LECTA SA and Subsidiaries

Management report for the period ended 31 December 2017.

OVERVIEW

Lecta was formed by CVC Capital Partners in 1997 through the acquisition of Cartiere del Garda ("Garda") of Italy in October of that year, to which was added Condat of France in November 1998 and Torraspapel of Spain in December 1999. All three companies were long-established paper manufacturers.
Lecta today is one of the leading manufacturers and distributors of specialty papers for labels and flexible packaging, coated and uncoated paper for publishing, along with other high value-added print media in Europe.
With a manufacturing capacity above 1.8 million metric tonnes and revenue of €1.5 billion, Lecta produces pulp, base paper and finished products with state-of-the-art art technology. Its integrated production system and in-depth product expertise are key to its business model.
Lecta is a multinational group with nearly 3,300 employees and seven mills in France, Italy and Spain. All of Lecta's mills are certified to the strictest environmental management standards (ISO 14001 and European EMAS), to ISO 50001 energy efficiency standards and to ISO 9001 quality certification, as well as OHSAS 18001 occupation health and safety standards. Lecta has also certified the Chain of Custody standards of all its mills to PEFC™ and FSC®.
In addition to sales offices in ten countries, Lecta is present in the distribution business, with its own distributors in France, Italy, Portugal and Spain.

In the year ended 31 December 2017, Lecta mills produced an aggregate of 1,405,000 metric tonnes of specialty papers and coated woodfree ("CWF"). Lecta delivered a total of 1,533,000 metric tonnes of paper, of which 1,406,000 metric tonnes of Lecta products and 127,000 metric tonnes of third party products. A total of 499,000 metric tonnes were delivered through Lecta own distributors.
During the year ended 31 December 2017, Lecta had revenue of €1,459 million and EBITDA of €120 million. Lecta marketed the paper in Europe (82%), Americas (11%) and the rest of the world (7%).

The following table sets forth certain operating and consolidated financial data for Lecta's business:

(in millions of euro)	2017	2016
Volume sold of paper (in thousands of metric tonnes)	1,533	1,513
Volume sold of energy (in thousands of MWh)	1,145	1,137
Net Sales of Paper	1,364	1,349
Sales of Energy	94	70
Revenue	1,459	1,420
EBITDA	**120**	**125**

MAIN CHANGES IN THE CONSOLIDATION PERIMETER

From 1 January 2008 to 31 December 2016, Dispap SA, a holding company with no operating activity, was excluded from the consolidation perimeter. During this period, it reported a profit of €0.2 million booked as "Net incomes recognized directly through Equity". On 1 January 2016, Dispap SA, in preparation for operating activity, was included again in the consolidation perimeter.
Finally, on 15 December 2017, the distribution activity in Spain was spin-off from Torraspapel SA to Dispap SA, and Torraspapel SA also assigned its participation in Torraspapel Portugal Unipessoal Lda to Dispap SA. The latter was renamed Torraspapel Distribución SA.

On 9 May 2017, Lecta acquired 100% of Plot Service SrL (Italy), specialized in technical assistance for professional large format graphic peripherals. Its service network complements the already extensive presence of Lecta throughout Italy.

Factors Affecting Lecta's Results of Operations

Growth in Specialty papers and CWF

The self-adhesive, metallized, coated 1-side, and thermal paper segments, in which Lecta invests to offer labeling applications, reported positive growths in 2017 ranging from +5% to +9%.

The CWF paper industry experiences negative growth mainly because of the development of digital media. The deliveries of the European producers of CWF decreased by -2% in 2014 and 2015, -7% in 2016 and slightly increased in +1% in 2017. The decline in deliveries is almost offset by the closure or the conversion of production capacity by the European producers.

Raw Materials Costs

Pulp and energy represent Lecta's primary input costs.

Lecta purchases approximately 70% of its pulp requirements. Wood pulp is the principal raw material required to manufacture paper. The price of pulp is highly volatile and sensitive to changes in wood prices, industry capacity, producer inventories, demand for paper, and cyclical changes in the world economy and fluctuations in the U.S. dollar, the reference currency for trading. Fluctuations in pulp prices may impact, in turn, prices of final paper products.

The price of crude oil also impacts oil-based raw materials and transportation costs. It was also highly volatile in the recent period. In order to reduce its energy costs Lecta operates six cogeneration plants with a total installed capacity of 271MW.

Lecta and its competitors were able to pass part of the increases in the prices of pulp, energy and other raw materials to their customers.

Labor Costs

Another significant portion of operating costs is labor. Lecta has achieved significant productivity improvements (as measured by net sales of paper per employee) and has reduced its average headcount from 4,691 employees during the year ended 31 December 2006 to 3,293 employees during the year ended 31 December 2017 despite the acquisition of two paper distributors, a first one in France in 2008, and a second one in Italy in 2012.

Cost-Savings Measures and Efficiency of Operations

Paper producers have a high proportion of fixed costs, and as a result, fluctuations in volumes and prices for paper products cause corresponding fluctuations in their profitability. As pricing in the paper industry is highly competitive, particularly for the commodity products, producers must focus on achieving greater efficiency and cost-control to improve their competitive positions. To that end, Lecta has undertaken a number of cost savings measures in recent years, such as investing in the modernization of its paper machines and sharing best practices among its mills to enhance the efficiency of the production.

Lecta announced plans to implement a group-wide organization efficiency program, aimed at accelerating the improvement of the group competitiveness. Lecta plans to develop synergies through the integration of its businesses in France, Italy, Portugal and Spain. These actions give the group's subsidiaries reduced production, logistics and distribution costs while allowing the group to accompany market evolution. The program also entails significant headcount reduction.

In 2013, Lecta permanently closed the production line n°6 of Condat, reducing its CWF production capacity by 130,000 metric tonnes. Lecta also outsourced the transport activity of its distributor in France in order to turn fixed costs into variable. In addition, Lecta launched the restructuring of its distributor in Italy and closed three warehouses. Seven more were subsequently closed.

In 2014, Lecta continued the restructuring of its distribution structure with the closure of one warehouse in France. Lecta also closed Berrobi-Uranga mill in January 2014, with a production capacity of 27,000 metric tonnes of paper, and Sarrià de Ter mill and its cogeneration plant with a production capacity of 65,000 metric tonnes of paper and a power of 25 MW respectively. Lecta also installed a second-hand paper machine n°7 in Zaragoza with a production capacity of 141,000 metric tonnes of base paper and uncoated woodfree.

In 2015, Lecta outsourced the non-core activities of its Sant Joan mill in Spain.

In 2016 and 2017, Lecta continued its general company-wide organization efficiency program with job position reductions. The most significant costs reduction initiatives are summarized in the Note 3.3 to the Annual report.

Effect of Currency Fluctuations

Lecta sales are denominated principally in euro. They are also denominated in pounds sterling, U.S. dollar and other currencies. The principal raw material, pulp, is a commodity priced in U.S. dollar. The other costs are predominantly denominated in euro.
As a consequence, Lecta is structurally a net buyer of U.S. dollars. As such, all other things being equal, a weakening of the U.S. dollar would have a positive impact on the earnings. However, the U.S. dollar price of pulp and the euro price of paper are correlated to the U.S. dollar such that in the long run, a weakening of the U.S. dollar exerts downward pressure on euro paper prices and upward pressure on pulp prices.
Lecta has a policy of hedging its foreign exchange exposure on non-euro denominated sales and purchases once they are committed. It only hedges a low portion of its projected foreign exchange flows.

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's revenue consists of net sales of paper and sales of energy (see the above section *Overview*). 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 year and quarter ended 31 December 2017, with the prior year and quarters:

Net Sales of Paper

Products & Services	31 Dec	31 Dec	Change		Q4	Q4	Change		Q4	Q3	Change	
(in EUR M)	2017	2016	absolute	%	2017	2016	absolute	%	2017	2017	absolute	%
Coated Woodfree	755	779	-24	-3%	199	196	+3	+1%	199	179	+19	+11%
Specialties	433	402	+31	+8%	105	101	+4	+4%	105	105	+0	+0%
Purchased products	177	168	+8	+5%	49	44	+5	+11%	49	39	+10	+24%
Total	**1,364**	**1,349**	+15	+1%	**353**	**342**	+11	+3%	**353**	**324**	+29	+9%

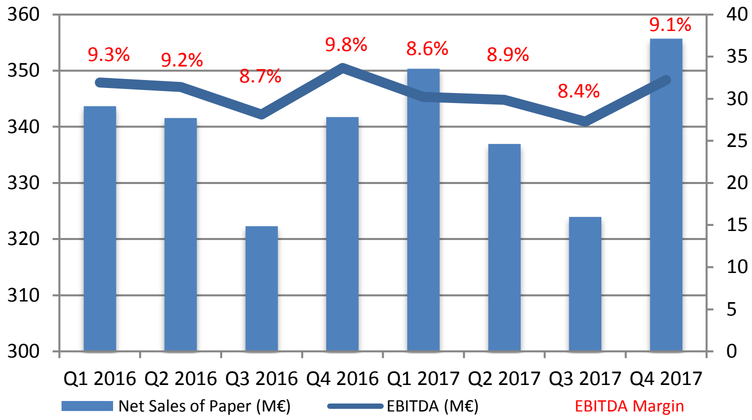
EBITDA

Products & Services	31 Dec	31 Dec	Change		Q4	Q4	Change		Q4	Q3	Change	
(in EUR M)	2017	2016	absolute	%	2017	2016	absolute	%	2017	2017	absolute	%
Coated Woodfree	61	76	-15	-20%	16	21	-5	-25%	16	15	1	+6%
Specialties	50	41	9	+23%	14	10	3	+34%	14	12	2	+19%
Purchased products	8	8	0	+5%	3	3	0	+11%	3	1	2	+188%
Total	**120**	**125**	**-5**	-4%	**32**	**34**	-1	-4%	**32**	**27**	+5	+18%

EBITDA Margin

Products & Services	31 Dec	31 Dec	Change	Q4	Q4	Change	Q4	Q3	Change
(in EUR M)	2017	2016	Percentage points	2017	2016	Percentage points	2017	2017	Percentage points
Coated Woodfree	8.1%	9.8%	-1.7	7.8%	10.6%	-2.8	7.8%	8.2%	-0.4
Specialties	11.6%	10.2%	+1.5	13.1%	10.1%	+2.9	13.1%	11.0%	+2.1
Purchased products	4.7%	4.7%	-0.0	6.1%	6.1%	+0.0	6.1%	2.6%	+3.5
Total	**8.8%**	**9.3%**	-0.5	**9.1%**	**9.8%**	-0.7	**9.1%**	**8.4%**	+0.7

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

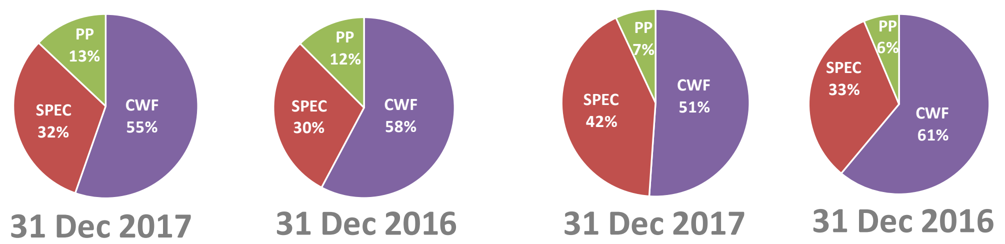


Breakdown of Net Sales of Paper and EBITDA by Product and Service:

	Net Sales of Paper			EBITDA		
	2017	**2016**	**Change**	**2017**	**2016**	**Change**
Coated Woodfree	**55%**	58%	-2pp	**51%**	61%	-10pp
Specialties	**32%**	30%	+2pp	**42%**	33%	+9pp
Purchased products	**13%**	12%	+0pp	**7%**	6%	+1pp
	100%	100%		**100%**	100%	

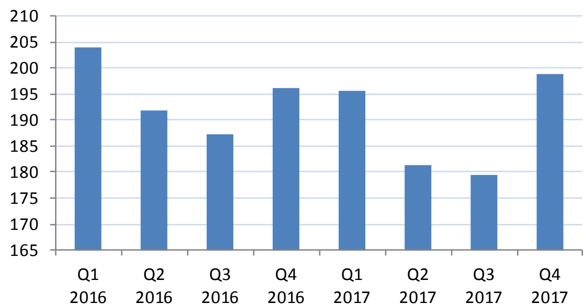
CWF: Coated WoodFree
SPEC: Specialities
PP: Purchased products

Net Sales of Paper **EBITDA**



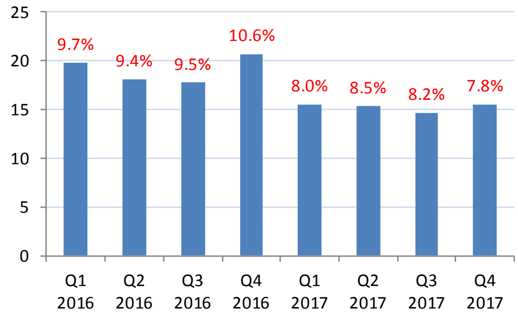
CWF

Net Sales of Paper
(in EUR M)



EBITDA
(in EUR M)

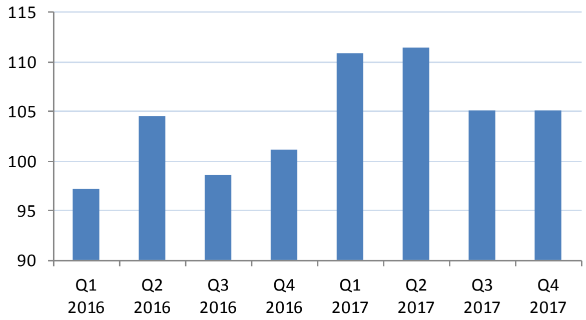
(EBITDA Margin)



In 4Q2017, the net sales of Coated Woodfree were €199 million vs €196 million in 4Q2016, an increase of €3 million or +2%. The Ebitda at €16 million was lower than in 4Q2016 (€21 million). This decrease was mainly due to an increase of raw materials price and distribution costs partly offset by an increase of the sales price and a reduction in net energy costs and fixed expenses.

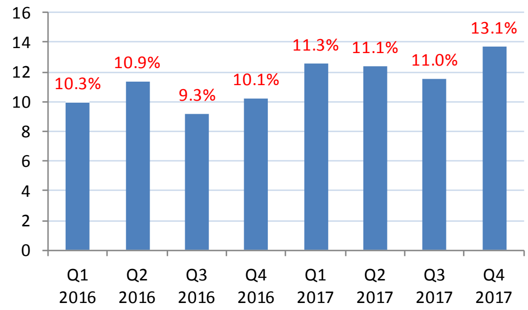
Specialties

Net Sales of Paper
(in EUR M)



EBITDA
(in EUR M)

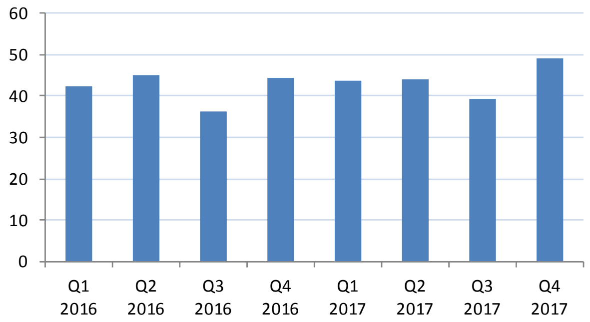
(EBITDA Margin)



In 4Q2017, the net sales of Specialties at €105 million vs €101 million in 4Q2016, an increase of €4 million or +4%. The Ebitda at €14 million was higher than in 4Q2016 (€10 million). This increase was mainly thanks to an increase in sales price and a reduction in net energy cost.

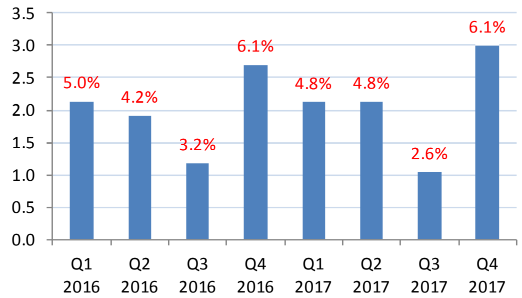
Purchased products

Net Sales of Paper
(in EUR M)



EBITDA
(in EUR M)

(EBITDA Margin)



In 4Q2017, the net sales of Purchased products were €49 million vs €44million in 4Q2016, an increase of €5 million or +11%. The Ebitda at €3 million was slightly higher than 4Q2016.

Three Months Ended 31 December 2017 Compared to Three Months Ended 31 December 2016

The following table sets forth Lecta's income statement line items in absolute numbers, as a percentage of revenue for the quarters ended 31 December 2017 and 31 December 2016 and in the percentage change quarter over quarter:

	Three months ended 31 December					
(in millions of euro, except percentages)	**2017** (unaudited)	**%**	**2016** (unaudited)	**%**	**Change**	**% change**
Volume sold (in thousands of metric tonnes)	391.5		390.3		+1.1	+0.3%
Revenue	377.9	100.0	364.4	100.0	+13.5	+3.7%
Change in inventories of finished goods and work in progress	(10.9)	(2.9)	(4.2)	(1.2)	-6.7	+157.4%
Raw materials and consumables used	(189.1)	(50.0)	(176.1)	(48.3)	-13.0	+7.4%
Labor costs	(48.4)	(12.8)	(48.6)	(13.3)	+0.1	-0.3%
Other operating costs except non-recurring items	(97.3)	(25.7)	(101.9)	(28.0)	+4.6	-4.5%
EBITDA	32.2	8.5	33.7	9.2	-1.4	-4.2%
Depreciation	(12.8)	(3.4)	(14.4)	(3.9)	+1.6	-10.9%
Amortization	(0.0)	(0.0)	(0.0)	(0.0)	+0.0	-32.6%
Non-recurring items	4.8	1.3	3.1	0.8	+1.7	+55.5%
Profit from operations	24.2	6.4	22.3	6.1	+1.9	+8.3%
Net finance costs	(15.5)	(4.1)	(17.1)	(4.7)	+1.6	-9.5%
Profit (loss) before tax from continuing operations	8.7	2.3	5.2	1.4	+3.5	+67.0%
Income tax	(6.4)	(1.7)	12.1	3.3	-18.5	-152.9%
Profit (loss) after tax from continuing operations	2.3	0.6	17.3	4.8	-15.1	-86.9%
Profit (loss) after tax from discontinued operations	0.0	0.0	0.0	0.0	+0.0	-
Profit (loss) after tax	2.3	0.6	17.3	4.8	-15.1	-86.9%

Revenue

For the fourth quarter ended 31 December 2017 Lecta had revenue of €377.9 million versus €364.4 million in the fourth quarter ended 31 December 2016, an increase of €13.5 million or +4%. This increase was attributable to:

- Higher sales of CWF, Specialties and Purchased Products of €+11.3 million or +3%, from €341.8 million in 4Q2016 to €353.1 million in 4Q2017, resulting from higher sales volumes of 1,100 metric tonnes or +0%, 391,500 metric tonnes in 4Q2017 vs 390,300 metric tonnes in 4Q2016, and an increase in average net sales price of +26€/t or +3%, 902€/t in 4Q2017 vs 876€/t in 4Q2016; and
- Higher sales of energy of €+2.2 million or +10%, from €22.7 million in 4Q2016 to €24.9 million in 4Q2017, resulting from lower sales volumes of -13,000 MWh or -4%, 285,000 MWh in 4Q2017 vs 298,000 MWh in 4Q2016, more than offset by an increase in average net sales price of +11€/MWh or +15%, 87€/MWh in 4Q2017 vs 76€/MWh in 4Q2016.

Raw Materials and Consumables Used

The costs of raw materials and consumables used increased by €13.0 million, or +7%, from €176.1 million in 4Q2016 to €189.1 million in 4Q2017, and as a percentage of revenue they increased from 48.3% in 4Q2016 to 50.0% in 4Q2017. The absolute increase was mainly attributable to slightly higher purchased volumes, and an increase in the average consumption price of pulp (+99€/t) from 4Q2016 to 4Q2017.

Labor Costs

Labor costs decreased by €0.1 million, or -0%, from €48.6 million in 4Q2016 to €48.4 million in 4Q2017, and as a percentage of revenue they decreased from 13.3% in 4Q2016 to 12.8% in 4Q2017.
The headcount decreased by 10 heads, from 3,283 employees in 4Q2016 to 3,274 employees in 4Q2017.

Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items decreased by €4.6 million, or -5%, from €101.9 million in 4Q2016 to €97.3 million in 4Q2017, and as a percentage of revenue they decreased from 28.0% in 4Q2016 to 25.7% in 4Q2017. The absolute decrease was essentially due to lower costs of packaging materials, maintenance and overhead costs, partly compensated by higher costs of energy, outsourcing, distribution, selling variable costs and production consumables.

EBITDA

EBITDA decreased by €1.4 million, or -4%, from €33.7 million in 4Q2016 to €32.2 million in 4Q2017. This decrease was the result of higher costs of outsourcing, distribution, selling variable costs and production consumables, partly compensated by lower net energy costs, packaging materials, labor, maintenance and overhead costs, in a context of lower unit gross margin.

Depreciation and Amortization

Depreciation and amortization decreased by €1.6 million, or -11%, from €14.4 million in 4Q2016 to €12.8 million in 4Q2017.

Non-recurring items

In 4Q2017, Lecta recorded a non-recurring income of €+4.8 million, including €+4.1 million of organization efficiency program income thanks to the reversal of unused provisions. In 4Q2016, Lecta recorded a non-recurring income of €+3.1 million, including €+1.9 million of capital gain on the disposal of plots of land and €+0.9 million of organization efficiency program income thanks to the reversal of unused provisions.

Finance Costs

Finance costs decreased by €1.6 million or -10%, from €17.1 million in 4Q2016 to €15.5 million in 4Q2017.

Income Tax

Lecta recorded an income tax charge of €6.4 million in 4Q2017 and income tax profit of €12.1 million in 4Q2016.

Twelve Months Ended 31 December 2017 Compared to Twelve Months Ended 31 December 2016

The following table sets forth Lecta's income statement line items in absolute numbers, as a percentage of revenue for the twelve Months ended 31 December 2017 and 31 December 2016 and as the percentage change period over period:

	Year Ended 31 December					
(in millions of euro, except percentages)	2017 (audited)	%	2016 (audited)	%	Change	% change
Volume sold (in thousands of metric tonnes)	1,533.1		1,513.1		+20.0	+1.3%
Revenue	1,458.6	100.0	1,419.7	100.0	+39.0	+2.7%
Change in inventories of finished goods and work in progress	2.8	0.2	0.1	0.0	+2.7	-
Raw materials and consumables used	(749.8)	(51.4)	(710.4)	(50.0)	-39.4	+5.5%
Labor costs	(192.3)	(13.2)	(192.8)	(13.6)	+0.5	-0.3%
Other operating costs except non-recurring items	(399.8)	(27.4)	(391.5)	(27.6)	-8.3	+2.1%
EBITDA	119.6	8.2	125.1	8.8	-5.5	-4.4%
Depreciation	(53.3)	(3.7)	(55.3)	(3.9)	+2.0	-3.6%
Amortization	(0.2)	(0.0)	(0.2)	(0.0)	-0.1	+40.1%
Non-recurring items	0.5	0.0	(1.4)	(0.1)	+1.8	-133.8%
Profit from operations	66.6	4.6	68.3	4.8	-1.7	-2.5%
Net finance costs	(61.9)	(4.2)	(89.0)	(6.3)	+27.1	-30.5%
Profit (loss) before tax from continuing operations	4.7	0.3	(20.7)	(1.5)	+25.4	-122.6%
Income tax	(12.8)	(0.9)	9.0	0.6	-21.8	-
Profit (loss) after tax from continuing operations	(8.1)	(0.6)	(11.7)	(0.8)	+3.6	-31.1%
Profit (loss) after tax from discontinued operations	0.0	0.0	0.0	0.0	+0.0	-
Profit (loss) after tax	(8.1)	(0.6)	(11.7)	(0.8)	+3.6	-31.1%

Revenue

For the twelve months ended 31 December 2017, Lecta had revenue of €1,458.6 million versus €1,419.7 million in the twelve months ended 31 December 2016, an increase of €39.0 million or +3%. This increase was attributable to:

- Higher sales of CWF, Specialties and Purchased Products of €+15.0 million or +1%, from €1,349.3 million in twelve months ended 31 December 2016 to €1,364.3 million in twelve months ended 31 December 2017, resulting from higher sales volumes of 20,000 metric tonnes or +1%, 1,533,100 metric tonnes in twelve months ended 31 December 2017 vs 1,513,100 metric tonnes in twelve months ended 31 December 2016, but a decrease in average net sales price of -2€/t or -0%, 890€/t in twelve months ended 31 December 2017 vs 892€/t in twelve months ended 31 December 2016; and
- Higher sales of energy of €+24.0 million or +34%, from €70.4 million in twelve months ended 31 December 2016 to €94.3 million in twelve months ended 31 December 2017, resulting from higher sales volumes of 9,000 MWh or +1%, 1,145,000 MWh in twelve months ended 31 December 2017 vs 1,137,000 MWh in twelve months ended 31 December 2016, and an increase in average net sales price of +20€/MWh or +33%, 82€/MWh in twelve months ended 31 December 2017 vs 62€/MWh in twelve months ended 31 December 2016.

Raw Materials and Consumables Used

The costs of raw materials and consumables used increased by €39.4 million or +6% from €710.4 million in twelve months ended 31 December 2016 to €749.8 million in twelve months ended 31 December 2017 and as a percentage of revenue they increased from 50.0% in twelve months ended 31 December 2016 to 51.4% in twelve months ended 31 December 2017. The absolute increase was mainly attributable to higher purchased volumes and and an increase in the average consumption prices of pulp (+41€/t) and latex.

Labor Costs

Labor costs decreased by €0.5 million, or -0%, from €192.8 million in twelve months ended 31 December 2016 to €192.3 million in twelve months ended 31 December 2017, and as a percentage of revenue they decreased from 13.6% in twelve months ended 31 December 2016 to 13.2% in twelve months ended 31 December 2017. This decrease in absolute value was attributable to a decrease in the average headcount of 16 heads from 3,309 employees in twelve months ended 31 December 2016 to 3,293 employees in twelve months ended 31 December 2017.

Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items increased by €8.3 million, or +2%, from €391.5 million in twelve months ended 31 December 2016 to €399.8 million in twelve months ended 31 December 2017 and, as a percentage of revenue, they decreased from 27.6% in twelve months ended 31 December 2016 to 27.4% in twelve months ended 31 December 2017. The absolute increase was essentially due to higher costs of energy, packaging materials, outsourcing, distribution, selling variable and production consumables costs, partly offset by a decrease in maintenance and overheads costs.

EBITDA

EBITDA decreased by €5.5 million, or -4%, from €125.1 million in twelve months ended 31 December 2016 to €119.6 million in twelve months ended 31 December 2017. This decrease was the result of higher costs of packaging materials, outsourcing, distribution, selling variable and production consumables costs, partly offset by higher sales of paper in volume, lower net energy costs, labor, maintenance, and overheads costs, in a context of lower unit gross margin.

Depreciation and Amortization

Depreciation and amortization decreased by €1.9 million, or -4%, from €55.4 million in twelve months ended 31 December 2016 to €53.5 million in twelve months ended 31 December 2017.

Non-recurring items

In twelve months ended 31 December 2017, Lecta recorded a non-recurring income of €+0.5 million, including €+5.1 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, €-6.0 million associated to the attempt of private placement to institutional investors (see the section Projects and plans), and €+2.0 million of Organization efficiency program income thanks to the reversal of unused provisions.
In twelve months ended 31 December 2016, Lecta recorded a non-recurring charge of €-1.4 million, including €+1.8 million of capital gain on the disposal of plots of land and €-3.3 million of organization efficiency program charge.

Finance Costs

Finance costs decreased by €27.1 million or -31%, from €89.0 million in twelve months ended 31 December 2016 to €61.9 million in twelve months ended 31 December 2017. The finance costs in twelve months ended 31 December 2016 were impacted by 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

In twelve months ended 31 December 2017, Lecta recorded an income tax charge of €12.8 million. There was an income tax profit of €9.0 million in twelve months ended 31 December 2016.

Research & Development

Research and development increased from €3.2 million in twelve months ended 31 December 2016 to €4.9 million in twelve months ended 31 December 2017. These costs were expensed as incurred.

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, fully available on 31 December 2017.

Cash

At 31 December 2017, Lecta had €141.1 million of cash and cash equivalent.

Capital Resources

Lecta's total capital resources amounted to €110.0 million in Total equity and €606.0 million in Non-current interest-bearing borrowings as at 31 December 2017, compared to €118.3 million and €618.1 million, respectively, as at 31 December 2016. In addition, Current interest-bearing borrowings amounted to €18.5 million as at 31 December 2017, compared to €13.8 million as at 31 December 2016.

CASH FLOW

Three Months ended 31 December 2017 Compared to Three Months ended 31 December 2016

Lecta's cash flows for the three months ended 31 December 2017 and 31 December 2016 were as follows:

	Three months ended 31 December		
(in millions of euro)	2017 (unaudited)	2016 (unaudited)	Change
Cash flows from (used in) operating activities			
EBITDA	32.2	33.7	-1.4
Inventories	12.8	1.4	+11.4
Trade receivables	(4.9)	(4.1)	-0.9
Prepayments	2.4	1.0	+1.3
Trade payables	16.6	12.2	+4.4
Working capital	26.9	10.6	+16.3
Provisions	1.3	(0.3)	+1.6
Greenhouse gas emission rights	(2.5)	(0.1)	-2.4
Proceeds (payments) related to non-recurring items	(1.6)	(1.1)	-0.4
Income tax paid	(2.7)	(2.7)	+0.0
Net cash flow (used in) / from operating activities	53.6	40.0	+13.6
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(12.8)	(11.2)	-1.6
Proceeds from disposal of property, plant and equipment	0.0	1.1	-1.0
Receipt of grants	(4.0)	1.0	-4.9
Purchase of other assets	(0.2)	(0.1)	-0.1
Proceeds from disposal of other assets	(0.1)	0.0	-0.1
Net cash flow (used in) / from investing activities	(17.1)	(9.3)	-7.8
Cash flows from (used in) financing activities			
Dividends paid to non-controlling interest	(0.8)	0.0	-0.8
Interest paid	(9.1)	(10.5)	+1.5
Issue costs of borrowings	(0.0)	(3.1)	+3.0
Proceeds from borrowings	16.2	3.5	+12.7
Repayment of borrowings	(19.9)	(6.9)	-13.0
Payments of finance lease liabilities	(0.0)	(0.3)	+0.2
Net cash flow (used in) / from financing activities	(13.6)	(17.3)	+3.7
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	22.9	13.4	+9.5
Net foreign exchange difference	(0.1)	0.0	-0.2
Cash & cash equivalents net of Bank overdrafts at 1 October	103.6	101.4	+2.2
Cash & cash equivalents net of Bank overdrafts at period end	126.4	114.8	+11.6
Of which cash and cash equivalents	141.1	134.4	+6.7
Of which bank overdrafts	(14.7)	(19.6)	+4.9

During the three months ended 31 December 2017, Lecta's cash and cash equivalents increased by €20.5 million or +17%, from €120.6 million at 1 October 2017 to €141.1 million at 31 December 2017. The principal uses of cash during the three months ended 31 December 2017 were for Payments related to CO2 emission rights of €-2.5 million, Payments related to non-recurring items of €-1.6 million, Income tax paid of €-2.7 million, Purchase of property plant and equipment of €-12.8 million, Interest payments of €-9.1 million and Repayment of borrowings net of Proceeds from borrowings of €-3.7 million.

During the three months ended 31 December 2017, the cash flows from operating activities were €+53.6 million, €+13.6 million more than reported during the three months ended 31 December 2016. The principal sources and uses of cash in operating activities were from:

- Ebitda of €+32.2 million;
- Decrease in Working capital of €+26.9 million due to reductions in inventories (impact of €+12.8 million), and in prepayments (impact of €+2.4 million), and increases in trade receivables (impact of €-4.9 million), and in trade payables (impact of €+16.6 million);
- Provisions of €+1.3 million;
- Greenhouse gas emission rights of €-2.5 million consisting in anticipated purchases of CO2 emission rights, reported in "Other intangible assets";

- Payments related to non-recurring items of €-1.6 million, mainly in relation with the Organization efficiency program;
- Income tax payments of €-2.7 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 31 December 2017.

During the three months ended 31 December 2017, the cash flows used in investing activities were €-17.1 million, €-7.8 million more than the cash flows used in investing activities during the three months ended 31 December 2016. The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €-12.8 million;
- Receipt of grant of €-4.0 million, part of it in relation with the 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 collected as at 31 December 2017;
- Purchase of other assets of €-0.2 million.

During the three months ended 31 December 2017, the cash flows used in financing activities were €-13.6 million, €+3.7 million less than the cash flows used in financing activities during the three months ended 31 December 2016. The principal uses of cash in financing were for:

- Dividends paid to non-controlling interest of €-0.8 million;
- Interest paid of €-9.1 million;
- Repayment of borrowings net of Proceeds from borrowings of €-3.7 million.

Twelve Months ended 31 December 2017 Compared to Twelve Months ended 31 December 2016

Lecta's cash flows for the Twelve Months ended 31 December 2017 and 31 December 2016 were as follows:

	Year ended 31 December		
(in millions of euro)	2017 (audited)	2016 (audited)	Change
Cash flows from (used in) operating activities			
EBITDA	119.6	125.1	-5.5
Inventories	(5.8)	(3.1)	-2.7
Trade receivables	(5.0)	29.8	-34.8
Prepayments	0.9	(0.3)	+1.2
Trade payables	25.9	(36.1)	+62.0
Working capital	16.1	(9.7)	+25.8
Provisions	2.2	1.7	+0.5
Greenhouse gas emission rights	(3.3)	(2.7)	-0.6
Proceeds (payments) related to non-recurring items	(8.5)	(5.3)	-3.2
Income tax paid	(6.0)	(5.8)	-0.2
Net cash flow (used in) / from operating activities	120.1	103.4	+16.8
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(38.7)	(42.0)	+3.3
Proceeds from disposal of property, plant and equipment	5.9	1.1	+4.8
Receipt of grants	(4.4)	(0.9)	-3.6
Purchase of subsidiary, net of cash acquired	0.1	(0.0)	+0.1
Disposal of subsidiary, net of cash sold	0.0	(0.2)	+0.2
Purchase of other assets	(0.2)	(0.5)	+0.3
Proceeds from disposal of other assets	0.0	0.0	-0.0
Net cash flow (used in) / from investing activities	(37.3)	(42.5)	+5.2
Cash flows from (used in) financing activities			
Dividends paid to non-controlling interest	(0.8)	0.0	-0.8
Interest paid	(59.7)	(54.5)	-5.2
Issue costs of borrowings	(1.1)	(27.1)	+26.1
Proceeds from borrowings	34.7	639.5	-604.7
Repayment of borrowings	(43.7)	(636.6)	+592.8
Payments of finance lease liabilities	(0.5)	(0.4)	-0.0
Net cash flow (used in) / from financing activities	(71.1)	(79.2)	+8.1
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	11.7	(18.3)	+30.1
Net foreign exchange difference	(0.2)	0.6	-0.8
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	126.4	114.8	+11.6
Of which cash and cash equivalents	141.1	134.4	+6.7
Of which bank overdrafts	(14.7)	(19.6)	+4.9

During the twelve months ended 31 December 2017, Lecta's cash and cash equivalents increased by €6.7 million or +5%, from €134.4 million at 1 January 2017 to €141.1 million at 31 December 2017. The principal uses of cash during the twelve Months ended 31 December 2017 were for Payments related to CO2 emission rights of €-3.3 million, Payments related to non-recurring items of €-8.5 million, Income tax paid of €-6.0 million, Purchase of property plant and equipment of €-38.7 million, Interest payments of €-59.7 million and Repayment of borrowings net of Proceeds from borrowings of €-9.0 million.

During the twelve months ended 31 December 2017, the cash flows from operating activities were €+120.1 million, €+16.8 million more than reported during the twelve months ended 31 December 2016. The principal sources and uses of cash in operating activities were from:

- Ebitda of €+119.6 million;
- Decrease in Working capital of €+16.1 million due to increases in inventories (impact of €-5.8 million), in trade receivables (impact of €-5.0 million) and in trade payables (impact of €+25.9 million), and reduction in prepayments (impact of €+0.9 million);
- Greenhouse gas emission rights of €-3.3 million;
- Payments related to non-recurring items of €-8.5 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 €-6.0 million, of which €-1.0 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 twelve months ended 31 December 2017.

During the twelve months ended 31 December 2017, the cash flows used in investing activities were €-37.3 million, €+5.2 million less than the cash flows used in investing activities during the twelve months ended 31 December 2016. The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €-38.7 million;
- Proceeds from property, plant and equipment of €+5.9 million;
- Receipt of grants of €-4.4 million in relation with the 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 collected during the twelve months ended 31 December 2017;
- Purchase of subsidiary, net of cash acquired of €+0.1 million;
- Purchase of other assets of €-0.2 million.

During the twelve months ended 31 December 2017, the cash flows used in financing activities were €-71.1 million, €+8.1 million less than the cash flows used in financing activities during the twelve months ended 31 December 2016. The principal uses of cash in financing were for:

- Dividends paid to non-controlling interest of €-0.8 million
- Interest paid of €-59.7 million;
- Issue costs of borrowings of €-1.1 million;
- Repayment of borrowings net of Proceeds from borrowings of €-9.0 million;
- Payment 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 distribution operations, and (iv) the identification of exit and refinancing 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 31 December 2017, capital expenditures were €12.8 million, i.e. €3.6 million for major paper machine rebuilds, €1.2 million for cost reduction and productivity improvement, €6.4 million for maintenance, €1.1 million for information technology, €1.8 million for environment and safety, and an increase of €1.2 million in capital payables.

In the twelve months ended 31 December 2017, capital expenditures were €38.8 million, i.e. €19.5 million for major paper machine rebuilds, €4.6 million for cost reduction and productivity improvement, €16.0 million for maintenance, €5.8 million for information technology, €11.7 million for environment and safety, and an increase of €19.0 million in capital payables.

Organization Efficiency Program

Refer to the above section **Cost-Savings Measures and Efficiency of Operations** in page 2.

Contractual Obligations

The following table summarizes Lecta's contractual obligations and principal payments as of 31 December 2017 under debt instruments, capital and operating leases and other agreements. The information presented in the table below reflects the estimates of the contractual maturities of obligations. These maturities may differ significantly from the actual maturity of these obligations.

(in millions of euro)	Total	Less than 1 year	More than 1 year
RCF	0.2	0.2	0.0
Notes	612.5	12.5	600.0
Other debt	21.1	5.0	16.1
Debt on assigned receivables	0.0	0.0	0.0
Capital lease obligations	0.8	0.4	0.4
Bank overdrafts	14.7	14.7	0.0
Interest rate hedging	(0.0)	(0.0)	0.0
Other IFRS adjustments	(10.2)	(2.0)	(8.2)
Total debt	**639.1**	**30.8**	**608.3**
Operating leases	30.7	6.4	24.2
Total contractual obligations (1)	**669.8**	**37.2**	**632.6**

(1) The contractual obligations included in the above table include accrued interest or outstanding purchase obligations. The outstanding purchase obligations are entered into in the normal course of business.

Employee Benefits

Lecta currently operates defined contribution pension plans and defined benefit pension plans for its employees.

The employee benefit provisions primarily comprise obligations under the pension plans, death and disability plans, staff leaving indemnities and long-term service awards. The employee benefit provisions amounted to €25.7 million as at 31 December 2017 vs €27.7 million as at 31 December 2016.

Contingent Liabilities

Lecta is involved from time to time in legal proceedings and other claims that arise in the normal course of business. In the judgment of management no losses, in excess of provisions made or covered by insurance programs, which would be material in relation to Lecta's financial position are likely to arise in respect of these matters, although their occurrence may have a significant effect on periodic results.

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.

In December, Alto Garda Power SrL presented a claim against GSE petition in administrative court of Rome.

GSE SpA agreed with Alto Garda Power SrL to postpone the claimed reimbursement waiting for the decision of the court, and during this period the green certificates granted for the years 2016-2017 and recognized in Other receivables will not be cashed.

Alto Garda Power SrL is confident on the rightness of its position and reserves its rights to defend its own interests.

Off-Balance Sheet Arrangements

Lecta avails itself of certain off-balance sheet arrangements like derecognition of receivables and supply-chain finance. Most of these arrangements have been in place for a long time, and Lecta has no reason to believe that they will cease to be available in the future.

Events After the Statement of Financial Position Date

Nothing to be reported

Sensitivity Analysis

Lecta's profitability is affected by a number of variables. The table below illustrates how a change in selected factors (on the assumption that other factors are neutral) related to the business may affect Lecta's financial performance on an annual basis.

	Percentage Change	Estimated effect on EBITDA (in millions of euro)
Paper prices	+/-1%	+/-13.6
Volumes	+/-1%	+/-3.5
Currency:		
USD against EUR [(1)]	+/-1%	-/+1.6
GBP against EUR	+/-1%	+/-0.7
Pulp prices	+/-1%	-/+2.9
Energy costs	+/-1%	-/+0.5

(1) A one percent weakening of the U.S. dollar against the euro, with all other things being equal, would result in a €1.6 million increase in the EBITDA. However, the weakening of the U.S. dollar against the euro tends to exert downward pressure on euro paper prices and upward pressure on U.S. dollar pulp prices that may have an adverse effect on Lecta's results of operations.

Financial Risk Management

Customer Credit Risk

Lecta Group strictly monitors the customer credit risk. Lecta's ten largest customers of paper account for circa 20% of sales of paper. Credit insurance covers a large part of the Trade receivables. Lecta's customers of energy are large multinational corporations.

(in EUR K)	31 Dec 2017	31 Dec 2016
Gross amount of Trade receivables	239,278	234,693
Impairment	(16,162)	(16,531)
Trade receivables as per Balance sheet	223,115	218,162
of which not past due	211,517	199,029
of which past due:	11,598	19,133
Amount covered by a credit insurance	9,835	16,315
Amount of recoverable VAT	296	609
Amount eligible to credit risk,	**1,467**	**2,209**
past due since less than one month	1,263	1,558
past due since more than one month but no later than three months	262	525
past due since more than three months but no later than one year	(58)	126
past due since more than one year but no later than five years	0	0
past due since more than five years		0

The line "Impairment" includes a bad debt provision of €9.7 million as at 31 December 2017 (€10.0 million as at 31 December 2016) already booked at the time of Polyedra's acquisition in 2012 (see Note 2.2 to the Annual report). Its progressive reduction follows the conversion of the provision into a real bad debt charge, tax deductible or not.

Liquidity risk

Since the Refinancing of 27 July 2016, the liquidity risk can be considered as remote.

Market risk

Lecta Group profit is affected by cyclical changes in the overall economic activity and exposed to variations in the price of paper, raw materials and energy. To reduce their impacts:

- Lecta Group customer base is highly diversified in terms of geography and channels of sales.
- Lecta Group produces part of its needs of pulp (circa 30%) and base paper (circa 87%), the main raw materials used in the production of Coated Woodfree and Specialties. It also produces part of its energy requirement.
- Lecta Group signed multi-year contracts of pulp or other raw materials supply.
- Lecta Group signed multi-year contracts of energy supply.

Lecta does not currently hedge against the fluctuations of raw materials prices.

Foreign Currency Exchange Risk

The Lecta Group operations are impacted by the fluctuations of the non-euro currencies, mainly USD and GBP.

At 31 December 2017, ordinary sales and purchases were specifically hedged through:
- Forward agreements on realized sales in foreign currencies: €32.8 million.
- Forward agreements on realized purchases in foreign currencies: €28.0 million.

The impact of these contracts has been accounted for as fair value hedging, hence recognized in the Income statement.

At 31 December 2017, there were no options on future sales in foreign currencies and on future purchases in foreign currencies. Therefore, nothing had to be fair valued through Income statement.

At 31 December 2017, there were no mid or long-term currency forward contracts for the purpose of hedging the fluctuation of exchange rate of USD against EUR of mid or long-term agreements. If any, the impact of such contracts would be accounted for as cash flow hedge. The intrinsic value, considered as effective, would be recognized directly in Equity while the time value would be considered as ineffective, and thus recognized in the Income statement.

Interest Rate Risk

2012 Floating Rate Notes:
[1] On 3 May 2013, the interest rate of 26% of the Floating rate notes (“2012 notes”) was hedged with a Swap to exchange 3-month Euribor variable rate against fixed rate of 0.385% for the period from mid-August 2013 to mid-February 2016.
[2] On 24 April 2014, the interest rate of 26% of the Floating rate notes(“2012 notes”) was hedged with a Cap indexed to 3-month Euribor for the period from mid-August 2014 to mid-August 2016.
[3] On 3 October 2014, the interest rate of 26% of the Floating rate notes(“2012 notes”) was hedged with a Cap indexed to 3-month Euribor for the period from mid-November 2014 to mid-August 2016.

Alto Garda Power SrL:
[4] On 5 September 2007, the interest rate of 50% of the forecast debt in Alto Garda Power SrL was hedged with a Collar indexed to 6-month Euribor for the period from June 2007 to December 2018.
On 16 March 2010, the interest rate of 25% of the forecast debt was hedged with a Swap to exchange 6-month Euribor variable rate against fixed rate of 2.995% for the period June 2010 to December 2018.
In December 2012, Alto Garda Power SrL voluntarily repaid EUR 12 M of its debt. Following this repayment, the notional amounts of the Collar and the Swap were higher than the debt. Consequently, the Collar and part of the Swap was considered as hedging instruments, while the balance of the Swap was no more considered as hedging instrument.
On 18 December 2013, the Swap to exchange 6-month Euribor variable rate was terminated.
On 28 February 2017, the Collar was also terminated.

IDAE Sant Joan AIE:
[5] On 23 July 2010, the interest rate of 75% of the forecast debt in IDAE Sant Joan AIE was hedged with a Swap to exchange 1-month Euribor variable rate against fixed rate of 2.14% for the period from June 2011 to March 2016.

[6] On 23 December 2015, the interest rate of 70% of the forecast debt in IDAE Sant Joan AIE was hedged with a Cap indexed to 3-month Euribor for the period from June 2016 to September 2018. This Cap took effect 3 months after the termination of the prior interest rates hedge of the forecast debt in IDAE Sant Joan AIE (See [5]).

The main characteristics of the above instruments are as follows:

(in EUR K)

		Notional	Premium	Effective	Termination	Floor	Cap		Value at 31 Dec 2017		
	Instrument	amount	paid	date	date	rate	rate	Strike	Intrinsic	Time	Total
[1]	Swap 3M Euribor	100,000		15-Aug-2013	15-Feb-2016			0.385%			
[2]	Cap 3M Euribor	100,000	45	15-Aug-2014	15-Aug-2016		2.00%				
[3]	Cap 3M Euribor	100,000	5	15-Nov-2014	15-Aug-2016		2.00%				
[4]	Collar 6M Euribor	Max 27.644		29-Jun-2007	28-Feb-2017	4.05%	5.75%				
[5]	Swap 1M Euribor	Max 18,750		30-Jun-2011	31-Mar-2016			2.14%			
[6]	Cap 3M Euribor	Max 8,000	20	30-Jun-2016	30-Sep-2018		0.00%		0	0	0
									0	**0**	**0**

The impact of these agreements has been accounted for as cash flow hedge, except for the balance of the Swap in Alto Garda Power SrL that was accounted for as fair value hedge as at 31 December 2012.

For the cash flow hedge, the intrinsic value, considered as effective, was recognized directly in Equity while the time value was considered as ineffective, and thus recognized in the Income statement. For the fair value hedge, any gain or loss from re-measuring the hedging instrument at fair value is recognized in the Income statement.

Business risk

Lecta negotiates insurance policies for major risks, such as property damage & business interruption, and general liability. Lecta also invests in the prevention and the protection of its assets following the recommendations by leading insurance companies.

CO_2 emission rights

Lecta Group emits more CO_2 than the CO_2 emission rights (“ER”) granted for free. This deficit is covered with the stock of ER available at the end of the prior period, and the purchases of ER from third parties. The purchase price of ER is exposed to market fluctuations.
Lecta Group did not acquire any derivative to cover the purchase price fluctuation of ER.

Future prospects

According to the experts of the specialty papers, the demand in self-adhesive, metallized, coated 1-side, and thermal papers is expected to continue reporting positive growths ranging from +2% to +3% per year for the period 2017-2021.
According to EMGE’s report of January 2018, the European demand of CWF paper is expected to continue decreasing with a negative CAGR of -3.6% for the period 2017-2021. It has to be mitigated with the slightly positive growth of +1% observed in 2017.
In 2017, Lecta plans to continue implementing its organization efficiency program, align its production capacity in CWF to market demand, while developing its Specialty paper business.

Principal Shareholders of Lecta SA

Lecta’s controlling shareholder are companies advised, managed or owned by affiliates or employees of CVC Capital Partners. CVC owns 56.4% of the voting rights, with a group of other private equity firms, including Adavale Global Holdings Limited, ICG, MidOcean, and management holding the balance.

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;
- 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.

General

Lecta SA is a public limited liability company (société anonyme) governed by the laws of Luxembourg, its articles of incorporation and by-laws, and the Shareholders' Agreement.

Control over Lecta SA

The board of directors of Lecta SA (the ''Board of Directors'') has general responsibility for the management of Lecta SA. The Board of Directors establishes the principles of Lecta SA's strategy, and it appoints the Group CEO. The Board of Directors meets at least four times per year and the members are appointed at the annual general meeting of shareholders.

Remuneration

During the year ended 31 December 2017, the former and current members of the Board of Directors, including executive officers, received remuneration. This remuneration was charged at an aggregate cost of €1.7 million.

Ownership Interests in Lecta SA

Lecta SA has issued 19 classes of shares, including voting ordinary shares, voting and non-voting preferred shares. In addition to the voting rights conferred by law to both classes of shares or by the articles of association to the ordinary shares and some preferred shares, each share gives a right to a portion of Lecta SA's net assets on winding-up, with preferred shares having priority over ordinary shares, in proportion to the number and nominal value of the shares outstanding.

Lecta SA has also issued certain warrants to its management and some other shareholders. In the future, these warrants may be convertible into shares of Lecta SA, in variable amounts, as specified by each type of warrant.

Share capital

On 31 December 2017 the subscribed Share capital was composed of 560,366 shares with a par value of €2.58 representing €1.4 million, all shares being fully paid.

The Board of Directors is authorized, during a period of five years ending on 24 April 2018, to increase once or several times the subscribed Share capital within the limits of the authorized Share capital up to an amount of €1.7 million, i.e. by the issuance of up to 85,082 new shares all with a par value of €2.58, representing €0.2 million.
The Board of Directors is authorized, within the authorized Share capital, to issue and sell 90,399 warrants entitling the holders to subscribe for up to 90,399 new shares. At 31 December 2017, 90,378 warrants had been issued and sold, of which 69,878 had expired, 8,004 had been exercised, and 7,000 had been waived. The remaining 5,496 warrants had different rights of conversion, subject to conditions precedent, entitling holders to subscribe up to 5,496 shares.

On 31 December 2017, Lecta SA or its affiliates didn't hold shares issued by Lecta SA, and didn't acquire any of them during the year ended 31 December 2017.

The Board of Directors