LECTA SA and Subsidiaries

Management report for the period ended 31 December 2019.

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 1.7 million metric tonnes and revenue of €1.4 billion, Lecta produces pulp, base paper and finished products with state-of-the-art art technology. Its integrated production and distribution system, and in-depth product expertise, are key to its business model.
Lecta is a multinational group with nearly 3,150 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 nine countries, Lecta is present in the distribution business, with its own distributors in France, Italy, Portugal and Spain.

In the year ended 31 December 2019, Lecta mills produced an aggregate of 1,129,000 metric tonnes of specialty papers and coated woodfree ("CWF"). Lecta delivered a total of 1,254,000 metric tonnes of paper, of which 1,143,000 metric tonnes of Lecta products and 111,000 metric tonnes of third party products. A total of 376,000 metric tonnes were delivered through Lecta own distributors.
During the year ended 31 December 2019, Lecta had revenue of €1,383 million and EBITDA of €93 million. Lecta marketed products 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)	2019	2018
Volume sold of paper (in thousands of metric tonnes)	1,254	1,427
Volume sold of energy (in thousands of MWh)	1,206	1,101
Net Sales of Paper	1,280	1,390
Sales of Energy	103	96
Revenue	1,383	1,486
EBITDA	**93**	**116**

Factors Affecting Lecta's Results of Operations

Growth in Specialty papers and CWF

In 2019, Lecta sales in volume suffered the consequences of the decision to stop CWF production on Condat's Line 8 (France) in anticipation of its conversion, and in addition, the disruption following the challenging implementation of a new ERP in Garda (Italy).
Total volume performance declined by -12%. The volume decline in CWF, itself, more important than the market's, was partially compensated by healthy growth in Lecta's specialty papers.

The CWF paper industry experiences negative growth mainly because of competition from digital media. The deliveries of the European producers of CWF decreased by -11% in 2019. The decline in deliveries was almost offset by the closure or the conversion of production capacity by the European producers.

Refer also to the section *Future Prospects* below (page 20).

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, 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 headcount by more than 1,500 employees since the start of graphic paper demand slowdown, despite the acquisition of two paper distributors in France and Italy.

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

Lecta's revenue consists of net sales of paper and sales of energy (see the section *Overview* above). 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 2019, with the prior year and quarters:

Net Sales of Paper

Products & (in EUR M)	Jan to Dec 2019	Jan to Dec 2018	Change absolute	%	Q4 2019	Q4 2018	Change absolute	%	Q4 2019	Q3 2019	Change absolute	%
Coated Woodfree	634	746	-112	-15%	149	185	-36	-19%	149	156	-7	-5%
Specialties	480	468	+11	+2%	115	117	-2	-2%	115	122	-7	-6%
Purchased	166	176	-10	-6%	42	45	-4	-8%	42	43	-1	-3%
Total	**1,280**	**1,390**	-111	-8%	**305**	**347**	-41	-12%	**305**	**321**	-16	-5%

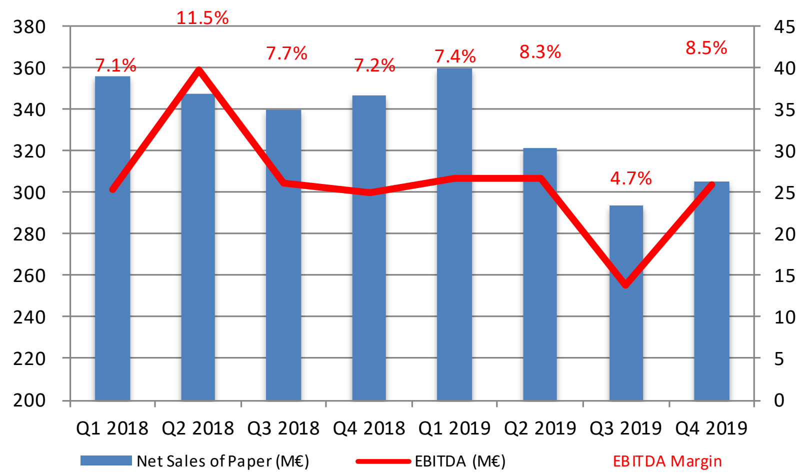
EBITDA

Products & Services (in EUR M)	Jan to Dec 2019	Jan to Dec 2018	Change absolute	%	Q4 2019	Q4 2018	Change absolute	%	Q4 2019	Q3 2019	Change absolute	%
Coated Woodfree	37	46	-9	-19%	14	8	+6	+78%	14	11	+3	+25%
Specialties	48	63	-15	-23%	10	14	-4	-30%	10	13	-3	-23%
Purchased	8	7	+0	+6%	2	3	-1	-38%	2	2	-1	-28%
Total	**93**	**116**	-23	-20%	**26**	**25**	+1	+4%	**26**	**27**	-1	-3%

EBITDA Margin

Products &	Jan to Dec 2019	Jan to Dec 2018	Change Percentage points	Q4 2019	Q4 2018	Change Percentage points	Q4 2019	Q3 2019	Change Percentage points
Coated Woodfree	5.9%	6.1%	-0.3	9.5%	4.3%	+5.2	9.5%	7.2%	+2.2
Specialties	10.1%	13.5%	-3.4	8.8%	12.4%	-3.5	8.8%	10.8%	-2.0
Purchased	4.7%	4.2%	+0.5	4.0%	5.9%	-1.9	4.0%	5.4%	-1.4
Total	**7.3%**	**8.4%**	-1.1	**8.5%**	**7.2%**	+1.3	**8.5%**	**8.3%**	+0.1

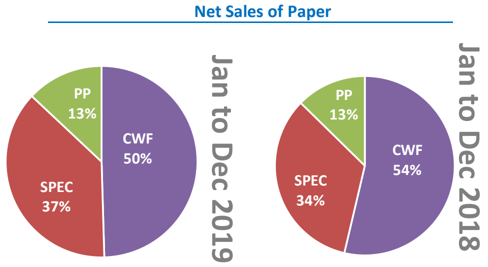
Evolution of Net Sales of Paper, EBITDA, and EBITDA Margin:

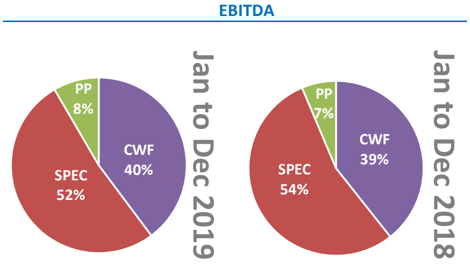


Breakdown of Net Sales of Paper and EBITDA by Product and Service:

	Net Sales of Paper			EBITDA		
	Dec 2019 YTD	**Dec 2018 YTD**	**Change**	**Dec 2019 YTD**	**Dec 2018 YTD**	**Change**
Coated Woodfree	**50%**	54%	-4pp	**40%**	39%	+0pp
Specialties	**37%**	34%	+4pp	**52%**	54%	-3pp
Purchased products	**13%**	13%	+0pp	**8%**	6%	+2pp
	100%	100%		**100%**	100%	

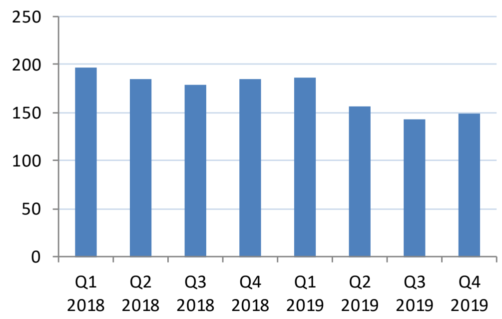
CWF: Coated WoodFree
SPEC.: Specialities
PP: Purchased products





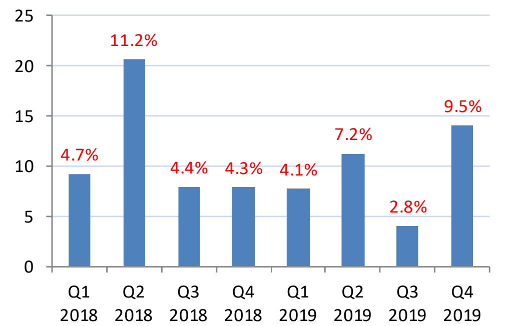
CWF

Net Sales of Paper
(in EUR M)



EBITDA
(in EUR M)

(EBITDA Margin)

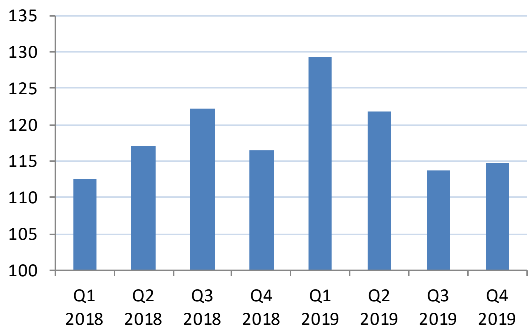


In 4Q2019, the net sales of Coated Woodfree were €149 million vs €185 million in 4Q2018, a decrease of €-36million or -19%. The Ebitda at €14 million was higher than in 4Q2018 (€8 million). This result was mainly due to reductions in variable production costs and fixed expenses, partially offset by reductions in sales volume and net sales price, and an increase in distribution costs.

Because of the implementation of IFRS 16 "Leases" as of 1 January 2019 (see Note 1.02 to the Annual Report), in 4Q2019 the Other operating costs except non-recurring items have been reduced by circa €1.0 million, while the Depreciation and the Finance costs have been increased.

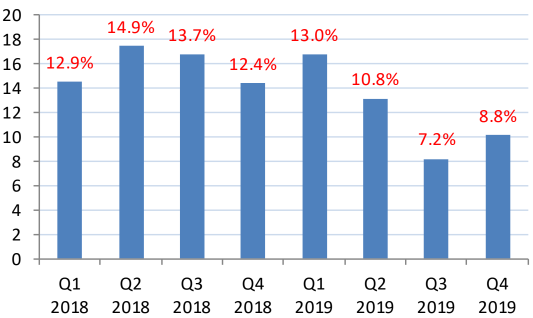
Specialties

Net Sales of Paper
(in EUR M)



EBITDA
(in EUR M)

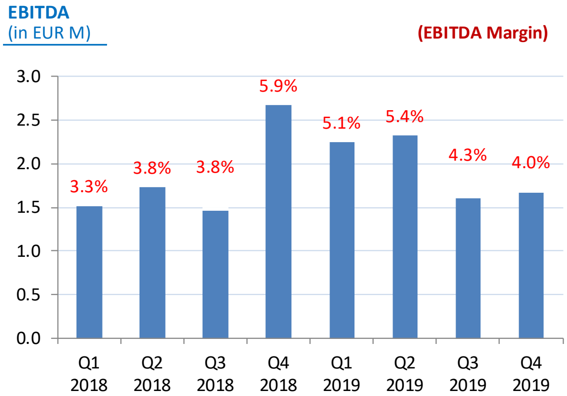
(EBITDA Margin)



In 4Q2019, the net sales of Specialties were €115 million vs €117 million in 4Q2018, a decrease of €2 million or -2%. The Ebitda at €10 million was lower than in 4Q2018 (€14 million). This decrease was mainly due to a decrease in net price and an increase in fixed expenses, partly offset by an increase in sales volume and a decrease in variable production and distributions costs.

Because of the implementation of IFRS 16 "Leases" as of 1 January 2019 (see Note 1.02 to the Annual Report), in 4Q2019 the Other operating costs except non-recurring items have been reduced by circa €0.3 million, while the Depreciation and the Finance costs have been increased.

Purchased products



In 4Q2019, the net sales of Purchased products were €42 million vs €45 million in 4Q2018, a decrease of €-3 million or -7%. The Ebitda at €2 million was lower than 4Q2018 (€3 million). This decrease was due to decreases in sales volume and gross margin, and increases in distribution cost and fixed expenses.

Three Months Ended 31 December 2019 Compared to Three Months Ended 31 December 2018

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 2019 and 31 December 2018 and in the percentage change quarter over quarter:

	Three months ended 31 December					
(in millions of euro, except percentages)	2019 (unaudited)	%	2018 (unaudited)	%	Change	% change
Volume sold (in thousands of metric tonnes)	300.6		342.6		-42.0	-12.3%
Revenue	331.7	100.0	372.6	100.0	-40.9	-11.0%
Change in inventories of finished goods and work in progress	(10.9)	(3.3)	6.7	1.8	-17.7	-
Raw materials and consumables used	(155.8)	(47.0)	(202.0)	(54.2)	+46.2	-22.9%
Labor costs	(43.9)	(13.2)	(45.5)	(12.2)	+1.6	-3.6%
Other operating costs except non-recurring items	(95.3)	(28.7)	(106.8)	(28.7)	+11.6	-10.8%
EBITDA	25.9	7.8	25.0	6.7	+0.9	+3.6%
Depreciation	(14.3)	(4.3)	(13.0)	(3.5)	-1.2	+9.5%
Amortization	(0.0)	(0.0)	(0.0)	(0.0)	-0.0	+75.0%
Non-recurring items	(12.1)	(3.7)	(3.0)	(0.8)	-9.1	-
Profit from operations	(0.5)	(0.2)	8.9	2.4	-9.5	-106.0%
Net finance costs	(16.0)	(4.8)	(15.5)	(4.2)	-0.5	+3.2%
Profit (loss) before tax from continuing operations	(16.5)	(5.0)	(6.6)	(1.8)	-10.0	+152.4%
Income tax	(2.6)	(0.8)	5.9	1.6	-8.5	-144.7%
Profit (loss) after tax from continuing operations	(19.2)	(5.8)	(0.7)	(0.2)	-18.5	-
Profit (loss) after tax from discontinued operations	0.0	0.0	0.0	0.0	+0.0	-
Profit (loss) after tax	(19.2)	(5.8)	(0.7)	(0.2)	-18.5	-

Revenue

For the fourth quarter ended 31 December 2019 Lecta had revenue of €331.7 million versus €372.6 million in the fourth quarter ended 31 December 2018, a decrease of €-40.9 million or -11%. This decrease was attributable to:

- Lower sales of CWF, Specialties and Purchased Products of €-41.3 million or -12%, from €346.7 million in 4Q2018 to €305.4 million in 4Q2019, resulting from lower sales volumes of -42,000 metric tonnes or -12%, 300,600 metric tonnes in 4Q2019 vs 342,600 metric tonnes in 4Q2018, and an increase in average net sales price of +4€/t or +0.4%, 1,016€/t in 4Q2019 vs 1,012€/t in 4Q2018; and
- Higher sales of energy of €+0.5 million or +2%, from €25.9 million in 4Q2018 to €26.3 million in 4Q2019, resulting from higher sales volumes of +15,000 MWh or +5%, 307,000 MWh in 4Q2019 vs 292,000 MWh in 4Q2018, and a decrease in average net sales price of -3€/MWh or -3%, 86€/MWh in 4Q2019 vs 89€/MWh in 4Q2018.

Raw Materials and Consumables Used

The costs of raw materials and consumables used decreased by €46.2 million, or -23%, from €202.0 million in 4Q2018 to €155.8 million in 4Q2019, and as a percentage of revenue they decreased from 54.2% in 4Q2018 to 47.0% in 4Q2019. The absolute decrease was mainly attributable to lower purchased volumes, and to a decrease in the average consumption price of pulp of -185€/t.

Labor Costs

Labor costs decreased by €1.6 million, or -4%, from €45.5 million in 4Q2018 to €43.9 million in 4Q2019, and as a percentage of revenue they increased from 12.2% in 4Q2018 to 13.2% in 4Q2019.
The headcount decreased by 82 heads, from 3,207 employees in 4Q2018 to 3,125 employees in 4Q2019.

Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items decreased by €11.6 million, or -11%, from €106.8 million in 4Q2018 to €95.3 million in 4Q2019, and as a percentage of revenue they are equal to 28.7% in 4Q2018 and 4Q2019. The absolute decrease was essentially due to lower costs of energy, packaging materials, outsourcing, distribution, selling variable, maintenance, production consumables and overhead.

EBITDA

EBITDA increased by €0.9 million, or +4%, from €25.0 million in 4Q2018 to €25.9 million in 4Q2019. This increase was the result of lower net energy cost and costs of packaging materials, outsourcing, distribution, selling variable, labor, maintenance, production consumables and overhead, partly offset by lower sales of paper in volume, in a context of higher unit gross margin.

Because of the implementation of IFRS 16 "Leases" as of 1 January 2019 (see Note 1.02 to the Annual Report), the Other operating costs except non-recurring items have been reduced by circa €1.4 million in 4Q2019 vs 4Q2018, while the Depreciation and the Finance costs have been increased.

Depreciation and Amortization

Depreciation and amortization increased by €1.3 million, or +10%, from €13.0 million in 4Q2018 to €14.3 million in 4Q2019, including an increase of €1.2 million due to the implementation of IFRS 16 "Leases" (see EBITDA).

Non-recurring items

In 4Q2019, Lecta recorded a non-recurring expense of €-12.1 million, including €-2.0 million of organization efficiency program expense and €10.1 million in relation with the Recapitalization of the Group (see the section *Events after the Statement of Financial Position Date* below). In 4Q2018, Lecta recorded a non-recurring expense of €-3.0 million, including €-3.8 million of organization efficiency program expense.

Finance Costs

Finance costs increased by €0.5 million or +3.2%, from €15.5 million in 4Q2018 to €16.0 million in 4Q2019, including an increase of €0.2 million due to the implementation of IFRS 16 "Leases" (see EBITDA).

Income Tax

Lecta recorded an income tax charge of €2.6 million in 4Q2019 and income tax income of €5.9 million in 4Q2018.

Twelve Months Ended 31 December 2019 Compared to Twelve Months Ended 31 December 2018

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 2019 and 31 December 2018 and as the percentage change period over period:

	Year Ended 31 December					
(in millions of euro, except percentages)	2019 (audited)	%	2018 (audited)	%	Change	% change
Volume sold (in thousands of metric tonnes)	1,253.7		1,426.9		-173.2	-12.1%
Revenue	1,382.8	100.0	1,486.4	100.0	-103.5	-7.0%
Change in inventories of finished goods and work in progress	(25.2)	(1.8)	29.7	2.0	-54.8	-184.8%
Raw materials and consumables used	(690.4)	(49.9)	(793.4)	(53.4)	+103.0	-13.0%
Labor costs	(183.1)	(13.2)	(189.8)	(12.8)	+6.7	-3.5%
Other operating costs except non-recurring items	(390.9)	(28.3)	(416.5)	(28.0)	+25.6	-6.1%
EBITDA	93.3	6.7	116.3	7.8	-23.0	-19.8%
Depreciation	(57.6)	(4.2)	(51.7)	(3.5)	-5.9	+11.5%
Amortization	(0.2)	(0.0)	0.5	0.0	-0.7	-132.9%
Non-recurring items	(17.2)	(1.2)	(5.4)	(0.4)	-11.8	-
Profit from operations	18.3	1.3	59.8	4.0	-41.5	-69.3%
Net finance costs	(62.2)	(4.5)	(61.8)	(4.2)	-0.4	+0.6%
Profit (loss) before tax from continuing operations	(43.9)	(3.2)	(2.0)	(0.1)	-41.9	-
Income tax	(7.5)	(0.5)	(0.4)	(0.0)	-7.0	-
Profit (loss) after tax from continuing operations	(51.3)	(3.7)	(2.4)	(0.2)	-48.9	-
Profit (loss) after tax from discontinued operations	0.0	0.0	0.0	0.0	+0.0	-
Profit (loss) after tax	(51.3)	(3.7)	(2.4)	(0.2)	-48.9	-

Revenue

For the twelve months ended 31 December 2019, Lecta had revenue of €1,382.2 million versus €1,486.4 million in the twelve months ended 31 December 2018, a decrease of €103.5 million or -7%. This decrease was attributable to:

- Lower sales of CWF, Specialties and Purchased Products of €-110.7 million or -8%, from €1,390.4 million in twelve months ended 31 December 2018 to €1,279.7 million in twelve months ended 31 December 2019, resulting from lower sales volumes of -173,200 metric tonnes or -12%, 1,253,700 metric tonnes in twelve months ended 31 December 2019 vs 1,426,900 metric tonnes in twelve months ended 31 December 2018, partly offset by an increase in average net sales price of +46€/t or +5%, 1,021€/t in twelve months ended 31 December 2019 vs 974€/t in twelve months ended 31 December 2018; and
- Higher sales of energy of €+7.1 million or +7%, from €96.0 million in twelve months ended 31 December 2018 to €103.1 million in twelve months ended 31 December 2019, resulting from higher sales volumes of +105,000 MWh or +10%, 1,206,000 MWh in twelve months ended 31 December 2019 vs 1,101,000 MWh in twelve months ended 31 December 2018, partly offset by a decrease in average net sales price of -2€/MWh or -2%, 85€/MWh in twelve months ended 31 December 2019 vs 87€/MWh in twelve months ended 31 December 2018.

Raw Materials and Consumables Used

The costs of raw materials and consumables used decreased by €103.0 million or -13% from €793.4 million in twelve months ended 31 December 2018 to €690.4 million in twelve months ended 31 December 2019 and as a percentage of revenue they decreased from 53.4% in twelve months ended 31 December 2018 to 49.9% in twelve months ended 31 December 2019. The absolute decrease was mainly attributable to lower purchased volumes and to a decrease in the average consumption price of pulp of -66€/t.

Labor Costs

Labor costs decreased by €6.7 million, or -4%, from €189.8 million in twelve months ended 31 December 2018 to €183.1 million in twelve months ended 31 December 2019, and as a percentage of revenue they increased from 12.8% in twelve months ended 31 December 2018 to 13.2% in twelve months ended 31 December 2019.
This headcount decreased by 81 heads, from 3,238 employees in twelve months ended 31 December 2018 to 3,157 employees in twelve months ended 31 December 2019.

Other Operating Costs Except Non-recurring items

Other operating costs except non-recurring items decreased by €25.6 million, or -6%, from €416.5 million in twelve months ended 31 December 2018 to €390.9 million in twelve months ended 31 December 2019 and, as a percentage of revenue, they increased from 28.0% in twelve months ended 31 December 2018 to 28.3% in twelve months ended 31 December 2019. The absolute decrease was essentially due to lower costs of energy, packaging, distribution, selling variable, maintenance, and production consumables, partly offset by higher costs of outsourcing and overhead.

EBITDA

EBITDA decreased by €23.0 million, or -20%, from €116.3 million in twelve months ended 31 December 2018 to €93.3 million in twelve months ended 31 December 2019. This decrease was the result of lower sales of paper in volume, higher net energy, outsourcing and overhead costs, partly offset by lower costs of packaging, distribution, selling variable, labor, maintenance, production consumables, in a context of higher unit gross margin.

A new Enterprise Resource Planning system was implemented in June 2019 in Riva del Garda paper mill. The implementation was more challenging than expected, and resulted in a loss of production and deliveries of CWF from the mill, as well as extra cost. The estimated and accounted for EBITDA impact in 2019 was negative €(7.7) million. The mill is operating normally since year-end.

Because of the implementation of IFRS 16 "Leases" as of 1 January 2019 (see Note 1.02 to the Annual Report), the Other operating costs except non-recurring items have been reduced by circa €5.4 million in twelve months ended 31 December 2019 vs twelve months ended 31 December 2018, while the Depreciation and the Finance costs have been increased.

Depreciation and Amortization

Depreciation and amortization increased by €6.6 million, or +13%, from €51.2 million in twelve months ended 31 December 2018 to €57.8 million in twelve months ended 31 December 2019, including an increase of €4.9 million due to the implementation of IFRS 16 "Leases" (see EBITDA).

Non-recurring items

In twelve months ended 31 December 2019, Lecta recorded a non-recurring charge of €17.2 million, including €5.1 million of Organization efficiency program and €11.9 million in relation with the Recapitalization of the Group (see the section *Events after the Statement of Financial Position Date* below).
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.

Finance Costs

Finance costs increased by €0.4 million or +1%, from €61.8 million in twelve months ended 31 December 2018 to €62.2 million in twelve months ended 31 December 2019, including an increase of €0.9 million due to the implementation of IFRS 16 "Leases" (see EBITDA).

Income Tax

Lecta recorded an income tax charge of €7.5 million in twelve months ended 31 December 2019, and an income tax charge of €0.4 million in twelve months ended 31 December 2018.

Research & Development

Research and development decreased from €4.1 million in twelve months ended 31 December 2018 to €1.4 million in twelve months ended 31 December 2019. These costs were expensed as incurred.

Liquidity and Capital Resources

Liquidity

Lecta's primary sources of liquidity are cash from operating activities, the RCF credit line, and the assignment of trade receivables.

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.

See also the section *Events after the Statement of Financial Position Date* below.

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. €65 million were fully at 31 December 2019.

See also the section *Events after the Statement of Financial Position Date* below.

Cash

At 31 December 2019, Lecta had €85.9 million of cash and cash equivalent.

Capital Resources

Lecta's total capital resources amounted to €47.0 million in Total equity and €622.8 million in Non-current interest-bearing borrowings as at 31 December 2019, compared to €101.3 million and €606.9 million, respectively, as at 31 December 2018. In addition, Current interest-bearing borrowings amounted to €93.0 million as at 31 December 2019, compared to €31.6 million as at 31 December 2018.

Cash Flow

Three Months ended 31 December 2019 Compared to Three Months ended 31 December 2018

Lecta's cash flows for the three months ended 31 December 2019 and 31 December 2018 were as follows:

(in millions of euro)	Three months ended 31 December 2019 (unaudited)	2018 (unaudited)	Change
Cash flows from (used in) operating activities			
EBITDA	25.9	25.0	+0.9
Inventories	17.3	(0.5)	+17.8
Trade receivables	17.5	24.0	-6.5
Prepayments	(0.3)	1.1	-1.5
Trade payables	(7.7)	34.0	-41.7
Working capital	26.8	58.7	-31.9
Provisions	3.2	3.4	-0.2
Greenhouse gas emission rights	(5.9)	(2.1)	-3.8
Proceeds (payments) related to non-recurring items	(5.4)	(3.0)	-2.4
Income tax paid	(1.1)	(6.4)	+5.3
Net cash flow (used in) / from operating activities	43.5	75.5	-32.0
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(14.5)	(11.0)	-3.5
Proceeds from disposal of property, plant and equipment	0.2	0.0	+0.2
Receipt of grants	(1.1)	(1.2)	+0.1
Purchase of subsidiary, net of cash acquired	0.0	(4.1)	+4.1
Purchase of other assets	0.0	0.0	+0.0
Proceeds from disposal of other assets	(0.0)	0.1	-0.1
Net cash flow (used in) / from investing activities	(15.3)	(16.2)	+0.9
Cash flows from (used in) financing activities			
Dividends paid to non-controlling interest	0.0	(2.1)	+2.1
Interest paid	(5.0)	(9.0)	+4.1
Issue costs of borrowings	(0.0)	(0.1)	+0.0
Proceeds from borrowings	(0.4)	16.6	-17.0
Repayment of borrowings	(0.9)	(20.2)	+19.2
Payments of finance lease liabilities	(1.3)	(0.1)	-1.1
Net cash flow (used in) / from financing activities	(7.6)	(14.9)	+7.3
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	20.6	44.5	-23.9
Net foreign exchange difference	(0.0)	(0.0)	-0.0
Cash & cash equivalents net of Bank overdrafts at 1 October	46.5	45.6	+0.9
Cash & cash equivalents net of Bank overdrafts at period end	67.0	90.0	-23.0
Of which cash and cash equivalents	85.9	107.2	-21.4
Of which bank overdrafts	(18.8)	(17.2)	-1.6

During the three months ended 31 December 2019, Lecta's cash and cash equivalents increased by €15.9 million or +23%, from €70.0 million at 1 October 2019 to €85.9 million at 31 December 2019. The principal uses of cash during the three months ended 31 December 2019 were for Payments related to CO_2 emission rights of €-5.9 million, Payments related to non-recurring items of €-5.4 million, Purchase of property plant and equipment of €-14.5 million and Interest payments of €-5.0 million.

During the three months ended 31 December 2019, the cash flows from operating activities were €+43.5 million, €-32.0 million less than reported during the three months ended 31 December 2018. The principal sources and uses of cash in operating activities were from:

- Ebitda of €+25.9 million;
- Decrease in Working capital of €+26.8 million due to:
  - A decrease in inventories (impact of €+17.3 million),
  - A decrease in trade receivables (impact of €+17.5 million) mainly due to lower revenue and to a decrease in DSO,
  - An increase in prepayments (impact of €-0.3 million) and,
  - A decrease in trade payables (impact of €-7.7 million) mainly due to decreases in DPO and in consumption of purchased products, raw materials (wood, base paper, pulp and ORM), energy and other variable costs;

- Provisions of €+3.2 million;
- Greenhouse gas emission rights of €-5.9 million consisting in anticipated purchases of CO_2 emission rights, reported in “Other intangible assets”;
- Payments related to non-recurring items of €-5.4 million, mainly in relation with the Organization efficiency program and the Recapitalization of the group (see the section *Events after the Statement of Financial Position Date* below);
- Income tax payments of €-1.1 million.

During the three months ended 31 December 2019, the cash flows used in investing activities were €-15.3 million, €+0.9 million less than the cash flows used in investing activities during the three months ended 31 December 2018. The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €-14.5 million;
- Receipt of grant of €-1.1 million, part of it in relation with the White certificates in order to neutralize the profit booked in “Other operating costs except non-recurring items” above Ebitda, as the cash was not collected as at 31 December 2019;

During the three months ended 31 December 2019, the cash flows used in financing activities were €-7.6 million, €+7.3 million less than the cash flows used in financing activities during the three months ended 31 December 2018. The principal uses and sources of cash in financing were for:

- Interest paid of €-5.0 million;
- Repayment of borrowings net of Proceeds from borrowings of €-1.3 million;
- Payments of finance lease liabilities of €-1.3 million.

Twelve Months ended 31 December 2019 Compared to Twelve Months ended 31 December 2018

Lecta's cash flows for the Twelve Months ended 31 December 2019 and 31 December 2018 were as follows:

	Year ended 31 December		
(in millions of euro)	2019 (audited)	2018 (audited)	Change
Cash flows from (used in) operating activities			
EBITDA	93.3	116.3	-23.0
Inventories	45.7	(36.1)	+81.9
Trade receivables	16.1	10.4	+5.7
Prepayments	0.0	(0.3)	+0.3
Trade payables	(96.4)	16.5	-112.8
Working capital	(34.5)	(9.5)	-25.0
Provisions	5.6	4.7	+0.9
Greenhouse gas emission rights	(7.7)	(5.7)	-2.1
Proceeds (payments) related to non-recurring items	(11.0)	(6.2)	-4.8
Income tax paid	(1.7)	(10.2)	+8.5
Net cash flow (used in) / from operating activities	44.0	89.5	-45.5
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(56.6)	(75.0)	+18.4
Proceeds from disposal of property, plant and equipment	0.3	0.2	+0.2
Receipt of grants	1.0	2.9	-1.9
Purchase of subsidiary, net of cash acquired	0.0	(4.1)	+4.1
Purchase of other assets	(0.0)	(0.0)	-0.0
Proceeds from disposal of other assets	0.5	0.3	+0.2
Net cash flow (used in) / from investing activities	(54.7)	(75.7)	+21.0
Cash flows from (used in) financing activities			
Dividends paid to non-controlling interest	(1.4)	(2.3)	+0.9
Interest paid	(54.9)	(60.0)	+5.0
Issue costs of borrowings	(0.1)	(0.1)	-0.0
Proceeds from borrowings	67.8	83.4	-15.7
Repayment of borrowings	(18.7)	(70.7)	+52.1
Payments of finance lease liabilities	(4.9)	(0.6)	-4.3
Net cash flow (used in) / from financing activities	(12.3)	(50.3)	+37.9
Net increase (decrease) in Cash & Cash equivalents net of banks overdrafts	(23.1)	(36.5)	+13.4
Net foreign exchange difference	0.1	0.2	-0.1
Cash & cash equivalents net of Bank overdrafts at 1 January	90.0	126.4	-36.3
Cash & cash equivalents net of Bank overdrafts at period end	67.0	90.0	-23.0
Of which cash and cash equivalents	85.9	107.2	-21.4
Of which bank overdrafts	(18.8)	(17.2)	-1.6

During the twelve months ended 31 December 2019, Lecta's cash and cash equivalents decreased by €21.4 million or -20%, from €107.2 million at 1 January 2019 to €85.9 million at 31 December 2019. The principal uses of cash during the twelve Months ended 31 December 2019 were for Working Capital of €-34.5 million, Payments related to CO_2 emission rights of €-7.7 million, Payments related to non-recurring items of €-11.0 million, Purchase of property plant and equipment of €-56.6 million and Interest payments of €-54.9 million.

During the twelve months ended 31 December 2019, the cash flows from operating activities were €+44.0 million, €-45.5 million less than reported during the twelve months ended 31 December 2018. The principal sources and uses of cash in operating activities were from:

- Ebitda of €+93.3 million;
- Increase in Working capital of €-34.5 million due to:
  - A decrease in inventories (impact of €+45.7 million),
  - A decrease in trade receivables (impact of €+16.1 million) mainly due to lower revenue and to a decrease in DSO and,
  - A decrease in trade payables (impact of €-96.4 million) mainly due to decreases in DPO and in consumption of purchased products, raw materials (wood, base paper, pulp and ORM), energy and other variable costs;
- Greenhouse gas emission rights of €-7.7 million, consisting in anticipated purchases of CO_2 emission rights, reported in "Other intangible assets";

- Payments related to non-recurring items of €-11.0 million, mainly in relation with the Organization efficiency program and the Recapitalization of the Group (see the section *Events after the Statement of Financial Position Date* below);
- Income tax payments of €-1.7 million.

During the twelve months ended 31 December 2019, the cash flows used in investing activities were €-54.7 million, €+21.0 million less than the cash flows used in investing activities during the twelve months ended 31 December 2018. The principal uses and sources of cash in investing activities were from:

- Purchase of property, plant and equipment of €-56.6 million;
- Receipt of grants of €+1.0 million in relation with the White certificates;

During the twelve months ended 31 December 2019, the cash flows used in financing activities were €-12.3 million, €+37.9 million less than the cash flows used in financing activities during the twelve months ended 31 December 2018. The principal uses and sources of cash in financing were for:

- Dividends paid to non-controlling interest of €-1.4 million
- Interest paid of €-54.9 million;
- Proceeds from borrowings net of Repayment of borrowings of €+49.1 million;
- Payments of finance lease liabilities of €-4.9 million.

Projects and Plans

Capital Expenditures and Investments

In the three months ended 31 December 2019, capital expenditures were €13.7 million, i.e. €3.6 million for cost reduction and productivity improvement, €0.5 million for maintenance, €1.8 million for information technology, €0.5 million for environment and safety, and a decrease of €7.3 million in capital payables.

In the twelve months ended 31 December 2019, capital expenditures were €56.7 million, i.e. €0.1 million for major paper machine rebuilds, €22.0 million for cost reduction and productivity improvement, €13.9 million for maintenance, €7.2 million for information technology, €4.5 million for environment and safety, and a decrease of €9.0 million in capital payables.

As at 1 January 2019, following the implementation of IFRS 16 “Leases”, Property, plant and equipment included €25.7 million of Right-Of-Use assets (see Note 1.02 to the Annual Report).

Organization Efficiency Program

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

Contractual Obligations

The following table summarizes Lecta's contractual obligations and principal payments as of 31 December 2019 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	66.1	66.1	0.0
Notes	616.3	16.3	600.0
Other debt	15.4	3.8	11.6
Debt on assigned receivables	2.7	2.7	0.0
Lease obligations	21.5	4.1	17.4
Bank overdrafts	18.8	18.8	0.0
Interest rate hedging	0.0	0.0	0.0
Other IFRS adjustments	(6.2)	(2.0)	(4.2)
Total debt	**734.5**	**109.7**	**624.8**

Total debt 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 €24.1 million as at 31 December 2019 vs €23.6 million as at 31 December 2018.

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

Recapitalization – Main steps

On 1 November 2019, Lecta SA announced that a majority of the holders of its 2016 Notes ("Noteholders"), holders of the majority of the debt under its RCF, and the Group had executed a Lock-Up Agreement ("LUA"). Those parties agreed to support the implementation of a comprehensive recapitalization transaction ("Recapitalization") aiming at materially deleverage the Group's balance sheet and enhance its liquidity position to allow it to continue its transformation into a specialty paper company, to be controlled by the Noteholders following the completion of the Recapitalization.

On 27 November 2019, Lecta SA announced that it had received consents to the LUA from (i) 83% of the aggregate outstanding principal amount under the 2016 Notes and (ii) 69% of the outstanding principal amount under the RCF. These consents exceeded the thresholds required under the LUA. Accordingly, Lecta had to seek to effect the Recapitalization via an English scheme of arrangement relating to the 2016 Notes (the "Scheme") once certain other conditions to launch the Scheme had been achieved.

On 5 December 2019, Lecta SA announced that it had received over 92% consent to the Recapitalization from the Noteholders. In addition, it announced that conditions to launch the Scheme via the issuance of a Practice Statement Letter ("PSL") were satisfied. The PSL - a copy was available at www.lucid-is.com/lecta, and via Euroclear Bank SA/NV and/or Clearstream Bank SA, and the Luxembourg Stock Exchange - enabled the Noteholders to consider the issues to be put before a UK Court at a convening hearing.

By an order dated 19 December 2019, the UK Court had directed that a meeting of the company and the Scheme Creditors had to be convened on or about 23 January 2020 for the purpose of considering and, if thought fit, approving the Scheme proposed.

On 23 January 2020, the meeting was held, and the required majority of the Scheme Creditors approved the Scheme.

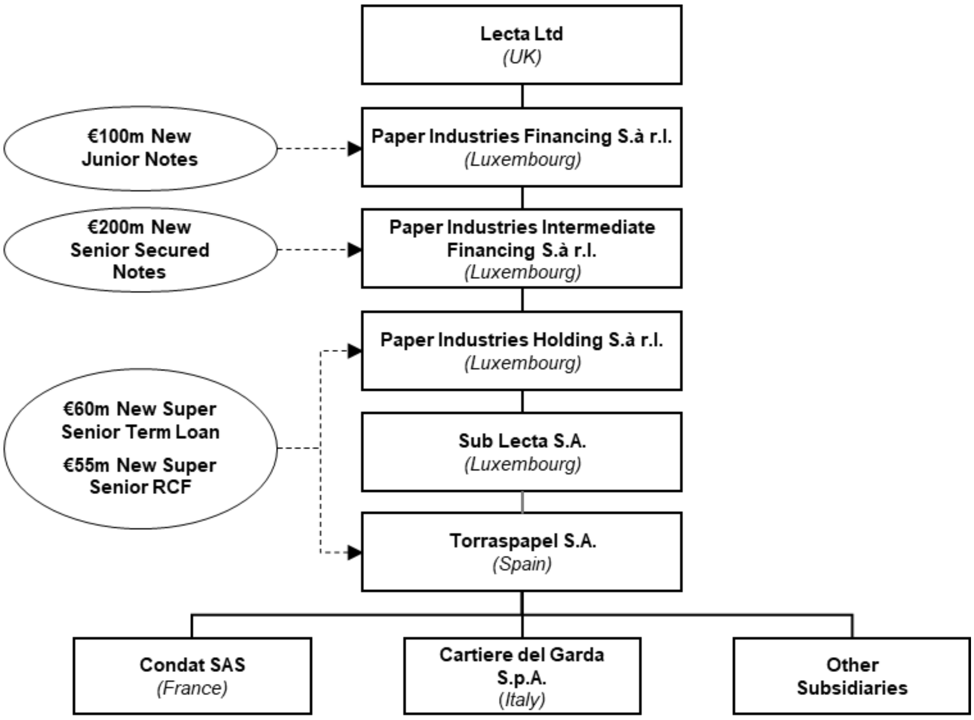
On 28 January 2020, the UK Court sanctioned the proposed Scheme, and an order was delivered to the registrar of companies on 30 January 2020.

On 4 February 2020, the Recapitalization was implemented via the transfer of Sub Lecta SA to be indirectly held by Lecta Ltd - a newly incorporated UK company and new parent company of the Group - and the exchange of 2016 Notes to new longer dated debt instruments and equity. The Recapitalization resulted in an improved capital structure for the Lecta Ltd Group. In addition, Lecta Ltd Group announced that it had entered into an agreement with NatWest Markets Plc to provide EUR 115 M super senior facilities ("New SSF") – consisting of a super senior EUR 60 M term loan and a super senior EUR 55 M RCF – to refinance and replace the existing EUR 65 M super senior RCF. Following the Recapitalization, Lecta Ltd Group will benefit from:

- A delevered capital structure reflecting the conversion of EUR 600 M of 2016 Notes into new debt and equity instruments and the payment of a consent fee to eligible holders of the 2016 Notes in connection with the Recapitalization, consisting of:
  - EUR 200 M senior secured notes due 2025, bearing an interest rate of 3-month Euribor (with a floor at 0%) + 6.000%
  - EUR 100 M junior notes due 2028, bearing an interest rate of 3-month Euribor (with a floor at 0%) + 0.25% cash + 7.000% PIK (annual capitalization); and
  - 100% of the equity in Lecta Ltd
- Materially lower annual cash interest burden (reduction in excess of EUR 20 M)
- Longer-dated maturities which provide the Lecta Group with increased runway to complete its ongoing transformation effort
- Significant incremental liquidity through (i) new / upsized receivables financing arrangements and (ii) incremental borrowing capacity under the SSF; and
- A new shareholder base featuring institutions with extensive experience investing in the sector.

In addition, different measures of support of the Group's operations in France from the French authorities were confirmed shortly after the implementation of the Recapitalization.

The following chart outlines the corporate and financing structure of the Lecta Ltd Group after giving effect to the Recapitalization:



Note: as at 31 December 2019 and until the Recapitalization implemented on 4 February 2020, Lecta SA was the parent company of the Group. Since the Recapitalization, Lecta Ltd is the new parent company of the Group, Lecta SA is no longer part of the Group.

Recapitalization - Accounting treatment

IFRS 5 Non-current assets held for sale and discontinued operations

Before 23 January 2020, with the positive vote of the Scheme Creditors, and before the sanction of the Scheme by the UK Court on 28 January 2020, it was not highly probable that the Recapitalization project would become effective. Moreover, because of the pledge on Sub Lecta SA shares granted by Lecta SA to the 2016 Noteholders and RCF lenders, effective on 31 December 2019, Lecta SA was not able to sell its participation in Sub Lecta SA. This pledge was released only on 4 February 2020. Consequently, before 4 February 2020, the assets (or disposal group) were not available for immediate sale because of the pledge.

As a conclusion, IFRS 5 criteria were not met at 2019 year-end: at that date, the disposal was not highly probable and the assets were not available for immediate sale due to the pledge on Sub Lecta SA shares.

IFRS 9 Financial instruments / fees & costs in relation with the Recapitalization

The transaction is viewed as an exchange of the old debt against two different instruments: a new debt and new equity instruments.

After analysis, it was concluded that the fees & costs incurred in the Recapitalization have to be expensed and reported as “non-recurring items” in the P&L, and not to be capitalized (see Note 11 to the Annual report).

The remaining fees & costs included in the former financial debt, amounting to EUR 40.9 M, have also to be expensed and reported as “non-recurring items” in the P&L on 4 February 2020.

Coronavirus

It is early to determine the impact of Covid-19 to Lecta group activities at the time of writing this report, but the Group could be exposed in many ways. Beyond the major human impact in case of contamination of employees, the Group could have to temporarily close one or several sites (plants, warehouses, sales offices, headquarters) because of (i) restrictions imposed in certain countries, (ii) limitations of suppliers to manufacture and deliver the raw materials, or (iii) reductions in demand of products manufactured or traded by the Group.

The consequences of Covid-19 are expected to affect 2020 Group sales and Ebitda.

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%	+/-12.8
Volumes	+/-1%	+/-3.2
Currency:		
USD against EUR [1]	+/-1%	-/+0.9
GBP against EUR	+/-1%	+/-0.7
Pulp prices	+/-1%	-/+2.3
Energy costs	+/-1%	-/+0.4

(1) A one percent weakening of the US dollar against the euro, with all other things being equal, would result in a €0.9 million increase in EBITDA. However, the weakening of the US dollar against the euro tends to exert downward pressure on euro paper prices and upward pressure on US 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)	2019	2018
Gross amount of Trade receivables	211,478	228,001
Impairment	(14,979)	(15,358)
Trade receivables as per Balance sheet	196,500	212,643
of which not past due	188,909	201,702
of which past due:	7,591	10,941
Amount covered by a credit insurance	5,962	9,636
Amount of recoverable VAT	12	119
Amount eligible to credit risk,	**1,617**	**1,186**
past due since less than one month	1,138	523
past due since more than one month but no later than three months	437	292
past due since more than three months but no later than one year	6	314
past due since more than one year but no later than five years	36	57
past due since more than five years	0	0

The line "Impairment" includes a bad debt provision of €9.1 million as at 31 December 2019 (€9.3 million as at 31 December 2018) 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

One of the objectives of the Recapitalization of the Group (see the section *Events after the statement of financial position* above) is to mitigate the liquidity risk. A faster and wider outbreak of coronavirus (see the section *Events after the statement of financial position* above) introduces a new element of uncertainty.

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.

Interest Rate Risk

Lecta Group's profit before tax is exposed to the fluctuations of interest rate, as a vast proportion of its Borrowings is indexed to 3-month Euribor.

Unfavorable impact on profit before tax of an increase of 1% (100 basis points) of 3-month Euribor, from -0.356% (average in 2019) to 0.644%, all other things being equal, based on actual figures of 2019, is:

Interest rate	EUR M
3M Euribor	1.7

Lecta does not currently hedge against the fluctuations of interest rates.

Lecta Group's counterparts are leading financial institutions that had credit ratings equal to or better than A-2 short-term or BBB long-term ratings (or equivalent) when the hedging instruments were traded.

Foreign Currency Exchange Risk

Lecta Group's operations are exposed to the fluctuations of the non-euro currencies, mainly USD and GBP. Favorable (unfavorable) impacts on EBITDA of a decrease of 0.01 of exchange rate [e.g. for USD/EUR from 1.12 (average in 2019) to 1.11, or for GBP/EUR from 0.88 (average in 2019) to 0.87], all other things being equal, based on actual figures of 2019, are:

Currency	Estimated effect on Lecta Group EBITDA (in EUR M)
USD	-1 M EUR
GBP	0.7 M EUR

At 31 December 2019, ordinary sales and purchases were specifically hedged through:

- Forward agreements on realized sales in foreign currencies: €27.8 million.
- Forward agreements on realized purchases in foreign currencies: €0.4 million.

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

At 31 December 2019, 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 2019, 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.

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.

Coronavirus

Refer to the section *Events after the statement of financial position date* above.

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 +4% per year for the period 2020-2023.
According to RISI’s statistics of September 2019, the European demand of CWF paper is expected to continue decreasing with a negative CAGR of -5% for the period 2020-2023.
In 2020, Lecta plans to continue implementing its organization efficiency program, align its production capacity in CWF to market demand, while developing its Specialty paper business.

LECTA SA VS LECTA LTD

As at 31 December 2019 and until the Recapitalization implemented on 4 February 2020 (see the section *Events after the statement of financial position date* above), Lecta SA was the parent company of the Group. Since the Recapitalization, Lecta Ltd is the new parent company of the Group, Lecta SA is no longer part of the Group and its liquidation is planned to be launched in the 2nd Quarter 2020.
The following sections only refer to Lecta SA.

PRINCIPAL SHAREHOLDERS OF LECTA SA

As at 31 December 2019, and until the Recapitalization (see the section *Events after the statement of financial position date* above), Lecta’s controlling shareholder were companies advised, managed or owned by affiliates or employees of CVC Capital Partners. They owned 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 of Lecta SA

The Board of Directors of Lecta SA was appointed at the Shareholders' meeting of 25 April 2019. It is currently composed of three Directors:
- Andrea Minguzzi, Executive Chairman,
- Eduardo Querol,
- François Pfister.

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 has general responsibility for the management of the company. The Board of Directors of Lecta SA establishes the principles of Group strategy, and it appoints the Group CEO. The Board of Directors of Lecta SA 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 2019, the former and current members of the Board of Directors of Lecta SA, including executive officers, received remuneration. This remuneration was charged at an aggregate cost of €1.3 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. Following the Recapitalization implemented on 4 February 2020 (see the section *Events after the statement of financial position date* above), these warrants are no longer convertible.

Share capital

On 31 December 2019 the subscribed Share capital of Lecta SA 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 of Lecta SA was 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 was 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 2019, 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. Following the Recapitalization implemented on 4 February 2020 (see the section *Events after the statement of financial position date* above), these warrants are no longer convertible.

On 31 December 2019, 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 2019.

The Board of Directors