LECTA SA and Subsidiaries

Management report for the period ended 30 September 2018.

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

RESULTS OF OPERATIONS

Presentation of Financial Data

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

Segment reporting

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

Lecta's revenue consists of net sales of paper and sales of energy (see the section Revenue in the Interim Financial statements). The core activity of Lecta is to produce and sell paper. In this context, Lecta operates cogeneration plants that burn gas and produce electricity and steam. The production of steam is internally consumed, while the production of electricity can be internally consumed or sold to the grid. For the segment reporting, the sale of electricity to the grid is not considered as revenue but as reduction in energy cost to produce paper.

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

Net Sales of Paper

Products & Services	30 Sep	30 Sep	Change		Q3	Q3	Change		Q3	Q2	Change	
(in EUR M)	2018	2017	absolute	%	2018	2017	absolute	%	2018	2018	absolute	%
Coated Woodfree	561	556	+5	+1%	180	179	+0	+0%	180	185	-5	-3%
Specialties	352	327	+24	+7%	122	105	+17	+16%	122	117	+5	+4%
Purchased products	130	127	+3	+2%	38	39	-1	-4%	38	46	-8	-17%
Total	**1,044**	**1,011**	+32	+3%	**340**	**324**	+16	+5%	**340**	**348**	-8	-2%

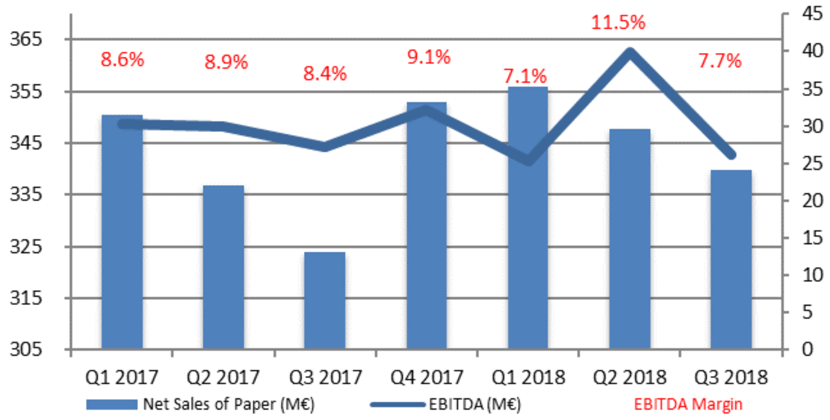
EBITDA

Products & Services	30 Sep	30 Sep	Change		Q3	Q3	Change		Q3	Q2	Change	
(in EUR M)	2018	2017	absolute	%	2018	2017	absolute	%	2018	2018	absolute	%
Coated Woodfree	38	46	-8	-17%	8	15	-7	-46%	8	21	-13	-61%
Specialties	49	37	+12	+34%	17	12	+5	+45%	17	17	-1	-4%
Purchased products	5	5	-1	-11%	1	1	+0	+40%	1	2	-0	-15%
Total	**91**	**87**	+4	+5%	**26**	**27**	-1	-4%	**26**	**40**	-14	-34%

EBITDA Margin

Products & Services	30 Sep	30 Sep	Change	Q3	Q3	Change	Q3	Q2	Change
	2018	2017	Percentage points	2018	2017	Percentage points	2018	2018	Percentage points
Coated Woodfree	6.7%	8.2%	-1.4	4.4%	8.2%	-3.8	4.4%	11.2%	-6.8
Specialties	13.9%	11.2%	+2.7	13.7%	11.0%	+2.7	13.7%	14.9%	-1.2
Purchased products	3.6%	4.2%	-0.5	3.8%	2.6%	+1.2	3.8%	3.8%	+0.1
Total	**8.8%**	**8.6%**	+0.1	**7.7%**	**8.4%**	-0.7	**7.7%**	**11.5%**	-3.7

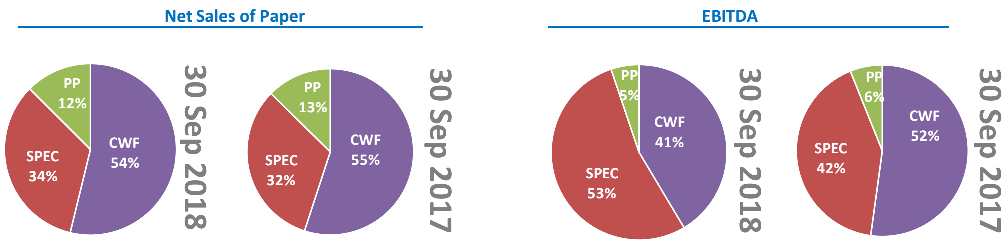
Evolution of Net Sales of Paper, EBITDA, and EBITDA Margin:



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

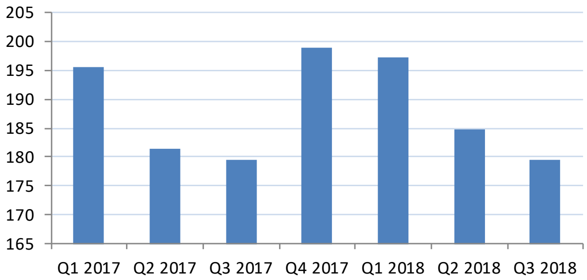
	Net Sales of Paper			EBITDA		
	30 Sep 2018	30 Sep 2017	Change	30 Sep 2018	30 Sep 2017	Change
Coated Woodfree	**54%**	55%	-1pp	**41%**	52%	-11pp
Specialties	**34%**	32%	+1pp	**53%**	42%	+12pp
Purchased products	**12%**	13%	-0pp	**5%**	6%	-1pp
	100%	100%		**100%**	100%	

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



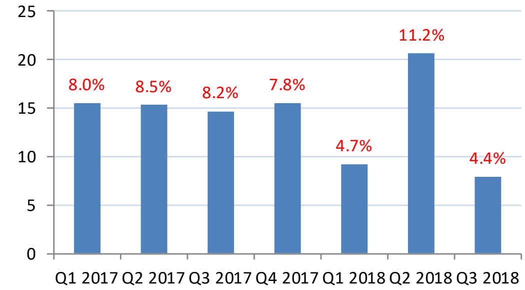
CWF

Net Sales of Paper
(in EUR M)



EBITDA
(in EUR M)

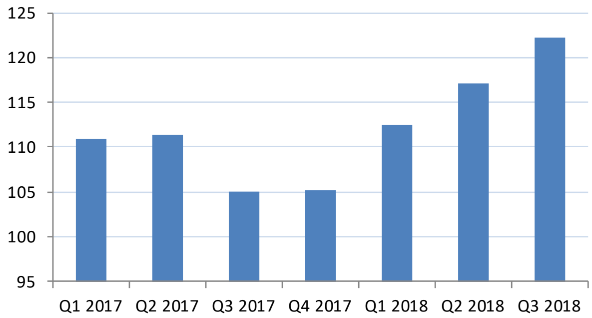
(EBITDA Margin)



In 3Q2018, the net sales of Coated Woodfree were €180 million vs €179 million in 3Q2017, an increase of €1 million or +0%. The Ebitda at €8 million was lower than in 3Q2017 (€15 million). This decrease was mainly due to a reduction in sales volume and an increase of raw materials costs and net energy costs, partly offset by an increase of net sales price and a reduction of fixed expenses.

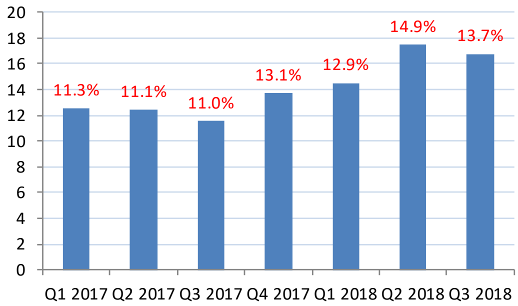
Specialties

Net Sales of Paper
(in EUR M)



EBITDA
(in EUR M)

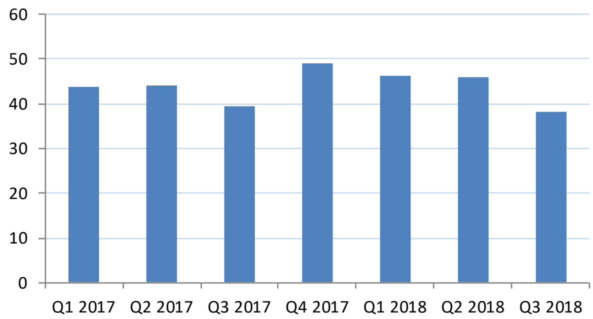
(EBITDA Margin)



In 3Q2018, the net sales of Specialties were €122 million vs €105 million in 3Q2017, an increase of €17 million or +16%. The Ebitda at €17million was higher than in 3Q2017 (€12 million). This increase was mainly thanks to higher sales volume and net sales price, partly offset by an increase of raw materials costs and net energy costs.

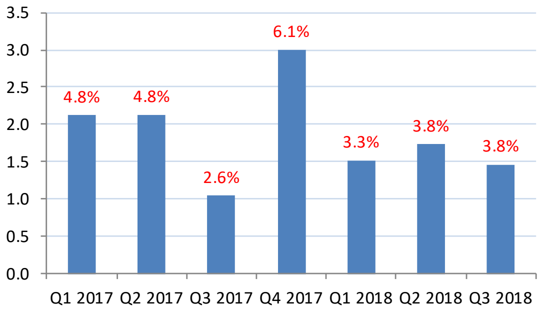
Purchased products

Net Sales of Paper
(in EUR M)



EBITDA
(in EUR M)

(EBITDA Margin)



In 3Q2018, the net sales of Purchased products were €38 million vs €39 million in 3Q2017, a decrease of €1 million or -4%. The Ebitda at €1.5 million was slightly higher than in 3Q2017.

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

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

	Three months ended 30 September					
(in millions of euro, except percentages)	2018 (unaudited)	%	2017 (unaudited)	%	Change	% change
Volume sold (in thousands of metric tonnes)	339,4		364,2		-24,9	-6,8%
Revenues	366,7	100,0	343,7	100,0	+22,9	+6,7%
Change in inventories of finished goods and work in progress	3,9	1,1	10,4	3,0	-6,5	-62,5%
Raw materials and consumables used	(187,3)	(51,1)	(184,6)	(53,7)	-2,7	+1,5%
Labor costs	(47,7)	(13,0)	(48,1)	(14,0)	+0,4	-0,8%
Other operating costs except non-recurring items	(109,3)	(29,8)	(94,2)	(27,4)	-15,1	+16,1%
EBITDA	26,2	7,1	27,3	7,9	-1,1	-3,9%
Depreciation	(13,5)	(3,7)	(13,5)	(3,9)	+0,0	-0,2%
Amortization	(0,0)	(0,0)	(0,1)	(0,0)	+0,0	-8,6%
Non-recurring items	(0,4)	(0,1)	(1,3)	(0,4)	+0,9	-68,8%
Profit from operations	12,2	3,3	12,4	3,6	-0,2	-1,5%
Finance costs	(14,8)	(4,0)	(15,8)	(4,6)	+1,0	-6,5%
Profit (loss) before tax from continuing operations	(2,6)	(0,7)	(3,4)	(1,0)	+0,8	-24,8%
Income tax	(1,1)	(0,3)	(0,9)	(0,3)	-0,2	+23,9%
Profit (loss) after tax from continuing operations	(3,7)	(1,0)	(4,3)	(1,3)	+0,6	-14,6%
Profit (loss) after tax from discontinued operations	0,0	0,0	0,0	0,0	+0,0	-
Profit (loss) after tax	(3,7)	(1,0)	(4,3)	(1,3)	+0,6	-14,6%

Revenue

For the third quarter ended 30 September 2018, Lecta had revenue of €366.7 million versus €343.7 million in the third quarter ended 30 September 2017, an increase of €22.9 million or +7%. This increase was attributable to:

- Higher sales of CWF, Specialties and Purchased Products of €+15.9 million or +5%, from €323.9 million in 3Q2017 to €339.8 million in 3Q2018, resulting from lower sales volumes of 24,900 metric tons or -7%, 339,400 metric tons in 3Q2018 vs 364,200 metric tons in 3Q2017, but an increase in average net sales price of +112€/t or +13%, 1,001€/t in 3Q2018 vs 889€/t in 3Q2017; and
- Higher sales of energy of €+7.1 million or +36%, from €19.8 million in 3Q2017 to €26.9 million in 3Q2018, resulting from slightly higher sales volumes of 2,400 MWh or +1%, 269,700 MWh in 3Q2018 vs 267,300 MWh in 3Q2017, and an increase in average sales price of +26€/MWh or +35%, 100€/MWh in 3Q2018 vs 74€/MWh in 3Q2017.

Raw Materials and Consumables Used

The costs of raw materials and consumables used increased by €2.7 million, or +2%, from €184.6 million in 3Q2017 to €187.3 million in 3Q2018, and as a percentage of revenue they decreased from 53.7% in 3Q2017 to 51.1% in 3Q2018. The absolute increase was mainly attributable to an increase in the average consumption prices of pulp of +110€/t from 3Q2017 to 3Q2018.

Labor Costs

Labor costs decreased by €0.4 million, or -1%, from €48.1 million in 3Q2017 to €47.7 million in 3Q2018, and as a percentage of revenue they decreased from 14.0% in 3Q2017 to 13.0% in 3Q2018.
The headcount decreased by 78 heads, from 3,336 employees in 3Q2017 to 3,258 employees in 3Q2018.

Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items increased by €15.1 million, or +16%, from €94.2 million in 3Q2017 to €109.3 million in 3Q2018, and as a percentage of revenue they increased from 27.4% in 3Q2017 to 29.8% in 3Q2018.

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

EBITDA

EBITDA decreased by €1.1 million, or -4%, from €27.3 million in 3Q2017 to €26.2 million in 3Q2018. This decrease was the result of lower sales of paper in volume, higher net energy costs and outsourcing, partly offset by lower packaging materials, distribution, selling variable, labor, maintenance, production consumables, and overhead costs, in a context of higher unit gross margin.

Depreciation and Amortization

Depreciation and amortization remained stable with €13.6 million in 3Q2017 and in 3Q2018.

Non-recurring items

In 3Q2018, Lecta recorded a non-recurring charge of €-0.4 million mainly in relation with its Organization efficiency program. In 3Q2017, Lecta recorded a non-recurring charge of €-1.3 million, including €-0.7 million of Organization efficiency program.

Finance Costs

Finance costs decreased by €1.0 million or -7%, from €15.8 million in 3Q2017 to €14.8 million in 3Q2018.

Income Tax

Lecta recorded income tax charges of €-1.1 million in 3Q2018 and €-0.9 million in 3Q2017.

Nine Months Ended 30 September 2018 Compared to Nine Months Ended 30 September 2017

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 2018 and 30 September 2017 and in the percentage change period over period:

(in millions of euro, except percentages)	2018 (unaudited)	%	2017 (unaudited)	%	Change	% change
	Nine months ended 30 September					
Volume sold (in thousands of metric tonnes)	1.084,3		1.141,6		-57,3	-5,0%
Revenues	1.113,8	100,0	1.080,7	100,0	+33,1	+3,1%
Change in inventories of finished goods and work in progress	22,9	2,1	13,7	1,3	+9,3	+67,7%
Raw materials and consumables used	(591,4)	(53,1)	(560,7)	(51,9)	-30,7	+5,5%
Labor costs	(144,3)	(13,0)	(143,8)	(13,3)	-0,4	+0,3%
Other operating costs except non-recurring items	(309,7)	(27,8)	(302,5)	(28,0)	-7,2	+2,4%
EBITDA	91,3	8,2	87,4	8,1	+4,0	+4,5%
Depreciation	(38,7)	(3,5)	(40,5)	(3,7)	+1,8	-4,5%
Amortization	0,5	0,0	(0,2)	(0,0)	+0,8	-
Non-recurring items	(2,4)	(0,2)	(4,3)	(0,4)	+1,9	-44,4%
Profit from operations	50,8	4,6	42,4	3,9	+8,4	+19,9%
Finance costs	(46,3)	(4,2)	(46,4)	(4,3)	+0,1	-0,2%
Profit (loss) before tax from continuing operations	4,5	0,4	(4,0)	(0,4)	+8,5	-
Income tax	(6,3)	(0,6)	(6,3)	(0,6)	+0,1	-0,8%
Profit (loss) after tax from continuing operations	(1,7)	(0,2)	(10,3)	(1,0)	+8,6	-83,1%
Profit (loss) after tax from discontinued operations	0,0	0,0	0,0	0,0	+0,0	-
Profit (loss) after tax	(1,7)	(0,2)	(10,3)	(1,0)	+8,6	-83,1%

Revenue

For the nine months Ended 30 September 2018, Lecta had revenue of €1,113.8 million versus €1,080.7 million in the nine months ended 30 September 2017, an increase of €33.1 million or +3%. This increase was attributable to:

- Higher sales of CWF, Specialties and Purchased Products of €+32.4 million or +3%, from €1,011.3 million in September 2017 YTD to €1,043,7 million in September 2018 YTD, resulting from lower sales volumes of 57,300 metric tons or -5%, 1,084,300 metric tons in September 2018 YTD vs 1,141,600 metric tons in September 2017 YTD, but an increase in average net sales price of +77€/t or +9%, 963€/t in September 2018 YTD vs 886€/t in September 2017 YTD; and
- Higher sales of energy of €+0.6 million or +1%, from €69.4 million in September 2017 YTD to €70.1 million in September 2018 YTD, resulting from lower sales volumes of 50,800 MWh or -6%, 809,100 MWh in September 2018 YTD vs 860,000 MWh in September 2017 YTD, but an increase in average sales price of +6€/MWh or +7%, 87€/MWh in September 2018 YTD vs 81€/MWh in September 2017 YTD. The lower sales volume was due to the planned downtime in 1Q2018 for the replacement of the gas turbines in Motril and Zaragoza cogeneration plants.

Raw Materials and Consumables Used

The costs of raw materials and consumables used increased by €30.7 million, or +6%, from €560.7 million in September 2017 YTD to €591.4 million in September 2018 YTD, and as a percentage of revenue they increased from 51.9% in September 2017 YTD to 53.1% in September 2018 YTD. The absolute increase was mainly attributable to an increase in the average consumption price of pulp of +108€/t from September 2017 YTD to September 2018 YTD.

Labor Costs

Labor costs increased by €0.4 million, or +0%, from €143.8 million in September 2017 YTD to €144.3 million in September 2018 YTD, and as a percentage of revenue they decreased from 13.3% in September 2017 YTD to 13.0% in September 2018 YTD.
The headcount decreased by 51 heads, from 3,298 employees in September 2017 YTD to 3,247 employees in September 2018 YTD.

Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items increased by €7.2 million, or +2%, from €302.5 million in September 2017 YTD to €309.7 million in September 2018 YTD, and as a percentage of revenue they decreased from 28.0% in September 2017 YTD to 27.8% in September 2018 YTD. The absolute increase was essentially due to higher costs of energy, outsourcing, maintenance and production consumables, partly offset by a decrease in packaging materials, distribution, selling variable and overhead costs.

EBITDA

EBITDA increased by €4.0 million, or +5%, from €87.4 million in September 2017 YTD to €91.3 million in September 2018 YTD. This increase was the result of lower costs of packaging materials, distribution, selling variable and overhead costs, partly offset by lower sales of paper in volume, higher net energy costs, outsourcing, labor, maintenance and production consumables, in a context of higher unit gross margin.

Depreciation and Amortization

Depreciation and amortization decreased by €2.6 million, or -6%, from €40.7 million in September 2017 YTD to €38.1 million in September 2018 YTD.

Non-recurring items

In September 2018 YTD, Lecta recorded a non-recurring charge of €-2.4 million mainly in relation with its Organization efficiency program. 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.

Finance Costs

Finance costs decreased by €0.1 million or -0%, from €46.4 million in September 2017 YTD to €46.3 million in September 2018 YTD.

Income Tax

Lecta recorded income tax charges of €-6.3 million in September 2018 YTD and September 2017 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 million RCF due 2022. €15 million were used at 30 September 2018.

Cash

At 30 September 2018 Lecta had €68.1 million of cash and cash equivalent.

Capital Resources

Lecta's total capital resources amounted to €108.0 million in Total equity and €607.0 million in Non-current interest-bearing borrowings as at 30 September 2018, compared to €108.0 million and €608.9 million, respectively, as at 30 September 2017. In addition, Current interest-bearing borrowings amounted to €28.8 million as at 30 September 2018, compared to €12.8 million as at 30 September 2017.

Cash Flow

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

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

	Three months ended 30 September		
(in millions of euro)	2018 (unaudited)	2017 (unaudited)	Change
Cash flows from (used in) operating activities			
EBITDA	26.2	27.3	-1.1
Inventories	(10.6)	(12.3)	+1.7
Trade receivables	(12.0)	13.4	-25.3
Prepayments	(0.6)	(0.7)	+0.1
Trade payables	(0.4)	8.0	-8.4
Working capital	(23.5)	8.4	-31.9
Provisions	1.3	0.7	+0.6
Greenhouse gas emission rights	(1.5)	(0.3)	-1.3
Proceeds (payments) related to non-recurring items	(0.4)	(3.5)	+3.0
Income tax paid	(3.3)	(0.4)	-2.9
Net cash flow (used in) / from operating activities	(1.3)	32.2	-33.6
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(13.2)	(3.5)	-9.7
Proceeds from disposal of property, plant and equipment	0.0	0.0	+0.0
Receipt of grants	1.9	3.1	-1.2
Purchase of subsidiary, net of cash acquired	0.0	(0.0)	+0.0
Purchase of other assets	0.0	0.0	+0.0
Proceeds from disposal of other assets	0.1	0.0	+0.0
Net cash flow (used in) / from investing activities	(11.2)	(0.4)	-10.8
Cash flows from (used in) financing activities			
Dividends paid to non-controlling interest	0.0	0.0	+0.0
Interest paid	(20.5)	(21.3)	+0.7
Issue costs of borrowings	(0.0)	(0.2)	+0.2
Proceeds from borrowings	12.3	2.4	+9.9
Repayment of borrowings	(14.0)	(5.7)	-8.3
Payments of finance lease liabilities	(0.1)	(0.1)	+0.1
Net cash flow (used in) / from financing activities	(22.3)	(24.9)	+2.6
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	(34.8)	6.9	-41.8
Net foreign exchange difference	0.0	(0.1)	+0.1
Cash & cash equivalents net of Bank overdrafts at 1 July	80.4	96.7	-16.4
Cash & cash equivalents net of Bank overdrafts at period end	45.6	103.6	-58.0
Of which cash and cash equivalents	68.1	120.6	-52.5
Of which bank overdrafts	(22.5)	(16.9)	-5.5

During the three months ended 30 September 2018, Lecta's cash and cash equivalents decreased by €33.0 million or

-33%, from €101.1 million at 1 July 2018 to €68.1 million at 30 September 2018. The principal uses of cash during the three months ended 30 September 2018 were for Working Capital of €-23.5 million, Income tax payments of €-3.3 million, Purchase of property plant and equipment of €-13.2 million and Interest payments of €-20.5 million.

During the three months ended 30 September 2018, the cash flows used in operating activities were €-1.3 million, €33.6 million less than cash flow from operating activities during the three months ended 30 September 2017. The principal sources and uses of cash in operating activities were from:

- Ebitda of €+26.2 million;
- Increase in Working capital of €-23.5 million due to increases in inventories (impact of €-10.6 million), in trade receivables (impact of €-12.0 million), in prepayments (impact of €-0.6 million) and reduction in trade payables (impact of €-0.4 million);
- Greenhouse gas emission rights of €-1.5 million consisted in anticipated purchases of CO_2 emission rights, reported in "Other intangible assets";
- Payments related to non-recurring items of €-0.4 million in relation with the Organization efficiency program;
- Income tax payments of €-3.3 million, of which €-0.2 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 2018.

During the three months ended 30 September 2018, the cash flows used in investing activities were €-11.2 million, €10.8 million more than the cash flows used in investing activities during the three months ended 30 September 2017. The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €-13.2 million;
- Receipt of grant of €1.9 million in relation with White certificates;
- Proceeds from disposal of other assets of €+0.1 million.

During the three months ended 30 September 2018, the cash flows used in financing activities were €-22.3 million, €2.6 million less than the cash flows used in financing activities during the three months ended 30 September 2017. The principal uses and sources of cash in financing were for:

- Interest paid of €-20.5 million;
- Repayment of borrowings net of Proceeds from borrowings of €-1.7 million;
- Payments of finance lease liabilities of €-0.1 million.

Nine Months Ended 30 September 2018 Compared to Nine Months Ended 30 September 2017

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

(in millions of euro)	Nine months ended 30 September 2018 (unaudited)	2017 (unaudited)	Change
Cash flows from (used in) operating activities			
EBITDA	91.3	87.4	+4.0
Inventories	(35.6)	(18.6)	-17.1
Trade receivables	(13.6)	(0.0)	-13.5
Prepayments	(1.4)	(1.4)	+0.0
Trade payables	(17.6)	9.3	-26.8
Working capital	(68.2)	(10.8)	-57.4
Provisions	1.3	1.0	+0.3
Greenhouse gas emission rights	(3.6)	(0.8)	-2.8
Proceeds (payments) related to non-recurring items	(3.1)	(7.0)	+3.8
Income tax paid	(3.8)	(3.3)	-0.5
Net cash flow (used in) / from operating activities	13.9	66.5	-52.6
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(63.9)	(25.8)	-38.1
Proceeds from disposal of property, plant and equipment	0.2	5.9	-5.7
Receipt of grants	4.1	(0.5)	+4.6
Purchase of subsidiary, net of cash acquired	0.0	0.1	-0.1
Purchase of other assets	(0.0)	0.0	-0.0
Proceeds from disposal of other assets	0.2	0.1	+0.1
Net cash flow (used in) / from investing activities	(59.5)	(20.2)	-39.3
Cash flows from (used in) financing activities			
Dividends paid to non-controlling interest	(0.2)	0.0	-0.2
Interest paid	(50.9)	(50.7)	-0.3
Issue costs of borrowings	(0.0)	(1.0)	+1.0
Proceeds from borrowings	66.8	18.6	+48.3
Repayment of borrowings	(50.6)	(23.9)	-26.7
Payments of finance lease liabilities	(0.5)	(0.4)	-0.0
Net cash flow (used in) / from financing activities	(35.4)	(57.4)	+22.0
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	(81.0)	(11.2)	-69.8
Net foreign exchange difference	0.2	(0.0)	+0.2
Cash & cash equivalents net of Bank overdrafts at 1 January	126.4	114.8	+11.6
Cash & cash equivalents net of Bank overdrafts at period end	45.6	103.6	-58.0
Of which cash and cash equivalents	68.1	120.6	-52.5
Of which bank overdrafts	(22.5)	(16.9)	-5.5

During the nine months ended 30 September 2018, Lecta's cash and cash equivalents decreased by €73.0 million or -51.7%, from €141.1 million at 1 January 2018 to €68.1 million at 30 September 2018. The principal uses of cash during the nine months ended 30 September 2018 were for Working Capital of €-68.2 million, Greenhouse emission rights of €-3.6 million, Payments related to non-recurring items of €-3.1 million, Income tax payments of €-3.8 million, Purchase of property plant and equipment of €-63.9 million, and Interest payments of €-50.9 million.

During the nine months ended 30 September 2018, the cash flows from operating activities were €+13.9 million, €52.6 million less than reported during the nine months ended 30 September 2017. The principal sources and uses of cash in operating activities were from:

- Ebitda of €+91.3 million;
- Increase in Working capital of €-68.2 million due to increases in inventories (impact of €-35.6 million), in trade receivables (impact of €-13.6 million), in prepayments (impact of €-1.4 million), and reduction in trade payables (impact of €-17.6 million);
- Greenhouse gas emission rights of €-3.6 million consisted in anticipated purchases of CO_2 emission rights, reported in "Other intangible assets";
- Payments related to non-recurring items of €-3.1 mainly in relation with the Organization efficiency program;

- Income tax payments of €-3.8 million, of which €-0.7 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 2018.

During the nine months ended 30 September 2018, the cash flows used in investing activities were €-59.5 million, €39.3 million more than the cash flows used in investing activities during the nine months ended 30 September 2017. The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €-63.9 million;
- Proceeds from disposal of property, plant and equipment of €+0.2 million;
- Receipt of grant of €+4.1 million in relation with White certificates;
- Proceeds from disposal of other assets of €+0.2 million.

During the nine months ended 30 September 2018, the cash flows used in financing activities were €-35.4 million, €22.0 million less than the cash flows used in financing activities during the nine months ended 30 September 2017. The principal uses and sources of cash in financing were for:

- Dividends paid to non-controlling interest of €-0.2 million;
- Interest paid of €-50.9 million;
- Proceeds from borrowings net of Repayment of borrowings of €+16.2 million;
- Payments of finance lease liabilities of €-0.5 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 September 2018, capital expenditures were €13.1 million, i.e. €0.9 million for major paper machine rebuilds, €3.9 million for cost reduction and productivity improvement, €1.3 million for maintenance, €1.6 million for information technology, €1.2 million for environment and safety, and a reduction in capital payables of €4.1 million.

In the nine months ended 30 September 2018, capital expenditures were €64.2 million, i.e. €6.0 million for major paper machine rebuilds, €12.1 million for cost reduction and productivity improvement, €9.8 million for maintenance, €5.2 million for information technology, €7.9 million for environment and safety, and a reduction in capital payables of €23.1 million.

Organization Efficiency Program

The integration process covers Lecta industrial operations in Italy, France and Spain, as well as the paper distribution ones in the same countries and, additionally, Portugal. Within the Organization efficiency program, Lecta planned several cost reduction projects.
For the three-month period ended 30 September 2018 the restructuring cash cost associated to Lecta efficiency programs was €-0.4 million, reported in the line “Non-recurring items”.
For the nine-month period ended 30 September 2018 the restructuring cash cost associated to Lecta efficiency programs was €-2.5 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

Nothing to be reported.

Management and Corporate governance of Lecta SA

Board of Directors

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

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

The Board of Directors