

# LECTA SA and Subsidiaries

Management report for the period ended 31 December 2018.

## 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 3,250 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 2018, Lecta mills produced an aggregate of 1,327,000 metric tonnes of specialty papers and coated woodfree (“CWF”). Lecta delivered a total of 1,427,000 metric tonnes of paper, of which 1,306,000 metric tonnes of Lecta products and 121,000 metric tonnes of third party products. A total of 395,000 metric tonnes were delivered through Lecta own distributors.

During the year ended 31 December 2018, Lecta had revenue of €1,486 million and EBITDA of €116 million. Lecta marketed the paper in Europe (81%), Americas (12%) 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)	2018	2017
Volume sold of paper (in thousands of metric tonnes)	1,427	1,533
Volume sold of energy (in thousands of MWh)	1,101	1,145
Net Sales of Paper	1,390	1,364
Sales of Energy	96	94
Revenue	1,486	1,459
<b>EBITDA</b>	<b>116</b>	<b>120</b>

## MAIN CHANGES IN THE CONSOLIDATION PERIMETER

On 21 December 2018, Lecta acquired the 49% non-controlling interests in IDAE Sant Joan AIE, and the company was renamed Cogeneración Sant Joan AIE. This acquisition was made through the exercise of a call option against a cash payment of €4.1 million.

As the Non-controlling interests in Cogeneración Sant Joan AIE were €10.5 million, i.e. €9.1 million until December 2017 and €1.4 million from January to November 2018, this acquisition increased the Group’s reserves by €6.4 million, i.e. €5.0 million until December 2017 and €1.4 million from January to November 2018.

In addition, the Group now has the control of the cash held by Cogeneración Sant Joan AIE.

## **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 2018 of circa +2%.

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 -7% in 2016, slightly increased in +1% in 2017 and decreased by -9% in 2018. 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 65% 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 3,238 employees during the year ended 31 December 2018 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 group wide organization efficiency program aimed at developing the synergies through the integration of its businesses in France, Italy, Portugal and Spain, outsourcing the non-core activities, giving its subsidiaries reduced production, logistics and distribution costs, and adapting its production capacity to the evolution of the markets through conversion or closure. The program also entails significant headcount reduction.

### **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 2018, with the prior year and quarters:

#### Net Sales of Paper

Products & Services (in EUR M)	31 Dec	31 Dec	Change		Q4	Q4	Change		Q4	Q3	Change	
	2018	2017	absolute	%	2018	2017	absolute	%	2018	2018	absolute	%
Coated Woodfree	746	755	-9	-1%	185	199	-14	-7%	185	180	+5	+3%
Specialties	468	433	+36	+8%	117	105	+11	+11%	117	122	-6	-5%
Purchased products	176	177	-1	-0%	45	49	-4	-7%	45	38	+7	+19%
<b>Total</b>	<b>1,390</b>	<b>1,364</b>	<b>+26</b>	<b>+2%</b>	<b>347</b>	<b>353</b>	<b>-6</b>	<b>-2%</b>	<b>347</b>	<b>340</b>	<b>+7</b>	<b>+2%</b>

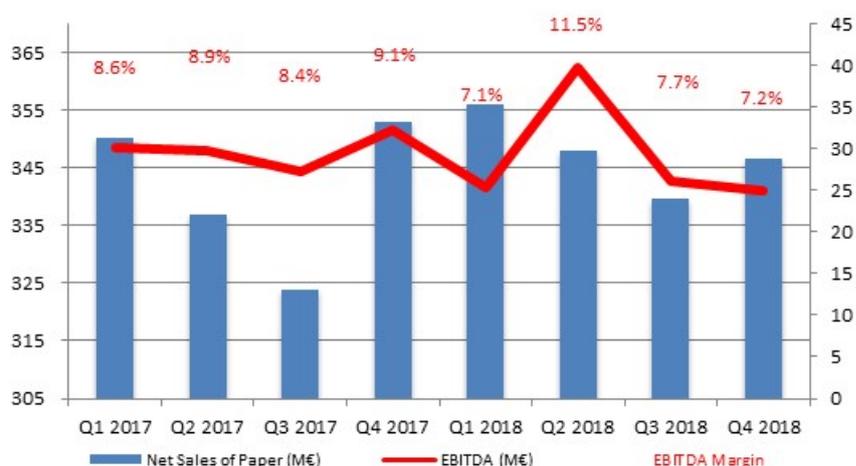
#### EBITDA

Products & Services (in EUR M)	31 Dec	31 Dec	Change		Q4	Q4	Change		Q4	Q3	Change	
	2018	2017	absolute	%	2018	2017	absolute	%	2018	2018	absolute	%
Coated Woodfree	46	61	-15	-25%	8	16	-8	-49%	8	8	-0	-1%
Specialties	63	50	+13	+26%	14	14	+1	+5%	14	17	-2	-14%
Purchased products	7	8	-1	-11%	3	3	-0	-11%	3	1	+1	+82%
<b>Total</b>	<b>116</b>	<b>120</b>	<b>-3</b>	<b>-3%</b>	<b>25</b>	<b>32</b>	<b>-7</b>	<b>-23%</b>	<b>25</b>	<b>26</b>	<b>-1</b>	<b>-5%</b>

#### EBITDA Margin

Products & Services	31 Dec	31 Dec	Change		Q4	Q4	Change		Q4	Q3	Change	
	2018	2017	Percentage points		2018	2017	Percentage points		2018	2018	Percentage points	
Coated Woodfree	6.1%	8.1%	-2.0		4.3%	7.8%	-3.5		4.3%	4.4%	-0.2	
Specialties	13.5%	11.6%	+1.9		12.4%	13.1%	-0.7		12.4%	13.7%	-1.4	
Purchased products	4.2%	4.7%	-0.5		5.9%	6.1%	-0.2		5.9%	3.8%	+2.0	
<b>Total</b>	<b>8.4%</b>	<b>8.8%</b>	<b>-0.4</b>		<b>7.2%</b>	<b>9.1%</b>	<b>-1.9</b>		<b>7.2%</b>	<b>7.7%</b>	<b>-0.5</b>	

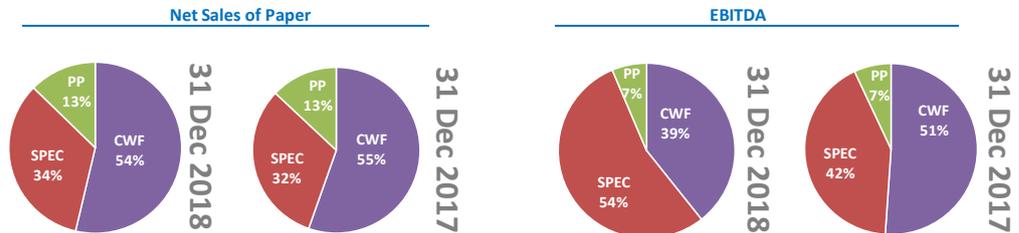
### Evolution of Net Sales of Paper, EBITDA, and EBITDA Margin:



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

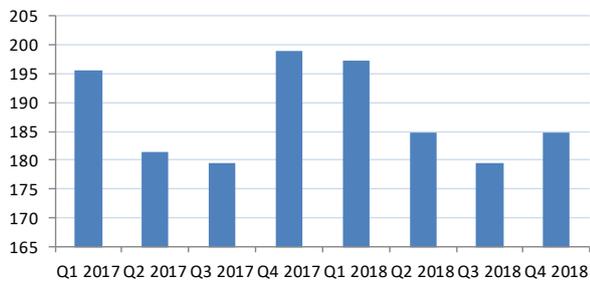
	Net Sales of Paper			EBITDA		
	31 Dec 2018	31 Dec 2017	Change	31 Dec 2018	31 Dec 2017	Change
Coated Woodfree	54%	55%	-2pp	39%	51%	-12pp
Specialties	34%	32%	+2pp	54%	42%	+12pp
Purchased products	13%	13%	-0pp	6%	7%	-1pp
	100%	100%		100%	100%	

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



### CWF

#### Net Sales of Paper (in EUR M)



#### EBITDA (in EUR M)

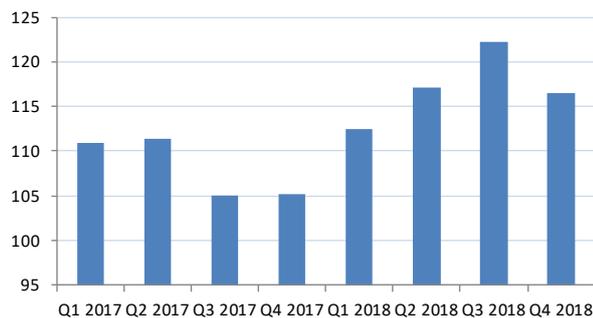
(EBITDA Margin)



In 4Q2018, the net sales of Coated Woodfree were €185 million vs €199 million in 4Q2017, a decrease of €-14 million or -7%. The Ebitda at €8 million was lower than in 4Q2017 (€16 million). This result was mainly due to a reduction of volume shipped and an increase in variable production costs partially offset by an increase in the sales price.

### Specialties

#### Net Sales of Paper (in EUR M)



#### EBITDA (in EUR M)

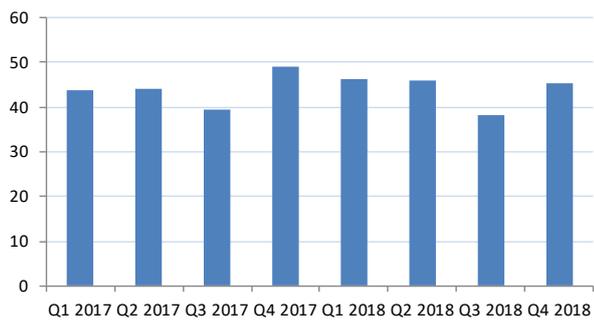
(EBITDA Margin)



In 4Q2018, the net sales of Specialties were €117 million vs €105 million in 4Q2017, an increase of €+12 million or +11%. The Ebitda at €14 million was stable vs 4Q2017 (€14 million). This result was mainly due to an increase in sales price offset by an increase in variable production costs.

## Purchased products

### Net Sales of Paper (in EUR M)



### EBITDA (in EUR M)

### (EBITDA Margin)



In 4Q2018, the net sales of Purchased products were €45 million vs €49million in 4Q2017, a decrease of €-4 million or -7%. The Ebitda at €3 million was slightly lower than 4Q2017 (€3 million).

## Three Months Ended 31 December 2018 Compared to Three Months Ended 31 December 2017

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 2018 and 31 December 2017 and in the percentage change quarter over quarter:

(in millions of euro, except percentages)	Three months ended 31 December					
	2018 (unaudited)	%	2017 (unaudited)	%	Change	% change
<b>Volume sold (in thousands of metric tonnes)</b>	342.6		391.5		-48.9	-12.5%
<b>Revenue</b>	372.6	100.0	377.9	100.0	-5.3	-1.4%
Change in inventories of finished goods and work in progress	6.7	1.8	(10.9)	(2.9)	+17.6	-161.6%
Raw materials and consumables used	(202.0)	(54.2)	(189.1)	(50.0)	-12.9	+6.8%
Labor costs	(45.5)	(12.2)	(48.4)	(12.8)	+2.9	-6.0%
Other operating costs except non-recurring items	(106.8)	(28.7)	(97.3)	(25.7)	-9.5	+9.8%
<b>EBITDA</b>	25.0	6.7	32.2	8.5	-7.3	-22.5%
Depreciation	(13.0)	(3.5)	(12.8)	(3.4)	-0.2	+1.7%
Amortization	(0.0)	(0.0)	(0.0)	(0.0)	+0.0	-15.8%
Non-recurring items	(3.0)	(0.8)	4.8	1.3	-7.7	-162.3%
<b>Profit from operations</b>	9.0	2.4	24.2	6.4	-15.2	-63.0%
Net finance costs	(15.5)	(4.2)	(15.5)	(4.1)	+0.0	-0.0%
<b>Profit (loss) before tax from continuing operations</b>	(6.5)	(1.8)	8.7	2.3	-15.2	-175.3%
Income tax	5.9	1.6	(6.4)	(1.7)	+12.3	-191.3%
<b>Profit (loss) after tax from continuing operations</b>	(0.7)	(0.2)	2.3	0.6	-3.0	-130.2%
Profit (loss) after tax from discontinued operations	0.0	0.0	0.0	0.0	+0.0	-
<b>Profit (loss) after tax</b>	(0.7)	(0.2)	2.3	0.6	-3.0	-130.2%

### Revenue

For the fourth quarter ended 31 December 2018 Lecta had revenue of €372.6 million versus €377.9 million in the fourth quarter ended 31 December 2017, a decrease of €-5.3 million or -1%. This decrease was attributable to:

- Lower sales of CWF, Specialties and Purchased Products of €-6.3 million or -2%, from €353.1 million in 4Q2017 to €346.7 million in 4Q2018, resulting from lower sales volumes of 48,900 metric tonnes or -12.5%, 342,600 metric tonnes in 4Q2018 vs 391,500 metric tonnes in 4Q2017, and an increase in average net sales price of +110€/t or +12%, 1,012€/t in 4Q2018 vs 902€/t in 4Q2017; and
- Higher sales of energy of €+1.0 million or +4%, from €24.9 million in 4Q2017 to €25.9 million in 4Q2018, resulting from higher sales volumes of +7,000 MWh or +2%, 292,000 MWh in 4Q2018 vs 285,000 MWh in 4Q2017, and an increase in average net sales price of +2€/MWh or +2%, 89€/MWh in 4Q2018 vs 87€/MWh in 4Q2017.

### Raw Materials and Consumables Used

The costs of raw materials and consumables used increased by €13.0 million, or +7%, from €189.1 million in 4Q2017 to €202.0 million in 4Q2018, and as a percentage of revenue they increased from 50.0% in 4Q2017 to 54.2% in 4Q2018. The absolute increase was mainly attributable to lower purchased volumes, but an increase in the average consumption price of pulp of +97€/t.

### Labor Costs

Labor costs decreased by €2.9 million, or -6%, from €48.4 million in 4Q2017 to €45.5 million in 4Q2018, and as a percentage of revenue they decreased from 12.8% in 4Q2017 to 12.2% in 4Q2018.

The headcount decreased by 67 heads, from 3,274 employees in 4Q2017 to 3,207 employees in 4Q2018.

### Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items increased by €9.5 million, or +10%, from €97.3 million in 4Q2017 to €106.8 million in 4Q2018, and as a percentage of revenue they increased from 25.7% in 4Q2017 to 28.7% in 4Q2018. The absolute increase was essentially due to higher costs of energy, costs of packaging materials, maintenance and overhead costs, partly compensated by lower outsourcing, distribution, selling variable costs and production consumables.

### EBITDA

EBITDA decreased by €7.3 million, or -23%, from €32.2 million in 4Q2017 to €25.0 million in 4Q2018. This decrease was the result of lower sales of paper in volume, higher net energy costs, packaging materials, maintenance and overhead costs, partly offset by lower outsourcing, distribution, selling variable, labor cost and production consumables, in a context of higher unit gross margin.

#### **Depreciation and Amortization**

Depreciation and amortization increased by €0.2 million, or +2%, from €12.8 million in 4Q2017 to €13.0 million in 4Q2018.

#### **Non-recurring items**

In 4Q2018, Lecta recorded a non-recurring expense of €-3.0 million, including €-3.8 million of organization efficiency program expense. 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.

#### **Finance Costs**

Finance costs were equal to previous year with €15.5 million in 4Q2018 and in 4Q2017.

#### **Income Tax**

Lecta recorded an income tax profit of €5.9 million in 4Q2018 and income tax charge of €6.4 million in 4Q2017.

## Twelve Months Ended 31 December 2018 Compared to Twelve Months Ended 31 December 2017

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 2018 and 31 December 2017 and as the percentage change period over period:

(in millions of euro, except percentages)	Year Ended 31 December					
	2018 (audited)	%	2017 (audited)	%	Change	% change
<b>Volume sold (in thousands of metric tonnes)</b>	1,426.9		1,533.1		-106.2	-6.9%
<b>Revenue</b>	1,486.4	100.0	1,458.6	100.0	+27.7	+1.9%
Change in inventories of finished goods and work in progress	29.7	2.0	2.8	0.2	+26.9	-
Raw materials and consumables used	(793.4)	(53.4)	(749.8)	(51.4)	-43.7	+5.8%
Labor costs	(189.8)	(12.8)	(192.3)	(13.2)	+2.5	-1.3%
Other operating costs except non-recurring items	(416.5)	(28.0)	(399.8)	(27.4)	-16.7	+4.2%
<b>EBITDA</b>	116.3	7.8	119.6	8.2	-3.3	-2.8%
Depreciation	(51.7)	(3.5)	(53.3)	(3.7)	+1.6	-3.0%
Amortization	0.5	0.0	(0.2)	(0.0)	+0.8	-
Non-recurring items	(5.4)	(0.4)	0.5	0.0	-5.8	-
<b>Profit from operations</b>	59.8	4.0	66.6	4.6	-6.8	-10.2%
Net finance costs	(61.8)	(4.2)	(61.9)	(4.2)	+0.1	-0.2%
<b>Profit (loss) before tax from continuing operations</b>	(2.0)	(0.1)	4.7	0.3	-6.7	-142.5%
Income tax	(0.4)	(0.0)	(12.8)	(0.9)	+12.3	-96.6%
<b>Profit (loss) after tax from continuing operations</b>	(2.4)	(0.2)	(8.1)	(0.6)	+5.6	-69.9%
Profit (loss) after tax from discontinued operations	0.0	0.0	0.0	0.0	+0.0	-
<b>Profit (loss) after tax</b>	(2.4)	(0.2)	(8.1)	(0.6)	+5.6	-69.9%

### Revenue

For the twelve months ended 31 December 2018, Lecta had revenue of €1,486.4 million versus €1,458.6 million in the twelve months ended 31 December 2017, an increase of €27.7 million or +2%. This increase was attributable to:

- Higher sales of CWF, Specialties and Purchased Products of €+26.1 million or +2%, from €1,364.3 million in twelve months ended 31 December 2017 to €1,390.4 million in twelve months ended 31 December 2018, resulting from lower sales volumes of -106,200 metric tonnes or -7%, 1,426,900 metric tonnes in twelve months ended 31 December 2018 vs 1,533,100 metric tonnes in twelve months ended 31 December 2017, more than offset by an increase in average net sales price of +84€/t or +10%, 974€/t in twelve months ended 31 December 2018 vs 890€/t in twelve months ended 31 December 2017; and
- Higher sales of energy of €+1.6 million or +2%, from €94.3 million in twelve months ended 31 December 2017 to €96.0 million in twelve months ended 31 December 2018, resulting from lower sales volumes of 44,000 MWh or -4%, 1,101,000 MWh in twelve months ended 31 December 2018 vs 1,145,000 MWh in twelve months ended 31 December 2017, more than offset by an increase in average net sales price of +5€/MWh or +6%, 87€/MWh in twelve months ended 31 December 2018 vs 82€/MWh in twelve months ended 31 December 2017.

### Raw Materials and Consumables Used

The costs of raw materials and consumables used increased by €43.7 million or +6% from €749.8 million in twelve months ended 31 December 2017 to €793.4 million in twelve months ended 31 December 2018 and as a percentage of revenue they increased from 51.4% in twelve months ended 31 December 2017 to 53.4% in twelve months ended 31 December 2018. The absolute increase was mainly attributable to lower purchased volumes but an increase in the average consumption prices of pulp +104€/t.

### Labor Costs

Labor costs decreased by €2.5 million, or -1%, from €192.3 million in twelve months ended 31 December 2017 to €189.8 million in twelve months ended 31 December 2018, and as a percentage of revenue they decreased from 13.2% in twelve months ended 31 December 2017 to 12.8% in twelve months ended 31 December 2018. This headcount decreased by 54 heads, from 3,293 employees in twelve months ended 31 December 2017 to 3,238 employees in twelve months ended 31 December 2018.

### Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items increased by €16.7 million, or +4%, from €399.8 million in twelve months ended 31 December 2017 to €416.5 million in twelve months ended 31 December 2018 and, as a percentage of revenue, they increased from 27.4% in twelve months ended 31 December 2017 to 28.0% in twelve months ended 31 December 2018. The absolute increase was essentially due to higher costs of energy, maintenance and overheads costs, partly offset by a decrease in packaging materials, outsourcing, distribution, selling variable and production consumables costs.

### EBITDA

EBITDA decreased by €3.3 million, or -3%, from €119.6 million in twelve months ended 31 December 2017 to €116.3 million in twelve months ended 31 December 2018. This decrease was the result of lower sales of paper in volume, higher net energy costs, maintenance and overhead costs, partly offset by lower packaging materials, outsourcing, distribution, selling variable, labor cost and production consumables, in a context of higher unit gross margin.

### Depreciation and Amortization

Depreciation and amortization decreased by €2.4 million, or -4%, from €53.5 million in twelve months ended 31 December 2017 to €51.2 million in twelve months ended 31 December 2018.

### Non-recurring items

In twelve months ended 31 December 2018, Lecta recorded a non-recurring charge of €-5.4 million, including €-6.3 million of Organization efficiency program charge.

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.

### Finance Costs

Finance costs slightly decreased by €0.1 million or -0%, from €61.9 million in twelve months ended 31 December 2017 to €61.8 million in twelve months ended 31 December 2018.

### Income Tax

In twelve months ended 31 December 2018, Lecta recorded an income tax charge of €0.4 million. There was an income tax charge of €12.8 million in twelve months ended 31 December 2017.

### Research & Development

Research and development decreased from €4.9 million in twelve months ended 31 December 2017 to €4.1 million in twelve months ended 31 December 2018. These costs were expensed as incurred.

## LIVIDITY 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. €10 million were used at 31 December 2018.

### Cash

At 31 December 2018, Lecta had €107.2 million of cash and cash equivalent.

### Capital Resources

Lecta's total capital resources amounted to €101.3 million in Total equity and €606.9 million in Non-current interest-bearing borrowings as at 31 December 2018, compared to €110.0 million and €606.0 million, respectively, as at 31 December 2017. In addition, Current interest-bearing borrowings amounted to €31.6 million as at 31 December 2018, compared to €18.5 million as at 31 December 2017.

## CASH FLOW

### Three Months ended 31 December 2018 Compared to Three Months ended 31 December 2017

Lecta's cash flows for the three months ended 31 December 2018 and 31 December 2017 were as follows:

(in millions of euro)	Three months ended 31 December		
	2018 (unaudited)	2017 (unaudited)	Change
<b>Cash flows from (used in) operating activities</b>			
EBITDA	25.0	32.2	-7.3
Inventories	(0.5)	12.8	-13.3
Trade receivables	24.0	(4.9)	+28.9
Prepayments	1.1	2.4	-1.2
Trade payables	34.0	16.6	+17.4
Working capital	58.7	26.9	+31.8
Provisions	3.4	1.3	+2.1
Greenhouse gas emission rights	(2.1)	(2.5)	+0.4
Proceeds (payments) related to non-recurring items	(3.0)	(1.6)	-1.4
Income tax paid	(6.4)	(2.7)	-3.7
<b>Net cash flow (used in) / from operating activities</b>	<b>75.5</b>	<b>53.6</b>	<b>+21.9</b>
<b>Cash flows from (used in) investing activities</b>			
Purchase of property, plant and equipment	(11.0)	(12.8)	+1.8
Proceeds from disposal of property, plant and equipment	0.0	0.0	-0.0
Receipt of grants	(1.2)	(4.0)	+2.8
Purchase of subsidiary, net of cash acquired	(4.1)	(0.0)	-4.1
Purchase of other assets	0.0	(0.2)	+0.2
Proceeds from disposal of other assets	0.1	(0.1)	+0.2
<b>Net cash flow (used in) / from investing activities</b>	<b>(16.2)</b>	<b>(17.1)</b>	<b>+0.9</b>
<b>Cash flows from (used in) financing activities</b>			
Dividends paid to non-controlling interest	(2.1)	(0.8)	-1.3
Interest paid	(9.0)	(9.1)	+0.0
Issue costs of borrowings	(0.1)	(0.0)	-0.0
Proceeds from borrowings	16.6	16.2	+0.4
Repayment of borrowings	(20.2)	(19.9)	-0.3
Payments of finance lease liabilities	(0.1)	(0.0)	-0.1
<b>Net cash flow (used in) / from financing activities</b>	<b>(14.9)</b>	<b>(13.6)</b>	<b>-1.3</b>
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	44.5	22.9	+21.6
Net foreign exchange difference	(0.0)	(0.1)	+0.1
Cash & cash equivalents net of Bank overdrafts at 1 October	45.6	103.6	-58.0
<b>Cash &amp; cash equivalents net of Bank overdrafts at period end</b>	<b>90.0</b>	<b>126.4</b>	<b>-36.3</b>
Of which cash and cash equivalents	107.2	141.1	-33.8
Of which bank overdrafts	(17.2)	(14.7)	-2.5

During the three months ended 31 December 2018, Lecta's cash and cash equivalents increased by €39.2 million or +57.6%, from €68.1 million at 1 October 2018 to €107.2 million at 31 December 2018. The principal uses of cash during the three months ended 31 December 2018 were for Payments related to CO<sub>2</sub> emission rights of €-2.1 million, Payments related to non-recurring items of €-3.0 million, Income tax paid of €-6.4 million, Purchase of property plant and equipment of €-11.0 million, Purchase of subsidiary of €-4.1 million, Dividends paid to non-controlling interests of €-2.1 million, Interest payments of €-9.0 million and Repayment of borrowings net of Proceeds from borrowings of €-3.5 million.

During the three months ended 31 December 2018, the cash flows from operating activities were €+75.5 million, €+21.9 million more than reported during the three months ended 31 December 2017. The principal sources and uses of cash in operating activities were from:

- Ebitda of €+25.0 million;
- Decrease in Working capital of €+58.7 million due to increases in inventories (impact of €-0.5 million) and in trade payables (impact of €+34.0 million), reductions in trade receivables (impact of €+24.0 million) and in prepayments (impact of €+1.1 million);
- Provisions of €+3.4 million;

- Greenhouse gas emission rights of €-2.1 million consisting in anticipated purchases of CO<sub>2</sub> emission rights, reported in “Other intangible assets”;
- Payments related to non-recurring items of €-3.0 million, mainly in relation with the Organization efficiency program;
- Income tax payments of €-6.4 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 31 December 2018.

During the three months ended 31 December 2018, the cash flows used in investing activities were €-16.2 million, €+0.9 million less than the cash flows used in investing activities during the three months ended 31 December 2017.

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

- Purchase of property, plant and equipment of €-11.0 million;
- Receipt of grant of €-1.2 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 2018;
- Purchase of subsidiary of €-4,1 million in relation with the acquisition of 49% non-controlling interests in Cogeneración Sant Joan (see the section “Main changes in the consolidation perimeter”).

During the three months ended 31 December 2018, the cash flows used in financing activities were €-14.9 million, €-1.3 million more than the cash flows used in financing activities during the three months ended 31 December 2017.

The principal uses of cash in financing were for:

- Dividends paid to non-controlling interest of €-2.1 million;
- Interest paid of €-9.0 million;
- Repayment of borrowings net of Proceeds from borrowings of €-3.5 million;

## Twelve Months ended 31 December 2018 Compared to Twelve Months ended 31 December 2017

Lecta's cash flows for the Twelve Months ended 31 December 2018 and 31 December 2017 were as follows:

(in millions of euro)	Year ended 31 December		Change
	2018 (audited)	2017 (audited)	
<b>Cash flows from (used in) operating activities</b>			
EBITDA	116.3	119.6	-3.3
Inventories	(36.1)	(5.8)	-30.4
Trade receivables	10.4	(5.0)	+15.4
Prepayments	(0.3)	0.9	-1.2
Trade payables	16.5	25.9	-9.4
Working capital	(9.5)	16.1	-25.6
Provisions	4.7	2.2	+2.5
Greenhouse gas emission rights	(5.7)	(3.3)	-2.4
Proceeds (payments) related to non-recurring items	(6.2)	(8.5)	+2.4
Income tax paid	(10.2)	(6.0)	-4.2
<b>Net cash flow (used in) / from operating activities</b>	<b>89.5</b>	<b>120.1</b>	<b>-30.7</b>
<b>Cash flows from (used in) investing activities</b>			
Purchase of property, plant and equipment	(75.0)	(38.7)	-36.3
Proceeds from disposal of property, plant and equipment	0.2	5.9	-5.7
Receipt of grants	2.9	(4.4)	+7.4
Purchase of subsidiary, net of cash acquired	(4.1)	0.1	-4.1
Purchase of other assets	(0.0)	(0.2)	+0.2
Proceeds from disposal of other assets	0.3	0.0	+0.3
<b>Net cash flow (used in) / from investing activities</b>	<b>(75.7)</b>	<b>(37.3)</b>	<b>-38.4</b>
<b>Cash flows from (used in) financing activities</b>			
Dividends paid to non-controlling interest	(2.3)	(0.8)	-1.5
Interest paid	(60.0)	(59.7)	-0.3
Issue costs of borrowings	(0.1)	(1.1)	+1.0
Proceeds from borrowings	83.4	34.7	+48.7
Repayment of borrowings	(70.7)	(43.7)	-27.0
Payments of finance lease liabilities	(0.6)	(0.5)	-0.1
<b>Net cash flow (used in) / from financing activities</b>	<b>(50.3)</b>	<b>(71.1)</b>	<b>+20.8</b>
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	(36.5)	11.7	-48.2
Net foreign exchange difference	0.2	(0.2)	+0.3
Cash & cash equivalents net of Bank overdrafts at 1 January	126.4	132.5	-6.1
<b>Cash &amp; cash equivalents net of Bank overdrafts at period end</b>	<b>90.0</b>	<b>126.4</b>	<b>-36.3</b>
Of which cash and cash equivalents	107.2	141.1	-33.8
Of which bank overdrafts	(17.2)	(14.7)	-2.5

During the twelve months ended 31 December 2018, Lecta's cash and cash equivalents decreased by €33.8 million or -24%, from €141.1 million at 1 January 2018 to €107.2 million at 31 December 2018. The principal uses of cash during the twelve Months ended 31 December 2018 were for Working Capital of €-9.5 million, Payments related to CO<sub>2</sub> emission rights of €-5.7 million, Payments related to non-recurring items of €-6.2 million, Income tax paid of €-10.2 million, Purchase of property plant and equipment of €-75.0 million, Purchase of subsidiary, net of cash acquired of €-4.1 million, Dividends paid to non-controlling interests of €-2.3 million and Interest payments of €-60.0 million.

During the twelve months ended 31 December 2018, the cash flows from operating activities were €+89.5 million, €-30.7 million less than reported during the twelve months ended 31 December 2017. The principal sources and uses of cash in operating activities were from:

- Ebitda of €+116.3 million;
- Increase in Working capital of €-9.5 million due to increases in inventories (impact of €-36.1 million), in prepayments (impact of €-0.3 million) and in trade payables (impact of €+16.5 million), and reduction in trade receivables (impact of €+10.4 million);
- Greenhouse gas emission rights of €-5.7 million;
- Payments related to non-recurring items of €-6.2 million mainly in relation with the Organization efficiency program;

- Income tax payments of €-10.2 million, of which €-0.9 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 2018.

During the twelve months ended 31 December 2018, the cash flows used in investing activities were €-75.7 million, €-38.4 million more than the cash flows used in investing activities during the twelve months ended 31 December 2017. The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €-75.0 million;
- Receipt of grants of €+2.9 million in relation with the White certificates;
- Purchase of subsidiary, net of cash acquired of €-4.1million in relation with the acquisition of 49% non-controlling interests in Cogeneración Sant Joan (see the section “Main changes in the consolidation perimeter”).

During the twelve months ended 31 December 2018, the cash flows used in financing activities were €-50.3 million, €+20.8 million less than the cash flows used in financing activities during the twelve months ended 31 December 2017. The principal uses of cash in financing were for:

- Dividends paid to non-controlling interest of €-2.3 million
- Interest paid of €-60.0 million;
- Proceeds from borrowings net of Repayment of borrowings of €+12.7 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 2018, capital expenditures were €11.0 million, i.e. €3.5 million for major paper machine rebuilds, €8.4 million for cost reduction and productivity improvement, €3.1 million for maintenance, €1.0 million for information technology, €1.6 million for environment and safety, and an increase of €6.7 million in capital payables.

In the twelve months ended 31 December 2018, capital expenditures were €75.3 million, i.e. €9.5 million for major paper machine rebuilds, €20.5 million for cost reduction and productivity improvement, €9.1 million for maintenance, €10.1 million for information technology, €9.6 million for environment and safety, and a decrease of €16.5 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 2018 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	check
RCF	10.1	0.1	10.0	0.0
Notes	612.5	12.5	600.0	0.0
Other debt	23.5	3.8	19.7	0.0
Debt on assigned receivables	0.0	0.0	0.0	0.0
Capital lease obligations	0.5	0.3	0.3	0.0
Bank overdrafts	17.2	17.2	0.0	0.0
Interest rate hedging	0.0	0.0	0.0	0.0
Other IFRS adjustments	(8.2)	(2.0)	(6.2)	0.0
<b>Total debt</b>	<b>655.7</b>	<b>31.9</b>	<b>623.8</b>	<b>0.0</b>
Operating leases	28.1	5.3	22.8	0.0
<b>Total contractual obligations (1)</b>	<b>683.8</b>	<b>37.2</b>	<b>646.6</b>	<b>0.0</b>

(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 €23.6 million as at 31 December 2018 vs €25.7 million as at 31 December 2017.

## 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 2017, 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 not to pay during this period a part of the green certificates granted for the years 2016-2017 and recognized in "Other receivables".

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

Lecta has announced the temporary shutdown of Line 8 production at its Condat's mill from the end of April. The decision will be reevaluated in the following months depending on market developments. The decrease in CWF demand over the last several years resulted in overcapacity in the industry. The worsening of this trend observed in the last months is the main reason for the temporary Line 8 shutdown at the Condat's mill. The Condat's brand product range and service levels during this period are guaranteed due to efficiency improvements and streamlining on Condat's Line 4 as well as through the contribution of the Group's other CWF paper mills. Despite the temporary shutdown, meeting the overall demand of Lecta's CWF customers is assured, given the Group's total production capacity of more than 850,000 tons per year. At the same time, Lecta continues working on a strategic transformation plan that will allow Condat to move forward with greater chances of success, although this project needs further definition over the next few months. This plan would entail the transformation of production Line 8 from manufacturing two-side CWF to manufacturing specialty papers for labels and flexible packaging, a market in which Lecta has extensive experience given its manufacturing operations in Spain and business operations worldwide.

## 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%	+/-13.9
Volumes	+/-1%	+/-3.5
Currency:		
USD against EUR <sup>(1)</sup>	+/-1%	-/+1.7
GBP against EUR	+/-1%	+/-0.7
Pulp prices	+/-1%	-/+3.1
Energy costs	+/-1%	-/+0.7

(1) A one percent weakening of the U.S. dollar against the euro, with all other things being equal, would result in a €1.7 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 18% 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 2018	31 Dec 2017
Gross amount of Trade receivables	228,001	239,278
Impairment	(15,358)	(16,162)
Trade receivables as per Balance sheet	212,643	223,115
of which not past due	201,702	211,517
of which past due:	10,941	11,598
Amount covered by a credit insurance	9,636	9,835
Amount of recoverable VAT	119	296
<b>Amount eligible to credit risk,</b>	<b>1,186</b>	<b>1,467</b>
past due since less than one month	523	1,263
past due since more than one month but no later than three months	292	262
past due since more than three months but no later than one year	314	(58)
past due since more than one year but no later than five years	57	0
past due since more than five years		0

The line “Impairment” includes a bad debt provision of €9.3 million as at 31 December 2018 (€9.7 million as at 31 December 2017) 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 35%) 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 2018, ordinary sales and purchases were specifically hedged through:

- Forward agreements on realized sales in foreign currencies: €39.3 million.
- Forward agreements on realized purchases in foreign currencies: €24.0 million.

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

At 31 December 2018, 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 2018, 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

#### Alto Garda Power Srl:

[1] 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:

[2] 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)										
Instrument	Notional amount	Premium paid	Effective date	Termination date	Floor rate	Cap rate	Strike	Value at 31 Dec 2018		
								Intrinsic	Time	Total
[1] Collar 6M Euribor	Max 27,644		29/Jun/2007	28/Feb/2017	4.05%	5.75%				
[2] Cap 3M Euribor	Max 8,000	20	30/Jun/2016	30/Sep/2018		0.00%		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<sub>2</sub> emission rights

Lecta Group emits more CO<sub>2</sub> than the CO<sub>2</sub> 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 2019-2022.

According to RISI's statistics of September 2018, the European demand of CWF paper is expected to continue decreasing with a negative CAGR of -5% for the period 2019-2022.

In 2019, 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. They own 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 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.

## 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 2018, the former and current members of the Board of Directors, including executive officers, received remuneration. This remuneration was charged at an aggregate cost of €1.5 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 2018 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 22 April 2023, 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 2018, 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 2018, 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 2018.

## The Board of Directors