	(0.0)	0.6	0.1	-0.7	-114.3%
Non-recurring items	(1.7)	(0.2)	(2.0)	(0.3)	+0.3	-16.0%
Profit from operations	22.5	3.1	38.6	5.2	-16.1	-41.7%
Finance costs	(30.8)	(4.2)	(31.5)	(4.2)	+0.6	-2.0%
Profit (loss) before tax from continuing operations	(8.3)	(1.1)	7.1	1.0	-15.4	-
Income tax	(4.3)	(0.6)	(5.2)	(0.7)	+0.9	-16.9%
Profit (loss) after tax from continuing operations	(12.6)	(1.7)	1.9	0.3	-14.6	-
Profit (loss) after tax from discontinued operations	0.0	0.0	0.0	0.0	+0.0	-
Profit (loss) after tax	(12.6)	(1.7)	1.9	0.3	-14.6	-

Revenue

For the six months ended 30 June 2019, Lecta had revenue of €734.6 million versus €747.1 million in the six months ended 30 June 2018, a decrease of €12.5 million or -1.7%. This decrease was attributable to:

- Lower sales of CWF, Specialties and Purchased Products of €23.1 million or -3.3%, from €703.9 million in 1H2018 to €680.8 million in 1H2019, resulting from lower sales volumes of 78,300 metric tons or -10.5%, 666,700 metric tons in 1H2019 vs 745,000 metric tons in 1H2018, but an increase in average net sales price of +76€/t or +8%, 1,021€/t in 1H2019 vs 945€/t in 1H2018; and
- Higher sales of energy of €+10.6 million or +25%, from €43.2 million in 1H2018 to €53.8 million in 1H2019, resulting from higher sales volumes of 76,200 MWh or +14%, 615,700 MWh in 1H2019 vs 539,400 MWh in 1H2018, and an increase in average sales price of +7€/MWh or +9%, 87€/MWh in 1H2019 vs 80€/MWh in 1H2018.

Raw Materials and Consumables Used

The costs of raw materials and consumables used decreased by €30.2 million, or-7.5,%, from €404.1 million in 1H2018 to €373.9 million in 1H2019, and as a percentage of revenue they decreased from 54.1% in 1H2018 to 50.9% in 1H2019. The absolute decrease was mainly attributable to lower produced and purchased volumes, partly offset by an increase in the average consumption prices of pulp of +10€/t from 1H2018 to 1H2019.

Labor Costs

Labor costs decreased by €3.1 million, or -3.2%, from €96.6 million in 1H2018 to €93.5 million in 1H2019, and as a percentage of revenue they decreased from 12.9% in 1H2018 to 12.7% in 1H2019.
The headcount decreased by 75 heads, from 3,245 employees in 1H2018 to 3,169 employees in 1H2019.

Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items increased by €2.0 million, or +1.0%, from €200.4 million in 1H2018 to €202.3 million in 1H2019, and as a percentage of revenue they increased from 26.8% in 1H2018 to 27.5% in 1H2019. The absolute increase was essentially due to higher costs of energy, and outsourcing, partly offset by lower costs of packaging, distribution, selling variable, maintenance, production consumables, and overhead.

EBITDA

EBITDA decreased by €11.6 million, or-18%, from €65.1 million in 1H2018 to €53.5 million in 1H2019. This decrease was the result of lower sales of paper in volume, higher net energy, and outsourcing costs, partly offset by lower costs of packaging, distribution, selling variable, labor, maintenance, and production consumables, in a context of higher unit gross margin.
In June 2019, a new Enterprise Resource Planning system was implemented in Lecta's Riva del Garda Italy paper mill. Implementation was more challenging than expected, resulting in a loss of production and deliveries of CWF from the mill, as well as extra cost. The estimated and accounted for EBITDA impact in 2Q 2019 was negative €(1.9) million (see also the section "Events after the statement of financial position date").
It has to be noted that because of the implementation of IFRS 16 "Leases" as of 1 January 2019 (see Note 1.2 to the Interim financial statements), in 1H2019 the Other operating costs except non-recurring items have been reduced by circa €2.7 million, while the Depreciation and the Finance costs have been increased by circa €2.5 million and €0.5 million respectively.

Depreciation and Amortization

Depreciation and amortization increased by €4.8 million, from €24.5 million in 1H2018 to €29.3 million in 1H2019.

Non-recurring items

In 1H2019, Lecta recorded a non-recurring charge of €1.7 million, including €1.5 million of Organization efficiency program. In 1H2018, Lecta recorded a non-recurring charge of €2.0 million, including €1.5 million of Organization efficiency program.

Finance Costs

Finance costs decreased by €0.6 million or -2.0%, from €31.5 million in 1H2018 to €30.8 million in 1HQ2019.

Income Tax

Lecta recorded income tax charges of €4.3 million in 1H2019 and €5.2 million in 1H2018.

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. €35 million were used at 30 June 2019.

Cash

At 30 June 2019 Lecta had €78.9 million of cash and cash equivalent.

Capital Resources

Lecta's total capital resources amounted to €87.1 million in Total equity and €627.6 million in Non-current interest-bearing borrowings as at 30 June 2019, compared to €111.7 million and €608.2 million, respectively, as at 30 June 2018. In addition, Current interest-bearing borrowings amounted to €54.5 million as at 30 June 2019, compared to €35.2 million as at 30 June 2018.

CASH FLOW

Three Months Ended 30 June 2019 Compared to Three Months Ended 30 June 2018

Lecta's cash flows for the three months ended 30 June 2019 and 30 June 2018 were as follows:

	Three months ended 30 June		
(in millions of euro)	2019 (unaudited)	2018 (unaudited)	Change
Cash flows from (used in) operating activities			
EBITDA	26.8	39.9	-13.1
Inventories	(6.3)	(18.8)	+12.5
Trade receivables	12.7	(3.8)	+16.4
Prepayments	(0.9)	(0.7)	-0.2
Trade payables	8.2	0.7	+7.5
Working capital	13.6	(22.6)	+36.2
Provisions	(0.3)	0.0	-0.3
Greenhouse gas emission rights	(1.9)	(2.0)	+0.1
Proceeds (payments) related to non-recurring items	(1.1)	(1.5)	+0.5
Income tax paid	0.5	0.0	+0.5
Net cash flow (used in) / from operating activities	37.6	13.7	+23.9
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(15.8)	(20.7)	+4.9
Proceeds from disposal of property, plant and equipment	0.1	0.0	+0.1
Receipt of grants	3.4	3.0	+0.4
Purchase of subsidiary, net of cash acquired	0.0	0.0	+0.0
Purchase of other assets	(0.0)	0.1	-0.1
Proceeds from disposal of other assets	0.0	0.2	-0.2
Net cash flow (used in) / from investing activities	(12.2)	(17.3)	+5.1
Cash flows from (used in) financing activities			
Dividends paid to non-controlling interest	0.0	(0.2)	+0.2
Interest paid	(8.5)	(9.5)	+1.0
Issue costs of borrowings	(0.0)	(0.0)	+0.0
Proceeds from borrowings	25.0	24.4	+0.6
Repayment of borrowings	(25.9)	(18.2)	-7.7
Payments of finance lease liabilities	(1.2)	(0.3)	-0.9
Net cash flow (used in) / from financing activities	(10.7)	(3.8)	-6.9
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	14.7	(7.4)	+22.1
Net foreign exchange difference	0.0	0.1	-0.0
Cash & cash equivalents net of Bank overdrafts at 1 April	36.9	87.8	-50.9
Cash & cash equivalents net of Bank overdrafts at period end	51.6	80.5	-28.9
Of which cash and cash equivalents	78.9	101.1	-22.2
Of which bank overdrafts	(27.3)	(20.7)	-6.6

During the three months ended 30 June 2019, Lecta's cash and cash equivalents increased by €15.8 million or

25%, from €63.1 million at 1 April 2019 to €78.9 million at 30 June 2019. The principal uses of cash during the three months ended 30 June 2019 were for Purchase of property plant and equipment of €-15.8 million and Interest payments of €-8.5 million.

During the six months ended 30 June 2019, the cash flows used in operating activities were €+37.6 million, €23.9 million more than cash flow from operating activities during the three months ended 30 June 2018. The principal sources and uses of cash in operating activities were from:

- Ebitda of €+26.8 million;
- Decrease in Working capital of €13.6 million due to increases in inventories (impact of €-6.3 million), prepayments (impact of €-0.9 million) and trade payables (impact of €+8.2 million), and a decrease in trade receivables (impact of €+12.7 million);
- Payments related to Greenhouse gas emission rights €-1.9 million;
- Payments related to non-recurring items of €-1.1 million, mainly in relation with the Organization efficiency program;

During the three months ended 30 June 2019, the cash flows used in investing activities were €-12.2 million, €5.1 million less than the cash flows used in investing activities during the three months ended 30 June 2018. The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €-15.8 million;
- Receipt of Grants of €3.4 million in relation with White certificates.

During the three months ended 30 June 2019, the cash flows used in financing activities were €-10.7 million, €6.9 million more than the cash flows used in financing activities during the three months ended 30 June 2018. The principal uses and sources of cash in financing were for:

- Interest paid of €-8.5 million;
- Repayment of borrowings net of Proceeds from borrowings of €-0.9 million;
- Payments of finance lease liabilities of €-1.2 million.

Six Months Ended 30 June 2019 Compared to Six Months Ended 30 June 2018

Lecta's cash flows for the six months ended 30 June 2019 and 30 June 2018 were as follows:

	Six months ended 30 June		
(in millions of euro)	2019 (unaudited)	2018 (unaudited)	Change
Cash flows from (used in) operating activities			
EBITDA	53.5	65.1	-11.6
Inventories	14.5	(25.0)	+39.5
Trade receivables	(7.8)	(1.6)	-6.2
Prepayments	(0.5)	(0.8)	+0.3
Trade payables	(53.2)	(17.2)	-36.0
Working capital	(47.0)	(44.6)	-2.4
Provisions	(0.6)	(0.0)	-0.6
Greenhouse gas emission rights	(1.9)	(2.0)	+0.1
Proceeds (payments) related to non-recurring items	(2.0)	(2.7)	+0.7
Income tax paid	0.4	(0.5)	+1.0
Net cash flow (used in) / from operating activities	2.5	15.3	-12.8
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(31.5)	(50.8)	+19.3
Proceeds from disposal of property, plant and equipment	0.1	0.1	-0.0
Receipt of grants	2.9	2.2	+0.7
Purchase of subsidiary, net of cash acquired	0.0	0.0	+0.0
Purchase of other assets	(0.0)	0.1	-0.1
Proceeds from disposal of other assets	0.5	0.1	+0.4
Net cash flow (used in) / from investing activities	(28.1)	(48.2)	+20.2
Cash flows from (used in) financing activities			
Dividends paid to non-controlling interest	0.0	(0.2)	+0.2
Interest paid	(29.6)	(30.4)	+0.8
Issue costs of borrowings	(0.0)	(0.0)	+0.0
Proceeds from borrowings	55.0	54.5	+0.5
Repayment of borrowings	(35.8)	(36.6)	+0.8
Payments of finance lease liabilities	(2.5)	(0.4)	-2.1
Net cash flow (used in) / from financing activities	(12.9)	(13.1)	+0.2
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	(38.5)	(46.0)	+7.6
Net foreign exchange difference	0.0	0.1	-0.1
Cash & cash equivalents net of Bank overdrafts at 1 January	90.0	126.4	-36.3
Cash & cash equivalents net of Bank overdrafts at period end	51.6	80.5	-28.9
Of which cash and cash equivalents	78.9	101.1	-22.2
Of which bank overdrafts	(27.3)	(20.7)	-6.6

During the six months ended 30 June 2019, Lecta's cash and cash equivalents decreased by €28.3 million or -26.4%, from €107.2 million at 1 Jan 2019 to €78.9 million at 30 June 2019. The principal uses of cash during the six months ended 30 June 2019 were for Working Capital of €-47.0 million, Purchase of property plant and equipment of €-31.5 million and Interest payments of €-29.6 million.

During the six months ended 30 June 2019, the cash flows used in operating activities were €+2.5 million, €12.8 million less than cash flow from operating activities during the six months ended 30 June 2018. The principal sources and uses of cash in operating activities were from:

- Ebitda of €+53.5 million;
- Increase in Working capital of €-47.0 million due to decreases in inventories (impact of €+14.5 million), and trade payables (impact €-53.2 million), and increases in trade receivables (impact of €-7.8 million), and prepayments (impact of €-0.5 million)
- Payments related to Greenhouse gas emission rights of €-1.9 million.
- Payments related to non-recurring items of €-2.0 million, mainly in relation with the Organization efficiency program;

During the six months ended 30 June 2019, the cash flows used in investing activities were €-28.1 million, €20.2 million less than the cash flows used in investing activities during the six months ended 30 June 2018. The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €-31.5 million;
- Receipt of Grants of €2.9 million in relation with White certificates.

During the six months ended 30 June 2019, the cash flows used in financing activities were €-12.9 million, €0.2 million less than the cash flows used in financing activities during the six months ended 30 June 2018.
The principal uses and sources of cash in financing were for:

- Interest paid of €-29.6 million;
- Proceeds from borrowings net of Repayment of borrowings of €+19.2 million;
- Payments of finance lease liabilities of €-2.5 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 2019, capital expenditures were €16.7 million, i.e. €2.4 million for major paper machine rebuilds, €10.6 million for cost reduction and productivity improvement, €(1.4) million for maintenance, €1.8 million for information technology, €1.6 million for environment and safety, and a decrease in capital payables of €1.7 million.
In the six months ended 30 June 2019, capital expenditures were €32.5 million, i.e. €4.3 million for major paper machine rebuilds, €17.6 million for cost reduction and productivity improvement, €3.2 million for maintenance, €3.3 million for information technology, €2.9 million for environment and safety, and a decrease in capital payables of €1.3 million.
As at 1 January 2019, following the implementation of IFRS 16 “Leases”, Property, plant and equipment included €24.8 million of Right-Of-Use assets (see Note 1.2 to the Interim Financial statements).

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 2019 the restructuring cash cost associated to Lecta efficiency programs was €-0.7 million, reported in the line “Non-recurring items”.
For the six-month period ended 30 June 2019 the restructuring cash cost associated to Lecta efficiency programs was €-1.5 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

Line 8 at the Condat mill in France

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

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

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

MANAGEMENT AND CORPORATE GOVERNANCE OF LECTA SA

Board of Directors

The Board of Directors was appointed at the Shareholders' meeting of 25 April 2019. Following the resignation of Santiago Ramirez and the appointment of Andrea Minguzzi as Executive Chairman on 25 July 2019, the Board is currently composed of ten Directors:

- Andrea Minguzzi, Executive Chairman;
- Eduardo Querol,
- Emanuela Brero,
- Giorgio De Palma,
- Pierre Denis,
- Martine Gerber,
- Stella Le Cras,
- Thomas Morana,
- François Pfister,
- Delphine Tempé.

The Board of Directors