



Management report

For the period ended 31 March 2020

The discussion contained herein is based on our reviewed interim financial information for the periods ended 31 March 2020 and 31 March 2019.

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 three-month period ended 31 March 2020, with the same period of last year and the prior quarter:

Net Sales of Paper

Products & Services (in EUR M)	Q1	Q1	Change		Q1	Q4	Change	
	2020	2019	absolute	%	2020	2019	absolute	%
Coated Woodfree	141	186	-45	-24%	141	149	-8	-5%
Specialties	121	129	-8	-6%	121	115	+7	+6%
Purchased products	37	44	-7	-15%	37	42	-5	-11%
Total	300	360	-60	-17%	300	305	-6	-2%

EBITDA

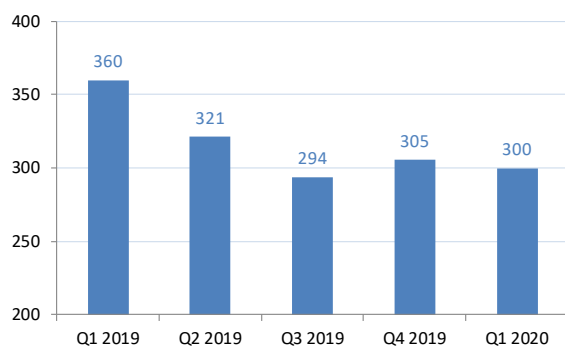
Products & Services (in EUR M)	Q1	Q1	Change		Q1	Q4	Change	
	2020	2019	absolute	%	2020	2019	absolute	%
Coated Woodfree	14	8	+6	+78%	14	14	-0	-3%
Specialties	9	17	-8	-46%	9	10	-1	-10%
Purchased products	1	2	-1	-38%	1	2	-0	-16%
Total	24	27	-3	-9%	24	26	-2	-6%

EBITDA Margin

Products & Services	Q1	Q1	Change		Q1	Q4	Change	
	2020	2019	Percentage points		2020	2019	Percentage points	
Coated Woodfree	9.7%	4.1%	+5.6		9.7%	9.5%	+0.3	
Specialties	7.5%	13.0%	-5.5		7.5%	8.8%	-1.3	
Purchased products	3.7%	5.1%	-1.4		3.7%	4.0%	-0.2	
Total	8.1%	7.4%	+0.6		8.1%	8.5%	-0.4	

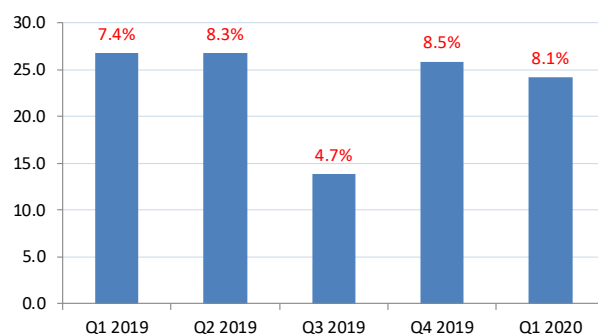
Evolution of Net Sales of Paper, EBITDA, and EBITDA Margin:

Net Sales of Paper (in EUR M)



EBITDA (in EUR M)

(EBITDA Margin)

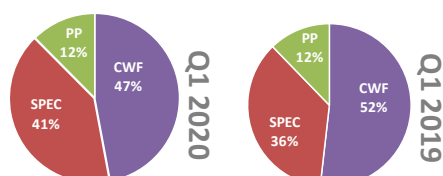


Breakdown of Net Sales of Paper and EBITDA by Product and Service:

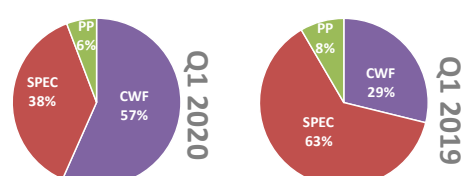
	Net Sales of Paper			EBITDA		
	Q1 2020	Q1 2019	Change	Q1 2020	Q1 2019	Change
Coated Woodfree	47%	52%	-5pp	57%	29%	+28pp
Specialties	41%	36%	+5pp	38%	63%	-25pp
Purchased products	12%	12%	+0pp	6%	8%	-3pp
	100%	100%		100%	100%	

Net Sales of Paper

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

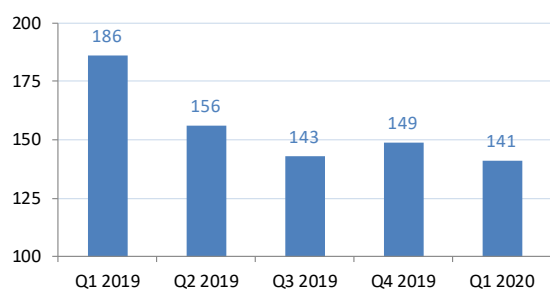


EBITDA



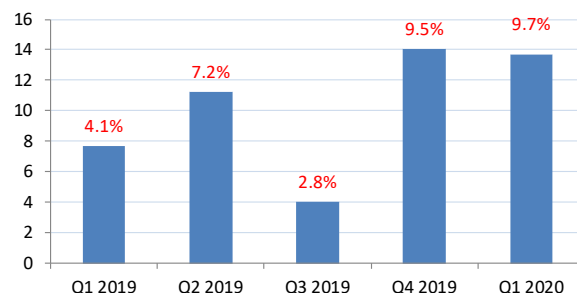
CWF

Net Sales of Paper (in EUR M)



EBITDA (in EUR M)

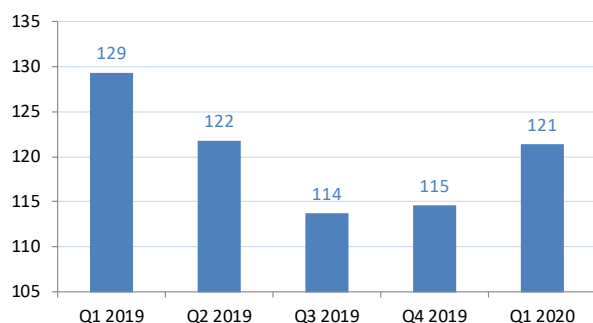
(EBITDA Margin)



In 1Q2020, the net sales of Coated Woodfree were €141 million vs €186 million in 1Q2019, a decrease of €45 million or -24%. The Ebitda at €14 million was higher than in 1Q2019 (€8 million). This increase was mainly due to higher margin on variable costs and lower fixed costs (including non-recurrent €3.4 million labor and other operating costs reduction in relation with a lower level of activity), partly offset by lower volume.

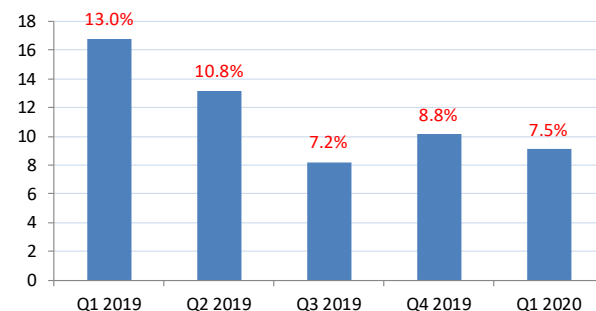
Specialties

Net Sales of Paper (in EUR M)



EBITDA (in EUR M)

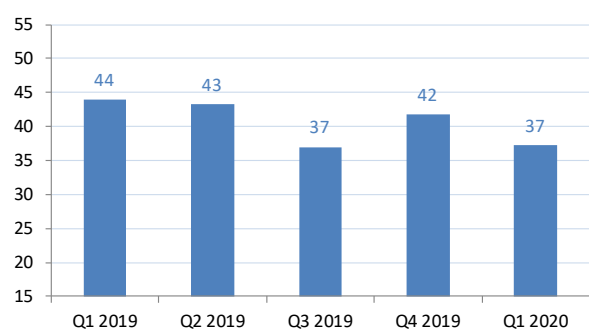
(EBITDA Margin)



In 1Q2020, the net sales of Specialties were €121 million vs €129 million in 1Q2019, a decrease of €8 million or -6%. The Ebitda at €9 million was lower than in 1Q2019 (€17 million). This decrease was mainly due to stable volume, lower margin in variable costs (essentially due to a lower contribution of pulp integration) and higher fixed costs.

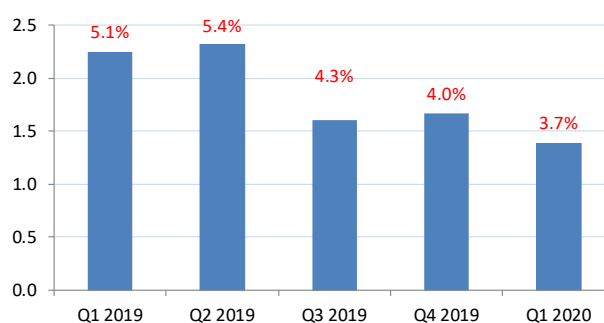
Purchased products

Net Sales of Paper (in EUR M)



EBITDA (in EUR M)

(EBITDA Margin)



In 1Q2020, the net sales of Purchased products were €37 million vs €44 million in 1Q2019, a decrease of €7 million or -15%. The Ebitda at €1.4 million was lower than €2.2 million in 1Q2019.

Three Months Ended 31 March 2020 Compared to Three Months Ended 31 March 2019

The following table sets forth Lecta's income statement line items in absolute numbers, as a percentage of revenue for the quarters ended 31 March 2020 and 31 March 2019 and in the percentage change quarter over quarter:

	Three months ended 31 March					
	2020	%	2019	%	Change	% change
(in millions of euro, except percentages)	(unaudited)		(unaudited)			
Volume sold (in thousands of metric tonnes)	300.0		354.8		-54.8	-15.5%
Revenue	316.6	100.0	388.9	100.0	-72.3	-18.6%
Change in inventories of finished goods and work in progress	2.1	0.7	(13.8)	(3.5)	+15.9	-115.3%
Raw materials and consumables used	(156.0)	(49.3)	(191.7)	(49.3)	+35.7	-18.6%
Labor costs	(42.6)	(13.4)	(46.7)	(12.0)	+4.2	-8.9%
Other operating costs except non-recurring items	(96.0)	(30.3)	(110.0)	(28.3)	+14.0	-12.7%
EBITDA	24.2	7.6	26.8	6.9	-2.5	-9.5%
Depreciation	(14.5)	(4.6)	(14.5)	(3.7)	+0.0	-0.1%
Amortization	(0.0)	(0.0)	(0.0)	(0.0)	+0.0	-1.2%
Non-recurring items	(145.1)	(45.8)	(0.7)	(0.2)	-144.4	-
Profit from operations	(135.4)	(42.8)	11.5	3.0	-146.9	-
Net finance costs	302.0	95.4	(15.5)	(4.0)	+317.5	-
Profit (loss) before tax from continuing operations	166.6	52.6	(3.9)	(1.0)	+170.5	-
Income tax	(14.9)	(4.7)	(1.8)	(0.5)	-13.1	-
Profit (loss) after tax from continuing operations	151.7	47.9	(5.8)	(1.5)	+157.5	-
Profit (loss) after tax from discontinued operations	0.0	0.0	0.0	0.0	+0.0	-
Profit (loss) after tax	151.7	47.9	(5.8)	(1.5)	+157.5	-

Revenue

For the first quarter ended 31 March 2020, Lecta had revenue of €316.6 million versus €388.9 million in the first quarter ended 31 March 2019, a decrease of €72.3 million or -18.6%. This decrease was attributable to:

- Lower sales of CWF, Specialties and Purchased Products of €-60.3 million or -16.8%, from €359.6 million in 1Q2019 to €299.3 million in 1Q2020, resulting from lower sales volumes of 54,800 metric tons or -15.5%, 300,000 metric tons in 1Q2020 vs 354,800 metric tons in 1Q2019, and a decrease in average net sales price of -16€/t or -1.5%, 998€/t in 1Q2020 vs 1,014€/t in 1Q2019; and
- Lower sales of energy of €-12.1 million or -41.1%, from €29.3 million in 1Q2019 to €17.3 million in 1Q2020, resulting from lower sales volumes of 11,500 MWh or -3.6%, 309,700 MWh in 1Q2020 vs 321,200 MWh in 1Q2019, and an decrease in average sales price of -35€/MWh or -39%, 56€/MWh in 1Q2020 vs 91€/MWh in 1Q2019.

Raw Materials and Consumables Used

The costs of raw materials and consumables used decreased by €35.7 million, or -18.6%, from €191.7 million in 1Q2019 to €156.0 million in 1Q2020, and as a percentage of revenue they were identical at 49.3% in 1Q2019 and 1Q2020. The absolute decrease was mainly attributable to lower produced and purchased volumes, and a decrease in the average consumption prices of pulp of 188€/t from 1Q2019 to 1Q2020.

Labor Costs

Labor costs decreased by €4.2 million, or -8.9%, from €46.7 million in 1Q2019 to €42.6 million in 1Q2020, and as a percentage of revenue they increased from 12.0% in 1Q2019 to 13.4% in 1Q2020.

The headcount decreased by 64 heads, from 3,169 employees in 1Q2019 to 3,105 employees in 1Q2020.

In 1Q2020, Lecta benefitted from a non-recurrent €1.6 million labor cost reduction in relation with the lower level of activity.

Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items decreased by €14 million, or -12.7%, from €110 million in 1Q2019 to €96 million in 1Q2020, and as a percentage of revenue they increased from 28.3% in 1Q2019 to 30.3% in 1Q2020. The absolute decrease was essentially due to lower costs of energy, packaging materials, distribution, selling variable costs and production consumables, partly offset by an increase in outsourcing 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 €2.5 million, or -9.5%, from €26.8 million in 1Q2019 to €24.2 million in 1Q2020. 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 were stable, €(14.5) million in 1Q2020 and 1Q2019.

Non-recurring items

In 1Q2020, Lecta reported a non-recurring charge of €(145.1) million, including €(0.5) million of Organization efficiency program, €(26.2) million of fees and costs in relation with the Recapitalization of the Group (*see the section "Recapitalization"*), 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 1Q2019, Lecta reported a non-recurring charge of €(0.7) million, including €(0.8) million of Organization efficiency program.

Finance Costs

In 1Q2020, Lecta reported a net finance income of €302.0 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 €(11.8) million of other finance costs.

In 1Q2019, net finance costs amounted to €(15.5) million.

Income Tax

In 1Q2020, Lecta reported an income tax charge of €(14.9) 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 €(1.8) million of usual income tax charge.

In 1Q2019, the income tax charge amounted to €(1.8) 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.

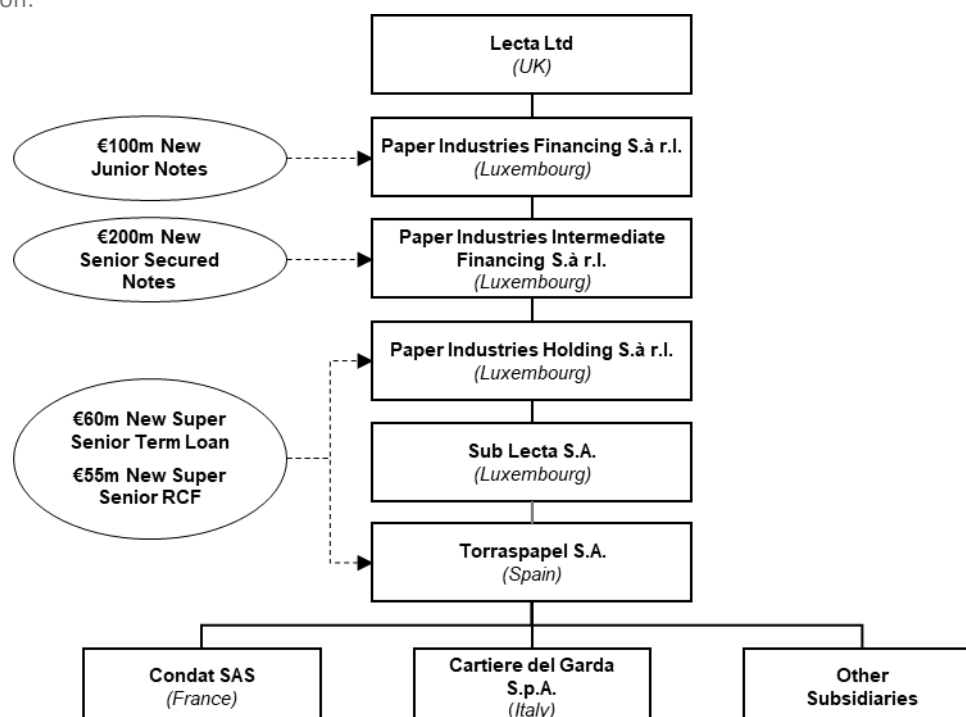
On 28 January 2020, the UK Court sanctioned the proposed Scheme, and an order was delivered to the registrar of companies on 30 January 2020.

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

- A delevered capital structure reflecting the conversion of EUR 600 M 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:
 - EUR 200 M senior secured notes due 2025, bearing an interest rate of 3-month Euribor (with a floor at 0%) + 6.000%
 - EUR 100 M 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 EUR 20 M)
- 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 31 March 2020 Lecta had €103.2 million of cash and cash equivalent.

Capital Resources

Lecta’s total capital resources amounted to €199.3 million in Total equity and €436.3 million in Non-current interest-bearing borrowings as at 31 March 2020, compared to €95.7 million and €626.5 million, respectively, as at 31 March 2019. In addition, Current interest-bearing borrowings amounted to €48.9 million as at 31 March 2020, compared to €50.1 million as at 31 March 2019.

CASH FLOW

Three Months Ended 31 March 2020 Compared to Three Months Ended 31 March 2019

Lecta's cash flows for the three months ended 31 March 2020 and 31 March 2019 were as follows:

(in millions of euro)	Three months ended 31 March		
	2020 (unaudited)	2019 (unaudited)	Change
Cash flows from (used in) operating activities			
EBITDA	24.2	26.8	-2.5
Inventories	(2.8)	20.8	-23.6
Trade receivables	(2.9)	(20.5)	+17.5
Prepayments	0.5	0.4	+0.1
Trade payables	(39.2)	(61.3)	+22.1
Working capital	(44.5)	(60.6)	+16.1
Provisions	(0.7)	(0.3)	-0.3
Greenhouse gas emission rights	(0.0)	0.0	-0.0
Proceeds (payments) related to non-recurring items	(21.0)	(0.9)	-20.0
Income tax paid	(0.1)	(0.1)	-0.0
Net cash flow (used in) / from operating activities	(42.0)	(35.1)	-6.9
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(10.7)	(15.7)	+5.0
Proceeds from disposal of property, plant and equipment	0.0	0.0	+0.0
Receipt of grants	(1.2)	(0.6)	-0.7
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
Net cash flow (used in) / from investing activities	(15.7)	(15.8)	+0.1
Cash flows from (used in) financing activities			
Share capital increase (redemption)	3.0	0.0	+3.0
Interest paid	(22.2)	(21.1)	-1.1
Issue costs of borrowings	(0.0)	(0.0)	+0.0
Proceeds from borrowings	445.1	25.1	+420.0
Repayment of borrowings	(350.3)	(5.0)	-345.4
Payments of finance lease liabilities	(1.2)	(1.2)	+0.1
Net cash flow (used in) / from financing activities	74.4	(2.2)	+76.6
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	16.7	(53.2)	+69.8
Net foreign exchange difference	0.0	0.0	-0.0
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	83.7	36.9	+46.8
Of which cash and cash equivalents	103.2	63.1	+40.0
Of which bank overdrafts	(19.5)	(26.2)	+6.8

During the three months ended 31 March 2020, Lecta's cash and cash equivalents increased by €17.3 million or +20.2%, from €85.9 million at 1 Jan 2020 to €103.2 million at 31 March 2020. The principal uses of cash during the three months ended 31 March 2020 were for Working Capital of €(44.5) million, payments related to non-recurring items €(21.0) million, purchase of property plant and equipment of €(10.7) million, and interest paid of €(22.2) million.

During the three months ended 31 March 2020, the cash flows used in operating activities were €(42.0) million, €(6.9) million more than cash flow used in operating activities during the three months ended 31 March 2019. The principal sources and uses of cash in operating activities were from:

- Ebitda of €24.2 million;
- Increase in Working capital of €(44.5) million due to increases in inventories (impact of €(2.8) million), in trade receivables (impact of €(2.9) million), and decreases in prepayments (impact of €0.5 million) and in trade payables (impact of €(39.2) million);

- Payments related to non-recurring items of €(21.0) million, mainly in relation with the Organization efficiency program and the Recapitalization of the Group.

During the three months ended 31 March 2020, the cash flows used in investing activities were €(15.7) million, €0.1 million less than the cash flows used in investing activities during the three months ended 31 March 2019.

The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €(10.7) million;
- Receipt of grant of €(1.2) million in relation with the White Certificates in order to neutralize the profit booked in “Other operating costs except non-recurring items” above Ebitda, as the cash was not collected during the three months ended 31 March 2020;
- 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 three months ended 31 March 2020, the cash flows from financing activities were €74.4 million, €76.6 million more than the cash flows from financing activities during the three months ended 31 March 2019.

The principal uses and sources of cash in financing activities were for:

- Share capital increase of €3.0 million in relation with Lecta Ltd, offsetting €(3.0) million reported in Purchase of subsidiary;
- Interest paid of €(22.2);
- Proceeds from borrowings of €445.1 million, including €100.0 million of junior notes, €200.0 million of senior notes, €109.0 million of term-loan and RCF, and €36.1 million of assignment of trade receivables (*see the section “Recapitalization”*);
- Repayments of borrowings of €(350.3) 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 €(1.2) million.

PROJECTS AND PLANS

Capital Expenditures and Investments

In the three months ended 31 March 2020, capital expenditures were €(10.7) million, i.e. €(2.3) million for cost reduction and productivity improvement, €(4.3) million for maintenance, €(1.3) million for information technology, €(0.3) million for environment and safety, and an decrease in capital payables of €(2.6) 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 31 March 2020 the restructuring cash cost associated to Lecta efficiency programs was €(0.5) million, reported in the line “Non-recurring items”.

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.

EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Lecta Group Recapitalization

On 4 February 2020, Lecta Ltd and its subsidiaries completed a 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 €100 million of junior notes due 2028 and €200 million of senior secured notes due 2025,
- 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 lockdown 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 regarding a possible transaction ("Transaction") expected to comprise the following:

- A €150 million liquidity injection, €100 million of which would result from a €50 million share capital increase by Lecta Ltd and €50 million from an issuance of new senior secured notes due 2025 (anticipated to have a 10% Original Issue Discount for a total face value of €55.5 million), and €50 million (€30 million already formalized and an additional €20 million has received final committee approval subject to the Transaction being implemented) from Spanish banks under Covid-19 related government aid schemes; and
- The cancellation in full of the €100 million junior notes to further strengthen the balance sheet.

In addition, the Group has proposed to its banks (and completion of the Transaction is conditional upon, among other things) the replacement of short term uncommitted confirming lines with long dated committed lines, which will provide additional stability to working capital management, and the removal of the €115 million SSFA covenants during the next 24 months. The table below outlines the key expected terms of the Transaction.

The implementation of the Transaction will require security holders to grant a number of approvals and consents. In this respect, the Company has already received binding commitments from certain security holders in excess of the threshold necessary to support the implementation of the Transaction. Furthermore, the Company has received an underwriting proposal from funds managed and or advised by Apollo, Cheyne Capital and Tikehau Capital (the "G3") and certain additional security holders to fully underwrite the €50 million share capital increase and the €50 million new senior secured notes due 2025 as part of the Transaction.

Lecta strongly believes that the Transaction will allow it 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, by:

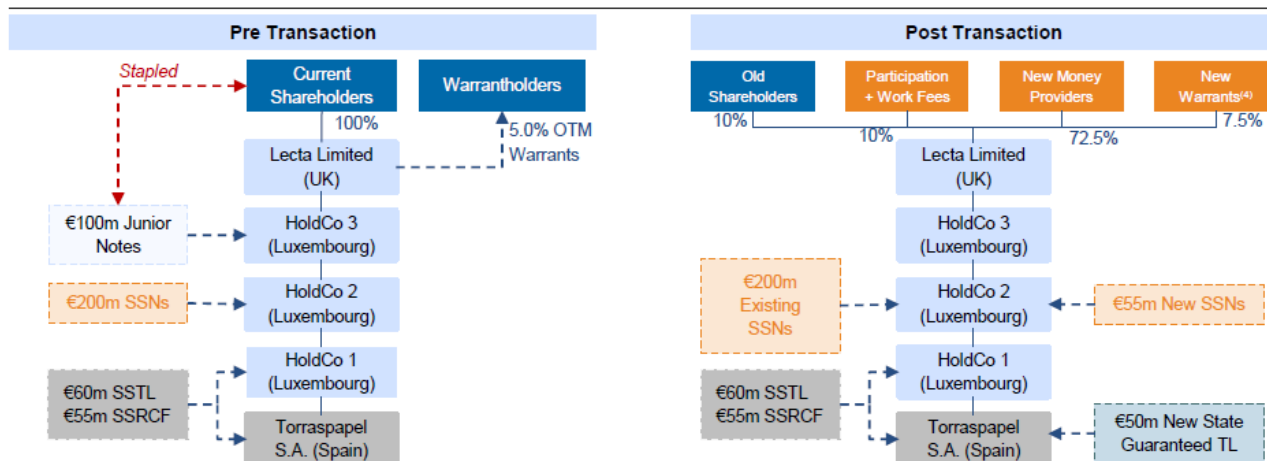
- Significantly improving the Group's liquidity profile;
- Reducing the Group's net leverage;
- Having clear support from existing security holders (together with a proposal from the G3 and certain other security holders to fully underwrite the share capital increase and the new senior secured notes due 2025);
- Containing additional support from working capital providers, with access to government-supported financing in France and Italy also currently under discussion; and
- Increasing the Group's flexibility, with the covenant holiday removing any potential risk of default and committed supply chain lines providing significant stability.

A further announcement in respect of the Transaction will be made in due course.

Key Considerations

New Shares	<ul style="list-style-type: none"> Amount: €50 million ordinary shares Ownership: 72.5% of fully diluted post issuance equity for subscribers
New Super Senior Notes	<ul style="list-style-type: none"> Amount: €55.5 million OID: 10% Coupon: Euribor (subject to a zero floor) + 7% Ranking: <i>Pari passu</i> to Existing SSNs Maturity: Same as Existing SSNs (2025) New Warrants: 7.5% of pro forma equity at exit will be attached to the New SSNs which can be traded separately after 12 months from issuance (i.e. stapled for first 12 months) All other terms and conditions as per current Existing SSNs
Junior Notes	<ul style="list-style-type: none"> Full write down and cancellation of €100 million Junior Notes
New State Guaranteed Term Loan	<ul style="list-style-type: none"> €10 million term loan with 3-year maturity and 4.5% interest €40 million term loan with 4-year maturity and 3.5% interest
Amendments to New SSFA	<ul style="list-style-type: none"> Minimum Liquidity and Minimum EBITDA Covenant Holiday for 24 months
Fees	<ul style="list-style-type: none"> Holder who confirmed underwriting commitment by 29 April 2020 5:30pm UK time to receive a fee of 6% (in aggregate) of fully diluted equity G3 leading the Transaction to receive a fee of 4% (in aggregate) of fully diluted equity

Simplified Corporate Structure



MANAGEMENT AND CORPORATE GOVERNANCE OF LECTA LTD

Board of Directors

The Board of Directors was appointed in February 2020 by Shareholders' resolutions. The Board is currently composed of five Directors:

- Jason Clarke,
- Eugene Davis,
- Christian Digemose,
- Andrea Minguzzi,
- Eduardo Querol.

The Board of Directors