LECTA SA and Subsidiaries

Management report for the period ended 30 September 2017.

The discussion contained herein is based on our reviewed interim financial information for the periods ended 30 September 2017 and 30 September 2016.

CHANGES IN THE CONSOLIDATION PERIMETER

On 9 May 2017, Lecta – through its subsidiary Polyedra SpA - completed the acquisition of 100% shares in Plot Service SrL. This company, headquartered in Rozzano (Milan), is specialized in technical assistance for professional large format graphic peripherals, such as plotters, digital printers, scanners and digitizers. Plot Service SrL has service centers located throughout the country with highly qualified and specialized technicians. This service network will complement the already extensive presence of Polyedra SpA throughout Italy.
This acquisition reaffirms Lecta's desire to further strengthen its leading position in the Print & Communication, Sign & Display, and Packaging segments, progressively addressing the market as a partner offering complete solutions to its customers' communication needs.
The impact of this acquisition is summarized in the Note 3.6 to the Interim financial statements.

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). The core activity of Lecta is to produce and sell paper. In this context, Lecta operates cogeneration plants that burn gas and biomass, and produce electricity, steam and hot water. The production of steam is internally consumed, while the production of electricity can be internally consumed or sold to the grid, and the production of hot water is supplied to a district heating company. For "Operating Segment" reporting, the sale of electricity and hot water to third parties 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 nine month period and the quarter ended 30 September 2017, with the same periods of last year and the prior quarter:

Net Sales of Paper

Products & Services (in EUR M)	30 Sep 2017	30 Sep 2016	Change absolute	%	Q3 2017	Q3 2016	Change absolute	%	Q3 2017	Q2 2017	Change absolute	%
Coated Woodfree	556	583	-27	-5%	179	187	-8	-4%	179	181	-2	-1%
Specialties	327	300	+27	+9%	105	99	+6	+7%	105	111	-6	-6%
Purchased products	127	124	+4	+3%	39	36	+3	+9%	39	44	-5	-11%
Total	**1,011**	**1,008**	+4	+0%	**324**	**322**	+2	+1%	**324**	**337**	-13	-4%

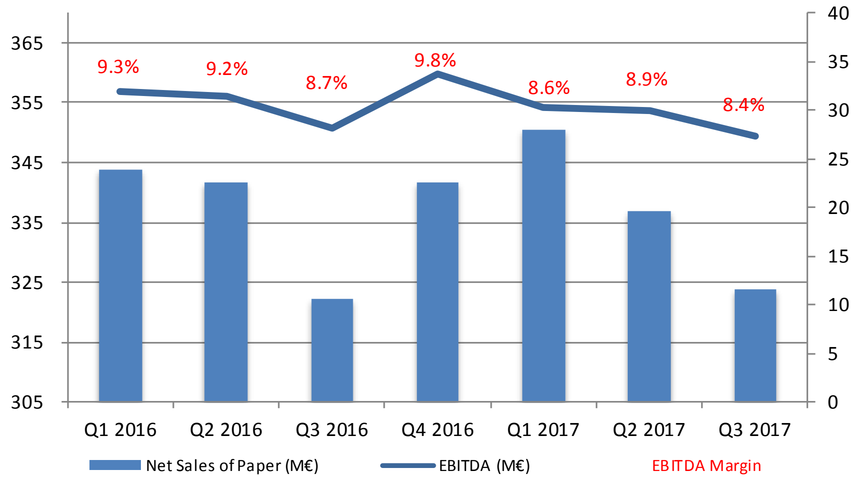
EBITDA

Products & Services (in EUR M)	30 Sep 2017	30 Sep 2016	Change absolute	%	Q3 2017	Q3 2016	Change absolute	%	Q3 2017	Q2 2017	Change absolute	%
Coated Woodfree	46	56	-10	-18%	15	18	-3	-17%	15	15	-1	-4%
Specialties	37	31	6	+19%	12	9	2	+26%	12	12	-1	-7%
Purchased products	5	5	0	+1%	1	1	-0	-11%	1	2	-1	-51%
Total	**87**	**91**	-4	-4%	**27**	**28**	-1	-3%	**27**	**30**	-3	-9%

EBITDA Margin

Products & Services (in EUR M)	30 Sep 2017	30 Sep 2016	Change Percentage points	Q3 2017	Q3 2016	Change Percentage points	Q3 2017	Q2 2017	Change Percentage points
Coated Woodfree	8.2%	9.5%	-1.3	8.2%	9.5%	-1.3	8.2%	8.5%	-0.3
Specialties	11.2%	10.2%	+1.0	11.0%	9.3%	+1.7	11.0%	11.1%	-0.1
Purchased products	4.2%	4.2%	-0.1	2.6%	3.2%	-0.6	2.6%	4.8%	-2.2
Total	**8.6%**	**9.1%**	-0.4	**8.4%**	**8.7%**	-0.3	**8.4%**	**8.9%**	-0.4

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

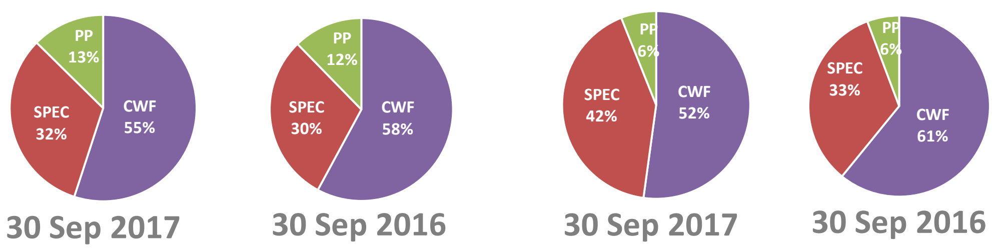


Breakdown of Net Sales of Paper and EBITDA by Product and Service:

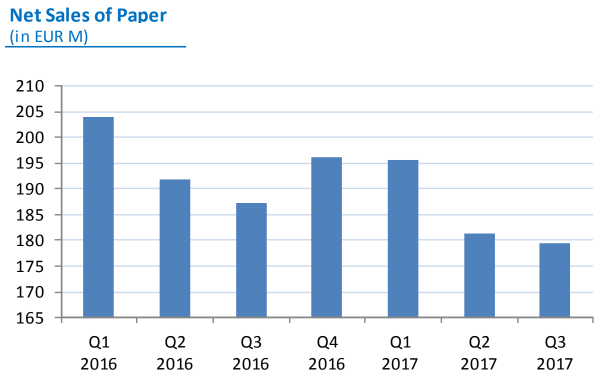
	Net Sales of Paper 30 Sep 2017	Net Sales of Paper 30 Sep 2016	Net Sales of Paper Change	EBITDA 30 Sep 2017	EBITDA 30 Sep 2016	EBITDA Change
Coated Woodfree	**55%**	58%	-3pp	**52%**	61%	-9pp
Specialties	**32%**	30%	+3pp	**42%**	33%	+8pp
Purchased products	**13%**	12%	+0pp	**6%**	6%	+0pp
	100%	100%		**100%**	100%	

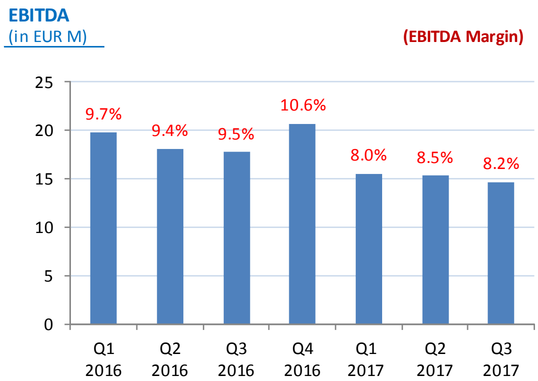
Net Sales of Paper | **EBITDA**

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



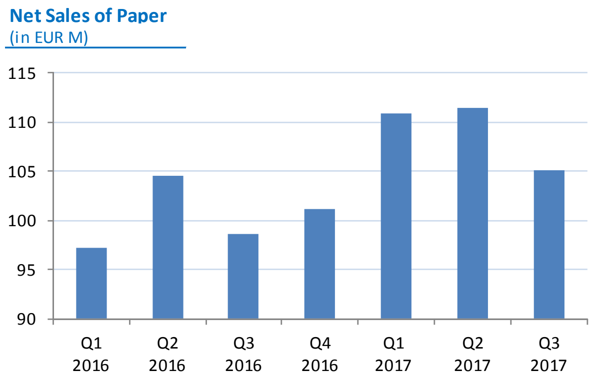
CWF

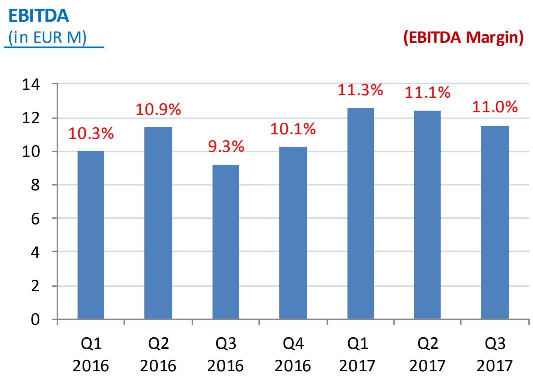




In 3Q2017, the net sales of Coated Woodfree were €179 million vs €187 million in 3Q2016, a decrease of €8 million or -4%. The Ebitda at €15 million was lower than in 3Q2016 (€18 million). This decrease was mainly due to lower net sales price and an increase of raw materials price and selling variable costs, partly offset by a reduction in fixed costs.

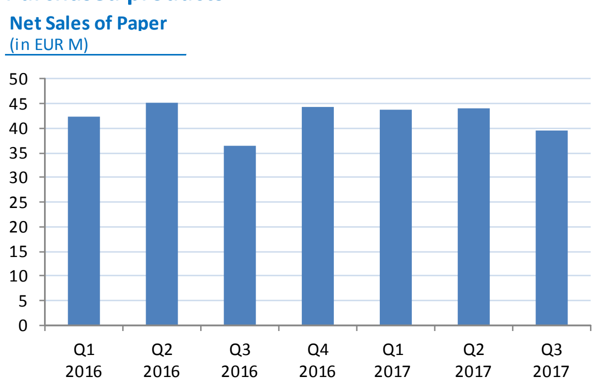
Specialties

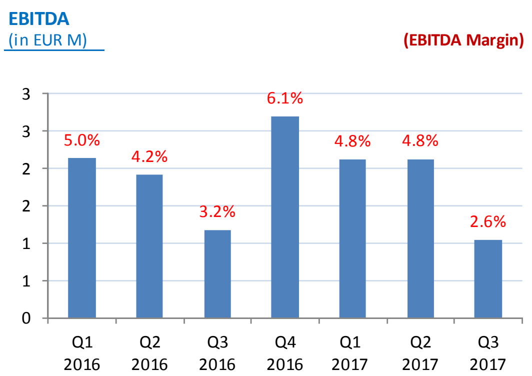




In 3Q2017, the net sales of Specialties were €105 million vs €99 million in 3Q2016, an increase of €6 million or +7%. The Ebitda at €12 million was higher than in 3Q2016 (€9 million). This increase was mainly due to larger sales.

Purchased products





In 3Q2017, the net sales of Purchased products were €39 million vs €36 million in 3Q2016, an increase of €3 million or +9%. The Ebitda at €1 million was stable vs 3Q2016.

Three Months Ended 30 September 2017 Compared to Three Months Ended 30 September 2016

The following table sets forth Lecta's income statement line items in absolute numbers, as a percentage of revenue for the quarters ended 30 September 2017 and 30 September 2016 and in the percentage change quarter over quarter:

	Three months ended 30 September					
	2017	**%**	**2016**	**%**	**Change**	**% change**
(in millions of euro, except percentages)	(unaudited)		(unaudited)			
Volume sold (in thousands of metric tons)	364.2		364.7		-0.5	-0.1%
Revenues	343.7	100.0	338.4	100.0	+5.3	+1.6%
Change in inventories of finished goods and work in progress	10.4	3.0	(4.9)	(1.5)	+15.3	-
Raw materials and consumables used	(184.6)	(53.7)	(163.1)	(48.2)	-21.5	+13.2%
Labor costs	(48.1)	(14.0)	(48.0)	(14.2)	-0.1	+0.2%
Other operating costs except non-recurring items	(94.2)	(27.4)	(94.3)	(27.9)	+0.1	-0.1%
EBITDA	27.3	7.9	28.1	8.3	-0.9	-3.0%
Depreciation	(13.5)	(3.9)	(13.6)	(4.0)	+0.1	-0.6%
Amortization	(0.1)	(0.0)	(0.0)	(0.0)	-0.0	+24.0%
Non-recurring items	(1.3)	(0.4)	(0.6)	(0.2)	-0.7	+112.9%
Profit from operations	12.4	3.6	13.9	4.1	-1.4	-10.4%
Finance costs	(15.8)	(4.6)	(38.6)	(11.4)	+22.7	-59.0%
Profit (loss) before tax from continuing operations	(3.4)	(1.0)	(24.7)	(7.3)	+21.3	-86.2%
Income tax	(0.9)	(0.3)	(1.7)	(0.5)	+0.8	-46.0%
Profit (loss) after tax from continuing operations	(4.3)	(1.3)	(26.4)	(7.8)	+22.1	-83.7%
Profit (loss) after tax from discontinued operations	0.0	0.0	0.0	0.0	+0.0	-
Profit (loss) after tax	(4.3)	(1.3)	(26.4)	(7.8)	+22.1	-83.7%

Revenue

For the third quarter ended 30 September 2017, Lecta had revenue of €343.7 million versus €338.4 million in the third quarter ended 30 September 2016, an increase of €5.3 million or +2%. This increase was attributable to:

- Higher sales of CWF, Specialties and Purchased Products of €+1.6 million or +1%, from €322.3 million in 3Q2016 to €323.9 million in 3Q2017, resulting from lower sales volumes of 500 metric tons or -0%, 364,200 metric tons in 3Q2017 vs 364,700 metric tons in 3Q2016, and an increase in average net sales price of +6€/t or +1%, 889€/t in 3Q2017 vs 884€/t in 3Q2016; and
- Higher sales of energy of €+3.7 million or +23%, from €16.1 million in 3Q2016 to €19.8 million in 3Q2017, resulting from higher sales volumes of 6,900 MWh or +3%, 267,300 MWh in 3Q2017 vs 260,400 MWh in 3Q2016, and an increase in average sales price of +12€/MWh or +20%, 74€/MWh in 3Q2017 vs 62€/MWh in 3Q2016.

Raw Materials and Consumables Used

The costs of raw materials and consumables used increased by €21.5 million, or +13%, from €163.1 million in 3Q2016 to €184.6 million in 3Q2017, and as a percentage of revenue they increased from 48.2% in 3Q2016 to 53.7% in 3Q2017. The absolute increase was mainly attributable to higher purchased volumes, and an increase in the average consumption prices of pulp (+69€/t) and latex from 3Q2016 to 3Q2017.

Labor Costs

Labor costs increased by €0.1 million, or +0%, from €48.0 million in 3Q2016 to €48.1 million in 3Q2017, and as a percentage of revenue they decreased from 14.2% in 3Q2016 to 14.0% in 3Q2017.
The headcount increased by 3 heads, from 3,333 employees in 3Q2016 to 3,336 employees in 3Q2017, mainly due to the consolidation of Plot Service SrL as of May 2017 (see the section Changes in the consolidation perimeter).

Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items decreased by €0.1 million, or -0%, from €94.3 million in 3Q2016 to €94.2 million in 3Q2017, and as a percentage of revenue they decreased from 27.9% in 3Q2016 to 27.4% in 3Q2017.

The absolute decrease was essentially due to lower costs of energy and maintenance, partly offset by an increase of packaging materials, outsourcing, distribution, selling variable costs, production consumables and in overhead costs.

EBITDA

EBITDA decreased by €0.9 million, or -3%, from €28.1 million in 3Q2016 to €27.3 million in 3Q2017. This decrease was the result of slightly lower sales of paper in volume, higher costs of packaging materials, outsourcing, distribution, selling variable, labor, production consumables and overheads costs, partly offset by lower net energy and maintenance costs, in a context of lower unit gross margin.

Depreciation and Amortization

Depreciation and amortization decreased by €0.1 million, or -1%, from €13.7 million in 3Q2016 to €13.6 million in 3Q2017.

Non-recurring items

In 3Q2017, Lecta recorded a non-recurring charge of €-1.3 million, including €-0.7 million of Organization efficiency program. In 3Q2016, Lecta recorded a non-recurring charge of €-0.6 million mainly in relation with its Organization efficiency program.

Finance Costs

Finance costs decreased by €22.7 million or -59%, from €38.6 million in 3Q2016 to €15.8 million in 3Q2017. This decrease was in relation with the redemption on 27 July 2016 of the €590 million notes issued in 2012, as Lecta had to bear €15 million of redemption premium and 30 days interest, and €8.4 million of 2012 notes issue costs not yet amortized.

Income Tax

Lecta recorded income tax charges of €-0.9 million in 3Q2017 and €-1.7 million in 3Q2016.

Nine months Ended 30 September 2017 Compared to Nine months Ended 30 September 2016

The following table sets forth Lecta's income statement line items in absolute numbers, as a percentage of revenue for the nine months ended 30 September 2017 and 30 September 2016 and in the percentage change period over period:

	Nine months ended 30 September					
(in millions of euro, except percentages)	2017 (unaudited)	%	2016 (unaudited)	%	Change	% change
Volume sold (in thousands of metric tons)	1,141.6		1,122.8		+18.9	+1.7%
Revenues	1,080.7	100.0	1,055.3	100.0	+25.4	+2.4%
Change in inventories of finished goods and work in progress	13.7	1.3	4.3	0.4	+9.4	-
Raw materials and consumables used	(560.7)	(51.9)	(534.3)	(50.6)	-26.4	+4.9%
Labor costs	(143.8)	(13.3)	(144.2)	(13.7)	+0.4	-0.3%
Other operating costs except non-recurring items	(302.5)	(28.0)	(289.6)	(27.4)	-12.9	+4.5%
EBITDA	87.4	8.1	91.4	8.7	-4.1	-4.4%
Depreciation	(40.5)	(3.7)	(40.9)	(3.9)	+0.4	-1.1%
Amortization	(0.2)	(0.0)	(0.1)	(0.0)	-0.1	+64.4%
Non-recurring items	(4.3)	(0.4)	(4.4)	(0.4)	+0.1	-3.1%
Profit from operations	42.4	3.9	46.0	4.4	-3.6	-7.8%
Finance costs	(46.4)	(4.3)	(71.9)	(6.8)	+25.5	-35.5%
Profit (loss) before tax from continuing operations	(4.0)	(0.4)	(25.9)	(2.5)	+21.9	-84.6%
Income tax	(6.3)	(0.6)	(3.1)	(0.3)	-3.3	+105.5%
Profit (loss) after tax from continuing operations	(10.3)	(1.0)	(29.0)	(2.8)	+18.7	-64.4%
Profit (loss) after tax from discontinued operations	0.0	0.0	0.0	0.0	+0.0	-
Profit (loss) after tax	(10.3)	(1.0)	(29.0)	(2.8)	+18.7	-64.4%

Revenue

For the nine months ended 30 September 2017, Lecta had revenue of €1,080.7 million versus €1,055.3 million in the nine months ended 30 September 2016, an increase of €25.4 million or +2%. This increase was attributable to:

- Higher sales of CWF, Specialties and Purchased Products of €+3.7 million or +0%, from €1,007.5 million in September 2016 YTD to €1,011.3 million in September 2017 YTD, resulting from higher sales volumes of 18,900 metric tons or +2%, 1,141,600 metric tons in September 2017 YTD vs 1,122,800 metric tons in September 2016 YTD, but a decrease in average net sales price of -11€/t or -1%, 886€/t in September 2017 YTD vs 897€/t in September 2016 YTD; and
- Higher sales of energy of €+21.7 million or +46%, from €47.7 million in September 2016 YTD to €69.4 million in September 2017 YTD, resulting from higher sales volumes of 21,700 MWh or +3%, 860,000 MWh in September 2017 YTD vs 838,300 MWh in September 2016 YTD, and an increase in average sales price of +24€/MWh or +42%, 81€/MWh in September 2017 YTD vs 57€/MWh in September 2016 YTD.

Raw Materials and Consumables Used

The costs of raw materials and consumables used increased by €26.4 million, or +5%, from €534.3 million in September 2016 YTD to €560.7 million in September 2017 YTD, and as a percentage of revenue they increased from 50.6% in September 2016 YTD to 51.9% in September 2017 YTD. The absolute increase was mainly attributable to higher purchased volumes and and an increase in the average consumption prices of pulp (+22€/t) and latex from from September 2016 YTD to September 2017 YTD.

Labor Costs

Labor costs decreased by €0.4 million, or -0%, from €144.2 million in September 2016 YTD to €143.8 million in September 2017 YTD, and as a percentage of revenue they decreased from 13.7% in September 2016 YTD to 13.3% in September 2017 YTD.
The headcount decreased by 19 heads, from 3,318 employees in September 2016 YTD to 3,299 employees in September 2017 YTD, despite the consolidation of Plot Service SrL as of May 2017 (see the section Changes in the consolidation perimeter).

Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items increased by €12.9 million, or +5%, from €289.6 million in September 2016 YTD to €302.5 million in September 2017 YTD, and as a percentage of revenue they increased from 27.4% in September 2016 YTD to 28.0% in September 2017 YTD. The absolute increase was essentially due to higher costs of energy, packaging materials, outsourcing, distribution, selling variable and overheads costs, partly offset by a decrease in maintenance, and production consumables costs.

EBITDA

EBITDA decreased by €4.1 million, or -4%, from €91.4 million in September 2016 YTD to €87.4 million in September 2017 YTD. This decrease was the result of higher costs of packaging materials, outsourcing, distribution, selling variable and overheads costs, partly offset by higher sales of paper in volume, lower net energy costs, labor, maintenance, and production consumables costs, in a context of lower unit gross margin.

Depreciation and Amortization

Depreciation and amortization decreased by €0.3 million, or -1%, from €41.0 million in September 2016 YTD to €40.7 million in September 2017 YTD.

Non-recurring items

In September 2017 YTD, Lecta recorded a non-recurring charge of €-4.3 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), and €-2.1 million of Organization efficiency program. In September 2016 YTD, Lecta recorded a non-recurring charge of €-4.4 million mainly in relation with its Organization efficiency program.

Finance Costs

Finance costs decreased by €25.5 million or -36%, from €71.9 million in September 2016 YTD to €46.4 million in September 2017 YTD. This decrease was in relation with the redemption on 27 July 2016 of the €590 million notes issued in 2012, as Lecta had to bear €15 million of redemption premium and 30 days interest, and €8.4 million of 2012 notes issue costs not yet amortized.

Income Tax

Lecta recorded income tax charges of €-6.3 million in September 2017 YTD and €-3.1 million in September 2016 YTD.

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 €65.0 million RCF due 2022, unused on 30 September 2017.

Cash

At 30 September 2017 Lecta had €120.6 million of cash and cash equivalent.

Capital Resources

Lecta's total capital resources amounted to €108.0 million in Total equity and €608.9 million in Non-current interest-bearing borrowings as at 30 September 2017, compared to €102.5 million and €618.6 million, respectively, as at 30 September 2016. In addition, Current interest-bearing borrowings amounted to €12.8 million as at 30 September 2017, compared to €10.2 million as at 30 September 2016.

Cash Flow

Three Months Ended 30 September 2017 Compared to Three Months Ended 30 September 2016

Lecta's cash flows for the three months ended 30 September 2017 and 30 September 2016 were as follows:

(in millions of euro)	Three months ended 30 September 2017 (unaudited)	2016 (unaudited)	Change
Cash flows from (used in) operating activities			
EBITDA	27.3	28.1	-0.9
Inventories	(12.3)	1.7	-14.0
Trade receivables	13.4	18.1	-4.7
Prepayments	(0.7)	(0.4)	-0.3
Trade payables	8.0	(9.0)	+17.0
Working capital	8.4	10.4	-2.0
Provisions	0.7	0.4	+0.3
Greenhouse gas emission rights	(0.3)	(0.1)	-0.2
Proceeds (payments) related to non-recurring items	(3.5)	(0.6)	-2.8
Income tax paid	(0.4)	(0.9)	+0.6
Net cash flow (used in) / from operating activities	32.2	37.3	-5.1
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(3.5)	(8.8)	+5.4
Proceeds from disposal of property, plant and equipment	0.0	(0.0)	+0.0
Receipt of grants	3.1	1.7	+1.3
Purchase of other assets	0.0	(0.3)	+0.3
Proceeds from disposal of other assets	0.0	0.0	+0.0
Net cash flow (used in) / from investing activities	(0.4)	(7.5)	+7.1
Cash flows from (used in) financing activities			
Interest paid	(21.3)	(12.9)	-8.4
Issue costs of borrowings	(0.2)	(23.8)	+23.6
Proceeds from borrowings	2.4	610.0	-607.6
Repayment of borrowings	(5.7)	(597.3)	+591.6
Payments of finance lease liabilities	(0.1)	0.0	-0.1
Net cash flow (used in) / from financing activities	(24.9)	(24.0)	-0.9
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	6.9	5.8	+1.1
Net foreign exchange difference	(0.1)	0.1	-0.2
Cash & cash equivalents net of Bank overdrafts at 1 July	96.7	95.5	+1.3
Cash & cash equivalents net of Bank overdrafts at period end	103.6	101.4	+2.2
Of which cash and cash equivalents	120.6	113.7	+6.9
Of which bank overdrafts	(16.9)	(12.3)	-4.6

During the three months ended 30 September 2017, Lecta's cash and cash equivalents increased by €12.8 million or +12%, from €107.8 million at 1 July 2017 to €120.6 million at 30 September 2017. The principal uses of cash during the three months ended 30 September 2017 were for Payments related to non-recurring items of €-3.5 million, Purchase of property plant and equipment of €-3.5 million, Interest payments of €-21.3 million, Repayment of borrowings net of Proceeds from borrowings of €-3.3 million.

During the three months ended 30 September 2017, the cash flows from operating activities were €+32.2 million, €-5.1 million less than reported during the three months ended 30 September 2016. The principal sources and uses of cash in operating activities were from:

- Ebitda of €+27.3 million;
- Decrease in Working capital of €+8.4million due to increases in inventories (impact of €-12.3 million), in prepayments (impact of €-0.7 million), and in trade payables (impact of €+8.0million), and a reduction in trade receivables (impact of €+13.4 million);
- Provisions of €+0.7 million;
- Greenhouse gas emission rights of €-0.3 million consisting in anticipated purchases of CO2 emission rights, reported in “Other intangible assets”;
- Payments related to non-recurring items of €-3.5 million in relation with the attempt of private placement to institutional investors (see the section Projects and plans), and the Organization efficiency program;
- Income tax payments of €-0.4 million, of which €-0.3 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 three months ended 30 September 2017.

During the three months ended 30 September 2017, the cash flows used in investing activities were €-0.4 million, €+7.1 million less than the cash flows used in investing activities during the three months ended 30 September 2016. The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €-3.5 million;
- Receipt of grant of €3.1 million in relation with White and Green certificates;

During the three months ended 30 September 2017, the cash flows used in financing activities were €-24.9 million, €-0.9 million more than the cash flows used in financing activities during the three months ended 30 September 2016. The principal uses of cash in financing were for:

- Interest paid of €-21.3 million;
- Issue costs on borrowings of €-0.2 million,
- Repayment of borrowings net of Proceeds from borrowings of €-3.3 million;
- Payments of finance lease liabilities of €-0.1 million.

Nine months Ended 30 September 2017 Compared to Nine months Ended 30 September 2016

Lecta's cash flows for the nine months ended 30 September 2017 and 30 September 2016 were as follows:

(in millions of euro)	Nine months ended 30 September 2017 (unaudited)	2016 (unaudited)	Change
Cash flows from (used in) operating activities			
EBITDA	87.4	91.4	-4.1
Inventories	(18.6)	(4.5)	-14.1
Trade receivables	(0.0)	33.8	-33.9
Prepayments	(1.4)	(1.3)	-0.1
Trade payables	9.3	(48.3)	+57.6
Working capital	(10.8)	(20.3)	+9.5
Provisions	1.0	2.0	-1.0
Greenhouse gas emission rights	(0.8)	(2.6)	+1.8
Proceeds (payments) related to non-recurring items	(7.0)	(4.2)	-2.8
Income tax paid	(3.3)	(3.1)	-0.2
Net cash flow (used in) / from operating activities	66.5	63.3	+3.2
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(25.8)	(30.8)	+5.0
Proceeds from disposal of property, plant and equipment	5.9	0.0	+5.9
Receipt of grants	(0.5)	(1.8)	+1.4
Purchase of other assets	0.0	(0.4)	+0.4
Proceeds from disposal of other assets	0.1	0.0	+0.1
Net cash flow (used in) / from investing activities	(20.2)	(33.2)	+12.9
Cash flows from (used in) financing activities			
Interest paid	(50.7)	(44.0)	-6.7
Issue costs of borrowings	(1.0)	(24.0)	+23.0
Proceeds from borrowings	18.6	636.0	-617.4
Repayment of borrowings	(23.9)	(629.7)	+605.8
Payments of finance lease liabilities	(0.4)	(0.2)	-0.3
Net cash flow (used in) / from financing activities	(57.4)	(61.9)	+4.4
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	(11.2)	(31.7)	+20.6
Net foreign exchange difference	(0.0)	0.6	-0.6
Cash & cash equivalents net of Bank overdrafts at 1 January	114.8	132.5	-17.7
Cash & cash equivalents net of Bank overdrafts at period end	103.6	101.4	+2.2
Of which cash and cash equivalents	120.6	113.7	+6.9
Of which bank overdrafts	(16.9)	(12.3)	-4.6

During the nine months ended 30 September 2017, Lecta's cash and cash equivalents decreased by €13.8 million or -10%, from €134.4 million at 1 January 2017 to €120.6 million at 30 September 2017. The principal uses of cash during the nine months ended 30 September 2017 were for Working Capital of €-10.8 million, Payments related to non-recurring items of €-7.0 million, Income tax paid of €-3.3million, Purchase of property plant and equipment of €-25.8 million, Interest payments of €-50.7 million, Repayment of borrowings net of Proceeds from borrowings of €-5.3 million.

During the nine months ended 30 September 2017, the cash flows from operating activities were €+66.5 million, €+3.2 million more than reported during the nine months ended 30 September 2016. The principal sources and uses of cash in operating activities were from:

- Ebitda of €+87.7million;
- Increase in Working capital of €-10.8 million due to increases in inventories (impact of €-18.6 million), in prepayments (impact of €-1.4 million), and in trade payables (impact of €+9.3 million);
- Provisions of €+1.0 million;
- Greenhouse gas emission rights of €-0.8 million consisting in anticipated purchases of CO_2 emission rights, reported in "Other intangible assets";
- Payments related to non-recurring items of €-7.0 million in relation with the attempt of private placement to institutional investors (see the section Projects and plans), and the Organization efficiency program;

- Income tax payments of €-3.3 million, of which €-0.8 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 nine months ended 30 September 2017.

During the nine months ended 30 September 2017, the cash flows used in investing activities were €-20.2 million, €+12.9 million less than the cash flows used in investing activities during the nine months ended 30 September 2016. The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €-25.8 million;
- Proceeds from disposal of property, plant and equipment of €+5.9 million, mainly thanks to the disposal of a plot of land and a building of the mill in Sarrià de Ter, permanently closed in October 2014;
- Receipt of grant of €-0.5 million in relation with White and Green certificates in order to neutralize the profit booked in “Other operating costs except non-recurring items” above Ebitda, as the cash was not fully collected as at 30 September 2017;
- Proceeds from disposal of other assets of €+0.1 million.

During the nine months ended 30 September 2017, the cash flows used in financing activities were €-57.4 million, €+4.4 million less than the cash flows used in financing activities during the nine months ended 30 September 2016. The principal uses of cash in financing were for:

- Interest paid of €-50.7 million;
- Issue costs on borrowings of €-1.0 million,
- Repayment of borrowings net of Proceeds from borrowings of €-5.3 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.

On 26 May 2017, Lecta announced its intention to offer newly issued ordinary shares in a private placement to institutional investors. Certain of Lecta's shareholders also intended to sell part or all of their shares. The shares were expected to be admitted to trading on the Madrid, Barcelona, Bilbao and Valencia stock exchanges.
On 21 June 2017, Lecta Board decided not to pursue a listing at this point despite the positive response shown by some potential investors, and to continue assessing all options to optimize value for all stakeholders.

Capital Expenditures and Investments

In the three months ended 30 September 2017, capital expenditures were €3.5 million, i.e. €8.2 million for major paper machine rebuilds, €1.2 million for cost reduction and productivity improvement, €3.4 million for maintenance, €1.0 million for information technology, €1.4 million for environment and safety, and an increase in capital payables of €11.8 million.

In the nine months ended 30 September 2017, capital expenditures were €25.9 million, i.e. €16.0 million for major paper machine rebuilds, €3.5 million for cost reduction and productivity improvement, €17.1 million for maintenance, €4.7 million for information technology, €2.6 million for environment and safety, and an increase in capital payables of €17.8 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 nine month period ended 30 September 2017 the restructuring cash cost associated to Lecta efficiency programs was €-2.1 million, reported in the line "Non-recurring items". After payments, as at 30 September 2017, the remaining provision for restructuring was €5.8 million.

A summary of the main cost reduction initiatives implemented since the end of 2012 is presented in the Note 3.3.1 to the Interim financial statements.

Events After the Statement of Financial Position Date

Challenge of 2010-2015 Green certificates by GSE

Alto Garda Power SrL, the Italian cogeneration plant of Lecta, was informed in a preliminary statement dated 14 July 2017 that the publicly owned company GSE SpA (Gestore dei Servizi Energetici) was challenging part of the Green certificates granted to it for the period 2010-2015. On 30 October 2017, GSE SpA claimed the reimbursement of €5.2 million. Alto Garda Power SrL is confident on the rightness of its position and reserves its rights to defend its own interests.

MANAGEMENT AND CORPORATE GOVERNANCE OF LECTA SA

Board of Directors

The Board of Directors was appointed at the Shareholders' meeting of 13 April 2017. On 20 October 2017, Yann Hilpert informed Lecta SA of his decision to resign from his mandate as Director with immediate effect. The Board initiated researches to find a person to be coopted. The Board is currently composed of twelve Directors:

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

The Board of Directors