Management report

For the period ended 30 June 2020

The discussion contained herein is based on our reviewed interim financial information for the periods ended 30 June 2020 and 30 June 2019.
It is important to note that the activity of Lecta was strongly impacted by the Covid-19 pandemic as from mid-March 2020.

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 2020, with the same period of last year,
- the three-month period ended 30 June 2020, with the same period of last year and the prior quarter:

Net Sales of Paper

Products & Services (in EUR M)	30 Jun 2020	30 Jun 2019	Change absolute	Change %	Q2 2020	Q2 2019	Change absolute	Change %	Q2 2020	Q1 2020	Change absolute	Change %
Coated Woodfree	214	342	-128	-37%	73	156	-83	-53%	73	141	-68	-48%
Specialties	217	251	-34	-13%	96	122	-26	-21%	96	121	-25	-21%
Purchased products	62	87	-25	-29%	25	43	-19	-43%	25	37	-13	-34%
Total	**493**	**681**	-187	-28%	**194**	**321**	-127	-40%	**194**	**300**	-106	-35%

EBITDA

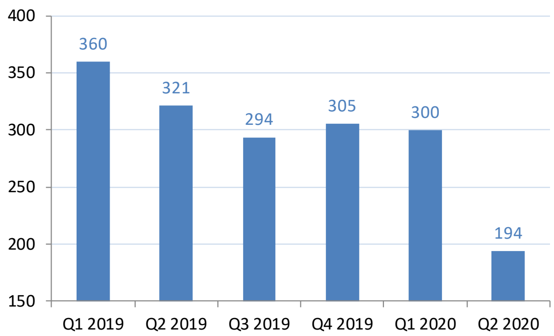
Products & Services (in EUR M)	30 Jun 2020	30 Jun 2019	Change absolute	Change %	Q2 2020	Q2 2019	Change absolute	Change %	Q2 2020	Q1 2020	Change absolute	Change %
Coated Woodfree	13	19	-6	-32%	-1	11	-12	-108%	-1	14	-15	-106%
Specialties	12	30	-18	-60%	3	13	-10	-78%	3	9	-6	-69%
Purchased products	2	5	-3	-61%	0	2	-2	-84%	0	1	-1	-73%
Total	**27**	**54**	-27	-50%	**2**	**27**	-24	-91%	**2**	**24**	-22	-90%

EBITDA Margin

Products & Services	30 Jun 2020	30 Jun 2019	Change Percentage points	Q2 2020	Q2 2019	Change Percentage points	Q2 2020	Q1 2020	Change Percentage points
Coated Woodfree	6.0%	5.5%	+0.5	-1.2%	7.2%	-8.4	-1.2%	9.7%	-10.9
Specialties	5.5%	11.9%	-6.4	3.0%	10.8%	-7.8	3.0%	7.5%	-4.5
Purchased products	2.9%	5.2%	-2.4	1.5%	5.4%	-3.8	1.5%	3.7%	-2.2
Total	**5.4%**	**7.9%**	-2.5	**1.2%**	**8.3%**	-7.1	**1.2%**	**8.1%**	-6.9

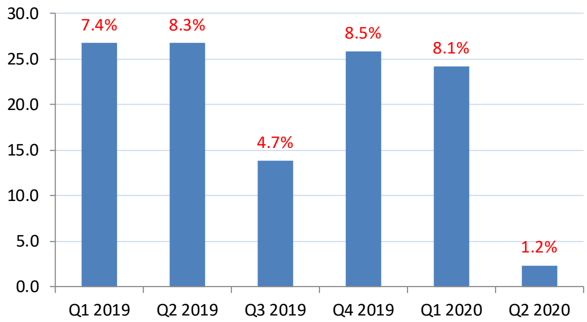
Evolution of Net Sales of Paper, EBITDA, and EBITDA Margin:

Net Sales of Paper
(in EUR M)



EBITDA
(in EUR M)

(EBITDA Margin)



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

	Net Sales of Paper			EBITDA		
	Q2 2020	**Q2 2019**	**Change**	**Q2 2020**	**Q2 2019**	**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%	

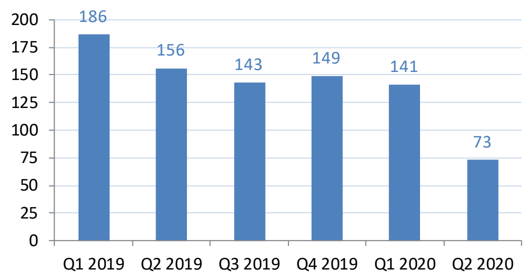
	Net Sales of Paper			EBITDA		
	Jun 2020 YTD	**Jun 2019 YTD**	**Change**	**Jun 2020 YTD**	**Jun 2019 YTD**	**Change**
Coated Woodfree	**43%**	50%	-7pp	**48%**	35%	+13pp
Specialties	**44%**	37%	+7pp	**45%**	56%	-11pp
Purchased products	**13%**	13%	-0pp	**7%**	9%	-2pp
	100%	100%		**100%**	100%	

Net Sales of Paper **EBITDA**

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

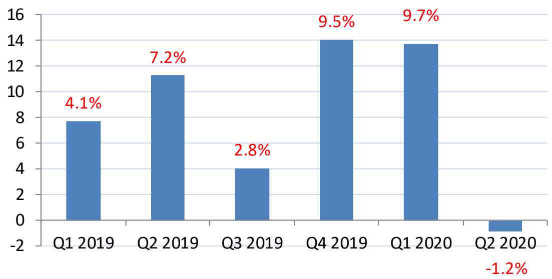
CWF

Net Sales of Paper
(in EUR M)



EBITDA
(in EUR M)

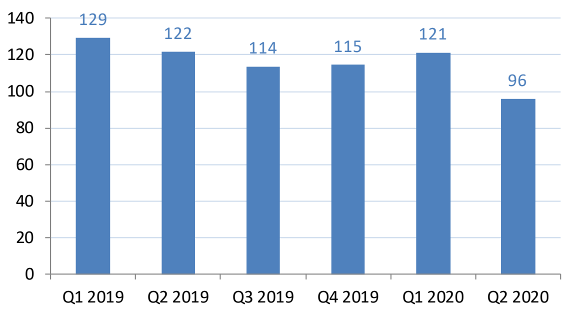
(EBITDA Margin)



In 2Q2020, the net sales of Coated Woodfree were €73 million vs €156 million in 2Q2019, a decrease of €83 million or -53%. The Ebitda at €-1 million was lower than in 2Q2019 (€11 million). This decrease was mainly due to lower volume, lower sales price, higher margin on variable costs, and lower fixed costs.

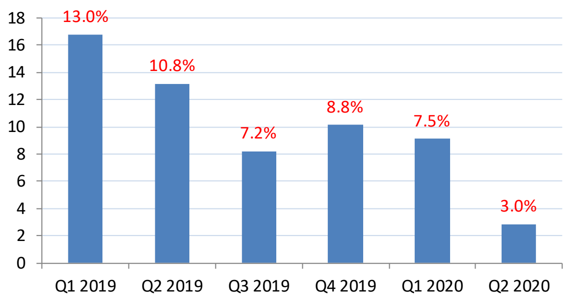
Specialties

Net Sales of Paper
(in EUR M)



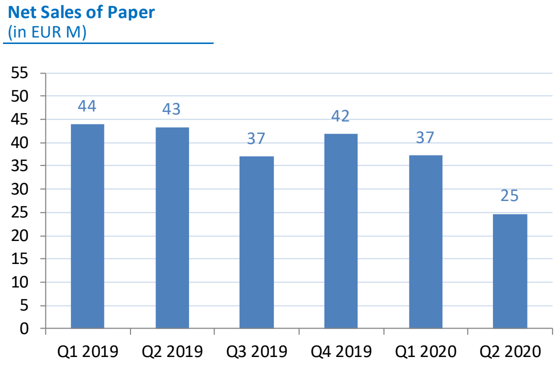
EBITDA
(in EUR M)

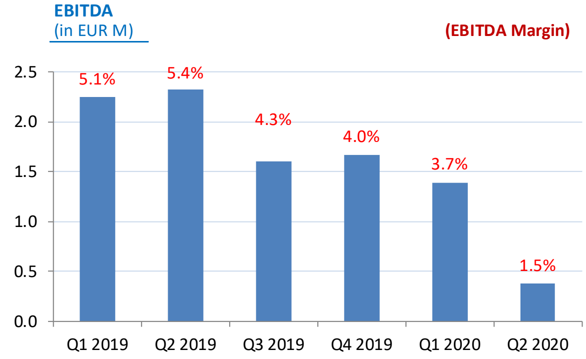
(EBITDA Margin)



In 2Q2020, the net sales of Specialties were €96 million vs €122 million in2Q2019, a decrease of €26 million or -21%. The Ebitda at €3 million was lower than in 2Q2019 (€13 million). This decrease was mainly due to lower volume, lower sales price, lower margin in variable costs, and stable fixed costs.

Purchased products





In 2Q2020, the net sales of Purchased products were €25 million vs €43 million in 2Q2019, a decrease of €19 million or -43%. The Ebitda at €0.4 million was lower than €2.3 million in 2Q2019.

Three Months Ended 30 June 2020 Compared to Three Months Ended 30 June 2019

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 2020 and 30 June 2019 and in the percentage change quarter over quarter:

	Three months ended 30 June					
(in millions of euro, except percentages)	2020 (unaudited)	%	2019 (unaudited)	%	Change	% change
Volume sold (in thousands of metric tonnes)	187.7		311.9		-124.2	-39.8%
Revenue	206.6	100.0	345.6	100.0	-139.0	-40.2%
Change in inventories of finished goods and work in progress	(8.2)	(3.9)	2.5	0.7	-10.6	-
Raw materials and consumables used	(96.9)	(46.9)	(182.2)	(52.7)	+85.3	-46.8%
Labor costs	(38.7)	(18.7)	(46.8)	(13.5)	+8.1	-17.3%
Other operating costs except non-recurring items	(60.6)	(29.3)	(92.4)	(26.7)	+31.8	-34.4%
EBITDA	2.4	1.2	26.8	7.7	-24.4	-91.1%
Depreciation	(13.4)	(6.5)	(14.8)	(4.3)	+1.4	-9.1%
Amortization	(0.1)	(0.0)	(0.0)	(0.0)	-0.0	+18.6%
Non-recurring items	(7.2)	(3.5)	(1.0)	(0.3)	-6.3	-
Profit from operations	(18.3)	(8.9)	11.0	3.2	-29.3	-
Finance costs	(9.8)	(4.8)	(15.4)	(4.4)	+5.5	-36.1%
Profit (loss) before tax from continuing operations	(28.2)	(13.6)	(4.4)	(1.3)	-23.8	-
Income tax	(0.4)	(0.2)	(2.5)	(0.7)	+2.1	-85.0%
Profit (loss) after tax	(28.5)	(13.8)	(6.9)	(2.0)	-21.7	-

Revenue

For the quarter ended 30 June 2020, Lecta had revenue of €206.6 million versus €345.6 million in the quarter ended 30 June 2019, a decrease of €139.0 million or -40.2%. This decrease was essentially attributable to Covid-19 pandemic:

- Lower sales of CWF, Specialties and Purchased Products of €-127.5 million or -39.7%, from €321.2 million in 2Q2019 to €193.7 million in 2Q2020, resulting from lower sales volumes of 124,200 metric tons or -39.8%, 187,700 metric tons in 2Q2020 vs 311,900 metric tons in 2Q2019, and a slight increase in average net sales price of +2.4€/t or +0.2%, 1,032€/t in 2Q2020 vs 1,030€/t in 2Q2019; and
- Lower sales of energy of €-11.6 million or -47.2%, from €24.5 million in 2Q2019 to €12.9 million in 2Q2020, resulting from lower sales volumes of 105,400 MWh or -35.8%, 189,000 MWh in 2Q2020 vs 294,400 MWh in 2Q2019, and a decrease in average sales price of -15€/MWh or -18%, 68€/MWh in 2Q2020 vs 83€/MWh in 2Q2019.

Raw Materials and Consumables Used

The costs of raw materials and consumables used decreased by €85.3 million, or-46.8,%, from €182.2 million in 2Q2019 to €96.9 million in 2Q2020, and as a percentage of revenue they decreased from 52.7% in 2Q2019 to 46.9% in 2Q2020. The absolute decrease was mainly attributable to lower produced and purchased volumes, and a decrease in the average consumption price of pulp of 144€/t from 2Q2019 to 2Q2020.

Labor Costs

Labor costs decreased by €8.1 million, or -17.3%, from €46.8 million in 2Q2019 to €38.7 million in 2Q2020, and as a percentage of revenue they increased from 13.5% in 2Q2019 to 18.7% in 2Q2020.
In light of the lower level of activity imposed by Covid 19, Governments in Spain, France and Italy offered measures aimed at mitigating the economic consequences of temporary shut-downs. The resulting saving in labor cost for short-time working amounted to €4.2 million in 2Q2020.
The headcount also decreased by 46 heads, from 3,170 employees in 2Q2019 to 3,124 employees in 2Q2020.

Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items decreased by €31.8 million, or -34.4%, from €92.4 million in 2Q2019 to €60.6 million in 2Q2020, and as a percentage of revenue they increased from 26.7% in 2Q2019 to 29.3% in 2Q2020. The absolute decrease was essentially due to lower costs of energy, packaging materials, outsourcing, distribution, selling variable costs, repairs & maintenance materials, production consumables, and overhead costs.

EBITDA

EBITDA decreased by €24.4 million, or -91.1%, from €26.8 million in 2Q2019 to €2.4 million in 2Q2020. . This decrease was the result of lower sales of paper in volume, partly offset by higher margin on variable costs and lower fixed costs.

Depreciation and Amortization

Depreciation and amortization decreased by €1.3 million from €14.8 million in 2Q2019 to €13.5 million in 2Q2020.

Non-recurring items

In 2Q2020, Lecta reported a non-recurring charge of €7.2 million, including €1.2 million of Organization efficiency program, and €6.0 million of fees and costs in relation with the Recapitalization of the Group (*see the sections "Recapitalization" and "Events after the Statement of financial position date"*). In 2Q2019, Lecta reported a non-recurring charge of €1.0 million, including €0.7 million of Organization efficiency program.

Finance Costs

Finance costs decreased by €4.4 million from €15.4 million in 2Q2019, to €9.8 million in 2Q2020, as a consequence of the Recapitalization (*see the section "Recapitalization")*.

Income Tax

Lecta reported income tax charges of €0.4 million in 2Q2020, and €2.5 million in 2Q2019.

Six Months Ended 30 June 2020 Compared to Six Months Ended 30 June 2019

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 2020 and 30 June 2019 and in the percentage change period over period:

	Six months ended 30 June					
(in millions of euro, except percentages)	2020 (unaudited)	%	2019 (unaudited)	%	Change	% change
Volume sold (in thousands of metric tonnes)	487.7		666.7		-179.0	-26.9%
Revenue	523.2	100.0	734.6	100.0	-211.3	-28.8%
Change in inventories of finished goods and work in progress	(6.0)	(1.2)	(11.3)	(1.5)	+5.3	-46.7%
Raw materials and consumables used	(252.8)	(48.3)	(373.9)	(50.9)	+121.1	-32.4%
Labor costs	(81.2)	(15.5)	(93.5)	(12.7)	+12.3	-13.1%
Other operating costs except non-recurring items	(156.6)	(29.9)	(202.3)	(27.5)	+45.8	-22.6%
EBITDA	26.6	5.1	53.5	7.3	-26.9	-50.3%
Depreciation	(27.9)	(5.3)	(29.2)	(4.0)	+1.4	-4.7%
Amortization	(0.1)	(0.0)	(0.1)	(0.0)	-0.0	+8.8%
Non-recurring items	(152.3)	(29.1)	(1.7)	(0.2)	-150.6	-
Profit from operations	(153.7)	(29.4)	22.5	3.1	-176.2	-
Finance costs	292.2	55.8	(30.8)	(4.2)	+323.0	-
Profit (loss) before tax from continuing operations	138.5	26.5	(8.3)	(1.1)	+146.8	-
Income tax	(15.3)	(2.9)	(4.3)	(0.6)	-11.0	-
Profit (loss) after tax	123.2	23.5	(12.6)	(1.7)	+135.8	-

Revenue

For the six months ended 30 June 2020, Lecta had revenue of €523.2 million versus €734.6 million in the six months ended 30 June 2019, a decrease of €211.3 million or -28.8%. This decrease was essentially attributable to Covid-19 pandemic as from mid-March:

- Lower sales of CWF, Specialties and Purchased Products of €-187.7 million or -27.6%, from €680.8 million in 1HQ2019 to €493.0 million in 1H2020, resulting from lower sales volumes of 179,000 metric tons or -27%, 487,700 metric tons in 1H2020 vs 666,700 metric tons in 1H2019, and a decrease in average net sales price of -10€/t or -1%, 1,011€/t in 1H2020 vs 1,021€/t in 1H2019; and
- Lower sales of energy of €-23.6 million or -43.9%, from €53.8 million in 1H2019 to €30.2 million in 1H2020, resulting from lower sales volumes of 116,900 MWh or -19%, 498,700 MWh in 1H2020 vs 615,700 MWh in 1H2019, and an decrease in average sales price of -27€/MWh or -31%, 61€/MWh in 1H2020 vs 87€/MWh in 1H2019.

Raw Materials and Consumables Used

The costs of raw materials and consumables used decreased by €121.1 million, or-32.4,%, from €373.9 million in 1H2019 to €252.8 million in 1H2020, and as a percentage of revenue they decreased from 50.9% in 1H2019 to 48.3% in 1H2020. The absolute decrease was mainly attributable to lower produced and purchased volumes, and a decrease in the average consumption prices of pulp of 166€/t from 1H2019 to 1H2020.

Labor Costs

Labor costs decreased by €12.3 million, or -13.1%, from €93.5 million in 1H2019 to €81.2 million in 1H2020, and as a percentage of revenue they increased from 12.7% in 1H2019 to 15.5% in 1H2020.
In light of the lower level of activity imposed by Covid 19, Governments in Spain, France and Italy offered measures aimed at mitigating the economic consequences of temporary shut-downs. The resulting saving in labor cost for short-time working amounted to €4.6 million in 1H2020.
In 1Q2020, Lecta also benefitted from a non-recurrent €1.6 million labor cost reduction in relation with the lower level of activity.
In addition, the headcount decreased by 55 heads, from 3,169 employees in 1H2019 to 3,115 employees in 1H2020.

Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items decreased by €45.8 million, or -22.6%, from €202.3 million in 1H2019 to €156.6 million in 1H2020, and as a percentage of revenue they increased from 27.5% in 1H2019 to 29.9% in 1H2020. The absolute decrease was essentially due to lower costs of energy, packaging materials, outsourcing, distribution, selling variable costs, repairs & maintenance materials, production consumables, and overhead costs.
In 1Q2020, Lecta benefitted from a non-recurrent €1.8 million other operating cost reduction in relation with the lower level of activity.

EBITDA

EBITDA decreased by €26.9 million, or -50.3%, from €53.5 million in 1H2019 to €26.6 million in 1H2020. This decrease was the result of lower sales of paper in volume, partly offset by higher margin on variable costs and lower fixed costs.

Depreciation and Amortization

Depreciation and amortization decreased by €1.4 million from €29.3 million in 1H2019 to €28.0 million in 1H2020.

Non-recurring items

In 1H2020, Lecta reported a non-recurring charge of €152.3 million, including €1.8 million of Organization efficiency program, €32.2 million of fees and costs in relation with the Recapitalization of the Group (*see the sections "Recapitalization" and "Events after the Statement of financial position date"*), and €118.3 million due to the impairment of goodwill. The latter is a consequence of the revision of the Business Plan to consider Covid-19 pandemic resulting in lower sales volume and margin on variable costs.
In 1H2019, Lecta reported a non-recurring charge of €1.7 million, including €1.5 million of Organization efficiency program.

Finance Costs

In 1H2020, Lecta reported a net finance income of €292.2 million. It consisted of €320.0 million of 2016 Floating and Fixed rate notes capitalized on 4 February 2020 *(see the section Recapitalization)*, €(6.2) million of 2016 Floating and Fixed rate notes fees & costs not yet amortized, and €(21.6) million of other finance costs. The latter was lower than 1H2019 net finance cost of €(30.8) million as a consequence of the Recapitalization (*see the section "Recapitalization")*.

Income Tax

In 1H2020, Lecta reported an income tax charge of €(15.3) million. It consisted of €(13.1) million of derecognized deferred tax asset on losses to be carried forward following the revision of the Business Plan, and €(2.2) million of usual income tax charge.
In 1H2019, the income tax charge amounted to €(4.3) million.

Liquidity and Capital Resources

Liquidity

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

Recapitalization – Main steps

On 1 November 2019, Lecta SA announced that a majority of the holders of its 2016 Notes ("Noteholders"), 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.

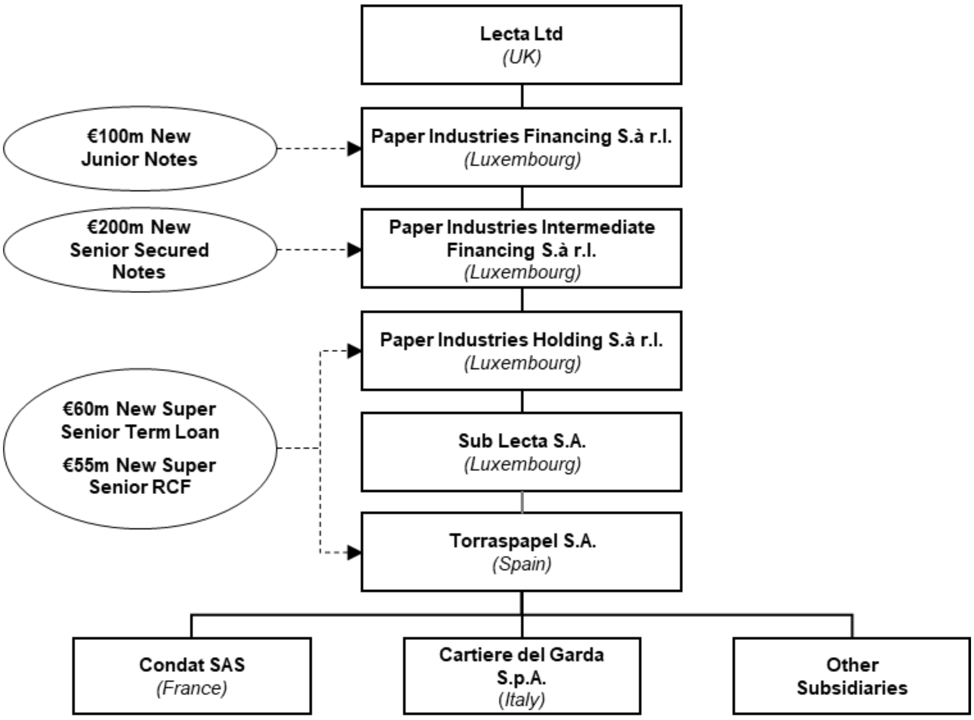
On 28 January 2020, the UK Court sanctioned the proposed Scheme, and an order was delivered to the registrar of companies on 30 January 2020.

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 €115 million super senior facilities ("New SSF") – consisting of a super senior €60 million term loan and a super senior €55 million RCF – to refinance and replace the existing €65 million super senior RCF.
Following the Recapitalization, Lecta Ltd Group benefits from:

- A delevered capital structure reflecting the conversion of €600 million 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:
    - €200 million senior secured notes due 2025, bearing an interest rate of 3-month Euribor (with a floor at 0%) + 6.000%
    - €100 million 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 €20 million)
- 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:



Note: 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, Lecta SA is no longer part of the Group.

Recapitalization - Accounting treatment

IFRS 5 Non-current assets held for sale and discontinued operations

Before 23 January 2020, with the positive vote of the Scheme Creditors, and before the sanction of the Scheme by the UK Court on 28 January 2020, it was not highly probable that the Recapitalization project would become effective. Moreover, because of the pledge on Sub Lecta SA shares granted by Lecta SA to the 2016 Noteholders and RCF lenders, effective on 31 December 2019, Lecta SA was not able to sell its participation in Sub Lecta SA. This pledge was released only on 4 February 2020. Consequently, before 4 February 2020, the assets (or disposal group) were not available for immediate sale because of the pledge.

As a conclusion, IFRS 5 criteria were not met at 2019 year-end: at that date, the disposal was not highly probable and the assets were not available for immediate sale due to the pledge on Sub Lecta SA shares.

IFRS 9 Financial instruments / fees & costs in relation with the Recapitalization

IFRIC 19 Extinguishing financial liabilities with equity instruments

The transaction is viewed as an exchange of old debt against two different instruments, a new debt and new equity instruments.

After analysis, it was concluded that on or around the Recapitalization date:

- The old debt was quoted on an active market for around 50% of its principal amount (€600 million x 50% = €300 million);
- The new debt was quoted on an active market for around 100% of its principal amount (€300 million); hence, the new debt has to be recognized for its principal amount (€300 million);
- The new equity instruments, not quoted, had to be recognized by difference to reflect the fair value of the financial liability extinguished (€300 million - €300 million = €0 million);
- The difference between the carrying amount of the old debt (€600 million principal + €20 million accrued interests = €620 million) on one hand, the new debt and the new equity instruments (€300 million + €0 million = €300 million) on the other hand, i.e. a gain of €320 million, was reported as "financial income" in the Income statement;

- The fees & costs incurred in the Recapitalization had to be expensed and were reported as "non-recurring items" in the Income statement;
- The remaining fees & costs included in the former financial debt, amounting to €6.2 million, also had to be expensed and were reported as "financial expense" in the Income statement on 4 February 2020.

Cash

At 30 June 2020 Lecta had €93.3 million of cash and cash equivalent.

Capital Resources

Lecta's total capital resources amounted to €170.7 million in Total equity and €472.4 million in Non-current interest-bearing borrowings as at 30 June 2020, compared to €87.1 million and €627.6 million, respectively, as at 30 June 2019. In addition, Current interest-bearing borrowings amounted to €44.6 million as at 30 June 2020, compared to €54.7 million as at 30 June 2019.

Cash Flow

Three Months Ended 30 June 2020 Compared to Three Months Ended 30 June 2019

Lecta's cash flows for the three months ended 30 June 2020 and 30 June 2019 were as follows:

(in millions of euro)	Three months ended 30 June 2020 (unaudited)	2019 (unaudited)	Change
Cash flows from (used in) operating activities			
EBITDA	2.4	26.8	-24.4
Inventories	3.0	(6.3)	+9.3
Trade receivables	50.1	12.7	+37.4
Prepayments	(2.0)	(0.9)	-1.1
Trade payables	(71.4)	8.2	-79.6
Working capital	(20.3)	13.6	-33.9
Provisions	(0.5)	(0.3)	-0.2
Greenhouse gas emission rights	0.5	(1.9)	+2.4
Green & White certificates decrease (increase)	0.0	0.0	+0.0
Consumption of biological assets	0.0	0.0	+0.0
Proceeds (payments) related to non-recurring items	(4.4)	(1.1)	-3.3
Income tax paid	2.8	0.5	+2.3
Profit (loss) after tax from discontinued operations	0.0	0.0	+0.0
Net cash flow (used in) / from operating activities	(19.5)	37.6	-57.1
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(12.3)	(15.8)	+3.5
Proceeds from disposal of property, plant and equipment	0.0	0.1	-0.1
Receipt of grants	2.4	3.4	-1.1
Purchase of subsidiary, net of cash acquired	0.0	0.0	+0.0
Disposal of subsidiary, net of cash sold	(0.0)	0.0	-0.0
Purchase of other assets	0.0	(0.0)	+0.0
Proceeds from disposal of other assets	0.0	0.0	+0.0
Dividends from associates	0.0	0.0	+0.0
Dividends received from available-for-sale financial investments	0.0	0.0	+0.0
Net cash flow (used in) / from investing activities	(9.9)	(12.2)	+2.3
Cash flows from (used in) financing activities			
Share capital increase (redemption)	0.0	0.0	+0.0
Interest paid	(8.4)	(8.5)	+0.1
Issue costs of borrowings	(0.1)	(0.0)	-0.1
Proceeds from borrowings	42.4	29.9	+12.4
Repayment of borrowings	(8.4)	(30.9)	+22.5
Payments of finance lease liabilities	(1.1)	(1.2)	+0.1
Net cash flow (used in) / from financing activities	24.3	(10.7)	+35.0
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	(5.2)	14.7	-19.8
Net foreign exchange difference	(0.0)	0.0	-0.0
Cash & cash equivalents net of Bank overdrafts at 1 April	83.7	36.9	+46.8
Cash & cash equivalents net of Bank overdrafts at period end	78.5	51.6	+26.9
Of which cash and cash equivalents	93.3	78.9	+14.4
Of which bank overdrafts	(14.8)	(27.3)	+12.5

During the three months ended 30 June 2020, Lecta's cash and cash equivalents decreased by €9.8 million or -9.5%, from €103.2 million at 1 April 2020 to €93.3 million at 30 June 2020. The principal uses of cash during the three months ended 30 June 2020 were for Working Capital of €(20.3) million, payments related to non-recurring items €(4.4) million, purchase of property plant and equipment of €(12.3) million, and interest paid of €(8.4) million

During the three months ended 30 June 2020, the cash flows used in operating activities were €(19.5) million, €(57.1) million more than during the three months ended 30 June 2019. The principal sources and uses of cash in operating activities were from:

- Ebitda of €2.4 million;
- Increase in Working capital of €(20.3) million due to decreases in inventories (impact of €3.0 million), in trade receivables (impact of €50.1 million), in trade payables (impact of €(71.4) million), and an increase in prepayments (impact of €(2.0) million);
- Payments related to non-recurring items of €(4.4) million, mainly in relation with the Organization efficiency program and the Recapitalization of the Group.

During the three months ended 30 June 2020, the cash flows used in investing activities were €(9.9) million, €2.3 million less than during the three months ended 30 June 2019.
The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €(12.3) million;
- Receipt of grant of €2.4 million in relation with the White Certificates.

During the three months ended 30 June 2020, the cash flows from financing activities were €24.3 million, €35.0 million more than during the three months ended 30 June 2019.
The principal uses and sources of cash in financing activities were from:

- Interest paid of €(8.4) million;
- Proceeds from borrowings net of Repayments of borrowings of €34.0 million;
- Payments of finance lease liabilities of €(1.1) million.

Six Months Ended 30 June 2020 Compared to Six Months Ended 30 June 2019

Lecta's cash flows for the six months ended 30 June 2020 and 30 June 2019 were as follows:

(in millions of euro)	Six months ended 30 June 2020 (unaudited)	 2019 (unaudited)	 Change
Cash flows from (used in) operating activities			
EBITDA	26.6	53.5	-26.9
Inventories	0.2	14.5	-14.3
Trade receivables	47.1	(7.8)	+55.0
Prepayments	(1.5)	(0.5)	-1.0
Trade payables	(110.6)	(53.2)	-57.5
Working capital	(64.8)	(47.0)	-17.8
Provisions	(1.1)	(0.6)	-0.5
Greenhouse gas emission rights	0.5	(1.9)	+2.4
Green & White certificates decrease (increase)	0.0	0.0	+0.0
Consumption of biological assets	0.0	0.0	+0.0
Proceeds (payments) related to non-recurring items	(25.4)	(2.0)	-23.4
Income tax paid	2.7	0.4	+2.3
Profit (loss) after tax from discontinued operations	0.0	0.0	+0.0
Net cash flow (used in) / from operating activities	(61.6)	2.5	-64.0
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(23.0)	(31.5)	+8.4
Proceeds from disposal of property, plant and equipment	0.0	0.1	-0.1
Receipt of grants	1.1	2.9	-1.7
Purchase of subsidiary, net of cash acquired	(3.0)	0.0	-3.0
Disposal of subsidiary, net of cash sold	(0.7)	0.0	-0.7
Purchase of other assets	(0.0)	(0.0)	+0.0
Proceeds from disposal of other assets	0.0	0.5	-0.5
Dividends from associates	0.0	0.0	+0.0
Dividends received from available-for-sale financial investments	0.0	0.0	+0.0
Net cash flow (used in) / from investing activities	(25.6)	(28.1)	+2.4
Cash flows from (used in) financing activities			
Share capital increase (redemption)	3.0	0.0	+3.0
Interest paid	(14.4)	(29.6)	+15.3
Issue costs of borrowings	(0.1)	(0.0)	-0.1
Proceeds from borrowings	487.4	55.0	+432.4
Repayment of borrowings	(375.0)	(35.8)	-339.2
Payments of finance lease liabilities	(2.3)	(2.5)	+0.2
Net cash flow (used in) / from financing activities	98.7	(12.9)	+111.6
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	11.5	(38.5)	+50.0
Net foreign exchange difference	(0.0)	0.0	-0.1
Cash & cash equivalents net of Bank overdrafts at 1 January	67.0	90.0	-23.0
Cash & cash equivalents net of Bank overdrafts at period end	78.5	51.6	+26.9
Of which cash and cash equivalents	93.3	78.9	+14.4
Of which bank overdrafts	(14.8)	(27.3)	+12.5

During the six months ended 30 June 2020, Lecta's cash and cash equivalents increased by €7.5 million or 8.7%, from €85.9 million at 1 January 2020 to €93.3 million at 30 June 2020. The principal uses of cash during the six months ended 30 June 2020 were for Working Capital of €(64.8) million, payments related to non-recurring items €(25.4) million, purchase of property plant and equipment of €(23.0) million, and interest paid of €(14.4) million.

During the six months ended 30 June 2020, the cash flows used in operating activities were €(61.6) million, €(64.0) million more than during the six months ended 30 June 2019. The principal sources and uses of cash in operating activities were from:

- Ebitda of €26.6 million;

- Increase in Working capital of €(64.8) million due to decreases in inventories (impact of €0.2 million), in trade receivables (impact of €47.1 million), in trade payables (impact of €(110.6) million), an increase in prepayments (impact of €(1.5) million);
- Payments related to non-recurring items of €(25.4) million, mainly in relation with the Organization efficiency program and the Recapitalization of the Group.

During the six months ended 30 June 2020, the cash flows used in investing activities were €(25.6) million, €2.4 million less than during the six months ended 30 June 2019.
The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €(23.0) million;
- Receipt of grant of €1.1 million in relation with the White Certificates;
- Purchase and Disposal of subsidiary, net of cash of €(3.7) million, due to the integration of Lecta Ltd and the exit of Lecta SA from the consolidation perimeter.

During the six months ended 30 June 2020, the cash flows from financing activities were €98.7 million, €111.6 million more than during the six months ended 30 June 2019.
The principal uses and sources of cash in financing activities were from:

- Share capital increase of €3.0 million in relation with Lecta Ltd, offseting €(3.0) million reported in Purchase of subsidiary;
- Interest paid of €(14.4) million;
- Proceeds from borrowings of €487.4 million, including €100.0 million of junior notes, €200.0 million of senior notes, €109.0 million of term-loan and RCF, and €28.7 million of assignment of trade receivables (see the section "Recapitalization");
- Repayments of borrowings of €(375.0) million, including €(300.0) million of 2016 Floating and Fixed rate notes, and €(65.0) million of RCF (see the section "Recapitalization");
- Payments of finance lease liabilities of €(2.3) million.

Projects and Plans

Capital Expenditures and Investments

In the three months ended 30 June 2020, capital expenditures were €(12.3) million, i.e. €(9.7) million for cost reduction and productivity improvement, €(3.3) million for maintenance, €(1.3) million for information technology, €(0.3) million for environment and safety, and an increase in capital payables of €2.3 million.

In the six months ended 30 June 2020, capital expenditures were €(23.0) million, i.e. €(16.2) million for cost reduction and productivity improvement, €(3.4) million for maintenance, €(2.6) million for information technology, €(0.6) million for environment and safety, and a decrease in capital payables of €(0.3) 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.
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.

For the three-month period ended 30 June 2020 the restructuring cash cost associated to Lecta efficiency programs was €(1.3) million, reported in the line "Non-recurring items".

For the six-month period ended 30 June 2020 the restructuring cash cost associated to Lecta efficiency programs was €(1.8) million, reported in the line "Non-recurring items".

Events After the Statement of Financial Position Date

Lecta Group Recapitalization

On 4 February 2020, Lecta Ltd and its subsidiaries completed the first portion of the recapitalization of the Group's balance sheet, which included:
• The equitization of 50% of the Group's €600 million senior secured notes issued in 2016,
• The issuance of €200 million Senior Secured Notes due 2025,
• The issuance of €100 million Junior Notes due 2028,
• The refinancing of €65 million of Super Senior RCF with a new €115 million 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 pandemic and tighter working capital terms. In this context, the Group has applied extensive operational actions to mitigate the impact of Covid-19 and preserve liquidity. In parallel, Lecta Ltd has been in discussions with its existing security holders and relationship banks.

On 16 July 2020, Lecta Ltd and its subsidiaries completed the second portion of the recapitalization of the Group's balance sheet, which included:
• A cash capital increase of €50 million
• The issuance of €55.5 million new Senior Secured Notes due 2025 with an OID of 10%
• The implementation of €50 million ICO loans guaranteed by the Spanish State
• The cancellation in full of €100 million Junior Notes issued in February 2020.

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

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

The recapitalization will allow the Group to not only overcome the challenges presented by the Covid-19 pandemic, but also to continue its transformation and emerge with a solid liquidity position and healthy balance sheet.

The following table presents the Pro-forma balance sheet of the Group as at 30 June 2020, including the second portion of the recapitalization completed on 16 July 2020.

Consolidated statement of financial position Lecta Group (in EUR M)	Actual 30 Jun 2020	Variations		Pro-forma including 16 July 2020 recapitalisation 30 Jun 2020
ASSETS				
Property, plant and equipment	480.7			480.7
Investment properties	1.4			1.4
Goodwill	0.0			0.0
Other intangible assets	0.2			0.2
Unlisted Securities	0.1			0.1
Biological assets	0.3			0.3
Deferred income tax assets	35.3			35.3
Other non-current receivables	1.5			1.5
Non-current assets	**519.5**	**0.0**		**519.5**
Income tax receivable	3.4			3.4
Inventories	192.9			192.9
Trade receivables	149.6			149.6
Prepayments	2.1			2.1
Other current receivables	6.2			6.2
Cash & cash equivalents	93.3	112.6	(a), (b), (d), (e)	206.0
Current assets	**447.5**	**112.6**		**560.2**
TOTAL ASSETS	**967.0**	**112.6**		**1,079.7**

EQUITY & LIABILITIES				
Paid-in capital	3.0	24.8	(a), (f)	27.8
Share premium	(0.0)	32.2	(a), (f)	32.2
Net incomes (expenses) recognized directly through Equity	(9.3)			(9.3)
Foreign currency translation	(1.1)			(1.1)
Accumulated net profits (losses)	171.8	88.9	(c), (e), (f)	260.7
Equity holders of the parent	**164.4**	**145.8**		**310.3**
Non-controlling interests	6.3			6.3
TOTAL EQUITY	**170.7**	**145.8**		**316.6**
Interest-bearing borrowings	472.4	(33.2)	(b), (c), (d)	439.2
Non-current grants	7.7			7.7
Non-current provisions	31.3			31.3
Deferred income tax liabilities	10.4			10.4
Other non-current liabilities	0.0			0.0
Non-current liabilities	**521.7**	**(33.2)**		**488.6**
Current portion of interest-bearing borrowings	44.6	(0.0)	(b)	44.6
Bank overdrafts	14.8			14.8
Current grants	1.9			1.9
Current provisions	2.4			2.4
Income tax payable	2.7			2.7
Trade payables	191.0			191.0
Other liabilities	17.2			17.2
Current liabilities	**274.6**	**(0.0)**		**274.5**
TOTAL LIABILITIES	**796.3**	**(33.2)**		**763.1**
TOTAL EQUITY AND LIABILITIES	**967.0**	**112.6**		**1,079.7**

(a) Lecta Ltd cash capital increase of €50 million
(b) Issuance of €55.5 million new Senior Secured Notes with an OID of 10%
(c) Cancellation if full of €100 million Junior Notes and accrued interests
(d) ICO loans of €50.4 million, of which €30.4 million were already cashed on 30 June 2020
(e) Transaction fees & costs of €7.4 million paid at completion date
(f) Lecta Ltd in-kind capital increase of €6.9 million against services rendered by Underwriters and G3

MANAGEMENT AND CORPORATE GOVERNANCE OF LECTA LTD

Board of Directors

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

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

The Board of Directors