LISTING MEMORANDUM

Lecta S.A.

€748,000,000

€598,000,000 Senior Secured Floating Rate Notes due 2014
€150,000,000 Senior Unsecured Floating Rate Notes due 2014
guaranteed on a senior basis by
certain Subsidiaries of Lecta S.A.

Lecta S.A. (the "Issuer") is offering €598,000,000 aggregate principal amount of senior secured floating rate notes due 2014 (the "Secured Notes") and €150,000,000 aggregate principal amount of senior unsecured floating rate notes due 2014 (the "Unsecured Notes," and collectively with the Secured Notes, the "Notes"). Interest on the Notes will be paid quarterly on each February 15, May 15, August 15 and November 15, commencing May 15, 2007. At any time on or after February 15, 2008, the Notes may be redeemed in whole or in part by paying a specified premium.

The interest on the Secured Notes will be three-month EURIBOR plus 262.5 bps, reset two days before the beginning of each quarterly interest period. The interest on the Unsecured Notes will be three-month EURIBOR plus 400.0 bps, reset two days before the beginning of each quarterly interest period.

The Issuer is a holding company conducting its operations through its subsidiaries. If we undergo a change of control or sell certain of our assets, we may be required to offer to purchase the Notes from you. In addition, we may redeem all, but not part, of the Notes at a price equal to their principal amount plus accrued and unpaid interest, if any, upon the occurrence of certain changes in applicable tax law.

The Secured Notes will be general secured senior obligations of the Issuer, and the Unsecured Notes will be general unsecured senior obligations of the Issuer. The Notes will rank equally in right of payment with all the Issuer's existing and future senior indebtedness. Certain of our subsidiaries (the "Guarantors") will guarantee the Notes on a senior basis (the "Guarantees"). The Secured Notes and related Guarantees will be secured, along with obligations under the Issuer's revolving credit facility, by security interests over certain assets of the Issuer and certain subsidiaries of the Issuer, including shares of Guarantors. The laws of certain jurisdictions limit the enforceability of guarantees and of the rights to the collateral, if any, securing such guarantees.

This listing memorandum includes information on the terms of the Notes, including redemption and repurchase prices, covenants and transfer restrictions. For a more detailed description of the Notes and the Guarantees, including applicable limits on enforceability, see "Description of the Secured Notes," "Description of the Unsecured Notes" and Annex A hereto.

Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. We expect that the Notes will be made ready for delivery in book-entry form through Euroclear and Clearstream, on or about February 13, 2007, against payment in immediately available funds.

Investing in the Notes involves a high degree of risk. See "Risk Factors" beginning on page 32.

The Notes have not been registered under the U.S. federal securities laws or the securities laws of any other jurisdiction. The initial purchasers named below are offering the Notes only to qualified institutional buyers in accordance with Rule 144A of the U.S. Securities Act of 1933, as amended, and to persons outside the United States in accordance with Regulation S of the U.S. Securities Act of 1933, as amended. See "Notice to Investors" for additional information about eligible offerees and transfer restrictions.

Price: 100.00% plus accrued interest, if any, from the issue date.

Deutsche Bank

Sole Book-Running Manager

UniCredit Group (HVB)
Co-Manager

Banco Bilbao Vizcaya
Argentaria, S.A.
Co-Manager

The date of this listing memorandum is March 9, 2007

IMPORTANT INFORMATION ABOUT THIS LISTING MEMORANDUM

You should not assume that the information contained in this listing memorandum is accurate as of any date other than the date of this listing memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes. By purchasing the Notes, you will be deemed to have acknowledged that:

- you have reviewed this listing memorandum;
- you have had an opportunity to request all additional information that you need from us; and
- Deutsche Bank AG, London Branch, Bayerische Hypo- und Vereinsbank AG and Banco Bilbao Vizcaya Argentaria, S.A. (the "Initial Purchasers" and each an "Initial Purchaser") are not responsible for, and are not making any representation to you concerning, our future performance or the accuracy or completeness of this listing memorandum.

Neither the Notes nor the Guarantees have been or will be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The Notes are being offered and sold outside the United States in reliance on Regulation S and within the United States to "qualified institutional buyers" ("QIBs") in reliance on Rule 144A under the U.S. Securities Act ("Rule 144A"). Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of these and certain other restrictions on offers, sales and transfers of the Notes and the distribution of this listing memorandum, see "Notice to Investors."

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other U.S. regulatory authority, nor have any of these authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this listing memorandum. Any representation to the contrary is a criminal offense in the United States.

Further, no securities authority in Luxembourg has approved or disapproved these Notes or determined whether this listing memorandum is truthful or complete. This listing memorandum, and any other offering circular, prospectus, form of application, advertisement or other material is only being distributed in, or otherwise made available in, or from or published in, Luxembourg for the sole purpose of the admission of the Notes to the official list of the Luxembourg Stock Exchange and the admission of the Notes to trading on the Euro MTF market, except in circumstances which do not constitute an offer of securities to the public.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable state securities laws pursuant to registration thereunder or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

This listing memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. Laws in certain jurisdictions may restrict the distribution of this listing memorandum and the offer and sale of the Notes. Persons into whose possession this listing memorandum or any of the Notes are delivered must inform themselves about and observe those restrictions. Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this document. In addition, each prospective purchaser must obtain any consent, approval or permission required under the regulations in force in any jurisdiction to which it is subject or in which it purchases, offers or sells the Notes.

Neither the Issuer nor the Initial Purchasers shall have any responsibility for obtaining such consent, approval or permission.

We have summarized certain documents and other information in a manner we believe to be accurate, but we refer you to the actual documents for a more complete understanding of the matters we discuss in this document. You should not consider any information in this document to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Notes. In making an investment decision, you must rely on your own examination of our business and the terms of this offering and the Notes, including the merits and risks involved.

We accept responsibility for the information contained in this listing memorandum. We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this listing memorandum with regard to us, our subsidiaries and affiliates and the Notes is true and accurate in all material respects, that the opinions and intentions expressed in this listing memorandum are honestly held and that we are not aware of any other acts the omission of which would make this listing memorandum or any statement contained herein misleading in any material respect.

We reserve the right to withdraw this offering of the Notes at any time. We and the Initial Purchasers also reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or no reason and to allot to any prospective purchaser less than the full amount of the Notes sought by it.

In connection with this issue, Deutsche Bank AG, London Branch or persons acting on its behalf may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, Deutsche Bank AG, London Branch is under no obligation to do this. Such stabilizing, if commenced, may be discontinued at any time and must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.

NOTICE TO EEA INVESTORS

This listing memorandum has been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the European Economic Area ("EEA"), from the requirement to produce a prospectus for offers of securities. Accordingly, any person making or intending to make any offer within the EEA of Notes, which are the subject of the placement contemplated in this listing memorandum, should only do so in circumstances in which no obligation arises for the Issuer or the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of Notes contemplated in this listing memorandum.

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any Notes may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Notes may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) by the Initial Purchasers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of Deutsche Bank AG, London Branch for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of Notes shall result in a requirement for the publication by the Issuer, any Guarantor or the Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Notes to be offered so as to enable an investor to decide to purchase any Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

NOTICES TO CERTAIN EUROPEAN INVESTORS

The Netherlands

Each of the Initial Purchasers represents and agrees that (a) it is a professional market party ("PMP") within the meaning of Section 1(e) of the Exemption Regulation of June 26, 2002 in respect of the Act on the Supervision of the Credit System 1992 (Vrijstellingsregeling Wtk 1992), as amended from time to time (the "Exemption Regulation"), where applicable read in conjunction with the policy rules of the Dutch Central Bank (de Nederlandsche Bank N.V.) on key concepts of market access and enforcement of the Act on the Supervision of the Credit System 1992 (Wet toezicht kredietwezen 1992) published on December 29, 2004 (Beleidsregel 2005 kernbegrippen markttoetreding en handhaving Wtk 1992) (the "Policy Rules"), and Section 2 of the Policy Rules, as amended, supplemented and restated from time to time and (b) it has offered or sold and will offer or sell, directly or indirectly, as part of the initial distribution or at any time thereafter, the Notes exclusively (i) to PMPs as reasonably identified by the Issuer on the date of the issuance of the Notes or (ii) to persons which cannot reasonably be identified as PMPs by the Issuer on the date of the issuance of the Notes, provided that the Notes have a denomination of €50,000 (or the equivalent in any other currency) and shall upon their issuance be included in a clearing institution that is established in an EU Member State, the United States, Japan, Australia, Canada or Switzerland; so that it can reasonably be expected that the Initial Purchasers will transfer the Notes exclusively to other PMPs.

Generally, Notes (including rights representing an interest in a global note) may not be offered, sold, transferred or delivered at any time by anyone, directly or indirectly, to individuals or legal entities who or which are established, domiciled or have their residence in The Netherlands ("Dutch Residents") other than to PMPs acquiring the Notes for their own account. Dutch Residents, by purchasing Notes (or any interest therein), will be deemed to have represented and agreed for the benefit of the Issuer that (i) they are a PMP and acquire the Notes for their own account, (ii) such Notes (or any interest herein) may not be offered, sold, pledged or otherwise transferred to Dutch Residents other than to a PMP acquiring for its own account or for the account of another PMP and (iii) they will provide notice of this transfer restriction to any subsequent transferee.

In addition, and without prejudice to the relevant restrictions set out above, the Notes that are offered in The Netherlands, may only be offered and such an offer may only be announced: (i) if the Notes have a denomination of at least €50,000 or the equivalent in any other currency; (ii) if the Notes, irrespective of their denomination, can be acquired only as a package for a consideration of at least €50,000 or the equivalent in any other currency; and/or (iii) to professional market parties within the meaning of Section 1a paragraph 3 of the Exemption Regulation to the Dutch Securities Supervision Act 1995 (Vrijstellingsregeling Wet toezicht effectenverkeer 1995); and otherwise (iv) in accordance with the Dutch Securities Supervision Act 1995 (Wet toezicht effectenverkeer 1995) and corresponding regulations, as amended from time to time.

Switzerland

The Notes may be offered in Switzerland on the basis of a private placement, not as a public offering. The Notes will neither be listed on the SWX Swiss Exchange nor are they subject to Swiss law. This listing memorandum therefore neither constitutes a prospectus within the meaning of Art. 1156 of the Swiss Code of Obligations or Arts. 32 et seq. of the Listing Rules of the SWX Swiss Exchange, nor does it comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association.

United Kingdom

This listing memorandum is for distribution only to persons who (i) are outside the United Kingdom; (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act of 2000 (Financial Promotion) Order 2005 (the "Order"); (iii) are high net worth companies, unincorporated associations and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This listing memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to, and will be engaged in only with, relevant persons.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This listing memorandum includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believe," "estimate," "anticipate," "expect," "intend," "may," "will" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this listing memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate and predictions and forecasts of industry experts upon which we rely.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this listing memorandum. In addition, even if our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this listing memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- industry conditions, including cyclicality in the prices of our products and the raw materials used to make them, competition and production capacity;
- our ability to generate sufficient cash to satisfy our commitments and fund our capital expenditures;
- our reliance on a limited number of customer accounts for a significant amount of our revenue;
- our ability to realize cost reduction and efficiency improvement;
- the cost of compliance with environmental, tax and other laws and regulations;
- the possibility of major disruptions in production at our facilities, including risks associated with our labor relations;

- changing customer preferences or the development of new technologies;
- consequences of our high leverage; and
- other risks and uncertainties inherent to our business and to general local and global economic conditions.

We urge you to read the sections of this listing memorandum entitled “Risk Factors,” “Operating and Financial Review and Prospects,” “Industry and Market Overview” and “Business” for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this listing memorandum may not occur.

We undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this listing memorandum.

PRESENTATION OF INDUSTRY AND MARKET INFORMATION

We have generally obtained the market and competitive position data in this listing memorandum from industry publications and from surveys or studies conducted by third-party sources that we believe to be reliable, including CEPIFINE aisbl (“CEPIFINE”), Pöyry Forest Industry Consulting (formerly Jaakko Pöyry Forest Industry Consulting) (“Pöyry”), Laves Chemie, the International Federation of Manufacturers and Converters of Self-Adhesive and Heat-Seal Materials on Paper and Other Substrates (“FINAT”), the European Thermal Paper Association (“EPTA”) and the European Metallizers Association (“EMA”). However, we cannot assure you of the accuracy and completeness of such information and we have not independently verified such market and position data. Many of these publications, surveys and studies contain forecasts, predictions and other forward-looking statements, which are subject to many risks and uncertainties. We do, however, accept responsibility for the correct reproduction of this information.

The information provided by Pöyry has been prepared by Pöyry for our use only, and therefore there is no certainty that such information addresses or reflects the specific requirements, interests or circumstances of any potential investors in connection with our refinancing or those of other third parties. Further, the estimates and conclusions given in such information are based partly on information not within Pöyry’s control. Pöyry does not make any representation or warranty as to the accuracy, correctness or completeness of the data or of any analysis thereof contained in such information, or any other recommendation, representation or warranty whatsoever concerning such information. In addition, Pöyry has no duty to update or supplement any such information. Pöyry is not responsible for any actions (or lack thereof) taken by any investors or other third parties as a result of relying on or in any way using such information, and in no event shall Pöyry be liable for any damages resulting from reliance on or use of such information, whether such liability is asserted to arise in contract, negligence, strict liability or other theory of law.

In addition, in many cases we have made statements in this listing memorandum regarding our industry and our position in the industry based on our experience and our own investigation of market conditions. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information have been verified by any independent sources.

In this listing memorandum:

- “CAD” refers to the lawful currency of Canada;
- “EU” refers to the European Union;
- “EUR,” “euro” or “€” refers to the single currency of the Participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;

- “Existing Credit Facilities,” which will be refinanced with the proceeds of the offering of the Notes, refers to our existing senior term and revolving credit facilities described in “Description of Other Indebtedness—The Existing Credit Facilities;”
- “GBP” or “pound sterling” refers to the lawful currency of the United Kingdom;
- “Guarantors” refers to Sub Lecta 1 S.A., Sub Lecta 2 S.A., Cartiere del Garda S.p.A., Torraspapel Holding S.A., Torraspapel S.A. and Sarriopapel y Celulosa S.A.;
- “IFRS” refers to International Financial Reporting Standards as adopted by the EU;
- “Indentures” refers to the Secured Indenture and the Unsecured Indenture;
- “Intercompany Loans” refers to the Secured Notes Proceeds Loans and the Unsecured Notes Proceeds Loans;
- “Issuer” refers to Lecta S.A.;
- “Lecta S.A.” refers to Lecta S.A., a public limited liability company (société anonyme), duly incorporated and validly existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 19-21, Boulevard du Prince Henri, L-1724, Luxembourg and registered with the Register of Trade and Companies of Luxembourg under number B 72.198, on an unconsolidated basis;
- “Luxembourg GAAP” refers to generally accepted accounting principles in Luxembourg;
- “Notes” refers to the Secured Notes and the Unsecured Notes;
- “RCF” refers to our new revolving credit facility totaling €75.0 million, of which €60.0 million is committed, described in “Description of Other Indebtedness—Senior Revolving Credit Facility;”
- “Refinancing” refers to the transactions described under “Summary—The Refinancing;”
- “Secured Indenture” refers to the indenture governing the Secured Notes as described in “Description of the Secured Notes;”
- “Secured Notes” refers to the €598,000,000 aggregate principal amount of senior secured floating rate notes due 2014;
- “Secured Notes Proceeds Loans” refers to loans by Lecta S.A. to certain of its subsidiaries and by certain of its subsidiaries receiving such loans to certain of their subsidiaries of a portion of the proceeds of the offering of the Secured Notes;
- “Secured Notes Trustee” refers to Deutsche Trustee Company Limited, in its capacity as trustee for the holders of the Secured Notes.
- “Security Trustee” refers to Deutsche Bank AG, London Branch, in its capacity as security trustee for the Secured Notes and the RCF;
- “Shareholders’ Agreement” refers to the Amended and Restated Shareholders’ Agreement dated December 10, 1999, as amended and restated on each of June 20, 2000, December 13, 2002 and October 22, 2003 and entered into by each shareholder in Lecta S.A.;
- “United States” or the “U.S.” refers to the United States of America;
- “Unsecured Indenture” refers to the indenture governing the Unsecured Notes as described in “Description of the Unsecured Notes;”
- “Unsecured Notes” refers to the €150,000,000 aggregate principal amount of senior unsecured floating rate notes due 2014;

- “Unsecured Notes Proceeds Loans” refers to loans by Lecta S.A. to certain of its subsidiaries and by certain of its subsidiaries receiving such loans to certain of their subsidiaries of a portion of the proceeds of the offering of the Unsecured Notes;

- “Unsecured Notes Trustee” refers to Deutsche Trustee Company Limited, in its capacity as trustee for the holders of the Unsecured Notes.

- “USD,” “$,” “U.S. dollars” or “dollars” refers to the lawful currency of the United States;

- “U.S. GAAP” refers to generally accepted accounting principles in the United States;

- “U.S. Securities Act” refers to the U.S. Securities Act of 1933, as amended; and

- “we,” “us,” “our” and other similar terms refer to Lecta S.A. and its consolidated subsidiaries, except where the context otherwise requires.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, financial information in this listing memorandum is presented in euro and, as of and for the year ended December 31, 2005 and the nine months ended September 30, 2005 and 2006, has been prepared in accordance with IFRS, as of and for the year ended December 31, 2004, has been prepared in accordance with both Luxembourg GAAP and IFRS, and as of and for the years ended December 31, 1999, 2000, 2001, 2002 and 2003, has been prepared in accordance with Luxembourg GAAP. IFRS and Luxembourg GAAP differ in certain significant respects from U.S. GAAP.

There are significant differences between Luxembourg GAAP and IFRS. Material differences with respect to recognition and measurement between Luxembourg GAAP and IFRS are summarized in note 3.1 to our audited consolidated financial statements as of and for the year ended December 31, 2005, included elsewhere in this listing memorandum.

Some financial information and other numerical data in this listing memorandum have been rounded and, as a result, the numerical figures shown as totals in this listing memorandum may vary slightly from the exact arithmetic aggregation of the figures that precede them.

In this listing memorandum and our financial statements, we report EBITDA. We define EBITDA as earnings before depreciation, amortization, unusual items, finance costs, net income from associates and income tax. EBITDA includes non-cash expenses and incomes, consisting of variations of inventories and operating provisions. EBITDA does not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of our results of operations. In addition, EBITDA as we define it may not be comparable to other similarly titled measures used by other companies. Moreover, EBITDA as presented herein and in our financial statements is not calculated in the same way as “EBITDA” is calculated under the Indentures and the RCF.

EXCHANGE RATE INFORMATION

The following chart shows for the period from January 1, 2001 through January 31, 2007, the period end, average, high and low noon buying rates in the City of New York for cable transfers of euro as certified for customs purposes by the Federal Reserve Bank of New York expressed as dollars per €1.00.

	dollars per €1.00			
Year	High	Low	Period average(1)	Period end
2001	0.9535	0.8370	0.8909	0.8901
2002	1.0485	0.8594	0.9495	1.0485
2003	1.2597	1.0361	1.1411	1.2597
2004	1.3625	1.1801	1.3126	1.3538
2005	1.3476	1.1667	1.2418	1.1842
2006	1.3327	1.1860	1.2661	1.3197
Month				

July 2006............	1.2822	1.2500	1.2681	1.2764
August 2006........	1.2914	1.2735	1.2810	1.2793
September 2006 ..	1.2833	1.2648	1.2722	1.2687
October 2006.......	1.2773	1.2502	1.2617	1.2773
November 2006...	1.3261	1.3327	1.2888	1.3261
December 2006...	1.2705	1.3073	1.3205	1.3197
January 2007.......	1.3286	1.2904	1.2993	1.2998
February 2007.....	1.3246	1.2933	1.3080	1.3230
March 2007 (through March 8, 2007)..................	1.3182	1.3094	1.3139	1.3129

(1) The average of the noon buying rates on the last business day of each month during the relevant period.

The noon buying rate of the euro on March 8, 2007 was $1.3129= €1.00.

The above rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this listing memorandum. Our inclusion of these exchange rates is not meant to suggest that the euro amounts actually represent such dollar amounts or that such amounts could have been converted into dollars at any particular rate, if at all.

[THIS PAGE IS INTENTIONALLY LEFT BLANK]

SUMMARY

The following summary supplements, and should be read in conjunction with, the more detailed information contained elsewhere in this listing memorandum. You should read the entire listing memorandum carefully to understand our business, the nature of the Notes offered hereby, and the tax and other considerations that are important to your decision to invest in the Notes. You should pay special attention to the "Risk Factors" section.

Our Company

We are the largest coated woodfree paper manufacturer in Southern Europe (consisting primarily of Spain, Portugal, France and Italy) and the third largest coated woodfree paper manufacturer in Europe, with an annual production capacity of 1,500,000 metric tons. We are also one of the leading manufacturers of specialty papers in Europe, with an annual production capacity of 220,000 metric tons. In addition, we operate a 230,000 metric ton pulp mill in Spain, which provides approximately 30% of our overall pulp requirements for all of our coated woodfree paper mills. We have ten coated woodfree paper machines and six specialty paper machines in eleven mills located at various sites in Italy, France and Spain. In the year ended December 31, 2005, our mills produced an aggregate of 1,359,100 metric tons of coated woodfree paper and 222,200 metric tons of specialty papers, including uncoated paper, a type of specialty paper produced by our coated woodfree paper mills. We market our products principally in Spain, Portugal and France, where we rank first by market share, in Italy, where we rank second by market share, and also in other European countries and, to a lesser extent, outside of Europe. Our mills are located in close proximity to our key commercial printing markets in Spain, Portugal, France and Italy, where, according to CEPIFINE, approximately 35% of European commercial printing deliveries of coated woodfree paper are made (9% in Spain, 1% in Portugal, 12% in France and 13% in Italy). During the year ended December 31, 2005, we had total sales of €1,414.8 million and EBITDA of €183.0 million. During the nine months ended September 30, 2006 and the twelve months ended September 30, 2006, we had total sales of €1,075.0 million and €1,433.7 million, respectively, and EBITDA of €105.4 million and €149.1 million, respectively.

The Lecta group was initially formed by CVC Capital Partners Limited ("CVC") in 1997 to acquire Cartiere del Garda S.p.A. ("Garda") of Italy in October of that year, and it subsequently acquired Condat S.A.S. ("Condat") of France in November 1998 and Torraspapel S.A. ("Torraspapel") of Spain in December 1999, all three of which are long-established paper manufacturing companies. Garda, Condat and Torraspapel produce coated woodfree paper for sale under their own brand names, which we believe are well-established in the European market. Torraspapel also produces a variety of specialty papers, including thermal, metallized and self-adhesive papers. In addition, Torraspapel acts as a distributor of coated woodfree paper and speciality papers in Spain, Portugal and France, and in the year ended December 31, 2005, Torraspapel distributed approximately 430,000 metric tons of paper, of which 82,500 metric tons were produced by third parties.

We have a high-quality asset base, which achieves excellent operating performance. Between 1999 and 2003, we invested €499.6 million in rebuilding our papermaking, coating and converting machines, reducing costs and improving productivity, enhancing our information technology, implementing environmental and safety improvements and maintenance. As a result of our capital expenditures, the coated woodfree paper capacity of our mills has grown from approximately 1,000,000 metric tons in 1999 to 1,500,000 metric tons currently. We have accomplished this expansion in production capacity through upgrades to our existing machines rather than by the addition of new machines. Over the same period, we have reduced both our variable and fixed costs through machine modernization and various cost reduction initiatives, including coordination of sales and marketing and raw material purchases and extensive internal and external benchmarking of our production processes. From 2001 to 2006, we increased our metric tons of paper and pulp produced per employee from 306 metric tons to 392 metric tons, representing an increase in metric tons of paper and pulp produced per employee of approximately 28%.

The following table sets forth certain information with respect to our operations for, or as at the end of, the year ended December 31, 2005:

	Coated Woodfree Paper	Specialty Papers	Other	Total
Volume produced (in thousands of metric tons)	1,359.1	222.2	—	1,581.2
Volume sold (in thousands of metric tons)	1,339.3	220.5	82.5(1)	1,642.3
Revenue (in millions of euro)	1,031.5	270.3	113.0(2)	1,414.8
EBITDA (in millions of euro)	140.4	26.8	15.7(2)	183.0

(1) Consists of paper produced by third parties and sold by Torraspapel.

(2) Includes, as applicable, revenues and EBITDA from sales of paper produced by third parties and sold by Torraspapel and sales of excess energy produced by our cogeneration facilities.

Our Strengths

We believe we have a number of competitive advantages, including:

Strong Market Positions in Coated Woodfree Paper. We are the market leader for coated woodfree paper in Southern Europe. The following table sets forth our estimated rankings and market share in our principal markets for coated woodfree paper.

	Ranking	Market Share(1)
Spain and Portugal	#1	44%
France	#1	29%
Italy	#2	26%

(1) Includes sales by Torraspapel of approximately 82,500 metric tons of paper produced by other paper manufacturers.

The majority of our products are sold under our own brand names, and according to an industry study commissioned in 2005, our brands have the highest name recognition among our target customers in Spain and Italy and the second highest name recognition among our target customers in France. We engage in a variety of targeted promotional activities and advertising to enhance the recognition of our brands, as we believe that this helps to differentiate our products.

Optimal Location of Mills, Proximity to Customers. Our mills are strategically located in close proximity to key commercial printing markets in Southern Europe. According to CEPIFINE, approximately 35% of European commercial printing deliveries of coated woodfree paper take place in Spain, Portugal, France and Italy. The strategic location of our mills allows us to keep transportation costs, which are generally a substantial portion of sales prices, low relative to those of our competitors, particularly our competitors with mills in Nordic countries. In addition, although most large industrial paper machines produce paper onto reels, most demand for coated woodfree and specialty papers in Europe is for sheeted paper. As a result, most paper produced by paper mills needs to be converted to sheets, and in general this conversion takes place following specific customer orders. To reduce the delivery time of customers' orders, paper manufacturers must operate converting facilities close to their principal markets. The proximity of our mills to our customers allows for sheet converting to take place at our mill sites, which results in cost savings and improved inventory management and customer service. Many of our Nordic competitors incur higher transportation costs and thus are at a competitive disadvantage from having to ship reeled paper to remote converting facilities located near to customers and then ship it on to customers. Moreover, maintaining converting facilities at or near our mills provides us with cost savings due to our ability to reuse the paper waste created from the cutting process. We believe that being in close proximity to our customers also allows us to provide higher levels of customer service.

Attractive and Growing End-User Market. We are well positioned to benefit from growth in the Southern European markets and growth in the coated woodfree paper markets. According to CEPIFINE, the market for coated woodfree paper in Southern Europe grew at a rate of 1.7%, 2.4%, and 1.4% higher than the growth rate for Western Europe as a whole during the years 2003, 2004 and 2005, respectively, reflecting higher economic growth in Southern Europe. In addition, the market for coated woodfree paper historically has grown at a faster rate than markets for other types of paper in response to demand from customers in growing markets for advertising and commercial printing. We expect this trend to continue in the future.

Well-Invested Asset Base and Efficient Low-Cost Production. All of our paper machines were modernized through a series of investment projects between 1999 and 2003, and as a result, our production capacity increased by 50% between 1999 and 2006. With an average annual output of between 115,000 and 230,000 metric tons each, our coated woodfree paper machines are among the most efficient in Europe. We believe that the efficiency of our paper machines, coupled with low transportation and sheet converting costs, provides us with a cost advantage in our key markets. We believe, for example, that on a delivered basis, we are the lowest cost producer in Europe for shipments to Madrid, Milan and Paris, where a significant number of our customers are located. If warranted by market conditions, we could increase our coated woodfree paper production by 130,000 metric tons per year without additional capital investment by eliminating commercial downtime in our mills.

Flexibility and Variety in Production. We manufacture our coated woodfree paper on medium-width machines, which we believe are better suited for the production of most coated woodfree paper products than the wider-width machines that many of our competitors use. Because the coated woodfree paper market generally demands a greater variety of basis weights and surface finishes than other types of graphic paper, these machines allow us to produce our paper in a broad range of basis weights and coated surface finishes while maintaining optimal production runs with minimal waste and downtime between runs.

Successful Distribution Business Directly Linked to Customer Base. In addition to their production operations, our Spanish operations include a highly successful distribution business, which distributes both our own coated woodfree and specialty papers and those produced by third parties. This distribution business enhances our ability to provide a high level of customer service by improving our understanding of our customers' product and service needs, which allows us more effectively to develop and market new products to meet such requirements.

(BAR CHART)

Skilled Personnel, Incentivized Management and Sponsor Support. Our management team is experienced and is highly regarded by participants in the paper industry. We maintain a decentralized organizational structure and continue to run Garda, Condat and Torraspapel as separate operating subsidiaries. Each of the three subsidiaries has its own CEO with over 20 years of experience in the paper industry. With an aggregate equity stake in Lecta S.A. of approximately 8.6%, our management team is highly incentivized. In addition, each of our senior managers has been granted an incentive package with a strong focus on increasing sales, productivity and cash generation. We also benefit from the relationships, investment experience and expertise with manufacturing companies of our controlling shareholder, CVC, a leading international private equity and investment advisory firm, whose Industrial Advisory Board includes members with diverse manufacturing backgrounds.

Our Strategy

Our objectives are to build on our position as the leading coated woodfree paper producer in Southern Europe. The key elements of our strategy are as follows:

Maintain Low-Cost Production and Achieve Further Operating Efficiencies. We believe we are a low cost producer due in large part to our past capital investment projects, which have improved the efficiency of our machines. We seek to improve the efficiency of all of our mills and thereby to increase our cost competitiveness and margins. We are taking a number of measures to increase productivity as measured by metric tons produced per employee. Our three operating subsidiaries continually share best practices to increase production efficiency, optimize technological processes, manage risks and reduce costs. We also measure the performance of each of our mills against internal and external benchmarks relating to operational key indicators and raw material consumption. We are replicating our success in energy cogeneration in Spain by replacing our existing cogeneration facility in Italy. Following its expected completion in 2008, we estimate it will improve Garda's EBITDA by approximately €10 million to €12 million per year. This facility will require a total investment of approximately €50 million, of which, as of October 31, 2006, €1.3 million has been invested.

Focus on Higher-Margin Products. We continue to shift our product mix towards products that generate higher margins, such as sheeted coated woodfree paper and coated woodfree paper in higher grades and weights, and we are focusing our marketing and distribution efforts on customers who require these products. In specialty papers, in response to declining demand for carbonless paper, we are shifting our product mix toward thermal, metallized and self-adhesive papers, all three of which have been experiencing, and which we expect will continue to experience, growing demand. Our close proximity to European commercial printing markets, our flexible printing platform and dedication to customer service enable us to effectively shift our product mix.

Focus on Our Customers in the Southern European Market. We intend to continue to focus on the Southern European market where we enjoy a cost advantage over Nordic competitors and a leading market position. We may seek to further enhance our customer focus by expanding our distribution capabilities into our French and Italian operations, while maintaining our relationships with third party distributors. We may also seek to expand our direct sales to end users.

Enhance Cash Flows. We seek to enhance our cash flows through the foregoing strategies and intend to continue to maintain a disciplined capital expenditure program to maximize our cash flow available for debt reduction. Since 1998, we have repaid €427.3 million principal amount of debt, €219.9 million of which has been made as voluntary pre-payments. Between 1999 and 2003, we incurred significant capital expenditures to rebuild and modernize our machines, reduce costs and improve productivity. Going forward, other than for the cogeneration facility in Italy, we do not expect any major new capital expenditure projects other than capital expenditures necessary to maintain the operating performance of our mills.

Industry Trends and Outlook

In recent years, the European coated woodfree paper industry has experienced overcapacity, caused by a period of industry-wide investment in new production capacity coupled with slower demand growth due to unfavorable economic conditions, which together have led to reduced paper prices. This operating environment also has been affected by increasing raw material costs, particularly pulp and energy costs. The financial performance of the industry, including our financial performance, has been negatively impacted during this period of oversupply.

Overcapacity

In response to challenging conditions in the paper industry, some of our competitors have announced shutdowns of manufacturing facilities. Specifically, UPM-Kymmene Corporation closed production capacity at two of its facilities during the third quarter of 2006 and has also announced the planned closure of another facility in the second quarter of 2007; Stora Enso has announced its intention to close two of its facilities during 2007; and M-real has confirmed that it will close one facility by January 31, 2007 and reduce production at another by February 28, 2007. After giving effect to the announced shutdowns, but without taking into account capacity creep, European coated woodfree paper production capacity is expected to decrease by 6% by the end of 2007, which should improve the supply/demand imbalance in Europe and contribute to improved price stability.

The following graph, reproduced from a Pöyry study, illustrates trends and Pöyry’s forecasts for European coated woodfree paper capacity and production.

European Coated Woodfree Paper Capacity and Production
(capacity utilization is indicated at the bottom of each bar)

LOGO

Source: Market Update and Price Forecast, November 22, 2006, Pöyry.

As the graph above indicates, capacity utilization is forecasted to increase from 91% in 2006 to 94% in 2007 and 95% in 2008. We believe that the European coated woodfree paper industry’s pricing power historically has strengthened when capacity utilization reaches 95%.

According to CEPIFINE, the growth rate in demand for coated woodfree paper in Southern Europe was 1.7%, 2.4% and 1.4% higher than that for Western Europe as a whole for the years 2003, 2004 and 2005, respectively.

According to Pöyry, in 2007, demand for coated woodfree paper in Europe is expected to increase by 1.6% for the year compared to a demand increase of 2.2% for 2006. Pöyry predicts that demand will grow at a slower pace during the first half of 2007 and will improve during the second half of 2007.

Pöyry predicts demand in Europe for coated woodfree paper will grow by 2.3% to 3.6% per year between 2008 and 2010, based on, among other things, an assumption that the economy will be stronger and, as a result, spending on advertising will increase. This demand growth is predicted despite planned coated woodfree paper capacity expansions in Asia, which are largely expected to supply the Asian market and may impact Asian demand for both reels and sheeted products produced in Europe.

Paper and Pulp Prices

During this period of overcapacity and reduced paper prices, pulp prices have increased, causing a narrowing of the "Gap," an industry indicator, defined by Pöyry, and calculated as the difference between the price of coated woodfree paper in Germany and 60% of the price of bleached hardwood kraft pulp, which are, in turn, benchmark figures used in the coated woodfree paper industry. The graph below illustrates historical prices for, and Pöyry's forecasts for the development of, coated woodfree paper prices, bleached hardwood kraft pulp prices and the Gap.

Historical and Forecasted Hardwood Pulp and Coated Woodfree Paper Prices

LOGO

Source: Market Update and Price Forecast, November 22, 2006, Pöyry.

In the near term, Pöyry expects coated woodfree paper prices to increase by approximately 4%, from €820 per ton in 2005 to €855 per ton by 2007. In the third and fourth quarters of 2006, we and a number of our competitors announced price increases. Pöyry expects pulp prices to decline in the near term as a result of new pulp production capacity coming on-stream. According to Pöyry, this increased pulp capacity will increase supply in the market between late 2006 and 2008, with a significant part of the capacity growth in Latin America. Pöyry predicts that the average price of bleached hardwood kraft pulp will decline by 10.6% during 2007 as a result of this increased supply. According to the graph above, in the third quarter of 2006, the Gap reached a low point and has since improved. Forecasted increases in the price of coated woodfree paper and decreases in the price of pulp would be expected to lead to an increased Gap over the following quarters.

Recent Developments

Preliminary Fourth Quarter Results

Based on preliminary data, we estimate that volumes sold for the three months ended December 31, 2006 will be approximately 425,000 metric tons of paper, an increase of approximately 2.6%, from 414,000 metric tons of paper sold in the three months ended December 31, 2005, and an increase of approximately 2.1% from 416,300 metric tons of paper sold in the three months ended September 30, 2006.

We estimate that our EBITDA for the three months ended December 31, 2006 will be 20-25% lower than our EBITDA for the three months ended December 31, 2005 of €43.7 million. This decrease in EBITDA relative to the fourth quarter of 2005 is attributable to our significantly lower gross margins throughout 2006 primarily as a result of higher pulp, energy and transportation costs, which we were unable to pass onto our customers due to continued industry overcapacity.

The Refinancing

Lecta S.A. is offering the Notes as part of a plan to improve our liquidity and financial flexibility by repaying the debt outstanding under the Existing Credit Facilities.

Our refinancing plan is designed to improve our future financial flexibility by replacing the maintenance covenants contained in the Existing Credit Facilities with the incurrence covenants in the Indentures and the RCF.

The Refinancing comprises the following elements:

- the issuance of €748.0 million in aggregate principal amount of Notes offered hereby;
- the repayment of all outstanding amounts under the Existing Credit Facilities and the cancellation of the Existing Credit Facilities; and
- the entering into of the RCF.

The following chart summarizes our expected sources and uses of funds for the Refinancing:

Sources(1)	(€ in million)	Uses	(€ in million)
Notes	748.0	Repayment of the Existing Credit Facilities(2)	725.6
		Transaction fees and offering expenses	22.0
		Cash and cash equivalents	0.4
Total	748.0	**Total**	748.0

---

(1) On or around the date of the issue of the Notes, we will enter into the RCF, which will provide for facilities totaling €75.0 million, of which €60.0 million is committed and none of which will be drawn on the date of the issue of the Notes.

(2) As of September 30, 2006, the amount outstanding under our Existing Credit Facilities was €748.5 million, the weighted average maturity of which was 3.3 years and the weighted average interest rate of which was 5.361%. Since September 30, 2006, we have made voluntary and mandatory prepayments of €22.9 million of debt incurred under the Existing Credit Facilities. As of December 31, 2006, we had €725.6 million of debt outstanding under the Existing Credit Facilities. We will use the proceeds of the offering to repay in full our outstanding indebtedness to the various lenders under the Existing Credit Facilities, including the Initial Purchasers and certain of their affiliates.

Our Controlling Shareholder

Our controlling shareholder is CVC, which, as of September 30, 2006, owned 61.7% of the outstanding shares and controlled 57.3% of the voting rights in Lecta S.A. CVC is a leading international privately owned investment and advisory company which has raised over €16.8 billion in Europe and Asia.

Founded in 1981 as Citicorp's European private equity arm, CVC completed its own management buy-out in 1993 and is independently owned by its management. Since 1981, funds advised by CVC have acquired over 233 companies in Europe with a total transaction value in excess of €65 billion. CVC's current European portfolio of 42 companies has a combined transaction size of over €38 billion, with a combined turnover in excess of €40 billion, operations throughout Europe and over 224,000 employees.

CVC operates an integrated European network of 12 offices in Amsterdam, Brussels, Copenhagen, Frankfurt, Jersey, London, Luxembourg, Madrid, Milan, Paris, Stockholm and Zurich. CVC's European network is the most extensive and longest established team of any private equity group in Europe. In addition, the firm benefits from a multi-cultural Industrial Advisory Board, the members of which have diverse manufacturing backgrounds and assist CVC in identifying, analyzing and introducing investment opportunities and advise on portfolio company management throughout Europe.

CVC's European operations have an experienced team of 71 investment professionals led by 17 partners who are responsible for evaluating investments, providing strategic input to portfolio companies and maintaining a regular dialogue with investors.

The Issuer

The Issuer, Lecta S.A., is a public limited liability company (*société anonyme*) organized under the laws of Luxembourg and incorporated on October 14, 1999. The Issuer is a holding company and its only significant assets are its investments in its wholly owned subsidiaries, Sub Lecta 1 S.A. and Sub Lecta 2 S.A., which, in turn, own our operating companies.

The Guarantors

Sub Lecta 1 S.A. is a limited liability company organized under the laws of Luxembourg and incorporated on August 11, 1997. Sub Lecta 1 S.A. is a holding company and its only significant asset is its investment in Cartiere del Garda S.p.A.

Sub Lecta 2 S.A. is a limited liability company organized under the laws of Luxembourg and incorporated on October 14, 1999. Sub Lecta 2 S.A. is a holding company and its only significant asset is its investment in Torraspapel Holding S.A.

Cartiere del Garda S.p.A. is a joint-stock company organized under the laws of Italy and incorporated on July 25, 1997.

Torraspapel Holding S.A. is a corporation organized under the laws of Spain and incorporated on September 24, 1999.

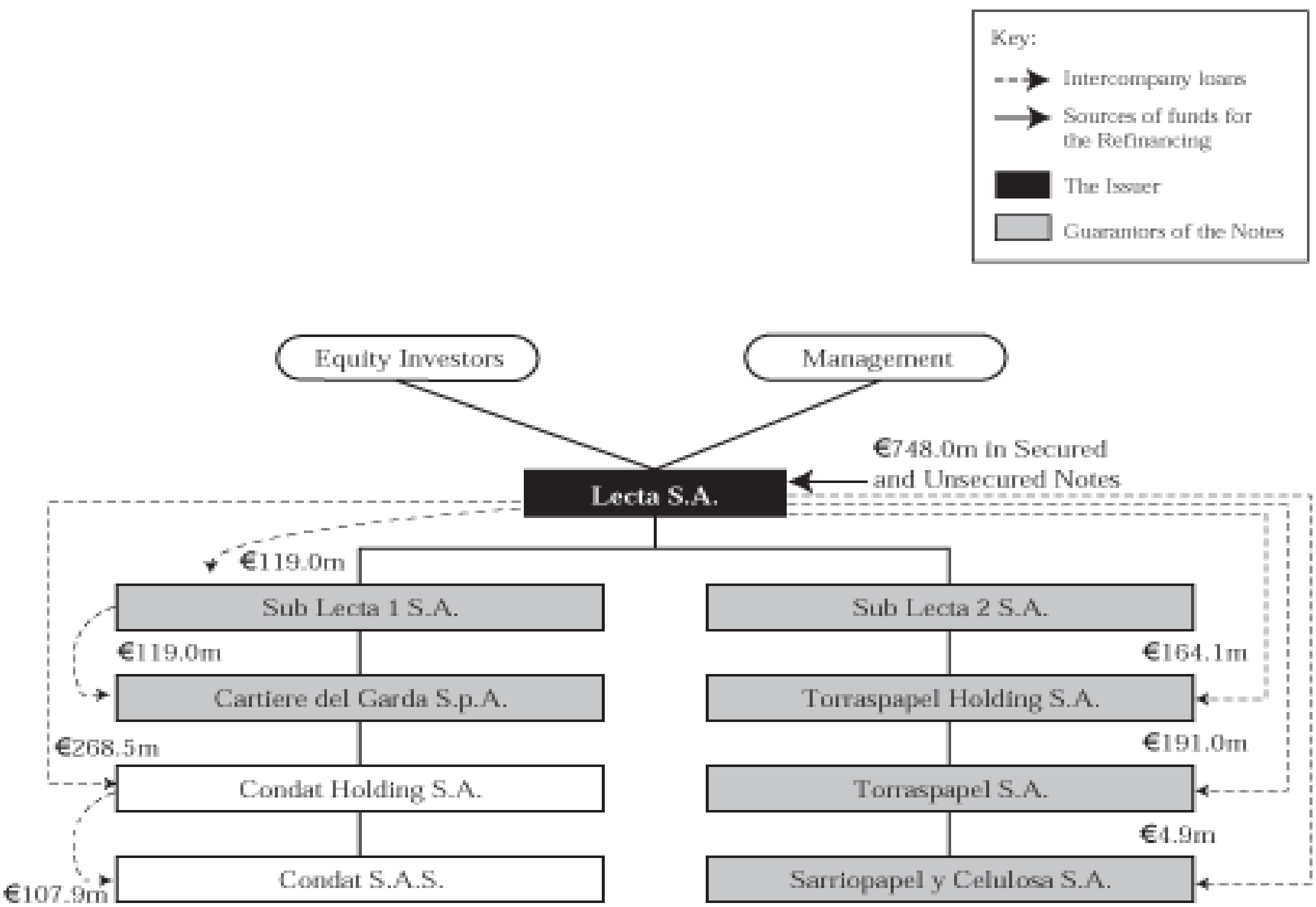
Torraspapel S.A. is a corporation organized under the laws of Spain and incorporated on October 6, 1988.

Sarriopapel y Celulosa S.A. is a corporation organized under the laws of Spain and incorporated on August 6, 1987.

Summary Corporate and Notes Structure

The following diagram summarizes our corporate structure and the structure of the Notes offered hereby. All of the Lecta entities shown below will be granting credit support in the form of guarantees, security pledges or both. The laws of certain jurisdictions where certain Lecta entities are organized limit the enforceability of guarantees and of the rights to the collateral, if any, securing such guarantees. For a summary of the debt obligations referenced in this diagram, please refer to "Description of the Secured Notes," "Description of the Unsecured Notes" and Annex A. The aggregate unconsolidated EBITDA of the Issuer and the Guarantors for the twelve months ended September 30, 2006 was €114.8 million, representing 77% of our total consolidated EBITDA for this period, and the aggregate unconsolidated EBITDA for all entities providing credit support (either directly, by providing guarantees, or indirectly, through assignments of Intercompany Loans or pledges of shares) to the Secured Notes for the twelve months ended September 30, 2006 was €135.3 million, representing 91% of our total consolidated EBITDA for this period.

A more detailed corporate structure chart is included in note 2.1 to our audited consolidated financial statements as of and for the year ended December 31, 2005 included elsewhere in this listing memorandum.



On or around the date of the issue of the Notes, Lecta S.A., Sub Lecta 1 S.A., Sub Lecta 2 S.A., Cartiere del Garda S.p.A., Condat Holding S.A., Condat S.A.S., Torraspapel Holding S.A., Torraspapel S.A. and Sarriopapel y Celulosa S.A. will enter into the RCF between themselves, Deutsche Bank AG, London Branch, the lenders under the RCF and certain other parties thereto. The RCF will provide for facilities totaling €75.0 million, of which €60.0 million is committed and none of which will be drawn on the date of the issue of the Notes. Debt incurred under the RCF will rank pari passu with the Notes. See "Description of Other Indebtedness—Senior Revolving Credit Facility."

The Offering

The following summary of the offering describes the principal terms of the Notes. It is not intended to be complete and it is subject to important limitations and exceptions. The "Description of the Secured Notes" and "Description of the Unsecured Notes" sections of this listing memorandum contain more detailed descriptions of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Terms of the Secured Notes

Issuer	Lecta S.A
Secured Notes Offered	€598,000,000 in aggregate principal amount of Senior Secured Floating Rate Notes due 2014.
	The Issuer may issue additional Secured Notes in the future, subject to compliance with the covenants in the Secured Indenture and covenants governing its other indebtedness.
Maturity Date	The Secured Notes will mature on February 15, 2014.
Secured Notes Interest Rate	Three-month EURIBOR plus 262.5 bps per year.
Interest Payment Dates	Each February 15, May 15, August 15 and November 15, commencing on May 15, 2007.
Denominations	Each Secured Note will have a minimum denomination of €50,000.
Ranking of the Secured Notes	The Secured Notes will be senior secured obligations of the Issuer and will:

- rank pari passu in right of payment with all existing and future debt of the Issuer that is not subordinated to the Secured Notes;
- rank senior in right of payment to any existing and future debt of the Issuer that is subordinated to the Secured Notes;
- be structurally subordinated to all liabilities (including trade payables), disqualified stock and preferred stock of the Issuer's Subsidiaries that do not guarantee the Secured Notes; and
- benefit from additional credit enhancement provided by certain subsidiaries of the Issuer (either directly, through guarantees, or

indirectly, through assignments of Intercompany Loans or pledges of shares).

Secured Note Guarantees.. The Secured Notes will be guaranteed on a senior secured basis (the "Secured Note Guarantees") by the following subsidiaries of the Issuer (the "Secured Note Guarantors"):

- Sub Lecta l S.A.;
- Sub Lecta 2 S.A.;
- Cartiere del Garda S.p.A.;
- Torraspapel Holding S.A.;
- Torraspapel S.A.; and
- Sarriopapel y Celulosa S.A.

The Secured Note Guarantees may be released in certain circumstances, including upon the sale of a Secured Note Guarantor. Moreover, the obligations of each Secured Note Guarantor under its Secured Note Guarantee will be limited to an amount that can be guaranteed under applicable laws, including corporate benefit laws and financial assistance, fraudulent conveyance or fraudulent transfer restrictions under applicable insolvency laws, and will not apply to the extent a guarantee would be illegal or unenforceable under applicable local laws.

The limitations to the Guarantees are significant. For more information, see "Description of the Secured Notes—Credit Enhancement," Annex A to this listing memorandum, "Risk Factors—Risks Related to the Notes" and "Risk Factors—Risks Related to the Secured Notes."

Ranking of the Secured Note Guarantees... The Secured Note Guarantee of each Secured Note Guarantor will be a general unsubordinated obligation of such Secured Note Guarantor and will:

- rank pari passu in right of payment with all existing and future debt of such Secured Note Guarantor that is not subordinated to such Secured Note Guarantee;
- rank senior in right of payment to any existing and future subordinated obligations of such Secured Note Guarantor;

- be secured by a security interest in favor of the Security Trustee in certain of such Secured Note Guarantor's assets, including shares in certain subsidiaries, but not all assets and no real property; and

- be effectively subordinated to any existing and future debt of such subsidiary that is secured with property and assets that do not secure such Guarantee, to the extent of the value of the assets securing such debt.

Security .... The Secured Notes and related Guarantees will be secured by security interests in certain of the Issuers' or the Guarantors' assets, consisting, in the case of the Issuer, of its shares in Sub Lecta 1 S.A. and Sub Lecta 2 S.A., the Intercompany Loans held by it, and in the case of the several Secured Note Guarantors, of shares in certain subsidiaries held by such Secured Note Guarantors and certain other assets.

The security interests with respect to the Secured Notes and the Secured Note Guarantees will be first ranking except that the RCF and certain hedging debt will be repaid in priority upon enforcement of the security.

The security interests will be granted by the Guarantors and the Issuer in favor of the Security Trustee for the benefit of the finance parties under the RCF, the parties providing hedging and the Secured Notes Trustee as trustee for the holders of the Secured Notes.

As a result of the above-described security arrangements, the Secured Notes Trustee on behalf of the holders of the Secured Notes will be a beneficiary of security over shares and other assets of companies having an aggregate of over €135 million of unconsolidated EBITDA for the twelve months ended September 30, 2006.

The security arrangements for the Secured Notes vary from subsidiary to subsidiary depending on applicable legal restrictions and other factors. Moreover, these arrangements are limited in amount and scope, and those limitations are significant. For more information, see "Risk Factors—Risks Related to the Notes," "Risk Factors—Risks Related to the Secured Notes," "Description of the Secured Notes—Credit Enhancement" and Annex A to this listing memorandum.

Intercreditor Agreement .... Pursuant to the Intercreditor Agreement, the Secured Notes Trustee will agree to certain provisions that, among other things, give effect to the priority of proceeds. In particular, proceeds from the sale of the collateral shall be applied first in favor of the lenders under the RCF and certain hedging debt and thereafter to the Secured Notes Trustee on behalf of holders of Secured Notes. In addition, the Intercreditor Agreement provides that only the Security Trustee can enforce security. See "Description of Other Indebtedness—Intercreditor Agreement."

Optional Redemption.................................... We may redeem the Secured Notes in whole or in part at any time on or after

February 15, 2008 at the redemption prices described under "Description of the Secured Notes—Optional Redemption."

Additional Amounts; Tax Redemption	All payments in respect of the Secured Notes will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, we will pay additional amounts so that the net amount you receive is no less than the amount you would have received in the absence of such withholding or deduction. See "Description of the Secured Notes—Additional Amounts." If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Secured Notes or the Secured Note Guarantees, we may redeem the Secured Notes in whole, but not in part, at any time at a redemption price equal to their principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption.
Change of Control	If we experience a Change of Control, as defined in the Secured Indenture, we will be required to make an offer to purchase all outstanding Secured Notes at a redemption price of 101% of the principal amount thereof plus accrued interest to the date of repurchase.

Terms of the Unsecured Notes

Issuer	Lecta S.A.
Unsecured Notes Offered	€150,000,000 in aggregate principal amount of Senior Unsecured Floating Rate Notes due 2014. The Issuer may issue additional Unsecured Notes in the future, subject to compliance with the covenants in the Unsecured Indenture and covenants governing its other indebtedness.
Maturity Date	The Unsecured Notes will mature on February 15, 2014.
Unsecured Notes Interest Rate	Three-month EURIBOR plus 400.0 bps per year.
Interest Payment Dates	Each February 15, May 15, August 15 and November 15, commencing on May 15, 2007.
Denominations	Each Unsecured Note will have a minimum denomination of €50,000.

Ranking of the Unsecured Notes.. The Unsecured Notes will be senior unsecured obligations of the Issuer and will:

- rank pari passu in right of payment with all existing and future debt of the Issuer that is not subordinated to the Unsecured Notes;
- rank senior in right of payment to any existing and future debt of the Issuer that is subordinated to the Unsecured Notes;
- be structurally subordinated to all liabilities (including trade payables), disqualified stock and preferred stock of the Issuer's subsidiaries that do not guarantee the Unsecured Notes; and
- will be effectively subordinated in right of payment to all existing and future secured debt of the Issuer and any Guarantor, including the Secured Notes and indebtedness under the RCF, to the extent of such secured debt.

Unsecured Note Guarantees.. The Unsecured Notes will be guaranteed on a senior unsecured basis (the "Unsecured Note Guarantees") by the following subsidiaries of the Issuer (the "Unsecured Note Guarantors"):

- Sub Lecta l S.A.;
- Sub Lecta 2 S.A.;
- Cartiere del Garda S.p.A.;
- Torraspapel Holding S.A.;
- Torraspapel S.A.; and
- Sarriopapel y Celulosa S.A.

The Unsecured Note Guarantees may be released in certain circumstances, including upon the sale of an Unsecured Note Guarantor. Moreover, the obligations of each Unsecured Note Guarantor under its Unsecured Note Guarantee will be limited to an amount that can be guaranteed under applicable laws, including corporate benefit laws and financial assistance, fraudulent conveyance or fraudulent transfer restrictions under applicable insolvency laws, and will not apply to the extent a guarantee would be illegal or unenforceable under applicable local laws.

The limitations to the Guarantees are significant. For more information, see "Description of the Unsecured Notes—Unsecured Note Guarantees," Annex A to this listing memorandum, "Risk Factors—Risks Related to the Notes" and "Risk Factors—Risks Related to the Unsecured Notes."

Ranking of the Unsecured Note Guarantees.. The Unsecured Note Guarantee of each Unsecured Note Guarantor will be a general unsubordinated obligation of such Unsecured Note Guarantor and will:

- rank pari passu in right of payment with all existing and future debt of such Unsecured Note Guarantor that is not subordinated to such Unsecured Note Guarantee;
- rank senior in right of payment to any existing and future subordinated obligations of such Unsecured Note Guarantor; and
- be effectively subordinated in right of payment to all existing and future secured debt of such Guarantor, including the Secured Notes and indebtedness under the RCF, to the extent of such secured debt.

Security... None.

Optional Redemption.................................... We may redeem the Unsecured Notes in whole or in part at any time on or after February 15, 2008 at the redemption prices described under "Description of the Unsecured Notes—Optional Redemption."

Additional Amounts; Tax Redemption.. All payments in respect of the Unsecured Notes will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, we will pay additional amounts so that the net amount you receive is no less than the amount you would have received in the absence of such withholding or deduction. See "Description of the Unsecured Notes—Additional Amounts."

If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Unsecured Notes or the Unsecured Note Guarantees, we may redeem the Unsecured Notes in whole, but not in part, at any time at a redemption price equal to their principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption.

Change of Control.. If we experience a Change of Control, as defined in the Unsecured Indenture, we will be required to make an offer to purchase all outstanding Unsecured Notes at a redemption price of 101% of the principal amount thereof plus accrued interest to the date of repurchase.

Other Provisions of the Secured Notes and the Unsecured Notes

Certain Covenants...	We will issue the Secured Notes and the Unsecured Notes under the Secured Indenture and the Unsecured Indenture, respectively, among, inter alia, the Issuer, the Guarantors, the Secured Notes Trustee and the Unsecured Notes Trustee under such Indenture and, with respect to the Secured Notes, the Security Trustee. The Secured Indenture and Unsecured Indenture will, among other things, limit our ability to: • incur or guarantee additional indebtedness; • pay dividends or make other distributions or repurchase or redeem our stock; • make investments or other restricted payments; • create liens; • sell assets; • enter into transactions with affiliates; • impose restrictions on the ability of our restricted subsidiaries to pay dividends; • designate restricted and unrestricted subsidiaries; and • consolidate, merge or sell all or substantially all of our assets. All of these limitations will be subject to a number of important qualifications and exceptions. See "Description of the Secured Notes— Certain Covenants" and "Description of the Unsecured Notes—Certain Covenants."
Transfer Restrictions....................................	The offering of the Notes has not been registered under the U.S. Securities Act or any other applicable securities laws. The Notes are subject to restrictions on transferability and resale. See "Notice to Investors."
Absence of a Public Market for the Notes.....................................	The Notes are new securities for which there is currently no established trading market. Accordingly, there can be no assurance as to the development or liquidity of any market for them. The Initial Purchasers have advised us that they intend to make a market in the Notes. However, they are not obligated to do so and may

	discontinue any market making at any time at their sole discretion and without notice.
Listing and Trading	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market of that exchange.
Secured Notes Trustee and Unsecured Notes Trustee	Deutsche Trustee Company Limited.
Transfer Agent, Registrar and Principal Paying Agent	Deutsche Bank AG, London Branch.
Luxembourg Transfer, Paying and Listing Agent	Deutsche Bank Luxembourg S.A.
Security Trustee	Deutsche Bank AG, London Branch.
Use of Proceeds...	We intend to use the net proceeds of the offering of the Notes to repay our debt outstanding under the Existing Credit Facilities. See "Use of Proceeds" for further information.
Governing Law...	The Secured Indenture, the Unsecured Indenture, the Secured Notes, the Unsecured Notes, the Secured Note Guarantees and the Unsecured Note Guarantees are governed by the laws of the State of New York. The Intercreditor Agreement is governed by English law. The security agreements are governed by the laws of the jurisdictions in which the collateral subject to those security agreements is located.

Risk Factors

Investing in the Notes involves substantial risks. In evaluating an investment in the Notes and prior to making an investment in the Notes, you should carefully consider, along with the other information provided to you in this listing memorandum, the specific risk factors set forth under "Risk Factors" beginning on page 32.

Summary Consolidated Financial Information and Other Data

You are encouraged to read the information contained in this section in conjunction with the section entitled "Selected Consolidated Financial Information and Other Data," "Operating and Financial Review and Prospects" and our consolidated financial statements, including the notes thereto, appearing elsewhere in this listing memorandum.

The following tables contain our summary historical consolidated financial information. Our summary historical consolidated financial information as of and for the years ended December 31, 2004 and 2005 is extracted or derived from our consolidated financial statements and notes thereto included elsewhere in this listing memorandum. These consolidated financial statements have been audited by Ernst & Young S.A., independent reporting accountants. Our summary historical consolidated financial information as of and for the year ended December 31, 2003 is extracted or derived from consolidated financial statements which have not been included in this listing memorandum. The unaudited interim consolidated financial information as of September 30, 2006 and for the nine months ended September 30, 2005 and 2006 contained herein is extracted or derived from and should be read in conjunction with the unaudited interim consolidated financial information included elsewhere in this listing memorandum, and the unaudited consolidated financial information for the twelve months ended September 30, 2006 contained herein is extracted or derived from and should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2005 and the unaudited interim consolidated financial information for the nine months ended September 30, 2006 included elsewhere in this listing memorandum. The unaudited interim consolidated financial information as of September 30, 2006 and for the nine months ended September 30, 2005 and 2006 and the unaudited consolidated financial information for the twelve months ended September 30, 2006 are not necessarily indicative of the results that may be expected for any other period or for the year ended December 31, 2006 and should not be used as the basis for, or prediction of, an annualized calculation. In the opinion of management, the unaudited interim consolidated financial information and the unaudited consolidated financial information have been prepared on a basis consistent with our audited consolidated financial statements included elsewhere herein and include all adjustments, consisting only of normal recurring adjustments, which management considers necessary for a fair presentation of our consolidated results of operations and cash flows as of September 30, 2006 and for the nine months ended September 30, 2005 and 2006 and for the twelve months ended September 30, 2006.

Our consolidated financial statements and the accompanying notes thereto as of and for the year ended December 31, 2005, the unaudited interim consolidated financial information as of September 30, 2006 and for the nine months ended September 30, 2005 and 2006, and the unaudited consolidated financial information for the twelve months ended September 30, 2006, have been presented in euro and prepared in accordance with IFRS. Our consolidated financial statements and the accompanying notes thereto as of and for the year ended December 31, 2004 have been presented in euro and prepared in accordance with both Luxembourg GAAP and IFRS. Our consolidated financial statements as of and for the year ended December 31, 2003 have been presented in euro and prepared in accordance with Luxembourg GAAP. IFRS and Luxembourg GAAP differ in certain significant respects from U.S. GAAP.

The following tables combine the presentation of our financial information under Luxembourg GAAP and IFRS. As a result, certain line items may not be comparable. There are significant differences between Luxembourg GAAP and IFRS. Our financial results prepared in accordance with Luxembourg GAAP would have been significantly different if they had been prepared in accordance with IFRS and, accordingly, our results under Luxembourg GAAP are not comparable with our results under IFRS. In addition, Luxembourg GAAP accounts presented below are not indicative of future results under IFRS, and the trends indicated in such Luxembourg GAAP accounts are not indicative of future trends under IFRS. Material differences with respect to recognition and measurement between Luxembourg GAAP and IFRS are summarized in note 3.1 to our audited consolidated financial statements as of and for the year ended December 31, 2005 included elsewhere in this listing memorandum.

Line items included in the tables below are presented in accordance with Luxembourg GAAP or IFRS, as applicable, and are titled in accordance with Luxembourg GAAP or IFRS, as applicable, or in cases where a title is identical under both accounting standards, share a title.

	Year ended December 31,		Year ended December 31,		Nine months ended September 30,		Twelve months ended September 30,
	2003	2004	2004	2005	2005	2006	2006
	(Luxembourg GAAP-audited)		(IFRS-audited)		(IFRS-unaudited)		
	(in millions of euro, except volumes)						
Income Statement Data:							
Volume sold (in thousands of metric tons)	1,465.5	1,576.8	1,576.8	1,642.3	1,228.3	1,246.9	1,660.9
Net sales/Revenues(1)	1,331.3	1,359.5	1,355.2	1,414.8	1,056.2	1,075.0	1,433.7
Changes in inventories of finished goods and work in progress	8.7	(6.2)	(5.8)	8.7	12.7	13.9	9.9
Materials and purchased products/Raw materials and consumables used	(558.3)	(580.7)	(580.4)	(617.0)	(463.9)	(491.8)	(644.9)
Labor costs	(223.5)	(232.0)	(232.0)	(235.4)	(176.1)	(180.6)	(239.9)
Other operating costs except unusual items	(324.2)	(347.8)	(359.2)	(388.2)	(289.6)	(311.2)	(409.8)
Local taxes and levies	(11.5)	(11.4)	—*	—*	—*	—*	—*
EBITDA(2)	**222.6**	**181.4**	**177.8**	**183.0**	**139.3**	**105.4**	**149.1**
Depreciation	(78.3)	(84.8)	(89.3)	(85.7)	(62.7)	(63.0)	(86.0)
Amortization of other intangible assets/Amortization	(3.4)	(3.5)	(.1)	(.1)	(.1)	(.1)	(.1)
Unusual items(3)	—*	—*	(4.5)	(1.4)	(.6)	(4.4)	(5.2)
Earnings from operations/Profit from operations	**140.9**	**93.2**	**83.9**	**95.7**	**75.9**	**37.9**	**57.7**
Financial income (expense)/Finance costs(4)	(62.8)	(60.5)	(56.2)	(61.4)	(46.0)	(47.1)	(62.6)
Ordinary earnings/Profit before tax	**78.2**	**32.7**	**27.7**	**34.3**	**30.0**	**(9.2)**	**(4.9)**
Amortization of acquisition costs	(14.5)	(6.7)	—*	—*	—*	—*	—*
Exceptional income (expense)	(1.2)	(6.7)	—*	—*	—*	—*	—*
Income tax	(13.3)	(9.5)	(11.5)	(15.5)	(10.7)	21.8	16.9
Net earnings before amortization of goodwill/Profit after tax	**49.1**	**9.9**	**16.2**	**18.8**	**19.3**	**12.5**	**12.0**
Attributable to:							
Equity holders of the parent	—*	—*	14.2	15.5	16.8	10.9	9.6
Minority interest	—*	—*	2.0	3.3	2.5	1.6	2.4
Amortization of goodwill	(9.3)	(9.3)	—*	—*	—*	—*	—*
Net earnings of consolidated companies	**39.8**	**0.6**	**—***	**—***	**—***	**—***	**—***
Minority interest	2.9	1.8	—*	—*	—*	—*	—*
Net earnings	**36.9**	**(1.2)**	**—***	**—***	**—***	**—***	**—***

* This line item is not applicable to Luxembourg GAAP or IFRS, as the case may be.

	As of December 31,		As of December 31,		As of September 30,
	2003	2004	2004	2005	2006
	(Luxembourg GAAP-audited)		(IFRS-audited)		(IFRS-unaudited)
	(in millions of euro)				
Balance Sheet Data:					
Cash and cash equivalents	177.1	144.8	144.8	124.9	164.6
Total assets	1,806.6	1,651.2	1,719.2	1,681.1	1,741.4
Total debt(5)	927.8	871.4	873.2	767.3	765.6
Total net debt(6)	750.8	726.6	728.4	642.4	601.0
Shareholders' equity/Equity holders of the parent	366.1	364.8	411.9	434.2	447.1
Minority interest	32.4	33.2	33.4	29.0	29.0
Total equity	**398.5**	**398.0**	**445.4**	**463.2**	**476.1**

	Year ended December 31,		Year ended December 31,		Nine months ended September 30,		Twelve months ended September 30,
	2003	2004	2004	2005	2005	2006	2006
	(Luxembourg GAAP-audited)		(IFRS-audited)			(IFRS-unaudited)	
	(in millions of euro)						
Cash Flow Data:							
Net cash flow (used in)/from operating activities	204.5	93.7	151.0	183.5	150.5	119.7	152.7
Net cash flow (used in)/from investing activities	(110.5)	(66.0)	(63.7)	(47.8)	(30.5)	(24.7)	(42.0)
Net cash flow (used in)/from financing activities	(10.2)	(59.8)	(120.1)	(157.4)	(103.3)	(55.7)	(109.8)
Net (decrease) increase in cash and cash equivalents(7)	83.8	(32.2)	(32.8)	(21.7)	16.7	39.3	0.9
Other Data:							
EBITDA(8)	222.6	181.4	177.8	183.0	139.3	105.4	149.1
EBITDA margin(9)	16.7	13.4	13.1	12.9	13.2	9.8	10.4
Capital expenditures(10)	108.2	64.2	64.2	49.8	31.6	31.3	49.4
Total net debt to EBITDA	3.4	4.0	4.1	3.5	—	—	4.0
Pro forma net debt(11) to EBITDA	—	—	—	—	—	—	4.1
Pro forma net cash interest expense(12)	—	—	—	—	—	—	47.8
EBITDA to pro forma net cash interest expense	—	—	—	—	—	—	3.1
Selected Operating Data							
Tons produced per employee(13)	343.1	360.3	360.3	381.2	382.4	393.0	389.7

(1) Revenues consist of sales of paper (including paper produced by third parties and sold through Torraspapel's distribution business) and energy.

(2) We define EBITDA as earnings before depreciation, amortization, unusual items, finance costs, net income from associates and income tax. EBITDA includes non-cash expenses and income, consisting of variations in inventories and operating provisions. EBITDA does not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of our results of operations. In addition, EBITDA as we define it may not be comparable to other similarly titled

measures used by other companies. Moreover, EBITDA as presented herein and in our financial statements is not calculated in the same way as "EBITDA" is calculated under the Indentures and the RCF.

(3) Unusual items in 2005 included disposals of property, plant and equipment, ineffective portion in the variation of rate hedging derivatives and other income and charges.

(4) Finance costs include interest on senior debt, rate hedging derivatives, amortization of issue costs on borrowings, senior debt and other finance related expenses.

(5) We define total debt under IFRS as interest-bearing borrowings plus the current portion of interest-bearing borrowings, bank overdrafts, loans and interest rate hedging receivables (payables) and under Luxembourg GAAP as borrowings.

(6) Total net debt represents total debt as defined above less cash and cash equivalents.

(7) Net (decrease) increase in cash and cash equivalents is calculated net of bank overdrafts.

(8) We define EBITDA here as we define it in footnote 2 above, and we repeat EBITDA here as a line item for convenience.

(9) EBITDA margin is calculated as the ratio of EBITDA to revenues.

(10) Capital expenditure represents the purchase of equipment for the purposes of cost reduction and productivity improvement, maintenance, paper machine rebuilds, information technology and environment and safety.

(11) Pro forma net debt is derived by giving effect to the Refinancing as described under "Summary—The Refinancing" as if it had occurred at the end of the period.

(12) Pro forma net cash interest expense reflects the estimated cash interest expense net of interest income that would have been payable during the twelve months ended September 30, 2006 as adjusted to give effect to the Refinancing as if it had occurred at the beginning of the period. For the avoidance of doubt, this number excludes the following non-cash items: amortization of issue costs on borrowings (€2.7m), finance costs in the provisions on employee benefits (€1.1m) and other IFRS adjustments (€0.2m). This number also excludes the following cash items: interest on rate hedging derivatives, which expired in June 2006 (€6.1m), and the cost of early payment discounts unrelated to interest-bearing borrowings (€11.8m). These non-cash and cash items are included in the financial income (expense)/finance costs line item included in our income statement and are broken out in note 11 to our audited consolidated financial statements as of and for the year ended December 31, 2005 included elsewhere in this listing memorandum.

(13) Tons per employee is calculated as the ratio of metric tons of pulp and paper produced to the number of employees. Certain of our employees included in the calculation are not involved in the paper production process.

RISK FACTORS

You should carefully consider the risks described below before making an investment decision. The risks described below are not the only ones we face. Additional risks not presently known or currently deemed immaterial may also impair our business, results of operations and financial condition. Our business, results of operations and financial condition could be materially adversely affected by any of these risks. The trading price of the Notes could decline due to any of these risks, and you may lose all or part of your investment. This listing memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks we face that are described below and elsewhere in this listing memorandum.

Risks Related to Our Business

Product prices and raw material costs in our industry are volatile, and periods of low product prices or high raw material costs negatively affect our profitability and cash flows.

Prices for our products are affected by industry-wide production and capacity levels and by demand for our products, which is influenced by global economic trends, demographic trends, technological developments, trends in end-user preferences and inventory levels maintained by our customers. Changes in these factors have resulted in significant fluctuations in the prices for our products. The timing and the magnitude of changes in our product prices have varied significantly over time and have been unpredictable. Changes in prices differ between products and geographic regions. While we are a significant participant in most of the markets in which we compete, neither our actions nor those of any one industry participant have more than a small influence on changes in product prices.

As a response to historically high profitability in the industry in the late 1990s, significant investments were made industry-wide in 2000 and 2001 in Europe to increase production capacity. This has led to excess capacity in Europe over the past five years. During the same period, the market has experienced decreased sales to Asia of the excess European production resulting from a combination of increased local production capacity in Asia and the weak U.S. dollar. The excess capacity in Europe and lower demand from Asia have resulted in downward pressure on the prices of paper products in Europe. In addition, exports from Europe to the United States have been adversely affected by the weakening of the U.S. dollar against the euro. As a result, in this environment of excess capacity, we may not be able to maintain our current price levels or increase prices for our products in the absence of an increase in demand for paper products, including export opportunities, or a significant decrease in production capacity. While some competitors have indicated an intention to reduce capacity, there can be no assurance that the announced decisions to decrease production capacity will balance the market in Europe or increase or stabilize paper prices, or that such shutdowns will occur at all. In addition, planned production capacity expansion in Asia, which is expected to be significant, would result in lower demand for European production, and may also result in greater import competition from Asia in the European market. Decreasing prices for our products could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, as our mills are not operating at their full capacity, we may have difficulty managing our costs.

Our main raw material costs are for pulp and energy. In recent years, pulp and energy prices have been highly volatile, and energy prices have significantly increased. Due to overcapacity in the European paper market, European paper manufacturers have been unable to pass on increases in the prices of pulp, energy and other raw materials to their customers. Therefore, European paper manufacturers' margins have significantly eroded. We have experienced price increases for electricity, gas and other raw materials, and we expect further cost increases throughout 2007. These price increases are expected to have a negative impact on our results of operations for the fourth quarter of 2006 and at least the first quarter of 2007. A further significant increase in prices for these raw materials would significantly increase our production costs and could have a material adverse effect on our business, financial condition, results of operations and cash flows if we were unable to increase our product prices sufficiently to maintain margins. Compared to many of our competitors, we are particularly susceptible to volatility in pulp prices because we have a lower degree of pulp integration and do not hedge against fluctuations in the price of pulp. As a result of unpredictable and substantial changes in our product prices and raw material costs, our financial results have varied significantly over time. In a period of sustained low product prices or high raw material costs, we may be unable to operate our production facilities in a cost-effective manner, pursue our strategic initiatives and meet all of our financial obligations.

The combination of the foregoing factors has had, and will continue to have, a material adverse effect on our business, financial condition, results of operations and cash flows.

Changes in economic conditions, consumer preferences or new technologies may affect our business and our ability to compete successfully.

Much of the demand for our products is generated directly or indirectly by advertising, whether by printers, direct mail campaigns, magazine publishers or other ultimate end-users of paper. As a result, when the economy is growing, our customers' demand for our products generally increases, but when the economy slows, advertising and promotional expenditures are generally cut back and our customers' demand for our products declines. Historically, when the global economy is growing, spending on advertising increases sooner and at a faster rate than the overall economic growth rate, and conversely, when the global economy slows, spending on advertising decreases sooner and to a greater extent than the overall economic slowdown. We are therefore vulnerable to a weakening economy, and any slowing or perceived slowing of the economy in general or the advertising market in particular could be expected to have an adverse impact on our customers' demand for our products and, therefore, to adversely affect our business, financial condition, results of operations and cash flows.

Changes in consumer preferences affect both the demand for paper in general and the demand for specific grades of paper. Our ability to continue to meet the shifting demands of paper consumers depends upon a variety of factors, including our ability to foresee or identify changes in consumer preferences. Some of the most significant changes in consumer preferences include interest in environmentally-friendly products and the use of e-mail and electronic media instead of paper. The widespread availability of electronic media and the internet and the trend towards ever greater use of computers may reduce demand for paper and generally have a significant adverse impact on future paper consumption patterns.

In addition, we believe that new technologies or novel processes may emerge and that existing technologies may be further developed in the fields in which we operate, both of which could impact production methods or product quality. Unexpected rapid changes in employed technologies or the development of novel processes that affect our operations and product range could render the technologies we utilize or the products we produce obsolete or less competitive in the future. If we are unable to successfully anticipate technological developments, we may be forced to implement these new technologies at a substantial cost. Any such development could materially and adversely impact our business, financial conditions, results of operations and cash flows.

We face intense competition in our industry.

Our business is highly competitive, and competition is mainly based on price. We frequently experience pricing pressure from competitors in many of our product lines and geographic markets. Our ability to compete effectively depends on our cost competitiveness. Some of our competitors may be lower cost producers than we are in certain markets and may offer our customers competing products with more attractive prices. This competitive environment has been a principal factor behind the large fluctuations in profitability we have experienced in recent years.

We compete principally with a number of large international paper companies, as well as with numerous regional and more specialized competitors. Many of our competitors have advantages that can adversely impact our ability to compete with them. These advantages include lower raw material and labor costs, as well as fewer environmental and governmental regulations to comply with than we do. In particular, our competitors who operate fully-integrated production processes are not as vulnerable to increases in the cost of pulp and so are able to sustain lower prices without suffering deteriorating margins at times of high raw material prices. Furthermore, some of our competitors have greater financial and other resources than we have or may be better positioned than we are to compete in certain geographic areas.

In addition, competitive pressures have required us to make significant investments in our manufacturing facilities and in product development. There can be no assurance that we will have sufficient resources to maintain similar levels of capital investment in the future. In addition, the following factors will affect our ability to compete:

- the quality of our products;
- our breadth of product offerings;

- our ability to maintain plant efficiencies and high operating rates and thus lower our average manufacturing costs per ton;
- customer service and our ability to distribute our products on time; and
- the availability and/or cost of pulp, energy and other raw materials and labor.

Increased competition could cause us to lose market share, increase expenditures or reduce pricing, any of which could have an adverse effect on our business, financial condition and results of our operations.

Our business requires significant ongoing capital expenditures.

We incur capital expenditures on an ongoing basis to maintain our equipment and to comply with environmental and safety laws, as well as to enhance the efficiency of our operations.

Our total capital expenditures were €31.3 million for the nine months ended September 30, 2006. We expect to spend approximately €69.0 million on capital expenditures in 2007, including approximately €10 million towards the construction of a cogeneration facility at our mill in Riva del Garda, Italy.

We anticipate that our available cash resources, including drawings that we may make under the RCF, and cash generated from operations will be sufficient to fund our operating needs and capital expenditures for the foreseeable future. However, if we require additional funds to fund our capital expenditures, we may not be able to obtain them on favorable terms, or at all. Furthermore, if we cannot maintain or upgrade our facilities and equipment as we require or as necessary to ensure environmental compliance with current or future regulations, it could have an adverse effect on our business, financial condition, results of operations and cash flows.

A limited number of customers account for a significant portion of our revenue.

We sell a significant portion of our products to a limited number of major customers that represent a substantial portion of our revenues. In the year ended December 31, 2005, our ten largest customers accounted for approximately 25% of our total net sales and one customer accounted for more than 10% of our total net sales. We have entered into a master purchase agreement with this customer, which will terminate on February 28, 2009. See “Business—Customers.” The loss of, or reduction in orders from, any of these customers or other customers could have a material adverse effect on our business, financial condition, results of operations and cash flows, as could significant customer disputes regarding shipments, price, quality or other matters.

Consolidation within the European paper distribution industry may increase the buying power of our customers.

We currently have a diversified customer base comprised predominantly of paper distributors. The European paper distribution industry is currently highly fragmented but is beginning to undergo some consolidation. Further consolidation within the European paper distribution industry would increase the buying power of our customers, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

We may not realize all of the projected benefits of our cost reduction and efficiency improvement programs.

Our business strategy is to maximize our cash flow in part by implementing initiatives aimed at achieving cost savings and generating profitable growth. We may not be able to realize all of the projected benefits of our cost reduction and efficiency improvement programs or to realize them in the timeframe currently expected. For example, we may encounter unanticipated difficulties or delays and/or cost overruns in completing the new cogeneration facility we are intending to construct in Riva del Garda.

We may face high costs for compliance with and clean-up under environmental laws and regulations, which would reduce profit margins and earnings.

Our business is subject to extensive environmental, health and safety laws and regulations relating to controlling discharges and emissions of pollutants to land, water and air, to the use and preservation of natural resources, to the noise impact of our operations and to the use, disposal and remediation of hazardous materials. Compliance with these laws and regulations is a significant factor in our business, and substantial legal and financial resources are required to ensure compliance and to manage environmental risks.

Moreover, environmental laws and regulations applicable to us are likely to become more stringent in the future. For example, the EU Emissions Trading Scheme, which implements the Kyoto Protocol in the countries in which our mills operate, is expected to require reductions from current emission levels of carbon dioxide and other greenhouse gases during the next phase of regulation from 2008 to 2012. Our mills and cogeneration facilities generate such gases, and any future limitations applicable to us may require material expenditures and may have other adverse consequences. In addition, most of our facilities in Spain are in the process of being licensed under the EU Integrated Pollution Prevention and Control regime, and conditions imposed by authorities as part of this licensing scheme may require material capital and other expenditures. We could be subject to potentially significant fines, penalties, criminal sanctions or remediation obligations for any failure to comply with such limitations and conditions or with any other environmental laws or regulations applicable to us.

Our industry also faces increasing public and community pressure to consume energy more efficiently, including through the use of renewable fuels, and to reduce waste. In addition, the European paper industry faces increasing pressure to procure wood and pulp from sustainably managed forests through a number of certification schemes. We have implemented and will continue to implement measures in an effort to address these concerns, which may require us to invest substantial resources in adjusting and modifying our production processes.

Some of our properties are located on land with a long history of industrial use by us and other companies before us, which has resulted in spills and other releases of hazardous materials over time. The limited testing for contamination that has taken place at certain of our properties may not be sufficient to ascertain the extent of our obligations with respect to any contamination relating to any of our facilities. The laws of the jurisdictions in which we operate can impose liability on an owner or occupier of property for contamination at or emanating from the property, regardless of who caused the contamination, when it was caused or whether the activity that caused the contamination was legal at the time. We have incurred costs to investigate and remediate contamination in the past and may in the future be subject to substantial costs and liabilities relating to contamination.

The risk of substantial environmental costs and liabilities is inherent in our industry, and there can be no assurance that our incurrence of such costs and liabilities, or the adoption of increasingly strict environmental laws, regulations and enforcement policies and practices, will not have a material adverse effect on our financial condition, results of operations or cash flows. In addition, we could become subject to significant liabilities and claims relating to damage to property or natural resources or injury to persons, including employees, resulting from the environmental, health or safety impacts of our operations or past contamination, such as claims alleging illness or death from exposure to hazardous materials used, produced or disposed of by us.

Substantially all of our employees are members of labor unions and we may face labor disruptions that could interfere with our operations and have a material adverse effect on our business, financial condition or results of operations.

The majority of our employees are represented by labor unions under various collective bargaining agreements in the different countries where we operate. Upon the expiration of any existing collective bargaining agreements, we may not be able to reach new agreements on terms satisfactory to us without labor disruption. Our non-union facilities may become subject to labor union organizing efforts that, if successful, could increase the risk of work stoppages and potentially lead to higher labor costs.

Although management believes its relationship with employees is good, there can be no assurance that there will not be labor disputes and/or adverse employee relations in the future. Disruptions of business operations due to strikes or similar measures by our employees or the employees of any of our significant suppliers could have an adverse impact on our business, financial condition, results of operations and cash flows.

Our business is conducted under various administrative controls.

Our operations are subject to the general supervision of various public administrative authorities, including labor, tax and environmental authorities. We believe that we manage our business in a manner that conforms with general practice in our industry and that complies with applicable administrative rules, regulations and procedures. However, we cannot assure you that our interpretation and application of such rules, regulations and procedures will not differ from the views of the relevant public authorities as to their appropriate interpretation and application. These public authorities may audit, review or inspect our activity. To the extent any such audit, review or inspection reveals discrepancies between the interpretations and applications made by us and those made by the relevant public authority, we may experience an adverse effect on our business, financial condition, results of operations and cash flows.

Our insurance is limited and subject to exclusions.

We operate a significant number of manufacturing facilities. We currently have in place a number of different insurance policies that cover property damage and losses due to the interruption of our business, subject to customary conditions. We believe that this coverage is adequate to cover the risk of loss resulting from any damage to our property or the interruption of any of our business operations. However, the insurance policies are subject to limits and exclusions. There can be no assurance that our insurance program would be sufficient to cover all potential losses or that we will be able to obtain sufficient levels of property insurance coverage in the future or that such coverage will be available on terms acceptable to us.

Our operations could be adversely affected if we are unable to retain key employees.

We depend on our senior management. Our performance and ability to implement our strategy depend on the efforts and abilities of our executive officers and key employees. Our operations could be adversely affected if, for any reason, a number of these officers or key employees do not remain with us. There may be a limited number of persons with the requisite skills to serve in these positions and we may be unable to replace key employees with qualified personnel on acceptable terms. In addition, our future success requires us to continue to attract and retain competent personnel.

Risks Related to the Secured Notes

Creditors under the RCF and certain hedging debt are entitled to be repaid with the proceeds of collateral sold in any enforcement sale in priority of the holders of Secured Notes.

In the event of a foreclosure on the liens securing the Secured Notes and the Secured Note Guarantees, the proceeds from the sale of the assets securing the Secured Notes may not be sufficient to satisfy Lecta S.A.'s obligations under the Secured Notes or the obligations of the Secured Note Guarantors under the Secured Note Guarantees. Any proceeds from a sale of collateral would be distributed first to satisfy debt and obligations incurred under the RCF and hedging debt, and thereafter to the Secured Notes Trustee on behalf of holders of Secured Notes. No appraisals of the collateral have been prepared by or on behalf of us in connection with the issuance of the Secured Notes. By its nature, some or all of the collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the collateral could be sold in a short period of time, if at all. See "Description of the Secured Notes—Security."

The ability of the Security Trustee to enforce the collateral may be restricted by local law.

Under Luxembourg law, the validity, legality, performance and enforceability of the collateral is subject to, and may be affected or limited by, the provisions of any applicable bankruptcy, insolvency, liquidation, moratorium or reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), general settlement or composition with creditors (*concordat préventif de faillite*), fraudulent conveyance, reorganization or similar Luxembourg or foreign laws affecting the rights of creditors generally and thus the ability of the Security Trustee to enforce the collateral may be restricted by such laws.

Under Italian law, a security interest created pursuant to a pledge is not validly enforceable for the benefit of a beneficiary who is not a direct party to the relevant pledge agreement. Therefore, the Security Trustee under the Secured Notes is entering into an agreement with Cartiere del Garda S.p.A., our Italian subsidiary pledging security to secure the Secured Notes, under which the Security Trustee will become the holder of the pledge on behalf of the holders of the Secured Notes. However, if a claim before an Italian court challenging the validity or enforceability of the security interests created by the pledges were successful, holders of the Secured Notes may be unable to recover any amounts under the pledges.

Under French law, a pledge over shares may be enforced at the option of the Security Trustee either (i) by means of a sale of the pledged shares in a public auction (the proceeds of the sale being paid to the secured creditors and any excess over the amount of the secured debt being paid to the legal owner of the collateral) or (ii) by *attribution judiciaire* or *conventionnelle* of the shares to the Security Trustee, following which the Security Trustee becomes the legal owner of the pledged shares. In a proceeding for *attribution judiciaire* or *conventionnelle,* under option (ii), an expert values the collateral (in this case, the shares) and, if the expert determines that the value of the collateral exceeds the amount of secured debt, the Security Trustee may be required to pay the obligor an amount, the *soulte,* equal to the difference between the value of the shares as determined by the expert and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the Security Trustee from a subsequent sale of the pledged shares.

As a result, if the Security Trustee enforces the collateral pursuant to option (i), the proceeds of the sale of the collateral may not be sufficient to satisfy the claims of all secured creditors. If the Security Trustee enforces the collateral pursuant to option (ii), there is a risk that the secured creditors may not be able to sell the collateral for its full value as determined by the court-appointed expert, yet still be required to pay the pledgor, at the time the Security Trustee becomes the legal owner of the collateral, the difference between the value of the collateral and the amount of the secured debt if the collateral is determined by the court-appointed expert to have a greater value than the amount of the secured debt.

Under Spanish law, the ability of the Security Trustee to enforce the collateral consisting of pledges governed by Spanish law may be restricted. In this regard, you should be aware of the following:

- Spanish law does not expressly forbid the possibility of creating more than a single pledge over the same assets or rights. Nevertheless, some scholars and practitioners believe that Spanish law may indirectly forbid the creation of multiple pledges over the same assets or rights. To the best of our knowledge, there is no Spanish Supreme Court case law that directly resolves this issue.

- Catalan law expressly forbids granting more than one pledge over the same assets or rights (unless the pledges are given for the benefit of the same creditors).

- Under Spanish law, pledges are governed by the law where the pledged assets are located ("*lex res sitae*"). Collateral consisting of concurrent pledges over the same assets will be governed by Spanish State law (which, as described above, does not expressly forbid granting more than one pledge over the same asset), as these assets will be located in a place where only Spanish State law is applicable. Nevertheless, there is a risk that a Spanish court might construe the location of these assets as an abnormal change of their usual location for the purpose of avoiding a specific *lex res sitae* and, therefore, apply the law which has been circumvented. If by virtue of the foregoing such Spanish court decides to apply Catalan law (which, as described above, expressly forbids granting more than one pledge over the same asset), only one of the pledges granted over the same assets will remain valid, and the remaining pledges will be deemed null and void.

- Spanish law does not recognize the concept of security trustees and, therefore, trust structures may not be recognized by Spanish courts. In this case, there is a risk that a Spanish Court would consider a pledge given for the benefit of a security trustee as a number of concurrent, independent pledges, each of them securing the rights of each of the individual beneficiaries of the trust. In this case, if these pledges are governed by Catalan law, only one of the pledges will be valid, and the remaining pledges will be deemed null and void.

- As a result, the Security Trustee may not be able to enforce the pledges on behalf of all of the secured creditors, and secured creditors treated under Spanish law as not having the benefit of the pledges effectively may be treated as unsecured creditors.

The collateral securing the Secured Notes may be released without the consent of the holders of the Secured Notes.

The collateral securing the Secured Notes may be released in certain circumstances, including in the event the collateral is sold pursuant to an enforcement sale in accordance with the Intercreditor Agreement. If such collateral consists of all of the shares of a Guarantor, than such Guarantor's Guarantee will also be released under such circumstances. See "Description of the Secured Notes—Credit Enhancement—Release of Collateral" and "Description of the Secured Notes—Credit Enhancement—Release of Secured Note Guarantees."

Additionally, the Secured Indenture permits us to release and retake the security interest granted over the collateral securing the Secured Notes in order to issue additional Secured Notes pursuant to the Secured Indenture. Upon the issuance of additional Secured Notes pursuant to the Secured Indenture, there may be a time period imposed by applicable laws between the release and retaking of the security interest during which there is no security interest over the collateral securing the Secured Notes. In some circumstances, such as if we filed for bankruptcy after the issuance of additional Secured Notes, a hardening period may apply and retroactively void the retaking of the security interest in favor of the holders of the Notes. Accordingly, there is a risk that, should we issue additional

Secured Notes pursuant to the Secured Indenture, the collateral securing the Secured Notes could be released and its subsequent retaking voided.

Risks Related to the Unsecured Notes

The Unsecured Notes are effectively subordinated to the Secured Notes and the RCF.

In the event of an insolvency or liquidation, or if payment under the RCF or the Secured Notes or any other secured debt is accelerated, the lenders under the RCF or the Secured Notes Trustee on behalf of the holders of the Secured Notes and holders of any other secured debt will be entitled to exercise the remedies available to a secured lender under applicable law and will be paid out of the assets pledged as collateral before these assets are made available to holders of the Unsecured Notes. In such event, the proceeds from the sale of such assets may not be sufficient to satisfy our obligations under the Unsecured Notes.

The Guarantees of the Unsecured Notes may be released without the consent of the holders of the Unsecured Notes.

In the event all of the shares of an Unsecured Note Guarantor are sold, for example, pursuant to an enforcement sale in accordance with the Intercreditor Agreement, then such Guarantor's Guarantee of the Unsecured Notes will be released. See "Description of the Unsecured Notes—Release of Unsecured Note Guarantees."

Risks Related to the Notes

Our significant leverage may make it difficult for us to service our debt, including the Notes, and to operate our businesses.

We are highly leveraged and have significant debt service obligations. As of September 30, 2006 and as adjusted to give effect to the Refinancing, Lecta S.A. and its subsidiaries would have had €758.8 million of indebtedness, of which €748.0 million would have been represented by the Notes. We anticipate that our high leverage will continue for the foreseeable future. Our high level of debt may have important negative consequences for you, including:

- making it more difficult for us and our subsidiaries to satisfy our obligations with respect to our debt, including the Notes and other liabilities;
- requiring that a substantial portion of the cash flow from operations of our operating subsidiaries be dedicated to debt service obligations, reducing the availability of cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to economic downturns in our industry;
- exposing us to interest rate increases;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- restricting us from pursuing strategic acquisitions or exploiting certain business opportunities; and
- limiting, among other things, our and our subsidiaries' ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

In the worst case, an actual or impending inability by us or our subsidiaries to pay debts as they become due and payable could result in our insolvency.

In addition, the Indentures and the RCF contain restrictions that substantially limit our financial and operational flexibility and that of our subsidiaries. In particular, these agreements place limits on our ability to incur additional indebtedness, grant security interests to third persons, dispose of material assets, undertake organizational measures such as mergers, changes of corporate form, joint ventures or similar transactions, and enter into transactions with related parties.

Despite our current significant leverage, we may be able to incur more debt in the future, which could further exacerbate the risks of our leverage.

We may incur more debt in the future. The RCF provides for total commitments of up to €75.0 million, of which €60.0 million is committed, and no cash drawings will be outstanding on the date the Notes are issued. The Indentures will limit our ability to incur additional debt but will not prohibit us from doing so. We may incur additional debt in the future that will be effectively senior to the Unsecured Notes and that could mature prior to the Notes.

Lecta S.A. is a holding company and is dependent on payments from its subsidiaries in order to be able to make payments on the Notes, and Lecta S.A.'s subsidiaries may not be permitted or otherwise able to make payments to Lecta S.A.

Lecta S.A. is a holding company that conducts all of its operations through holding companies and their operating subsidiaries. Other than the equity of Sub Lecta 1 S.A. and Sub Lecta 2 S.A. and its rights under the Intercompany Loans, Lecta S.A. does not have any significant assets and does not, and will not, conduct any revenue generating operations. Lecta S.A. will therefore be dependent upon the cash flow from its subsidiaries and the receipt of funds from them in the form of dividends, other distributions or intercompany loans in order to make cash payments on the Notes or other obligations.

In addition, even if our subsidiaries generate sufficient cash from their operations, their ability to provide funds to Lecta S.A. is subject to, among other things, local tax restrictions and local corporate law restrictions related to earnings, level of legal or statutory reserves, losses from previous years and capitalization requirements for our subsidiaries. As a result, although we may have sufficient resources, on a consolidated basis, to meet our obligations, our subsidiaries may not be able to make the necessary transfers to us to permit us to satisfy our obligations under the Notes or otherwise. For example, local law restricts our subsidiaries' ability to provide funds to Lecta S.A. in the following ways:

- restrictions under Luxembourg company law which require dividends to be distributed out of distributable reserves. Interim dividends distribution by a public limited liability company is subject to strict conditions. A board of directors resolution approving an interim dividend distribution must be passed and any interim dividends distribution may not occur less than six months after the closing of the accounting year. Interim accounts must be drawn up by the board of directors, showing available distributable reserves (this includes undistributed profits of prior accounting periods, the accounts of which have been duly approved) and results for the current interim period. A report of the statutory auditor must be issued, confirming that the legal conditions for an interim dividends distribution have been satisfied.

- capital redemption or capital reduction is also subject to strict conditions under Luxembourg company law which may restrict or delay the Luxembourg Guarantors or the Issuer in making certain payments or providing funds to the Issuer.

- restrictions under the Italian Civil Code which require, among other things, each of our Italian subsidiaries to retain at least 5% of its annual net profits in a legal reserve (*riserva legale*) until the reserve reaches at least 20% of such company's share capital;

- restrictions under French company law which prohibit our French subsidiaries from paying dividends except out of profits legally available for distribution as recorded in their statutory accounts. Our French subsidiaries' profits that are legally available for distribution may be substantially impacted by cash and non-cash charges to net income, including any asset write-downs they record; and

- restrictions under Spanish corporate law which require, among other things, each of our Spanish subsidiaries to retain at least 10% of its annual net income in a legal reserve until the reserve reaches at least 20% of such company's share capital and that, after payment of any dividend, shareholders' equity (after subtracting goodwill and start-up expenses) must exceed the company's share capital.

We require a significant amount of cash to service our debt and for other general corporate purposes. Our ability to generate sufficient cash depends on many factors beyond our control.

Our ability to make payments on our debt, and to fund working capital and capital expenditures, will depend on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as the other factors discussed in these "Risk Factors" and elsewhere in this listing memorandum.

Our business may not generate sufficient cash flows from operations, and additional debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs. For a discussion of our cash flows and liquidity, see "Operating and Financial Review and Prospects—Liquidity and Capital Resources."

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We may not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our debt, including the RCF and the Notes, and any future debt that we may incur, may limit our ability to pursue any of these alternatives.

The Guarantees are significantly limited by applicable laws and are subject to certain limitations or defenses.

The Guarantors will guarantee the payment of the Notes as described in "Description of the Secured Notes—Credit Enhancement—Guarantees" and "Description of the Unsecured Notes—Unsecured Note Guarantees." The Guarantees provide the holders of the Notes with a direct claim against the relevant Guarantor. However, the obligations of each Guarantor under its Guarantees will be limited under the Indentures to an amount which has been limited so as to ensure that amounts payable will not result in violations of laws relating to corporate benefit, capitalization, capital preservation, financial assistance or transactions under value, or otherwise cause the Guarantor to be deemed insolvent under applicable law or such Guarantee to be deemed void, unenforceable or *ultra vires* or cause the directors of such Guarantor to be held in breach of applicable corporate or commercial law for providing such Guarantee. For a more detailed explanation of the precise limits on each Guarantee, see Annex A to this listing memorandum.

As a result, a Guarantor's liability under its Guarantees could be materially reduced or eliminated depending upon the amounts of its other obligations and upon applicable laws. In particular, in certain jurisdictions, a guarantee issued by a company that is not in that company's corporate interests or the burden of which exceeds the benefit to the company may not be valid and enforceable. It is possible that a Guarantor, a creditor of a Guarantor or the insolvency administrator, in the case of an insolvency of a Guarantor, may contest the validity and enforceability of the respective Guarantee and that the applicable court may determine that the Guarantee should be limited or voided. In the event that any Guarantee is deemed invalid or unenforceable, in whole or in part, or to the extent that agreed limitations on the Guarantee apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor, including trade payables of such Guarantor.

Not all of our subsidiaries will guarantee the Notes, and any claim by us or any of our creditors, including the holders of the Notes, against such non-Guarantor subsidiaries will be structurally subordinated to all of the claims of creditors of those non-Guarantor subsidiaries.

Not all of our existing and future subsidiaries will guarantee the Notes. On a consolidated unaudited basis as of September 30, 2006, we had total assets of €1,741.4 million and total debt of €765.6 million. In the twelve months ended September 30, 2006, Lecta S.A. and the Guarantors had aggregate unconsolidated EBITDA of €114.8 million. The Indentures do not limit the transfer of assets to, or the making of investments in, any of our restricted group members, including our non-guarantor subsidiaries. See "Description of the Secured Notes—Certain Covenants" and "Description of the Unsecured Notes—Certain Covenants." Accordingly, non-guarantor subsidiaries could account for a higher portion of our assets, liabilities, revenues and net income in the future.

In the event that any of our non-guarantor subsidiaries becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, the assets of such non-guarantor subsidiary will not be subject to claims from the holders of the Notes to satisfy their respective credits against us and will be used first to satisfy the claims of the non-guarantor subsidiary's creditors, including trade creditors, banks and other lenders. Consequently, any claim by us or our creditors, including holders of the Notes, against a non-guarantor subsidiary will be structurally subordinated to all of the claims of the creditors of such non-guarantor subsidiary.

Fraudulent conveyance laws may limit your rights as a holder of Notes.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance laws, a court could subordinate or void a Guarantee if it found that:

- the Guarantee was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor; or
- the Guarantor did not receive fair consideration or reasonably equivalent value for the Guarantee and the Guarantor:
  - was insolvent or was rendered insolvent because of the Guarantee;
  - was undercapitalized or became undercapitalized because of the Guarantee; or
  - intended to incur, or believed that it would incur, debts beyond its ability to pay at maturity.

In addition, the measure of insolvency for purposes of fraudulent conveyance laws varies depending on the law applied. Generally, however, a Guarantor would be considered insolvent if it could not pay its debts as they become due. If a court decided that any Guarantee was a fraudulent conveyance and voided such Guarantee, or held it unenforceable for any other reason, you would cease to have any claim in respect of the Guarantor of such Guarantee and would be a creditor solely of Lecta S.A. and the remaining Guarantors.

For example, if Cartiere del Garda S.p.A. (the "Italian Guarantor") which is organized under the laws of Italy becomes subject to a bankruptcy proceeding pursuant to Italian Royal Decree No. 267 of March 16, 1942 (the "Italian Bankruptcy Law") as amended by Legislative Decree No. 5 of January 9, 2006 (the "Bankruptcy Law Reform"), New Extraordinary Administration pursuant to Law No. 39 of February 18, 2004, as amended, or, in certain circumstances, Prodi-bis Extraordinary Administration pursuant to Legislative Decree No. 270 of July, 1999, payments or the granting of security interests made by the Italian Guarantor prior to the commencement of the relevant proceeding may be subject to claw-back by the relevant trustee (*revocatoria fallimentare*) if (i) the payment or guarantee is made within a period of six months prior to the commencement of the abovementioned procedure and (ii) the holder of the Secured or Unsecured Note or the trustee under the Secured Indenture or Unsecured Indenture, as the case may be, in whose favor the payment or guarantee was made was aware or should have been aware that the Italian Guarantor was insolvent at the time the payment or guarantee was made and the relevant bankruptcy trustee is able to prove it. In addition, payments or the granting of security interests made by the Italian Guarantor prior to the commencement of the relevant proceeding may be subject to claw-back by the Secured Notes Trustee or Unsecured Notes Trustee, as applicable, if (i) in the year prior to the commencement of such bankruptcy procedure, (A) such payments made or obligations assumed by it were higher by more than 25% of what was received or promised to be received by the Italian Guarantor, (B) such payments were made without using normal means of payment; (C) the Italian Guarantor voluntarily grated pledges, mortgages or other security to secure debts not yet matured or due (or in the six-month period prior to the commencement of such bankruptcy proceeding the Italian Guarantor voluntarily granted pledges, mortgages or other security to secure debts already due) and (ii) the holder of the Note or the Secured Notes Trustee or Unsecured Notes Trustee, as applicable, is unable to prove that it was not aware that the Italian Guarantor was insolvent. Pursuant to the Bankruptcy Law Reform, no claw-back action may be brought (i) after a period of three years from the declaration of an Italian guarantor's bankruptcy or (ii) after five years from the date on which the relevant payment or guarantee was made.

Furthermore, Article 2901 of the Italian Civil Code provides for a general claw-back action (*revocatoria ordinaria*) applicable to certain acts and transactions made by a debtor during the five years prior to the declaration of bankruptcy, upon the occurrence of certain conditions. The requirements of a *revocatoria ordinaria* are (i) damage to the interests of the creditors and (ii) knowledge of both the debtor and the counterparty of the damage to the interests of the creditors.

Local insolvency laws may not be as favorable to you as U.S. bankruptcy laws or those insolvency laws of another jurisdiction with which you may be more familiar.

Lecta S.A. is incorporated in Luxembourg, and the Guarantors are organized under the laws of Luxembourg, Italy and Spain. Certain of our subsidiaries with significant assets, Condat Holding S.A. and Condat S.A.S., which are not guaranteeing the Notes but which are borrowing under Intercompany Loans and providing security for such Intercompany Loans, are organized under the laws of France. The insolvency laws of some or all of these other jurisdictions may not be as favorable to holders of the Notes as the laws of the United States or some other jurisdictions. Moreover, there may be a risk that an Intercompany Loan may be equitably subordinated to the claims of the trade creditors of the obligor under such Intercompany Loan upon the bankruptcy of such obligor. Payments made under an equitably subordinated loan preceding the bankruptcy of an obligor may in certain circumstances be clawed back.

The following is a brief description of certain aspects of insolvency law in the European Union, Luxembourg, Italy, France and Spain. In the event that any one or more of Lecta S.A., the Guarantors or any other of our subsidiaries experience financial difficulty, it is not possible to know with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

European Union Insolvency Law

Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the "EU Insolvency Regulation"), the court which shall have jurisdiction to open insolvency proceedings in relation to Lecta S.A. or any Guarantor will be the court of the Member State where the entity concerned has its "centre of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where Lecta S.A. or any Guarantor has its "centre of main interests" would be a question of fact on which the courts of the different EU Member States may have differing and even conflicting views. It should also be noted that no final decisions have been taken in cases that have been brought before the European Court of Justice in relation to questions of interpretation or the effects of the EU Insolvency Regulation throughout the European Union. Furthermore, "centre of main interests" is not a static concept and may change from time to time. Although under Article 3(1) of the EU Insolvency Regulation there is a rebuttable presumption that Lecta S.A. or a Guarantor would have its "centre of main interests" in the Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "centre of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." In that respect, factors such as the place in which Lecta S.A. or a Guarantor holds board meetings, the place where Lecta S.A. or a Guarantor conducts the majority of its business and the place where the large majority of Lecta S.A.'s or a Guarantor's creditors are established may all be relevant in the determination of the place where Lecta S.A. or a Guarantor has its "centre of main interests."

If the "centre of main interests" of Lecta S.A. or a Guarantor is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of Lecta S.A. or a Guarantor under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the "centre of main interests" of a debtor is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) may open "territorial proceedings" in the event that such debtor has an "establishment" in the territory of such other Member State. If a debtor does not have an establishment in any other Member State, no court of any other Member State shall have the ability to open territorial proceedings in respect of such debtor under the EU Insolvency Regulation.

Luxembourg Insolvency Law

Under Luxembourg law, the following types of proceedings (together referred to as insolvency proceedings) may be opened against an entity having its registered office or center of principal interests in Luxembourg:

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the company or by any of its creditors. Following such a request, the courts having jurisdiction may open bankruptcy proceedings if the company (i) is in a state of cessation of payments (*cessation des paiements*) and cumulatively (ii) has lost its commercial creditworthiness. If a court finds that these conditions are satisfied, it may also open bankruptcy proceedings *ex officio* (absent a request made by the company or a creditor). The main effect of such proceedings is the suspension of all measures of enforcement against the company, except, subject to certain limited exceptions, only for secured creditors and the payment of the creditors in accordance with their rank upon realization of the assets;

- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the company and not by its creditors;

- composition proceedings (*concordat préventif de faillite*), which may be requested only by the company and not by its creditors. The court's decision to admit a company to composition proceedings triggers a provisional stay on enforcement of claims by creditors;

- stay on payments (*sursis de paiements*) or to put the Issuer into judicial liquidation (*liquidation judiciaire*); and

- judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in violation of the commercial code or of the laws governing commercial companies. The management of such liquidation proceedings will generally follow the rules of bankruptcy proceedings.

The Issuer's liabilities in respect of the Notes will, in the event of a liquidation of the Issuer following, in particular, bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those of the Issuer's debts that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law include inter alia:

- money owed to Luxembourg tax authorities in respect of, for example, income tax deducted at source or value added tax and other taxes and duties;

- social security contributions; and

- remuneration owed to employees.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized).

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. The ability of secured creditors to enforce their security interests may also be limited (particularly in the event of controlled management proceedings providing expressly that the rights of secured creditors are frozen until a final decision has been taken by the court as to the petition for controlled management) and may be affected thereafter by any reorganization order given by the court.

Furthermore, declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) are not enforceable during controlled management proceedings.

Luxembourg insolvency laws may affect transactions entered into or payments made by the Issuer during the period before any liquidation or administration. If the liquidator or administrator can demonstrate that a payment was made during the "suspect period" (which is a maximum of six months and ten days preceding the judgment declaring bankruptcy) that is disadvantageous to the estate of creditors and the party receiving such payment is shown to have known that the bankrupt party had generally stopped making payments when such payment occurred, a Luxembourg court has the power, among other things, to void the preferential transaction.

If the liquidator or administrator can demonstrate that the Issuer has given "preference" to any person by defrauding the rights of creditors generally, regardless of when this fraud occurred, a Luxembourg court has the power, among other things, to void the preferential transaction.

Finally, any international aspects of Luxembourg bankruptcy, controlled management and composition proceedings may be subject to the EU Insolvency Law. See "—European Union Insolvency Law."

Italian Insolvency Law

The Italian Guarantor is subject to Italian laws governing creditors' rights and bankruptcy, insolvency and restructuring proceedings. In general, these Italian laws are considered to be more favorable to debtors and to the trustee in bankruptcy than the regimes of certain other jurisdictions, including the United States. Moreover, the enforcement of security interests by creditors in Italy can be time-consuming and expensive.

Under Italian insolvency law, a company must be declared insolvent by a court. Insolvency occurs when a debtor is no longer able to regularly meet its obligations as and when they become due on a permanent, rather than temporary, basis. The following restructuring and bankruptcy alternatives are available under Italian law for companies facing financial difficulties:

- *Pre-Bankruptcy Composition pursuant to the Italian Bankruptcy Law.* A company facing a financial crisis has the option to seek an arrangement with its creditors, under court supervision. During the Pre-Bankruptcy Composition, all actions by creditors are stayed and the company is managed under the supervision of a court-appointed official; extraordinary transactions must be authorized by the court. The Pre-Bankruptcy Composition proposal may provide for any or all of: (i) the division of creditors into different classes; (ii) the differential treatment of creditors in different classes; (iii) a restructuring of the subject company's debt in any form, including a debt-for-equity exchange; and (iv) the transfer of the subject company's assets to an assignor (which may be one or more of the company's creditors, or a corporation specifically established during the procedure for the purpose of offering its shares to the creditors pursuant to the Pre-Bankruptcy Composition). The feasibility of the composition arrangement must be confirmed by an expert's report. The Pre-Bankruptcy Composition proposal must be approved by unsecured creditors holding a majority (by value) of the claims recognized as having the right to vote by the court-appointed official (or, in the case of disputed claims, by the court on a provisional basis), or, if unsecured creditors are divided into classes, by creditors holding a majority (by value) of the recognized claims in each class, and must be ratified by the court. Once approved by creditors, and ratified by the court, the Pre-Bankruptcy Composition is binding on all creditors. If the Pre-Bankruptcy Composition fails, the company, if found insolvent, is declared bankrupt by the court.

- *New Extraordinary Administration pursuant to Law No. 39 of February 18, 2004, as amended.* A company in a state of economic and financial crisis may be admitted to the New Extraordinary Administration if it (i) has had at least 500 employees for at least one year and (ii) has indebtedness, including obligations arising from guarantees, in an aggregate amount of at least €300 million. During such proceeding, which provides for a two-year restructuring plan, actions by creditors generally are stayed, and the company is managed by an extraordinary trustee, appointed by the Italian Minister of Production Activities. The restructuring plan may include a composition proposal providing for all or any of the options discussed above with regard to the Pre-Bankruptcy Composition. Again, the proposal must be approved by creditors holding a majority (by value) of the process claims, or, if creditors are divided into classes, by creditors holding a majority (by value) of the recognized claims in each class, and must be ratified by the court. If the proposal is rejected, the extraordinary trustee may implement a divestiture plan. If the divestiture plan can not be successfully carried out, the company is declared bankrupt by the court. In addition, at any time during the proceeding, the court may convert the proceeding into a Bankruptcy Proceeding if it determines that the New Extraordinary Administration is no longer useful.

- *Prodi-bis Extraordinary Administration pursuant to Legislative Decree No. 270 of July, 1999.* A company in a state of economic and financial crisis having (i) more than 200 employees for at least one year and (ii) aggregate indebtedness of not less than two-thirds of its assets and of its annual revenues from sales and services, may be admitted to Prodi-bis Extraordinary Administration, which provides for a one-year divestiture plan or a two-year restructuring plan. At any time during the proceeding, the court may convert the proceeding into a bankruptcy proceeding if it determines that the Prodi-bis Extraordinary Administration process is no longer useful.

- *Bankruptcy Proceeding* (fallimento) *pursuant to the Italian Bankruptcy Law.* The debtor, a creditor or a public prosecutor may apply to an insolvency court for the commencement of the Bankruptcy Proceeding. Once begun, all actions of creditors generally are stayed, and creditors are required to file claims with the court. The company is managed by a court-appointed bankruptcy trustee, and any action taken by the debtor with respect to a creditor after a declaration of bankruptcy is ineffective. The proceeds from the liquidation are distributed in accordance with statutory priority provisions regarding the payment of certain preferred creditors, including employees, the Italian tax authorities and social security administrators. The Bankruptcy Law Reform has simplified and shortened the bankruptcy proceedings and has increased the powers of the statutory creditors' committee, which, among other things, is in charge of authorizing any extraordinary administration transaction to be carried out by the bankruptcy trustee in managing the bankrupt estate.

- *Post-bankruptcy composition with creditors* (concordato fallimentare) *(the "Post-Bankruptcy Composition") pursuant to the Italian Bankruptcy Law.* The Bankruptcy Proceeding can be terminated prior to liquidation by a debtor filing a petition with the insolvency court for a post-bankruptcy arrangement with creditors. The Post-Bankruptcy Composition has been amended by the Bankruptcy Law Reform, and it now mirrors the Pre-Bankruptcy Composition in several respects, including the possibility to propose a similar restructuring plan. Approval of the Post-Bankruptcy Composition proposal is governed by provisions substantially similar to those of the Pre-Bankruptcy Composition. Once approved by creditors, and ratified by the court, the Post-Bankruptcy Composition is binding on all creditors. If the Post-bankruptcy Composition fails, the bankruptcy proceeding is reopened.

Out-of-court restructurings. A new procedure permitting a debtor to file a petition with the court for the ratification and enforcement of an out-of-court-restructuring has been introduced by Law Decree No. 35 of March 14, 2005, enacted as Law No. 80 of May 14, 2005. Such petition may be filed only if (i) creditors holding at least 60% of the subject company's outstanding debt have agreed to the proposed restructuring, and (ii) an expert's report ensuring the feasibility of the restructuring (including the regular payment of creditors who have not agreed to the proposed restructuring) is also filed with the court. Creditors and interested third parties may oppose the restructuring within 30 days of the publication of the petition in the Companies' Register. Once the court has ruled on any such opposition, it can ratify the out-of-court restructuring.

Statutory priorities. The highest priority claims (after payment of the costs of the proceeding) are the claims of preferential creditors, which include the claims of the Italian tax authorities and social security administrators and claims for employee wages. Secured creditors are repaid next, and payment of unsecured creditors follows.

French Insolvency Law

General right to petition for debt rescheduling. Pursuant to article 1244-1 of the French Civil Code (*Code Civil*), French courts may order the deferral or otherwise reschedule over a maximum period of two years the payment obligations of the debtor. In addition, pursuant to article 1244-1, French courts may order that any such deferred or rescheduled amounts bear interest at a lower rate than the contractual rate (yet not lower than the minimum statutory rate) and/or that payments be first allocated to the repayment of the principal rather than interest. A court order rendered under article 1244-1 of the French Civil code in respect of one or more creditors will automatically suspend any pending enforcement proceedings initiated by such creditors against the debtor, and any contractual penalties for late payment will not accrue or be due during the period set by the court.

Insolvency. Under French law, a company is considered insolvent (*cessation des paiements*) when it is unable to pay its current debts with its immediately available assets. French law distinguishes between pre- insolvency proceedings and insolvency proceedings.

Pre-insolvency proceedings

- Emergency procedure: The statutory auditors of the company can request the management and the board of directors to provide an explanation as to elements which the auditors believe put the company's existence as a going concern in jeopardy. Failing satisfactory explanations or corrective measures, the auditors can request that a shareholders' meeting be convened. The auditors must inform the Commercial Court. Shareholders representing at least 5% of the share capital and the workers' committee have similar rights. The Commercial Court can also itself summon the management to provide explanations on elements which the court believe put the company's existence as a going concern in jeopardy.

- Conciliation: A company that faces actual or foreseeable difficulties of a legal, economic or financial nature and which is not already insolvent, can petition the Commercial Court for the appointment of a conciliator in charge of supervising and facilitating a rescheduling agreement. Conciliation proceedings may last up to five months. During the proceedings, creditors may continue to sue individually for payment of their debts, but cannot initiate insolvency proceedings. In addition, the company retains the right to petition for debt rescheduling pursuant to article 1244-1 as described above. The conciliation agreement is either:

- ratified by the Commercial Court if the company is not insolvent at the time. The agreement effectively ensures that the company will survive as a going concern and the agreement does not infringe upon the rights of the non-signatory creditors. The agreement is then made public and any individual proceedings by creditors are suspended. In case of breach of the agreement, any party can petition the court for its rescission; or

- acknowledged by the court, which makes it binding upon its parties without suspending third party proceedings.

Insolvency proceedings. Insolvency proceedings can be initiated by the company, which has an obligation to declare its insolvency within 45 days, its creditors, the Government or the Commercial Court.

Upon the opening of insolvency proceedings, the court can:

- if the company is not yet insolvent, initiate a safeguard procedure (*procédure de sauvegarde*), which can only be initiated at the request of the company;

- if the company is insolvent but can be salvaged, initiate a reorganization procedure (*redressement judiciaire*); or

- if the company is irremediably bankrupt, decide its liquidation.

During the safeguard or reorganization procedure (the “observation period”), individual proceedings by creditors are suspended and the court appointed trustee decides which contracts the company will continue to execute and which ones are terminated or suspended. Clauses providing for the termination of a contract or acceleration of the company’s obligations upon insolvency are therefore not enforceable under French law. Parties to a contract that has been suspended or terminated by the trustee can sue for damages, which will be apportioned at the end of the proceedings. No debt which was already due before the opening of the insolvency proceedings can be paid by the company. The observation period can last up to six months and can be extended by court decision. The court can decide to entrust the entire management of the company to the trustee or to give him or her a supervisory role. In any case, all non-ordinary course of business decisions must be approved by the court.

At the end of the observation period, if it considers that the company can survive as a going concern, the court will adopt a safeguard or reorganization plan which may entail the divesture of assets of the company or the sale of the entire company to new shareholders. The court can decide to accelerate certain debts, to cancel others, that some debts will be reimbursed, including only partially, with the proceeds of the sale of the assets of the company or of the entire company, or to reschedule surviving debts. If the company cannot be salvaged, the court will decide its liquidation.

Creditors’ Rights during Insolvency Proceedings. Creditors are represented in the proceedings by a representative appointed by the court.

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of insolvency proceedings must file a claim with the creditors’ representative within two months of the publication of the court order in the Official Bulletin of Civil and Commercial Announcements (*Bulletin officiel des annonces civiles et commerciales*); this period is extended to four months for creditors domiciled outside of France. Creditors who have not submitted their claims during the relevant period are barred from receiving distributions made in connection with the insolvency proceedings and their unasserted claims are extinguished.

The date on which the debtor becomes insolvent (*date de cessation des paiements*) is deemed to be the date of the court order commencing the insolvency proceedings. However, in this or a subsequent order, the court may set the date of insolvency at an earlier date, up to 18 months prior to the court order commencing the proceedings. The date of insolvency marks the beginning of the suspect period (*période suspecte*), during which transactions entered into by the debtor are, by law, void or voidable.

Void transactions include:

- transfers of assets for no consideration;
- contracts under which the obligations of the debtor significantly exceed those of the other party;
- payments of debts not due at the time of payment;
- payments made in a manner which is not commonly used in the ordinary course of business;
- security interests granted for debts previously incurred; and
- conservatory measures, unless the right of attachment or seizure predates the date of insolvency.

Voidable transactions include:

- transfers of assets for no consideration which took place during the six months preceding the date of insolvency;
- transactions or payments made when due after the date of insolvency if the party dealing with the debtor knew of the insolvency; and
- notices made to third parties (*avis à tiers détenteur*), seizures (*saisie-attribution*) and oppositions made after the date of insolvency, if the creditor knew of the insolvency.

As indicated above, from the date of the court order commencing the insolvency proceedings, the company is prohibited from paying outstanding debts due prior to this date, subject to specified exceptions which essentially cover the set-off of related debts and payments, authorized by the bankruptcy judge, made to recover assets for which recovery is justified by the continued operation of the business. During this period, creditors may not pursue any individual legal action against the debtor with respect to any claim arising prior to the court order commencing the bankruptcy proceedings if the objective of such legal action is:

- to obtain an order for or payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due);
- to terminate or cancel a contract for non-payment of amounts owed by the creditor; or
- to enforce the creditor's rights against any assets of the debtor.

French bankruptcy law assigns priority to the payment of certain preferential creditors, including employees, the court, officials appointed by the court, creditors whose debts arose after the commencement of the insolvency proceedings, certain secured creditors and the French Treasury.

Spanish Insolvency Law

Under the current Spanish Insolvency Law, a debtor is considered insolvent when it cannot possibly comply with its due obligations on a regular basis. To be considered insolvent, the debtor, any creditor thereof or any other interested third party must file a petition for insolvency within two months of the date when such petitioner becomes aware, or should have become aware, of the debtor's insolvency. If filed by the debtor, the insolvency is deemed "voluntary" (*concurso voluntario*) and, if filed by a third party, the insolvency is deemed "mandatory" (*concurso necesario*). In the case of voluntary insolvency, as a general rule, the debtor retains the management and full powers of disposal over its assets, although it is subject to the intervention (*intervención*) of the insolvency administrators. In the case of mandatory insolvency, as a general rule, the debtor's management powers are suspended, and management's former power, including the power to dispose of assets, is conferred solely upon the insolvency administrators.

Under the current Spanish Insolvency Law, upon declaration of insolvency, acts detrimental (*perjudiciales*) to the debtor's estate carried out during the two years prior to the date the insolvency is declared may be rescinded, regardless of fraudulent intention. Article 71 contains an irrefutable presumption that those acts where no consideration is received for a disposed asset and acts which result in the early repayment of obligations which would have become due after the declaration of insolvency are detrimental. In addition, unless the debtor or another affected party (such as a creditor) can prove otherwise to the court's satisfaction, a disposal made in favor of a related person or entity (as defined in the Spanish Insolvency Law) as well as the creation of a security interest securing a pre-existing obligation or a new obligation that replaces an existing one, are presumed to be detrimental. In the case of actions not covered by the presumptions above, the burden of proof is on the person bringing the action of rescission. Acts deriving from the debtor's ordinary course of business made at arm's length may not be rescinded. Accordingly, a Guarantor's acts of disposal with a "related person or entity," as defined in the Spanish Insolvency Law, (such as the Issuer) are presumed to be detrimental unless proved otherwise. Also, the general principle of "No termination effect" is established such that all agreements remain effective at the time of the insolvency.

Creditors may join more than one set of insolvency proceedings together, or apply for a joint insolvency order for various entities if the debtor belongs to a group of companies with joint decision making powers and joint assets. In any event, and in particular in joint insolvency proceedings, set-off is prohibited unless the requirements for the set-off were satisfied prior to the declaration of insolvency or the set-off provisions are pursuant to an agreement subject to a law that permits set-off.

The current Spanish Insolvency Law also makes a distinction between general debts under insolvency proceedings and debts against the insolvency estate. Debts against the insolvency estate, such as certain amounts of the employee payroll and costs and expenses of the insolvency proceedings, are not considered part of the debtor's general debt and are paid before other debts under insolvency proceedings and at their respective maturities. The following is the order in which creditor's claims are ranked:

- claims against the insolvency estate, including, among others, claims for salaries relating to the 30 days prior to the declaration of insolvency in an amount that does not exceed twice the Spanish minimum statutory salary (*salario mínimo interprofesional*), as well as claims for salaries and credits that result from obligations validly incurred during the insolvency proceeding by the insolvent party;

- credits with a special privilege, including, among others, those holding claims secured by a legal or voluntary mortgage, moveable mortgage or pledge without displacement of possession over the mortgaged or pledged assets; claims secured by securities; and claims secured by a possessory pledge executed in a public document over the goods or rights in possession of the creditor or a third party. In these cases, the privilege extends only to the secured asset;

- credits with a general privilege, including claims for salaries that do not have a special privilege, severance payments and indemnities for the termination of employment agreements, indemnities owed for labor accidents or sickness and surcharges on dues owed for unpaid labor health duties accrued prior to the declaration of insolvency; amounts relating to unpaid withholding taxes, and social security contributions up to 50% of the aggregate amount; claims for non-contractual liabilities; and up to 25% of the aggregate amount of the unsubordinated claims of the creditor that has requested the insolvency declaration;

- credits (other than subordinated credits) not classified in any of the above categories will rank pari passu and be paid pro rata; and

- subordinated credits, including, among others, (i) late or incorrect claims, (ii) contractually subordinated claims, (iii) interest (such as accrued and unpaid interest due on the Notes at the commencement of the insolvency proceeding (*concurso*), (iv) fines, (v) claims of creditors which are related to the insolvent party and (v) detrimental claims against the insolvent party where a Spanish court has determined that a relevant creditor has acted in bad faith (*rescisión concursal*), shall be paid in the above mentioned order and pro rata within each class.

A "related person or entity," under Spanish Insolvency Law, includes shareholders with more than 10% of the insolvent party's capital (5% if it is a listed company), the administrators or directors of the insolvent party (including the insolvent company's directors and administrators in the two years preceding the insolvency), members of the same group of companies and any assignee or acquirer of credits held by the aforementioned persons and entities transferred in the two years preceding the insolvency.

Applicable jurisdiction

The applicable jurisdiction to conduct an insolvency proceeding is the one in which the insolvent party has its "center of principal interests." This center is deemed to be where the insolvent party conducts the administration of its interests on a regular basis and which is recognized as such by third parties. Insolvency proceedings conducted by the court with jurisdiction over the center of principal interests are considered "the principal insolvency proceedings" and have universal reach affecting all the assets of the insolvent party worldwide. If the center of principal interests is not in Spain, but the insolvent party has a permanent establishment in Spain, Spanish courts will only have jurisdiction over the assets located in Spain (the "territorial insolvency proceedings").

In the event Spanish courts have jurisdiction (upon a judicial consideration that the Issuer's center of principal interest is in Spain), Article 87.6 of the current Spanish Insolvency Law would apply to the Issuer. Article 87.6 provides that creditors holding a third party guarantee will be recognized in the insolvency proceeding in their full amount without any limitation and without prejudice to the subrogation of the guarantor in the creditor's place, if the guarantee is enforced. This Article also provides that both bondholders' and guarantor's credits will be classified according to what is more beneficial for the insolvent debtor. The Guarantors' credits against the Issuer would be subordinated because they are related entities, as discussed above. Although there are no clear judicial precedents in respect of this matter, under Article 87.6 a bondholder's credits might be classified as subordinated, notwithstanding their original qualification as ordinary credits, because the classification as subordinated (instead of ordinary credits) would be more beneficial to the insolvent party.

In the event that any of the Guarantors becomes insolvent and is subject to the current Spanish insolvency law, its Guarantee will be treated as ordinary debt. Under the current Spanish insolvency law, the funding loans between the Spanish Guarantors and the Issuer would be treated as subordinated debt. In addition, creditors may seek repayment directly from the insolvent entity's directors or attorneys-in-fact if a court determines that the bankruptcy resulted from their negligence (concurso culpable), if some legal requirements are met.

Moratorium

The current Spanish Insolvency Law imposes a moratorium on the enforcement of secured creditor's rights in the event of insolvency. The moratorium would take effect following the declaration of insolvency until the earlier of (i) one year from the declaration of the insolvency if the insolvent company has not been placed in liquidation or (ii) the date the creditors reach an agreement that does not affect the exercise of the rights granted by the security interest.

The current Spanish Insolvency Law only recently came into effect, and as such, there is only a limited history of its application by Spanish courts.

Enforcing your rights as a holder of Notes or under the Guarantees across multiple jurisdictions may prove difficult.

The Notes will be issued by Lecta S.A., which is organized under the laws of Luxembourg, and guaranteed by the Guarantors, which are organized under the laws of Luxembourg, Italy or Spain, as the case may be. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in any or all of these jurisdictions. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the Notes and the Guarantees will potentially be subject to the insolvency and administrative laws of several jurisdictions, and there can be no assurance that you will be able to effectively enforce your rights in such circumstances.

In addition, the bankruptcy, insolvency, administrative and other laws of the various Guarantors' jurisdictions of organization may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government and other creditors, ability to obtain post-petition interest and duration of the proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law should apply, could adversely affect your ability to enforce your rights under the Notes and the Guarantees in these jurisdictions, and could limit any amounts that you may receive.

We may not have the ability to raise the funds necessary to finance a change of control offer if required by the terms and conditions of the Notes.

Upon the occurrence of a Change of Control as defined in the Secured Indenture and Unsecured Indenture as applicable, we will be required to offer to repurchase all of the Notes in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. See “Description of the Secured Notes—Change of Control” and “Description of the Unsecured Notes—Change of Control.” We may not have sufficient funds at the time of any such event to make the required repurchases. Additionally, a Change of Control would be a prepayment event under the RCF. In the event this results in an event of default thereunder, the lenders under the RCF may accelerate such debt, which could also cause an event of default under the Indentures.

The source of funds for any repurchase required as a result of any such event will be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets, sales of equity or funds provided by subsidiaries. Sufficient funds may not be available at the time of any such events to make any required repurchases of the Notes tendered.

You may be unable to enforce judgments against us, the Guarantors, or our or the Guarantors’ directors and officers.

Neither Lecta S.A. nor any of the Guarantors are incorporated within the United States. In addition, all of the group’s assets are outside the United States and all of the group’s directors and officers live outside the United States. Lecta S.A.’s and the Guarantors’ auditors are also organized outside the United States. As a result, it may be difficult or impossible to serve process against any of these persons in the United States. Furthermore, as all or substantially all of the assets of these persons are located outside of the United States, it may not be possible to enforce judgments obtained in courts in the United States predicated upon civil liability provisions of the federal securities laws of the United States against these persons. Additionally, there is doubt as to the enforceability in Luxembourg, Italy or Spain of civil liabilities based on the civil liability provisions of the securities laws of the United States. See “Service of Process and Enforcement of Civil Liabilities.”

Our controlling shareholder may have interests which conflict with those of holders of Notes.

Circumstances may occur in which the interests of our controlling shareholder could be in conflict with your interests. For example, the interests of our controlling shareholder could conflict with your interests if we faced financial difficulties and were unable to comply with our obligations to you under the Notes. In addition, our equity investors may have an interest in pursuing acquisitions, divestitures and other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to you. Conversely, our controlling shareholders or our minority shareholders may have an interest in not pursuing acquisitions, divestitures and other transactions that could enhance our cash flow and be beneficial to you. Moreover, our controlling shareholder is in the business of making investments in companies and may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us.

Borrowings under the RCF and the Notes will bear interest at floating rates that could rise significantly, increasing our interest cost and debt and reducing our cash flow.

Borrowings under the RCF and the Notes will bear interest at per annum rates equal to EURIBOR, adjusted periodically, plus a spread. These interest rates could rise significantly in the future, increasing our interest expense associated with these obligations and thus our debt, reducing cash flow available for capital expenditures and hindering our ability to make payments on the Notes.

The EU Savings Directive may require withholdings.

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “EU Savings Directive”), EU member states are required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other member state. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchanges with certain other countries). A number of non-EU countries and territories, including Switzerland, have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If, following implementation of the EU Savings Directive, a payment were to be made or collected through a member state which has opted for a withholding system and an amount of, or in respect of which, tax were to be withheld from that payment, neither Lecta S.A. nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of the EU Savings Directive, we will be required to maintain a Paying Agent in a member state that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive.

If Spanish tax authorities determine that interest payments that any Spanish Guarantor makes should be treated as Spanish source income, withholding rules could apply and we could be required to gross-up any such payments for the amount of any required withholding.

We have been advised that under applicable Spanish tax rules, all payments of principal and interest made under the Guarantees should be made free and clear of any withholding or deduction of any taxes, duties, assessments or governmental charges of any nature whatsoever which may be imposed, levied, collected, withheld or assessed by the Kingdom of Spain or any political subdivision or authority thereof or therein. Though there is no clear precedent, statement of law or regulation to support the position, however, the Spanish tax authorities may determine that, under certain circumstances, payments by a Spanish Guarantor to holders of Notes should be treated as Spanish source income subject to a 18% withholding tax on such payments.

If such withholding tax were imposed on any payments by any Spanish Guarantor, we would be required under the Indentures to gross-up any such payments to cover the full amount of the taxes required to be withheld. The amounts we would be required to gross-up could be substantial and could materially adversely affect our financial condition and results of operations.

There is no public trading market for the Notes and the ability to transfer them is limited, both of which may adversely affect the value of the Notes.

The Notes are a new issue. There is no existing trading market for the Notes and there can be no assurance that a trading market for the Notes will develop. We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market or how liquid that trading market might become. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and may stop at any time. The market price of our Notes may be influenced by many factors, some of which are beyond our control, including:

- changes in demand, supply or pricing of our products;
- general economic conditions, including raw material prices;
- the activities of competitors;
- our quarterly or annual earnings or those of our competitors;
- investor perceptions of us and the coated woodfree paper industry;
- the failure of securities analysts to cover our Notes after this offering or changes in financial estimates by analysts;
- the public's reaction to our press releases or our other public announcements;
- future sales of Notes; and
- other factors described under "Risk Factors."

As a result of these factors, you may not be able to resell your Notes at or above the initial offering price. In addition, securities trading markets experience extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of a particular company. These broad market fluctuations and industry factors may materially reduce the market price of our Notes, regardless of our operating performance. If an active trading market does not develop, you may have difficulty selling any Notes that you buy.

The Notes have not been and will not be registered under the U.S. Securities Act or any United States securities laws and we have not undertaken to effect any exchange offer for the Notes in the future. You may not offer the Notes for sale in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement. The Notes and the Indentures will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the U.S. Securities Act. Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "Notice to Investors." In addition, by its acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased notes that it shall not transfer the Notes in an amount less than €50,000.

USE OF PROCEEDS

We estimate that the net proceeds to us from the offering of the Notes after deducting the transaction fees and offering expenses will be approximately €728.0 million. We will use the proceeds of the offering to repay in full our outstanding indebtedness under the Existing Credit Facilities.

The Initial Purchasers and certain of their affiliates are lenders to us under the Existing Credit Facilities. As of September 30, 2006, the amount outstanding under our Existing Credit Facilities was €748.5 million, the weighted average maturity of which was 3.3 years and the weighted average interest rate of which was 5.361%.

CAPITALIZATION

The following table sets forth our cash and consolidated capitalization as of September 30, 2006 (i) on an actual basis and (ii) as adjusted to give effect to the offering of the Notes offered hereby and the use of the proceeds therefrom as described under "Use of Proceeds." This table should be read in conjunction with "Operating and Financial Review and Prospects," "Description of Other Indebtedness" and our consolidated financial statements, including the notes thereto, appearing elsewhere in this listing memorandum. Except as described herein, we are unaware of any material changes to our capitalization as described below.

	As of September 30, 2006	
	Actual	**As Adjusted**
	(in millions of euro)	
Cash and cash equivalents	164.6	142.1
Debt:		
Existing Credit Facilities(1)	748.5	—
Notes offered hereby(2)	—	748.0
Other(3)	17.1	10.8
Total debt	765.6	758.8
Total shareholders' equity	476.1	465.9
Total capitalization	**1,241.7**	**1,224.7**

(1) Since September 30, 2006, we have made voluntary and mandatory prepayments of €22.9 million of debt incurred under the Existing Credit Facilities. As of December 31, 2006, we had €725.6 million of debt outstanding under the Existing Credit Facilities.

(2) Represents €748.0 million aggregate principal amount of the Notes offered hereby. For purposes of the above capitalization table, debt consisting of the Notes is reflected at its principal amount. Under IFRS, however, debt issuance costs would be deducted from the principal amount of the debt to which they relate for purposes of our balance sheet. Estimated financing costs and issue discount related to the Refinancing are approximately €22.0 million, of which approximately €20.0 million are attributable to the Notes and €2.0 million to the RCF.

(3) Represents €32.9 million of other indebtedness, as described in note 26 to our audited consolidated financial statements as of and for the year ended December 31, 2005 included elsewhere in this listing memorandum, less €15.8 million of capitalized debt issuance costs which will be written-off as a result of the Refinancing. As adjusted, reflects incremental debt issuance costs of €6.2 million as a result of the Refinancing.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

You are encouraged to read the information contained in this section in conjunction with the section entitled "Operating and Financial Review and Prospects" and our consolidated financial statements, including the notes thereto, appearing elsewhere in this listing memorandum.

The following tables contain our selected historical consolidated financial information. Our selected historical consolidated financial information as of and for the years ended December 31, 2004 and 2005 is extracted or derived from our consolidated financial statements and notes thereto included elsewhere in this listing memorandum. These consolidated financial statements have been audited by Ernst & Young S.A., independent reporting accountants. Our selected historical consolidated financial information as of and for the years ended December 31, 2001, 2002 and 2003 is extracted or derived from consolidated financial statements which have not been included in this listing memorandum. The unaudited interim consolidated financial information as of September 30, 2006 and for the nine months ended September 30, 2005 and 2006 contained herein is extracted or derived from and should be read in conjunction with the unaudited interim consolidated financial information included elsewhere in this listing memorandum, and the unaudited consolidated financial information for the twelve months ended September 30, 2006 contained herein is extracted or derived from and should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2005 and the unaudited interim consolidated financial information for the nine months ended September 30, 2006 included elsewhere in this listing memorandum. The unaudited interim consolidated financial information as of September 30, 2006 and for the nine months ended September 30, 2005, 2006 and the unaudited consolidated financial information for the twelve months ended September 30, 2006 are not necessarily indicative of the results that may be expected for any other period or for the year ended December 31, 2006 and should not be used as the basis for, or prediction of, an annualized calculation. In the opinion of management, the unaudited interim consolidated financial information and the unaudited consolidated financial information have been prepared on a basis consistent with our audited consolidated financial statements included elsewhere herein and include all adjustments, consisting only of normal recurring adjustments, which management considers necessary for a fair presentation of our consolidated results of operations and cash flows as of September 30, 2006 and for the nine months ended September 30, 2005 and 2006 and for the twelve months ended September 30, 2006.

Our consolidated financial statements and the accompanying notes thereto as of and for the year ended December 31, 2005, the unaudited interim consolidated financial information as of September 30, 2006 and for the nine months ended September 30, 2005 and 2006, and the unaudited consolidated financial information for the twelve months ended September 30, 2006, have been presented in euro and prepared in accordance with IFRS. Our consolidated financial statements and the accompanying notes thereto as of and for the year ended December 31, 2004 have been presented in euro and prepared in accordance with both Luxembourg GAAP and IFRS. Our consolidated financial statements as of and for the years ended December 31, 2001, 2002 and 2003 have been presented in euro and prepared in accordance with Luxembourg GAAP. IFRS and Luxembourg GAAP differ in certain significant respects from U.S. GAAP.

The following tables combine the presentation of our financial information under Luxembourg GAAP and IFRS. As a result, certain line items may not be comparable. There are significant differences between Luxembourg GAAP and IFRS. Our financial results prepared in accordance with Luxembourg GAAP would have been significantly different if they had been prepared in accordance with IFRS and, accordingly, our results under Luxembourg GAAP are not comparable with our results under IFRS. In addition, Luxembourg GAAP accounts presented below are not indicative of future results under IFRS, and the trends indicated in such Luxembourg GAAP accounts are not indicative of future trends under IFRS. Material differences with respect to recognition and measurement between IFRS and Luxembourg GAAP are summarized in note 3.1 to our audited consolidated financial statements as of and for the year ended December 31, 2005 included elsewhere in this listing memorandum.

Line items included in the tables below are presented in accordance with Luxembourg GAAP or IFRS, as applicable, and are titled in accordance with Luxembourg GAAP or IFRS, as applicable, or in cases where a title is identical under both accounting standards, share a title.

	Year ended December 31,				Year ended December 31,		Nine months ended September 30,		Twelve months ended September 30,
	2001	**2002**	**2003**	**2004**	**2004**	**2005**	**2005**	**2006**	**2006**
	(Luxembourg GAAP-audited)				(IFRS-audited)				(IFRS-unaudited)
					(in millions of euro, except volumes)				
Income Statement Data:									
Volume sold (in thousands of metric tons)	1,379.3	1,458.2	1,465.5	1,576.8	1,576.8	1,642.3	1,228.3	1,246.9	1,660.9
Net sales/Revenues(1)	1,414.8	1,421.6	1,331.3	1,359.5	1,355.2	1,414.8	1,056.2	1,075.0	1,433.7
Changes in inventories of finished goods and work in progress	(15.8)	3.5	8.7	(6.2)	(5.8)	8.7	12.7	13.9	9.9
Materials and purchased products/ Raw materials and consumables used	(611.8)	(582.8)	(558.3)	(580.7)	(580.4)	(617.0)	(463.9)	(491.8)	(644.9)
Labor costs	(221.0)	(218.2)	(223.5)	(232.0)	(232.0)	(235.4)	(176.1)	(180.6)	(239.9)
Other operating costs except unusual items	(299.1)	(325.3)	(324.2)	(347.8)	(359.2)	(388.2)	(289.6)	(311.2)	(409.8)
Local taxes and levies	(10.3)	(11.6)	(11.5)	(11.4)	—*	—*	—*	—*	—*
EBITDA(2)	**256.6**	**287.1**	**222.6**	**181.4**	**177.8**	**183.0**	**139.3**	**105.4**	**149.1**
Depreciation	(73.8)	(76.2)	(78.3)	(84.8)	(89.3)	(85.7)	(62.7)	(63.0)	(86.0)
Amortization of other intangible assets/Amortization	(4.1)	(3.5)	(3.4)	(3.5)	(.1)	(.1)	(.1)	(.1)	(.1)
Unusual items(3)	—*	—*	—*	—*	(4.5)	(1.4)	(.6)	(4.4)	(5.2)
Earnings from operations/Profit from operations	**178.6**	**207.4**	**140.9**	**93.2**	**83.9**	**95.7**	**75.9**	**37.9**	**57.7**
Financial income (expense)/Finance costs(4)	(79.6)	(69.8)	(62.8)	(60.5)	(56.2)	(61.4)	(46.0)	(47.1)	(62.6)
Ordinary earnings/Profit before tax	**99.1**	**137.6**	**78.2**	**32.7**	**27.7**	**34.3**	**30.0**	**(9.2)**	**(4.9)**
Amortization of acquisition costs	(16.3)	(16.2)	(14.5)	(6.7)	—*	—*	—*	—*	—*
Exceptional income (expense)	(22.4)	(4.7)	(1.2)	(6.7)	—*	—*	—*	—*	—*
Income tax	(28.1)(5)	(51.7)	(13.3)	(9.5)	(11.5)	(15.5)	(10.7)	21.8	16.9
Net earnings before amortization of goodwill/Profit after tax	**121.0**	**65.0**	**49.1**	**9.9**	**16.2**	**18.8**	**19.3**	**12.5**	**12.0**
Attributable to:									
Equity holders of the parent	—*	—*	—*	—*	14.2	15.5	16.8	10.9	9.6
Minority interest	—*	—*	—*	—*	2.0	3.3	2.5	1.6	2.4

Amortization of goodwill	(20.3)	(10.6)	(9.3)	(9.3)	—*	—*	—*	—*	—*
Net earnings of consolidated companies	**100.8**	**54.4**	**39.8**	**0.6**	**—***	**—***	**—***	**—***	**—***
Minority interest	6.3	3.8	2.9	1.8	—*	—*	—*	—*	—*
Net earnings	**94.4**	**50.7**	**36.9**	**(1.2)**	**—***	**—***	**—***	**—***	**—***

* This line item is not applicable to Luxembourg GAAP or IFRS, as the case may be.

	As of December 31,				As of December 31,		As of September 30,
	2001	2002	2003	2004	2004	2005	2006
	(Luxembourg GAAP-audited)				(IFRS-audited)		(IFRS-unaudited)
	(in millions of euro)						
Balance Sheet Data:							
Cash and cash equivalents	126.4	93.4	177.1	144.8	144.8	124.9	164.6
Total assets	1,834.4	1,734.4	1,806.6	1,651.2	1,719.2	1,681.1	1,741.4
Total debt(6)	1,000.8	939.1	927.9	871.4	873.2	767.3	765.6
Total net debt(7)	874.4	845.6	750.8	726.6	728.4	642.4	601.0
Shareholders' equity/Equity holders of the parent	344.9	329.4	366.1	364.9	411.9	434.2	447.1
Minority interest	27.0	30.8	32.4	33.2	33.4	29.0	29.0
Total equity	**371.9**	**360.2**	**398.5**	**398.0**	**445.4**	**463.2**	**476.1**

	Year ended December 31,				Year ended December 31,		Nine months ended September 30,		Twelve months ended September 30,
	2001	2002	2003	2004	2004	2005	2005	2006	2006
	(Luxembourg GAAP-audited)				(IFRS-audited)			(IFRS-unaudited)	
					(in millions of euro)				
Cash Flow Data:									
Net cash flow (used in)/from operating activities	146.7	170.5	204.5	93.7	151.0	183.5	150.5	119.7	152.7
Net cash flow (used in)/from investing activities	(125.7)	(77.1)	(110.5)	(66.0)	(63.7)	(47.8)	(30.5)	(24.7)	(42.0)
Net cash flow (used in)/from financing activities	29.2	(126.4)	(10.2)	(59.8)	(120.1)	(157.4)	(103.3)	(55.7)	(109.8)
Net (decrease) increase in cash and cash equivalents(8)	50.2	(32.9)	83.8	(32.2)	(32.8)	(21.7)	16.7	39.3	0.9
Other Data:									
EBITDA(9)	256.6	287.1	222.6	181.4	177.8	183.0	139.3	105.4	149.1
EBITDA margin(10)	18.1	20.2	16.7	13.4	13.1	12.9	13.2	9.8	10.4
Capital expenditures(11)	120.1	95.7	108.2	64.2	64.2	49.8	31.6	31.3	49.4
Total net debt to EBITDA	3.4	2.9	3.4	4.0	4.1	3.5	—	—	4.0
Pro forma net debt(12) to EBITDA	—	—	—	—	—	—	—	—	4.1
Pro forma net cash interest expense(13)	—	—	—	—	—	—	—	—	47.8
EBITDA to pro forma net cash interest expense	—	—	—	—	—	—	—	—	3.1

Selected Operating Data									
Tons produced per employee(14)	306.3	328.3	343.1	360.3	360.3	381.2	382.4	393.0	389.7

---

(1) Revenues consist of sales of paper (including paper produced by third parties and sold through Torraspapel's distribution business) and energy.

(2) We define EBITDA as earnings before depreciation, amortization, unusual items, finance costs, net income from associates and income tax. EBITDA includes non-cash expenses and income, consisting of variations in inventories and operating provisions. EBITDA does not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of our results of operations. In addition, EBITDA as we define it may not be comparable to other similarly titled measures used by other companies. Moreover, EBITDA as presented herein and in our financial statements is not calculated in the same way as "EBITDA" is calculated under the Indentures and the RCF.

(3) Unusual items in 2005 included disposals of property, plant and equipment, ineffective portion in the variation of rate hedging derivatives and other income and charges.

(4) Finance costs include interest on senior debt, rate hedging derivatives, amortization of issue costs on borrowings, senior debt and other finance related expenses.

(5) Does not include an €88,788 exceptional tax credit received as a result of a change in Spanish tax regulations.

(6) We define total debt under IFRS as interest-bearing borrowings plus the current portion of interest-bearing borrowings, bank overdrafts, loans and interest rate hedging receivables (payables) and under Luxembourg GAAP as borrowings.

(7) Total net debt represents total debt as defined above less cash and cash equivalents.

(8) Net (decrease) increase in cash and cash equivalents is calculated net of bank overdrafts.

(9) We define EBITDA here as we define it in footnote 2 above, and we repeat EBITDA here as a line item for convenience.

(10) EBITDA margin is calculated as the ratio of EBITDA to revenues.

(11) Capital expenditure represents the purchase of equipment for the purposes of cost reduction and productivity improvement, maintenance, paper machine rebuilds, information technology and environment and safety.

(12) Pro forma net debt is derived by giving effect to the Refinancing as described under "Summary—The Refinancing" as if it had occurred at the end of the period.

(13) Pro forma net cash interest expense reflects the estimated cash interest expense net of interest income that would have been payable during the twelve months ended September 30, 2006 as adjusted to give effect to the Refinancing as if it had occurred at the beginning of the period. For the avoidance of doubt, this number excludes the following non-cash items: amortization of issue costs on borrowings (€2.7m), finance costs in the provisions on employee benefits (€1.1m) and other IFRS adjustments (€0.2m). This number also excludes the following cash items: interest on rate hedging derivatives, which expired in June 2006 (€6.1m), and the cost of early payment discounts unrelated to interest-bearing borrowings (€11.8m). These non-cash and cash items are included in the financial income (expense)/finance costs line item included in our income statement and are broken out in note 11 to our audited consolidated financial statements as of and for the year ended December 31, 2005 included elsewhere in this listing memorandum.

(14) Tons per employee is calculated as the ratio of metric tons of pulp and paper produced to the number of employees. Certain of our employees included in the calculation are not involved in the paper production process.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with the audited financial statements and the notes thereto included elsewhere in this listing memorandum. We have prepared our financial statements for the year ended December 31, 2005 in accordance with IFRS. Our financial statements for the year ended December 31, 2004 were prepared in accordance with both Luxembourg GAAP and IFRS. The discussion contained herein is based on our audited IFRS financial statements and our unaudited interim financial information for the nine months ended September 30, 2005 and 2006.

Overview

We are the largest coated woodfree paper manufacturer in Southern Europe (consisting primarily of Spain, Portugal, France and Italy) and the third largest coated woodfree paper manufacturer in Europe, with an annual production capacity of 1,500,000 metric tons. We are also one of the leading manufacturers of specialty papers in Europe, with an annual production capacity of 220,000 metric tons. In addition, we operate a 230,000 metric ton pulp mill in Spain, which provides approximately 30% of our overall pulp requirements for all of our coated woodfree paper mills. We have ten coated woodfree paper machines and six specialty paper machines in eleven mills located at various sites in Italy, France and Spain. In the year ended December 31, 2005, our mills produced an aggregate of 1,359,100 metric tons of coated woodfree paper and 222,200 metric tons of specialty papers, including uncoated paper, a type of specialty paper produced by our coated woodfree paper mills. We market our products principally in Spain, Portugal and France, where we rank first by market share, in Italy, where we rank second by market share, and also in other European countries and, to a lesser extent, outside of Europe. Our mills are located in close proximity to our key commercial printing markets in Spain, Portugal, France and Italy, where approximately 35% of European commercial printing deliveries of coated woodfree paper are made (9% in Spain, 1% in Portugal, 12% in France and 13% in Italy). During the year ended December 31, 2005, we had total sales of €1,414.8 million and EBITDA of €183.0 million. During the nine months ended September 30, 2006 and the twelve months ended September 30, 2006, we had total sales of €1,075.0 million and €1,433.7 million, respectively, and EBITDA of €105.4 million and €149.1 million, respectively.

The Lecta group was initially formed by CVC in 1997 to acquire Garda of Italy in October of that year, and it subsequently acquired Condat of France in November 1998 and Torraspapel of Spain in December 1999, all three of which are long-established paper manufacturing companies. Each of Garda, Condat and Torraspapel produces coated woodfree paper for sale under their own brand names, which we believe are well-established in the European market. Torraspapel also produces a variety of specialty papers, including thermal, metallized and self-adhesive papers. In addition, Torraspapel acts as a distributor of coated woodfree paper and speciality papers in Spain, Portugal and France, and in the year ended December 31, 2005, Torraspapel distributed 430,000 metric tons of paper, of which 82,500 metric tons were produced by third parties.

The following table sets forth certain operating and consolidated financial data for our business:

	Year ended December 31						Year ended December 31,		Nine months ended September 30,	
	1999(1)	2000	2001	2002	2003	2004	2004	2005	2005	2006
	(Luxembourg GAAP-audited)						(IFRS-audited)		(IFRS-unaudited)	
	(in millions of euro except volumes)									
Volume of paper sold (in thousands of metric tons)	1,329.7	1,343.4	1,379.3	1,458.2	1,465.5	1,576.8	1,576.8	1,642.3	1,228.3	1,246.9
Revenues	1,167.7	1,417.8	1,414.8	1,421.6	1,331.3	1,359.5	1,355.2	1,414.8	1,056.2	1,075.0
EBITDA	165.7	234.2	256.6	287.1	222.6	181.4	177.8	183.0	139.3	105.4

(1) The operating and consolidated financial data included for the year ended December 31, 1999 is provided on a pro forma basis to illustrate the effect of our acquisition of Torraspapel, which occurred on December 14, 1999, as if it had occurred on January 1, 1999.

Factors Affecting Our Results of Operations

Cyclicality in the Paper Industry

Our results of operations have been affected significantly by cyclicality in the paper industry. Long-term demand for paper is driven by global economic trends, demographic trends, technological developments and trends in end-user preferences. Although historically consumption of paper by end-users has increased steadily, customer demand for paper has fluctuated significantly, suggesting that customer demand is driven by a combination of end-user consumption and changes in the inventory levels that customers maintain. Profitability in the paper industry is highly sensitive to changes in prices, and industry profit cycles reflect the constantly shifting balance between supply and demand for individual products, as well as changes in inventory levels. Periods of industry-wide investment in new production capacity or significant contractions in demand due to weak economic conditions have in previous industry cycles led to decreases in product prices, often as a result of excess capacity. This cyclicality in the industry is exacerbated by the customer practice of leveraging inventory capacity, pursuant to which customers aim to build inventories in anticipation of increases in paper prices and then satisfy end-user demand from their inventories when paper prices are high. As a result, the financial performance of the industry has historically deteriorated during periods of oversupply only to improve when either demand has increased or supply has been reduced to a level that supports the implementation of price increases.

The European paper industry experienced a cyclical peak in 2000 and early 2001, as a result of which significant investments were made in Europe to increase production capacity. The industry then experienced a downturn beginning in late 2001, which continued through 2003, as lower demand resulted in oversupply, which exerted further downward pressure on paper prices. For European producers, the continued weakening of the U.S. dollar and pound sterling against the euro aggravated the effects of decreased prices by reducing the euro-equivalent selling prices for exports.

In 2004, for the first time since 2000, economic growth in Europe increased against the previous year, and the amount of money spent on printed advertising, which tends to track economic growth, similarly increased in Western Europe, resulting in increased demand for paper in 2004. However, the Western European market continued to be burdened by overcapacity. As a result, the increased demand did not result in increased paper prices.

In 2005, economic growth slowed in Europe as compared to the previous year, and the growth in paper demand likewise slowed, although it grew at a faster rate than the overall economy. Although growth in production capacity slowed and supply was reduced by a labor dispute impacting Finnish paper producers, excess capacity continued and prices remained low.

In the first nine months of 2006, coated woodfree paper demand in Western Europe grew at a slightly lower rate than for the full year 2005 and at a rate lower than the overall economic growth rate. In the first nine months of 2006, there were a number of closures by our competitors which have resulted in lower overall production capacity in Europe. According to a Pöyry study, demand growth for coated woodfree paper is expected to weaken in 2007, as is overall economic growth and spending on advertising. Demand may also be affected by planned capacity expansions in Asia, which will result in reductions of exports by European producers to Asia. Due to depressed profitability, some of our competitors have recently announced further European capacity reductions which we believe will improve the supply/demand imbalance in Europe and contribute to improved price stabilization. According to the Pöyry study, after giving effect to the announced shutdowns, but without taking into account capacity creep, European coated woodfree paper production capacity is expected to decrease by 6% by the end of 2007, and current industry capacity utilization, which was 91% in 2006, is expected to increase to 94% in 2007 and 98% in 2008. We believe that the European coated woodfree paper industry's pricing power historically has strengthened when capacity utilization has reached 95%.

In the longer term, the coated woodfree paper market in Europe may be impacted by further capacity expansion in Asia, which is expected to be significant, and which would result in lower demand for European production as Asia is currently a net importer. In addition, the European market may encounter greater import competition from Asia and potentially Latin America as well. Long-term demand for coated woodfree paper may also be impacted by the growing use and acceptance of the internet.

Raw Materials Cost

Our primary raw materials costs are for pulp and energy. We purchase 70% of our pulp requirements, and in recent years, pulp prices have been highly volatile and have significantly increased. The steep rise in the price of crude oil during 2005 increased oil-based raw materials and transportation costs. Due to overcapacity in the European paper market, we and our competitors have been unable to pass on increases in the prices of pulp, energy and other raw materials to our customers. As a result of fluctuations in our raw materials costs, our financial results have varied significantly over time. We have experienced price increases for electricity, gas and other raw materials, and we expect further cost increases throughout 2007. These price increases are expected to have a negative impact on our results of operations for the fourth quarter of 2006 and at least the first quarter of 2007. A further substantial increase in prices for these raw materials would significantly increase our production costs and, all other factors being equal, adversely affect our margins, results of operations and cash flows.

Wood pulp is the principal raw material required to manufacture paper. The price of pulp is highly volatile and sensitive to changes in 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. Compared to many of our competitors, we are particularly susceptible to volatility in pulp prices because we have a lower degree of vertical pulp integration and because we do not hedge against fluctuations in our raw materials costs.

According to Pöyry, in the beginning of 2004, increased demand and a weakening of the U.S. dollar resulted in increased pulp prices. During late 2004 and the first half of 2005, oversupply of pulp and a strengthening of the U.S. dollar caused pulp prices to decrease. However, prices increased significantly during the second half of 2005 and the first nine months of 2006, due to increased demand as well as reductions in supply, which partially resulted from a labor dispute impacting Finnish pulp producers. According to Pöyry, a further increase in pulp prices during the fourth quarter of 2006 is expected. However, Pöyry also indicates that despite expected increases in demand, pulp prices will fall in 2007, as a result of an expansion in pulp production capacity, primarily in Latin America.

Labor Costs

A significant portion of our operating costs are comprised of labor costs. Although we have achieved significant productivity improvements (as measured by metric tons of pulp and paper produced per employee) and have reduced our average headcount from 4,827 employees during the year ended December 31, 2003 to 4,699 employees during the year ended December 31, 2006, our total labor costs have increased marginally as a result of wage increases.

Cost-Savings Measures and Efficiency of Operations

Paper producers have a high proportion of fixed costs, and as a result, fluctuations in prices for paper products cause corresponding fluctuations in the profitability of paper manufacturers. As pricing in the paper industry is highly competitive, paper producers must focus on achieving greater efficiency and cost-control to improve their competitive positions. To that end, we have undertaken a number of cost savings measures in recent years, such as investing in the modernization of our paper machines and sharing best practices among our three operating subsidiaries to enhance the efficiency of our production. As a result of these measures, we have increased our metric tons of pulp and paper produced per employee from 306 metric tons in 2001 to 392 metric tons in 2006. In addition, as a means of reducing our energy costs, we intend to replace our existing cogeneration facility at our mill in Riva del Garda, Italy with a new facility to be completed in 2008, and we estimate the new facility will improve Garda’s EBITDA by approximately €10 million to €12 million per year. We intend to continue to implement measures to reduce our production costs and improve the efficiency of our operations.

Effect of Currency Fluctuations

Our sales are denominated principally in euro and are also denominated in pounds sterling, Canadian dollars and other currencies. Our principal raw material, pulp, is a commodity priced in U.S. dollars. Our other costs are predominantly denominated in euro. Accordingly, we are net purchasers of U.S. dollars. As such, all other things being equal, a weakening of the U.S. dollar would have a positive impact on our earnings. However, the U.S. dollar price of pulp and the euro price of paper are correlated to the U.S. dollar such that a weakening of the U.S. dollar exerts downward pressure on euro paper prices and upward pressure on pulp prices. The following table sets forth the depreciation of the average rates of the U.S. dollar against the average rates of the euro for the periods indicated. The average rates in the table below represent the annual average of exchange rate changes calculated based on daily closing rates in London as reported by Bloomberg.

	Year Ended December 31,		Nine Months Ended September 30,	
	2004	2005	2005	2006
	(percentage change)			
U.S. dollar...	9.9	0.0	3.0	1.4

Any further weakening of the U.S. dollar beyond current levels would have an adverse effect on our results of operations.

We have a policy of hedging our foreign exchange exposure on non-euro denominated sales and purchases once they are committed. We generally do not hedge projected foreign exchange flows.
See "—Financial Risk Management—Foreign Exchange Risk."

Recent Developments

Preliminary Fourth Quarter Results

Based on preliminary data, we estimate that volumes sold for the three months ended December 31, 2006 will be approximately 425,000 metric tons of paper, an increase of approximately 2.6%, from 414,000 metric tons of paper sold in the three months ended December 31, 2005, and an increase of approximately 2.1% from 416,300 metric tons of paper sold in the three months ended September 30, 2006.

We estimate that our EBITDA for the three months ended December 31, 2006 will be 20-25% lower than our EBITDA for the three months ended December 31, 2005 of €43.7 million. This decrease in EBITDA relative to the fourth quarter of 2005 is attributable to our significantly lower gross margins throughout 2006 primarily as a result of higher pulp energy and transportation and costs, which we were unable to pass onto our customers due to continued industry overcapacity.

Industry Outlook

According to Pöyry, in 2007 demand for coated woodfree paper in Europe will increase by 1.6% for the year compared to 2.2% for 2006. Pöyry predicts that demand will grow at a slower pace during the first half of 2007 and will improve during the second half of 2007. Pöyry is expecting small price increases; however, an economic slowdown may force price decreases at the end of 2007.

Pöyry predicts demand in Europe for coated woodfree paper will grow by 2.3% to 3.6% per year between 2008 and 2010, based on, among other things, an assumption that the economy will be stronger, and as a result, spending on advertising will increase. This demand growth is predicted despite planned capacity expansions in Asia, which are largely expected to supply the Asian market and may impact Asian demand for both reels and sheeted products produced in Europe. Pöyry anticipates that prices will increase during the second half of 2008 by 2% to 3%.

Pöyry expects pulp prices to decline in the near term as a result of new pulp production capacity coming on-stream. According to Pöyry, this increased pulp capacity will increase supply in the market between late 2006 and 2008, with a significant part of the capacity growth in Latin America. Pöyry predicts that the average price of bleached hardwood kraft pulp will decline by 10.6% during 2007 as a result of this increased supply.

Results of Operations

Presentation of Financial Data

We have prepared our consolidated financial statements for the year ended December 31, 2005 in accordance with IFRS. Our financial statements for the year ended December 31, 2004 were prepared in accordance with both Luxembourg GAAP and IFRS. The unaudited interim financial data for the nine months ended September 30, 2005 and 2006 have been presented in accordance with IFRS.

Breakdown of Revenues

The following charts illustrate Garda's, Condat's and Torraspapel's respective percentages of our consolidated volumes sold of 1,642.3 million metric tons of paper and consolidated net paper sales revenue of €1,387.3 million for the full year ended December 31, 2005. These charts do not take into account either the volume sold or the revenues from our sales of excess energy produced by the cogeneration facilities we operate, which is sold to third parties and is reflected in our total revenues.

LOGO

Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

The following table sets forth our income statement line items in absolute numbers, as a percentage of revenues for the nine months ended September 30, 2005 and 2006 and as the percentage change period over period:

	Nine months ended September 30,				
	2005	% of revenues	2006 (unaudited)	% of revenues	% change
	(in millions of euro, except volumes and percentages)				
Volume sold (in thousands of metric tons)	**1,228.3**	**—**	**1,246.9**	**—**	**+1.5**
Revenues	**1,056.2**	**100.0**	**1,075.0**	**100.0**	**+1.8**
Change in inventories of finished goods and work in progress	12.7	1.2	13.9	1.3	+9.4
Raw materials and consumables used	(463.9)	(43.9)	(491.8)	(45.7)	+6.0
Labor costs	(176.1)	(16.7)	(180.6)	(16.8)	+2.6
Other operating costs except unusual items	(289.6)	(27.4)	(311.2)	(28.9)	+7.4
EBITDA	**139.3**	**13.2**	**105.4**	**9.8**	**—24.3**
Depreciation	(62.7)	(5.9)	(63.0)	(5.9)	+0.5
Amortization	(0.1)	(0.0)	(0.1)	(0.0)	+8.3
Unusual items	(0.6)	(0.1)	(4.4)	(0.4)	+675.8
Profit from operations	**75.9**	**7.2**	**37.9**	**3.5**	**—50.1**
Finance costs	(46.0)	(4.4)	(47.1)	(4.4)	+2.6
Profit before tax	**30.0**	**2.8**	**(9.2)**	**(0.9)**	**—130.8**
Income tax	(10.7)	(1.0)	21.8	2.0	—303.5
Profit after tax	**19.3**	**1.8**	**12.5**	**1.2**	**—34.9**

Revenues

Our revenues increased by €18.9 million, or 1.8%, to €1,075.0 million in the nine months ended September 30, 2006 from €1,056.2 million in the nine months ended September 30, 2005. This increase was attributable to the effects of an increase in sales volumes of 18,600 metric tons, increasing to 1,246,900 metric tons in the nine months ended September 30, 2006 from 1,228,300 metric tons in the nine months ended September 30, 2005. Average selling prices in the nine months ended September 30, 2006 largely remained flat at €846 per metric ton compared to €844 per metric ton for the nine months ended September 30, 2005.

Raw Materials and Consumables Used

These costs are principally comprised of pulp costs, minerals and chemicals costs, wood costs and cost of goods sold for products purchased from third parties that Torraspapel sells through its distribution business. The costs of raw materials and consumables used increased by €27.9 million, or 6.0%, to €491.8 million in the nine months ended September 30, 2006 from €463.9 million in the nine months ended September 30, 2005, and, as a percentage of revenues, they increased from 43.9% in the nine months ended September 30, 2005 to 45.7% in the nine months ended September 30, 2006. The absolute increase was primarily attributable to the higher price of pulp, which increased by €46 per ton, to €432 per ton in the nine months ended September 30, 2006 from €386 per ton in the nine months ended September 30, 2005, as well as to slightly higher production volumes.

Labor Costs

Labor costs increased by €4.5 million, or 2.6%, to €180.6 million in the nine months ended September 30, 2006 from €176.1 million in the nine months ended September 30, 2005, and as a percentage of revenues, they increased from 16.7% in the nine months ended September 30, 2005 to 16.8% in the nine months ended September 30, 2006. The absolute increase was primarily attributable to wage increases partially offset by a reduction in average headcount of 52 employees, which decreased average headcount to 4,700 employees in the nine months ended September 30, 2006 from 4,752 employees in the nine months ended September 30, 2005.

Other Operating Costs Except Unusual Items

Other operating costs except unusual items are principally comprised of energy costs, transportation costs and selling, general and administrative expenses. Other operating costs except unusual items increased by €21.5 million, or 7.4%, to €311.2 million in the nine months ended September 30, 2006 from €289.6 million in the nine months ended September 30, 2005, and as a percentage of revenues, they increased from 27.4% in the nine months ended September 30, 2005, to 28.9% in the nine months ended September 30, 2006. The absolute increase was primarily attributable to higher energy costs of €21.9 million, which were partially offset by our reduced consumption of energy as compared to the previous period, due to implementation of our Lecta Energy Monitoring System, and higher transportation costs, which increased by €3.3 million in the nine months ended September 30, 2006 compared to the nine months ended September 30, 2005.

EBITDA

EBITDA decreased by €33.9 million, or 24.3%, to €105.4 million in the nine months ended September 30, 2006 from €139.3 million in the nine months ended September 30, 2005. This decrease was attributable to lower gross margins, due to static paper selling prices coupled with the higher cost of pulp, as well as higher energy and transportation costs. Historically, Garda and Torraspapel each generate significantly higher EBITDA margins than Condat, which produces a higher ratio of lower-margin reels to sheets and has higher transportation costs due to a greater number of exported products. For the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005, each of our companies' EBITDA margins declined by a similar amount as a result of the challenging operating conditions in the industry discussed above.

Depreciation and Amortization

Depreciation and amortization increased by €0.3 million, or 0.5%, to €63 million in the nine months ended September 30, 2006 from €62.7 million in the nine months ended September 30, 2005.

Unusual Items

In the nine months ended September 30, 2006, we recorded an unusual loss of €4.4 million primarily relating to the release of goodwill following the accounting of deferred tax assets on former tax losses. In the nine months ended September 30, 2005, we recorded an unusual loss of €0.6 million relating to the disposal of fixed assets.

Finance Costs

Finance costs increased by €1.2 million, or 2.6%, to €47.1 million in the nine months ended September 30, 2006 from €46.0 million in the nine months ended September 30, 2005. This increase was primarily due to higher average interest rates on our borrowings, which was partially offset by lower debt balances.

Income Taxes

In the nine months ended September 30, 2006, we recorded a profit on income tax of €21.8 million, due primarily to the capitalization of deferred income tax losses. In the nine months ended September 30, 2005, we recorded income taxes of €10.7 million on our profits before tax.

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

The following table sets forth our income statement line items in absolute numbers, as a percentage of revenues for the years ended December 31, 2004 and 2005 and in the percentage change year over year:

	Year Ended December 31,				
	2004	% of revenues	2005 (audited)	% of revenues	% change
	(in millions of euro, except volumes and percentages)				
Volume sold (in thousands of metric tons)	**1,576.8**	**—**	**1,642.3**	**—**	**+4.2**
Revenues	**1,355.2**	**100.0**	**1,414.8**	**100.0**	**+4.4**
Change in inventories of finished goods and work in progress	(5.8)	(0.4)	8.7	0.6	—250.1
Raw materials and consumables used	(580.4)	(42.8)	(617.0)	(43.6)	+6.3
Labor costs	(232.0)	(17.1)	(235.4)	(16.6)	+1.5
Other operating costs except unusual items	(359.2)	(26.5)	(388.2)	(27.4)	+8.1
EBITDA	**177.8**	**13.1**	**183.0**	**12.9**	**+2.9**
Depreciation	(89.3)	(6.6)	(85.7)	(6.1)	—4.0
Amortization	(0.1)	(0.0)	(0.1)	(0.0)	+8.6
Unusual items	(4.5)	(0.3)	(1.4)	(0.1)	—69.3
Profit from operations	**83.9**	**6.2**	**95.7**	**6.8**	**+14.1**
Finance costs	(56.2)	(4.1)	(61.4)	(4.3)	+9.2
Profit before tax	**27.7**	**2.0**	**34.3**	**2.4**	**+24.0**
Income tax	(11.5)	(0.8)	(15.5)	(1.1)	+35.4
Profit after tax	**16.2**	**1.2**	**18.8**	**1.3**	**+15.9**

Revenues

Our revenues increased by €59.6 million, or 4.4%, to €1,414.8 million in 2005 from €1,355.2 million in 2004. This increase was primarily attributable to the effects of higher sales volumes of 65,500 metric tons, increasing to 1,642,300 metric tons in 2005 from 1,576,800 metric tons in 2004. Average selling prices largely remained flat at €845 per metric ton in 2005 compared to €844 per metric ton in 2004.

Raw Materials and Consumables Used

The costs of raw materials and consumables used increased by €36.6 million, or 6.3%, to €617.0 million in 2005 from €580.4 million in 2004 and, as a percentage of revenues, they increased from 42.8% in 2004 to 43.6% in 2005. The absolute increase was primarily attributable to higher production volumes, which increased by 5.4%. The average purchase price of pulp increased slightly to €393 per ton in 2005 from €390 per ton in 2004.

Labor Costs

Labor costs increased by €3.4 million, or 1.5%, to €235.4 million in 2005 from €232.0 million in 2004 and, as a percentage of revenues, they decreased from 17.1% in 2004 to 16.7% in 2005. The absolute increase was attributable to wage increases offset by a reduction in headcount of 48 employees, which decreased to 4,746 employees in 2005 from 4,794 employees in 2004.

Other Operating Costs Except Unusual Items

Other operating costs except unusual items increased by €29.0 million, or 8.0%, to €388.2 million in 2005 from €359.2 million in 2004 and, as a percentage of revenues, they increased from 26.5% in 2004 to 27.4% in 2005. The absolute increase was primarily attributable to increased energy costs of €17.4 million and increased distribution costs of €7.4 million.

EBITDA

EBITDA increased by €5.1 million, or 2.9%, to €183.0 million in 2005 from €177.8 million in 2004. This increase was attributable to higher sales volumes partially offset by slightly lower gross margins. For 2005, Garda's and Torraspapel's EBITDA margins were higher than Condat's EBITDA margin. As compared to 2004, Garda's EBITDA margin in 2005 decreased slightly, Torraspapel's EBITDA margin was unchanged, and Condat's EBITDA margin increased slightly.

Depreciation and Amortization

Depreciation and amortization decreased by €3.6 million, or 4.0%, to €85.8 million in 2005 from €89.4 million in 2004. This decrease was primarily attributable to decreases in capital expenditures as a result of the completion of upgrades.

Unusual Items

In 2005, we recorded an unusual loss of €1.4 million relating to disposals of fixed assets. In 2004, we recorded an unusual loss of €4.5 million primarily as a result of costs of €2.5 million in connection with amendments to our financing arrangements and costs of €1.3 million in connection with the write-down of our shareholding in Expresso Paper Platform B.V.

Finance Costs

Finance costs increased by €5.2 million, or 9.2%, to €61.4 million in 2005 from €56.2 million in 2004. This increase was primarily attributable to a change in accounting standard which required the capitalization of issue costs on borrowings incurred in 2001 and 2002 and the amortization of such costs in 2005, as well as higher early payment discounts to customers.

Income Taxes

Income taxes increased by €4.1 million, or 35.4%, to €15.5 million in 2005 from €11.5 million in 2004. This increase was primarily attributable to higher profits before tax.

Liquidity and Capital Resources

Liquidity

Our primary sources of liquidity are cash from operating activities and borrowings under our RCF.

Existing Credit Facilities

We have been making timely payments on the debt outstanding under our Existing Credit Facilities and have also made voluntary pre-payments under the Existing Credit Facilities and predecessor credit facilities of €219.9 million since 1998. However, our results of operations and financial condition have deteriorated, in line with the industry overall, during the last few years, and payments under the Existing Credit Facilities are due to increase significantly during 2008. We have concluded that without refinancing our existing debt structure, we will not be able to repay principal at the times or in the amounts currently contemplated or to satisfy the required financial covenant ratios in the Existing Credit Facilities without obtaining waivers or taking other extraordinary actions. In the past several years, we have on various occasions sought and obtained waivers and amendments to our Existing Credit Facilities, including with respect to financial covenants.

Cash Flow

Our cash flows for the years 2004 and 2005 and the nine months ended September 30, 2005 and 2006 were as follows:

	Year ended December 31,		Nine months ended September 30,	
	2004	2005	2005	2006
	(audited)		(unaudited)	
	(in millions of euro)			
Cash flows from (used in) operating activities				
EBITDA	177.8	183.0	139.3	105.4
Inventories	5.6	(15.2)	(19.7)	(21.1)
Trade receivables	51.3	(12.4)	(10.8)	(14.2)
Prepayments	0.3	0.3	0.0	(.8)
Trade payables	(68.4)	32.2	45.1	60.2
Working capital	(11.1)	4.9	14.7	24.2
Provisions	(1.6)	0.9	0.9	(2.7)
Greenhouse gas emission rights	0.0	0.0	0.0	0.0
Consumption of biological assets	0.6	0.8	0.5	0.7
Proceeds (payments) related to unusual items	(3.0)	0.1	0.1	(0.6)
Income tax paid	(11.7)	(6.2)	(5.0)	(7.2)
Net cash flows from operating activities	**151.0**	**183.5**	**150.5**	**119.7**
Cash flows from (used in) investing activities				
Purchase of property, plant and equipment	(63.2)	(47.9)	(30.2)	(30.3)
Proceeds from disposal of property, plant and equipment	0.7	0.2	0.0	6.2
Receipt of grants	1.4	0.5	0.1	0.1
Purchase of subsidiary, net of cash acquired	(0.7)	0.0	0.0	0.0
Disposal of subsidiary, net of cash sold	0.0	0.0	0.0	0.0
Purchase of other assets	(2.1)	(0.6)	(0.5)	(0.8)
Proceeds from disposal of other assets	0.0	0.0	0.0	0.0
Dividends from associates	0.0	0.0	0.0	0.0
Dividends received from available-for-sale financial investments	0.3	0.0	0.0	0.0
Net cash flows used in investing activities	**(63.7)**	**(47.8)**	**(30.5)**	**(24.7)**
Cash flows from (used in) financing activities				
Equity dividends paid	0.0	0.0	0.0	0.0
Dividends paid to minority interest	(0.8)	(0.8)	(0.2)	(1.1)
Share capital increase (redemption)	0.1	0.0	0.0	0.0
Interest paid	(56.6)	(57.9)	(42.4)	(44.0)
Issue costs of borrowings	(0.6)	0.0	(0.0)	(4.3)
Proceeds from borrowings	61.1	0.0	1.4	177.0
Repayment of borrowings	(121.8)	(95.8)	(59.6)	(182.7)
Loans repaid (granted)	0.0	(1.5)	(1.5)	0.6
Payment of finance lease liabilities	(1.5)	(1.3)	(1.0)	(1.2)
Net cash flows used in financing activities	**(120.1)**	**(157.4)**	**(103.3)**	**(55.7)**
Net increase (decrease) in cash and cash equivalents net of bank overdrafts	(32.8)	(21.7)	16.7	39.3
Net foreign exchange difference	(0.1)	0.3	0.4	(0.2)
Cash and cash equivalents net of bank overdrafts at January 1	174.5	141.6	141.6	120.1
Cash and cash equivalents net of bank overdrafts at period end	**141.6**	**120.1**	**158.6**	**159.3**
Of which cash and cash equivalents	144.8	124.9	162.6	164.6
Of which bank overdrafts	(3.2)	(4.7)	(4.0)	(5.4)

Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

During the first nine months of 2006, our cash and cash equivalents increased by €39.3 million or 32.7%, from €120.1 million at January 1, 2006 to €159.3 million at September 30, 2006. Our principal uses of cash during the first nine months of 2006 were for purchases of property, plant and equipment of €30.3 million, interest payments of €44.0 million and tax payments of €7.2 million. During the first nine months of 2006, our working capital decreased by €24.0 million due primarily to higher accounts payable.

During the first nine months of 2006, our cash flows from operating activities were €119.7 million, €30.7 million less than our cash flows from operating activities during the first nine months of 2005. This decrease was primarily due to lower EBITDA during the first nine months of 2006 together with an increase in income taxes, partially offset by a decrease in working capital.

During the first nine months of 2006, our cash flows used in investing activities were €24.7 million, €5.8 million less than our cash flows used in investing activities during the first nine months of 2005. This decrease was primarily due to increased proceeds from the disposal of property, plant and equipment of €6.2 million resulting from the sale of tangible assets by Torraspapel during the first nine months of 2006.

During the first nine months of 2006, our cash flows used in financing activities were €55.7 million, €47.6 million less than our cash flows used in financing activities during the first nine months of 2005. This decrease was primarily due to an increase of €175.6 million in proceeds from borrowings during the first nine months of 2006, partially offset by an increase of €123.1 million used for the repayment of borrowings.

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

During 2005, our cash and cash equivalents decreased by €21.5 million or 15.2%, from €141.6 million at January 1, 2005 to €120.1 million at December 31, 2005. Our principal uses of cash in 2005 were for purchases of property, plant and equipment of €47.9 million, interest payments of €57.9 million and tax payments of €6.2 million. In 2005, our working capital slightly decreased by €4.9 million.

During 2005, our cash flows from operating activities were €183.5 million, a €32.5 million increase from our cash flows from operating activities during 2004. This increase reflects, in part, slightly higher EBITDA during 2005, together with a decrease in working capital. Although our cash flows from operating activities for 2005 reflect inventory increases and higher trade receivables, working capital decreased due to significantly increased trade payables as compared to 2004. Changes in operating cash flows between 2005 and 2004 also reflect a decrease of €5.5 million in income taxes in 2005.

During 2005, our cash flows used in investing activities were €47.8 million, €15.9 million less than the €63.7 million of cash flows used in investing activities in 2004. This decrease was primarily due to decreases in 2005 in net investments in property, plant and equipment, resulting from final payments being made in 2004 for our program of major paper machine rebuilds.

During 2005, our cash flows used in financing activities were €157.4 million, €37.3 million more than the €120.1 million of cash flows used in financing activities in 2004. This increase reflects primarily the lack of significant proceeds from borrowings in 2005 as well as non-mandatory prepayments in 2005 under the Existing Credit Facilities of €30.0 million. In 2004, proceeds from borrowings were €61.1 million, offset by €62.2 million used in 2004 for non-mandatory prepayments under the Existing Credit Facilities.

Capital Resources

Our total capital resources amounted to €476.1 million in total equity and €719.6 million in non-current interest-bearing borrowings as at September 30, 2006, compared to €463.2 million and €739.5 million, respectively, as at December 31, 2005. In addition, current interest-bearing borrowings amounted to €47.4 million as at September 30, 2006, compared to €29.5 million as at December 31, 2005.

Our total capital resources amounted to €463.2 million in total equity and €739.5 million in non-current interest-bearing borrowings as at December 31, 2005, compared to €445.3 million and €810.3 million, respectively, as at December 31, 2004. In addition, current interest-bearing borrowings amounted to €29.5 million as at December 31, 2005, compared to €63.0 million as at December 31, 2004.

In connection with the Refinancing, amounts outstanding under the Existing Credit Facilities will be repaid and the Existing Credit Facilities will be terminated. On or around the date of the issue of the Notes, we will enter into the RCF. The RCF provides for a €75.0 million multicurrency, multi-lender revolving credit facility, of which €60.0 million is committed.

Capital Expenditures and Investments

In the nine months ended September 30, 2006, capital expenditures were €31.2 million and included €15.4 million for maintenance, €1.0 million for major paper machine rebuilds, €7.7 million for cost reduction and productivity improvement, €6.0 million for environment and safety and €2.1 million for information technology, offset by an increase in capital payables (accounts payable to suppliers of capital equipment) of €0.9 million.

In 2005, capital expenditures were €49.8 million and included €23.5 million for maintenance, €14.1 million for cost reduction and productivity improvement, €10.5 million for environment and safety and €3.5 million for information technology, offset by an increase in capital payables of €2.2 million.

In 2004, capital expenditures were €64.2 million and included €10.8 million for maintenance, €12.7 million for major paper machine rebuilds, €15.8 million for cost reduction and productivity improvement, €12.1 million for environment and safety and €4.0 million for information technology and were further increased by a decrease in capital payables of €8.8 million.

We expect to make capital expenditures in the fourth quarter of 2006 of approximately €20.3 million. Of that amount, we estimate approximately €14.7 million will relate to maintenance, €1.2 million will relate to major paper machine rebuilds, €9.7 million will relate to cost reduction and productivity improvement, €6.0 million will relate to environment and safety and €1.9 million will relate to information technology, which will be offset by a €12.6 million increase in capital payables.

We expect to make total capital expenditures in 2007 of approximately €69.3 million. Of that amount, we estimate approximately €10 million will relate to the construction of our new cogeneration facility in Riva del Garda, Italy, €14.7 million will relate to maintenance, €19.2 million will relate to cost reduction and productivity improvement, €6.3 million will relate to environment and safety, and €3.6 million will relate to information technology, which will be further increased by a decrease in capital payables of €15.4 million.

Contractual Obligations

The following table summarizes our contractual obligations and principal payments as of September 30, 2006 under debt instruments, capital and operating leases and other agreements on a pro forma basis after giving effect to the Refinancing. The information presented in the table below reflects our estimates of the contractual maturities of obligations. These maturities may differ significantly from the actual maturity of these obligations.

	Total	**Less than 1 year**	**More than 1 year**
	(in millions of euro)		
RCF	0.0	0.0	0.0
Notes	748.0	0.0	748.0
Other debt	10.3	2.7	7.6
Externalized pension funds	7.7	1.7	5.9
Debt on assigned receivables	8.1	8.1	0.0
Capital lease obligations	2.2	1.0	1.2
Bank overdrafts	5.4	5.4	0.0
Interest rate hedging	(0.1)	(0.1)	0.0
Other IFRS adjustments	(22.7)	(3.3)	(19.4)
Total debt	**758.8**	**15.5**	**743.3**
Operating leases	23.6	6.0	17.6
Total contractual obligations(1)	**782.4**	**21.4**	**761.0**

(1) The contractual obligations included in the above table do not include interest to be paid on long-term debt or outstanding purchase obligations. The outstanding purchase obligations are entered into in the normal course of business.

Employee Benefits

We currently operate a defined contribution pension plan and a defined benefit pension plan for the benefit of our employees in Italy, France and Spain.

Our long-term employee benefits provisions primarily comprise obligations under our pension plans, death and disability plans, staff leaving indemnities and long-term service awards. Our long-term employee benefits provisions amounted to €27.8 million as at September 30, 2006 and €28.9 million and €26.2 million as at December 31, 2005 and 2004, respectively. All of these obligations are unfunded.

There were no changes in long-term employee benefits provisions due to changes in actuarial assumptions in the nine months ended September 30, 2006.

Contingent Liabilities

We are 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 our financial position are likely to arise in respect of these matters, although their occurrence may have a significant effect on periodic results.

Put and Call Arrangement Between Torraspapel Holding S.A. and Grupo Torras, S.A.

Torraspapel Holding S.A. (“TPH”), the direct parent of Torraspapel, agreed on November 5, 1999 a put-call arrangement with Grupo Torras, S.A., (“Grupo Torras”), the previous owner of Torraspapel and currently a minority shareholder in Torraspapel. Pursuant to this agreement, Grupo Torras may put its entire shareholding in Torraspapel to TPH if certain conditions are fulfilled. The total amount of Grupo Torras’s shareholding in Torraspapel is currently in dispute. Grupo Torras owns an undisputed 2.50% of the shares in Torraspapel. Grupo Torras also claims to own 2.45% of the shares in Torraspapel, with the ownership of this 2.45% shareholding disputed by a third party. This dispute is the subject of litigation between Grupo Torras and the third party and is ongoing. The outcome of this dispute is uncertain, and it is not known when the dispute might be resolved. Regardless of in whose favor the dispute is resolved, if Grupo Torras exercises its right to put its shares in Torraspapel in accordance with the agreement, TPH will be required to purchase Grupo Torras’s entire shareholding in Torraspapel. On December 31, 2005, TPH recognized a provision on the value of the shares subject to Grupo Torras’s put option, at a purchase price of €6.00 per share for a total of €6.8 million.

Off-Balance Sheet Arrangements

Condat has guaranteed the obligations of a supplier in respect of a finished goods storage building totaling €3.0 million.

We do not believe this off-balance sheet arrangement is likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditure or capital resources that would be material to investors.

Sensitivity Analysis

Our 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 our business may affect our financial performance on an annual basis.

	Percentage Change	Estimated effect on EBITDA
	(in millions of euro)	
Paper prices	+/-1%	+/-14.2
Volumes:		
Operating rates(1)	+/-1%	+/-4.7
Deliveries	+/-1%	+/-4.9
Currency:		
USD against EUR(2)	+/-1%	-/+1.5
GBP against EUR	+/-1%	+/-1.7
CAD against EUR	+/-1%	+/-0.2
Pulp prices	+/-1%	-/+3.1
Energy prices	+/-1%	-/+1.0

(1) Increases/decreases in percentage points.

(2) A one percent appreciation of the U.S. dollar against the euro, with all other things being equal, would result in a €1.5 million euro decline in our EBITDA. However, depreciation 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 and generally has an adverse effect on our results of operations.

Financial Risk Management

Foreign Exchange Risk

Our operations are impacted by the fluctuations of non-euro currencies, primarily U.S. dollars, Canadian dollars and pounds sterling. This foreign currency exposure includes foreign currency-denominated sales and foreign currency-denominated purchases. Sales and purchases are hedged through forward agreements and options.

The following table sets forth the main types of foreign exchange derivative agreements that we use, and their values as at December 31, 2005:

Foreign exchange derivative agreements	Valued as at December 31, 2005
	(in millions of euro)
Forward agreements on realized sales in foreign currencies	41.6
Forward agreements on realized purchases in foreign currencies	47.4
Options on future sales in foreign currencies	16.1

Interest Rate Risk

The interest rates for a portion of our senior debt are typically hedged according to EURIBOR 3 month collars, caps, floors or similar instruments. As at September 30, 2006, we have hedged €400.0 million of our senior debt using interest rate caps.

Commodity Risk

We do not currently hedge against raw material costs.

INDUSTRY AND MARKET OVERVIEW

The paper industry is capital intensive and highly competitive. Long-term demand for paper is driven by global economic trends, demographic trends, technological developments and trends in end-user preferences. The segment of the paper industry in which we compete includes coated woodfree paper and specialty papers.

Profitability in the paper industry is highly sensitive to changes in prices, and industry profit cycles reflect the constantly shifting balance between supply and demand for individual products, as well as changes in customer inventory levels. Periods of industry-wide investment in new production capacity or significant contractions in demand due to weak economic conditions have, in previous industry cycles, led to decreases in product prices, often as a result of excess capacity. For instance, the industry pursued growth in the mid 1990s by significantly increasing production capacity at a time when pulp and paper prices were at record high levels. This caused a significant imbalance between supply and demand and resulted in a rapid decline in pulp prices and a corresponding decline in paper prices in late 1995 and throughout 1996.

During the past several years there has been a significant shift in industry strategy. Prior to 1997, the European coated woodfree paper manufacturing industry, in which we primarily compete, was fragmented and consisted of 14 companies of note, with the top five producers only comprising approximately 44% of production capacity. The high costs associated with building new paper mills and organically growing market share has encouraged companies to focus growth strategies on acquisitions rather than on the construction of additional capacity. As a result, from 1998 to 2001, the paper industry experienced a period of consolidation. This consolidation has helped to reduce industry pricing volatility. The regional market share of leading European producers has increased significantly over the past decade. Today, in the European coated woodfree paper manufacturing industry, there are six major producers comprising approximately 85% of production capacity. We believe that large paper producers will continue to pursue growth through acquisitions rather than organic expansion and that, as a result of industry consolidation, the cyclicality of the industry may be less pronounced going forward.

Following a cyclical industry peak in 2000 and early 2001, which resulted in significant investments in Europe to increase production capacity, the European paper industry experienced a downturn, which began in late 2001 and continued through 2002 and 2003, as decreased demand resulted in oversupply, causing downward pressure on paper prices. In 2004, for the first time since 2000, economic growth in Europe increased against the previous year, and the amount of money spent on printed advertising, which tends to track economic growth, similarly increased in Western Europe, resulting in increased demand for paper. However, the Western European market continued to be burdened by overcapacity, and due to competition among paper producers, the increased demand did not result in increased paper prices. In 2005, economic growth slowed in Europe as compared to the previous year, and the growth in paper demand likewise slowed, although it grew at a faster rate than the overall economy. In addition, although growth in production capacity slowed and supply was reduced by a labor dispute impacting Finnish paper producers, excess capacity continued to exist and prices remained low. In the first nine months of 2006, coated woodfree paper demand in Western Europe grew at a slightly lower rate than for the full year 2005 and at a rate lower than the overall economic growth rate. Additionally, in this same time period, energy and raw material costs continued to increase, and the U.S. dollar remained weak.

In response to challenging conditions in the paper industry, some of our competitors have recently announced European capacity reductions which we anticipate will, when implemented, improve the supply/demand imbalance in Europe and consequently should contribute to further price stabilization. Specifically, UPM—Kymmene Corporation closed production capacity at two of its facilities during the third quarter of 2006 and has also announced the planned closure of another facility in the second quarter of 2007; Stora Enso has announced its intention to close two of its facilities during 2007; and M-real has confirmed that it will close one facility by January 31, 2007 and reduce production at another by February 28, 2007. According to a recent Pöyry study, after giving effect to the announced shutdowns, but without taking into account capacity creep, European coated woodfree paper capacity is expected to decrease by approximately 6% by the end of 2007, and current industry operating rates, which are approximately 91%, are expected to increase to approximately 94% during 2007. We believe that the industry's pricing power historically has strengthened when operating rates reach 95%.

Europe is the world's largest producer of coated woodfree paper and has been a significant net exporter to Asia and the Americas. As a result of significant planned and forecasted capacity expansion in Asia, net exports by European producers are expected to decrease, which will impact demand for coated woodfree paper produced in Europe and exert downward pressure on coated woodfree paper prices. In addition, the European market may encounter greater import competition from Asia and potentially Latin America as well.

According to CEPIFINE, the growth rate in demand for coated woodfree paper in Southern Europe was 1.7%, 2.4% and 1.4% higher than that for Western Europe as a whole for the years 2003, 2004 and 2005, respectively. Moreover, demand for coated woodfree paper in Eastern Europe has surged recently, fueled in part by an increase in the number of Eastern European printers serving Western European end-users. In the years 2003, 2004 and 2005, the growth rate in demand for coated woodfree paper in Eastern Europe was 26%, 27% and 16%, respectively, according to CEPIFINE.

Paper

The papermaking process is relatively similar for all kinds of paper, with variations for different paper products based primarily on the type of pulp used and the existence or absence of coatings. We primarily produce coated woodfree paper and also produce specialty papers.

Coated Woodfree Paper

Coated woodfree paper is the highest value-added, mass-produced product in the paper industry. Coated woodfree paper has historically been one of the fastest growing industry segments. Approximately 9.5 million metric tons of coated woodfree paper are manufactured in Europe each year, and over 20 million metric tons are produced worldwide.

**Western European Coated Woodfree
Paper Markets by Country**

(BAR CHART)

Source: CEPIFINE

**Western European Coated Woodfree
Paper Markets by End-Users**

(BAR CHART)

(a) Includes M-real medium-weight coated paper grades previously classified as coated woodfree paper

(b) Includes cut size and envelopes

Source: Pöyry

Coated woodfree paper is made from chemical pulp and is coated on one or both sides with minerals and chemicals to increase the brightness and smoothness of the paper, allowing for higher-quality printing. The finer printing qualities of coated woodfree paper are a function of its weight and surface properties. Wood fiber comprises about 60% of each sheet of coated woodfree paper and provides its structure and strength. A coating of minerals, primarily calcium carbonate, or marble held together with binders, is layered on top. This mineral coating gives the sheet a very smooth surface, which allows for very high printing resolution and the reproduction of small nuances of color and texture. Coated woodfree paper is generally used for commercial printing, magazines, brochures, annual reports, advertising materials and art books because of its strength, printability and brightness. Because coated woodfree paper is used where high reprographic quality is required, it typically serves higher-end uses and therefore commands a higher price compared to other types of paper. In addition, since the manufacture of coated woodfree paper requires a complex and demanding production process, its pricing has been less volatile relative to lower quality paper grades.

The growth of the commercial press and advertising sectors in Europe in recent years has favored continued development of the coated woodfree paper sector. We believe, based on projections of European paper industry analysts, that demand for coated woodfree paper will continue to increase in line with general economic growth in the forthcoming years. In Europe, a slight increase in advertising and direct marketing is expected to stimulate demand for advertising-driven papers. For the period from 2002 to 2005, our estimates indicate that the growth rate in demand for coated woodfree paper in Western Europe averaged 5% per year, which exceeds the growth in demand for other types of paper, and is largely the result of an increasing variety of end uses. However, the growth of consumption rates in Western Europe and North America has remained marginal due to the practice by paper distributors of building inventory levels and then satisfying end-user demand from those inventories when paper prices are high. In this way, paper distributors limit the extent to which the effects of increased demand are passed on to paper manufacturers.

Although demand has been growing for several years, the increased demand has not resulted in increased paper prices. Significant investments were made in Europe in 2000 and 2001 to increase coated woodfree paper production capacity. The industry then experienced a downturn beginning in late 2001, which continued through 2003, as lower demand resulted in oversupply, which exerted further downward pressure on coated woodfree paper prices. The weak U.S. dollar against the pound sterling and the euro aggravated the effects of decreased prices. Recently, however, excess coated woodfree paper production capacity has diminished. In 2006, there were a number of closures by leading European paper manufacturers, and more closures are planned for 2007, which has resulted in lower overall production capacity in Europe. Specifically, UPM— Kymmene Corporation closed production capacity at two of its facilities during the third quarter of 2006 and has also announced the planned closure of another facility in the second quarter of 2007; Stora Enso has announced its intention to close two of its facilities during 2007; and M-real has confirmed that it will close one facility by January 31, 2007 and reduce production at another by February 28, 2007. Operating rates in the coated woodfree paper industry have risen to approximately 91% from a low of approximately 80% in 2001 and are expected to increase to 94% during 2007, if the planned capacity reductions occur as anticipated (excluding any capacity creep).

A recent Pöyry study indicated that, despite forecasts of a slowdown in demand growth during 2007, coated woodfree paper prices are expected to increase slightly as paper producers implement stronger supply control measures and planned production capacity shutdowns go into effect. According to Pöyry, in 2007, demand for coated woodfree paper in Europe is expected to increase by 1.6% for the year compared to a demand increase of 2.2% for 2006. Pöyry predicts that demand will grow at a slower pace during the first half of 2007 and will improve during the second half of 2007. Pöyry predicts demand in Europe for coated woodfree paper will grow by 2.3% to 3.6% per year between 2008 and 2010, based on, among other things, an assumption that the economy will be stronger, and as a result, spending on advertising will increase. This demand growth is predicted despite planned coated woodfree paper capacity expansions in Asia, which are largely expected to supply the Asian market and may impact Asian demand for both reels and sheeted products produced in Europe.

The following graph and table, both reproduced from a Pöyry study, illustrate trends and forecasts for European coated woodfree paper capacity and production.

European Coated Woodfree Paper Capacity and Production
(capacity utilization is indicated at the bottom of each bar)

(LECTA LOGO)

Source: Market Update and Price Forecast, November 22, 2006, Pöyry.

Million tons	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Capacity.....	8.55	8.96	9.46	9.91	10.31	10.49	10.63	10.46	10.26	10.27
Demand......	6.68	6.92	6.50	6.72	6.77	7.32	7.53	7.70	7.82	8.00
Production..	7.86	8.15	7.50	7.90	8.20	9.14	9.17	9.53	9.60	9.70

Source: Market Update and Price Forecast, November 22, 2006, Pöyry.

The following graph displays the leading producers of coated woodfree paper in Europe and their forecasted production capacity for the first quarter of 2007:

(TUI AG CHART)

Source: Market Update and Price Forecast, November 22, 2006, Pöyry.

In recent years, coated woodfree paper prices in Western Europe have been under pressure, and pulp prices have increased, causing a narrowing of the Gap, an industry indicator, defined by Pöyry, and calculated as the difference between the price of coated woodfree paper in Germany and 60% of the price of bleached hardwood kraft pulp, which are, in turn, benchmark figures used in the coated woodfree paper industry.

The following table sets forth, in euro per metric ton of sheeted coated woodfree paper, selected net sales prices for Garda, Condat and Torraspapel for the periods presented.

	Twelve months ended September 30,					
	2004		2005		2006	
	High	Low	High	Low	High	Low
Garda	835	742	835	738	830	735
Condat	826	770	810	770	820	762
Torraspapel	909	787	906	784	903	775

In the near term, Pöyry expects coated woodfree paper prices to increase by approximately 4%, from €820 per ton in 2005 to €855 per ton by 2007. In the third and fourth quarters of 2006, we and a number of our competitors announced price increases. Pöyry expects pulp prices to decline in the near term as a result of new pulp production capacity coming on-stream. According to Pöyry, this increased pulp capacity will increase supply in the market between late 2006 and 2008, with a significant part of the capacity growth in Latin America. Pöyry predicts that the average price of bleached hardwood kraft pulp will decline by 10.6% during 2007 as a result of this increased supply. According to the graph below, in the third quarter of 2006, the Gap reached a low point and has since improved. Forecasted increases in the price of coated woodfree paper and decreases in the price of pulp would be expected to lead to an increased Gap over the following quarters.

The graph below illustrates historical prices for, and Pöyry's forecasts for the development of, coated woodfree paper prices, bleached hardwood kraft pulp prices and the Gap, calculated as described above.

Historical and Forecasted Hardwood Pulp and Coated Woodfree Paper Prices

LOGO

Source: Market Update and Price Forecast, November 22, 2006, Pöyry.

Specialty Papers

Specialty papers are made from both chemical and mechanical pulp and like coated woodfree paper are typically used where high reprographic quality is required, such as for graphic design, labels, converting, forms and digital imaging. Our specialty papers business is conducted by Torraspapel. The specialty papers business encompasses a wide range of products aimed at more diverse markets and smaller volume applications than coated woodfree paper.

The following is an overview of the types of specialty papers that we produce:

Thermal. Thermal paper is a copy paper which uses heat to produce its image. Thermal papers are commonly used as the printout paper for receipts from point-of-sale machines. Based on studies conducted by EPTA and Laves Chemie, as well as our own estimates, we believe that European demand for thermal paper grew at a rate of 10% in 2006, and we expect it to grow at a rate of 9% in 2007.

Metallized. Metallized paper has a thick deposit of metallized particles that resemble a layer of foil. Metallized paper offers reduced stiffness and flexibility and is used for labels, cigarette packets, luxury packaging, gift wrapping and self-adhesive labels. According to EMA, European demand for metallized paper is believed to have grown at a rate of 6% in 2006, and our own estimates are that it again will continue to grow at a rate of 6% in 2007.

Self-Adhesive. Self-adhesive paper is used primarily for printing labels. This paper has a self-adhesive coating on one side and a surface suitable for printing on the other. According to FINAT, European demand for self-adhesive paper grew at a rate of 3.4% in 2005, and, based on our own estimates, it grew at a rate of 8% in 2006.

One-Side Coated. One-side coated paper is paper that has had a surface coating applied to one side to produce smoothness. One-side coated paper is designed so it can be printed very easily with metallic ink. It is primarily used for printing labels. We believe that the one-side coated paper market is healthy and stable.

Carbonless. Carbonless paper is an alternative to carbon paper and is typically used to make multiple copies of an original document without the use of any electronics. For example, carbonless paper is used for car rental contracts. We believe that the carbonless paper market is declining.

Cast-Coated. Cast coating produces a high mirror gloss finish on paper. Cast-coated paper is used to produce high quality labels and luxury packaging, as well as other applications having sophisticated printing requirements. We believe that the cast-coated paper market is declining.

Uncoated. Uncoated paper is paper that does not have any kind of coating applied. Uncoated paper is available in many different finishes, colors, and weights and is generally more absorbent than coated papers. It is suitable for writing with ink on both sides and for various basic printing purposes. In response to periodic decreases in demand for coated woodfree paper, we produce uncoated paper at our coated woodfree paper mills as a means of absorbing fixed costs.

The following table sets forth, in euro per metric ton, prices for specialty papers in selected markets for the periods presented.

	Twelve months ended September 30,					
	2004		2005		2006	
	High	Low	High	Low	High	Low
Thermal	1,5	1,491	1,505	1,450	1,481	1,405
Metallized.............	3,3	2,267	3,273	2,283	3,375	2,355
One-Side Coated...	1,2	921	1,265	898	1,243	897
Carbonless	1,4	1,146	1,573	1,369	1,594	1,344
Cast-Coated	2,1	1,337	2,126	1,374	2,141	1,425
Uncoated...............	903	658	921	704	892	735
Self-Adhesive(1)...	47.8	33.3	48.6	33.8	49.6	33.2

(1) Prices for self-adhesive paper are shown in euro per 100 square meters. One metric ton of self-adhesive paper is equivalent to 5,000 square meters of self-adhesive paper.

Pulp

Wood pulp is the principal raw material required to manufacture paper. Pulp is converted from wood by means of mechanical or chemical processes. Chemical pulp, used to manufacture coated woodfree paper, is produced by cooking wood chips in solutions of caustic chemicals to separate the cellulose fibers used for pulping. There are two main types of chemical pulp: long-fiber chemical pulp, made of spruce or pine wood and used to manufacture paper requiring superior strength, such as magazine paper, and short-fiber chemical pulp, made of birch, beech or eucalyptus wood and used to manufacture fine papers and boards. The price of pulp is highly volatile and sensitive to changes in 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, in turn, impact prices of final paper products. The major chemical pulp producing regions of the world are North America and the Nordic countries.

Many European paper producers have full or nearly full vertical pulp integration, where mills combine wood pulping production facilities with paper production facilities. Full vertical pulp integration is intended to insulate the producer from sharp variations in the market price of pulp. However, while full vertical pulp integration may help to stabilize costs, it does not necessarily stabilize earnings, since finished goods prices will vary depending on what the market will bear. Partial implementation of vertical pulp integration, such as at Lecta, seeks to maximize earnings stability by increasing production cost stability but at the same time allowing paper prices to more closely track pulp prices.

Distribution

Paper products are generally sold to distributors and directly to printers and major publishers. According to CEPIFINE, in 2005, approximately 80% of Western European coated woodfree paper sheet sales are estimated to have been sold through paper distributors. Because smaller paper users cannot efficiently be covered by the dedicated sales personnel of a paper company, paper distributors sell to small printers, offices, paper and office products supply stores and other small businesses that place orders that are too small and may contain too many different product specifications for a paper producer to serve directly. Paper distributors purchase paper in larger quantities from paper producers and then generally warehouse the paper and sell it in smaller lots to these buyers. Paper distributors generally also conduct marketing and promotion activities and may assume credit risks associated with sales. As coated woodfree paper is extensively used by small businesses, commercial printers and offices, paper distributors are a particularly important sales channel for coated woodfree paper.

Competition

Competition in the paper industry is intense. Paper products are largely commodities and are subject to substantial price competition. Due to the weight of paper, it is relatively expensive to transport. Therefore, paper producers who sell their products in markets geographically close to their mills experience cost savings and are at a competitive advantage over producers who must transport their paper long distances or over large bodies of water. In addition, although most large industrial paper machines produce paper onto reels, most demand for coated woodfree and specialty papers in Europe is for sheeted paper. As a result, most paper produced by paper mills needs to be converted to sheets, and in general this conversion takes place following specific customer orders. To reduce the delivery time of customer orders, paper manufacturers must operate converting facilities close to their principal markets. Many of our Nordic competitors incur higher transportation costs and thus are at a competitive disadvantage from having to ship reeled paper to remote converting facilities located near to customers and then ship it on to customers. Moreover, manufacturers who maintain converting facilities at or near their mills experience cost savings due to their ability to reuse the paper waste created from the cutting process. Brand value is also an important factor in the paper industry, which is characterized by significant loyalty among printers and end-users. Several other factors also influence a paper producer's competitive position, including cost of raw materials, efficiency of mills, product quality and customer service. Our primary competition comes from other large paper producers, including Burgo-Marchi Group, M-real, Sappi, Stora Enso and UPM-Kymmene.

BUSINESS

Our Company

We are the largest coated woodfree paper manufacturer in Southern Europe (consisting primarily of Spain, Portugal, France and Italy) and the third largest coated woodfree paper manufacturer in Europe, with an annual production capacity of 1,500,000 metric tons. We are also one of the leading manufacturers of specialty papers in Europe, with an annual production capacity of 220,000 metric tons. In addition, we operate a 230,000 metric ton pulp mill in Spain, which provides approximately 30% of our overall pulp requirements for all of our coated woodfree paper mills. We have ten coated woodfree paper machines and six specialty paper machines in eleven mills located at various sites in Italy, France and Spain. In the year ended December 31, 2005, our mills produced an aggregate of 1,359,100 metric tons of coated woodfree paper and 222,200 metric tons of specialty papers, including uncoated paper, a type of specialty paper produced by our coated woodfree paper mills. We market our products principally in Spain, Portugal and France, where we rank first by market share, in Italy, where we rank second by market share, and also in other European countries and, to a lesser extent, outside of Europe. Our mills are located in close proximity to our key commercial printing markets in Spain, Portugal, France and Italy, where, according to CEPIFINE, approximately 35% of European commercial printing deliveries of coated woodfree paper are made (9% in Spain, 1% in Portugal, 12% in France and 13% in Italy). During the year ended December 31, 2005, we had total sales of €1,414.8 million and EBITDA of €183.0 million. During the nine months ended September 30, 2006 and the twelve months ended September 30, 2006, we had total sales of €1,075.0 million and €1,433.7 million, respectively, and EBITDA of €105.4 million and €149.1 million, respectively.

The Lecta group was initially formed by CVC in 1997 to acquire Garda of Italy in October of that year, and it subsequently acquired Condat of France in November 1998 and Torraspapel of Spain in December 1999, all three of which are long-established paper manufacturing companies. Garda, Condat and Torraspapel produce coated woodfree paper for sale under their own brand names, which we believe are well-established in the European market. Torraspapel also produces a variety of specialty papers, including thermal, metallized and self-adhesive papers. In addition, Torraspapel acts as a distributor of coated woodfree paper and speciality papers in Spain, Portugal and France, and in the year ended December 31, 2005, Torraspapel distributed 430,000 metric tons of paper, of which 82,500 metric tons were produced by third parties.

We have a high-quality asset base, which achieves excellent operating performance. Between 1999 and 2003, we invested €499.6 million in rebuilding our papermaking, coating and converting machines, reducing costs and improving productivity, enhancing our information technology, implementing environmental and safety improvements and maintenance. As a result of our capital expenditures, the coated woodfree paper capacity of our mills has grown from approximately 1,000,000 metric tons in 1999 to 1,500,000 metric tons currently. We have accomplished this expansion in production capacity through upgrades to our existing machines rather than by the addition of new machines. Over the same period, we have reduced both our variable and fixed costs through machine modernization and various cost reduction initiatives, including coordination of sales and marketing and raw material purchases and extensive internal and external benchmarking of our production processes. From 2001 to 2006, we increased our metric tons of paper and pulp produced per employee from 306 metric tons to 392 metric tons, representing an increase in metric tons of paper and pulp produced per employee of approximately 28%.

The following table sets forth certain information with respect to our operations for, or as at the end of, the year ended December 31, 2005:

	Coated Woodfree Paper	Specialty Papers	Other	Total
Volume produced (in thousands of metric tons)	1,359.1	222.2	—	1,581.2
Volume sold (in thousands of metric tons)	1,339.3	220.5	82.5(1)	1,642.3
Revenue (in millions of euro)	1,031.5	270.3	113.0(2)	1,414.8
EBITDA (in millions of euro)	140.4	26.8	15.7(2)	183.0

(1) Consists of paper produced by third parties and sold by Torraspapel.

(2) Includes, as applicable, revenues and EBITDA from sales of paper produced by third parties and sold by Torraspapel and sales of excess energy produced by our cogeneration facilities.

Our Strengths

We believe we have a number of competitive advantages, including:

Strong Market Positions in Coated Woodfree Paper. We are the market leader for coated woodfree paper in Southern Europe. The following table sets forth our estimated rankings and market share in our principal markets for coated woodfree paper.

	Ranking	Market Share(1)
Spain and Portugal...	#1	44%
France	#1	29%
Italy..........................	#2	26%

---

(1) Includes sales by Torraspapel of approximately 82,500 metric tons of paper produced by other paper manufacturers.

The majority of our products are sold under our own brand names, and according to an industry study commissioned in 2005, our brands have the highest name recognition among our target customers in Spain and Italy and the second highest name recognition among our target customers in France. We engage in a variety of targeted promotional activities and advertising to enhance the recognition of our brands, as we believe that this helps to differentiate our products.

Optimal Location of Mills, Proximity to Customers. Our mills are strategically located in close proximity to key commercial printing markets in Southern Europe. According to CEPIFINE, approximately 35% of European commercial printing deliveries of coated woodfree paper take place in Spain, Portugal, France and Italy. The strategic location of our mills allows us to keep transportation costs, which are generally a substantial portion of sales prices, low relative to those of our competitors, particularly our competitors with mills in Nordic countries. In addition, although most large industrial paper machines produce paper onto reels, most demand for coated woodfree and specialty papers in Europe is for sheeted paper. As a result, most paper produced by paper mills needs to be converted to sheets, and in general this conversion takes place following specific customer orders. To reduce the delivery time of customers' orders, paper manufacturers must operate converting facilities close to their principal markets. The proximity of our mills to our customers allows for sheet converting to take place at our mill sites, which results in cost savings and improved inventory management and customer service. Many of our Nordic competitors incur higher transportation costs and thus are at a competitive disadvantage from having to ship reeled paper to remote converting facilities located near to customers and then ship it on to customers. Moreover, maintaining converting facilities at or near our mills provides us with cost savings due to our ability to reuse the paper waste created from the cutting process. We believe that being in close proximity to our customers also allows us to provide higher levels of customer service.

Attractive and Growing End-User Market. We are well positioned to benefit from growth in the Southern European markets and growth in the coated woodfree paper markets. According to CEPIFINE, the market for coated woodfree paper in Southern Europe grew at a rate of 1.7%, 2.4%, and 1.4% higher than the growth rate for Western Europe as a whole during the years 2003, 2004 and 2005, respectively, reflecting higher economic growth in Southern Europe. In addition, the market for coated woodfree paper has historically grown at a faster rate than markets for other types of papers in response to demand from customers in growing markets for adverising and commercial printing. We expect this trend to continue in the future.

Well-Invested Asset Base and Efficient Low-Cost Production. All of our paper machines were modernized through a series of investment projects between 1999 and 2003, and as a result, our production capacity increased by 50% between 1999 and 2006. With an average annual output of between 115,000 and 230,000 metric tons each, our coated woodfree paper machines are among the most efficient in Europe. We believe that the efficiency of our paper machines, coupled with low transportation and sheet converting costs, provides us with a cost advantage in our key markets. We believe, for example, that on a delivered basis, we are the lowest cost producer in Europe for shipments to Madrid, Milan and Paris, where a significant number of our customers are located. If warranted by market conditions, we could increase our coated woodfree paper production by 130,000 metric tons per year without additional capital investment by eliminating commercial downtime in our mills.

Flexibility and Variety in Production. We manufacture our coated woodfree paper on medium-width machines, which we believe are better suited for the production of most coated woodfree paper products than the wider-width machines that many of our competitors use. Because the coated woodfree paper market generally demands a greater variety of basis weights and surface finishes than other types of graphic paper, these machines allow us to produce our paper in a broad range of basis weights and coated surface finishes while maintaining optimal production runs with minimal waste and downtime between runs.

Successful Distribution Business Directly Linked to Customer Base. In addition to their production operations, our Spanish operations include a highly successful distribution business, which distributes both our own coated woodfree and specialty papers and those produced by third parties. This distribution business enhances our ability to provide a high level of customer service by improving our understanding of our customers' product and service needs, which allows us more effectively to develop and market new products to meet such requirements.

(BAR CHART)

Skilled Personnel, Incentivized Management and Sponsor Support. Our management team is experienced and is highly regarded by participants in the paper industry. We maintain a decentralized organizational structure and continue to run Garda, Condat and Torraspapel as separate operating subsidiaries. Each of the three subsidiaries has its own CEO with over 20 years of experience in the paper industry. With an aggregate equity stake in Lecta S.A. of approximately 8.6%, our management team is highly incentivized. In addition, each of our senior managers has been granted an incentive package with a strong focus on increasing sales, productivity and cash generation. We also benefit from the relationships, investment experience and expertise with manufacturing companies of our controlling shareholder, CVC, a leading international private equity and investment advisory firm, whose Industrial Advisory Board includes members with diverse manufacturing backgrounds.

Our Strategy

Our objectives are to build on our position as the leading coated woodfree paper producer in Southern Europe. The key elements of our strategy are as follows:

Maintain Low-Cost Production and Achieve Further Operating Efficiencies. We believe we are a low cost producer due in large part to our past capital investment projects, which have improved the efficiency of our machines. We seek to improve the efficiency of all of our mills and thereby to increase our cost competitiveness and margins. We are taking a number of measures to increase productivity as measured by metric tons produced per employee. Our three operating subsidiaries continually share best practices to increase production efficiency, optimize technological processes, manage risks and reduce costs. We also measure the performance of each of our mills against internal and external benchmarks relating to operational key indicators and raw material consumption. We are replicating our success in energy cogeneration in Spain by replacing our existing cogeneration facility in Italy. Following its expected completion in 2008, we estimate it will improve Garda's EBITDA by approximately €10 million to €12 million per year. This facility will require a total investment of approximately €50 million, of which, as of October 31, 2006, €1.3 million has been invested.

Focus on Higher-Margin Products. We continue to shift our product mix towards products that generate higher margins, such as sheeted coated woodfree paper and coated woodfree paper in higher grades and weights, and we are focusing our marketing and distribution efforts on customers who require these products. In specialty papers, in response to declining demand for carbonless paper, we are shifting our product mix toward thermal, metallized and self-adhesive papers, all three of which have been experiencing, and which we expect will continue to experience, growing demand. Our close proximity to European commercial printing markets, our flexible printing platform and dedication to customer service enable us to effectively shift our product mix.

Focus on Our Customers in the Southern European Market. We intend to continue to focus on the Southern European market where we enjoy a cost advantage over Nordic competitors and a leading market position. We may seek to further enhance our customer focus by expanding our distribution capabilities into our French and Italian operations, while maintaining and further developing our relationships with third party distributors. We may also seek to expand our direct sales to end-users.

Enhance Cash Flows. We seek to enhance our cash flows through the foregoing strategies and intend to continue to maintain a disciplined capital expenditure program to maximize our cash flow available for debt reduction. Since 1998, we have repaid €427.3 million principal amount of debt, €219.9 million of which has been made as voluntary pre-payments. Between 1999 and 2003, we incurred significant capital expenditures to rebuild and modernize our machines, reduce costs and improve productivity. Going forward, other than for the cogeneration facility in Italy, we do not expect any major new capital expenditure projects other than capital expenditures necessary to maintain the operating performance of our mills.

History and Organization of the Lecta Group

We are controlled by CVC Capital Partners Limited, one of the largest private equity firms in Europe. The Lecta group was initially formed in 1997 in Luxembourg to participate in the consolidation of the coated woodfree paper manufacturing industry, and it participated in this consolidation by acquiring Garda in October 1997, Condat in November 1998 and Torraspapel in December 1999, with the intention of creating a European coated woodfree paper manufacturing group and adding value by realizing synergies and growing the three businesses as a group.

In general, we take a decentralized approach to the organization of Lecta, with Garda, Condat and Torraspapel maintaining separate management. Each of our businesses has separate commercial, manufacturing, technical, logistics, finance and human resources teams that report directly to their respective management. We aim to minimize bureaucracy and excess cost by maintaining a small central staff with responsibility for high-level and high-priority work. In the areas where we take a centralized and coordinated approach, we seek to do so without creating central staff. Instead, we create teams comprised of specialists from Garda, Condat and Torraspapel and then assign leadership responsibilities to one of the team members, who then acts in a company role as well as a Lecta-wide role. Garda, Condat and Torraspapel continually share best practices to increase production efficiency, optimize technological processes, manage risks and reduce costs. Through extensive internal benchmarking relating to operational key indicators and raw material consumption, Garda, Condat and Torraspapel have reduced their variable and fixed costs since the respective dates of our acquisitions of them.

Products

We primarily produce coated woodfree paper. We also manufacture specialty papers.

Coated woodfree paper is made from chemical pulp and is coated on one or both sides with minerals and chemicals to increase the brightness and smoothness of the paper, allowing for higher-quality printing. Coated woodfree paper is generally used for commercial printing, magazines, brochures, annual reports, advertising materials and art books because of its strength, printability and brightness. Because coated woodfree paper is used where high reprographic quality is required and consequently serves higher-end uses, it commands a higher price compared to other types of paper. We produce our coated woodfree paper with a variety of print characteristics, coatings and other features in order to meet the specific needs of customers. We are shifting our product mix towards higher grade, higher weight and sheeted coated woodfree products, which generate higher margins.

Specialty papers are made from both chemical and mechanical pulp and like coated woodfree paper are typically used where high reprographic quality is required, such as for graphic design, labels, converting, forms and digital imaging. Torraspapel produces our specialty papers, which include carbonless, thermal, metallized, cast-coated, self-adhesive, one-side coated and uncoated papers. In response to declining industry demand for carbonless paper, we are successfully shifting our product mix toward thermal, metallized and self-adhesive papers, which have healthy and growing markets, and are also investing resources to develop new products.

Customers

We have a diversified customer base. Our customers for coated woodfree paper consist primarily of distributors, printers and publishers. Our customers for specialty products consist primarily of distributors, high-end packagers and industrial end-users. In general, we do not enter into fixed-price agreements with our customers.

A significant portion of coated woodfree paper and specialty papers sales in Europe are conducted through distributors. Accordingly, we believe that maintaining and further developing our relationships with distributors is an important strategic objective. We may also seek opportunities to further develop our own distribution capabilities beyond the distribution business currently conducted by Torraspapel.

We sell our products to a large number of customers, and we benefit from numerous long-standing relationships with many of our most significant customers. In the year ended December 31, 2005, our top ten customers accounted for approximately 25% of our total net sales. Only one customer accounted for more than 10% of our net sales in the year ended December 31, 2005, and we have entered into a master purchase agreement with this customer, which will terminate on February 28, 2009. Pursuant to the agreement, this customer is obligated to purchase, at a minimum, set quantities of our products, and we are obligated to sell our products to it at the lowest price at which we have made such products available to customers with which we do not have exclusivity arrangements, plus a one percent rebate on total product sales.

Marketing and Distribution

We sell our paper products through the sales networks of our three operating subsidiaries primarily in Italy, France, Spain and Portugal and also have an established customer base in the United Kingdom, Germany, the United States, Canada, the Netherlands, Belgium and Luxembourg. We employ approximately 630 sales professionals in our sales networks.

We tailor our sales and marketing activities to serve different categories of customers. Each of Garda, Condat and Torraspapel has its own marketing team and sales network, and our large accounts in Italy, France and Spain are dealt with directly by the sales departments in the head offices in each of the three countries. We sell our products primarily to distributors or through Torraspapel's distribution business and to a lesser extent directly to printers and publishers.

We believe the locations of our paper mills and distribution centers give us certain logistical advantages over our competitors from the Nordic countries due to the close proximity of our mills to our major markets. Our Torraspapel paper distribution business maintains four warehouses in Spain, Portugal and France to service our customers in Madrid, Barcelona, Lisbon and Paris. Most of our product deliveries are to customers within Europe and we use third parties to transport our products in Europe by truck or rail. We use third parties to ship our products by sea to customers outside of Europe. In most cases, we own and bear the risk related to the transported products until they reach the customer or the warehouse chosen by the customer.

Facilities and Operations

Head Offices

Our registered offices are in Luxembourg. The headquarters of Garda is located in Riva del Garda, Italy, the headquarters of Condat is located in Paris, France and the headquarters of Torraspapel is located in Barcelona, Spain.

Production and Distribution

We have 11 factories and 16 paper machines that comprise our coated woodfree and specialty paper manufacturing operations. We manufacture coated woodfree paper at six factories located in Italy, France and Spain on ten paper machines and a variety of converting, coating and finishing machines and we manufacture specialty papers at seven factories in Spain (two of which also manufacture coated woodfree paper) on six paper machines and a variety of converting and finishing machines. We believe that our manufacturing facilities are in excellent operating condition, are suited for the purposes for which they are being used and have sufficient capacity to meet our production needs for the foreseeable future.

All of our factories are located in close proximity to the local printing markets in Southern Europe, which provides us with a competitive advantage over our Nordic competitors in our home markets by keeping our transport costs low. Being located near our local printing markets also allows us to perform sheet converting at our factories, which results in cost savings, lower finished product weight and improved inventory management and customer service. In contrast to our competitors who operate far from their principal markets and thus generally must perform sheet converting far from their operating facilities, our on-site converting allows us to reuse the paper waste produced in the converting process.

Paper machines do not have any set lifespan but rather can be continually upgraded and modernized to change any aspect of their function, other than width. As a result, we have not purchased any new machines since acquiring each of Garda, Condat and Torraspapel but rather have invested significant amounts to upgrade the existing machines to improve quality, reduce costs and increase capacity. The machines used at each of our facilities and the components used to upgrade our machines are manufactured by leading paper machine manufacturers.

We believe that a system of medium-width machines that are modernized, specialized and of high productivity are better suited than larger, wider machines for the production of the majority of coated woodfree paper products. All of our coated woodfree paper machines are of medium-width, between three and five meters wide. Our coated woodfree paper machines are specialized to produce particular basis weights and coated surface finishes. Annual production per machine is between 115,000 and 230,000 metric tons depending on the type of machine. We have added coating steps and/or coating capacity to all of our production lines, allowing for more and thicker coating layers on our paper. In addition to improving the quality of our paper, increasing the coating layers allows for reduced pulp content, and because the additional coating layers cost less than the pulp that would be required without the additional coating layers, increasing the coating layers also reduces costs.

Our papermaking machines, like those of most other large European paper manufacturers, produce paper onto reels. As most demand for coated woodfree and specialty papers in Europe is for sheeted paper, we convert approximately 80% of the paper we produce into sheets. The proximity of our mills to our customers allows for sheet converting to take place at our mill sites, which results in cost savings, due to lower transportation costs and our ability to reuse the paper waste created from the cutting process, as well as improved inventory management and customer service.

The following table sets forth the location and use of our manufacturing facilities. These facilities are owned unless otherwise indicated.

Location	Use	Capacity (in thousands of metric tons)	Size (in thousands of square meters)
Italy			
Riva del Garda	Production of coated woodfree paper	330	120
France			
Le Lardin St. Lazare	Production of coated woodfree paper	540	120
Spain			
Algeciras	Production of one-side coated paper and base papers	50	158
Almazan	Conversion of base paper to self-adhesive paper	40	50
Amorebieta	Production of base paper	31	26
Berrobi	Production of base paper	37	16
Leitza	Conversion of base paper to carbonless, metallized, thermal and cast-coated papers	148	160
Motril	Production of coated woodfree paper	230	246
St. Joan les Fonts	Production of coated woodfree paper	145	121
Sarria de Ter	Production of coated woodfree paper; uncoated paper	110; 20	152
Zaragoza	Production of coated woodfree paper; base paper; and pulp	145; 30; 230	296

Italy

We acquired Garda from Bertelsmann in October 1997. Garda was established in 1956 and acquired in 1971 by Bertelsmann.

Today, Garda operates the largest single paper production site in Italy and has an annual coated woodfree paper production capacity of 330,000 metric tons. Total sales of Garda's coated woodfree paper in the year ended December 31, 2005 were 310,000 metric tons, generating revenues of €243.9 million.

The Garda mill, located in Riva del Garda, produces coated woodfree paper. From 1999 to 2003, as part of our capital improvement program, we invested a total of approximately €66.9 million as follows: €23.4 million for major paper machine rebuilds, €9.4 million for cost reduction and productivity improvements, €27.1 million for maintenance costs, €1.9 million for information technology improvements and €5.1 million for environmental and safety improvements. Our investments in the Garda mill during 2004 and 2005 totaled €20.5 million.

Together with Alto Garda Servizi, the city-owned utility company in Riva del Garda, we are currently implementing a project to construct a new cogeneration energy plant, to begin operations in 2008, which will replace the cogeneration facility we currently operate in Riva del Garda and which will produce both steam and electricity. The plant will be wholly owned by Alto Garda Power, a joint venture between Garda and Alto Garda Servizi. Garda will have 80% ownership of the joint venture, with Alto Garda Servizi owning the remaining 20%. Our financial projections indicate that following the expected completion of our new plant in Riva del Garda in 2008, Garda's EBITDA should improve by €10 million to €12 million per year.

France

We acquired Condat in November 1998 from Smurfit Group (now Smurfit Kappa Group). Condat was established in 1907 and began papermaking operations in 1931.

Today, Condat has an annual coated woodfree paper production capacity of 540,000 metric tons. Total sales of Condat's coated woodfree paper in the year ended December 31, 2005 were 481,000 metric tons, generating revenues of €361.0 million.

The Condat mill, located in Le Lardin St. Lazare, produces coated woodfree paper. The mill also operates a fully automated finishing production line. From 1999 to 2003, as part of our capital improvement program, we invested a total of approximately €158.3 million as follows: €109.1 million for major paper machine rebuilds, €22.1 million for cost reduction and productivity improvements, €11.9 million for maintenance costs, €4.9 million for information technology improvements and €10.3 million for environmental and safety improvements. Our investments in the Condat mill during 2004 and 2005 totaled €31.2 million.

Condat previously operated, and continues to own, three landfills near the Condat mill.

Spain

We acquired Torraspapel in December 1999 from Grupo Torras, a subsidiary of the Kuwait Investment Office. Torraspapel's paper manufacturing operations date from the early 1700s and in 1986 the Kuwait Investment Office gained control of Torraspapel.

Torraspapel has an annual coated woodfree paper production capacity of 630,000 metric tons and a specialty paper production capacity of 243,000 metric tons. Total sales for Torraspapel's coated woodfree paper in the year ended December 31, 2005 were 547,000 metric tons, generating revenues of €426.6 million, and total sales for its specialty papers in the year ended December 31, 2005 were 220,500 metric tons, generating revenues of €270.3 million. From 1999 to 2003, as part of our capital improvement program, we invested a total of approximately €273.7 million as follows: €151.8 million for major paper machine rebuilds, €51.2 million for cost reduction and productivity improvements, €29.7 million for maintenance costs, €25.3 million for information technology improvements and €15.7 million for environment and safety improvements. Our investments in our Spanish mills during 2004 and 2005 totaled €55.6 million.

Torraspapel's Paper Mills

- **Algeciras.** Torraspapel's mill in Algeciras produces one-sided coated paper and base paper. The mill has an annual production capacity of 50,000 metric tons.

- **Almazan.** Torraspapel's mill in Almazan operates as a converting facility to convert base paper to self-adhesive paper. The mill has an annual converting capacity of 40,000 metric tons.

- **Amorebieta.** Torraspapel's mill in Amorebieta produces base paper. The mill has an annual production capacity of 31,000 metric tons.

- **Berrobi.** Torraspapel's mill in Berrobi produces base paper. The mill has an annual production capacity of 37,000 metric tons.

- **Leitza.** Torraspapel’s mill in Leitza operates as a converting facility to convert base paper to carbonless, metallized, thermal and cast-coated papers. The mill has an annual converting capacity of 148,000 metric tons.

- **Motril.** Torraspapel’s mill in Motril produces coated woodfree paper. The mill has an annual production capacity of 230,000 metric tons.

- **St. Joan les Fonts.** Torraspapel’s mill in St. Joan les Fonts produces coated woodfree paper. The mill has an annual production capacity of 145,000 metric tons.

- **Sarria de Ter.** Torraspapel’s mill in Sarria de Ter produces coated woodfree paper and uncoated paper. The mill has an annual production capacity of 110,000 metric tons of coated woodfree paper and 20,000 metric tons of uncoated paper.

- **Zaragoza.** Torraspapel’s paper mill in Zaragoza produces coated woodfree paper and base paper. The paper mill has an annual production capacity of 145,000 metric tons of coated woodfree paper and 30,000 metric tons of base paper.

Our Pulp Mill. Pulp is the primary raw material used in the production of our coated woodfree and specialty papers. At Torraspapel’s paper mill in Zaragoza we operate a pulp mill, which began operations in 1977 and produces eucalyptus chemical pulp on two production lines for use in our coated woodfree papermaking operations. The pulp mill produces 30% of the chemical pulp we need to make our coated woodfree paper across all of our mills. All elements of the pulp mill were upgraded during the 1990s and we do not expect the pulp mill to require any significant investment until 2010. The pulp mill has an annual production capacity of 230,000 metric tons.

Torraspapel operates and owns three landfills, one near our Leitza mill, one near our St. Joan les Fonts mill and one near St. Julia des Ramis, where we previously operated a mill.

Paper Distribution

Through Torraspapel we act as a paper distributor in Spain, Portugal, France and Argentina. In the year ended December 31, 2005, our paper distribution business sold approximately 430,000 metric tons of coated woodfree paper and specialty papers, of which 80% was produced by Torraspapel and the remainder by other paper producers. Torraspapel’s distribution operations allow it to maintain a close understanding of its customers’ product and service needs and to effectively develop and market new products to meet such requirements. It also allows Torraspapel to more rapidly adjust production levels and product mix in response to market demand.

Torraspapel’s distribution business sells directly to a number of printers and publishers. The primary functions of the paper distribution business involve buying paper from mills in large quantities and re- distributing the paper in smaller quantities with short delivery times to printers, publishers and other customers. The business also involves marketing and promotion activities.

Torraspapel operates two different distributors based in Spain, one based in Portugal, one based in France and one based in Argentina. These operations are geared toward different market segments and maintain separate sales forces and brands in order to maximize the target market. Despite operating different distributors, to the extent possible, Torraspapel centralizes the warehouse, logistics and overhead functions of its distribution business so as to minimize costs.

During the year ended December 31, 2005 and the nine months ended September 30, 2006, consolidated net sales by Torraspapel’s distribution business of products produced by third parties were approximately €86.0 million and €67.7 million and accounted for approximately €0.3 million and €0.9 million of our consolidated EBITDA, respectively.

Raw Materials

The principal raw materials used to manufacture our products are pulp, minerals and chemicals, energy, wood and water. We believe we have adequate sources of the raw materials necessary to ensure there is no interruption to our required supply for the foreseeable future.

The prices of raw materials are subject to commodity price fluctuations. Due to competitive pressures, the prices of our products are not always correlated with increases and decreases in the cost of raw materials. See “Risk Factors—Risks Related to Our

Business—Product prices and raw material costs in our industry are volatile, and periods of low product prices or high raw material costs negatively affect our profitability and cash flows."

Pulp

Wood pulp is the principal raw material required to manufacture paper. Pulp is converted from wood by means of mechanical or chemical processes. Chemical pulp, used to manufacture coated woodfree paper, is produced by cooking wood chips in solutions of caustic chemicals to separate the cellulose fibers used for pulping. There are two main types of chemical pulp: long-fiber chemical pulp, made of spruce or pine wood and used to manufacture paper requiring superior strength, such as magazine paper, and short-fiber chemical pulp, made of birch, beech or eucalyptus wood and used to manufacture fine papers and boards. We primarily use short-fiber chemical pulp.

In Spain, we operate a 230,000 metric ton eucalyptus pulp mill at our paper mill in Zaragoza, which produces pulp for our mills in Spain. This pulp production represents approximately 30% of our overall pulp requirements for our coated woodfree papermaking operations.

Pulp purchased from third parties is our most significant cost, amounting to €276.4 million, or 19.5% of our revenues, in the year ended December 31, 2005. We purchase our pulp primarily from leading pulp producers in Europe and South America. We have annual volume agreements with our pulp suppliers, with the prices we pay for pulp being determined in line with prevailing market prices at the time we place orders with our suppliers. We believe our sources of pulp are sufficiently diversified as to ensure at all times the pulp volumes necessary for our paper manufacturing operations. In the past, pulp prices have undergone significant fluctuations. Pulp prices are highly volatile and sensitive to changes in 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. We do not engage in hedging against fluctuations in the cost of pulp because we do not enter into long-term fixed price contracts for the sale of paper.

In general, our level of vertical pulp integration is low relative to many of the paper manufacturers with which we compete. A number of our competitors have full or nearly full vertical pulp integration, where mills combine wood pulping production facilities with paper production facilities. Full vertical pulp integration is intended to avoid sharp variations in the market price of pulp. However, while full vertical pulp integration may help to stabilize costs, it does not necessarily stabilize earnings, as pulp costs remain stable but finished goods prices will vary depending on what the market will bear. We have no plans to invest in additional pulp capacity.

Minerals and Chemicals

In the year ended December 31, 2005, we spent approximately €202.5 million on the purchase of minerals and chemicals, representing approximately 14.3% of our revenues. The essential minerals and chemicals we use for our paper manufacturing and coating processes include latex, carbonates, starch and clay. We purchase these minerals and chemicals from leading producers in Western Europe, North America and Brazil. We use a combination of open market purchases and short-term fixed price, short-term variable price and framework agreements to acquire our minerals and chemicals. In recent years there has been a general increase in the prices of most of the minerals and chemicals we purchase. We are not dependent on any single supplier for any of our mineral or chemical requirements, and there is generally an adequate source of supply for these requirements.

Energy

Energy is a significant component of our production process and in the year ended December 31, 2005 accounted for approximately 5.3% of our revenues. During 2005, the cost of gas and electricity from outside suppliers rose sharply. These increases in prices were partially attributable to the dramatic rise in the price of oil and natural gas during this period. Energy and transportation costs continued to increase throughout 2006. Furthermore, the implementation of the EU Emissions Trading Scheme in January 2005, which implements the Kyoto Protocol in the countries in which our mills operate, may lead to further electricity and other energy price increases. Our energy policy is to secure supplies of gas, steam and electricity that are reliable and cost-effective. In the year ended December 31, 2005, our total consolidated and unconsolidated energy costs were €74.9 million.

Prices for electricity sold on the open market in Southern Europe are highly regulated, and therefore we do not hedge our electricity costs. We operate cogeneration energy plants at six of our seven principal mills, and the cogeneration plants we operate, provide, and in many cases exceed, all of our energy needs at the mills where they are located. The cogeneration plants offer an efficient way to meet our energy needs, as the excess heat generated through the production of electricity is used to make the steam we need to run our production processes. The Garda mill obtains all of its electricity requirements from its own cogeneration plant. In December 2006, Torraspapel acquired majority ownership of Cogeneración del Ter, S.L., a cogeneration facility in Sarria de Ter, in which Torraspapel previously held 1% ownership. Torraspapel currently operates, directly or indirectly, five cogeneration plants at Leitza, Motril, Zaragoza and Sarria de Ter that produce enough electricity to meet those mills' annual needs. These plants also sell excess electricity on the open market, which largely compensates for the electricity purchases made by the other Torraspapel mills. Condat's steam-driven power plant produces 25% of Condat's annual electricity requirements, with Condat purchasing the remaining 75% via a multi-year, fixed price contract with a multi-national supplier.

We intend to replace the cogeneration facility we currently operate in Riva del Garda with a new plant that we are constructing together with Alto Garda Servizi, the city-owned utility company, which will produce both steam and electricity. We expect to complete the new facility during 2008. Garda will have 80% ownership of the plant, with Alto Garda Servizi owning the remaining 20%. We have received all necessary permits required to construct and operate the facility. Our financial projections indicate that the new plant in Riva del Garda should increase Garda's EBITDA by €10 million to €12 million per year.

We meet our gas requirements mostly through contracts with local gas suppliers. These contracts are a mix of fixed and variable price contracts. Gas prices in Southern Europe are regulated and historically we have not hedged our gas costs. We may enter into hedging arrangements for our gas requirements in the future if the benefits are deemed sufficient. Our steam requirements are met primarily through production from the cogeneration plants we operate and also through a combination of long-term, variable price contracts with local suppliers.

Wood

Wood purchases for our pulp mill accounted for approximately 3.1% of our revenues in the year ended December 31, 2005. Our total wood consumption in the year ended December 31, 2005 was 645,345 cubic meters, at a total cost of approximately €44.3 million. We purchase our wood on the open market in Spain and Portugal at negotiated market prices. We are not dependent on any one supplier for our wood requirements, and we believe our sources of wood are sufficiently diversified to ensure an adequate supply at all times of our wood requirements. Wood prices have remained relatively stable in recent years.

Water

The production of pulp and paper requires significant quantities of water. All of our facilities are located in close proximity either to sources of surface water, such as lakes and rivers, or to wells, and we believe we have access to sufficient supplies of water to meet our operating requirements for the foreseeable future. Our access to water is dependent on governmental authorizations to operate our mills. We pay taxes for the water we use in our production facilities.

Over the past few years we have substantially reduced our use of fresh water in our manufacturing processes, relying instead on water we recycle internally. To improve the quality of the water we discharge into the environment, we have equipped all seven of our principal mills with water treatment plants to remove suspended solids, such as pulp and mineral residues, from our returned water. Our water treatment plants also reduce the amount of oxygen needed to break down organic compounds in effluents in our returned water.

Seasonality

The demand for our products does not depend on the seasons in any material way.

Intellectual Property and Research and Development

We seek to protect our intellectual property rights in Italy, France and Spain and other markets. We own registered trademarks for many of our products. We also hold various patents relating to our products and the processes for their production. In addition, we have non-registered intellectual property rights, including trade secrets, proprietary technology, know-how and processes, many of which are related to our manufacturing operations. Consistent with the industry in which we operate, our manufacturing operations are not dependent to a significant extent on our protected intellectual property rights. Although our intellectual property portfolio as a whole is material, we do not believe that any individual intellectual property right or group of such rights is material to our business.

We also carry out various research and development activities, with the objective of proactively and continuously improving our processes and products. Specific research and development activities include innovation and improvement of our bleaching, bulking, chemical recovery, papermaking and coating processes and research regarding raw material use in our manufacturing processes. In the year ended December 31, 2005 we spent approximately €6.4 million on research and development activities, representing approximately 0.5% of our revenues.

Loss Prevention and Insurance

We believe that we maintain insurance coverage that reflects the risks, size and requirements of our business operations and that is comparable to the insurance coverage maintained by other companies operating in the paper manufacturing industry. We currently carry property, loss-of-profits, general liability, product liability, transportation, environmental impairment and management liability insurance. In particular, we maintain insurance coverage for all of our properties and facilities and all of our properties and facilities are valued at their reinstatement value. We also carry business interruption insurance that covers the full value of potential or realized revenue loss resulting from major damage to our property. In addition, we participate in various governmental worker accident and occupational health insurance programs. We believe that our employees have been insured at least to the extent required by the respective local laws and regulations. On a consolidated basis, in the year ended December 31, 2005 the total amount we paid for insurance premiums was approximately €5.1 million.

We believe that prevention, protection and employee training are key means of defending against loss from workplace incidents. In 2005 and 2006 we spent €8.4 million on various loss prevention initiatives. We also are in the process of certifying all our sites to meet FM Global's Highly Protected Risk standard, which will result in lower insurance premiums. The Condat mill already has obtained this status.

Employees

As of December 31, 2005, we had a total of 4,673 employees as computed on a full-time equivalent basis. The majority of our staff are involved in production.

We believe that we have good relations with our employees and their representatives. Substantially all of our employees are represented by labor unions pursuant to collective bargaining agreements. We observe local practice and legislation in our labor relations matters and in negotiating collective bargaining agreements.

Our employees participate in a defined contribution post-employment plan and a defined benefit post-employment plan. Our employees do not participate in any equity-based compensation plan or share-based payment plan.

The report of our independent auditor as of and for the year ended December 31, 2005 contains a qualification due to the requirement of International Accounting Standard 24 that compensation paid to key management personnel be disclosed. As described in note 35.2 to our audited consolidated financial statements as of and for the year ended December 31, 2005, for confidentiality reasons, we did not disclose compensation paid to key management personnel in our audited consolidated financial statements. For purposes of this offering, we have disclosed the aggregate cost to us of remuneration received by members of the Lecta S.A. board of directors during the year ended December 31, 2005. See "Management— Remuneration."

Environmental, Health and Safety Regulation

Operation of Production Facilities

We operate in an industry that is subject to extensive environmental, health and safety regulation, including those pertaining to the storage, handling, treatment, transportation and disposal of hazardous materials, the construction and operation of our mills (including the noise impact of our operations), the protection of natural resources and endangered species, and our emissions and discharges of pollutants to air and water. Environmental, health and safety standards applicable to us are established by the laws of the European Union and the member states in which we operate, standards adopted by regulatory agencies and our permits and licenses, each of which is subject to periodic and more stringent modifications and requirements. Violations of these laws, regulations or permits and licenses may result in substantial fines and penalties and orders to cease the violating operations or to conduct or pay for corrective works. In some instances, violations may also result in suspension or revocation of permits and licenses.

All of our mills have environmental management systems in place that are presently certified to the 14001 standard of the International Organization for Standardization, and our Condat and Garda mills additionally obtained registration in 2005 of their environmental management systems under the European Union's Eco-Management and Audit Scheme, or EMAS. Nevertheless the risk of environmental, health and safety infractions is inherent in our industry, and from time to time we have experienced non-compliance with such laws and regulations and may do so again in the future.

We invest substantial capital resources on environmental and safety compliance. During the nine months ended September 30, 2006, we spent €6.0 million on capital expenditures relating to environmental and safety compliance. We anticipate spending approximately €12 million on such costs during the year ended December 31, 2006, compared with €10.5 million and €12.1 million for the years ended December 31, 2005 and 2004, respectively. The most significant European Union laws that apply or are expected to apply to our mills are the Integrated Pollution Prevention and Control, or IPPC, Directive, the Emissions Trading Scheme and laws related to the Environmental Liability Directive.

IPPC

The IPPC Directive (96/61/EC), issued in 1996, requires each member state to unify its environmental licensing regime relating to emissions of air, soil and water. The Directive contains several key policies, including the requirement that all emission and pollution control measures be based on the best available techniques. The IPPC Directive has been implemented in France, Italy and Spain. Most of our facilities in Spain are still in the process of being licensed under Spain's IPPC licensing regime.

Emissions Trading

The Emissions Trading Scheme (2003/87/EC), which is part of the European Union's efforts to reduce greenhouse gas emissions in accordance with the Kyoto Protocol of 1997, became effective in January 2005. Pursuant to the national laws that implement this Directive, the applicable regulator in each member state issues a greenhouse gas permit and a certain number of allowances for the annual emission of carbon dioxide to installations that are subject to the scheme, which include the Condat and Garda mills and most of our mills and cogeneration facilities in Spain. Actual carbon dioxide emissions from installations are then audited externally each year to determine whether they meet, fall below or exceed the annual allowances. To the extent an installation's carbon dioxide emissions exceed its annual allowances it must make up for the shortfall by purchasing allowances. Alternatively, an installation whose emissions fall below its annual allowances may sell its excess allowances, or "credits."

We have had to make up for a shortfall of emissions allowances at some of our mills by purchasing or obtaining additional credits from affiliates or third parties. We have continued to improve the efficiency of our production processes and our use of energy for those processes, including through the increased use of electricity generated locally by cogeneration. In addition, in 2005 we introduced the Lecta Energy Monitoring System, which is a benchmarking and process improvement effort designed to reduce our energy consumption. Inasmuch as the impact of the Emissions Trading Scheme will depend on the continuing implementation measures adopted by the member states in which we have production facilities, we are presently not in a position to assess the full scope of the impact or the need, if any, for additional capital expenditures or other measures (such as purchasing allowances) to comply with existing or anticipated greenhouse gas emissions limits. Based on present information, however, we do not expect the further implementation of the Emissions Trading Scheme to have a material adverse effect on our financial condition or results of operations.

Environmental Liability Directive

The Directive on Environmental Liability with regard to the Prevention and Remedying of Environmental Damage (2004/35/EC), or Environmental Liability Directive, aims to prevent and remedy pollution of water, damage to biodiversity and land contamination that causes serious harm to human health. Operators of activities that cause environmental damage may be required to restore the damage caused or to pay for the cleanup and restoration irrespective of their fault in causing the damage.

In general, the existing legislation in France, Italy and Spain governing land or water contamination is as or more stringent than the Environmental Liability Directive. These laws may impose liability on an owner or occupier of property for investigation and remediation of soil or water contamination at or emanating from the property, regardless of who caused the contamination, when it was caused and whether the hazardous material disposal activity that caused it was legal at the time. In Spain, Royal Decree 9/2005, which was recently adopted, requires operators of paper mills and cogeneration plants such as ours to submit to the relevant authority preliminary status reports on the condition of the soil at such facilities by February 2007. Depending on the nature and extent of contamination identified in these reports, the authorities may require additional investigation or cleanup of the contamination.

Some of our properties are located on land with a long history of industrial use by us and other companies before us, which has resulted in spills and other releases of hazardous materials over time. Consequently, we have incurred costs for the remediation of land, soil or water contamination in the past. The limited testing for contamination that has taken place at certain of our facilities may not be sufficient to ascertain the extent of our ongoing and future obligations with respect to contamination relating to our facilities. For example, we previously operated three landfills in the vicinity of the Condat mill and, based on the testing conducted to date, it is not possible to determine the nature and extent of contamination, if any, that will require remediation at two of them. We also operate three landfills in Spain. These landfills, along with our presently and previously operated mills and cogeneration facilities in Spain, may be the subject of additional requirements for investigation and cleanup of contamination as part of our compliance with Royal Decree 9/2005. Consequently, we may in the future be subject to substantial costs and liabilities for investigation and remediation of contamination.

Forestry and Wood and Pulp Procurement

Our procurement of wood and pulp strives to balance the economic, environmental and social aspects of sustainability. One fundamental community objective in the European paper industry is to ensure that wood and pulp originate from sustainably managed forests that ensure a long-term supply of the best wood quality products while maintaining and improving wildlife habitat and other components of the forest ecosystem. The major types of endorsement programs for wood, pulp and paper originating from sustainably managed forests are forestry certification schemes, certified products and chain of custody certifications.

We continue to work to gain acceptance and recognition of our wood and pulp procurement practices through these certification schemes. We do not purchase wood or pulp that we know to originate from protected areas or areas in the process of designation for protection, unless purchases are clearly in line with the relevant conservation regulations and goals. We do not purchase wood that we know to be from old-growth forests.

Health and Safety Regulation and Liabilities

The pulp and paper industries involve inherently hazardous activities including, among other things, the operation of heavy machinery. Each of Italy, France and Spain regulates health and safety in the workplace.

Legal Proceedings

We are party to pending legal proceedings arising in the ordinary course of business. While the results of such proceedings cannot be predicted with certainty, we do not believe any of these matters will be material to the business, financial condition or results of operations of Lecta S.A., taken as a whole.

MANAGEMENT

Board of Directors

Name	Age	Title
Bruce Hardy McLain ...	54	Chairman of the Board
Ronald L. Singer..........	62	Chief Executive Officer of Lecta, Director
Andrea Minguzzi	52	Vice President of Finance of Lecta, Director
Paolo Mattei.................	56	Chief Executive Officer of Cartiere del Garda, Director
François Vessière.........	51	Chief Executive Officer of Condat, Director
Francisco Rudilla	59	Chief Executive Officer of Torraspapel, Director
Patrick Barrett..............	69	Director
Carl N. Graf	80	Director
Luigi Lanari	48	Director
Colin J. Williams	64	Director

Executive Officers

Name	Age	Position
Ronald L. Singer ...	62	Chief Executive Officer of Lecta
Andrea Minguzzi ..	52	Vice President of Finance of Lecta
Paolo Mattei..........	56	Chief Executive Officer of Cartiere del Garda
François Vessière ..	51	Chief Executive Officer of Condat
Francisco Rudilla ..	59	Chief Executive Officer of Torraspapel

Biographical Information

Bruce Hardy McLain is the Chairman of the Board of Directors of Lecta S.A. and has served on the Board of Directors of Lecta S.A. since 1999. Mr. McLain is a managing partner of CVC, a position he has held since 1988, and serves on the boards of directors of various other CVC funds. He holds a bachelor’s degree from Duke University and an MBA from the University of California at Los Angeles.

Ronald L. Singer is the Chief Executive Officer of Lecta S.A., a position he has held since 1998, and has also served on the Board of Directors of Lecta S.A. since 1999. Mr. Singer served from 1990 to 1995 as the Chief Executive Officer of tissue paper manufacturer Jamont N.V., and from 1980 to 1990 as the Chief Executive Officer of tissue paper manufacturer James River Corporation. He holds a bachelor’s degree in engineering from Yale University and a master’s degree in economics from Cambridge University.

Andrea Minguzzi is the Vice President of Finance of Lecta S.A., a position he has held since 1998, and has also served on the Board of Directors of Lecta S.A. since 1999. Prior to joining Lecta S.A., Mr. Minguzzi served for eight years as the Vice President of Finance of the European division of tissue paper manufacturer Fort James Corp. Mr. Minguzzi holds a degree in economics from the University of Bologna.

Paolo Mattei is the Chief Executive Officer of Garda, a position he has held since 1994, and has also served on the Board of Directors of Lecta S.A. since 1999. He has held various positions at Garda since 1974 and has also served on the Environment Committee of the European Paper Industry Confederation since 2001. Mr. Mattei holds a diploma in industrial chemistry from the A. Pacinotti Institute in Venice and an engineering degree from the Superior Technical Institute in Fribourg, Switzerland.

François Vessière is the Chief Executive Officer of Condat, a position he has held since 2000, and has also served on the Board of Directors of Lecta S.A. since 2000. He has been employed in the paper production industry for over twenty-five years, having previously served as the Chief Executive Officer of the specialty paper manufacturer Arjowiggins. Mr. Vessière holds a degree in engineering from the National Polytechnic Institute in Grenoble, France.

Francisco Rudilla is Chief Executive Officer of Torraspapel, a position he has held since 2000, and has also served on the Board of Directors of Lecta S.A. since 2000. He has held various positions at Torraspapel over the last 35 years, including Sales Office Director and Commercial General Manager. Mr. Rudilla holds a degree in Management from the Catholic Institute of Arts and Industries in Madrid and an MBA in Executive Development from the Graduate Business Institute of the University of Navarra.

Patrick Barrett was appointed to the Board of Directors of Lecta S.A. in 1999. Mr. Barrett previously served as the Chief Executive Officer of the European division of paper manufacturer Jefferson Smurfit Ltd, having been employed by Jefferson Smurfit from 1988 until 2000. Mr. Barrett also currently serves as the chairman of the boards of directors of East Surrey Holding, a U.K. water company, Devro plc, a meat casing manufacturer, plastics manufacturer Jaycare Limited and M&H Plastics. Mr. Barrett served as an officer in the British Army and holds an honorary doctoral degree from Buckingham University.

Carl N. Graf was appointed to the Board of Directors of Lecta S.A. in 2000. From 1992 to 2000, Mr. Graf served as the Chief Executive Officer of Torraspapel. He also serves on the board of directors of the pharmaceutical ingredient manufacturer Rhodes Technologies and previously served as the President and Chief Operating Officer of W.R. Grace & Co. Mr. Graf holds a bachelor's degree in chemistry from the University of Montevideo, a bachelor's degree in mechanical engineering from the Massachusetts Institute of Technology and an MBA from Harvard University.

Luigi Lanari was appointed to the Board of Directors of Lecta S.A. in 1999. He is a partner of CVC, a position he has held since 1993, and since 2001 has served as managing director of its Italian office. Mr. Lanari also currently serves on the boards of directors of automotive parts distributor Rhiag Holding Limited and directory publisher New Seat Pagine Gialle S.p.A. He holds a master's degree from the University of Rome and a master's degree in management from the Massachusetts Institute of Technology.

Colin J. Williams was appointed to the Board of Directors of Lecta S.A. in July 2006. He served as president of SCA Packaging from 2001 to 2004 and currently serves on the boards of directors of the Clondalkin Group (a packaging product manufacturer), Graham Packaging and Yule Catto (a specialty chemical manufacturer). Mr. Williams also serves on the board of directors of Turkcell, a major cellular telephone service provider in Turkey. Mr. Williams holds an MSc. from Leeds University and an MBA from New York University.

Share Ownership

Our management in aggregate owns 12.02% of the voting shares and 8.58% of the total shares in Lecta S.A.

Remuneration

During the year ended December 31, 2005, the former and current members of our Board of Directors, including our executive officers, received remuneration. This remuneration was charged at an aggregate cost to us of €3.5 million.

Management and Corporate Governance of Lecta S.A.

General

Lecta S.A. 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. See "Certain Relationships and Related Party Transactions—Shareholders' Agreement." All matters not governed by its articles of association and by-laws and the Shareholders' Agreement are determined in accordance with Luxembourg law. Lecta S.A.'s articles of association and by-laws and the Shareholders' Agreement also determine the decisions that require collective shareholder approval, in addition to those decisions that Luxembourg law reserves to the general shareholders' meeting.

Control of CVC Investors over Lecta S.A.

The board of directors of Lecta S.A. (the "Board of Directors") has general responsibility for the management of Lecta S.A. The Board of Directors establishes the principles of Lecta S.A.'s strategy, organization and accounting and financial control, and it appoints the executive management team. The Board of Directors meets at least four times per year and the members are appointed at the annual general meeting of shareholders.

The articles of incorporation of Lecta S.A. provide that the Board of Directors must be composed of at least three members. The Shareholders' Agreement provides that the Board of Directors of Lecta S.A. must consist of ten directors. CVC European Equity Partners L.P., CVC European Equity Partners II L.P., Citicorp Capital Investors Europe Limited, Capital Ventures Nominees Limited and CVC European Equity Partners II (Jersey) L.P. (together, the "CVC Investors") have the power to designate, at a minimum, eight out of the ten directors. See "Certain Relationships and Related Party Transactions—Shareholders' Agreement." The Board of Directors has the power to appoint directors to the boards of directors of any of the direct and indirect subsidiaries of Lecta S.A. following the favorable vote of the majority of the shareholders of the relevant subsidiary in respect of such directors.

Certain corporate actions of Lecta S.A. may be exercised exclusively by its Board of Directors, including actions related to the sale, transfer or purchase of substantial assets, the incurrence of substantial debt and the exercise of voting rights in the capital of the direct and indirect subsidiaries of Lecta S.A. Similar corporate actions of the direct and indirect subsidiaries of Lecta S.A. may be exercised under the supervision of the shareholders of such subsidiaries.

Relationship between the CVC Investors and the Management of Lecta S.A.

The chief executive officer of Lecta S.A. and the chief executive officer of each of its subsidiaries are appointed by the CVC Investors. Lecta S.A.'s corporate management group is chaired by its chief executive officer. The members of the corporate management group are appointed by the Board of Directors. On an annual basis the chief executive officers of Lecta S.A. and its subsidiaries are required to submit to their respective boards of directors for consideration and approval a draft business plan and budget for the following year.

Ownership Interests in Lecta S.A.

Lecta S.A. has issued 18 classes of shares, including both voting ordinary shares 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, each share gives a right to a portion of Lecta S.A.'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 S.A. has also issued certain warrants to its management, its mezzanine lenders and its former payment-in-kind noteholders. In the future, these warrants may be convertible into shares of Lecta S.A., in variable amounts, as specified by each type of warrant.

General Meetings

Lecta S.A.'s annual shareholders' meetings and extraordinary shareholders' meetings are usually called by the Board of Directors with eight days' notice. In specific circumstances, annual shareholders' meetings and extraordinary shareholders' meetings can be called by the statutory auditors of Lecta S.A., by an agent designated in court, or indirectly by shareholders holding 10% of the outstanding share capital of Lecta S.A.

PRINCIPAL SHAREHOLDERS

The following table sets forth, as of September 30, 2006, information regarding the beneficial ownership of our share capital. The percentages of partnership interests beneficially owned by each interest holder are reported on the basis of SEC rules governing the determination of beneficial ownership, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or direct the voting of a security, or investment power, which includes the power to dispose of or direct the disposition of a security, and includes securities for which a person holds the right to acquire beneficial ownership within 60 days. We believe the beneficial owners named below have sole voting or investment power with respect to all interests shown as beneficially owned by them.

Name of beneficial owner	Percentage of Voting Shares	Percentage of Non-Voting Shares	Percentage of Total Shares
CVC Investors(1)	57.26%	72.83%	61.73%
Adavale Global Holdings Limited(2)	8.78%	15.39%	10.67%
Midocean Capital Investors Offshore L.P.(3)	8.99%	11.01%	9.57%
Management	12.02%	0.03%	8.58%
Intermediate Capital Investors(4)	11.17%	0.58%	8.14%
HSBC Investment Bank plc	1.48%	0.08%	1.08%
NIBC Principal Investments Mezzanine B.V	0.24%	0.01%	0.17%
Abacus (Nominees) Limited	0.06%	0.02%	0.05%

(1) The CVC Investors include Citicorp Capital Investors Europe Limited, CVC European Equity Partners L.P., CVC European Equity Partners (Jersey) L.P., CVC European Equity Partners II L.P., CVC European Equity Partners II (Jersey) L.P., Capital Ventures Nominees Limited and CVC European Equity II Limited.

(2) Adavale Global Holdings Limited is an affiliate of Madison Dearborn Partners, L.L.C., which is a significant shareholder in Smurfit Kappa Group.

(3) Midocean Capital Investors Offshore L.P. is an affiliate of Deutsche Bank AG, London Branch.

(4) The Intermediate Capital Investors include Intermediate Capital Investments Limited, Intermediate Capital Limited and Intermediate Capital Nominees Limited.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Shareholders' Agreement

Each shareholder in Lecta S.A. has entered into an Amended and Restated Shareholders' Agreement dated December 10, 1999, as amended and restated on each of June 20, 2000, December 13, 2002 and October 22, 2003. The Shareholders' Agreement governs certain rights of, and voting restrictions among, the parties. The Shareholders' Agreement contains provisions related to the election and removal of Lecta S.A.'s directors and the directors of its direct and indirect subsidiaries, the issuance or transfer of ownership interests in Lecta S.A., including provisions for tag-along rights and drag-along rights, and certain other corporate governance provisions, including the rights of the CVC Investors, certain members of management and other shareholders in Lecta S.A. to approve various corporate actions.

The Shareholders' Agreement provides that the board of directors of Lecta S.A. shall consist of ten directors. Pursuant to the Shareholders' Agreement, a minimum number of eight of the directors will be designated by the CVC Investors, one director will be designated by Midocean Capital Investors Offshore L.P. and, for so long as Adavale Global Holdings Limited ("Adavale Global Holdings") holds at least 10% of Lecta S.A.'s entire capital stock, which includes any other securities of Lecta S.A. convertible into shares of Lecta S.A., one director will be designated by Adavale Global Holdings. If, at any time, Adavale Global Holdings holds less than 10% of the entire capital stock of Lecta S.A., the director it would otherwise be entitled to designate will be designated by the CVC Investors.

The Shareholders' Agreement provides further that certain corporate actions of Lecta S.A. may be exercised exclusively by its Board of Directors and certain corporate actions of the direct and indirect subsidiaries of Lecta S.A. may be exercised exclusively by the shareholders of such subsidiaries.

DESCRIPTION OF OTHER INDEBTEDNESS

The following summary of our significant indebtedness does not purport to be complete and is subject to, and qualified in its entirety by, the underlying documents.

Overview

The following table summarizes our contractual obligations and principal payments as of September 30, 2006 under debt instruments and capital leases on a pro forma basis after giving effect to the Refinancing. The information in the table below reflects our estimates of the contractual maturities of obligations. These obligations may differ significantly from the actual maturity of these obligations.

	Total	Less than 1 year	More than 1 year
RCF	0.0	0.0	0.0
Notes	748.0	0.0	748.0
Other debt	10.3	2.7	7.6
Capital lease obligations	2.2	1.0	1.2
Bank overdrafts	5.4	5.4	0.0

The Existing Credit Facilities

In March 2001 an umbrella agreement was entered into to provide senior term, revolving, working capital and ancillary facilities to Lecta S.A. and various of its subsidiaries to, inter alia, refinance existing debt of the group and pay related fees and expenses (the "Existing Credit Facilities"). The umbrella agreement brought together under a single agreement certain existing indebtedness of various subsidiaries, which was documented under separate local law governed facility agreements. In connection with the Refinancing, our Existing Credit Facilities will be terminated and all amounts under such facilities will be repaid and all security granted pursuant to which will be released.

Existing Receivables Factoring

In 2000, Cartiere del Garda S.p.A. ("Garda") entered into a receivables factoring arrangement (the "Existing Receivables Factoring") to improve cash flow and finance working capital. Garda's Existing Receivables Factoring will remain in place after the Refinancing.

The Existing Receivables Factoring provides two financial facilities: (i) an invoice discounting arrangement and (ii) a cash advance on assigned receivables, in each case based on non-notification clauses. The invoice discounting arrangement provides for the assignment of invoices to a factor, and the factor pays to Garda the discounted amount based on the interest rate, par value and due date of the receivable. Garda is entitled to collect payments directly from its customers pursuant to a cash warrant clause, and immediately upon collecting payments from its customers, Garda transfers the relevant amounts to the factor acting as agent. As of September 30, 2006, the invoice discounting arrangement amounted to €46.2 million.

The second facility, the cash advance on assigned receivables, provides Garda with an interest-bearing cash advance on non-discounted assigned receivables and entitles Garda to collect payments directly from its customers. As of September 30, 2006, this second facility amounted to €5.2 million. In 2006, Torraspapel Italia S.r.L. entered into a similar arrangement to provide a cash advance on assigned receivables. On September 30, 2006, Torraspapel Italia S.r.L's cash advance arrangement amounted to €2.9 million.

The Existing Receivables Factoring includes customary representations and warranties and provisions as to confidentiality, and is governed by Italian law. The Existing Receivables Factoring is renewable on a yearly basis. Prior written notice of termination is required.

Senior Revolving Credit Facility

As part of the Refinancing, on or around the date of the issue of the Notes, Lecta S.A., Sub Lecta 1 S.A., Sub Lecta 2 S.A., Condat Holding S.A., Condat S.A.S., Torraspapel Holding S.A., Torraspapel S.A., Sarriopapel y Celulosa S.A. and Cartiere del Garda S.p.A. (as original borrowers and guarantors), will enter into an RCF between themselves and, among others, Deutsche Bank AG, London Branch (as Arranger, Facility Agent, original Issuing Bank and Security Trustee) and the lenders under the RCF. The RCF provides for a €60 million committed credit facility and up to a €15 million uncommitted credit facility. Debt incurred under the RCF will rank pari passu with the Notes.

Interest and maturity

The loans under the RCF will bear interest at EURIBOR (or LIBOR, as applicable) plus a margin of 2.0% per annum (plus the mandatory cost, if any) payable on the last day of each applicable interest period (as determined in accordance with the terms of the RCF), *provided* that on September 1, 2007 and at the end of each quarter thereafter the margin will fluctuate with and be tied to our ratio of total net debt to EBITDA (as defined in the RCF) at a rate per annum between 1.50% and 2.00%. The lower margin will be applicable if our ratio of total net debt to EBITDA is equal to or less than 2.00:1 while the higher margin will be applicable if our ratio of total net debt to EBITDA is greater than or equal to 2.50:1.

The termination date of the RCF is in February 2013.

Covenants and Events of Default

The RCF contains certain restrictive covenants and events of default which, subject to conforming amendments, reflect the covenants and events of default contained in the Notes. The RCF also contains certain customary representations and warranties for facilities of this type.

Security and Guarantees

Our obligations under the RCF will be secured by a first priority interest in enforcement proceeds, subject to such limited exceptions as described in the Notes, over substantially the same assets as those securing the Notes. Guarantees, subject to certain limitations in relation to unlawful financial assistance or which would result in directors or officers acting in contravention of their fiduciary duties and/or would subject them to civil or criminal or personal liability as a result of providing such guarantees, will be provided by Lecta S.A., Sub Lecta 1 S.A., Sub Lecta 2 S.A., Condat Holding S.A., Condat S.A.S., Torraspapel Holding S.A., Torraspapel S.A., Sarriopapel y Celulosa S.A. and Cartiere del Garda S.p.A.

Voluntary Prepayments

Lecta S.A. has the option to voluntarily prepay all or part of the RCF in tranches of at least €250,000 with five business days' notice for each of cancellation and prepayments. Lecta S.A. has the option to voluntarily prepay an individual lender in the event that any sum payable to that lender is required to be increased due to a tax gross-up or indemnification or where increased costs are payable in certain circumstances.

Mandatory Prepayments

Mandatory prepayment and cancellation of the RCF will occur upon (i) certain change of control events and a sale of substantially all of our assets or (ii) it being illegal for a lender to provide or continue to provide funding (such prepayment will be limited to such lender's share). In the case of any voluntary prepayment or mandatory prepayment (other than (ii) above), Lecta S.A. would be required to pay break costs.

Intercreditor Agreement

To establish the relative rights of certain of our creditors under our financing arrangements, Lecta S.A., Sub Lecta 1 S.A., Sub Lecta 2 S.A., Cartiere del Garda S.p.A., Condat Holding S.A., Condat S.A.S., Torraspapel Holding S.A., Torraspapel S.A. and Sarriopapel y Celulosa S.A. (the "Obligors") will enter into an intercreditor agreement (the "Intercreditor Agreement") with, among others, the lenders under the RCF, certain hedging counterparties, the Secured Notes Trustee and the Security Trustee (in its capacity as Security Trustee). By accepting a Secured Note, holders of Secured Notes will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The Intercreditor Agreement sets out:

- the relative ranking of certain debt of Lecta S.A. and certain of its subsidiaries;
- the relative ranking of transaction security granted by Lecta S.A. and certain of its subsidiaries;
- certain provisions concerning enforcement action that can be taken in respect of that debt;
- the procedure of enforcement of transaction security and the allocation of payments pursuant to such enforcement;
- the terms pursuant to which certain intercompany debt will be subordinated upon the occurrence of certain insolvency events; and
- turnover provisions.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and, as such, we urge you to read that document because it, and not the discussion that follows, defines certain rights (and restrictions on entitlement) of the holders of the Notes.

Priority of debts

The Intercreditor Agreement provides that outstanding RCF debt (including the guarantees thereof), hedging debt, the Secured Notes, the Secured Note Guarantees and the Intercompany Loans will rank, without any preference between them, in priority to any intercompany loans (other than the Intercompany Loans).

Enforcement of security

The holders of the Secured Notes may not enforce the transaction security. Enforcement with respect to the transaction security may only be taken by the Security Trustee upon the instruction of the RCF facility agent, the Secured Notes Trustee, or hedging counterparties.

The Security Trustee may refrain from enforcing the relevant transaction security unless instructed otherwise by the Secured Notes Trustee.

The Security Trustee may disregard any instructions from any other person to enforce the transaction security and may disregard instructions to enforce any transaction security if those instructions are inconsistent with the Intercreditor Agreement.

The Intercreditor Agreement also contains procedures with respect to the prior consultation between the secured parties in connection with the enforcement of transaction security and coordination of instructions from the RCF facility agent and the Secured Notes Trustee. If the instructions given to the Security Trustee by the RCF facility agent conflict with the instructions given by the Secured Notes Trustee and such conflict is not resolved, the Security Trustee will enforce the transaction security in accordance with the instructions of the Secured Notes Trustee.

Subject to applicable law and to the rights of any person with prior security or prior claims, the proceeds of enforcement of the transaction security shall be paid to the Security Trustee for application as described below.

The Secured Notes Trustee shall only be obliged to instruct the Security Trustee to enforce the transaction security where it has been directed to do so by the holders of the Secured Notes and required to do so under the terms of the Secured Indenture (having regard to its entitlement to be indemnified before giving any such instruction).

The proceeds of enforcement of any transaction security and all other amounts paid to the Security Trustee under the Intercreditor Agreement shall be applied in the following order:

- first, in payment pari passu and pro rata (i) of the fees, costs, expenses and liabilities (and all interest thereon) of the RCF facility agent, the Security Trustee, and any receiver, attorney or agent appointed under the security documents or the Intercreditor Agreement and (ii) owing to the Secured Notes Trustee in respect of Trustee Amounts (as defined below);

- second, in payment pari passu and pro rata of unpaid costs and expenses of the RCF facility agent and any other finance party under the RCF and the hedging contracts;

- third, in payment to the RCF facility agent and the hedging counterparties for application towards the balance of the RCF and the hedging debt pari passu and pro rata between such creditors;

- fourth, in payment to the Secured Notes Trustee for application towards the balance of the Secured Notes and the Secured Guarantees; and

- fifth, in payment of the surplus (if any) to the obligors or other persons entitled to it for intercompany liabilities.

We, the finance parties under the RCF, the creditors under the Secured Notes and the hedging providers have granted authority under the Intercreditor Agreement to the Security Trustee to release the guarantees, and as applicable, security in accordance with the Intercreditor Agreement and the relevant finance documents.

"Trustee Amounts" means the fees, costs and expenses of the Secured Notes Trustee (including any amount payable to that Secured Notes Trustee personally by way of indemnity, remuneration or to reimburse it for expenses incurred) payable for its own account pursuant to the Secured Notes documents in respect of the ongoing day-to-day administration of the Secured Notes documents and related documents and the costs of any Enforcement Action (as defined) (including legal and other professional advisory fees) which are recoverable pursuant to the terms of the Secured Indenture and related documents (including the Secured Note Guarantees) or any other document entered into in connection with the issuance of the Secured Notes.

Intercompany debt

Pursuant to the Intercreditor Agreement, Lecta S.A. and its subsidiaries party thereto have agreed to subordinate intercompany debt (other than the Intercompany Loans) to debt under the RCF, the Secured Notes and hedging debt and related guarantees.

In addition, neither Lecta S.A. nor any of its subsidiaries may accept the benefit of any security, guarantee, indemnity or other assurance against financial loss (other than under the transaction security) or make payments on or otherwise acquire or satisfy any intercompany loans (other than Intercompany Loans) other than certain payments (i) to enable a company which is a borrower or guarantor to pay amounts under the RCF, hedging debt or under the Secured Notes or the Unsecured Notes or (ii) made prior to the taking of Enforcement Action or which is permitted under the RCF, the Notes and the hedging documentation or (iii) made with the consent of the Secured Notes Trustee and the RCF facility agent.

Turnover

If any secured creditor (defined in the Intercreditor Agreement as the Secured Notes Trustee on behalf of the holders of the Secured Notes, the Security Trustee, the RCF lenders, the RCF facility agent and the hedging counterparties or any receiver or delegate) or Lecta S.A. or any of its subsidiaries receives or recovers a payment in contravention of the Intercreditor Agreement, it shall hold such payment in trust and pay over such amounts to the Security Trustee for application in accordance with the provision described above under "—Enforcement of Security."

A copy of the Intercreditor Agreement shall be made available for inspection during normal business hours on any business day upon prior written request at the offices of the Secured Notes Trustee and, for so long as any Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, at the offices of the Paying Agent in Luxembourg.

DESCRIPTION OF THE SECURED NOTES

Lecta S.A. will issue the Secured Notes under an indenture (the "Secured Indenture") dated February 13, 2007 among itself, the Secured Note Guarantors, Deutsche Trustee Company Limited, as trustee for the holders of the Secured Notes (the "Secured Notes Trustee"), Deutsche Bank AG, London Branch, as security trustee (the "Security Trustee"), and other parties named therein. The terms of the Secured Notes are stated in the Secured Indenture. The Secured Notes will be denominated in euro and bear interest with reference to EURIBOR as described below. The Secured Indenture is unlimited in aggregate principal amount, although the issuance of Secured Notes on the Issue Date (as defined below) will be limited to €598.0 million.

Certain terms used in this description are defined under the heading "—Certain definitions." In this description of the Secured Notes: (i) the "Company" refers only to Lecta S.A. and not to any of its Subsidiaries; and (ii) "Secured Note Guarantor" refers only to such Secured Note Guarantor and not to any of its Subsidiaries.

The following description is only a summary of the material provisions of the Secured Indenture. It does not restate the Secured Indenture in its entirety. You should read the Secured Indenture because it, not this description, defines your rights as Holders. You may request copies of the Secured Indenture at the address set forth under the heading "Where you can find more information" and, for so long as Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, may inspect copies of such documents at the office of the paying agent in Luxembourg.

Brief description of the Secured Notes

The Secured Notes:

- will be senior secured obligations of the Company;
- will rank *pari passu* in right of payment with all existing and future Debt of the Company that is not subordinated to the Secured Notes;
- will rank senior in right of payment to any existing and future Subordinated Obligations of the Company;
- will be structurally subordinated to all liabilities (including trade payables), disqualified stock and preferred stock of the Company's Subsidiaries that do not guarantee the Secured Notes; and
- will benefit from additional credit enhancement provided by certain Subsidiaries of the Company.

Credit enhancement for the Secured Notes will include (i) guarantees of the Secured Notes by certain Subsidiaries of the Company; (ii) the pledge to the Security Trustee of the Intercompany Loans (as defined below) (other than the Intercompany Loans by Condat Holding to Condat); and (iii) the pledge by Condat Holding to the Company of the Intercompany Loans it has made to Condat, the rights under which the Company will in turn pledge to the Security Trustee to secure its obligations under the Secured Notes.

The guarantees of the Secured Notes by Subsidiaries of the Company will be secured in some, but not all, instances by certain assets of the Subsidiary issuing such guarantee. Only some of the Subsidiaries of the Company will guarantee the Secured Notes, and most of those guarantees are subject to significant limitations.

The Secured Notes Proceeds Loans (as defined below) from Lecta to Condat Holding and from Condat Holding to Condat (the "French Secured Notes Proceeds Loans") will be secured by certain of the assets of Condat Holding and Condat, respectively.

The credit enhancement for the Secured Notes is more fully described below under "—Credit enhancement" and in Annex A to this listing memorandum.

Condat Holding and Condat are borrowers or guarantors under the Revolving Credit Facility but are not Secured Note Guarantors. As a result, lenders under the Revolving Credit Facility may be able to assert claims for repayment against such Subsidiaries with respect to which Holders of the Secured Notes would have no direct claims for repayment. However, lenders under the Revolving

Credit Facility, the Secured Notes Trustee, and certain other parties have signed the Intercreditor Agreement which effectively makes rights to repayment under the Revolving Credit Facility and the Secured Notes *pari passu*, subject to lenders under the Revolving Credit Facility being entitled to priority with respect to proceeds from the sale of Collateral (as defined below) (see "Description of other Indebtedness—Intercreditor Agreement").

As of the date of the Secured Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the definition of Unrestricted Subsidiaries, the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Secured Indenture. Those of the Company's Subsidiaries that are Secured Note Guarantors are all Restricted Subsidiaries and, subject in each case to significant limitations under applicable law (as more specifically set out below under "—Credit enhancement—Secured Note Guarantees"), will be jointly and severally liable with respect to the Company's obligations under the Secured Notes.

The Company is a holding company with limited assets and operates its business through its Subsidiaries. Any right of the Company and its creditors, including Holders of the Secured Notes, to participate in the assets of any of the Company's Subsidiaries (other than through the French Secured Notes Proceeds Loans to the extent of the assets securing such loans) that is not a Secured Note Guarantor upon the bankruptcy, liquidation or reorganization of any such Subsidiary will (except insofar as the Company has a claim against such Subsidiary for intercompany debt) be subject to the prior claims of the creditors of such Subsidiary, including but not limited to trade creditors. Claims by the Secured Notes Trustee against a Secured Note Guarantor on behalf of the Holders of the Secured Notes will be direct claims on that Secured Note Guarantor. However, some of the Secured Note Guarantors are themselves holding companies, and hence claims under a Secured Note Guarantee will be structurally subordinated to the prior claims of the creditors of the Subsidiaries of such Secured Note Guarantors, including but not limited to trade creditors.

Principal, Maturity and Interest

The Company will issue the Secured Notes in an initial aggregate principal amount of €598.0 million. The Company will issue the Secured Notes in denominations of €50,000 and integral multiples of €1,000 above €50,000. Secured Notes in denominations of less than €50,000 will not be available. The Secured Notes will mature on February 15, 2014 at a redemption price of 100%. Subject to the Company's compliance with the covenant described under the heading "—Certain covenants—Limitation on Debt," the Company is permitted to issue additional notes from time to time under the Secured Indenture in an unlimited principal amount (the "Additional Secured Notes"). The Secured Notes and the Additional Secured Notes, if any, will be treated as a single class for all purposes of the Secured Indenture, including waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the Secured Indenture and this description of the Secured Notes, references to the Secured Notes include any Additional Secured Notes actually issued.

The Secured Notes will bear interest at a rate per annum (the "Applicable Rate"), reset quarterly, equal to EURIBOR plus 262.5 bps as determined by the calculation agent for the Secured Notes (the "Calculation Agent"), which will initially be Deutsche Bank AG, London Branch, or any successor thereof.

Interest on the Secured Notes will be payable quarterly in arrears on each Interest Payment Date commencing May 15, 2007, to the person in whose name the Secured Note is registered on the relevant Record Date. Interest on the Secured Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date.

"Determination Date" with respect to an Interest Period will be the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

"EURIBOR," with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Telerate Page 248 as of 11:00 a.m., Brussels time, on the Determination Date. If Telerate Page 248 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the Euro- zone inter-bank market, as selected by the Calculation Agent, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the Euro-zone inter-bank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request

each of three major banks in London, as selected by the Calculation Agent, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

"*Euro-zone*" means the region comprised of member states of the European Union that adopt the euro.

"*Interest Payment Date*" means February 15, May 15, August 15, and November 15 in each year from and including May 15, 2007. If any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in which event, the Interest Payment Date shall be brought forward to the immediately preceding Business Day.

"*Interest Period*" means each successive period commencing on, and including, an Interest Payment Date and ending on, but excluding, the next succeeding Interest Payment Date, with the exception that the first Interest Period will commence on, and include, the Issue Date and end on, but exclude, May 15, 2007 and the final Interest Period shall end on, but exclude, the date of final maturity.

"*Representative Amount*" means the greater of (a) €1,000,000 and (b) an amount that is representative for a single transaction in the relevant market at the relevant time.

"*TARGET Settlement Day*" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

"*Telerate Page 248*" means, the display page so designated on Bridge's Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

The Calculation Agent will, as soon as practicable after 11:00 a.m. (Brussels time) or the Quotation Time (as the case may be) on each Determination Date, determine the Applicable Rate, and calculate the aggregate amount of interest payable on the Secured Notes in respect of the following Interest Period (the "Interest Amount"). The Interest Amount will be calculated by applying the Applicable Rate to the principal amount of Secured Notes outstanding at the commencement of the Interest Period, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 360.

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655)). All euro amounts used in or resulting from such calculations will be rounded to the nearest euro cent (with one-half euro cent being rounded upwards). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be binding on all parties.

The interest rate on the Secured Notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by any United States law of general application.

Upon each determination of interest rate, so long as the Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange, to the extent required by the Luxembourg Stock Exchange, the Company will inform Holders thereof through the relevant clearing systems and will make such determination available during normal business hours at the offices of the paying agent in Luxembourg. The Calculation Agent will, upon the request of the Holder of any Secured Note, provide the interest rate then in effect with respect to the Secured Notes.

The rights of Holders of beneficial interests in the Secured Notes to receive the payments of interest on the Secured Notes are subject to applicable procedures of the book-entry depositary and Euroclear and Clearstream.

Optional redemption

The Secured Notes will not be redeemable at the option of the Company prior to February 15, 2008, except as described in "—Optional tax redemption." On and after such date, the Secured Notes will be redeemable at the option of the Company, at any time as a whole, or from time to time in part, on not less than 30 nor more than 60 days' notice delivered to each Holder in accordance with the provisions set forth under "—Notices," at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest (if any) to the redemption date, if redeemed during the 12-month period commencing on February 15 of the years set forth below:

Year	Redemption Price
2008	101.0%
2009 and thereafter	100.0%

The Company may acquire Secured Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisition does not otherwise violate the terms of the Secured Indenture.

Selection and notice of redemption

If less than all the Secured Notes are to be redeemed, the particular Secured Notes to be redeemed will be selected not more than 60 days prior to the redemption date by the Secured Notes Trustee on a pro rata basis, by lot or by such method as the Secured Notes Trustee will deem fair and appropriate or in such manner as complies with the requirements of the principal securities exchange, if any, on which the Secured Notes being redeemed are listed and the requirements of any depositary holding the global certificates representing the Secured Notes; *provided however*, that no Secured Note of €50,000 in original principal shall be redeemed in part.

If any Secured Note is to be redeemed in part only, the notice of redemption that relates to that Secured Note will state the portion of the principal amount thereof to be redeemed. The Company will issue a new Secured Note in a principal amount equal to the unredeemed portion of the original Secured Note in the name of the Holder upon cancellation of the original Secured Note.

Subject to the terms of the applicable redemption notice, Secured Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest will cease to accrue on the Secured Notes or portions thereof called for redemption (unless the Company defaults in providing the funds for such redemption) and such Secured Notes will cease to be outstanding.

So long as any Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Company will provide a copy of all notices to the Luxembourg Stock Exchange.

Sinking Fund

The Company is not required to make mandatory sinking fund payments with respect to the Secured Notes.

Additional Amounts

The Company and each Secured Note Guarantor is required to make all payments under or with respect to the Secured Notes or its Secured Note Guarantee free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge of whatever nature (including penalties, interest and other liabilities related thereto) (hereinafter "Taxes"), unless the withholding or deduction is required by law.

If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) the government of any of the countries in which any of the Company or the relevant Secured Note Guarantor and, in each case, any successor thereof (each, a "Payor") is organized or any political subdivision or any authority or agency therein or thereof having power to tax, (2) any other jurisdiction in which a Payor is otherwise resident for tax purposes, or (3) any jurisdiction from or through which any payment under or with respect to the Secured Notes or any Secured Note Guarantee is made (each, a "Relevant Taxing Jurisdiction") will at any time be required from any payment made under or with respect to the Secured Notes or a Secured Note Guarantee, as applicable, such Payor will be required to pay such additional amounts ("Additional Amounts") as may be necessary so that the net amount received in respect of such payments by any Holder after such withholding or deduction (including any such deduction or withholding from such Additional Amounts) will equal the amount such Holder would have received if such Taxes had not been withheld or deducted; *provided, however*, that the foregoing obligation to pay Additional Amounts does not apply to (1) any Taxes that would not have been imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, the relevant Holder, if the relevant Holder is an estate, nominee, partnership, limited liability corporation, trust or corporation) and the Relevant Taxing Jurisdiction, including such Holder (or such fiduciary, settlor, beneficiary, partner, member, shareholder, or possessor) of the Secured Notes being or having been a citizen, resident, or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein, other than a connection resulting from the mere receipt of such payment or the ownership, holding or enforcement of such Secured Note; (2) any estate, inheritance, gift, sales, excise, transfer, personal property tax or similar Tax; (3) any withholding or deduction in respect of the Secured Notes or any Secured Note Guarantee (a) where such withholding or deduction is imposed on a payment or an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, or (b) presented (where presentation is required) for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the Secured Notes to any other paying agent in a European Union Member State, or (c) where the payment could have been made without such deduction or withholding if the Secured Notes had been presented for payment (where presentation is required) within 30 days (i) after the date on which such payment became due and payable, or (ii) the date on which payment thereof is duly provided for, whichever is later (except to the extent that the Holder would have been entitled to Additional Amounts had the Secured Notes been presented during such 30-day period); (4) any Taxes imposed with respect to any payment of principal of (or premium, if any, on) or interest on the Secured Notes by a Payor to any Holder who is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Holder of such Secured Notes; (5) any Taxes that are payable other than by deduction or withholding from payments made under or with respect to the Secured Notes; (6) any Taxes that would not have been imposed but for the failure of the Holder and/or beneficial owner to comply with the Payor's or the paying agent's reasonable and timely request in accordance with the "—Notices" provision herein, to the Holder to provide certification, documentation, information or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder and/or beneficial owner of such Secured Notes or to make any valid or timely declaration or similar claim or satisfy any other reporting requirement relating to such matters, whether required or imposed by statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of withholding or deduction of, Taxes imposed by the Relevant Taxing Jurisdiction; or (7) any combination of any of the above.

Such Additional Amounts also will not be payable where, had the beneficial owner of the Secured Note been the Holder, it would not have been entitled to payment of Additional Amounts by reason of clauses (1) to (7) inclusive above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to provide the Secured Notes Trustee with certified copies of tax receipts (or, if such certified copies are not available using all reasonable efforts, such other evidence reasonably acceptable to the Secured Notes Trustee in its discretion), evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes. The Payor will attach to each certified copy (or other documentation) a certificate stating (x) that the amount of such Tax evidenced by the certified copy (or other documentation) was paid in connection with payments in respect of the principal amount of Secured Notes then outstanding and (y) the amount of such Tax paid per €1,000 of principal amount of the Secured Notes.

At least 30 days prior to each date on which any payment under or with respect to the Secured Notes or any Secured Note Guarantee, as the case may be, is due and payable (unless such obligation to pay Additional Amounts arises shortly before or after the 30th day prior to such date, in which case it shall be promptly thereafter), if the Payor will be obligated to pay Additional Amounts with respect to such payment, the Payor will deliver to the Secured Notes Trustee an Officer's Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the

Secured Notes Trustee to pay such Additional Amounts to Holders of Secured Notes on the payment date. Each such Officer's Certificate shall be relied upon until receipt of a further Officer's Certificate addressing such matters.

Whenever in the Secured Indenture there is mentioned, in any context:

(1) the payment of principal;

(2) redemption prices or purchase prices in connection with a redemption or purchase of Secured Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Secured Notes,

such reference will be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Company will pay any present or future stamp, court or documentary taxes or any other excise or property taxes (other than net wealth taxes or similar taxes imposed on the Holder irrespective of such Holder's investment in the Secured Notes and based on the total net value of the Holder's property), charge or similar levies that arise in any Relevant Taxing Jurisdiction from the execution, delivery, enforcement or registration of the Secured Notes, the Secured Note Guarantees, the Secured Indenture or any other document or instrument in relation thereto (other than a transfer of the Secured Notes).

The obligations described under this heading will survive any termination, defeasance or discharge of the Secured Indenture or any Secured Note Guarantee.

Optional tax redemption

The Company is entitled to redeem the Secured Notes in whole, but not in part, at its option, at any time, upon not less than 30 nor more than 60 days' notice (which notice shall be irrevocable), at 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date), in the event the Company or Secured Note Guarantor (as the case may be) has become or would become obligated to pay, on the next date on which any amount would be payable with respect to the Secured Notes, Additional Amounts as a result of:

(1) a change in or an amendment to the laws (including any regulations promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in or amendment to any official position regarding the application or interpretation of such laws or regulations (each of (1) and (2) a "Change in Tax Laws"),

which change or amendment becomes effective on or after the date hereof and the Company or Secured Note Guarantor (as the case may be) cannot avoid such obligation by taking reasonable measures available to it.

No such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Company or Secured Note Guarantor (as the case may be) would be obligated to pay such Additional Amounts were a payment in respect of the Secured Notes then due and payable.

Before the Company publishes or mails notice of redemption of the Secured Notes as described above, it will deliver to the Secured Notes Trustee (i) an Officer's Certificate to the effect that the Company or any Secured Note Guarantor (as the case may be) cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (ii) an opinion in form and substance reasonably satisfactory to the Secured Notes Trustee of independent legal counsel of recognized standing stating that the Company or Secured Note Guarantor (as the case may be) is or would be obligated to pay Additional Amounts as a result of a Change in Tax Laws. The Secured Notes Trustee shall be entitled to accept such Officer's Certificate and opinion as sufficient existence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the Holders.

The foregoing provisions will apply *mutatis mutandis* to any successor person to the Company or Secured Note Guarantor after such successor person becomes a party to the Secured Indenture.

For so long as the Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange, and to the extent the rules of the Luxembourg Stock Exchange so require, the Company will provide a copy of any such notice to the Luxembourg Stock Exchange. Notices of redemption will be given in accordance with the provisions set forth under "—Selection and notice of redemption."

Credit enhancement

Overview

Credit enhancement for the Secured Notes will include:

- the Secured Note Guarantees by certain Subsidiaries of the Company (the "Secured Note Guarantees");

- the pledge or assignment of the Intercompany Loans held by the Company and Sub Lecta 1 S.A. to the Security Trustee; and

- the pledge of rights and related security under the Secured Notes Proceeds Loan from Condat Holding S.A. to Condat S.A.S.

Each Secured Note Guarantee will be secured by certain of the assets of the Subsidiary issuing that Secured Note Guarantee. Not all of the Subsidiaries of the Company will guarantee the Secured Notes, and most of the Secured Note Guarantees will be subject to significant limitations. The aggregate unconsolidated EBITDA for the twelve months ended September 30, 2006, as reported in the respective stand-alone financial statements (the calculation of which differs from the calculation of EBITDA as provided for in the Indentures relating to the Notes) of Subsidiaries issuing Secured Note Guarantees (after intercompany eliminations) was €114.8 million.

Through a series of intercompany loans (the "Secured Notes Proceeds Loans"), (i) the Company will loan a portion of the net proceeds of the Secured Notes to each of Sub Lecta 1 S.A. (a Luxembourg société anonyme), Condat Holding S.A. (a French société anonyme), Torraspapel Holding S.A., Torraspapel S.A. and Sarriopapel y Celulosa S.A. (each, a Spanish sociedad anónima) and, (ii) in turn, Sub Lecta 1 S.A. will on-loan a portion of the proceeds to Cartiere del Garda S.p.A., an Italian corporation, and Condat Holding will on lend a portion of the proceeds and make a capital contribution with a portion of the proceeds to Condat S.A.S., a French société par actions simplifiée. Through a parallel series of intercompany loans (the "Unsecured Notes Proceeds Loans"), the Company, Sub Lecta 1 S.A. and Condat Holding S.A. will loan a portion of the proceeds of the Unsecured Notes to the same group of borrowers. The Company's rights under the intercompany loans comprising the Secured Notes Proceeds Loans, together with the Company's rights under the intercompany loans comprising the Unsecured Notes Proceeds Loans (together, the "Intercompany Loans") will be pledged by the Company as security to the Security Trustee. In the event of a default in payment on the Secured Notes, the Intercompany Loans assigned by the Company and Sub Lecta 1 S.A. would provide the Secured Notes Trustee with senior claims on behalf of the Secured Note Holders for payment directly against those Subsidiaries who received such loans and the indirect loan from Condat Holding S.A. to Condat S.A.S. would provide indirect claims. Moreover, the French Secured Notes Proceeds Loans will be secured by certain of the assets of Condat Holding S.A. and Condat S.A.S., as the case may be.

As a result of the credit enhancement arrangements noted above, the Secured Notes Trustee would have direct or indirect senior secured claims on behalf of the Secured Note Holders against Subsidiaries of the Company having an aggregate (after intercompany eliminations) of €135.3 million in unconsolidated EBITDA for the year ended December 31, 2005 as reported in the respective stand-alone financial statements of such Subsidiaries.

The credit enhancement arrangements for the Secured Notes vary from Subsidiary to Subsidiary depending on applicable legal restrictions and other factors. Moreover, these arrangements may be limited in amount and scope, and those limitations are significant. A summary of the credit enhancement arrangements by Subsidiary is attached to this listing memorandum as Annex A, and you are urged to review that appendix in connection with making your investment decision.

Secured Note Guarantees

Each Secured Note Guarantor will jointly and severally guarantee, subject to limitations described in Annex A hereto, as a general unsubordinated obligation, and as a primary obligor and not merely as a surety, the Company's obligations under the Secured Notes and the Secured Indenture. In addition, each Secured Note Guarantor will agree to pay any and all costs and expenses (including counsel fees and expenses) incurred by the Secured Notes Trustee or the Holders in enforcing any rights under the Secured Note Guarantees.

The Secured Note Guarantee of the Secured Notes by each Secured Note Guarantor will be a general unsubordinated obligation of such Secured Note Guarantor and:

- will rank *pari passu* in right of payment with all its existing and future Debt that is not subordinated to such guarantee;
- will rank senior in right of payment to any existing and future subordinated obligations of such Secured Note Guarantor;
- will be secured by a security interest in favor of the Security Trustee in certain of its assets, including shares in certain Subsidiaries, but not all assets and no real property; and
- will be effectively subordinated to any existing and future Debt of such Subsidiary that is secured with assets that do not secure such guarantee, to the extent of the value of the assets securing such Debt, including certain receivables of Condat S.A.S. pledged only to secure obligations under the Revolving Credit Facility.

The obligations of each Secured Note Guarantor under its Secured Note Guarantee will be limited to an amount that can be guaranteed under applicable laws, including corporate benefit laws and financial assistance, fraudulent conveyance or fraudulent transfer restrictions under applicable insolvency laws, and will not apply to the extent a guarantee would be illegal or unenforceable under applicable local laws. See Annex A hereto and "Risk Factors—Risks Related to the Notes" elsewhere in this listing memorandum. The Secured Note Guarantees will provide that, in the event of default in the payment of principal of or premium, if any, interest, Additional Amounts, if any, and any other payment obligations in respect of the Secured Notes (including any obligation to repurchase the Secured Notes), the Secured Notes Trustee may institute legal proceedings directly against the relevant Secured Note Guarantor without first proceeding against the Company. The Secured Notes Trustee (acting of its own volition or on the direction of the Holders of 51% in aggregate principal amount of the outstanding Secured Notes), and not the Holders of the Secured Notes individually, may enforce the Secured Note Guarantees and provide directions to the Security Trustee pursuant to the Intercreditor Agreement to enforce the security for the Secured Note Guarantees.

Intercompany Loans

Through the Secured Notes Proceeds Loans, (i) the Company intends to loan a portion of the net proceeds of the offering of the Secured Notes to Sub Lecta 1 S.A., Condat Holding S.A., Torraspapel Holding S.A., Torraspapel S.A. and Sarriopapel y Celulosa S.A. and, (ii) in turn, Sub Lecta 1 S.A. will on- loan a portion of the proceeds to Cartiere del Garda S.p.A., and Condat Holding S.A. will on lend a portion of the proceeds to Condat S.A.S. Through the Unsecured Notes Proceeds Loans, the same lenders intend to loan a portion of the net proceeds of the offering of the Unsecured Notes to the same borrowers. The proceeds of all such intercompany lending will be used to repay existing indebtedness of certain of the Company's Subsidiaries and to pay fees and expenses as described under "Use of proceeds." Interest will accrue on the Secured Notes Proceeds Loans and Unsecured Notes Proceeds Loans at rates at least equal to the interest rates payable on the Secured Notes and Unsecured Notes, respectively, with such adjustments as may be necessary to match any Additional Amounts, premium or default interest due with respect to the Secured Notes or Unsecured Notes, as the case may be. The Intercompany Loans provide for repayments of principal in amounts and at times sufficient to enable repayments in full or in part of principal under the Secured Notes or Unsecured Notes, as the case may be, whether at maturity, on early redemption or upon acceleration. Several of the entities issuing Intercompany Loans are holding companies that have no operations and generate no revenues of their own and have no independent assets other than their investments in their respective Subsidiaries. To the extent such entities must make payments on the Intercompany Loans, they will be dependent on dividends received from their subsidiaries, payments on intercompany loans or other distributions.

Each Intercompany Loan will be a general unsubordinated obligation of the Subsidiary borrowing such loan and:

- will rank *pari passu* in right of payment with all its existing and future Debt that is not subordinated to such Intercompany Loan;

- will rank senior in right of payment to any existing and future subordinated obligations of such Subsidiary; and

- will be effectively subordinated to any existing and future Debt of such Subsidiary that is secured with property and assets that do not secure such Intercompany Loan, to the extent of the value of such assets, including certain receivables of Condat S.A.S. assigned only to secure obligations under the Revolving Credit Facility.

The French Secured Notes Proceeds Loan from Condat Holding S.A. to Condat S.A.S. will also benefit from the pledge of certain bank accounts if and to the extent such bank accounts are pledged in favor of the lenders under the Revolving Credit Facility.

Security

As noted above, the Secured Note Guarantees will benefit from security directly in favor of the Security Trustee, and the French Secured Notes Proceeds Loans will benefit from security in favor of Condat Holding S.A. and Condat S.A.S. over certain of the assets of the entity issuing such guarantee or borrowing under such Intercompany Loan, as the case may be (collectively, the "Collateral"), as set forth in further detail in Annex A. As a result, the Secured Notes Trustee on behalf of the Holders will be the beneficiary of security over shares of companies (after intercompany eliminations) with an aggregate of over €135 million of unconsolidated EBITDA for the twelve months ended September 30, 2006 as reported in the respective stand-alone financial statements of such companies. For more information, see Annex A to this listing memorandum.

No appraisals of the Collateral have been prepared by or on behalf of the Company in connection with the issuance of the Secured Notes. There can be no assurance that the proceeds from the sale of the Collateral would be sufficient to satisfy the obligations owed to the Holders of the Secured Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be able to be sold in a short period of time, if at all.

The Secured Notes Trustee and the creditors under the Revolving Credit Facility have, and by accepting a Secured Note, each Holder will be deemed to have, irrevocably appointed Deutsche Bank AG, London Branch as security trustee to act as its security trustee under the Intercreditor Agreement, the Secured Notes, the Secured Notes Indenture (including the Secured Note Guarantee) and the Security Documents (together, the "Finance Documents"). The Secured Notes Trustee and the creditors under the Revolving Credit Facility have, and by accepting a Secured Note, each Holder will be deemed to have, irrevocably authorized the Security Trustee to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or other Finance Documents, together with any other incidental rights, power and discretions, and (ii) execute each Finance Document expressed to be executed by the Security Trustee on its behalf.

Release of Secured Note Guarantees

Pursuant to the Secured Indenture, the Capital Stock of a Secured Note Guarantor may be sold, leased, transferred or otherwise disposed of to another Person under the covenant described under "— Certain covenants—Limitation on sales of assets and Restricted Subsidiary stock."

Upon any sale or disposition (including, without limitation, by way of merger, consolidation or otherwise) of (i) Capital Stock of a Secured Note Guarantor following which such Secured Note Guarantor is no longer a Restricted Subsidiary, (ii) all or substantially all of the properties and assets of such Secured Note Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company or (iii) all or substantially all of the properties and assets of such Secured Note Guarantor to another Secured Note Guarantor in connection with a liquidation or dissolution of such Secured Note Guarantor *provided* that such other Secured Note Guarantor expressly assumes in writing in form satisfactory to the Secured Notes Trustee in its sole discretion all the obligations of such Secured Note Guarantor under the Secured Indenture, as long as the sale or disposition complies with the covenant described in "—Certain covenants—Limitation on sales of assets and Restricted Subsidiary stock," the Secured Note Guarantee of any such Restricted Subsidiary will be released; *provided, however*, that such release is in accordance with the terms of the Intercreditor Agreement. See "Description of other indebtedness—Intercreditor Agreement."

The Secured Note Guarantee provided by a Secured Note Guarantor also will be released:

(i) upon the valid designation of such Secured Note Guarantor as an Unrestricted Subsidiary;

(ii) if the Company exercises its legal defeasance option or covenant defeasance option as described under "—Defeasance" or if its obligations under the Secured Indenture are discharged in accordance with the terms of the Secured Indenture, in each case in accordance with the terms and conditions in the Secured Indenture and the Intercreditor Agreement;

(iii) upon repayment in full of the Secured Notes;

(iv) upon a sale of all the Capital Stock of the applicable Secured Note Guarantor (or any parent of such Secured Note Guarantor) pursuant to an Enforcement Action pursuant to the Intercreditor Agreement; and

(v) in the event that the continued obligations of such Secured Note Guarantor or the continued existence of such Secured Note Guarantor could reasonably be expected to give rise to or result in (now or in the future): (a) any violation of applicable law or (b) any personal liability for the officers, directors or indirect shareholders of such Secured Note Guarantor; which in each case of (a) and (b) cannot be avoided or otherwise prevented through measures reasonably available to the Company and the Secured Note Guarantor.

Upon request and at the cost of the Company, or, as the case may be, the relevant Secured Note Guarantor and upon delivery by the Company to the Secured Notes Trustee of an Officer's Certificate and an Opinion of Counsel to the foregoing effect, the Secured Notes Trustee will execute any documents reasonably requested by the Company or the relevant Secured Note Guarantor, as the case may be, in writing in order to evidence the release, discharge and termination in respect of any Secured Note Guarantee to be released as described above.

The release of guarantees under the Unsecured Indenture is governed by the provisions of such indenture. See "Description of the Unsecured Notes."

Release of Collateral

The Collateral created by the Security Documents shall be released and the Security Trustee shall disclaim and give up any and all rights it has in or to the Collateral, and any rights it has under the Security Documents:

(i) if the Collateral is an asset of a Secured Note Guarantor (or any of its Subsidiaries), upon designation of the Secured Note Guarantor as an Unrestricted Subsidiary;

(ii) if the Company exercises its legal defeasance option or covenant defeasance option as described under "—Defeasance" or if its obligations under the Secured Indenture are discharged in accordance with the terms of the Secured Indenture, in each case in accordance with the terms and conditions in the Secured Indenture and the Intercreditor Agreement;

(iii) upon repayment in full of the Secured Notes;

(iv) upon the surrender of all outstanding Secured Notes issued under the Secured Indenture to the Secured Notes Trustee for cancellation;

(v) upon foreclosure on Collateral pursuant to an Enforcement Action pursuant to any Security Document or the Intercreditor Agreement;

(vi) upon the release of the Collateral in accordance with the paragraph below;

(vii) in the event that the continued obligations under the Liens on the Collateral could reasonably be expected to give rise to or result in (now or in the future): (a) any violation of applicable law or (b) any personal liability for the officers, directors or indirect shareholders of the pledgor of the Collateral; which in each case of (a) and (b) cannot be avoided or otherwise prevented through measures reasonably available to the Company and the pledgor; or

(viii) upon any other valid release of the Collateral as security for obligations of the Company or a Secured Note Guarantor under the Secured Indenture;

provided such release is in accordance with the terms of the Intercreditor Agreement.

Upon request of the Company or any Secured Note Guarantor, in connection with any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition of assets or property permitted by the Secured Indenture (including, without limitation, the covenants described in "—Certain covenants—Limitation on sales of assets and Restricted Subsidiary stock" and "—Certain covenants—Consolidation, merger and sale of assets"), the Intercreditor Agreement and the Security Documents, the Security Trustee shall (without notice to, or vote or consent of, any Holder) take such actions as shall be required to release its security interest in any Collateral being disposed in such disposition, to the extent necessary to permit consummation of such disposition in accordance with the Secured Indenture, the Intercreditor Agreement and the Security Documents, and the Security Trustee shall receive full payment therefor from the Company for any costs incurred thereby. In all cases of a disposition involving a release of Collateral, the Company shall deliver to the Security Trustee an Officer's Certificate and an Opinion of Counsel certifying compliance with the requirements of release under the Secured Indenture. At the request of the Company, the Security Trustee shall execute and deliver an appropriate instrument evidencing such release (in the form provided by the Company and agreed by the Security Trustee).

Any release of Collateral made in compliance with the provisions set forth in "—Release of Collateral" shall not be deemed to impair the Lien under the Security Documents or the Collateral thereunder in contravention of the Covenant described in "—Certain covenants—Limitation on Liens."

Change of Control

If a Change of Control occurs, the Company will, within 30 days after the occurrence of such Change of Control, notify each Holder of the Secured Notes in accordance with the provisions set forth under "—Notices," with a copy of such notice to the Secured Notes Trustee in writing, of the occurrence of the Change of Control and will make an offer to purchase (the "Change of Control Offer") the Secured Notes, in whole or in part, in principal amounts of €50,000 and integral multiples of €1,000 above €50,000 at a purchase price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest thereon to the Change of Control Purchase Date (such price, together with such interest, the "Change of Control Purchase Price"), on or before the date specified in such notice, which date (the "Change of Control Purchase Date") shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed, or such later date as may be required by law or any applicable requirements of any securities exchange on which such Secured Notes are listed. The Change of Control Offer is required to remain open for at least 20 Business Days and until the close of business on the Change of Control Purchase Date. The Company will purchase all Secured Notes properly tendered in the Change of Control Offer and not withdrawn in accordance with the procedures set forth in such notice. The Change of Control Offer will state, among other things, the procedures that Holders of the Secured Notes must follow to accept the Change of Control Offer.

The Unsecured Notes Indenture and the Revolving Credit Facility will have similar provisions requiring the Company and/or borrowers under such instruments to offer to repay such instruments. No assurance can be given that the Company will have sufficient liquidity to comply with such provisions and to make the Change of Control Offers required by the Secured Notes Indenture and the Unsecured Notes Indenture.

The Company will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Secured Indenture applicable to a Change of Control Offer made by the Company and purchases all Secured Notes validly tendered and not withdrawn under such Change of Control Offer.

The occurrence of certain of the events which would constitute a Change of Control would require mandatory prepayment of Debt outstanding under the Revolving Credit Facility and might constitute a default under, or require prepayment of, future Debt of the Company or its Subsidiaries. The occurrence of a Change of Control would also trigger an obligation of the Company to repurchase the Unsecured Notes, which may in turn lead to a default under the Unsecured Notes if the Company cannot finance such a repurchase. In addition, the exercise by the Holders of the Secured Notes of their right to require the Company to repurchase the Secured Notes could cause a default under the Debt of the Company or its Subsidiaries, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Company. Finally, if a Change of Control Offer is made, there can be no assurance that the Company will have sufficient funds or other resources to pay the Change of Control Purchase Price for all the

Secured Notes that might be delivered by Holders thereof seeking to accept the Change of Control Offer. See "Risk Factors—Risks Related to the Notes—We may not have the ability to raise the funds necessary to finance a change of control offer if required by the terms and conditions of the Notes" and "Risk Factors—Risks Related to the Notes—Our significant leverage may make it difficult for us to service our debt, including the Notes, and to operate our business."

The Change of Control provisions described above may deter certain mergers, tender offers and other takeover attempts involving the Company and, thus, the removal of incumbent management. One of the events that constitutes a Change of Control under the Secured Indenture is a sale, conveyance, transfer or lease of all or substantially all the assets of the Company and its Subsidiaries, taken as a whole. The phrase "all or substantially all" is subject to judicial interpretation depending on the facts and circumstances of the subject transaction. The Secured Indenture will be governed by New York law, and there is no established quantitative definition under New York law of "substantially all" the assets of a corporation. Accordingly, in certain circumstances it may be unclear whether a Change of Control has occurred and whether the Company may therefore be required to make a Change of Control Offer.

If at the time of such Change of Control, the Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange, to the extent required by the rules of the Luxembourg Stock Exchange, the Company will notify the Luxembourg Stock Exchange that a Change of Control has occurred and any relevant details relating to such Change of Control.

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), and any other securities laws or regulations in connection with the repurchase of Secured Notes pursuant to any Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions relating to the Change of Control Offer, the Company will comply with applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control covenant by virtue thereof.

Certain covenants

The Secured Indenture contains, among others, the following covenants:

Limitation on Debt

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, Incur any Debt (including Acquired Debt) other than Permitted Debt; provided however, that the Company may, and may permit any Secured Note Guarantor to, Incur Debt if (i) no Default or Event of Default shall have occurred and be continuing at the time of such Incurrence or would occur as a consequence of such Incurrence and (ii) after giving *Pro forma* effect to such Incurrence, the Consolidated Coverage Ratio as of the date of the Incurrence of such Debt would exceed 2.50 to 1.00.

Permitted Debt is defined as follows:

(i) Debt (a) of the Issuer evidenced by the Secured Notes issued on the Issue Date (not including Additional Secured Notes), (b) of the Secured Note Guarantors in respect of the Secured Note Guarantees, including any Additional Secured Note Guarantees, (c) of the Issuer evidenced by the Unsecured Notes (not including Additional Unsecured Notes), (d) of the Unsecured Note Guarantors in respect of the Unsecured Note Guarantees, including any Additional Unsecured Note Guarantees (but only to the extent such Additional Unsecured Note Guarantees are given by a Subsidiary that also provides an Additional Secured Note Guarantee), and (e) any "parallel debt" obligations created under the Intercreditor Agreement, the Security Documents or the Secured Indenture in respect of clauses (a) and (b);

(ii) Debt of the Company or any Restricted Subsidiary (x) Incurred under the Revolving Credit Facility (including, without double counting, any Debt to the extent backed by letters of credit, guarantees or bonds issued under the Revolving Credit Facility), and (y) any Refinancing Debt and any "parallel debt" obligations created under the Intercreditor Agreement or the Security Documents Incurred in respect of Debt under (x), *provided*, that the aggregate principal amount of all such Debt under the Revolving Credit Facility and Refinancing Debt in respect thereof under this clause (ii) at any one time outstanding does not exceed €75 million, which amount shall be permanently reduced by any payments made by the Company under the Revolving Credit Facility with the Net Available Cash from any Asset Disposition (which are accompanied by a corresponding permanent commitment reduction) pursuant to clause (iii) of the first paragraph of the covenant described under "—Limitation on sales of assets and Restricted Subsidiary stock."

(iii) (intentionally omitted);

(iv) Debt Incurred by the Subsidiary which owns and operates (or will operate) the Riva del Garda cogeneration facility in an amount not to exceed €55 million, provided such Debt is used for the purpose of investing in the Riva del Garda cogeneration facility and provided, further, (A) that such Debt is not secured by assets of the Company or any other Restricted Subsidiary (other than shares of the Subsidiary which owns and operates (or will operate) such facility and its assets) and neither the Company nor any Restricted Subsidiary guarantees such Debt in any way, directly or indirectly, or provides any *"keep well"* or guarantees of the net worth of such Subsidiary; and (B) such Subsidiary does not own any Capital Stock, Redeemable Stock or Debt of, or own or hold any Lien on any property or assets of, the Company or any Restricted Subsidiary;

(v) Debt of the Company owing to and held by any Restricted Subsidiary and Debt of any Restricted Subsidiary owing to and held by the Company or any wholly-owned Restricted Subsidiary; *provided, however,* that if such debt is owed by the Company or a Secured Note Guarantor (other than an Intercompany Loan), then it shall be expressly subordinated to the prior payment in full in cash of all obligations with respect to the Secured Notes; and *provided, further,* that any subsequent transfer of any such Debt (except to the Company or a Restricted Subsidiary), shall be deemed, in each case, to constitute the Incurrence of such Debt by the issuer thereof;

(vi) Debt (other than Debt permitted by the immediately preceding paragraph or elsewhere in this paragraph) in an aggregate principal amount outstanding at any time not to exceed €50 million;

(vii) the incurrence by the Company or any of its Restricted Subsidiaries of Debt represented by Capitalized Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing or refinancing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Company or such Restricted Subsidiary, or in respect of a sale and leaseback transaction, in an aggregate principal amount, not to exceed €5 million at any time outstanding;

(viii) Debt Incurred pursuant to any Qualified Receivables Financing that is not recourse to the Company or any of its Restricted Subsidiaries except for such recourse as arises through Standard Securitization Undertakings;

(ix) Debt under Hedging Obligations that are incurred in the ordinary course of business, not for speculative purposes and (1) for the purpose of fixing or hedging interest rate risk with respect to any Debt Incurred without violation of the Secured Indenture; (2) for the purpose of fixing or hedging currency exchange rate risk with respect to any currency; or (3) for the purpose of fixing or hedging commodity price risk with respect to any commodities;

(x) Debt in connection with one or more standby letters of credit, bankers' acceptances or performance, bid, surety, judgment, appeal or similar bonds or completion guarantees provided by the Company or a Restricted Subsidiary and issued in the ordinary course of business or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances of credit;

(xi) Debt arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds, overdrafts or cash pooling arrangements in the ordinary course of business; *provided, however,* that any such Debt that arises is extinguished within six Business Days of Incurrence;

(xii) Debt of the Company or any of its Restricted Subsidiaries represented by letters of credit for the account of the Company or such Restricted Subsidiary, as the case may be, in order to provide security for workers' compensation claims, payment obligations in connection with self-insurance or similar requirements in the ordinary course of business;

(xiii) Debt arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, earn out or similar obligations, in each case, Incurred in connection with the disposition of any business, assets or Subsidiary, other than guarantees of Debt Incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such Debt shall at no time exceed the gross proceeds actually received by the Company and the Restricted Subsidiary in connection with such disposition;

(xiv) guarantees by the Company or a Restricted Subsidiary of Debt Incurred by the Company or a Restricted Subsidiary so long as the Incurrence of such Debt by the Company or any such Restricted Subsidiary is otherwise permitted by the terms of the Secured Indenture;

(xv) guarantees by the Company or a Restricted Subsidiary of Debt Incurred by Joint Ventures that does not exceed €5 million in the aggregate at any one time outstanding;

(xvi) Debt of a Person existing at the time that Person becomes a Restricted Subsidiary or assumed in connection with an Asset Acquisition by the Company or a Restricted Subsidiary and not Incurred in connection with or in anticipation of, such Person becoming a Restricted Subsidiary; *provided* that the holders of any such Debt do not, at any time, have direct or indirect recourse to any property or assets of the Company or any Restricted Subsidiary other than the property or assets of such acquired Person; *provided, further*, that on the date of such acquisition and after giving *Pro forma* effect thereto, either (1) the Company would have been able to Incur at least €1.00 of additional Debt pursuant to the immediately preceding paragraph or (2) the Consolidated Coverage Ratio would be greater than or equal to the Consolidated Coverage Ratio immediately prior to giving *Pro forma* effect to such acquisition;

(xvii) Debt of the Company or any of its Restricted Subsidiaries Incurred pursuant to an obligation imposed by law to transfer employee benefit obligation to a third party;

(xviii) Debt pursuant to the reclassification of any provision reflecting obligations under the put-call arrangement with Grupo Torras in relation to shares in Torraspapel S.A. that arise as a result of a change to IFRS or as a result of the exercise of any put or call pursuant to such put-call arrangement;

(xix) Debt of the Company or any Restricted Subsidiary not otherwise described in clauses (i) through (xviii) above (1) outstanding on the Issue Date and disclosed in the Offering Memorandum and (2) any Refinancing Debt Incurred in respect thereof; and

(xx) Refinancing Debt Incurred in respect of Debt Incurred under the first paragraph of this covenant or under clause (i) or (xvi) hereof;

provided, *however*, that, for purposes of determining the compliance of any non-euro-denominated Debt Incurred under clauses (ii), (iv), (vi), (vii), (xv) or (xvi) above with the euro-denominated restriction contained therein, the euro-equivalent principal amount of such Debt Incurred pursuant thereto will be calculated based on the relevant currency exchange rate in effect on the date such Debt was Incurred, in the case of term Debt, or first committed, in the case of revolving credit Debt; *provided*, that (i) the euro-equivalent principal amount of any such Debt outstanding on the Issue Date under clause (ii) above (other than term Debt) will be calculated based on the relevant currency exchange rate in effect on the date thereof and (ii) (A) any Refinancing Debt Incurred to refinance non-euro-denominated Debt previously Incurred which would cause the euro-denominated restriction under such clause to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing (the “Initial Refinancing Rate”) will be deemed not to exceed such euro-denominated restriction under such clause so long as the principal amount of such Refinancing Debt does not exceed the principal amount of the Debt being refinanced, and (B) all subsequent Incurrences of Refinancing Debt subject to the euro-denominated restriction under such clause will be determined as if the relevant currency exchange rate applied to any subsequent Refinancing Debt was the Initial Refinancing Rate; *provided*, *however*, that the principal amount of any such subsequent Refinancing Debt, if Incurred in a currency other than the currency of the Debt being refinanced, will be calculated based on the currency exchange rate applicable to the currency or currencies in which such proposed Refinancing Debt is denominated on the date of such refinancing.

For purposes of determining any particular amount of Debt under this “—Limitation on Debt” covenant, accrual of interest, accrual of dividends, the accretion of accreted value, the obligation to pay commitment fees and the payment of interest in the form of additional Debt shall not be treated as Debt. In addition, for purposes of determining compliance with this “—Limitation on Debt” covenant, in the event that an item of proposed Debt meets the criteria of more than one of the categories of Permitted Debt described in clauses (i) through (xviii) above, or is entitled to be Incurred pursuant to the first paragraph of this covenant, the Company shall be permitted to classify such item of Debt on the date of its Incurrence and, except with respect to Debt Incurred under clause (ii) above, reclassify such item of Debt, in each case in any manner that complies with this covenant.

Limitation on Restricted Payments

The Company will not make, and will not permit any Restricted Subsidiary to make, directly or indirectly, any Restricted Payment if at the time of, and after giving effect to, such proposed Restricted Payment,

(a) a Default or Event of Default shall have occurred and be continuing,

(b) the Company could not Incur at least €1.00 of additional Debt pursuant to the first paragraph of the covenant described under "—Limitation on Debt," or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made since the Issue Date (the amount of any Restricted Payment, if made other than in cash, to be based upon Fair Market Value) would exceed an amount equal to the sum of:

(i) 50% of the aggregate Consolidated Net Income accrued during the period (treated as one accounting period) from the Issue Date, to the end of the Company's most recent fiscal quarter ending prior to the date of such proposed Restricted Payment (or if Consolidated Net Income shall be a deficit, minus 100% of such deficit),

(ii) Capital Stock Sale Proceeds and (without duplication of any amounts included in Capital Stock Sale Proceeds) Capital Stock Contributions, and

(iii) the amount by which Debt of the Company or any Restricted Subsidiary is reduced on the Company's balance sheet upon the conversion or exchange (other than by a Subsidiary) subsequent to the Issue Date of any Debt of the Company or any Restricted Subsidiary convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash or other property distributed by the Company or any Restricted Subsidiary upon such conversion or exchange).

Notwithstanding the foregoing limitation, the Company and any Restricted Subsidiary may:

(a) pay dividends on its Capital Stock within 60 days of the declaration thereof if, on said declaration date, such dividends could have been paid in compliance with the Secured Indenture; *provided*, *however*, that such dividend shall be included in the calculation of the amount of Restricted Payments;

(b) redeem, repurchase, defease, acquire or retire for value, any Subordinated Obligation with the proceeds of any Refinancing Debt in respect of such Subordinated Obligation; *provided, however* that such redemption, repurchase, defeasance or other acquisition or retirement for value shall be excluded in the calculation of the amount of Restricted Payments;

(c) make any Restricted Payment by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Company or an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees) or Capital Stock Contributions; *provided, however*, that (i) such Restricted Payment shall be excluded in the calculation of the amount of Restricted Payments and (ii) the Net Cash Proceeds from such sale or contribution shall, to the extent so used to acquire, redeem or retire Capital Stock of the Company or Subordinated Obligations of the Company, be excluded from the calculation of the amount of Capital Stock Sale Proceeds and Capital Stock Contributions;

(d) make cash payments in lieu of issuing fractional shares pursuant to the exercise or conversion of any exercisable or convertible securities;

(e) make payments or distributions to dissenting shareholders pursuant to applicable law in connection with or in contemplation of a merger, consolidation or transfer of assets that complies with the covenant described under "—Certain covenants—Consolidation, merger and sale of assets;"

(f) make payments of dividends on Disqualified Stock issued in accordance with the covenant described under "—Limitation on Debt;" and

(g) make additional Restricted Payments in an aggregate amount not to exceed €5 million since the Issue Date.

Transactions with Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into any transaction or series of related transactions (including the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate of the Company (an "Affiliate Transaction") unless (a) the terms of such Affiliate Transaction are no less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable arm's length transaction with a Person that is not an Affiliate of the Company or such Restricted Subsidiary, (b) with respect to an Affiliate Transaction involving aggregate payments or value in excess of €5 million, the terms of such Affiliate Transaction are set forth in writing and the Board of Directors (including a majority of the disinterested members of the Board of Directors) approves such Affiliate Transaction and, in its good faith judgment, believes that such Affiliate Transaction complies with clause (a) of this paragraph and (c) with respect to an Affiliate Transaction involving aggregate payments or value in excess of €20 million, the terms of such Affiliate Transaction are set forth in writing and the Company obtains a written opinion from an Independent Appraiser to the effect that such Affiliate Transaction is fair, from a financial point of view, to the Company or is not less favorable to the Company or such Restricted Subsidiary than could have been obtained in a comparable arms' length transaction with a Person that is not an Affiliate of the Company or a Restricted Subsidiary.

The foregoing covenant will not prohibit: (A) Permitted Investments and any Restricted Payment permitted to be paid as described above under "—Limitation on Restricted Payments," (B) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of or other transactions pursuant to, employment arrangements, stock options and stock ownership plans approved by the Board of Directors of the Company, (C) loans or advances to employees of the Company in the ordinary course of business, (D) the payment of reasonable fees, compensation and employee benefit arrangements, customary insurance and indemnities to directors, officers, managers, employees or consultants of the Company and of Restricted Subsidiaries, (E) any transaction between the Company and a Restricted Subsidiary or between Restricted Subsidiaries, (F) the performance of any agreement as in effect on the Issue Date which is disclosed to Holders of the Secured Notes in the Offering Memorandum under the heading "Certain Relationships and Related Party Transactions" or any amendment or renewal thereto or any transaction contemplated thereby or in any replacement agreement thereto so long as any such amendment or renewal or replacement agreement is not more disadvantageous to the Holders of Secured Notes (as determined by the Board of Directors of the Company in their reasonable and good faith judgment) in any material respect than the original agreement, (G) transactions between or among any of the Company, any of its Subsidiaries and any Person in connection with a Qualified Receivables Financing, in each case provided that such transactions are not otherwise prohibited by the Secured Indenture, (H) transactions between the Company or any of its Restricted Subsidiaries and any Person that is an Affiliate solely as a result of the ownership by the Company or any of its Restricted Subsidiaries of Capital Stock of such Person, (I) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Secured Indenture which are fair to the Company or its Restricted Subsidiaries, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party, in each case in the reasonable determination of the Board of Directors of the Company or the senior management thereof or (J) payments by the Company or any of its Restricted Subsidiaries, directly or indirectly, to CVC Capital Partners Limited and its Affiliates made for any financial advisory, financing, underwriting, management or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments are reasonably related to the services performed and customary for the nature of the services performed and approved by the Board of Directors of the Company in good faith.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, Incur Secured Debt of any kind (other than Secured Debt secured by a Permitted Lien) unless contemporaneously therewith, effective provision is also made that:

(1) in the case of Secured Debt that is expressly subordinate or junior in right of payment to the Secured Notes or a Secured Note Guarantee, the Secured Notes or such Secured Note Guarantee, as the case may be, are secured prior to such Secured Debt for so long as such Secured Debt is secured by a Lien; and

(2) in all other cases, the Secured Notes or the Secured Note Guarantee of such Secured Note Guarantor, as the case may be, is secured equally and ratably to such Secured Debt for so long as such Secured Debt is secured by a Lien.

Limitation on guarantees of Debt by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary that is not a Secured Note Guarantor, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of any Debt of the Company or a Secured Note Guarantor under any Debt unless:

(1) (A) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for a Secured Note Guarantee of payment of the Secured Notes by such Restricted Subsidiary on the same terms as the guarantee of such Debt; and

(B) with respect to any guarantee of Subordinated Obligations by such Restricted Subsidiary, any such guarantee will be subordinated to such Restricted Subsidiary's Secured Note Guarantee at least to the same extent as such Subordinated Obligations are subordinated to the Secured Notes; and

(2) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Secured Note Guarantee.

Notwithstanding the foregoing, the Company shall not be obligated to cause any such Restricted Subsidiary to guarantee the Secured Notes to the extent that such Secured Note Guarantee would reasonably be expected to give rise to or result in (i) any violation of applicable law, rule, regulation or order that cannot be avoided or otherwise prevented through measures reasonably available to the Company or such Restricted Subsidiary or (ii) any liability for the officers, directors or shareholders of such Restricted Subsidiary.

In addition, notwithstanding the foregoing and the other provisions of the Secured Indenture, any Secured Note Guarantee issued pursuant to this covenant by a Restricted Subsidiary shall provide by its terms that it shall be automatically and unconditionally released and discharged in the circumstances described under "—Credit enhancement—Release of Secured Note Guarantees."

Limitation on restrictions on distributions from Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to (a) pay dividends or make any other distributions on its Capital Stock, (b) make any loans or advances to the Company or any other Restricted Subsidiary or (c) transfer any of its property or assets to the Company or any other Restricted Subsidiary, except:

(i) any encumbrance or restriction which is in effect at or entered into on the Issue Date, including pursuant to the Revolving Credit Facility, and which is (a) disclosed in the Offering Memorandum under the heading "Description of Other Indebtedness" or "Description of the Unsecured Notes," or the Unsecured Indenture, or (b) in respect of Debt permitted under clause (iv) of the second paragraph of the covenant described under "—Limitation on Debt," provided that the encumbrance or restriction applies only to the Restricted Subsidiary which owns the Riva del Garda co-generation facility and the conditions of clause (B) of such clause (iv) are satisfied;

(ii) any encumbrance or restriction with respect to a Restricted Subsidiary or property or assets pursuant to an agreement on or prior to the date on which such Restricted Subsidiary or property or assets was acquired by the Company or a Restricted Subsidiary (other than Debt Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a

Restricted Subsidiary or was acquired by the Company or Restricted Subsidiary or the property or assets were acquired by the Company or Restricted Subsidiary) and outstanding on such date;

(iii) any encumbrance or restriction pursuant to an agreement effecting an amendment, modification, restatement, renewal, increase, supplement, refund, replacement or refinancing of an agreement referred to in clauses (i) or (ii) of this covenant or this clause (iii); *provided, however*, that the encumbrances and restrictions contained in any such agreement or amendment, taken as a whole, are no less favorable to the Holders of the Secured Notes than encumbrances and restrictions contained in such predecessor agreements;

(iv) any encumbrance or restriction (A) consisting of customary provisions restricting subletting or assignment of leases and customary provisions in other agreements that restrict assignment of such agreements or rights thereunder or customary restrictions contained in asset sale agreements limiting the transfer of such property pending the closing of such sale, (B) arising by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the terms of the Secured Indenture or (C) arising or agreed to in the ordinary course of business and that does not, individually or in the aggregate, detract from the value of property or assets of the Company and its Restricted Subsidiaries, taken as a whole, in any manner material to the Company and its Restricted Subsidiaries, taken as a whole;

(v) in the case of clause (c) above, restrictions contained in Capitalized Lease Obligations, security agreements or mortgages securing Debt of a Restricted Subsidiary to the extent such restrictions restrict the transfer of the property subject to such Capitalized Lease Obligations, security agreements or mortgages;

(vi) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

(vii) any encumbrance or restriction with respect to a Restricted Subsidiary imposed pursuant to a Permitted Joint Venture Transaction;

(viii) any encumbrance or restriction pursuant to an agreement related to Debt in respect of any Qualified Receivables Financing which is permitted under clause (viii) of the second paragraph of the covenant described under "—Limitation on Debt;"

(ix) any encumbrance or restriction imposed pursuant to any Interest Rate Protection Agreement, Currency Exchange Protection Agreement or Commodity Agreement;

(x) any encumbrance or restriction imposed by applicable law, rules, regulations and/or orders;

(xi) any encumbrances or restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(xii) any encumbrances or restrictions Incurred in accordance with the covenant described under "—Limitation on Liens."

Limitation on sales of assets and Restricted Subsidiary stock

The Company will not, and will not permit any Restricted Subsidiary to, make any Asset Disposition unless:

(i) the Company or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value of the assets subject to such Asset Disposition;

(ii) at least 75% of such consideration consists of cash or Cash Equivalents, and is received at the time of the Asset Disposition (which shall be deemed to include other consideration converted to cash or Cash Equivalents within 90 days of such Asset Disposition); and

(iii) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company or such Restricted Subsidiary, as the case may be:

(A) *first*, to the extent the Company or such Restricted Subsidiary elects, to make an investment in, or expenditures for, properties and assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Company or another Restricted Subsidiary) within twelve months from the later of such Asset Disposition or the receipt of such Net Available Cash or pursuant to arrangements in place within the twelve-month period (to the extent such arrangements are completed within 180 days after execution of such arrangement);

(B) *second*, to the extent of the balance of such Net Available Cash after application in accordance with clause (A), to the extent the Company or such Restricted Subsidiary elects (or is required by the terms of Debt), to prepay, repay or purchase Senior Debt of the Company or any Secured Note Guarantor or Debt of a Subsidiary of the Company that is not a Secured Note Guarantor (in each case other than Debt owed to the Company or an Affiliate of the Company) within twelve-months from the later of the date of such Asset Disposition or the receipt of such Net Available Cash;

(C) *third*, to the extent of the balance of such Net Available Cash after application in accordance with clauses (A) and (B), to the extent the Company elects, to purchase Secured Notes;

(D) *fourth*, to the extent of the balance of such Net Available Cash after application in accordance with clauses (A), (B) and (C), to make a Prepayment Offer (as defined below) to purchase Secured Notes pursuant to and subject to the conditions described below; and

(E) *fifth*, to the extent of the balance of such Net Available Cash after application in accordance with clauses (A), (B), (C), or (D), for any purpose permitted by the Secured Indenture;

provided, however, that, in connection with any prepayment, repayment or purchase of Debt pursuant to clause (B), (C) or (D), the Company or such Restricted Subsidiary will retire such Debt and will cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased.

Notwithstanding the foregoing provisions, the Company and the Restricted Subsidiaries will not be required to apply any Net Available Cash in accordance with such foregoing provisions to the extent that such Net Available Cash does not exceed €10 million during any fiscal year, except to the extent that the aggregate Net Available Cash from all Asset Dispositions which are not applied in accordance with the foregoing provisions exceeds €20 million. Pending application of Net Available Cash pursuant to this provision, such Net Available Cash may be used to temporarily reduce revolving credit borrowings or otherwise invested in any manner that is not prohibited by the terms of the Secured Indenture.

In the event of any Asset Disposition that requires the purchase of Secured Notes pursuant to clause (D), the Company will be required to purchase Secured Notes tendered pursuant to any offer by the Company for Secured Notes (the “Prepayment Offer”) at a purchase price of 100% of their principal amount plus accrued interest (if any) to the Purchase Date (as defined below) in accordance with the procedures (including prorating the Secured Notes and Unsecured Notes in the event of oversubscription on the basis of the aggregate amount of each series of Notes tendered) set forth in the Secured Indenture. The Company will not be required to make a Prepayment Offer for Secured Notes if the Net Available Cash available therefor (after application of the proceeds as provided in clauses (A), (B) and (C)) is less than €10 million for any particular Asset Disposition (which lesser amounts will be carried forward for purposes of determining whether a Prepayment Offer is required with respect to the Net Available Cash from any subsequent Asset Disposition).

Promptly, and in any event within ten days after the Company becomes obligated to make a Prepayment Offer, the Company will deliver to the Secured Notes Trustee and to each Holder of Secured Notes in accordance with the provisions set forth under “—Notices” a written notice stating that such Holder may elect to have its Secured Notes purchased by the Company, either in whole or in part (subject to prorating in the event the Prepayment Offer is oversubscribed) and in principal amounts of €50,000 and integral multiples of €1,000 above €50,000 at the applicable purchase price. The notice will specify a purchase date not less than 30 days nor more than 60 days after the date of such notice (the “Purchase Date”) and will contain information concerning the business of the Company which the Company in good faith believes will enable Holders of Secured Notes to make an informed decision and will contain all instructions and material necessary to tender Secured Notes pursuant to the Prepayment Offer and the procedures for withdrawing such a tender (such procedures as set forth in the Secured Indenture). After consummation of any Prepayment Offer, Net Available Cash shall be reset to zero.

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the U.S. Exchange Act and any other securities laws or regulations in connection with the repurchase of Secured Notes as described above. To the extent that the provisions of any securities laws or regulations conflict with provisions relating to the Prepayment Offer, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations described above by virtue thereof.

For the purposes of this covenant, the following will be deemed to be cash: (1) the assumption by the transferee of Debt (other than Subordinated Obligations) of the Company or any Restricted Subsidiary and the release of the Company or such Restricted Subsidiary from all liability on such Debt in connection with such Asset Disposition (in which case the Company shall, without further action, be deemed to have applied such assumed Debt in accordance with clause (iii) of the first paragraph of this covenant); and (2) (a) Capital Stock of a Person conducting a Related Business that as a result of such acquisition becomes a Restricted Subsidiary of the Company and (b) any other property or assets (other than Debt and Capital Stock) that are used or useful in a Related Business.

Monitoring by Secured Notes Trustee

The Secured Notes Trustee shall have no responsibility for monitoring any of the covenants described in this section "—Certain covenants" and shall be entitled to assume, unless it receives written notice to the contrary, that the Company and any Restricted Subsidiaries are all complying with their covenant obligations described herein. The Company shall, pursuant to the Secured Indenture, provide to the Secured Notes Trustee a certificate of compliance on an annual basis certifying compliance (or not, as applicable) with such covenants, and the Secured Notes Trustee will be entitled to rely on such certificates absolutely and without further enquiry.

Reports to Holders

For so long as any Secured Notes are outstanding, the Company will provide to the Secured Notes Trustee the following reports:

(a) within 120 days after the end of the Company's fiscal year, annual reports, in a level of detail that is comparable in all material respects to that included in the Offering Memorandum (with appropriate revisions, as reasonably determined by the Company, to reflect changes in segment reporting, and except that the Company shall not be required to commission expert reports as part of any description of the industry), containing, to the extent applicable, the following information: (i) audited consolidated balance sheets of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (ii) *Pro forma* income statement and balance sheet information of the Company, which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act ("Regulation S-X"), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *Pro forma* information has been provided in a previous report pursuant to clause (b)(ii) or (b)(iii) below (and *provided* that an acquisition, disposition or recapitalization that has occurred less than 75 calendar days prior to the date such report is to be provided, such acquisition, disposition or recapitalization shall be included in the report for the next fiscal quarter); (iii) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Company, and a discussion of material commitments and contingencies and critical accounting policies; (iv) a description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; (v) a description of material risk factors and material recent developments; (vi) earnings before interest, taxes, depreciation and amortization; (vii) capital expenditures; (viii) depreciation and amortization; and (ix) operating profit (loss) in IFRS;

(b) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Company, all quarterly financial statements of the Company containing the following information: (i) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter and year-to-date periods ending on the unaudited condensed balance sheet date, and the comparable prior year period, together with condensed footnote disclosure; (ii) *Pro forma* income statement and balance sheet information of the Company (which need not comply with Article 11 of Regulation S-X), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *Pro forma* information has been provided in a previous report pursuant to clause (b)(i) or (b)(iii) (and *provided* that an acquisition, disposition or recapitalization that has occurred less than 75 calendar days prior to the date such report is to be provided, such acquisition, disposition or recapitalization shall be included in the report for the next fiscal quarter or the current fiscal year, whichever occurs first); (iii) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Company, and a discussion of material commitments and contingencies and critical accounting polices; and (iv) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; and

(c) promptly after the occurrence of any material acquisition, disposition or restructuring of the Company and its Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at the Company or change in auditors of the Company or any other material event that the Company or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries, then the quarterly and annual financial information required by (a) and (b) above will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries.

All the financial statements and *Pro forma* financial information shall be prepared in accordance with IFRS on a consistent basis for the periods presented. Except as provided for above, no report need include separate financial statements or information for the Company or Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Offering Memorandum.

For purposes of this covenant, an acquisition or disposition shall be deemed "material" if the business acquired or disposed of would constitute a "significant subsidiary," as provided in Rule 1-02(w) of Regulation S-X, substituting 20% for 10% in the tests therein.

Contemporaneously with the furnishing of each such report discussed above, the Company will also post such report on the Company's website or otherwise provide substantially comparable public availability of such report. In the event that the Company becomes subject to the reporting requirements of Section 13(a) or 15(d) of the U.S. Exchange Act, or elects to comply with such provisions, the Company will, for so long as it continues to file the reports required by Section 13(a) with the SEC, make available to the Secured Notes Trustee the annual reports, information, documents and other reports that the Company is required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Company will be deemed to have complied with the provisions contained in the preceding three paragraphs.

The Secured Indenture also provides that, so long as any of the Secured Notes remain "restricted securities" within the meaning of Rule 501 under the U.S. Securities Act and during any period during which the Company is not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company will make available to any prospective purchaser of the Secured Notes or beneficial owner of Secured Notes in connection with any sale thereof the information required by Rule 144A(d)(4) under the U.S. Securities Act. The Company will also make any of the foregoing information available during normal business hours at the offices of the listing agent in Luxembourg if and so long as the Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of that exchange so require.

Limitation on lines of business

The Company will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than a Related Business or other than in connection with a Permitted Receivables Financing.

Consolidation, merger and sale of assets

The Company will not merge or consolidate with or into any other entity (other than a merger or consolidation of a Restricted Subsidiary into the Company, or the Company into a Restricted Subsidiary (except that such merger or consolidation shall comply with clauses (b) and (e) below) or sell, transfer, assign, lease, convey or otherwise dispose of all or substantially all of its property or assets in any one transaction or series of transactions unless the following requirements are satisfied:

(a) the Company shall be the surviving Person or the surviving Person (if other than the Company), formed by such consolidation or merger or the Person to which such sale, transfer, assignment, lease, conveyance or disposition is made shall be a corporation organised and existing under the laws of the United States of America or a State thereof or the District of Columbia or any European Union Member State (any such Person, the "Surviving Person");

(b) the Surviving Person (if other than the Company) expressly assumes, by supplemental indenture in form satisfactory to the Secured Notes Trustee, executed and delivered to the Secured Notes Trustee by such Surviving Person, all the obligations of the Company, including the due and punctual performance and observance of all the covenants and conditions, including covenants relating to payment of principal, interest, premium and Additional Amounts, of the Secured Indenture to be performed by the Company;

(c) immediately before and after giving effect to such transaction or series of transactions on a *Pro forma* basis (and treating any Debt which becomes, or is anticipated to become, an obligation of the Surviving Person or any Restricted Subsidiary as a result such transaction or series of transactions as having been Incurred by the Surviving Person or such Restricted Subsidiary at the time of such transaction or series of transactions), no Default or Event of Default shall have incurred and be continuing;

(d) immediately after giving effect to such transaction or series of transactions on a *Pro forma* basis (and treating any Debt which becomes, or is anticipated to become, an obligation of the Surviving Person or any Restricted Subsidiary as a result of such transaction or series of transactions as having been Incurred by the Surviving Person or such Restricted Subsidiary at the time of such transaction or series of transactions), (i) the Company or the Surviving Person (if other than the Company) would be able to Incur at least €1.00 of additional Debt under the first paragraph of the covenant described under "—Certain covenants—Limitation on Debt," or (ii) the Consolidated Coverage Ratio would be greater than or equal to the Consolidated Coverage Ratio immediately prior to giving *pro forma* effect to such transaction or transactions; and

(e) in connection with any consolidation, merger, transfer or other transaction contemplated by this provision, the Company shall deliver, or cause to be delivered, to the Secured Notes Trustee, in form satisfactory to the Secured Notes Trustee, an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, transfer or other transaction and the supplemental indenture in respect thereto comply with this provision and that all conditions precedent herein provided for relating to such transaction or transactions have been complied with.

Notwithstanding anything in this covenant to the contrary: (i) the Company (A) may merge with an Affiliate that has no material assets or liabilities and that is incorporated or organized solely for the purpose of reincorporating or reorganizing the Company in any state of the United States, the District of Columbia or any state which is a European Union Member State and (B) may otherwise convert its legal form under the laws of its jurisdiction of organization, in each case, without complying with clause (d) of the preceding paragraph and (ii) any transaction characterized as a merger under applicable law where each of the constituent entities survives, shall not be treated as a merger for purposes of this covenant, but shall instead be treated as (x) an Asset Sale, if the result of such transaction is the transfer of assets by the Company or a Restricted Subsidiary, or (y) an Investment, if the result of such transaction is the acquisition of assets by the Company or a Restricted Subsidiary.

Upon assumption by the Surviving Person of the obligations of the Company under the Secured Indenture, the Surviving Person will succeed to, and be substituted for, and may exercise every right and power of the Company under the Secured Indenture, and the predecessor (except in the case of a lease) and the Company will be released from its obligations under the Secured Indenture.

Restricted and Unrestricted Subsidiaries

The Board of Directors of the Company may designate or redesignate any Subsidiary of the Company or any Restricted Subsidiary to be an Unrestricted Subsidiary if (i) the Subsidiary to be so designated does not own any Capital Stock, Redeemable Stock or Debt of, or own or hold any Lien on any property or assets of, the Company or any other Restricted Subsidiary, (ii) the Subsidiary to be so designated is not obligated by any Debt, Lien or other obligation that, if in default, would result (with the passage of time or notice or otherwise) in a default on any Debt of the Company or any Restricted Subsidiary and (iii) such designation complies with the covenant described under "—Certain covenants—Limitation on Restricted Payments." For purposes of the covenant described under

"—Certain covenants—Limitation on Restricted Payments," "Investment" will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the company's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets (as conclusively determined by the Board of Directors of the Company in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary. Unless so designated as an Unrestricted Subsidiary, any Person that becomes a Subsidiary of the Company or of any Restricted Subsidiary will be classified as a Restricted Subsidiary. Except as provided in the first sentence of this paragraph, no Restricted Subsidiary may be redesignated as an Unrestricted Subsidiary. Any such designation by the Board of Directors of the Company will be evidenced to the Secured Notes Trustee by the Company by promptly filing with the Secured Notes Trustee a copy of the resolution of such Board giving effect to such designation and delivering an Officer's Certificate, in form satisfactory to the Secured Notes Trustee, certifying that such designation complies with the foregoing provisions.

The Company will not, and will not permit any Unrestricted Subsidiary to, take any action or enter into any transaction or series of transactions that would result in a Person becoming a Restricted Subsidiary (whether through an acquisition, the redesignation of an Unrestricted Subsidiary or otherwise) unless after giving effect to such action, transaction or series of transactions, on a *Pro forma* basis, (i)(a) the Company could Incur at least €1.00 of additional Debt pursuant to the first paragraph of the covenant described under "—Certain covenants—Limitation on Debt," or (b) the Consolidated Coverage Ratio would be greater than or equal to the Consolidated Coverage Ratio immediately prior to giving *Pro forma* effect to such transaction or transactions and (ii) no Default or Event of Default would occur or be continuing.

Impairment of security interest

(a) Subject to paragraph (b) below, the Company will not, and will not permit any Restricted Subsidiary to, take, or knowingly or negligently omit to take, any action, which action or omission might or would have the result of materially impairing the security interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Liens relating to the Collateral securing the Secured Notes shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Holders of Secured Notes, and the Company will not, and will not permit any Restricted Subsidiary to, grant to any Person other than the Secured Notes Trustee or the Security Trustee, for the benefit of the Holders, the Secured Notes Trustee, the Security Trustee and the other beneficiaries described in the Security Documents, any interest whatsoever in any of the Collateral, except as permitted in the Security Documents; *provided, however*, that in each case the Company or any Restricted Subsidiary may Incur Permitted Liens and the Collateral may be discharged and released in accordance with the Secured Indenture.

(b) At the direction of the Company and without the consent of the Holders, the Security Trustee will from time to time enter into one or more amendments to the Security Documents to: (i) cure any ambiguity, omission, defect or inconsistency therein, (ii) provide for Permitted Liens, (iii) add to the Collateral, (iv) provide for the discharge and release of the Collateral in accordance with the Secured Indenture or (v) make any other change thereto that does not adversely affect the Holders in any material respect (including to permit the incurrence of Debt by the issuance of Additional Notes permitted to be incurred pursuant to the covenant described under "Limitation on Debt" (any such issuance, an "Additional Notes Issuance")); *provided, however*, that no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, unless in compliance with the Intercreditor Agreement and contemporaneously with such amendment, extension, renewal, restatement, supplement, modification or replacement, the Company delivers to the Secured Notes Trustee either (1) a solvency opinion, in form and substance reasonably satisfactory to the Secured Notes Trustee from an Independent Appraiser confirming the solvency of the Company and its Restricted Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (2) an Opinion of Counsel, subject to customary limitations, in form and substance satisfactory to the Secured Notes Trustee confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens (other than in respect of Liens on assets that have been added to the Collateral as a result of such amendment, extension, renewal, restatement, supplement, modification or replacement) securing the Secured Notes (other than any Additional Secured Notes) created under the Security Documents so amended, extended, renewed, restated, supplemented or otherwise modified or replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period (other than in the case of an Additional Notes Issuance), in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

Modification of the Intercompany Loans

The Company will not and will not permit any of its Restricted Subsidiaries (i) to change the Stated Maturity of the principal of, or any installment of interest on, the Intercompany Loans; (ii) to reduce the rate of interest on the Intercompany Loans to below the interest rate of the Secured Notes; (iii) to change the currency for payment of any amount under the Intercompany Loans; (iv) to prepay or otherwise reduce or permit the prepayment or reduction of the Intercompany Loans (save to facilitate a corresponding payment of principal on the Secured Notes); (v) to assign or novate the Intercompany Loans (except as permitted under the Secured Indenture); or (vi) to amend, modify or alter the Intercompany Loans in any manner materially adverse to the Holders of Secured Notes, except as necessary to eliminate or minimize any present or future material tax, duty, levy, import, assessment or other material governmental charge; or (vii) to take any action at any meeting in respect of the holders of the Intercompany Loans which may be materially adverse to the interests of the Holders of the Secured Notes or have the effect of impairing the Intercompany Loans.

Suspension of Certain Covenants When Secured Notes Rated Investment Grade

If on any date following the date of the Secured Indenture, (1) the Secured Notes are rated (a) Baa3 or better by Moody's and (b) BBB- or better by S&P (or, if either Moody's or S&P ceases to rate the Secured Notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from Fitch Ratings or, in the absence of such, any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Company as a replacement agency so that the Secured Notes are so rated by at least two such credit rating agencies); and (2) no Default or Event of Default shall have occurred and be continuing, then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this listing memorandum will be suspended:

(1) "—Limitation on Debt";

(2) "—Limitation on Restricted Payments";

(3) "—Transactions with Affiliates";

(4) "—Limitation on guarantees of Debt by Restricted Subsidiaries";

(5) "—Limitation on restrictions on distributions from Restricted Subsidiaries"; and

(6) "—Limitation on sales of assets and Restricted Subsidiary stock."

During any period that the foregoing covenants have been suspended, the Company's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described above under the caption "—Certain covenants—Restricted and Unrestricted Subsidiaries."

Notwithstanding the foregoing, if the rating assigned by any such Rating Agency should subsequently decline to below Baa3 or BBB-, as applicable, the foregoing covenants will be reinstituted as of and from the date of such Rating Decline, and, upon any such event, the Company shall promptly notify the Secured Notes Trustee. Such covenants will not, however, be of any effect with respect to actions properly taken during the period of suspension. Calculations under the reinstated "—Certain covenants—Limitation on Restricted Payments" covenant will be made as if the "—Certain covenants—Limitation on Restricted Payments" covenant had been in effect since the date of the Secured Indenture except that no default will be deemed to have occurred by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Secured Notes will ever achieve an investment grade rating or that any such rating will be maintained.

Defaults

An "Event of Default" will occur under the Secured Indenture if:

(i) the Company fails to make any payment of interest (including Additional Amounts) on any Secured Note when the same shall become due and payable, and such failure continues for a period of 30 days;

(ii) the Company fails to make the payment of the principal or premium, if any, on any Secured Note when the same becomes due and payable at its Stated Maturity, upon declaration, redemption, acceleration, required purchase or otherwise;

(iii) the Company fails to comply with any of its respective covenants or agreements described under "—Certain covenants—Consolidation, merger and sale of assets;"

(iv) the Company fails to comply with its obligations under the covenants described under "—Change of Control" above or under the covenants described under "—Certain covenants" (other than a failure to purchase Secured Notes which will constitute an Event of Default under clause (ii) and other than a failure to comply with "—Certain covenants—Consolidation, merger and sale of assets" which will constitute an Event of Default under clause (iii)) and such failure continues for a period of 30 days after the notice specified below;

(v) the Company fails to comply with any of the covenants in the Secured Notes or the Secured Indenture (other than those specified in clauses (i), (ii), (iii) and (iv)) and such failure continues for a period of 60 days after the notice specified below;

(vi) Debt of the Company or any Significant Restricted Subsidiary (or any other Restricted Subsidiary if such Debt is, or with the giving of notice or the passage of time or otherwise may become, directly or indirectly, recourse to the Company or any Significant Restricted Subsidiary) is not paid within any applicable grace period after final maturity or is accelerated by the holders thereof and the total amount of such Debt unpaid or accelerated exceeds €20 million or its equivalent;

(vii) any judgment or decree aggregating in an uninsured amount in excess of €20 million or its equivalent at the time is rendered against the Company or any Significant Restricted Subsidiary (or any other Restricted Subsidiary if such judgment or decree is, or with the giving of notice or the passage of time or otherwise may become, directly or indirectly, recourse to the Company or any Significant Restricted Subsidiary) and there is a period of 60 days following the entry of such judgment or decree during which such judgment or decree is not discharged, waived or the execution thereof stayed or is not covered by indemnities or third party insurance as to which the Person giving such indemnity or such insurer has not discharged coverage and such default continues for ten days after the notice specified below;

(viii) the Company or any Significant Restricted Subsidiary pursuant to or within the meaning of any Bankruptcy Law (A) commences a voluntary case, (B) consents to the entry of an order for relief against it in an involuntary case, (C) consents to the appointment of a Custodian of it or for any substantial part of its property or (D) makes a general assignment for the benefit of its creditors; or takes any comparable action under any laws relating to insolvency or laws having a similar effect for creditors;

(ix) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that: (A) is for relief against the Company or any Significant Restricted Subsidiary in an involuntary case, (B) appoints a Custodian of the Company or any Significant Restricted Subsidiary or for any substantial part of its property, or (C) orders the winding up or liquidation of the Company or any Significant Restricted Subsidiary; or any similar relief is granted under any foreign laws, and, in each case, the order or decree remains unstayed and in effect for 60 days;

(x) any Secured Note Guarantee ceases to be, or is asserted by any Secured Note Guarantor, or any Person acting on behalf of any Secured Note Guarantor, not to be in full force and effect or enforceable in accordance with its terms (other than as provided for in the Secured Indenture or any Secured Note Guarantee) and any such Default continues uncured for a period of 21 days; or

(xi) the security interest purported to be created under any Security Document, at any time, ceases to be in full force and effect and to constitute a valid and perfected Lien with the priority required by the applicable Security Document and/or the Intercreditor Agreement for any reason other than the satisfaction in full of all obligations under the Secured Indenture and discharge of the Secured Indenture or in accordance with the terms of the Secured Indenture and the Intercreditor Agreement or any security interest purported to be created under any Security Document is declared invalid or unenforceable or any Person granting any such security interest asserts in any pleading in any court of competent jurisdiction that any such security interest is invalid or unenforceable and (but only in the event that such failure to be in full force and effect or such assertion is capable of being cured without imposing any new hardening period, in equity or at law, that such security interest was not otherwise subject immediately prior to such failure or assertion) such failure to be in full force and effect or such assertion has continued uncured for a period of 21 days; *provided, however*, that any such cessation, declaration, or assertion shall not constitute a Default hereunder unless it shall adversely affect in a material respect the condition or the value of the Collateral, taken as a whole.

A Default under clause (iv) or (v) will not be an Event of Default until the Secured Notes Trustee notifies the Company or the Holders of at least 25% in aggregate principal amount of the Secured Notes then outstanding notify the Company and the Secured Notes Trustee in writing of the Default and the Company does not cure such Default within the time specified after receipt of such notice. Such notice must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default."

For the avoidance of doubt, the voluntary liquidation or dissolution of a Significant Restricted Subsidiary in connection with the transfer of all or substantially all of the properties and assets of such Significant Restricted Subsidiary to another Significant Restricted Subsidiary in compliance with the terms of the Secured Indenture shall not constitute an Event of Default.

The Company will deliver to the Secured Notes Trustee, within 30 days after the occurrence thereof, written notice in the form of an Officer's Certificate of any event which, with the giving of notice and the lapse of time, would become an Event of Default under clause (iv) or (v), its status and what action the Company is taking or proposes to take with respect thereto.

If an Event of Default (other than an Event of Default specified in clause (viii) or (ix)) occurs and is continuing, the Secured Notes Trustee, by notice in writing to the Company, or the Holders of at least 25% in aggregate principal amount of the Secured Notes then outstanding by notice to the Company and the Secured Notes Trustee, may declare the principal of, premium, if any, and accrued interest on all Secured Notes to be due and payable and instruct the Security Trustee to enforce the transaction security. Upon such declaration, such principal accrued interest will be due and payable immediately. If an Event of Default specified in clause (viii) or (ix) occurs, the principal of and interest on all the Secured Notes will ipso facto become and be immediately due and payable without any declaration or other act on the part of the Secured Notes Trustee or any Holders of the Secured Notes and the transaction security will ipso facto become immediately enforceable. After any such acceleration, but before a judgment or decree based on such acceleration is obtained by the Secured Notes Trustee, the registered Holders of a majority in aggregate principal amount of the Secured Notes then outstanding may, under certain circumstances, rescind and annul such acceleration if all Events of Default, other than the nonpayment of accelerated principal, premium or interest, have been cured or waived as provided in the Secured Indenture.

The Holders of a majority in aggregate principal amount of the Secured Notes by notice to the Secured Notes Trustee may waive an existing Default and its consequences except (i) a Default in the payment of the principal of, premium if any, or interest on a Secured Note or (ii) a Default in respect of a provision that cannot be amended without the consent of Holders of a percentage higher than 50.1% of the aggregate principal amount of Secured Notes affected. When a Default is waived, it is deemed cured, but no such waiver will extend to any subsequent or other Default or impair any consequent right.

The Holders of a majority in aggregate principal amount of the Secured Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Secured Notes Trustee or of exercising any trust or power conferred on the Secured Notes Trustee. However, the Secured Notes Trustee may refuse to follow any direction that conflicts with law or the Secured Indenture or that the Secured Notes Trustee determines is unduly prejudicial to the rights of other Holders or would involve the Secured Notes Trustee in personal liability; *provided, however*, that the Secured Notes Trustee may take any other action deemed proper by the Secured Notes Trustee that is not inconsistent with such direction. Prior to taking any action under the Secured Indenture, the Secured Notes Trustee will be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

A Holder of Secured Notes may not pursue any remedy with respect to the Secured Indenture or the Secured Notes unless: (i) such Holder gives to the Secured Notes Trustee written notice stating that an Event of Default is continuing; (ii) Holders of at least 25% in aggregate principal amount of the Secured Notes then outstanding make a written request to the Secured Notes Trustee to pursue the remedy; (iii) such Holder or Holders offer to the Secured Notes Trustee reasonable security or indemnity against any loss, liability or expense; (iv) the Secured Notes Trustee does not comply with the request within 60 days after receipt of the request and the offer of security or indemnity; and (v) the Holders of a majority in principal amount of the Secured Notes do not give the Secured Notes Trustee a written direction inconsistent with the request during such 60-day period.

Notwithstanding the foregoing, the Secured Note Guarantees and Security Documents may only be enforced by or, as the case may be, at the discretion of the Secured Notes Trustee (acting of its own volition or on the direction of the Holders of a majority in principal amount of the outstanding Secured Notes) (see "—Credit enhancement").

Amendments and waivers

Subject to certain exceptions, the Secured Indenture, the Secured Notes, the Intercreditor Agreement and the Security Documents may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the Secured Notes then outstanding (including consents obtained in connection with a consent solicitation, tender offer or exchange for the Secured Notes) and any existing or past default or compliance with any provisions may be waived with the consent of the Holders of at least a majority in an aggregate principal amount of the Secured Notes then outstanding. However, without the consent of Holders of at least 90% of the aggregate principal amount of the outstanding Secured Notes affected thereby, no amendment may, among other things, (i) reduce the amount of Secured Notes whose Holders must consent to an amendment, (ii) reduce the rate of or extend the time for payment of interest on any Secured Note, (iii) reduce the principal of or extend the Stated Maturity of any Secured Note, (iv) reduce the premium payable upon the redemption of any Secured Note or change the time or times at which any Secured Notes may or shall be redeemed, (v) make any Secured Note payable in money other than that stated in the Secured Note, (vi) impair the right of any Holder of Secured Notes to institute suit for the enforcement of any payment on or with respect to any Secured Notes, or (vii) release any security that may have been granted in respect of the Secured Notes other than pursuant to the terms of the Security Documents, the Intercreditor Agreement or as otherwise permitted under the Secured Indenture. Notwithstanding the foregoing, the Secured Indenture may be amended with the consent of Holders of 66 2/3% of the aggregate principal amount of outstanding Secured Notes to release a Secured Note Guarantee (if such consent is required by the Secured Indenture).

Notwithstanding the foregoing, without the consent of any Holder of the Secured Notes, the Company, the Secured Note Guarantors, the Security Trustee and the Secured Notes Trustee may, among other things, amend or supplement the Secured Indenture, the Secured Notes, the Intercreditor Agreement and the Security Documents to cure any ambiguity, omission, defect or inconsistency, to provide for the assumption by a Surviving Person of the obligations of the Company under the Secured Indenture, to provide for the issuance of Additional Secured Notes in accordance with the limitations set forth in the Secured Indenture and to make such changes as may be required to the Security Documents to accommodate and implement such issuance of Additional Secured Notes, to the extent necessary to provide for the granting of a security interest for the benefit of any Person, *provided* that the granting of such security interest is not prohibited under the Secured Indenture, to provide for uncertificated Secured Notes in addition to or in place of certificated Secured Notes, evidence and provide for the acceptance and appointment under the Secured Indenture of a successor trustee pursuant to the requirements thereof, comply with the rules of any applicable securities depository, conform the text of the Secured Indenture, the Secured Notes, the Secured Note Guarantees, the Intercreditor Agreement or the Security Documents to any provision of the description of the Secured Notes to the extent that such provision in the description of the Secured Notes was intended to be a verbatim recitation of a provision of the Secured Indenture, the Secured Notes, the Secured Note Guarantees, the Intercreditor Agreement or the Security Documents, to add Secured Note Guarantees with respect to the Secured Notes or release a Secured Note Guarantor upon its designation as an Unrestricted Subsidiary or as otherwise permitted by the Secured Indenture; *provided, however,* that the release is in accord with the applicable provisions of the Secured Indenture, to secure the Secured Notes and to amend the mechanical provisions to facilitate release of all or any portion of the Collateral pursuant to the terms of the Secured Indenture, to add to the covenants of the Company for the benefit of the Holders of the Secured Notes or to surrender any right or power conferred upon the Company, or make any change that does not adversely affect the rights of any Holder of the Secured Notes.

The consent of the Holders of the Secured Notes is not necessary under the Secured Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Secured Indenture by any Holder of Secured Notes given in connection with a tender of such Holder's Secured Notes will not be rendered invalid by such tender.

After an amendment under the Secured Indenture becomes effective, the Company is required to mail to each registered Holder of the Secured Notes at its address appearing in the security register a notice briefly describing such amendment. However, the failure to give such notice to all Holders of the Secured Notes, or any defect therein, will not impair or affect the validity of the amendment.

Amendments to the Intercreditor Agreements

The Secured Indenture will provide that, at the direction of the Company and without the consent of the Holders of Secured Notes, the Secured Notes Trustee shall from time to time enter into one or more amendments to the Intercreditor Agreement to (A) cure any ambiguity, omission, defect or inconsistency of the Intercreditor Agreement, (B) increase the amount of Debt of the types covered by the Intercreditor Agreement that may be Incurred by the Company or a Secured Note Guarantor that is subject to the Intercreditor Agreement (including the addition of provisions relating to new Debt ranking junior in right of payment to the Secured Notes or the Secured Note Guarantees, as applicable), (C) add Secured Note Guarantors to the Intercreditor Agreement, (D) further secure the Secured Notes (including Additional Secured Notes), or (E) make any other such change to the Intercreditor Agreement that does not adversely affect the Holders of Secured Notes in any material respect.

The Company shall not otherwise direct the Secured Notes Trustee to enter into any amendment to the Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Secured Notes then outstanding, except as otherwise permitted under this covenant, and the Company may only direct the Secured Notes Trustee to enter into any amendment to the extent that such amendment does not impose any personal obligations on the Secured Notes Trustee or adversely affect the rights, duties, liabilities or immunities of the Secured Notes Trustee under the Secured Indenture or the Intercreditor Agreement.

Each Holder of Secured Notes, by accepting a Secured Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein). A copy of the Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the Secured Notes Trustee and, for so long as any Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, at the offices of the Paying Agent in Luxembourg.

Satisfaction and Discharge

The Secured Indenture (and all Liens on Collateral created pursuant to the Security Documents) and the Secured Note Guarantees will be discharged and will cease to be of further effect (except as otherwise expressly provided for in the Secured Indenture) when either (i) all outstanding Secured Notes have been delivered (other than lost, stolen or destroyed Secured Notes which have been replaced) to the Secured Notes Trustee for cancellation or (ii) all outstanding Secured Notes not theretofore delivered to the Secured Notes Trustee for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise or will become due and payable by reason of the making of a notice of redemption or otherwise within one year and the Company has irrevocably deposited with the Secured Notes Trustee cash in euro or euro-denominated European Government Obligations or a combination thereof sufficient to pay at maturity or upon redemption all outstanding Secured Notes, including interest thereon (other than lost, stolen or destroyed Secured Notes which have been replaced), and, in either case, the Company has paid all sums payable by it under the Secured Indenture. The Secured Notes Trustee will be required to acknowledge satisfaction and discharge of the Secured Indenture on written demand of the Company accompanied by an Officer's Certificate at the cost and expense of the Company.

Defeasance

The Company may, at any time, terminate (i) all obligations under the Secured Notes, the Secured Note Guarantees and the Secured Indenture ("legal defeasance option") or (ii) obligations to comply with certain restrictive covenants, including certain of the covenants described under "—Certain covenants" ("covenant defeasance option"). The Company may exercise its legal defeasance option notwithstanding any prior exercise of their covenant defeasance option.

If the Company exercises its legal defeasance option, payment of the Secured Notes may not be accelerated because of an Event of Default. If the Company exercises its covenant defeasance option, payment of the Secured Notes may not be accelerated because of certain Events of Default described under "—Defaults" (not including, among others, Events of Default relating to nonpayment, bankruptcy and insolvency events) or because of the failure of the Company to comply with certain covenants specified in the Secured Indenture. If the Company exercises its legal defeasance option or its covenant defeasance option, each Secured Note Guarantor will be released from all of its obligations with respect to its Secured Note Guarantee and the Collateral will be released as security for the Secured Notes.

The Company may exercise its legal defeasance option or its covenant defeasance option only if (1) the Company irrevocably deposits in trust with the Secured Notes Trustee cash in euro or euro-denominated European Government Obligations or a combination thereof, for the payment of principal of and interest on the Secured Notes to maturity or redemption, as the case may be; (2) the Company delivers to the Secured Notes Trustee a certificate from a nationally recognized firm of independent certified public accountants expressing their opinion that the payments of principal and interest when due and without reinvestment will provide cash at such times and in such amounts as will be sufficient to pay principal and interest when due on all the Secured Notes to maturity or redemption, as the case may be; (3) 184 days pass after the deposit is made and during the 184-day period, no Default described in clause (vii) or (viii) under "—Defaults" occurs which is continuing at the end of the period; (4) the deposit does not constitute a default under any other agreement or instrument binding on the Company; (5) the Company delivers to the Secured Notes Trustee an Opinion of Counsel satisfactory to the Secured Notes Trustee in its sole discretion to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940, as amended; (6) in the case of the legal defeasance option, the Company delivers to the Secured Notes Trustee an Opinion of Counsel satisfactory to the Secured Notes Trustee in its sole discretion stating that (i) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (ii) since the date of the Secured Indenture there has been a change in the applicable U.S. federal income tax law, to the effect, in either case, that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the Secured Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred, *provided, however*, such Opinion of Counsel shall not be required if all the Secured Notes will become due and payable on the Maturity Date within one year or are to be called for redemption within one year under arrangements satisfactory to the Secured Notes Trustee; (7) in the case of the covenant defeasance option, the Company delivers to the Secured Notes Trustee an Opinion of Counsel satisfactory to the Secured Notes Trustee in its sole discretion to the effect that the Holders of the Secured Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and (8) the Company delivers to the Secured Notes Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the defeasance and discharge of the Secured Notes have been complied with as required by the Secured Indenture.

Notices

Notices to Holders of Secured Notes (while any Secured Notes are represented by one or more global notes) shall be delivered to Euroclear and Clearstream for communication to entitled account holders, or in the case of definitive Secured Notes, shall be given by mail to the addresses of Holders of such Secured Notes appearing on the register for such Secured Note, and in each case shall be published (so long as the Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of that exchange so require) in a leading newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*) or on the website of the Luxembourg Stock Exchange at www.bourse.lu.

No personal liability of directors, officers, employees and stockholders

No past, present or future director, officer, employee, incorporator, promoter, advisor or stockholder of the Company or any Secured Note Guarantor, as such, will have any liability for any obligations of the Company or the Secured Note Guarantors under the Secured Notes, the Secured Indenture, the Secured Note Guarantees, the Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Secured Notes by accepting a Secured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Secured Notes.

Concerning the Secured Notes Trustee

Deutsche Trustee Company Limited will be the Secured Notes Trustee under the Secured Indenture. The Secured Notes Trustee's current specified address is Winchester House, 1 Great Winchester Street, London EC2N 2DB.

The Secured Indenture will provide that, except during the continuance of an Event of Default, the Secured Notes Trustee will perform only such duties as are specifically set forth in the Secured Indenture. During the existence of an Event of Default, the Secured Notes Trustee will exercise such rights and powers vested in it by the Secured Indenture, and use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Subject to such provisions, the Secured Notes Trustee will be under no obligation to exercise any of its rights or powers under the Secured Indenture (including, without limitation, directing the Security Trustee to enforce any of the Security Documents) at the request of any Holder of Secured Notes, unless such Holder has offered to the Secured Notes Trustee security and/or indemnity satisfactory to it against loss, liability or expense as provided in the Secured Indenture.

The Secured Indenture provides for the indemnification of the Secured Notes Trustee and for its relief from responsibility in connection with its actions under the Secured Indenture. The Intercreditor Agreement provides that the Secured Notes Trustee is entitled to be paid amounts in respect of its fees, costs and expenses and claims under any indemnity in priority to payments to other creditors, including Holders of the notes. The Secured Indenture will provide that the Secured Notes Trustee may rely absolutely, without further enquiry, on any certificates, reports, opinions or other documents (whether or not any such document contains any limit on liability) from the Company, its subsidiaries, legal counsel, auditors, valuers and/or any other experts. The Secured Notes Trustee will not be responsible for the adequacy or fitness of any of the Collateral as security in relation to the notes. The Secured Notes Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any inadequacy of the Collateral.

The Secured Indenture and the Intercreditor Agreement will contain certain limitations on the rights of the Secured Notes Trustee, should it become a creditor of the Company, to obtain payments of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. The Secured Notes Trustee will be permitted to engage in other transactions; provided that if the Secured Notes Trustee acquires any conflicting interest, it must eliminate such conflict or resign.

Paying agent and Registrar for the Secured Notes

The Company will maintain a paying agent for the Secured Notes in (i) the City of London, and (ii) Luxembourg, for so long as the Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and its rules so require. The Company will undertake to maintain a paying agent in a European Union Member State that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive. The initial paying agents will be (i) Deutsche Bank AG, London Branch, in London, and (ii) Deutsche Bank Luxembourg, S.A., in Luxembourg.

The Company will also maintain one or more registrars (each, a "Registrar") with offices in Luxembourg and a transfer agent in each of (i) the City of London and (ii) for so long as the Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and its rules so require, Luxembourg. The initial Registrar will be Deutsche Bank Luxembourg, S.A. The initial transfer agents will be Deutsche Bank AG, London Branch, in London and Deutsche Bank Luxembourg, S.A., in Luxembourg. The Registrar and the transfer agent in Luxembourg will maintain a register reflecting ownership of certificated securities ("the Definitive Registered Secured Notes") outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered Secured Notes on behalf of the Company. Each transfer agent shall perform the functions of a transfer agent.

The Company may change any paying agent, Registrar or transfer agent for the Secured Notes without prior notice to the Holders of such Secured Notes. However, for so long as the Secured Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and its rules so require, the Company will deliver notice of the change in a paying agent, Registrar or transfer agent on the website of the Luxembourg Stock Exchange at www.bourse.lu. The Company or any of its Restricted Subsidiaries may act as paying agent or Registrar in respect of the Secured Notes.

Consent to jurisdiction and service of process

The Secured Indenture provides that the Company and each Secured Note Guarantor will irrevocably appoint CT Corporation Systems as their agent for service of process in any suit, action or proceeding with respect to the Secured Indenture, the Secured Notes or any Secured Note Guarantee brought in any U.S. federal or state court located in the Borough of Manhattan, City and State of New York and that each of the parties submit to the jurisdiction thereof.

Governing law

The Secured Indenture will provide that it, each Secured Note Guarantee and the Secured Notes will be governed by, and construed in accordance with, the laws of the State of New York. The Intercreditor Agreement is governed by, and construed in accordance with, English law. The Security Documents will be governed by, and construed in accordance with the laws of the jurisdictions in which the assets subject to those agreements are located.

Certain definitions

"*Acquired Debt*" means Debt (i) of any Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or (ii) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary or such acquisition. Acquired Debt shall be deemed to have been Incurred, with respect to clause (i) of the preceding sentence, on the date such Person became a Restricted Subsidiary and, with respect to clause (ii) of the preceding sentence, on the date of consummation of such acquisition of assets.

"*Additional Assets*" means any (i) property or assets (other than Debt and Capital Stock) that are used or useful in a Related Business; (ii) Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or another Restricted Subsidiary; or (iii) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary; provided, however, that in the case of clauses (ii) and (iii), such Restricted Subsidiary is primarily engaged in a Related Business.

"*Additional Secured Note Guarantee*" means a guarantee on the terms set forth in the Secured Indenture of the Company's obligations under the Secured Notes and the Secured Indenture issued by a company that becomes a Secured Note Guarantor (as defined in the Secured Indenture) in accordance with the terms of the Secured Indenture.

"*Additional Secured Notes*" has the meaning ascribed thereto under "—Principal, Maturity and Interest."

"*Additional Unsecured Note Guarantee*" means a guarantee on the terms set forth in the Unsecured Indenture of the Company's obligations under the Unsecured Notes and the Unsecured Indenture issued by a company that becomes an Unsecured Note Guarantor (as defined in the Unsecured Indenture) in accordance with the terms of the Unsecured Indenture.

"*Additional Unsecured Notes*" means any additional Unsecured Notes issued by the Company after the Issue Date pursuant to the terms of the Unsecured Indenture.

"*Affiliate*" of any specified Person means (i) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person or (ii) any other Person who is a director or officer (A) of such specified Person, (B) of any Subsidiary of such specified Person or (C) of any Person described in clause (i) above. For the purposes of this definition, "control" when used with respect to any Person will mean the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For purposes of "—Certain covenants—Transactions with Affiliates" and "—Certain covenants—Limitation on sales of assets and Restricted Subsidiary stock" only, "Affiliate" will also mean any beneficial owner of shares representing 10% or more of the total voting power of the Voting Stock (on a fully diluted basis) of the Company or of rights or warrants to purchase such Voting Stock (whether or not currently exercisable) and any Person who would be an Affiliate of any such beneficial owner pursuant to the first sentence hereof.

"*Approved Banks*" means banks with capital and surplus in excess of €500.0 million and whose long-term debt is rated "A" by S&P or "A2" by Moody's or higher.

"*Asset Disposition*" means any direct or indirect sale, lease, transfer or other disposition (or series of sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary, including any disposition by means of a merger, consolidation, Sale/Leaseback Transaction or other similar transaction (each referred to for the purposes of this definition as a "disposition"), of (i) any shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary), (ii) all or substantially all the assets of any division or line of business of the Company or any Restricted Subsidiary or (iii) any other assets of the Company or any Restricted Subsidiary (including, without limitation, with respect to any Sale/Leaseback Transaction) outside of the ordinary course of business of the Company or such Restricted Subsidiary, other than, in the case of (i), (ii) and (iii) above, (1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary, (2) for purposes of the covenant described under "—Certain covenants—Limitation on sales of assets and Restricted Subsidiary stock" only, a disposition that constitutes a Restricted Payment permitted by the covenant described under "—Certain covenants—Limitation on Restricted Payments," (3) disposition of assets with a Fair Market Value in any calendar year of less than €5 million, (4) sales or grants of licenses to use the patents, trade secrets, know-how and other intellectual property of the Company or any of its Restricted Subsidiaries to the extent that such license does not prohibit the Company or any of its Restricted Subsidiaries from using the technologies licensed (other than pursuant to exclusivity or non-competition arrangements negotiated on an arm's length basis) or require the Company or any of its Restricted Subsidiaries to pay any fees for any such use, (5) the sale, lease, conveyance, disposition or other transfer (A) of all or substantially all of the assets of the Company as permitted under the covenant "—Certain covenants—Consolidation, merger and sale of assets," (B) of any Capital Stock or other ownership interest in or assets or property, including Debt, of an Unrestricted Subsidiary, (C) pursuant to any foreclosure of assets or other remedy provided by applicable law to a creditor of the Company or any Subsidiary of the Company with a Lien on such assets, which Lien is permitted under the Secured Indenture; provided that such foreclosure or other remedy is conducted in a commercially reasonable manner or in accordance with any bankruptcy law, (D) involving only cash or Cash Equivalents or inventory in the ordinary course of business or obsolete or worn out property or property that is not or no longer useful in the conduct of the business of the Company or its Restricted Subsidiaries (in the reasonable and good faith judgment of the Board of Directors of the Company) or (E) including only the lease or sub-lease of any real or personal property in the ordinary course of business, (6) Permitted Investments and (7) sales or dispositions of Receivables Assets in connection with any Qualified Receivables Financing or any factoring transaction in the ordinary course of business.

"*Average Life*" means, as of the date of determination, with respect to any Debt or Preferred Stock, the quotient obtained by dividing (i) the sum of the products of the numbers of years (rounded to the nearest one-twelfth of one year) from the date of determination to the dates of each successive scheduled principal payment of such Debt or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (ii) the sum of all such payments.

"*Bankruptcy Law*" means Title 11, United States Code, or any similar U.S. federal or state law for the relief of debtors, or any analogous law of any other jurisdiction or any political subdivision thereof or therein.

"*Board of Directors*" means the Board of Directors of the Company or any committee thereof duly authorized to act on behalf of such Board.

"*Board Resolution*" means a copy of a resolution certified by the Secretary, an Assistant Secretary or other appropriate person of the Company to have been duly adopted by the Board of Directors, to be in full force and effect on the date of such certification and delivered to the Secured Notes Trustee.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in any of London, England, Luxembourg or New York, New York are authorized or required by law to close, and that is also a TARGET Settlement Day for settlement of payments in euros.

"*Capital Stock Contribution*" means the aggregate Net Cash Proceeds received by the Company as a contribution (other than from a Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary) in respect of any class of its Capital Stock (other than Disqualified Stock) after the Issue Date.

"*Capital Stock Sale Proceeds*" means the aggregate Net Cash Proceeds received by the Company from the issue or sale (other than to a Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary) by the Company of any class of its Capital Stock (other than Disqualified Stock) after the Issue Date.

"*Capital Stock*" means, with respect to any Person, any and all shares or other equivalents (however designated) of corporate stock, partnership interests or any other participation, right, warrant, option or other interest in the nature of an equity interest in such Person, but excluding any debt security convertible or exchangeable into such equity interest.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with IFRS; and the amount of Debt represented by such obligation will be the capitalized amount of such obligation determined in accordance with IFRS; and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. For purposes of "—Certain covenants—Limitation on Liens," a Capitalized Lease Obligation shall be deemed secured by a Lien on the property or assets being leased.

"Cash Equivalents" means:

(1) direct obligations of the United States of America or any European Union Member State or any agency thereof or obligations guaranteed by the United States of America or any European Union Member State, or any agency thereof, in each case denominated in U.S. dollars, euro or pounds sterling and with maturities not exceeding two years from the date of acquisition;

(2) certificates of deposit, time deposits and eurodollar time deposits with maturities of 12 months or less from the date of acquisition, bankers' acceptances with maturities not exceeding 12 months and overnight bank deposits, in each case, with any lender party to the Revolving Credit Facility or with any commercial bank having capital and surplus in excess of €500.0 million and whose long-term debt is rated "A" by S&P or "A2" by Moody's;

(3) repurchase obligations with a term of not more than 30 days for underlying securities or the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper maturing within 12 months after the date of acquisition and having a rating of at least "A-1" from Moody's or "P-1" from S&P;

(5) securities with maturities of two years or less from the date of acquisition issued or fully guaranteed by any State, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, or any European Union Member State, or any political subdivision thereof, and, in each case, having one of the two highest ratings categories obtainable from S&P or "A-2" by Moody's;

(6) investment funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition; and

(7) indebtedness issued by Persons with a rating of at least "A" by S&P or "A-2" by Moody's, in each case with maturities of 12 months or less from the date of acquisition.

"Change of Control" means (i) in the event the Secured Notes are rated "B+" or lower by S&P or "B1" or lower by Moody's or, if S&P or Moody's or both shall not make a rating on the Secured Notes publicly available, the equivalent or lower rating by a "nationally recognized statistical rating organization or organizations" (as defined in Rule 436 under the U.S. Securities Act) , as the case may be, the occurrence of any of the events described in clauses (a), (b), (c) or (d) below or (ii) in the event the Secured Notes are rated higher than "B+" by S&P and "B1" by Moody's or, if S&P or Moody's or both shall not make a rating on the Secured Notes publicly available, the equivalent higher rating by a "nationally recognized statistical rating organization or organizations" (as defined in Rule 436 under the U.S. Securities Act), as the case may be, the occurrence of (x) any of the events described in clauses (a), (b), (c) or (d) below and (y) a Rating Decline:

(a) (i) any "Person" or "group" (as such terms are used in Sections 13(d)(3) and 14(d)(2) of the U.S. Exchange Act or any successor provision to either of the foregoing, including any group acting for the purpose of acquiring, holding, voting or disposing of securities within the meaning of rule 13d-5(b)(1) under the U.S. Exchange Act), other than any one or more of the Permitted Holders or an underwriter engaged in a firm commitment underwriting in connection with a public offering of any shares of Voting Stock of the Company, is or becomes the ultimate "beneficial owner" (as defined in Rule 13d-3 under the U.S. Exchange Act, except that a Person will be deemed to have "beneficial ownership" of all shares that any such Person has the right to acquire within 365 days of the date of determination, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 35% or more of the total voting power of all classes of the Voting Stock of the Company, (ii) the Permitted Holders are not the ultimate "beneficial owners" (as defined in Rule 13d-3 under the U.S. Exchange Act, except that a Person will be deemed to have "beneficial ownership" of all shares that any such Person has the right to acquire within 365 days of the date of determination, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, in the aggregate of a greater percentage of the total voting power of all classes of the Voting Stock of the Company than such other Person or group; and (iii) the Permitted Holders do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of the Company; or

(b) the sale, assignment, lease, conveyance, disposition or transfer, directly or indirectly, of all or substantially all the assets of the Company and its Subsidiaries, taken as a whole (other than a transfer of such assets as an entirety or virtually as an entirety to one or more Restricted Subsidiaries or one or more Permitted Holders), occurs, or the Company amalgamates, consolidates or merges with or into any other Person (other than one or more Permitted Holders) or any other Person (other than one or more Permitted Holders) amalgamates, consolidates or merges with or into the Company, pursuant to a transaction in which the outstanding Voting Stock of the Company is reclassified into or exchanged for cash, securities or other property, other than any such transaction, where (i) the outstanding Voting Stock of the Company is reclassified into or exchanged for Voting Stock of the surviving corporation and (ii) the holders of the Voting Stock of the Company immediately prior to such transaction own, directly or indirectly, not less than a majority of the Voting Stock of the surviving corporation immediately after such transaction and in substantially the same proportion as before the transaction; or

(c) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election or appointment by such board or whose nomination for election by the stockholders of the Company was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office; *provided however* that prior to such time there shall have occurred an Equity Offering; or

(d) the stockholders of the Company approve any plan of liquidation or dissolution of the Company.

"Clearstream" means Clearstream Banking, société anonyme as currently in effect or any successor clearing agency.

"Collateral" has the meaning ascribed thereto under "—Credit enhancement."

"Commodity Agreement" means any commodity purchase contract, commodity futures or forward contract, commodities option or other similar agreement or arrangement entered into by the Company or any Restricted Subsidiary.

"Consolidated Coverage Ratio" means, as of any date of determination, the ratio of (i) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available to (ii) the aggregate Consolidated Interest Expense for such four fiscal quarters; *provided, however*, that:

(1) if the Company or any Restricted Subsidiary has Incurred any Debt since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Debt, or both, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a *Pro forma* basis to such Debt as if such Debt had been Incurred on the first day of such period and the discharge of any other Debt repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Debt as if such discharge had occurred on the first day of such period;

(2) if since the beginning of such period the Company or any Restricted Subsidiary shall have made any Asset Disposition or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Asset Disposition, both EBITDA for such period shall be reduced by an amount equal to EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period, or increased by an amount equal to EBITDA (if negative) directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to Consolidated Interest Expense directly attributable to any Debt of the Company or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and the continuing Restricted Subsidiaries in connection with such Asset Dispositions for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, Consolidated Interest Expense for such period directly attributable to the Debt of such Restricted Subsidiary to the extent the Company and the continuing Restricted Subsidiaries are no longer liable for such Debt after such sale);

(3) if since the beginning of such period the Company or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving *Pro forma* effect thereto (including the Incurrence of any Debt) as if such Investment or acquisition occurred on the first day of such period; and

(4) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition or any Investment that would have required an adjustment pursuant to clause (2) or (3) if made by the Company or a Restricted Subsidiary during such period, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving *Pro forma* effect thereto as if such Asset Disposition or Investment occurred on the first day of such period.

For purposes of this definition, whenever *Pro forma* effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Debt incurred in connection therewith, the *Pro forma* calculations shall be determined in good faith by a responsible financial or accounting officer of the Company and as further contemplated by the definition of *Pro forma*. If any Debt bears a floating rate of interest and is being given *Pro forma* effect, the interest expense on such Debt shall be calculated as if the rate in effect on the date of determination had been the Applicable Rate for the entire period (taking into account any Interest Rate Protection Agreement applicable to such Debt for a period equal to the remaining term of such Interest Rate Protection Agreement).

"Consolidated Interest Expense" means, for any period, the total interest expense of the Company and its consolidated Subsidiaries, plus, to the extent not included in such interest expense, (i) interest expense attributable to capital leases, (ii) amortization of debt discount and debt issuance cost, (iii) capitalized interest, (iv) noncash interest expense, (v) accrued interest, (vi) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, (vii) interest actually paid by the Company or any such Subsidiary under any guarantee of Debt or other obligation of any other Person, (viii) net costs associated with Interest Rate Protection Agreements (including amortization of fees), (ix) the interest portion of any deferred obligation (other than any Trade Payables), (x) Preferred Stock dividends paid in respect of all Preferred Stock of Subsidiaries of the Company and Disqualified Stock of the Company held by Persons other than the Company or a Wholly Owned Subsidiary, and (xi) cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Company) in connection with Debt Incurred by such plan or trust; *provided, however*, that there shall be excluded therefrom (A) any non-cash interest expense recognized upon the amortization of previously unamortized debt issuance costs Incurred with respect to Debt being refinanced with the proceeds of the Notes, (B) any such interest expense of any Unrestricted Subsidiary to the extent the related Debt is not guaranteed or paid by the Company or any Restricted Subsidiary and (c) any Receivables Fees.

"Consolidated Net Income" means, for any period, the net income (loss) of the Company and its consolidated Subsidiaries; *provided, however*, that there shall be excluded therefrom (i) any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that (A) subject to the limitations contained in clause (iv), the Company's equity in the net income of any Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in clause (iii)) and (B) the Company's equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period shall be included in determining such Consolidated Net Income, (ii) any net income (loss) of any Person acquired by the Company or a Subsidiary of the Company in a pooling of interests transaction for any period prior to the date of such acquisition, (iii) any net income (loss) of any Restricted Subsidiary, other than a Secured Note Guarantor, if such Subsidiary is subject to any consensual restriction or encumbrance, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company, except that (A) subject to the limitations contained in clause (iv), the Company's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to another Restricted Subsidiary, to the limitation contained in this clause) and (B) the Company's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Net Income, (iv) any gain (loss) realized upon the sale or other disposition of any property, plant or equipment of the Company or its consolidated Subsidiaries (including pursuant to any Sale/Leaseback Transaction) which is not sold or otherwise

disposed of in the ordinary course of business and any gain (loss) realized upon the sale or other disposition of any Capital Stock of any Person, (v) any extraordinary gain or loss (including, to the extent not constituting an extraordinary gain or loss, the amount of any Restructuring Charge), as well as the tax effects thereof and all reasonable expenses Incurred in connection therewith, and (vi) the cumulative effect of a change in accounting principles.

"*Currency Exchange Protection Agreement*" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates.

"*Custodian*" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

"*Debt*" means, with respect to any Person on any date of determination, (without duplication) (i) the principal of and premium (if any) in respect of indebtedness of such Person for borrowed money; (ii) the principal of and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (iii) all Capitalized Lease Obligations of such Person; (iv) all obligations of such Person to pay the deferred and unpaid purchase price of property or services (other than Trade Payables and other accrued liabilities arising in the ordinary course of business that are not overdue by 90 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted); (v) all obligations of such Person in respect of letters of credit, banker's acceptances or other similar instruments or credit transactions (including reimbursement obligations with respect thereto), other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (i) through (iv)) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third Business Day following receipt by such Person of a demand for reimbursement following payment of any such letter of credit; (vi) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock (but excluding any accrued dividends); (vii) all Debt of other Persons secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person; *provided, however*, that the amount of such Debt shall be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Debt of such other Person; (viii) all Debt of other Persons to the extent guaranteed by such Person; and (ix) net obligations of such Person in respect of Hedging Obligations. For purposes of this definition, the maximum fixed redemption, repayment or repurchase price of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which Debt shall be required to be determined pursuant to the Secured Indenture; *provided, however,* that if such Disqualified Stock is not then permitted to be redeemed, repaid or repurchased, the redemption, repayment or repurchase price shall be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person. The amount of Debt of any Person at any date will be the outstanding principal amount at such date of all unconditional obligations as described above. Notwithstanding the foregoing, "Debt" shall not include (i) advances paid by customers in the ordinary course of business for services or products to be provided or delivered in the future; (ii) deferred taxes; and (iii) post-closing payment adjustments to which a seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after such closing.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Disqualified Stock*" of a Person means Redeemable Stock of such Person as to which the maturity, mandatory redemption, conversion or exchange or redemption at the option of the holder thereof occurs, or may occur, on or prior to the first anniversary of the Stated Maturity of the Secured Notes, *provided, however*, that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock; *provided, however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such person to purchase or redeem such Capital Stock upon the occurrence of a "change of control" occurring prior to the first anniversary of the Stated Maturity of the Secured Notes shall not constitute Disqualified Stock if (1) the "change of control" provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the terms applicable to the Secured Notes and described under the caption "—Change of Control," and (2) any such requirement only becomes operative after compliance with such terms applicable to the Secured Notes, including the purchase of any Secured Notes tendered pursuant thereto.

"*EBITDA*" for any period means the sum of Consolidated Net Income, plus Consolidated Interest Expense plus the following to the extent deducted in calculating such Consolidated Net Income: (a) all income tax expense of the Company and its consolidated

Restricted Subsidiaries, (b) depreciation expense of the Company and its consolidated Restricted Subsidiaries, (c) amortization expense of the Company and its consolidated Restricted Subsidiaries (excluding amortization expense attributable to a prepaid cash item that was paid in a prior period) and (d) all other non-cash charges of the Company and its consolidated Restricted Subsidiaries (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period), in each case for such period. Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and non-cash charges of, a Restricted Subsidiary shall be added to Consolidated Net Income to compute EBITDA only to the extent (and in the same proportion) that the net income of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of determination to be dividended to the Company by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its stockholders.

"*Equity Offering*" means any sale of Capital Stock (other than Disqualified Stock) of the Company or any Holding Company thereof.

"*Euroclear*" means Euroclear Bank S.A./N.V. as currently in effect or any successor securities clearing agency.

"*European Government Obligations*" means direct obligations (or certificates representing an ownership interest in such obligations) of any country that is a European Union Member State (including any agency or instrumentality thereof) and which are not callable at the issuer's option.

"*European Union Member State*" means any country that was a member of the European Union as of January 1, 2004.

"*Fair Market Value*" means with respect to any property or asset, the price which could be negotiated in an arm's length free market transaction, for cash, between a willing seller and a willing buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value will be determined, except as otherwise provided, (a) if such property or asset has a Fair Market Value of less than €20 million, by any Officer of the Company or (b) if such property or asset has a Fair Market Value equal to or in excess of €20 million, by a majority of the Board of Directors and evidenced by a Board Resolution, dated within 60 days of the relevant transaction, delivered to the Secured Notes Trustee.

"*guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Debt of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. Each of the terms "guarantee," "guarantees" and "guaranteed' shall have a corresponding meaning.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Protection Agreement, Currency Exchange Protection Agreement, Commodity Agreement or other similar agreement or arrangement.

"*Holder*" means, with respect to any Secured Note, the Person in whose name such Secured Note is registered in the register maintained by the registrar pursuant to the provisions of the Secured Indenture.

"*Holding Company*" means, in relation to an entity, any other entity of which the first entity is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards as in effect as of the Issue Date. Except as otherwise expressly provided in the Secured Indenture, all ratios and calculations based on IFRS contained in the Secured Indenture shall be computed in conformity with IFRS.

"*Incur*" means issue, assume, guarantee, incur or otherwise become liable for, *provided, however*, that any Debt or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) or is merged into a Subsidiary will be deemed to be Incurred by such Subsidiary at the time it becomes or is merged into a Subsidiary. Each of the terms "Incurrence," "Incurs" and "Incurred" shall have a corresponding meaning.

"*Independent Appraiser*" means an investment banking firm of international standing or any third party appraiser of international standing; *provided, however,* that such firm or appraiser is not an Affiliate of the Company.

"*Intercompany Loans*" means the intercompany loans comprising the Secured Notes Proceeds Loans and the Unsecured Notes Proceeds Loans.

"*Intercreditor Agreement*" means the intercreditor deed, dated on or about the Issue Date, among others, the Company, the Secured Note Guarantors, the Secured Notes Trustee and the Security Trustee, as amended from time to time.

"*Interest Rate Protection Agreement*" means, in respect of any Person, any interest rate swap agreement, interest rate option agreement, interest rate cap agreement, interest rate collar agreement, interest rate floor agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in interest rates.

"*Investment Grade*" means a rating of BBB minus or higher by S&P or Baa3 or higher by Moody's or the equivalent of such ratings by S&P or Moody's or by any other Rating Agency selected by the Company as provided by the definition thereof.

"*Investment*" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender) or other extensions of credit (including by way of guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Debt or other similar instruments issued by such Person. The amount of any investment in respect of any property or assets other than cash will be its Fair Market Value at the time of such Investment. For purposes of the definition of "Unrestricted Subsidiary," the definition of "Restricted Payment" and the covenant described under "—Certain covenants— Limitation on Restricted Payments," (i) "Investment" shall include the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary equal to an amount (if positive) equal to (x) the Company's "Investment" in such Subsidiary at the time of such redesignation less (y) the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and (ii) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer.

"*Issue Date*" means February 13, 2007.

"*Joint Venture*" will mean any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership that is not a Restricted Subsidiary in which the Company or any Subsidiary has an interest from time to time.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, easement, restriction, covenant, right-of-way, servitude, lien, charge or adverse claim of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof, including a Sale/Leaseback Transaction).

"*Moody's*" means Moody's Investors Service, Inc. and its successors.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received) therefrom, in each case net of (i) all legal, title, recording, refinancing, consultancy, brokerage and banking fees and tax expenses, commissions and other fees and expenses Incurred, and all U.S. federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under IFRS as a consequence of such Asset Disposition, (ii) all payments made on any Debt which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition, (iii) all distributions and other payments required to be made to minority interest holders in Subsidiaries or Joint Ventures as a result of such Asset Disposition and (iv) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with

IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds*" with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"*Notch*" means any change in graduation (+ and — for S&P; 1, 2 and 3 for Moody's; or the equivalent graduation for another Rating Agency) with respect to Rating Categories.

"*Offering Memorandum*" means the offering memorandum in relation to the Secured Notes.

"*Officer's Certificate*" means a certificate signed by an officer or director of the Company.

"*Opinion of Counsel*" means a written opinion from legal counsel who is reasonably acceptable to the Secured Notes Trustee.

"*Permitted Debt*" will have the meaning set forth under "—Certain covenants—Limitation on Debt."

"*Permitted Holders*" means CVC Europe Limited and any of its affiliates, any limited partnership of which any of them is the general partner and any investment fund controlled or managed by any of them under common control therewith.

"*Permitted Investment*" means an investment by the Company or any Restricted Subsidiary in:

(i) the Company, a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary; *provided*, *however*, that the primary business of such Restricted Subsidiary is a Related Business;

(ii) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or any Restricted Subsidiary, *provided, however*, that the primary business of such Restricted Subsidiary is a Related Business;

(iii) cash or Cash Equivalents;

(iv) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(v) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(vi) loans or advances to employees and officers of the Company or such Restricted Subsidiary made in the ordinary course of business consistent with past practices of (including past practices of any immediate predecessor of) the Company or such Restricted Subsidiary, as the case may be, or as required by law and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments;

(vii) stock, obligations or securities received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any debtors of the Company or a Restricted Subsidiary or received in settlement of Debt created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments;

(viii) non-cash consideration received in connection with an Asset Disposition consummated in compliance with "—Certain covenants—Limitation on sales of assets and Restricted Subsidiary stock;"

(ix) guarantees not prohibited by the covenant described under "—Certain covenants—Limitation on Debt;"

(x) Investments in Unrestricted Subsidiaries or Joint Ventures not to exceed (A) the aggregate net after-tax amount returned in cash on or with respect to any Investments made in Unrestricted Subsidiaries and Joint Ventures whether through interest payments, principal payments, dividends or other distributions or payments on account of such Investment, (B) the net after-tax cash proceeds received by the Company or any Restricted Subsidiary from the disposition of all or any portion of such Investments (other than to a Restricted Subsidiary), and (C) upon redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary, the Fair Market Value of such Subsidiary; *provided*, *however*, that the net after-tax amount has not been included in Consolidated Net Income for the purpose of calculating clause (c)(i) in the covenant described under "—Certain covenants—Limitation on Restricted Payments;"

(xi) Investments existing on the Issue Date;

(xii) any Investment by the Company or a Wholly Owned Subsidiary of the Company in a Person or any Investment by a Person in any other Person in connection with a Permitted Receivables Financing; *provided* that any such Investment is in the form of a purchase money note or an equity interest;

(xiii) any Debt of the Company to any of its Subsidiaries Incurred in connection with the purchase of accounts receivable and related assets by the Company from any such Subsidiary which assets are subsequently conveyed by the Company to a Person in a Permitted Receivables Financing;

(xiv) Investments described in clauses (B), (C) and (D) of the proviso under "—Certain covenants— Transactions with Affiliates" above;

(xv) Investments in Permitted Joint Venture Transactions in an aggregate principal amount at any time outstanding not in excess of €15 million in the aggregate;

(xvi) Receivables owing to the Company or a Restricted Subsidiary, if created or acquired in the ordinary course of business, and Investments in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors of the Company, are necessary or advisable to effect or maintain such Qualified Receivables Financing; and

(xvii) additional Investments which, when taken together with all other Investments made pursuant to this clause (xvii) and outstanding on the date such Investment is made, do not exceed €10 million.

"Permitted Joint Venture Transactions" means any Joint Venture transaction pursuant to which the Company or any Restricted Subsidiary enters into, acquires or subscribes for any shares, stock, securities or other interest in or transfers any assets to any Joint Venture; *provided*, *however*, that (i) the primary business of such Joint Venture is a Related Business and (ii) such Joint Venture is a limited liability company or is owned, directly or indirectly, by the Company or such Restricted Subsidiary through a limited liability company which is itself a party to such Joint Venture.

"Permitted Liens" means, with respect to any Person:

(1) Liens securing the Secured Notes, the Secured Note Guarantees and the Intercompany Loans, including the Security Documents;

(2) Liens in favor of the Company or a Restricted Subsidiary on assets of any Restricted Subsidiary (other than Liens in favor of a Restricted Subsidiary that is not a Secured Note Guarantor on the assets of any Secured Note Guarantor);

(3) Liens securing Refinancing Debt which is Incurred to refinance any Debt which has been secured by a Lien not prohibited under the Secured Indenture; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiaries other than that pledged under the Liens securing the Debt being refinanced;

(4) pledges or deposits by such Person under workmen's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of borrowed money) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits or cash or government bonds to secure surety, judgment or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(5) Liens imposed by law, including carriers', warehousemen's and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person will then be proceeding with an appeal or other proceedings for review and Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; *provided, however*, that, in the case of the Company, such deposit account is not a dedicated cash collateral account subject to restrictions against access by the Company in excess of those customarily applied to deposit accounts not intended by the Company or any Restricted Subsidiary to provide Collateral to the relevant bank;

(6) Liens for taxes, assessments or other governmental charges or claims that are extinguished within 60 days' notice of their existence, are not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings; *provided* that, in the case of the Company, appropriate reserves have been taken on the books of the Company;

(7) Liens in favor of issuers of surety bonds, performance bonds or standby letters of credit, entered into the ordinary course of business, including Debt permitted to be Incurred pursuant to clause (x) of the covenant entitled "—Certain covenants—Limitation on Debt;"

(8) Liens securing any Hedging Obligations entered into the ordinary course of business, including Hedging Obligations permitted to be Incurred pursuant to clause (ix) of the covenant entitled "—Certain covenants—Limitation on Debt;"

(9) Lien securing Debt permitted to be Incurred pursuant to clauses (iv), (xvi) or (xix) (2) of the covenant entitled "—Certain covenants—Limitation on Debt;"

(10) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;

(11) Liens for the purpose of securing the payment (or the refinancing of the payment) of all or any part of any Permitted Debt relating to assets or property acquired or constructed directly or indirectly, *provided* that (A) the aggregate principal amount of Debt secured by such Liens will not exceed the cost of the assets or property so acquired or constructed and (B) such Liens will not encumber any other assets or property of the Company or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto;

(12) Liens arising from precautionary Uniform Commercial Code financing statement filings regarding operating leases entered into by the Company or its Subsidiaries in the ordinary course of business;

(13) Liens securing Debt Incurred under the Revolving Credit Facility, the security documents in relation thereto or otherwise permitted to be Incurred by clause (ii) of the covenant entitled "—Certain covenants—Limitation on Debt;"

(14) Liens on property, shares of Capital Stock or Debt of a Person existing at the time such Person is merged with or into or consolidated with or acquired by the Company or any Subsidiary of the Company; *provided* that such Liens were in existence prior to the contemplation of such merger, consolidation or acquisition and do not extend to any assets other than those of the Person merged into, consolidated with or acquired by the Company or the Subsidiary (other than assets and property affixed or appurtenant thereto);

(15) Liens to secure the performance of statutory, regulatory, contractual or warranty obligations or other obligations of a like nature Incurred in the ordinary course of business;

(16) easements (including reciprocal easement agreements), rights-of-way, building, zoning and similar restrictions, utility agreements, covenants, reservations, restrictions, encroachments, charges and other similar encumbrances or title defects Incurred, or leases or sub-leases granted to others, in the ordinary course of business, that do not in the aggregate materially detract from the aggregate value of the properties of the Company and its Subsidiaries, taken as a whole, or in the aggregate materially interfere with or adversely affect in any material respect the ordinary course of the business of the Company and its Subsidiaries on the properties subject thereto, taken as a whole;

(17) Liens arising by operation of law (or by agreement to the same effect) in the ordinary course of business and not as a result of any default or omission on the part of the Company or any Restricted Subsidiary;

(18) Liens over credit balances on bank accounts of the Company or any Restricted Subsidiary with Approved Banks created in order to facilitate the operation of such bank accounts and other bank accounts of such companies with such Approved Banks on a net balance basis with credit balances and debit balances on the various accounts being netted off for interest purposes;

(19) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Company or any Restricted Subsidiary in the ordinary course of business;

(20) Liens arising by reason of any judgment, decree or order of any court so long as such Lien is adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(21) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses; provided that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend to any additional property or assets;

(22) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(23) any interest or title of a lessor in the property subject to any lease other than a Capitalized Lease Obligations;

(24) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of banker's acceptances issues or credit for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(25) Liens granted to the Secured Notes Trustee (or any other trustee) for its compensation and indemnities pursuant to the Intercreditor Agreement or the Secured Notes; and

(26) Liens granted to the Security Trustee (or any other security agent) for its compensation and indemnities pursuant to the terms governing the Secured Notes or the Intercreditor Agreement.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization (in the case of a Receivables Financing, an entity without legal personality (including any French *communs de crèances*)), government or any agency or political subdivision thereof or any other entity.

"Preferred Stock," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution or such Person, over shares of Capital Stock of any other class of such Person.

"Pro forma" means, with respect to any calculation made or required to be made pursuant to the terms hereof, a calculation in accordance with Article 11 of Regulation S-X promulgated under the U.S. Securities Act (to the extent applicable), as interpreted in good faith by the Board of Directors of the Company after consultation with the independent certified public accountants of the Company, or otherwise a calculation made in good faith by the Board of Directors of the Company after consultation with the independent certified public accountants of the Company, as the case may be.

"Qualified Receivables Financing" means any Receivables Financing that meets the following conditions: (1) the Board of Directors of the Company shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company and any Receivables Subsidiary; and (2) the financing terms, covenants, termination events and other provisions thereof shall be market terms in the context of the European Securitization Market and the nature of the Receivables Assets (as determined in good faith by the Board of Directors of the Company) and may include Standard Securitization Undertakings; provided that (a) no portion of the Debt or any other obligations (contingent or otherwise) of the Receivables Purchaser, (i) is guaranteed by the Company or any Restricted

Subsidiary of the Company (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Company or any Restricted Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings, or (iii) subjects any property or asset of the Company or any other Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings; (b) the Receivables Purchaser has no contract, agreement, arrangement or understanding with the Company or any Restricted Subsidiary other than on terms which the Company reasonably believes to be no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company; and (c) neither the Company nor any Restricted Subsidiary of the Company has any obligation to maintain or preserve the Receivables Purchaser's financial condition or cause such entity to achieve certain levels of operating results.

"*Rating Agency*" means S&P and Moody's or, if S&P or Moody's or both shall not make a rating on the Secured Notes publicly available, a "nationally recognized statistical rating organization or organizations" (as defined in Rule 436 under the U.S. Securities Act), as the case may be, then making a rating on the notes publicly available selected by the Company which shall be substituted for S&P or Moody's or both, as the case may be.

"*Rating Categories*" means (i) with respect to S&P, any of the following categories: AAA, AA, A, BBB, BB, B, CCC, CC or C; (ii) with respect to Moody's, any of the following categories: Aaa, Aa, A, Baa, Ba, B, Caa, Ca or C; and (iii) with respect to any other Rating Agency, the equivalent of any such category of S&P or Moody's used by such other Rating Agency.

"*Rating Date*" means the date which is the earlier of (x) 120 days prior to the occurrence of an event specified in clauses (a), (b), (c) or (d) of the definition of a Change of Control and (y) the date of the first public announcement of the possibility of such event.

"*Rating Decline*" means the occurrence on any date within the 90-day period following the occurrence of an event specified in clauses (a), (b), (c) or (d) of the definition of a Change of Control (which period shall be extended so long as during such period the rating of the Secured Notes is under publicly announced consideration for a possible downgrade by a Rating Agency) of: (i) in the event the Secured Notes are rated by any Rating Agency on the Rating Date below Investment Grade, the rating of the Secured Notes by such Rating Agency within such period being at least one Notch below the rating of the Secured Notes by such Rating Agency on the Rating Date, (ii) in the event the Secured Notes are rated by any Rating Agency on the Rating Date as Investment Grade, the rating of the Secured Notes within such period by such Rating Agency being (A) at least two Notches below the rating of the Secured Notes by such Rating Agency on the Rating Date or (B) below Investment Grade or (iii) any Rating Agency withdrawing its rating of the Secured Notes. In determining how many Notches the rating of the Secured Notes has decreased, gradation with respect to Rating Categories will be taken in account (e.g., with respect to S&P, a decline in rating from BB+ to BB, or BB- to B+, will constitute a decrease of one Notch).

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined in accordance with IFRS.

"*Receivables Assets*" are any Receivables and Related Receivables Assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means any payments made in connection with any Qualified Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to any other Person (the "Receivables Purchaser") or may grant the Receivables Purchaser a security interest in any accounts receivable (whether now existing or arising in the future) of the Company or any of its Subsidiaries.

"*Receivables Purchaser*" has the meaning ascribed thereto in the definition of "Receivables Financing."

"*Receivables Repurchase Obligation*" means (a) any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller and (b) any right of a seller of receivables in a Qualified Receivables Financing to repurchase defaulted receivables in order to obtain any VAT bad debt relief or similar benefit.

"*Redeemable Stock*" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event (i) matures or is mandatorily redeemable for cash pursuant to a sinking fund obligation or otherwise, (ii) is convertible or exchangeable for Debt or Disqualified Stock (excluding Capital Stock that is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary) or (iii) is or may become redeemable or repurchaseable for cash or in exchange for Debt at the option of the holder thereof, in whole or in part.

"*Redemption Price*" means the price to redeem a Secured Note, expressed as a percentage of the principle amount set forth in "—Optional redemption" or "—Optional tax redemption," as applicable.

"*Refinancing Debt*" means Debt that refunds, refinances, replaces, renews, repays or extends (including pursuant to any defeasance or discharge mechanism) (collectively, "refinances," "refinanced" and "refinancing" shall have a correlative meaning) any Debt existing on the Issue Date or Incurred in compliance with the Secured Indenture (including Debt of the Company that refinances Debt of any Restricted Subsidiary and Debt of any Restricted Subsidiary that refinances Debt of another Restricted Subsidiary) including Debt that refinances Refinancing Debt; *provided, however*, that (i) (x) if the Stated Maturity of the Debt being refinanced is earlier than or equal to the Stated Maturity of the Secured Notes, the Refinancing Debt has a Stated Maturity no earlier than the Stated Maturity of the Debt being refinanced and (y) if the Stated Maturity of the Debt being refinanced is later than the Stated Maturity of the Secured Notes, the Refinancing Debt has a Stated Maturity later than the Stated Maturity of the Secured Notes, (ii) the Refinancing Debt has an Average Life at the time such Refinancing Debt is Incurred that is equal to or greater than the Average Life of the Debt being refinanced, (iii) such Refinancing Debt is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Debt being refinanced plus any premium payable thereon and any expenses or fees Incurred in connection therewith, and (iv) if such Debt being refinanced is subordinated in right of payment in any respect to the Secured Notes, such Refinancing Debt shall be subordinated in right of payments to the Secured Notes, with terms no less favorable to the Holders of the Secured Notes than those contained in the documentation governing the Debt being refinanced; *provided, further, however*, that Refinancing Debt shall not include (x) Debt of a Subsidiary of the Company that refinances Debt of the Company or (y) Debt of the Company or a Restricted Subsidiary that refinances Debt of an Unrestricted Subsidiary.

"*Related Business*" means a business related to the manufacturing and distribution of coated woodfree paper and specialty papers or a related pulp, paper and related energy generation business.

"*Related Receivables Assets*" means, with respect to any Receivables that are, or are to be, the subject of any Qualified Receivables Financing, all collateral securing such Receivables, all agreements and arrangements that support or secure the payments of the relevant Receivables by the debtor(s) in respect of such Receivables (including, without limitation, the relevant seller's interest in any goods and work in progress, rights to returned or repossessed goods and work in progress, all insurance policies, security deposits, guarantees, indemnities, letters of credit, bills of exchange or other documentary credits, cheques or other negotiable instruments, warranties and retention of title claims), the process of such Receivables (including any bank accounts to which such proceeds are credited and no other proceeds are credited) and any other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions or factoring arrangements involving that type of accounts receivable and any Hedging Obligations entered into by the Company or any such Subsidiary in connection with such Receivables.

"*Restricted Payment*" with respect to any Person means (i) the declaration or payment of any dividends or any other distributions of any sort in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving such Person) or similar payment to the direct or indirect holders of its Capital Stock (other than dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock) and dividends or distributions payable solely to the Company or a Restricted Subsidiary, and other than pro rata dividends or other distributions made by a Subsidiary that is not a Wholly Owned Subsidiary to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation)), (ii) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by any Person (other than the Company or a Restricted Subsidiary), (iii) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment of any Subordinated Obligations of the Company or any Secured Note Guarantor (other than (A) from the Company or a

Restricted Subsidiary or (B) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations made in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value); or (iv) the making of any Investment in any Person (other than a Permitted Investment).

"*Restricted Subsidiary*" means any direct or indirect Subsidiary of the Company, other than an Unrestricted Subsidiary.

"*Restructuring Charge*" means those costs Incurred by the Company or its Restricted Subsidiaries which are set forth in a line item and identified as a restructuring charge on the profit and loss statement of the Company and its consolidated Restricted Subsidiaries.

"*Revolving Credit Facility*" means the revolving credit facility, dated on or about the Issue Date, including any ancillary agreements entered into in connection therewith, and any amendment, modification, renewal, extension, refunding, restatement, supplement, refinancing or other modification thereof from time to time.

"*S&P*" means Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc. and its successors.

"*Sale/Leaseback Transaction*" means an arrangement relating to property now owned or hereafter acquired whereby a Subsidiary of the Company transfers such property to a Person and such Subsidiary leases it from such Person.

"*Secured Debt*" means any Debt of the Company or a Restricted Subsidiary secured by a Lien.

"*Secured Indenture*" means the indenture, dated on or about the Issue Date, among the Company, the Secured Note Guarantors, Deutsche Trustee Company Limited, as trustee, and the other parties named therein.

"*Secured Notes Proceeds Loans*" means the intercompany loans (i) from the Company in the amounts aggregating €119.0 million multiplied by the quotient of the initial principal amount of the Secured Notes divided by the combined principal amounts of the Secured Notes and Unsecured Notes (the "Applicable Secured Notes Percentage") to Sub Lecta 1 S.A., €268.5 million multiplied by the Applicable Secured Notes Percentage to Condat Holding S.A., €164.1 million multiplied by the Applicable Secured Notes Percentage to Torraspapel Holding S.A., €191.0 million multiplied by the Applicable Secured Notes Percentage to Torraspapel S.A., and €4.9 million multiplied by the Applicable Secured Notes Percentage to Sarriopapel y Celulosa S.A., (ii) from Sub Lecta 1 S.A. of €119.0 million multiplied by the Applicable Secured Notes Percentage to Cartiere del Garda S.p.A., and (iii) from Condat Holding S.A. of €107.9 million multiplied by the Applicable Secured Notes Percentage to Condat S.A.S., in each case together with any amendments thereto, including to reflect increases of the principal amounts loaned thereunder with proceeds of an offering of Additional Notes permitted to be issued under the Secured Indenture.

"*Secured Note Guarantee*" means a guarantee on the terms set forth in the Secured Indenture by a Restricted Subsidiary of the Company's obligations under the Secured Notes and the Secured Indenture.

"*Secured Note Guarantor*" means each Subsidiary of the Company that issues a Secured Note Guarantee pursuant to the terms of the Secured Notes and the Secured Indenture.

"*Security Documents*" means those mortgages, deeds, pledges, security trusts, assignments or other documents that create security over the Collateral in favor of the Security Trustee and that will be listed in a schedule of security documents attached to the Secured Indenture.

"*Senior Debt*" means Debt of the Company or any Secured Note Guarantor that is not subordinated in right of payment to the Secured Notes or the Secured Note Guarantee of such Secured Note Guarantor, as the case may be.

"*Significant Restricted Subsidiary*" means:

(i) each of the Secured Note Guarantors from time to time;

(ii) any Restricted Subsidiary (a) the pre-tax profits of which represent 10% or any greater percentage of the EBITDA of the Company, or (b) the book value of the gross assets of which is 10% or more of the consolidated gross assets of the Company, determined in accordance with IFRS or (c) the aggregate sales of which to third parties in any fiscal year, calculated on a consolidated basis in accordance with IFRS (and excluding VAT and/or sales tax) have been or are budgeted to be at least 10% or more of the aggregate sales of the Company to third parties (calculated on the same basis); *provided*, that (x) in the case of a Restricted Subsidiary which itself has Subsidiaries, such calculation shall be made by using the consolidated pre-tax profits or gross assets or aggregate sales, as the case may be, of such Restricted Subsidiary and its Subsidiaries; and (y) the calculation of consolidated pre-tax profits or gross assets or aggregate sales shall be made by reference to the most recent accounts of the Company and/ or any such Restricted Subsidiary (or, as the case may be, a consolidation of the accounts of such Restricted Subsidiary and its Subsidiaries) provided to the Secured Notes Trustee in accordance with "—Certain covenants—Reports to Holders;" and

(iii) any Restricted Subsidiary not otherwise constituting a Significant Restricted Subsidiary hereunder to which any Significant Restricted Subsidiary transfers (in any fiscal year) any fixed assets in any transaction or series of transactions (related or unrelated) with an aggregate book value or Fair Market Value in excess of €15 million (and the Subsidiary from which such assets were transferred shall be deemed to continue to be a Significant Restricted Subsidiary).

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Company or any Subsidiary of the Company which the Company has determined in good faith to be customary, in the context of the European Securitization Market and the nature of the Receivables Assets, in a Qualified Receivables Financing including, without limitation, those relating to the servicing of the Receivables Assets, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the Company unless such contingency has occurred).

"*Subordinated Obligation*" means any Debt (whether outstanding on the Issue Date or thereafter Incurred) which is subordinate or junior in right of payment to the Secured Note Guarantees or the Secured Notes pursuant to a written agreement.

"*Subsidiary*" of any specified Person means any corporation, partnership, joint venture, association or other business entity, whether now existing or hereafter organised or acquired, (a) in the case of a corporation, of which at least 50% of the total voting power of the Voting Stock is held by such first-named Person and/or any of its Subsidiaries and such first-named Person or any of its Subsidiaries has the power to direct the management, policies and affairs thereof; or (b) in the case of a partnership, joint venture, association, or other business entity, with respect to which such first-named Person or any of its Subsidiaries has the power to direct or cause the direction of the management and policies of such entity by contract or otherwise, if in accordance with IFRS such entity is consolidated with the first-named Person for financial statement purposes.

"*Taxes*" will have the meaning set forth above under "—Additional Amounts."

"*Trade Payables*" means, with respect to any Person, any accounts payable or any indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person arising in the ordinary course of business of such Person in connection with the acquisition of goods or services.

"*Unrestricted Subsidiary*" means (i) each existing Subsidiary of the Company that the Company has designated on the Issue Date in a schedule to the Secured Indenture as an Unrestricted Subsidiary, (ii) each Subsidiary of the Company that the Company has designated pursuant to the covenant described under "—Restricted and Unrestricted Subsidiaries" as an Unrestricted Subsidiary and (iii) any Subsidiary of an Unrestricted Subsidiary.

"*Unsecured Note Guarantee*" means a guarantee of the terms set forth in the Unsecured Indenture by a Restricted Subsidiary of the Company's obligations under the Unsecured Notes and the Unsecured Indenture.

"*Unsecured Note Guarantor*" means each Subsidiary of the Company that issues an Unsecured Note Guarantee pursuant to the terms of the Unsecured Notes and the Unsecured Indenture.

"*Unsecured Indenture*" means the indenture, dated on or about the Issue Date, among the Company, the Unsecured Note Guarantors, Deutsche Trustee Company Limited, as trustee, and the other parties named therein.

"*Unsecured Notes*" means the Company's €150.0 million Senior Unsecured Floating Rate Notes due 2014 and any Additional Unsecured Notes issued pursuant to the Unsecured Indenture.

"*Unsecured Notes Proceeds Loans*" means the intercompany loans (i) from the Company in the amounts aggregating €119.0 million multiplied by the quotient of the initial principal amount of the Unsecured Notes divided by the combined principal amounts of the Secured Notes and Unsecured Notes (the "Applicable Unsecured Notes Percentage") to Sub Lecta 1 S.A., €268.5 million multiplied by the Applicable Unsecured Notes Percentage to Condat Holding S.A., €164.1 million multiplied by the Applicable Unsecured Notes Percentage to Torraspapel Holding S.A., €191.0 million multiplied by the Applicable Unsecured Notes Percentage to Torraspapel S.A., and €4.9 million multiplied by the Applicable Unsecured Notes Percentage to Sarriopapel y Celulosa S.A., (ii) from Sub Lecta 1 S.A. of €119.0 million multiplied by the Applicable Unsecured Notes Percentage to Cartiere del Garda S.p.A., and (iii) from Condat Holding S.A. of €107.9 million multiplied by the Applicable Unsecured Notes Percentage to Condat S.A.S., in each case together with any amendments thereto, including to reflect increases of the principal amounts loaned thereunder with proceeds of an offering of Additional Notes permitted to be issued under the Unsecured Indenture.

"*Voting Stock*" of a corporation means all classes of Capital Stock of such corporation then outstanding and normally entitled to vote in the election of directors.

"*Wholly Owned Subsidiary*" means a Restricted Subsidiary, all the Capital Stock of which (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary) is owned by the Company or another Wholly Owned Subsidiary.

DESCRIPTION OF THE UNSECURED NOTES

Lecta S.A. will issue the Unsecured Notes under an indenture (the "Unsecured Indenture") dated February 13, 2007 among itself, the Unsecured Note Guarantors, Deutsche Trustee Company Limited, as trustee for the Unsecured Notes (the "Unsecured Notes Trustee"), and other parties named therein. The terms of the Unsecured Notes are stated in the Unsecured Indenture. The Unsecured Notes will be denominated in euro and bear interest with reference to EURIBOR as described below. The Unsecured Indenture is unlimited in aggregate principal amount, although the issuance of Unsecured Notes on the Issue Date (as defined below) will be limited to €150.0 million.

Certain terms used in this description are defined under the heading "—Certain definitions." In this description of Unsecured Notes: (i) the "Company" refers only to Lecta S.A. and not to any of its Subsidiaries; and (ii) "Unsecured Note Guarantor" refers only to such Unsecured Note Guarantor and not to any of its Subsidiaries.

The following description is only a summary of the material provisions of the Unsecured Indenture. It does not restate the Unsecured Indenture in its entirety. You should read the Unsecured Indenture because it, not this description, defines your rights as Holders. You may request copies of the Unsecured Indenture at the address set forth under the heading "Where you can find more information" and, for so long as Unsecured Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, may inspect copies of such documents at the office of the paying agent in Luxembourg.

Brief description of the Unsecured Notes

The Unsecured Notes:

- will be senior unsecured obligations of the Company;
- will rank *pari passu* in right of payment with all existing and future Debt of the Company that is not subordinated to the Unsecured Notes;
- will rank senior in right of payment to any existing and future Subordinated Obligations of the Company;
- will be structurally subordinated to all liabilities (including trade payables), disqualified stock and preferred stock of the Company's Subsidiaries that do not guarantee the Unsecured Notes;
- will be guaranteed on a senior basis by certain Subsidiaries of the Company as described below (see "—Unsecured Note Guarantees" and Annex A to this listing memorandum); and
- will be effectively subordinated in right of payment to all existing and future secured debt of the Company and any Guarantor, including the Secured Notes and indebtedness under the Revolving Credit Facility, to the extent of such secured debt.

Because of legal restrictions, not all of the Subsidiaries will guarantee the Unsecured Notes, and certain of the guarantees are subject to significant limitations.

Condat Holding and Condat are borrowers or guarantors under the Revolving Credit Facility but are not Unsecured Note Guarantors. As a result, lenders under the Revolving Credit Facility may be able to assert claims for repayment against such Subsidiaries with respect to which Holders of the Unsecured Notes would have no direct claims for repayment.

As of the date of the Unsecured Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the definition of Unrestricted Subsidiaries, the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Unsecured Indenture. Those of the Company's Subsidiaries that are Unsecured Note Guarantors are all Restricted Subsidiaries and, subject in each case to significant limitations under applicable law (as more specifically set out below under "Unsecured Note Guarantees"), will be jointly and severally liable with respect to the Company's obligations under the Unsecured Notes.

The Company is a holding company with limited assets and operates its business through its Subsidiaries. Any right of the Company and its creditors, including Holders of the Unsecured Notes, to participate in the assets of any of the Company's Subsidiaries that is not an Unsecured Note Guarantor upon the bankruptcy, liquidation or reorganization of any such Subsidiary will (except insofar as the Company has a claim against such Subsidiary for intercompany debt) be subject to the prior claims of the creditors of such Subsidiary, including but not limited to trade creditors. Claims by the Unsecured Notes Trustee against an Unsecured Note Guarantor on behalf of the Holders of the Unsecured Notes will be direct claims on that Unsecured Note Guarantor. However, some of the Unsecured Note Guarantors are themselves holding companies, and hence claims under an Unsecured Note Guarantee will be structurally subordinated to the prior claims of the creditors of the Subsidiaries of such Unsecured Note Guarantors, including but not limited to trade creditors.

Principal, Maturity and Interest

The Company will issue the Unsecured Notes in an initial aggregate principal amount of €150.0 million. The Company will issue the Unsecured Notes in denominations of €50,000 and integral multiples of €1,000 above €50,000. Unsecured Notes in denominations of less than €50,000 will not be available. The Unsecured Notes will mature on February 15, 2014 at a redemption price of 100%. Subject to the Company's compliance with the covenant described under the heading "—Certain covenants—Limitation on debt," the Company is permitted to issue additional notes from time to time under the Unsecured Indenture in an unlimited principal amount (the "Additional Unsecured Notes"). The Unsecured Notes and the Additional Unsecured Notes, if any, will be treated as a single class for all purposes of the Unsecured Indenture, including waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the Unsecured Indenture and this "Description of Unsecured Notes," references to the Unsecured Notes include any Additional Unsecured Notes actually issued.

The Unsecured Notes will bear interest at a rate per annum (the "Applicable Rate"), reset quarterly, equal to EURIBOR plus 400.0 bps as determined by the calculation agent for the Unsecured Notes (the "Calculation Agent"), which will initially be Deutsche Bank AG, London Branch, or any successor thereof.

Interest on the Unsecured Notes will be payable quarterly in arrears on each Interest Payment Date commencing May 15, 2007, to the person in whose name the Unsecured Note is registered on the relevant Record Date. Interest on the Unsecured Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date.

"Determination Date" with respect to an Interest Period will be the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

"EURIBOR," with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Telerate Page 248 as of 11:00 a.m., Brussels time, on the Determination Date. If Telerate Page 248 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the Euro- zone inter-bank market, as selected by the Calculation Agent, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the Euro-zone inter-bank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in London, as selected by the Calculation Agent ("Reference Banks"), to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

"Euro-zone" means the region comprised of member states of the European Union that adopt the euro.

"Interest Payment Date" means February 15, May 15, August 15, and November 15 in each year from and including May 15, 2007. If any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day

which is a Business Day unless it would then fall into the next calendar month, in which event, the Interest Payment Date shall be brought forward to the immediately preceding Business Day.

"Interest Period" means each successive period commencing on, and including, an Interest Payment Date and ending on, but excluding, the next succeeding Interest Payment Date, with the exception that the first Interest Period will commence on, and include, the Issue Date and end on, but exclude, May 15, 2007 and the final Interest Period shall end on, but exclude, the date of final maturity.

"Representative Amount" means the greater of (a) €1,000,000 and (b) an amount that is representative for a single transaction in the relevant market at the relevant time.

"TARGET Settlement Day" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

"Telerate Page 248" means, the display page so designated on Bridge's Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

The Calculation Agent will, as soon as practicable after 11:00 a.m. (Brussels time) or the Quotation Time (as the case may be) on each Determination Date, determine the Applicable Rate, and calculate the aggregate amount of interest payable on the Unsecured Notes in respect of the following Interest Period (the "Interest Amount"). The Interest Amount will be calculated by applying the Applicable Rate to the principal amount of Unsecured Notes outstanding at the commencement of the Interest Period, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 360.

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655)). All euro amounts used in or resulting from such calculations will be rounded to the nearest euro cent (with one-half euro cent being rounded upwards). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be binding on all parties.

The interest rate on the Unsecured Notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by any United States law of general application.

Upon each determination of interest rate, so long as the Unsecured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange, to the extent required by the Luxembourg Stock Exchange, the Company will inform Holders thereof through the relevant clearing systems and will make such determination available during normal business hours at the offices of the paying agent in Luxembourg. The Calculation Agent will, upon the request of the Holder of any Unsecured Note, provide the interest rate then in effect with respect to the Unsecured Notes.

The rights of Holders of beneficial interests in the Unsecured Notes to receive the payments of interest on the Unsecured Notes are subject to applicable procedures of the book-entry depositary and Euroclear and Clearstream.

Optional redemption

The Unsecured Notes will not be redeemable at the option of the Company prior to February 15, 2008, except as described in "—Optional tax redemption." On and after such date, the Unsecured Notes will be redeemable at the option of the Company, at any time as a whole, or from time to time in part, on not less than 30 nor more than 60 days' notice delivered to each Holder in accordance with the provisions set forth under "—Notices," at the following Redemption Prices (expressed as percentages of principal amount), plus accrued and unpaid interest (if any) to the redemption date, if redeemed during the 12-month period commencing on February 15 of the years set forth below:

Year	Redemption Price
2008..........................	101.0%
2009 and thereafter....	100.0%

The Company may acquire Unsecured Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisition does not otherwise violate the terms of the Unsecured Indenture.

Selection and notice of redemption

If less than all the Unsecured Notes are to be redeemed, the particular Unsecured Notes to be redeemed will be selected not more than 60 days prior to the redemption date by the Unsecured Notes Trustee by such method as the Unsecured Notes Trustee will deem fair and appropriate or in such manner as complies with the requirements of the principal securities exchange, if any, on which the Unsecured Notes being redeemed are listed and the requirements of any depositary holding the global certificates representing the Unsecured Notes; *provided however*, that no Unsecured Note of €50,000 in original principal shall be redeemed in part.

If any Unsecured Note is to be redeemed in part only, the notice of redemption that relates to that Unsecured Note will state the portion of the principal amount thereof to be redeemed. The Company will issue a new Unsecured Note in a principal amount equal to the unredeemed portion of the original Unsecured Note in the name of the Holder upon cancellation of the original Unsecured Note.

Subject to the terms of the applicable redemption notice, Unsecured Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest will cease to accrue on the Unsecured Notes or portions thereof called for redemption (unless the Company defaults in providing the funds for such redemption) and such Unsecured Notes will cease to be outstanding.

So long as any Unsecured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Company will provide a copy of all notices to the Luxembourg Stock Exchange.

Sinking Fund

The Company is not required to make mandatory sinking fund payments with respect to the Unsecured Notes.

Additional Amounts

The Company and each Unsecured Note Guarantor is required to make all payments under or with respect to the Unsecured Notes or its Unsecured Note Guarantee free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge of whatever nature (including penalties, interest and other liabilities related thereto) (hereinafter "Taxes"), unless the withholding or deduction is required by law.

If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) the government of any of the countries in which any of the Company or the relevant Unsecured Note Guarantor and, in each case, any successor thereof (each, a "Payor") is organized or any political subdivision or any authority or agency therein or thereof having power to tax, (2) any other jurisdiction in which a Payor is otherwise resident for tax purposes, or (3) any jurisdiction from or through which any payment under or with respect to the Unsecured Notes or any Unsecured Note Guarantee is made (each, a "Relevant Taxing Jurisdiction") will at any time be required from any payment made under or with respect to the Unsecured Notes or an Unsecured Note Guarantee, as applicable, such Payor will be required to pay such additional amounts ("Additional Amounts") as may be necessary so that the net amount received in respect of such payments by any Holder after such withholding or deduction (including any such deduction or withholding from such Additional Amounts) will equal the amount such Holder would have received if such Taxes had not been withheld or deducted; *provided, however*, that the foregoing obligation to pay Additional Amounts does not apply to (1) any Taxes that would not have been imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, the relevant Holder, if the relevant Holder is an estate, nominee, partnership, limited liability corporation, trust or corporation) and the Relevant Taxing Jurisdiction, including such Holder (or such fiduciary, settlor, beneficiary, partner, member, shareholder, or possessor) of the Unsecured Notes being or having been a citizen, resident, or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein, other than a connection resulting from the mere receipt of such payment or the ownership, holding or enforcement of such Unsecured Note; (2) any estate, inheritance, gift, sales, excise, transfer, personal property tax or similar Tax; (3) any withholding or deduction in respect of the Unsecured Notes or any Unsecured Note Guarantee (a) where such withholding or deduction is imposed on a payment or an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, or (b) presented (where presentation is required) for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the Unsecured Notes to any other paying agent in a European Union Member State, or (c) where the payment could have been made without such deduction or withholding if the Unsecured Notes had been presented for payment (where presentation is required) within 30 days (i) after the date on which such payment became due and payable, or (ii) the date on which payment thereof is duly provided for, whichever is later (except to the extent that the Holder would have been entitled to Additional Amounts had the Unsecured Notes been presented during such 30-day period); (4) any Taxes imposed with respect to any payment of principal of (or premium, if any, on) or interest on the Unsecured Notes by a Payor to any Holder who is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Holder of such Unsecured Notes; (5) any Taxes that are payable other than by deduction or withholding from payments made under or with respect to the Unsecured Notes; (6) any Taxes that would not have been imposed but for the failure of the Holder and/or beneficial owner to comply with the Payor's or the paying agent's reasonable and timely request in accordance with the "—Notices" provision herein, to the Holder to provide certification, documentation, information or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder and/or beneficial owner of such Unsecured Notes or to make any valid or timely declaration or similar claim or satisfy any other reporting requirement relating to such matters, whether required or imposed by statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of withholding or deduction of, Taxes imposed by the Relevant Taxing Jurisdiction; or (7) any combination of any of the above.

Such Additional Amounts also will not be payable where, had the beneficial owner of the Unsecured Note been the Holder, it would not have been entitled to payment of Additional Amounts by reason of clauses (1) to (7) inclusive above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to provide the Unsecured Notes Trustee with certified copies of tax receipts (or, if such certified copies are not available using all reasonable efforts, such other evidence reasonably acceptable to the Unsecured Notes Trustee in its discretion), evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes. The Payor will attach to each certified copy (or other documentation) a certificate stating (x) that the amount of such Tax evidenced by the certified copy (or other documentation) was paid in connection with payments in respect of the principal amount of Unsecured Notes then outstanding and (y) the amount of such Tax paid per €1,000 of principal amount of the Unsecured Notes.

At least 30 days prior to each date on which any payment under or with respect to the Unsecured Notes or any Unsecured Note Guarantee, as the case may be, is due and payable (unless such obligation to pay Additional Amounts arises shortly before or after the 30th day prior to such date, in which case it shall be promptly thereafter), if the Payor will be obligated to pay Additional Amounts with respect to such payment, the Payor will deliver to the Unsecured Notes Trustee an Officer's Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Unsecured Notes Trustee to pay such Additional Amounts to Holders of Unsecured Notes on the payment date. Each such Officer's Certificate shall be relied upon until receipt of a further Officer's Certificate addressing such matters.

Whenever in the Unsecured Indenture there is mentioned, in any context:

(1) the payment of principal;

(2) redemption prices or purchase prices in connection with a redemption or purchase of Unsecured Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Unsecured Notes,

such reference will be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Company will pay any present or future stamp, court or documentary taxes or any other excise or property taxes (other than net wealth taxes or similar taxes imposed on the Holder irrespective of such Holder's investment in the Unsecured Notes and based on the total net value of the Holder's property), charge or similar levies that arise in any Relevant Taxing Jurisdiction from the execution, delivery, enforcement or registration of the Unsecured Notes, the Unsecured Note Guarantees, the Unsecured Indenture or any other document or instrument in relation thereto (other than a transfer of the Unsecured Notes).

The obligations described under this heading will survive any termination, defeasance or discharge of the Unsecured Indenture or any Unsecured Note Guarantee.

Optional tax redemption

The Company is entitled to redeem the Unsecured Notes in whole, but not in part, at its option, at any time, upon not less than 30 nor more than 60 days' notice (which notice shall be irrevocable), at 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), in the event the Company or Unsecured Note Guarantor (as the case may be) has become or would become obligated to pay, on the next date on which any amount would be payable with respect to the Unsecured Notes, Additional Amounts as a result of:

(1) a change in or an amendment to the laws (including any regulations promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in or amendment to any official position regarding the application or interpretation of such laws or regulations (each of (1) and (2) a "Change in Tax Laws"),

which change or amendment becomes effective on or after the date hereof and the Company or Unsecured Note Guarantor (as the case may be) cannot avoid such obligation by taking reasonable measures available to it.

No such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Company or Unsecured Note Guarantor (as the case may be) would be obligated to pay such Additional Amounts were a payment in respect of the Unsecured Notes then due and payable.

Before the Company publishes or mails notice of redemption of the Unsecured Notes as described above, it will deliver to the Unsecured Notes Trustee (i) an Officer's Certificate to the effect that the Company or any Unsecured Note Guarantor (as the case may be) cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (ii) an opinion in form and substance reasonably satisfactory to the Unsecured Notes Trustee of independent legal counsel of recognized standing stating that the Company or Unsecured Note Guarantor (as the case may be) is or would be obligated to pay Additional Amounts as a result of a Change in Tax Laws. The Unsecured Notes Trustee shall be entitled to accept such Officer's Certificate and opinion as sufficient existence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the Holders.

The foregoing provisions will apply *mutatis mutandis* to any successor person to the Company or Unsecured Note Guarantor after such successor person becomes a party to the Unsecured Indenture.

For so long as the Unsecured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange, and to the extent the rules of the Luxembourg Stock Exchange so require, the Company will provide a copy of any such notice to the Luxembourg Stock Exchange. Notices of redemption will be given in accordance with the provisions set forth under "—Selection and notice of redemption."

Unsecured Note Guarantees

Overview

Certain Subsidiaries of the Company (the "Unsecured Note Guarantors") will jointly and severally guarantee on a senior basis the Company's obligations under the Unsecured Notes and the Unsecured Indenture (the "Unsecured Note Guarantees"). Because of legal restrictions, not all of the Subsidiaries of the Company will guarantee the Unsecured Notes, and certain of the Unsecured Note Guarantees will be subject to significant limitations. The aggregate unconsolidated EBITDA for the twelve months ended September 30, 2006 as reported in the respective stand-alone financial statements of such Unsecured Note Guarantors (the calculation of which differs from the calculation of EBITDA as provided for in the Indenture relating to the Notes) of the Subsidiaries issuing Unsecured Note Guarantees (after intercompany eliminations) was €114.8 million.

A summary of the Unsecured Note Guarantees and the limits on their enforceability is attached to this listing memorandum as Annex A, and you are urged to review that appendix in connection with making your investment decision.

Unsecured Note Guarantees

Each Unsecured Note Guarantor will jointly and severally guarantee, subject to limitations described in Annex A hereto, as a general unsubordinated obligation, and as a primary obligor and not merely as a surety, the Company's obligations under the Unsecured Notes and the Unsecured Indenture. In addition, each Unsecured Note Guarantor will agree to pay any and all costs and expenses (including counsel fees and expenses) incurred by the Unsecured Notes Trustee or the Holders in enforcing any rights under the Unsecured Note Guarantees.

The Unsecured Note Guarantee of the Unsecured Notes by each Unsecured Note Guarantor will be a general unsubordinated obligation of such Unsecured Note Guarantor and:

- will rank *pari passu* in right of payment with all its existing and future Debt that is not subordinated to such guarantee;

- will rank senior in right of payment to any existing and future subordinated obligations of such Unsecured Note Guarantor; and

- will be effectively subordinated to any existing and future Debt of such Unsecured Note Guarantor that is secured with assets of such Unsecured Note Guarantor, to the extent of the value of the assets securing such Debt, including Debt under the Secured Notes and Indebtedness under the Revolving Credit Facility.

The obligations of each Unsecured Note Guarantor under its Unsecured Note Guarantee will be limited to an amount that can be guaranteed under applicable laws, including corporate benefit laws and financial assistance, corporate benefit, fraudulent conveyance or fraudulent transfer restrictions under applicable insolvency laws, and will not apply to the extent a guarantee would be illegal or unenforceable under applicable local laws. See Annex A hereto and "Risk Factors—Risks Related to the Notes" and "Risk Factors—Risk Factors Related to the Unsecured Notes" elsewhere in this listing memorandum. The Unsecured Note Guarantees will provide that, in the event of default in the payment of principal of or premium, if any, interest, Additional Amounts, if any, and any other payment obligations in respect of the Unsecured Notes (including any obligation to repurchase the Unsecured Notes), the Unsecured Notes Trustee may institute legal proceedings directly against the relevant Unsecured Note Guarantor without first proceeding against the Company. The Unsecured Notes Trustee (acting of its own volition or on the direction of the Holders of 51% in aggregate principal amount of the outstanding Unsecured Notes), and not the Holders of the Unsecured Notes individually, may enforce the Unsecured Note Guarantees.

Intercompany Loans

Through the Unsecured Notes Proceeds Loans, (i) the Company intends to loan a portion of the net proceeds of the offering of the Unsecured Notes to Sub Lecta 1 S.A. (a Luxembourg société anonyme), Condat Holding S.A. (a French société anonyme), Torraspapel Holding S.A., Torraspapel S.A. and Sarriopapel y Celulosa S.A. (each, a Spanish sociedád anónima) and, (ii) in turn, Sub Lecta 1 S.A. will on-loan a portion of the proceeds to Cartiere del Garda S.p.A., and Condat Holding S.A. will on lend a portion of the proceeds to Condat S.A.S. Through the Secured Notes Proceeds Loans, the same lenders intend to loan a portion of the net proceeds of the offering of the Secured Notes to the same borrowers. The proceeds of all such intercompany lending will be used to repay existing indebtedness of certain of the Company's Subsidiaries and to pay fees and expenses as described under "Use of Proceeds." Interest will accrue on the Unsecured Notes Proceeds Loans and the Secured Notes Proceeds Loans at rates at least equal to the interest rates payable on the Unsecured Notes and the Secured Notes, respectively, with such adjustments as may be necessary to match any Additional Amounts, premium or default interest due with respect to the Unsecured Notes or the Secured Notes, as the case may be. The Intercompany Loans provide for repayments of principal in amounts and at times sufficient to enable repayments in full or in part of principal under the Unsecured Notes or the Secured Notes, as the case may be, whether at maturity, on early redemption or upon acceleration. Several of the entities issuing Intercompany Loans are holding companies that have no operations and generate no revenues of their own and have no independent assets other than their investments in their respective Subsidiaries. To the extent such entities must make payments on the Intercompany Loans, they will be dependent on dividends received from their subsidiaries, payments on intercompany loans or other distributions.

Each Intercompany Loan will be a general unsubordinated obligation of the Subsidiary borrowing such loan and:

- will rank *pari passu* in right of payment with all its existing and future Debt that is not subordinated to such Intercompany Loan;
- will rank senior in right of payment to any existing and future subordinated obligations of such Subsidiary; and
- will be effectively subordinated to any existing and future Debt of such Subsidiary that is secured with property and assets to the extent of the value of the assets securing such Debt, including all the assets pledged as security for the Revolving Credit Facility and the Secured Notes.

The Unsecured Notes Proceeds Loans will be pledged by the holders of such loans as collateral to secure obligations under the Secured Notes and the Revolving Credit Facility. In the event of an enforcement action by any such secured creditors against such Unsecured Notes Proceeds Loans, or against any share collateral of the borrowers under such intercompany loans, the Unsecured Notes Proceeds Loans could be released.

Release of Unsecured Note Guarantees

Pursuant to the Unsecured Indenture, the Capital Stock of an Unsecured Note Guarantor may be sold, leased, transferred or otherwise disposed of to another Person under the covenant described under "—Certain covenants—Limitation on sales of assets and Restricted Subsidiary stock."

Upon any sale or disposition (including, without limitation, by way of merger, consolidation or otherwise) of (i) Capital Stock of an Unsecured Note Guarantor following which such Unsecured Note Guarantor is no longer a Restricted Subsidiary, (ii) all or substantially all of the properties and assets of such Unsecured Note Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company or (iii) all or substantially all of the properties and assets of such Unsecured Note Guarantor to another Unsecured Note Guarantor in connection with a liquidation or dissolution of such Unsecured Note Guarantor *provided* that such other Unsecured Note Guarantor expressly assumes in writing in form satisfactory to the Unsecured Notes Trustee all the obligations of such Unsecured Note Guarantor under the Unsecured Indenture, as long as the sale or disposition complies with the covenant described in "—Certain covenants—Limitation on sales of assets and Restricted Subsidiary stock," the Unsecured Note Guarantee of any such Restricted Subsidiary will be released.

The Unsecured Note Guarantee provided by an Unsecured Note Guarantor also will be released:

(i) upon the valid designation of such Unsecured Note Guarantor as an Unrestricted Subsidiary;

(ii) if the Company exercises its legal defeasance option or covenant defeasance option as described under "—Defeasance" or if its obligations under the Unsecured Indenture are discharged in accordance with the terms of the Unsecured Indenture, in each case in accordance with the terms and conditions in the Unsecured Indenture;

(iii) upon repayment in full of the Unsecured Notes;

(iv) upon a sale of all the Capital Stock of the applicable Unsecured Note Guarantor (or any parent of such Unsecured Note Guarantor) pursuant to an Enforcement Action by secured creditors acting under the Intercreditor Agreement; and

(v) in the event that the continued obligations of such Unsecured Note Guarantor or the continued existence of such Unsecured Note Guarantor could reasonably be expected to give rise to or result in (now or in the future): (a) any violation of applicable law or (b) any personal liability for the officers, directors or indirect shareholders of such Unsecured Note Guarantor; which in each case of (a) and (b) cannot be avoided or otherwise prevented through measures reasonably available to the Company and the Unsecured Note Guarantor.

Upon request and at the cost of the Company, or, as the case may be, the relevant Unsecured Note Guarantor and upon delivery by the Company to the Unsecured Notes Trustee of an Officer's Certificate and an Opinion of Counsel to the foregoing effect, the Unsecured Notes Trustee will execute any documents reasonably requested by the Company or the relevant Unsecured Note Guarantor, as the case may be, in writing in order to evidence the release, discharge and termination in respect of any Unsecured Note Guarantee to be released as described above.

The release of guarantees under the Secured Indenture is governed by the provisions of such indenture. See "—Description of the Secured Notes."

Change of Control

If a Change of Control occurs, the Company will, within 30 days after the occurrence of such Change of Control, notify each Holder of the Unsecured Notes in accordance with the provisions set forth under "—Notices," with a copy of such notice to the Unsecured Notes Trustee in writing, of the occurrence of the Change of Control and will make an offer to purchase (the "Change of Control Offer") the Unsecured Notes, in whole or in part, in principal amounts of €50,000 and integral multiples of €1,000 above €50,000 at a purchase price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest thereon to the Change of Control Purchase Date (such price, together with such interest, the "Change of Control Purchase Price"), on or before the date specified in such notice, which date (the "Change of Control Purchase Date") shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed, or such later date as may be required by law or any applicable requirements of any securities exchange on which such Unsecured Notes are listed. The Change of Control Offer is required to remain open for at least 20 Business Days and until the close of business on the Change of Control Purchase Date. The Company will purchase all Unsecured Notes properly tendered in the Change of Control Offer and not withdrawn in accordance with the procedures set forth in such notice. The Change of Control Offer will state, among other things, the procedures that Holders of the Unsecured Notes must follow to accept the Change of Control Offer.

The Secured Indenture and the Revolving Credit Facility will have similar provisions requiring the Company and/or borrowers under such instruments to offer to repay such instruments. No assurance can be given that the Company will have sufficient liquidity to comply with such provisions and to make the Change of Control Offers required by the Unsecured Notes Indenture and the Secured Notes Indenture.

The Company will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Unsecured Indenture applicable to a Change of Control Offer made by the Company and purchases all Unsecured Notes validly tendered and not withdrawn under such Change of Control Offer.

The occurrence of certain of the events which would constitute a Change of Control would require mandatory prepayment of Debt outstanding under the Revolving Credit Facility and might constitute a default under, or require prepayment of, future Debt of the Company or its Subsidiaries. The occurrence of a Change of Control would also trigger an obligation of the Company to repurchase the Secured Notes, which may in turn lead to a default under the Secured Notes if the Company cannot finance such a repurchase. In addition, the exercise by the Holders of the Unsecured Notes of their right to require the Company to repurchase the Unsecured Notes could cause a default under the Debt of the Company or its Subsidiaries, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Company. Finally, if a Change of Control Offer is made, there can be no assurance that the Company will have sufficient funds or other resources to pay the Change of Control Purchase Price for all the Unsecured Notes that might be delivered by Holders thereof seeking to accept the Change of Control Offer. See "Risk Factors—Risks Related to the Notes— We may not have the ability to raise the funds necessary to finance a Change of Control Offer if required by the terms and conditions of the Notes" and "Risk Factors—Risks Related to the Notes—Our significant leverage may make it difficult for us to service our debt, including the Notes, and to operate our business."

The Change of Control provisions described above may deter certain mergers, tender offers and other takeover attempts involving the Company and, thus, the removal of incumbent management. One of the events that constitutes a Change of Control under the Unsecured Indenture is a sale, conveyance, transfer or lease of all or substantially all the assets of the Company and its Subsidiaries, taken as a whole. The phrase "all or substantially all" is subject to judicial interpretation depending on the facts and circumstances of the subject transaction. The Unsecured Indenture will be governed by New York law, and there is no established quantitative definition under New York law of "substantially all" the assets of a corporation. Accordingly, in certain circumstances it may be unclear whether a Change of Control has occurred and whether the Company may therefore be required to make a Change of Control Offer.

If at the time of such Change of Control, the Unsecured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange, to the extent required by the rules of the Luxembourg Stock Exchange, the Company will notify the Luxembourg Stock Exchange that a Change of Control has occurred and any relevant details relating to such Change of Control.

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the U.S. Exchange Act and any other securities laws or regulations in connection with the repurchase of Unsecured Notes pursuant to any Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions relating to the Change of Control Offer, the Company will comply with applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control covenant by virtue thereof.

Certain covenants

The Unsecured Indenture contains, among others, the following covenants:

Limitation on Debt

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, Incur any Debt (including Acquired Debt) other than Permitted Debt; provided however, that the Company may, and may permit any Unsecured Note Guarantor to, Incur Debt if (i) no Default or Event of Default shall have occurred and be continuing at the time of such Incurrence or would occur as a consequence of such Incurrence and (ii) after giving *Pro forma* effect to such Incurrence, the Consolidated Coverage Ratio as of the date of the Incurrence of such Debt would exceed 2.50 to 1.00.

Permitted Debt is defined as follows:

(i) Debt (a) of the Issuer evidenced by the Unsecured Notes issued on the Issue Date (not including Additional Unsecured Notes), (b) of the Unsecured Note Guarantors in respect of the Unsecured Note Guarantees, including any Additional Unsecured Note Guarantees, (c) of the Issuer evidenced by the Secured Notes (not including Additional Secured Notes), (d) of the Secured Note Guarantors in respect of the Secured Note Guarantees, including any Additional Secured Note Guarantees (but only to the extent such Additional Secured Note Guarantees are given by a Subsidiary that also provides an Additional Secured Note Guarantee), and (e) any "parallel debt" obligations created under the Intercreditor Agreement, the Security Documents or the Secured Indenture in respect of clauses (c) and (d);

(ii) Debt of the Company or any Restricted Subsidiary (x) Incurred under the Revolving Credit Facility (including, without double counting, any Debt to the extent backed by letters of credit, guarantees or bonds issued under the Revolving Credit Facility), and (y) any Refinancing Debt and any "parallel debt" obligations created under the Intercreditor Agreement or the Security Documents Incurred in respect of Debt under (x), *provided*, that the aggregate principal amount of all such Debt under the Revolving Credit Facility and any Refinancing Debt in respect thereof under this clause (ii) at any one time outstanding does not exceed €75 million, which amount shall be permanently reduced by any payments made by the Company under the Revolving Credit Facility with the Net Available Cash from any Asset Disposition (which are accompanied by a corresponding permanent commitment reduction) pursuant to clause (iii) of the first paragraph of the covenant described under "—Limitation on sales of assets and Restricted Subsidiary stock."

(iii) (intentionally omitted)

(iv) Debt Incurred by the Subsidiary which owns and operates (or will operate) the Riva del Garda cogeneration facility in an amount not to exceed €55 million, provided such Debt is used for the purpose of investing in the Riva del Garda cogeneration facility and provided, further, (A) that such Debt is not secured by assets of the Company or any other Restricted Subsidiary (other than shares of the Subsidiary which owns and operates (or will operate) such facility and its assets) and neither the Company nor any Restricted Subsidiary guarantees such Debt in any way, directly or indirectly, or provides any "*keep well*" or guarantees of the net worth of such Subsidiary, and (B) such Subsidiary does not own any Capital Stock, Redeemable Stock or Debt of, or own or hold any Lien on any property or assets of, the Company or any Restricted Subsidiary;

(v) Debt of the Company owing to and held by any Restricted Subsidiary and Debt of any Restricted Subsidiary owing to and held by the Company or any wholly-owned Restricted Subsidiary; *provided, however,* that if such Debt is owed by the Company or an Unsecured Note Guarantor (other than an Intercompany Loan), then it shall be expressly subordinated to the prior payment in full in cash of all obligations with respect to the Unsecured Notes; and *provided, further*, that any subsequent transfer of any such Debt (except to the Company or a Restricted Subsidiary), shall be deemed, in each case, to constitute the Incurrence of such Debt by the issuer thereof;

(vi) Debt (other than Debt permitted by the immediately preceding paragraph or elsewhere in this paragraph) in an aggregate principal amount outstanding at any time not to exceed €50 million;

(vii) the incurrence by the Company or any of its Restricted Subsidiaries of Debt represented by Capitalized Lease Obligations, mortgage financings or purchase money obligations, in each case, Incurred for the purpose of financing or refinancing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Company or such Restricted Subsidiary, or in respect of a sale and leaseback transaction, in an aggregate principal amount, not to exceed €5 million at any time outstanding;

(viii) Debt Incurred pursuant to any Qualified Receivables Financing that is not recourse to the Company or any of its Restricted Subsidiaries except for such recourse as arises through Standard Securitization Undertakings;

(ix) Debt under Hedging Obligations that are Incurred in the ordinary course of business, not for speculative purposes and (1) for the purpose of fixing or hedging interest rate risk with respect to any Debt Incurred without violation of the Unsecured Indenture; (2) for the purpose of fixing or hedging currency exchange rate risk with respect to any currency; or (3) for the purpose of fixing or hedging commodity price risk with respect to any commodities;

(x) Debt in connection with one or more standby letters of credit, bankers' acceptances or performance, bid, surety, judgment, appeal or similar bonds or completion guarantees provided by the Company or a Restricted Subsidiary and issued in the ordinary course of business or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances of credit;

(xi) Debt arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds, overdrafts or cash pooling arrangements in the ordinary course of business; *provided, however*, that any such Debt that arises is extinguished within six Business Days of Incurrence;

(xii) Debt of the Company or any of its Restricted Subsidiaries represented by letters of credit for the account of the Company or such Restricted Subsidiary, as the case may be, in order to provide security for workers' compensation claims, payment obligations in connection with self-insurance or similar requirements in the ordinary course of business;

(xiii) Debt arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, earn out or similar obligations, in each case, Incurred in connection with the disposition of any business, assets or Subsidiary, other than guarantees of Debt Incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such Debt shall at no time exceed the gross proceeds actually received by the Company and the Restricted Subsidiary in connection with such disposition;

(xiv) guarantees by the Company or a Restricted Subsidiary of Debt Incurred by the Company or a Restricted Subsidiary so long as the Incurrence of such Debt by the Company or any such Restricted Subsidiary is otherwise permitted by the terms of the Unsecured Indenture;

(xv) guarantees by the Company or a Restricted Subsidiary of Debt Incurred by Joint Ventures that does not exceed €5 million in the aggregate at any one time outstanding;

(xvi) Debt of a Person existing at the time that Person becomes a Restricted Subsidiary or assumed in connection with an Asset Acquisition by the Company or a Restricted Subsidiary and not Incurred in connection with or in anticipation of, such Person becoming a Restricted Subsidiary; *provided* that the holders of any such Debt do not, at any time, have direct or indirect recourse to any property or assets of the Company or any Restricted Subsidiary other than the property or assets of such acquired Person; *provided, further*, that on the date of such acquisition and after giving *Pro forma* effect thereto, either (1) the Company would have been able to Incur at least €1.00 of additional Debt pursuant to the immediately preceding paragraph or (2) the Consolidated Coverage Ratio would be greater than or equal to the Consolidated Coverage Ratio immediately prior to giving *Pro forma* effect to such acquisition;

(xvii) Debt of the Company or any of its Restricted Subsidiaries Incurred pursuant to an obligation imposed by law to transfer employee benefit obligation to a third party;

(xviii) Debt pursuant to the reclassification of any provision reflecting obligations under the put-call arrangement with Grupo Torras in relation to shares in Torraspapel S.A. that arise as a result of a change to IFRS or as a result of the exercise of any put or call pursuant to such put-call arrangement;

(xix) Debt of the Company or any Restricted Subsidiary not otherwise described in clauses (i) through (xviii) above (1) outstanding on the Issue Date and disclosed in the Offering Memorandum and (2) any Refinancing Debt Incurred in respect thereof; and

(xx) Refinancing Debt Incurred in respect of Debt Incurred under the first paragraph of this covenant or under clause (i) or (xvi) hereof;

provided, however, that, for purposes of determining the compliance of any non-euro-denominated Debt Incurred under clauses (ii), (iv), (vi), (vii), (xv) or (xvi) above with the euro-denominated restriction contained therein, the euro-equivalent principal amount of such Debt Incurred pursuant thereto will be calculated based on the relevant currency exchange rate in effect on the date such Debt was Incurred, in the case of term Debt, or first committed, in the case of revolving credit Debt; *provided*, that (i) the euro-equivalent principal amount of any such Debt outstanding on the Issue Date under clause (ii) above (other than term Debt) will be calculated based on the relevant currency exchange rate in effect on the date thereof and (iii) (A) any Refinancing Debt Incurred to refinance non-euro-denominated Debt previously Incurred which would cause the euro-denominated restriction under such clause to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing (the “Initial Refinancing Rate”) will be deemed not to exceed such euro-denominated restriction under such clause so long as the principal amount of such Refinancing Debt does not exceed the principal amount of the Debt being refinanced, and (B) all subsequent Incurrences of Refinancing Debt subject to the euro-denominated restriction under such clause will be determined as if the relevant currency exchange rate applied to any subsequent Refinancing Debt was the Initial Refinancing Rate; *provided, however*, that the principal amount of any such subsequent Refinancing Debt, if Incurred in a currency other than the currency of the Debt being refinanced, will be calculated based on the currency exchange rate applicable to the currency or currencies in which such proposed Refinancing Debt is denominated on the date of such refinancing.

For purposes of determining any particular amount of Debt under this “Limitation on Debt” covenant, accrual of interest, accrual of dividends, the accretion of accreted value, the obligation to pay commitment fees and the payment of interest in the form of additional Debt shall not be treated as Debt. In addition, for purposes of determining compliance with this “Limitation on Debt” covenant, in the event that an item of proposed Debt meets the criteria of more than one of the categories of Permitted Debt described in clauses (i) through (xviii) above, or is entitled to be Incurred pursuant to the first paragraph of this covenant, the Company shall be permitted to classify such item of Debt on the date of its Incurrence and, except with respect to Debt Incurred under clause (ii) above, reclassify such item of Debt, in each case in any manner that complies with this covenant.

Limitation on Restricted Payments

The Company will not make, and will not permit any Restricted Subsidiary to make, directly or indirectly, any Restricted Payment if at the time of, and after giving effect to, such proposed Restricted Payment,

(a) a Default or Event of Default shall have occurred and be continuing,

(b) the Company could not Incur at least €1.00 of additional Debt pursuant to the first paragraph of the covenant described under "—Limitation on Debt," or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made since the Issue Date (the amount of any Restricted Payment, if made other than in cash, to be based upon Fair Market Value) would exceed an amount equal to the sum of:

(i) 50% of the aggregate Consolidated Net Income accrued during the period (treated as one accounting period) from the Issue Date, to the end of the Company's most recent fiscal quarter ending prior to the date of such proposed Restricted Payment (or if Consolidated Net Income shall be a deficit, minus 100% of such deficit),

(ii) Capital Stock Sale Proceeds and (without duplication of any amounts included in Capital Stock Sale Proceeds) Capital Stock Contributions, and

(iii) the amount by which Debt of the Company or any Restricted Subsidiary is reduced on the Company's balance sheet upon the conversion or exchange (other than by a Subsidiary) subsequent to the Issue Date of any Debt of the Company or any Restricted Subsidiary convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash or other property distributed by the Company or any Restricted Subsidiary upon such conversion or exchange).

Notwithstanding the foregoing limitation, the Company and any Restricted Subsidiary may:

(a) pay dividends on its Capital Stock within 60 days of the declaration thereof if, on said declaration date, such dividends could have been paid in compliance with the Unsecured Indenture; *provided, however,* that such dividend shall be included in the calculation of the amount of Restricted Payments;

(b) redeem, repurchase, defease, acquire or retire for value, any Subordinated Obligation with the proceeds of any Refinancing Debt in respect of such Subordinated Obligation; *provided, however* that such redemption, repurchase, defeasance or other acquisition or retirement for value shall be excluded in the calculation of the amount of Restricted Payments;

(c) make any Restricted Payment by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Company or an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees) or Capital Stock Contributions; *provided, however,* that (i) such Restricted Payment shall be excluded in the calculation of the amount of Restricted Payments and (ii) the Net Cash Proceeds from such sale or contribution shall, to the extent so used to acquire, redeem or retire Capital Stock of the Company or Subordinated Obligations of the Company, be excluded from the calculation of the amount of Capital Stock Sale Proceeds and Capital Stock Contributions;

(d) make cash payments in lieu of issuing fractional shares pursuant to the exercise or conversion of any exercisable or convertible securities;

(e) make payments or distributions to dissenting shareholders pursuant to applicable law in connection with or in contemplation of a merger, consolidation or transfer of assets that complies with the covenant described under "—Certain covenants—Consolidation, merger and sale of assets;"

(f) make payments of dividends on Disqualified Stock issued in accordance with the covenant described under "—Limitation on Debt;" and

(g) make additional Restricted Payments in an aggregate amount not to exceed €5 million since the Issue Date.

Transactions with Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into any transaction or series of related transactions (including the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate of the Company (an "Affiliate Transaction") unless (a) the terms of such Affiliate Transaction are no less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable arm's length transaction with a Person that is not an Affiliate of the Company or such Restricted Subsidiary, (b) with respect to an Affiliate Transaction involving aggregate payments or value in excess of €5 million, the terms of such Affiliate Transaction are set forth in writing and the Board of Directors (including a majority of the disinterested members of the Board of Directors) approves such Affiliate Transaction and, in its good faith judgment, believes that such Affiliate Transaction complies with clause (a) of this paragraph and (c) with respect to an Affiliate Transaction involving aggregate payments or value in excess of €20 million, the terms of such Affiliate Transaction are set forth in writing and the Company obtains a written opinion from an Independent Appraiser to the effect that such Affiliate Transaction is fair, from a financial point of view, to the Company or is not less favorable to the Company or such Restricted Subsidiary than could have been obtained in a comparable arms' length transaction with a Person that is not an Affiliate of the Company or a Restricted Subsidiary.

The foregoing covenant will not prohibit: (A) Permitted Investments and any Restricted Payment permitted to be paid as described above under "—Limitation on Restricted Payments," (B) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of or other transactions pursuant to, employment arrangements, stock options and stock ownership plans approved by the Board of Directors of the Company, (C) loans or advances to employees of the Company in the ordinary course of business, (D) the payment of reasonable fees, compensation and employee benefit arrangements, customary insurance and indemnities to directors, officers, managers, employees or consultants of the Company and of Restricted Subsidiaries, (E) any transaction between the Company and a Restricted Subsidiary or between Restricted Subsidiaries, (F) the performance of any agreement as in effect on the Issue Date which is disclosed to Holders of the Unsecured Notes in the Offering Memorandum under the heading "Certain Relationships and Related Party Transactions" or any amendment or renewal thereto or any transaction contemplated thereby or in any replacement agreement thereto so long as any such amendment or renewal or replacement agreement is not more disadvantageous to the Holders of Unsecured Notes (as determined by the Board of Directors of the Company in their reasonable and good faith judgment) in any material respect than the original agreement, (G) transactions between or among any of the Company, any of its Subsidiaries and any Person in connection with a Qualified Receivables Financing, in each case provided that such transactions are not otherwise prohibited by the Unsecured Indenture, (H) transactions between the Company or any of its Restricted Subsidiaries and any Person that is an Affiliate solely as a result of the ownership by the Company or any of its Restricted Subsidiaries of Capital Stock of such Person, (I) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Unsecured Indenture which are fair to the Company or its Restricted Subsidiaries, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party, in each case in the reasonable determination of the Board of Directors of the Company or the senior management thereof or (J) payments by the Company or any of its Restricted Subsidiaries, directly or indirectly, to CVC Capital Partners Limited and its Affiliates made for any financial advisory, financing, underwriting, management or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments are reasonably related to the services performed and customary for the nature of the services performed and approved by the Board of Directors of the Company in good faith.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, Incur Secured Debt of any kind (other than Secured Debt secured by a Permitted Lien) unless contemporaneously therewith, effective provision is also made that:

(1) in the case of Secured Debt that is expressly subordinate or junior in right of payment to the Unsecured Notes or an Unsecured Note Guarantee, the Unsecured Notes or such Unsecured Note Guarantee, as the case may be, are secured prior to such Secured Debt for so long as such Secured Debt is secured by a Lien; and

(2) in all other cases, the Unsecured Notes or the Unsecured Note Guarantee of such Unsecured Note Guarantor, as the case may be, is secured equally and ratably to such Secured Debt for so long as such Secured Debt is secured by a Lien.

Limitation on guarantees of Debt by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary that is not an Unsecured Note Guarantor, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of any Debt of the Company or an Unsecured Note Guarantor under any Debt unless:

(1) (A) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for an Unsecured Note Guarantee of payment of the Unsecured Notes by such Restricted Subsidiary on the same terms as the guarantee of such Debt; and

(B) with respect to any guarantee of Subordinated Obligations by such Restricted Subsidiary, any such guarantee will be subordinated to such Restricted Subsidiary's Unsecured Note Guarantee at least to the same extent as such Subordinated Obligations are subordinated to the Unsecured Notes; and

(2) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Unsecured Note Guarantee.

Notwithstanding the foregoing, the Company shall not be obligated to cause any such Restricted Subsidiary to guarantee the Unsecured Notes to the extent that such Unsecured Note Guarantee would reasonably be expected to give rise to or result in (i) any violation of applicable law, rule, regulation or order that cannot be avoided or otherwise prevented through measures reasonably available to the Company or such Restricted Subsidiary or (ii) any liability for the officers, directors or shareholders of such Restricted Subsidiary.

In addition, notwithstanding the foregoing and the other provisions of the Unsecured Indenture, any Unsecured Note Guarantee issued pursuant to this covenant by a Restricted Subsidiary shall provide by its terms that it shall be automatically and unconditionally released and discharged in the circumstances described under "Unsecured Note Guarantees—Release of Unsecured Note Guarantees."

Limitation on restrictions on distributions from Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to (a) pay dividends or make any other distributions on its Capital Stock, (b) make any loans or advances to the Company or any other Restricted Subsidiary or (c) transfer any of its property or assets to the Company or any other Restricted Subsidiary, except:

(i) any encumbrance or restriction which is in effect at or entered into on the Issue Date, including pursuant to the Revolving Credit Facility, and which is (a) disclosed in the Offering Memorandum under the heading "Description of Indebtedness" or "Description of the Secured Notes," or the Secured Indenture or (b) in respect of Debt permitted under clause (iv) of the second paragraph of the covenant described under "—Limitation on Debt," provided the encumbrance or restriction applies only to the Subsidiary which owns the Riva del Garda co-generation facility and the conditions of clause (B) of such clause (iv) are satisfied;

(ii) any encumbrance or restriction with respect to a Restricted Subsidiary or property or assets pursuant to an agreement on or prior to the date on which such Restricted Subsidiary or property or assets was acquired by the Company or a Restricted Subsidiary (other than Debt Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by the Company or Restricted Subsidiary or the property or assets were acquired by the Company or Restricted Subsidiary) and outstanding on such date;

(iii) any encumbrance or restriction pursuant to an agreement effecting an amendment, modification, restatement, renewal, increase, supplement, refund, replacement or refinancing of an agreement referred to in clauses (i) or (ii) of this covenant or this clause (iii); *provided, however*, that the encumbrances and restrictions contained in any such agreement or amendment, taken as a whole, are no less favorable to the Holders of the Unsecured Notes than encumbrances and restrictions contained in such predecessor agreements;

(iv) any encumbrance or restriction (A) consisting of customary provisions restricting subletting or assignment of leases and customary provisions in other agreements that restrict assignment of such agreements or rights thereunder or customary restrictions contained in asset sale agreements limiting the transfer of such property pending the closing of such sale, (B) arising by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the terms of the Unsecured Indenture or (C) arising or agreed to in the ordinary course of business and that does not, individually or in the aggregate, detract from the value of property or assets of the Company and its Restricted Subsidiaries, taken as a whole, in any manner material to the Company and its Restricted Subsidiaries, taken as a whole;

(v) in the case of clause (c) above, restrictions contained in Capitalized Lease Obligations, security agreements or mortgages securing Debt of a Restricted Subsidiary to the extent such restrictions restrict the transfer of the property subject to such Capitalized Lease Obligations, security agreements or mortgages;

(vi) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

(vii) any encumbrance or restriction with respect to a Restricted Subsidiary imposed pursuant to a Permitted Joint Venture Transaction;

(viii) any encumbrance or restriction pursuant to an agreement related to Debt in respect of any Qualified Receivables Financing which is permitted under clause (viii) of the second paragraph of the covenant described under "— Limitation on Debt;"

(ix) any encumbrance or restriction imposed pursuant to any Interest Rate Protection Agreement, Currency Exchange Protection Agreement or Commodity Agreement;

(x) any encumbrance or restriction imposed by applicable law, rules, regulations and/or orders;

(xi) any encumbrances or restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(xii) any encumbrances or restrictions Incurred in accordance with the covenant described under "—Limitation on Liens."

Limitation on sales of assets and Restricted Subsidiary stock

The Company will not, and will not permit any Restricted Subsidiary to, make any Asset Disposition unless:

(i) the Company or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value of the assets subject to such Asset Disposition;

(ii) at least 75% of such consideration consists of cash or Cash Equivalents, and is received at the time of the Asset Disposition (which shall be deemed to include other consideration converted to cash or Cash Equivalents within 90 days of such Asset Disposition); and

(iii) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company or such Restricted Subsidiary, as the case may be:

(A) *first*, to the extent the Company or such Restricted Subsidiary elects, to make an investment in, or expenditures for, properties and assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Company or another Restricted Subsidiary) within twelve months from the later of such Asset Disposition or the receipt of such Net Available Cash or pursuant to arrangements in place within the twelve-month period (to the extent such arrangements are completed within 180 days after execution of such arrangement);

(B) *second*, to the extent of the balance of such Net Available Cash after application in accordance with clause (A), to the extent the Company or such Restricted Subsidiary elects (or is required by the terms of Debt), to prepay, repay or purchase Senior Debt of the Company or any Unsecured Note Guarantor or Debt of a Subsidiary of the Company that is not an Unsecured Note Guarantor (in each case other than Debt owed to the Company or an Affiliate of the Company) within twelve-months from the later of the date of such Asset Disposition or the receipt of such Net Available Cash;

(C) *third*, to the extent of the balance of such Net Available Cash after application in accordance with clauses (A) and (B), to the extent the Company elects, to purchase Unsecured Notes;

(D) *fourth*, to the extent of the balance of such Net Available Cash after application in accordance with clauses (A), (B) and (C), to make a Prepayment Offer (as defined below) to purchase Unsecured Notes pursuant to and subject to the conditions described below; and

(E) *fifth*, to the extent of the balance of such Net Available Cash after application in accordance with clauses (A), (B), (C), or (D), for any purpose permitted by the Unsecured Indenture;

provided, however, that, in connection with any prepayment, repayment or purchase of Debt pursuant to clause (B), (C) or (D), the Company or such Restricted Subsidiary will retire such Debt and will cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased.

Notwithstanding the foregoing provisions, the Company and the Restricted Subsidiaries will not be required to apply any Net Available Cash in accordance with such foregoing provisions to the extent that such Net Available Cash does not exceed €10 million during any fiscal year, except to the extent that the aggregate Net Available Cash from all Asset Dispositions which are not applied in accordance with the foregoing provisions exceeds €20 million. Pending application of Net Available Cash pursuant to this provision, such Net Available Cash may be used to temporarily reduce revolving credit borrowings or otherwise invested in any manner that is not prohibited by the terms of the Unsecured Indenture.

In the event of any Asset Disposition that requires the purchase of Unsecured Notes pursuant to clause (D), the Company will be required to purchase Unsecured Notes tendered pursuant to any offer by the Company for Unsecured Notes (the “Prepayment Offer”) at a purchase price of 100% of their principal amount plus accrued interest (if any) to the Purchase Date (as defined below) in accordance with the procedures (including prorating the Unsecured Notes and Secured Notes in the event of oversubscription on the basis of the aggregate amount of each series of Notes tendered) set forth in the Unsecured Indenture. The Company will not be required to make a Prepayment Offer for Unsecured Notes if the Net Available Cash available therefor (after application of the proceeds as provided in clauses (A), (B) and (C)) is less than €10 million for any particular Asset Disposition (which lesser amounts will be carried forward for purposes of determining whether a Prepayment Offer is required with respect to the Net Available Cash from any subsequent Asset Disposition).

Promptly, and in any event within ten days after the Company becomes obligated to make a Prepayment Offer, the Company will deliver to the Unsecured Notes Trustee and to each Holder of Unsecured Notes in accordance with the provisions set forth under “—Notices” a written notice stating that such Holder may elect to have its Unsecured Notes purchased by the Company, either in whole or in part (subject to prorating in the event the Prepayment Offer is oversubscribed) and in principal amounts of €50,000 and integral multiples of €1,000 above €50,000 at the applicable purchase price. The notice will specify a purchase date not less than 30 days nor more than 60 days after the date of such notice (the “Purchase Date”) and will contain information concerning the business of the Company which the Company in good faith believes will enable Holders of Unsecured Notes to make an informed decision and will contain all instructions and material necessary to tender Unsecured Notes pursuant to the Prepayment Offer and the procedures for withdrawing such a tender (such procedures as set forth in the Unsecured Indenture). After consummation of any Prepayment Offer, Net Available Cash shall be reset to zero.

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the U.S. Exchange Act and any other securities laws or regulations in connection with the repurchase of Unsecured Notes as described above. To the extent that the provisions of any securities laws or regulations conflict with provisions relating to the Prepayment Offer, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations described above by virtue thereof.

For the purposes of this covenant, the following will be deemed to be cash: (1) the assumption by the transferee of Debt (other than Subordinated Obligations) of the Company or any Restricted Subsidiary and the release of the Company or such Restricted Subsidiary from all liability on such Debt in connection with such Asset Disposition (in which case the Company shall, without further action, be deemed to have applied such assumed Debt in accordance with clause (iii) of the first paragraph of this covenant); and (2) (a) Capital Stock of a Person conducting a Related Business that as a result of such acquisition becomes a Restricted Subsidiary of the Company and (b) any other property or assets (other than Debt and Capital Stock) that are used or useful in a Related Business.

Monitoring by Unsecured Notes Trustee

The Unsecured Notes Trustee shall have no responsibility for monitoring any of the covenants described in this section “Certain covenants” and shall be entitled to assume, unless it receives written notice to the contrary, that the Company and any Restricted Subsidiaries are all complying with their covenant obligations described herein. The Company shall, pursuant to the Unsecured Indenture, provide to the Unsecured Notes Trustee a certificate of compliance on an annual basis certifying compliance (or not, as applicable) with such covenants, and the Unsecured Notes Trustee will be entitled to rely on such certificates absolutely and without further enquiry.

Reports to Holders

For so long as any Unsecured Notes are outstanding, the Company will provide to the Unsecured Notes Trustee the following reports:

(a) within 120 days after the end of the Company’s fiscal year, annual reports, in a level of detail that is comparable in all material respects to that included in the Offering Memorandum (with appropriate revisions, as reasonably determined by the Company, to reflect changes in segment reporting, and except that the Company shall not be required to commission expert reports as part of any description of the industry), containing, to the extent applicable, the following information: (i) audited consolidated balance sheets of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (ii) *Pro forma* income statement and balance sheet information of the Company, which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act (“Regulation S-X”), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *Pro forma* information has been provided in a previous report pursuant to clause (b)(ii) or (b)(iii) below (and *provided* that an acquisition, disposition or recapitalization that has occurred less than 75 calendar days prior to the date such report is to be provided, such acquisition, disposition or recapitalization shall be included in the report for the next fiscal quarter); (iii) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Company, and a discussion of material commitments and contingencies and critical accounting policies; (iv) a description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; (v) a description of material risk factors and material recent developments; (vi) earnings before interest, taxes, depreciation and amortization; (vii) capital expenditures; (viii) depreciation and amortization; and (ix) operating profit (loss) in IFRS;

(b) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Company, all quarterly financial statements of the Company containing the following information: (i) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter and year-to-date periods ending on the unaudited condensed balance sheet date, and the comparable prior year period, together with condensed footnote disclosure; (ii) *Pro forma* income statement and balance sheet information of the Company (which need not comply with Article 11 of Regulation S-X), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *Pro forma* information has been provided in a previous report pursuant to clause (b)(i) or (b)(iii) (and *provided* that an acquisition, disposition or recapitalization that has occurred less than 75 calendar days prior to the date such report is to be provided, such acquisition, disposition or recapitalization shall be included in the report for the next fiscal quarter or the current fiscal year, whichever occurs first); (iii) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Company, and a discussion of material commitments and contingencies and critical accounting polices; and (iv) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; and

(c) promptly after the occurrence of any material acquisition, disposition or restructuring of the Company and its Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at the Company or change in auditors of the Company or any other material event that the Company or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries, then the quarterly and annual financial information required by (a) and (b) above will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries.

All the financial statements and *Pro forma* financial information shall be prepared in accordance with IFRS on a consistent basis for the periods presented. Except as provided for above, no report need include separate financial statements or information for the Company or Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Offering Memorandum.

For purposes of this covenant, an acquisition or disposition shall be deemed "material" if the business acquired or disposed of would constitute a "significant subsidiary," as provided in Rule 1-02(w) of Regulation S-X, substituting 20% for 10% in the tests therein.

Contemporaneously with the furnishing of each such report discussed above, the Company will also post such report on the Company's website or otherwise provide substantially comparable public availability of such report. In the event that the Company becomes subject to the reporting requirements of Section 13(a) or 15(d) of the U.S. Exchange Act, or elects to comply with such provisions, the Company will, for so long as it continues to file the reports required by Section 13(a) with the SEC, make available to the Unsecured Notes Trustee the annual reports, information, documents and other reports that the Company is required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Company will be deemed to have complied with the provisions contained in the preceding three paragraphs.

The Unsecured Indenture also provides that, so long as any of the Unsecured Notes remain "restricted securities" within the meaning of Rule 501 under the U.S. Securities Act and during any period during which the Company is not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company will make available to any prospective purchaser of the Unsecured Notes or beneficial owner of Unsecured Notes in connection with any sale thereof the information required by Rule 144A(d)(4) under the U.S. Securities Act. The Company will also make any of the foregoing information available during normal business hours at the offices of the listing agent in Luxembourg if and so long as the Unsecured Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of that exchange so require.

Limitation on lines of business

The Company will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than a Related Business or other than in connection with a Permitted Receivables Financing.

Consolidation, merger and sale of assets

The Company will not merge or consolidate with or into any other entity (other than a merger or consolidation of a Restricted Subsidiary into the Company, or the Company into a Restricted Subsidiary (except that such merger or consolidation shall comply with clauses (b) and (e) below) or sell, transfer, assign, lease, convey or otherwise dispose of all or substantially all of its property or assets in any one transaction or series of transactions unless the following requirements are satisfied:

(a) the Company shall be the surviving Person or the surviving Person (if other than the Company), formed by such consolidation or merger or the Person to which such sale, transfer, assignment, lease, conveyance or disposition is made shall be a corporation organized and existing under the laws of the United States of America or a State thereof or the District of Columbia or any European Union Member State (any such Person, the "Surviving Person");

(b) the Surviving Person (if other than the Company) expressly assumes, by supplemental indenture in form satisfactory to the Unsecured Notes Trustee, executed and delivered to the Unsecured Notes Trustee by such Surviving Person, all the obligations of the Company, including the due and punctual performance and observance of all the covenants and conditions, including covenants relating to payment of principal, interest, premium and Additional Amounts, of the Unsecured Indenture to be performed by the Company;

(c) immediately before and after giving effect to such transaction or series of transactions on a *Pro forma* basis (and treating any Debt which becomes, or is anticipated to become, an obligation of the Surviving Person or any Restricted Subsidiary as a result such transaction or series of transactions as having been Incurred by the Surviving Person or such Restricted Subsidiary at the time of such transaction or series of transactions), no Default or Event of Default shall have incurred and be continuing;

(d) immediately after giving effect to such transaction or series of transactions on a *Pro forma* basis (and treating any Debt which becomes, or is anticipated to become, an obligation of the Surviving Person or any Restricted Subsidiary as a result of such transaction or series of transactions as having been Incurred by the Surviving Person or such Restricted Subsidiary at the time of such transaction or series of transactions), (i) the Company or the Surviving Person (if other than the Company) would be able to Incur at least €1.00 of additional Debt under the first paragraph of the covenant described under "—Certain covenants—Limitation on Debt," or (ii) the Consolidated Coverage Ratio would be greater than or equal to the Consolidated Coverage Ratio immediately prior to giving *Pro forma* effect to such transaction or transactions; and

(e) in connection with any consolidation, merger, transfer or other transaction contemplated by this provision, the Company shall deliver, or cause to be delivered, to the Unsecured Notes Trustee, in form satisfactory to the Unsecured Notes Trustee, an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, transfer or other transaction and the supplemental indenture in respect thereto comply with this provision and that all conditions precedent herein provided for relating to such transaction or transactions have been complied with.

Notwithstanding anything in this covenant to the contrary: (i) the Company (A) may merge with an Affiliate that has no material assets or liabilities and that is incorporated or organized solely for the purpose of reincorporating or reorganizing the Company in any state of the United States, the District of Columbia or any state which is a European Union Member State and (B) may otherwise convert its legal form under the laws of its jurisdiction of organization, in each case, without complying with clause (e) of the preceding paragraph and (ii) any transaction characterized as a merger under applicable law where each of the constituent entities survives, shall not be treated as a merger for purposes of this covenant, but shall instead be treated as (x) an Asset Sale, if the result of such transaction is the transfer of assets by the Company or a Restricted Subsidiary, or (y) an Investment, if the result of such transaction is the acquisition of assets by the Company or a Restricted Subsidiary.

Upon assumption by the Surviving Person of the obligations of the Company under the Unsecured Indenture, the Surviving Person will succeed to, and be substituted for, and may exercise every right and power of the Company under the Unsecured Indenture, and the predecessor (except in the case of a lease) and the Company will be released from its obligations under the Unsecured Indenture.

Restricted and Unrestricted Subsidiaries

The Board of Directors of the Company may designate or redesignate any Subsidiary of the Company or any Restricted Subsidiary to be an Unrestricted Subsidiary if (i) the Subsidiary to be so designated does not own any Capital Stock, Redeemable Stock or Debt of, or own or hold any Lien on any property or assets of, the Company or any other Restricted Subsidiary, (ii) the Subsidiary to be so designated is not obligated by any Debt, Lien or other obligation that, if in default, would result (with the passage of time or notice or otherwise) in a default on any Debt of the Company or any Restricted Subsidiary and (iii) such designation complies with the covenant described under "—Limitation on Restricted Payments." For purposes of the covenant described under "—Limitation on Restricted Payments," "Investment" will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the company's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets (as conclusively determined by the Board of Directors of the Company in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary. Unless so designated as an Unrestricted Subsidiary, any Person that becomes a Subsidiary of the Company or of any Restricted Subsidiary will be classified as a Restricted Subsidiary. Except as provided in the first sentence of this paragraph, no Restricted Subsidiary may be redesignated as an Unrestricted Subsidiary. Any such designation by the Board of Directors of the Company will be evidenced to the Unsecured Notes Trustee by the Company by promptly filing with the Unsecured Notes Trustee a copy of the resolution of such Board giving effect to such designation and delivering an Officer's Certificate, in form satisfactory to the Unsecured Notes Trustee, certifying that such designation complies with the foregoing provisions.

The Company will not, and will not permit any Unrestricted Subsidiary to, take any action or enter into any transaction or series of transactions that would result in a Person becoming a Restricted Subsidiary (whether through an acquisition, the redesignation of an Unrestricted Subsidiary or otherwise) unless after giving effect to such action, transaction or series of transactions, on a *Pro forma* basis, (i)(a) the Company could Incur at least €1.00 of additional Debt pursuant to the first paragraph of the covenant described under "—Certain covenants—Limitation on Debt," or (b) the Consolidated Coverage Ratio would be greater than or equal to the Consolidated Coverage Ratio immediately prior to giving *Pro forma* effect to such transaction or transactions and (ii) no Default or Event of Default would occur or be continuing.

Suspension of Certain Covenants When Unsecured Notes Rated Investment Grade

If on any date following the date of the Unsecured Indenture, (1) the Unsecured Notes are rated (a) Baa3 or better by Moody's and (b) BBB- or better by S&P (or, if either Moody's or S&P ceases to rate the Unsecured Notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from Fitch Ratings or, in the absence of such, any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Company as a replacement agency so that the Unsecured Notes are so rated by at least two such credit rating agencies); and (2) no Default or Event of Default shall have occurred and be continuing, then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this listing memorandum will be suspended:

(1) "—Limitation on Debt;"

(2) "—Limitation on Restricted Payments;"

(3) "—Transactions with Affiliates;"

(4) "—Limitation on guarantees of Debt by Restricted Subsidiaries;"

(5) "—Limitation on restrictions on distributions from Restricted Subsidiaries;" and

(6) "—Limitation on sales of assets and Restricted Subsidiary stock."

During any period that the foregoing covenants have been suspended, the Company's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described above under the caption "—Restricted and Unrestricted Subsidiaries."

Notwithstanding the foregoing, if the rating assigned by any such rating agency should subsequently decline to below Baa3 or BBB-, as applicable, the foregoing covenants will be reinstituted as of and from the date of such Rating Decline, and, upon any such event, the Company shall promptly notify the Unsecured Notes Trustee. Such covenants will not, however, be of any effect with respect to actions properly taken during the period of suspension. Calculations under the reinstated "—Limitation on Restricted Payments" covenant will be made as if the "—Limitation on Restricted Payments" covenant had been in effect since the date of the Unsecured Indenture except that no Default will be deemed to have occurred by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Unsecured Notes will ever achieve an investment grade rating or that any such rating will be maintained.

Defaults

An “Event of Default” will occur under the Unsecured Indenture if:

(i) the Company fails to make any payment of interest (including Additional Amounts) on any Unsecured Note when the same shall become due and payable, and such failure continues for a period of 30 days;

(ii) the Company fails to make the payment of the principal or premium, if any, on any Unsecured Note when the same becomes due and payable at its Stated Maturity, upon declaration, redemption, acceleration, required purchase or otherwise;

(iii) the Company fails to comply with any of its respective covenants or agreements described under “—Certain covenants—Consolidation, merger and sale of assets;”

(iv) the Company fails to comply with its obligations under the covenants described under “—Change of Control” above or under the covenants described under “—Certain covenants” (other than a failure to purchase Unsecured Notes which will constitute an Event of Default under clause (ii) and other than a failure to comply with “—Certain covenants—Consolidation, merger and sale of assets” which will constitute an Event of Default under clause (iii)) and such failure continues for a period of 30 days after the notice specified below;

(v) the Company fails to comply with any of the covenants in the Unsecured Notes or the Unsecured Indenture (other than those specified in clauses (i), (ii), (iii) and (iv)) and such failure continues for a period of 60 days after the notice specified below;

(vi) Debt of the Company or any Significant Restricted Subsidiary (or any other Restricted Subsidiary if such Debt is, or with the giving of notice or the passage of time or otherwise may become, directly or indirectly, recourse to the Company or any Significant Restricted Subsidiary) is not paid within any applicable grace period after final maturity or is accelerated by the holders thereof and the total amount of such Debt unpaid or accelerated exceeds €20 million or its equivalent;

(vii) any judgment or decree aggregating in an uninsured amount in excess of €20 million or its equivalent at the time is rendered against the Company or any Significant Restricted Subsidiary (or any other Restricted Subsidiary if such judgment or decree is, or with the giving of notice or the passage of time or otherwise may become, directly or indirectly, recourse to the Company or any Significant Restricted Subsidiary) and there is a period of 60 days following the entry of such judgment or decree during which such judgment or decree is not discharged, waived or the execution thereof stayed or is not covered by indemnities or third party insurance as to which the Person giving such indemnity or such insurer has not discharged coverage and such default continues for ten days after the notice specified below;

(viii) the Company or any Significant Restricted Subsidiary pursuant to or within the meaning of any Bankruptcy Law (A) commences a voluntary case, (B) consents to the entry of an order for relief against it in an involuntary case, (C) consents to the appointment of a Custodian of it or for any substantial part of its property or (D) makes a general assignment for the benefit of its creditors; or takes any comparable action under any laws relating to insolvency or laws having a similar effect for creditors;

(ix) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that: (A) is for relief against the Company or any Significant Restricted Subsidiary in an involuntary case, (B) appoints a Custodian of the Company or any Significant Restricted Subsidiary or for any substantial part of its property, or (C) orders the winding up or liquidation of the Company or any Significant Restricted Subsidiary; or any similar relief is granted under any foreign laws, and, in each case, the order or decree remains unstayed and in effect for 60 days; or

(x) any Unsecured Note Guarantee ceases to be, or is asserted by any Unsecured Note Guarantor, or any Person acting on behalf of any Unsecured Note Guarantor, not to be in full force and effect or enforceable in accordance with its terms (other than as provided for in the Unsecured Indenture or any Unsecured Note Guarantee) and any such Default continues uncured for a period of 21 days.

A Default under clause (iv) or (v) will not be an Event of Default until the Unsecured Notes Trustee notifies the Company or the Holders of at least 25% in aggregate principal amount of the Unsecured Notes then outstanding notify the Company and the Unsecured Notes Trustee in writing of the Default and the Company does not cure such Default within the time specified after receipt of such notice. Such notice must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default."

For the avoidance of doubt, the voluntary liquidation or dissolution of a Significant Restricted Subsidiary in connection with the transfer of all or substantially all of the properties and assets of such Significant Restricted Subsidiary to another Significant Restricted Subsidiary in compliance with the terms of the Unsecured Indenture shall not constitute an Event of Default.

The Company will deliver to the Unsecured Notes Trustee, within 30 days after the occurrence thereof, written notice in the form of an Officer's Certificate of any event which, with the giving of notice and the lapse of time, would become an Event of Default under clause (iv) or (v), its status and what action the Company is taking or proposes to take with respect thereto.

If an Event of Default (other than an Event of Default specified in clause (viii) or (ix)) occurs and is continuing, the Unsecured Notes Trustee, by notice in writing to the Company, or the Holders of at least 25% in aggregate principal amount of the Unsecured Notes then outstanding by notice to the Company and the Unsecured Notes Trustee, may declare the principal of, premium, if any, and accrued interest on all Unsecured Notes to be due and payable. Upon such declaration, such principal accrued interest will be due and payable immediately. If an Event of Default specified in clause (viii) or (ix) occurs, the principal of and interest on all the Unsecured Notes will *ipso facto* become and be immediately due and payable without any declaration or other act on the part of the Unsecured Notes Trustee or any Holders of the Unsecured Notes. After any such acceleration, but before a judgment or decree based on such acceleration is obtained by the Unsecured Notes Trustee, the registered Holders of a majority in aggregate principal amount of the Unsecured Notes then outstanding may, under certain circumstances, rescind and annul such acceleration if all Events of Default, other than the nonpayment of accelerated principal, premium or interest, have been cured or waived as provided in the Unsecured Indenture.

The Holders of a majority in aggregate principal amount of the Unsecured Notes by notice to the Unsecured Notes Trustee may waive an existing Default and its consequences except (i) a Default in the payment of the principal of, premium if any, or interest on an Unsecured Note or (ii) a Default in respect of a provision that cannot be amended without the consent of Holders of a percentage higher than 50.1% of the aggregate principal amount of Unsecured Notes affected. When a Default is waived, it is deemed cured, but no such waiver will extend to any subsequent or other Default or impair any consequent right.

The Holders of a majority in aggregate principal amount of the Unsecured Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Unsecured Notes Trustee or of exercising any trust or power conferred on the Unsecured Notes Trustee. However, the Unsecured Notes Trustee may refuse to follow any direction that conflicts with law or the Unsecured Indenture or that the Unsecured Notes Trustee determines is unduly prejudicial to the rights of other Holders or would involve the Unsecured Notes Trustee in personal liability; *provided, however*, that the Unsecured Notes Trustee may take any other action deemed proper by the Unsecured Notes Trustee that is not inconsistent with such direction. Prior to taking any action under the Unsecured Indenture, the Unsecured Notes Trustee will be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

A Holder of Unsecured Notes may not pursue any remedy with respect to the Unsecured Indenture or the Unsecured Notes unless: (i) such Holder gives to the Unsecured Notes Trustee written notice stating that an Event of Default is continuing; (ii) Holders of at least 25% in aggregate principal amount of the Unsecured Notes then outstanding make a written request to the Unsecured Notes Trustee to pursue the remedy; (iii) such Holder or Holders offer to the Unsecured Notes Trustee reasonable security or indemnity against any loss, liability or expense; (iv) the Unsecured Notes Trustee does not comply with the request within 60 days after receipt of the request and the offer of security or indemnity; and (v) the Holders of a majority in principal amount of the Unsecured Notes do not give the Unsecured Notes Trustee a written direction inconsistent with the request during such 60-day period.

Notwithstanding the foregoing, the Unsecured Note Guarantees may only be enforced by or at the discretion of the Unsecured Notes Trustee (acting of its own volition or on the direction of the Holders of a majority in principal amount of the outstanding Unsecured Notes) (see "—Unsecured Note Guarantees").

Amendments and waivers

Subject to certain exceptions, the Unsecured Indenture and the Unsecured Notes may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the Unsecured Notes then outstanding (including consents obtained in connection with a consent solicitation, tender offer or exchange for the Unsecured Notes) and any existing or past default or compliance with any provisions may be waived with the consent of the Holders of at least a majority in an aggregate principal amount of the Unsecured Notes then outstanding. However, without the consent of Holders of at least 90% of the aggregate principal amount of the outstanding Unsecured Notes affected thereby, no amendment may, among other things, (i) reduce the amount of Unsecured Notes whose Holders must consent to an amendment, (ii) reduce the rate of or extend the time for payment of interest on any Unsecured Note, (iii) reduce the principal of or extend the Stated Maturity of any Unsecured Note, (iv) reduce the premium payable upon the redemption of any Unsecured Note or change the time or times at which any Unsecured Notes may or shall be redeemed, (v) make any Unsecured Note payable in money other than that stated in the Unsecured Note, (vi) impair the right of any Holder of Unsecured Notes to institute suit for the enforcement of any payment on or with respect to any Unsecured Notes, or (vii) release any security that may have been granted in respect of the Unsecured Notes under the Unsecured Indenture. Notwithstanding the foregoing, the Unsecured Indenture may be amended with the consent of Holders of 66 2/3% of the aggregate principal amount of outstanding Unsecured Notes to release an Unsecured Note Guarantee (if such consent is required by the Unsecured Indenture).

Notwithstanding the foregoing, without the consent of any Holder of the Unsecured Notes, the Company, the Unsecured Note Guarantors and the Unsecured Notes Trustee may, among other things, amend or supplement the Unsecured Indenture and the Unsecured Notes to cure any ambiguity, omission, defect or inconsistency, to provide for the assumption by a Surviving Person of the obligations of the Company under the Unsecured Indenture, to provide for the issuance of Additional Unsecured Notes in accordance with the limitations set forth in the Unsecured Indenture to provide for uncertificated Unsecured Notes in addition to or in place of certificated Unsecured Notes, evidence and provide for the acceptance and appointment under the Unsecured Indenture of a successor trustee pursuant to the requirements thereof, comply with the rules of any applicable securities depository, conform the text of the Unsecured Indenture, the Unsecured Notes or the Unsecured Note Guarantees to any provision of the description of the Unsecured Notes to the extent that such provision in the description of the Unsecured Notes was intended to be a verbatim recitation of a provision of the Unsecured Indenture, the Unsecured Notes or the Unsecured Note Guarantees to add Unsecured Note Guarantees with respect to the Unsecured Notes or release an Unsecured Note Guarantor upon its designation as an Unrestricted Subsidiary or as otherwise permitted by the Unsecured Indenture; *provided, however*, that the release is in accord with the applicable provisions of the Unsecured Indenture to add to the covenants of the Company for the benefit of the Holders of the Unsecured Notes or to surrender any right or power conferred upon the Company, or make any change that does not adversely affect the rights of any Holder of the Unsecured Notes.

The consent of the Holders of the Unsecured Notes is not necessary under the Unsecured Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Unsecured Indenture by any Holder of Unsecured Notes given in connection with a tender of such Holder’s Unsecured Notes will not be rendered invalid by such tender.

After an amendment under the Unsecured Indenture becomes effective, the Company is required to mail to each registered Holder of the Unsecured Notes at its address appearing in the security register a notice briefly describing such amendment. However, the failure to give such notice to all Holders of the Unsecured Notes, or any defect therein, will not impair or affect the validity of the amendment.

Satisfaction and Discharge

The Unsecured Indenture and the Unsecured Note Guarantees will be discharged and will cease to be of further effect (except as otherwise expressly provided for in the Unsecured Indenture) when either (i) all outstanding Unsecured Notes have been delivered (other than lost, stolen or destroyed Unsecured Notes which have been replaced) to the Unsecured Notes Trustee for cancellation or (ii) all outstanding Unsecured Notes not theretofore delivered to the Unsecured Notes Trustee for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise or will become due and payable by reason of the making of a notice of redemption or otherwise within one year and the Company has irrevocably deposited with the Unsecured Notes Trustee cash in euro or euro-denominated European Government Obligations or a combination thereof sufficient to pay at maturity or upon redemption all outstanding Unsecured Notes, including interest thereon (other than lost, stolen or destroyed Unsecured Notes which have been replaced), and, in either case, the Company has paid all sums payable by it under the Unsecured Indenture. The Unsecured

Notes Trustee will be required to acknowledge satisfaction and discharge of the Unsecured Indenture on written demand of the Company accompanied by an Officer's Certificate at the cost and expense of the Company.

Defeasance

The Company may, at any time, terminate (i) all obligations under the Unsecured Notes, the Unsecured Note Guarantees and the Unsecured Indenture ("legal defeasance option") or (ii) obligations to comply with certain restrictive covenants, including certain of the covenants described under "—Certain covenants" ("covenant defeasance option"). The Company may exercise its legal defeasance option notwithstanding any prior exercise of their covenant defeasance option.

If the Company exercises its legal defeasance option, payment of the Unsecured Notes may not be accelerated because of an Event of Default. If the Company exercises its covenant defeasance option, payment of the Unsecured Notes may not be accelerated because of certain Events of Default described under "—Defaults" (not including, among others, Events of Default relating to nonpayment, bankruptcy and insolvency events) or because of the failure of the Company to comply with certain covenants specified in the Unsecured Indenture. If the Company exercises its legal defeasance option or its covenant defeasance option, each Unsecured Note Guarantor will be released from all of its obligations with respect to its Unsecured Note Guarantee.

The Company may exercise its legal defeasance option or its covenant defeasance option only if (1) the Company irrevocably deposits in trust with the Unsecured Notes Trustee cash in euro or euro-denominated European Government Obligations or a combination thereof, for the payment of principal of and interest on the Unsecured Notes to maturity or redemption, as the case may be; (2) the Company delivers to the Unsecured Notes Trustee a certificate from a nationally recognized firm of independent certified public accountants expressing their opinion that the payments of principal and interest when due and without reinvestment will provide cash at such times and in such amounts as will be sufficient to pay principal and interest when due on all the Unsecured Notes to maturity or redemption, as the case may be; (3) 184 days pass after the deposit is made and during the 184-day period, no Default described in clause (vii) or (viii) under "—Defaults" occurs which is continuing at the end of the period; (4) the deposit does not constitute a default under any other agreement or instrument binding on the Company; (5) the Company delivers to the Unsecured Notes Trustee an Opinion of Counsel satisfactory to the Unsecured Notes Trustee in its sole discretion to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940, as amended; (6) in the case of the legal defeasance option, the Company delivers to the Unsecured Notes Trustee an Opinion of Counsel satisfactory to the Unsecured Notes Trustee in its sole discretion stating that (i) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (ii) since the date of the Unsecured Indenture there has been a change in the applicable U.S. federal income tax law, to the effect, in either case, that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the Unsecured Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred, *provided, however*, such Opinion of Counsel shall not be required if all the Unsecured Notes will become due and payable on the Maturity Date within one year or are to be called for redemption within one year under arrangements satisfactory to the Unsecured Notes Trustee; (7) in the case of the covenant defeasance option, the Company delivers to the Unsecured Notes Trustee an Opinion of Counsel satisfactory to the Unsecured Notes Trustee in its sole discretion to the effect that the Holders of the Unsecured Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and (8) the Company delivers to the Unsecured Notes Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the defeasance and discharge of the Unsecured Notes have been complied with as required by the Unsecured Indenture.

Notices

Notices to Holders of Unsecured Notes (while any Unsecured Notes are represented by one or more global notes) shall be delivered to Euroclear and Clearstream for communication to entitled account holders, or in the case of definitive Unsecured Notes, shall be given by mail to the addresses of Holders of such Unsecured Notes appearing on the register for such Unsecured Note, and in each case shall be published (so long as the Unsecured Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of that exchange so require) in a leading newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*) or on the website of the Luxembourg Stock Exchange at www.bourse.lu.

No personal liability of directors, officers, employees and stockholders

No past, present or future director, officer, employee, incorporator, promoter, advisor or stockholder of the Company or any Unsecured Note Guarantor, as such, will have any liability for any obligations of the Company or the Unsecured Note Guarantors under the Unsecured Notes, the Unsecured Indenture, the Unsecured Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Unsecured Notes by accepting an Unsecured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Unsecured Notes.

Concerning the Unsecured Notes Trustee

Deutsche Trustee Company Limited will be the Unsecured Notes Trustee under the Unsecured Indenture. The Unsecured Notes Trustee's current specified address is Winchester House, 1 Great Winchester Street, London EC2N 2DB.

The Unsecured Indenture will provide that, except during the continuance of an Event of Default, the Unsecured Notes Trustee will perform only such duties as are specifically set forth in the Unsecured Indenture. During the existence of an Event of Default, the Unsecured Notes Trustee will exercise such rights and powers vested in it by the Unsecured Indenture, and use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Subject to such provisions, the Unsecured Notes Trustee will be under no obligation to exercise any of its rights or powers under the Unsecured Indenture at the request of any holder of Unsecured Notes, unless such holder has offered to the Unsecured Notes Trustee security and/or indemnity satisfactory to it against loss, liability or expense as provided in the Unsecured Indenture.

The Unsecured Indenture provides for the indemnification of the Unsecured Notes Trustee and for its relief from responsibility in connection with its actions under the Unsecured Indenture. The Intercreditor Agreement provides that the Unsecured Notes Trustee is entitled to be paid amounts in respect of its fees, costs and expenses and claims under any indemnity in priority to payments to other creditors, including holders of the notes. The Unsecured Indenture will provide that the Unsecured Notes Trustee may rely absolutely, without further enquiry, on any certificates, reports, opinions or other documents (whether or not any such document contains any limit on liability) from the Company, its subsidiaries, legal counsel, auditors, valuers and/or any other experts. The Unsecured Notes Trustee will not be responsible for the adequacy or fitness of any of the collateral as security in relation to the notes. The Unsecured Notes Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any inadequacy of the collateral.

The Unsecured Indenture will contain certain limitations on the rights of the Unsecured Notes Trustee, should it become a creditor of the Company, to obtain payments of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. The Unsecured Notes Trustee will be permitted to engage in other transactions; provided that if the Unsecured Notes Trustee acquires any conflicting interest, it must eliminate such conflict or resign.

Paying agent and Registrar for the Unsecured Notes

The Company will maintain a paying agent for the Unsecured Notes in (i) the City of London, and (ii) Luxembourg, for so long as the Unsecured Notes are listed on the Official List of the Luxembourg Stock Exchange and its rules so require. The Company will undertake to maintain a paying agent in a European Union Member State that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive. The initial paying agents will be (i) Deutsche Bank AG, London Branch, in London, and (ii) Deutsche Bank Luxembourg, S.A., in Luxembourg.

The Company will also maintain one or more registrars (each, a "Registrar") with offices in Luxembourg and a transfer agent in each of (i) the City of London and (ii) for so long as the Unsecured Notes are listed on the Official List of the Luxembourg Stock Exchange and its rules so require, Luxembourg. The initial Registrar will be Deutsche Bank Luxembourg, S.A.. The initial transfer agents will be Deutsche Bank AG, London Branch, in London and Deutsche Bank Luxembourg, S.A., in Luxembourg. The Registrar and the transfer agent in Luxembourg will maintain a register reflecting ownership of certificated securities ("the Definitive Registered Unsecured Notes") outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered Unsecured Notes on behalf of the Company. Each transfer agent shall perform the functions of a transfer agent.

The Company may change any paying agent, Registrar or transfer agent for the Unsecured Notes without prior notice to the Holders of such Unsecured Notes. However, for so long as the Unsecured Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and its rules so require, the Company will deliver notice of the change in a paying agent, Registrar or transfer agent on the website of the Luxembourg Stock Exchange at www.bourse.lu. The Company or any of its Restricted Subsidiaries may act as paying agent or Registrar in respect of the Unsecured Notes.

Consent to jurisdiction and service of process

The Unsecured Indenture provides that the Company and each Unsecured Note Guarantor will irrevocably appoint CT Corporation Systems as their agent for service of process in any suit, action or proceeding with respect to the Unsecured Indenture, the Unsecured Notes or any Unsecured Note Guarantee brought in any U.S. federal or state court located in the Borough of Manhattan, City and State of New York and that each of the parties submit to the jurisdiction thereof.

Governing law

The Unsecured Indenture will provide that it, each Unsecured Note Guarantee and the Unsecured Notes will be governed by, and construed in accordance with, the laws of the State of New York. The Intercreditor Agreement is governed by, and construed in accordance with, English law.

Certain definitions

"Acquired Debt" means Debt (i) of any Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or (ii) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary or such acquisition. Acquired Debt shall be deemed to have been Incurred, with respect to clause (i) of the preceding sentence, on the date such Person became a Restricted Subsidiary and, with respect to clause (ii) of the preceding sentence, on the date of consummation of such acquisition of assets.

"Additional Assets" means any (i) property or assets (other than Debt and Capital Stock) that are used or useful in a Related Business; (ii) Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or another Restricted Subsidiary; or (iii) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary; provided, however, that in the case of clauses (ii) and (iii), such Restricted Subsidiary is primarily engaged in a Related Business.

"Additional Secured Note Guarantee" means a guarantee on the terms set forth in the Secured Indenture of the Company's obligations under the Secured Notes and the Secured Indenture issued by a company that becomes a Secured Note Guarantor (as defined in the Secured Indenture) in accordance with the terms of the Secured Indenture.

"Additional Secured Notes" means any additional Secured Notes issued by the Company after the Issue Date pursuant to the terms of the Secured Indenture.

"Additional Unsecured Note Guarantee" means a guarantee on the terms set forth in the Unsecured Indenture of the Company's obligations under the Unsecured Notes and the Unsecured Indenture issued by a company that becomes an Unsecured Note Guarantor in accordance with the terms of the Unsecured Indenture.

"Additional Unsecured Notes" has the meaning ascribed thereto under "—Principal, Maturity and Interest."

"Affiliate" of any specified Person means (i) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person or (ii) any other Person who is a director or officer (A) of such specified Person, (B) of any Subsidiary of such specified Person or (C) of any Person described in clause (i) above. For the purposes of this definition, "control" when used with respect to any Person will mean the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For purposes of "—Certain covenants—Transactions with Affiliates" and "—Certain covenants—Limitation on sales of assets and Restricted Subsidiary stock" only, "Affiliate" will also mean any beneficial owner of

shares representing 10% or more of the total voting power of the Voting Stock (on a fully diluted basis) of the Company or of rights or warrants to purchase such Voting Stock (whether or not currently exercisable) and any Person who would be an Affiliate of any such beneficial owner pursuant to the first sentence hereof.

"*Approved Banks*" means banks with capital and surplus in excess of €500.0 million and whose long-term debt is rated "A" by S&P or "A2" by Moody's or higher.

"*Asset Disposition*" means any direct or indirect sale, lease, transfer or other disposition (or series of sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary, including any disposition by means of a merger, consolidation, Sale/Leaseback Transaction or other similar transaction (each referred to for the purposes of this definition as a "disposition"), of (i) any shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary), (ii) all or substantially all the assets of any division or line of business of the Company or any Restricted Subsidiary or (iii) any other assets of the Company or any Restricted Subsidiary (including, without limitation, with respect to any Sale/Leaseback Transaction) outside of the ordinary course of business of the Company or such Restricted Subsidiary, other than, in the case of (i), (ii) and (iii) above, (1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary, (2) for purposes of the covenant described under "—Certain covenants—Limitation on sales of assets and Restricted Subsidiary stock" only, a disposition that constitutes a Restricted Payment permitted by the covenant described under "—Certain covenants—Limitation on Restricted Payments," (3) disposition of assets with a Fair Market Value in any calendar year of less than €5 million, (4) sales or grants of licenses to use the patents, trade secrets, know-how and other intellectual property of the Company or any of its Restricted Subsidiaries to the extent that such license does not prohibit the Company or any of its Restricted Subsidiaries from using the technologies licensed (other than pursuant to exclusivity or non-competition arrangements negotiated on an arm's length basis) or require the Company or any of its Restricted Subsidiaries to pay any fees for any such use, (5) the sale, lease, conveyance, disposition or other transfer (A) of all or substantially all of the assets of the Company as permitted under the covenant "—Consolidation, merger and sale of assets," (B) of any Capital Stock or other ownership interest in or assets or property, including Debt, of an Unrestricted Subsidiary, (C) pursuant to any foreclosure of assets or other remedy provided by applicable law to a creditor of the Company or any Subsidiary of the Company with a Lien on such assets, which Lien is permitted under the Unsecured Indenture; provided that such foreclosure or other remedy is conducted in a commercially reasonable manner or in accordance with any bankruptcy law, (D) involving only cash or Cash Equivalents or inventory in the ordinary course of business or obsolete or worn out property or property that is not or no longer useful in the conduct of the business of the Company or its Restricted Subsidiaries (in the reasonable and good faith judgment of the Board of Directors of the Company) or (E) including only the lease or sub-lease of any real or personal property in the ordinary course of business, (6) Permitted Investments and (7) sales or dispositions of Receivables Assets in connection with any Qualified Receivables Financing or any factoring transaction in the ordinary course of business.

"*Average Life*" means, as of the date of determination, with respect to any Debt or Preferred Stock, the quotient obtained by dividing (i) the sum of the products of the numbers of years (rounded to the nearest one-twelfth of one year) from the date of determination to the dates of each successive scheduled principal payment of such Debt or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (ii) the sum of all such payments.

"*Bankruptcy Law*" means Title 11, United States Code, or any similar U.S. federal or state law for the relief of debtors, or any analogous law of any other jurisdiction or any political subdivision thereof or therein.

"*Board of Directors*" means the Board of Directors of the Company or any committee thereof duly authorized to act on behalf of such Board.

"*Board Resolution*" means a copy of a resolution certified by the Secretary, an Assistant Secretary or other appropriate person of the Company to have been duly adopted by the Board of Directors, to be in full force and effect on the date of such certification and delivered to the Unsecured Notes Trustee.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in any of London, England, Luxembourg or New York, New York are authorized or required by law to close, and that is also a TARGET Settlement Day for settlement of payments in euros.

“*Capital Stock Contribution*” means the aggregate Net Cash Proceeds received by the Company as a contribution (other than from a Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary) in respect of any class of its Capital Stock (other than Disqualified Stock) after the Issue Date.

“*Capital Stock Sale Proceeds*” means the aggregate Net Cash Proceeds received by the Company from the issue or sale (other than to a Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary) by the Company of any class of its Capital Stock (other than Disqualified Stock) after the Issue Date.

“*Capital Stock*” means, with respect to any Person, any and all shares or other equivalents (however designated) of corporate stock, partnership interests or any other participation, right, warrant, option or other interest in the nature of an equity interest in such Person, but excluding any debt security convertible or exchangeable into such equity interest.

“*Capitalized Lease Obligations*” means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with IFRS; and the amount of Debt represented by such obligation will be the capitalized amount of such obligation determined in accordance with IFRS; and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. For purposes of “—Certain covenants—Limitation on Liens,” a Capitalized Lease Obligation shall be deemed secured by a Lien on the property or assets being leased.

“*Cash Equivalents*” means:

(1) direct obligations of the United States of America or any European Union Member State or any agency thereof or obligations guaranteed by the United States of America or any European Union Member State, or any agency thereof, in each case denominated in U.S. dollars, euro or pounds sterling and with maturities not exceeding two years from the date of acquisition;

(2) certificates of deposit, time deposits and eurodollar time deposits with maturities of 12 months or less from the date of acquisition, bankers’ acceptances with maturities not exceeding 12 months and overnight bank deposits, in each case, with any lender party to the Revolving Credit Facility or with any commercial bank having capital and surplus in excess of €500.0 million and whose long-term debt is rated “A” by S&P or “A2” by Moody’s;

(3) repurchase obligations with a term of not more than 30 days for underlying securities or the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper maturing within 12 months after the date of acquisition and having a rating of at least “A-1” from Moody’s or “P-1” from S&P;

(5) securities with maturities of two years or less from the date of acquisition issued or fully guaranteed by any State, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, or any European Union Member State, or any political subdivision thereof, and, in each case, having one of the two highest ratings categories obtainable from S&P or “A-2” by Moody’s;

(6) investment funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition; and

(7) indebtedness issued by Persons with a rating of at least “A” by S&P or “A-2” by Moody’s, in each case with maturities of 12 months or less from the date of acquisition.

“*Change of Control*” means (i) in the event the Unsecured Notes are rated “B—” or lower by S&P or “B2” or lower by Moody’s or, if S&P or Moody’s or both shall not make a rating on the Unsecured Notes publicly available, the equivalent or lower rating by a “nationally recognized statistical rating organization or organizations” (as defined in Rule 436 under the U.S. Securities Act) , as the case may be, the occurrence of any of the events described in clauses (a), (b), (c) or (d) below or (ii) in the event the Unsecured Notes are rated higher than “B—” by S&P and “B2” by Moody’s or, if S&P or Moody’s or both shall not make a rating on the Unsecured Notes publicly available, the equivalent higher rating by a “nationally recognized statistical rating organization or organizations” (as defined in Rule 436 under the U.S. Securities Act), as the case may be, the occurrence of (x) any of the events described in clauses (a), (b), (c) or (d) below and (y) a Rating Decline:

(a) (i) any "Person" or "group" (as such terms are used in Sections 13(d)(3) and 14(d)(2) of the U.S. Exchange Act or any successor provision to either of the foregoing, including any group acting for the purpose of acquiring, holding, voting or disposing of securities within the meaning of rule 13d-5(b)(1) under the U.S. Exchange Act), other than any one or more of the Permitted Holders or an underwriter engaged in a firm commitment underwriting in connection with a public offering of any shares of Voting Stock of the Company, is or becomes the ultimate "beneficial owner" (as defined in Rule 13d-3 under the U.S. Exchange Act, except that a Person will be deemed to have "beneficial ownership" of all shares that any such Person has the right to acquire within 365 days of the date of determination, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 35% or more of the total voting power of all classes of the Voting Stock of the Company, (ii) the Permitted Holders are not the ultimate "beneficial owners" (as defined in Rule 13d-3 under the U.S. Exchange Act, except that a Person will be deemed to have "beneficial ownership" of all shares that any such Person has the right to acquire within 365 days of the date of determination, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, in the aggregate of a greater percentage of the total voting power of all classes of the Voting Stock of the Company than such other Person or group; and (iii) the Permitted Holders do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of the Company; or

(b) the sale, assignment, lease, conveyance, disposition or transfer, directly or indirectly, of all or substantially all the assets of the Company and its Subsidiaries, taken as a whole (other than a transfer of such assets as an entirety or virtually as an entirety to one or more Restricted Subsidiaries or one or more Permitted Holders), occurs, or the Company amalgamates, consolidates or merges with or into any other Person (other than one or more Permitted Holders) or any other Person (other than one or more Permitted Holders) amalgamates, consolidates or merges with or into the Company, pursuant to a transaction in which the outstanding Voting Stock of the Company is reclassified into or exchanged for cash, securities or other property, other than any such transaction, where (i) the outstanding Voting Stock of the Company is reclassified into or exchanged for Voting Stock of the surviving corporation and (ii) the holders of the Voting Stock of the Company immediately prior to such transaction own, directly or indirectly, not less than a majority of the Voting Stock of the surviving corporation immediately after such transaction and in substantially the same proportion as before the transaction; or

(c) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election or appointment by such board or whose nomination for election by the stockholders of the Company was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office; *provided however* that prior to such time there shall have occurred an Equity Offering; or

(d) the stockholders of the Company approve any plan of liquidation or dissolution of the Company.

"Clearstream" means Clearstream Banking, société anonyme as currently in effect or any successor clearing agency.

"Commodity Agreement" means any commodity purchase contract, commodity futures or forward contract, commodities option or other similar agreement or arrangement entered into by the Company or any Restricted Subsidiary.

"Consolidated Coverage Ratio" means, as of any date of determination, the ratio of (i) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available to (ii) the aggregate Consolidated Interest Expense for such four fiscal quarters; *provided, however*, that:

(1) if the Company or any Restricted Subsidiary has Incurred any Debt since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Debt, or both, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a *Pro forma* basis to such Debt as if such Debt had been Incurred on the first day of such period and the discharge of any other Debt repaid,

repurchased, defeased or otherwise discharged with the proceeds of such new Debt as if such discharge had occurred on the first day of such period;

(2) if since the beginning of such period the Company or any Restricted Subsidiary shall have made any Asset Disposition or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Asset Disposition, both EBITDA for such period shall be reduced by an amount equal to EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period, or increased by an amount equal to EBITDA (if negative) directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to Consolidated Interest Expense directly attributable to any Debt of the Company or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and the continuing Restricted Subsidiaries in connection with such Asset Dispositions for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, Consolidated Interest Expense for such period directly attributable to the Debt of such Restricted Subsidiary to the extent the Company and the continuing Restricted Subsidiaries are no longer liable for such Debt after such sale);

(3) if since the beginning of such period the Company or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving *Pro forma* effect thereto (including the Incurrence of any Debt) as if such Investment or acquisition occurred on the first day of such period; and

(4) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition or any Investment that would have required an adjustment pursuant to clause (2) or (3) if made by the Company or a Restricted Subsidiary during such period, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving *pro forma* effect thereto as if such Asset Disposition or Investment occurred on the first day of such period.

For purposes of this definition, whenever *Pro forma* effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Debt Incurred in connection therewith, the *Pro forma* calculations shall be determined in good faith by a responsible financial or accounting officer of the Company and as further contemplated by the definition of *Pro forma*. If any Debt bears a floating rate of interest and is being given *Pro forma* effect, the interest expense on such Debt shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Protection Agreement applicable to such Debt for a period equal to the remaining term of such Interest Rate Protection Agreement).

"Consolidated Interest Expense" means, for any period, the total interest expense of the Company and its consolidated Subsidiaries, plus, to the extent not included in such interest expense, (i) interest expense attributable to capital leases, (ii) amortization of debt discount and debt issuance cost, (iii) capitalized interest, (iv) noncash interest expense, (v) accrued interest, (vi) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, (vii) interest actually paid by the Company or any such Subsidiary under any guarantee of Debt or other obligation of any other Person, (viii) net costs associated with Interest Rate Protection Agreements (including amortization of fees), (ix) the interest portion of any deferred obligation (other than any Trade Payables), (x) Preferred Stock dividends paid in respect of all Preferred Stock of Subsidiaries of the Company and Disqualified Stock of the Company held by Persons other than the Company or a Wholly Owned Subsidiary, and (xi) cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Company) in connection with Debt Incurred by such plan or trust; *provided, however,* that there shall be excluded therefrom (A) any non-cash interest expense recognized upon the amortization of previously unamortized debt issuance costs Incurred with respect to Debt being refinanced with the proceeds of the Notes, and (B) any such interest expense of any Unrestricted Subsidiary to the extent the related Debt is not guaranteed or paid by the Company or any Restricted Subsidiary and (C) any Receivables Fees.

"Consolidated Net Income" means, for any period, the net income (loss) of the Company and its consolidated Subsidiaries; *provided, however*, that there shall be excluded therefrom (i) any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that (A) subject to the limitations contained in clause (iv), the Company's equity in the net income of any Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such

Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in clause (iii)) and (B) the Company's equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period shall be included in determining such Consolidated Net Income, (ii) any net income (loss) of any Person acquired by the Company or a Subsidiary of the Company in a pooling of interests transaction for any period prior to the date of such acquisition, (iii) any net income (loss) of any Restricted Subsidiary, other than an Unsecured Note Guarantor, if such Subsidiary is subject to any consensual restriction or encumbrance, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company, except that (A) subject to the limitations contained in clause (iv), the Company's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to another Restricted Subsidiary, to the limitation contained in this clause) and (B) the Company's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Net Income, (iv) any gain (loss) realized upon the sale or other disposition of any property, plant or equipment of the Company or its consolidated Subsidiaries (including pursuant to any Sale/Leaseback Transaction) which is not sold or otherwise disposed of in the ordinary course of business and any gain (loss) realized upon the sale or other disposition of any Capital Stock of any Person, (v) any extraordinary gain or loss (including, to the extent not constituting an extraordinary gain or loss, the amount of any Restructuring Charge), as well as the tax effects thereof and all reasonable expenses Incurred in connection therewith, and (vi) the cumulative effect of a change in accounting principles.

"*Currency Exchange Protection Agreement*" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates.

"*Custodian*" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

"*Debt*" means, with respect to any Person on any date of determination, (without duplication) (i) the principal of and premium (if any) in respect of indebtedness of such Person for borrowed money; (ii) the principal of and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (iii) all Capitalized Lease Obligations of such Person; (iv) all obligations of such Person to pay the deferred and unpaid purchase price of property or services (other than Trade Payables and other accrued liabilities arising in the ordinary course of business that are not overdue by 90 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted); (v) all obligations of such Person in respect of letters of credit, banker's acceptances or other similar instruments or credit transactions (including reimbursement obligations with respect thereto), other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (i) through (iv)) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third Business Day following receipt by such Person of a demand for reimbursement following payment of any such letter of credit; (vi) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock (but excluding any accrued dividends); (vii) all Debt of other Persons secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person; *provided, however*, that the amount of such Debt shall be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Debt of such other Person; (viii) all Debt of other Persons to the extent guaranteed by such Person; and (ix) net obligations of such Person in respect of Hedging Obligations. For purposes of this definition, the maximum fixed redemption, repayment or repurchase price of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which Debt shall be required to be determined pursuant to the Unsecured Indenture; *provided, however*, that if such Disqualified Stock is not then permitted to be redeemed, repaid or repurchased, the redemption, repayment or repurchase price shall be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person. The amount of Debt of any Person at any date will be the outstanding principal amount at such date of all unconditional obligations as described above. Notwithstanding the foregoing, "Debt" shall not include (i) advances paid by customers in the ordinary course of business for services or products to be provided or delivered in the future; (ii) deferred taxes; and (iii) post-closing payment adjustments to which a seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after such closing.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

“*Disqualified Stock*” of a Person means Redeemable Stock of such Person as to which the maturity, mandatory redemption, conversion or exchange or redemption at the option of the holder thereof occurs, or may occur, on or prior to the first anniversary of the Stated Maturity of the Unsecured Notes, *provided, however*, that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock; *provided, however,* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of a “Change of Control” occurring prior to the first anniversary of the Stated Maturity of the Unsecured Notes shall not constitute Disqualified Stock if (1) the “Change of Control” provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the terms applicable to the Unsecured Notes and described under the caption “—Change of Control,” and (2) any such requirement only becomes operative after compliance with such terms applicable to the Unsecured Notes, including the purchase of any Unsecured Notes tendered pursuant thereto.

“*EBITDA*” for any period means the sum of Consolidated Net Income, plus Consolidated Interest Expense plus the following to the extent deducted in calculating such Consolidated Net Income: (a) all income tax expense of the Company and its consolidated Restricted Subsidiaries, (b) depreciation expense of the Company and its consolidated Restricted Subsidiaries, (c) amortization expense of the Company and its consolidated Restricted Subsidiaries (excluding amortization expense attributable to a prepaid cash item that was paid in a prior period) and (d) all other non-cash charges of the Company and its consolidated Restricted Subsidiaries (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period), in each case for such period. Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and non-cash charges of, a Restricted Subsidiary shall be added to Consolidated Net Income to compute EBITDA only to the extent (and in the same proportion) that the net income of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of determination to be dividended to the Company by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its stockholders.

“*Equity Offering*” means any sale of Capital Stock (other than Disqualified Stock) of the Company or any Holding Company thereof.

“*Euroclear*” means Euroclear Bank S.A./N.V. as currently in effect or any successor securities clearing agency.

“*European Government Obligations*” means direct obligations (or certificates representing an ownership interest in such obligations) of any country that is a European Union Member State (including any agency or instrumentality thereof) and which are not callable at the issuer’s option.

“*European Union Member State*” means any country that was a member of the European Union as of January 1, 2004.

“*Fair Market Value*” means with respect to any property or asset, the price which could be negotiated in an arm’s length free market transaction, for cash, between a willing seller and a willing buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value will be determined, except as otherwise provided, (a) if such property or asset has a Fair Market Value of less than €20 million, by any Officer of the Company or (b) if such property or asset has a Fair Market Value equal to or in excess of €20 million, by a majority of the Board of Directors and evidenced by a Board Resolution, dated within 60 days of the relevant transaction, delivered to the Unsecured Notes Trustee.

“*guarantee*” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Debt of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term “guarantee” will not include endorsements for collection or deposit in the ordinary course of business. Each of the terms “guarantee,” “guarantees” and “guaranteed” shall have a corresponding meaning.

“*Hedging Obligations*” of any Person means the obligations of such Person pursuant to any Interest Rate Protection Agreement, Currency Exchange Protection Agreement, Commodity Agreement or other similar agreement or arrangement.

“*Holder*” means, with respect to any Unsecured Note, the Person in whose name such Unsecured Note is registered in the register maintained by the registrar pursuant to the provisions of the Unsecured Indenture.

“*Holding Company*” means, in relation to an entity, any other entity of which the first entity is a Subsidiary.

“*IFRS*” means International Financial Reporting Standards as in effect as of the Issue Date. Except as otherwise expressly provided in the Unsecured Indenture, all ratios and calculations based on IFRS contained in the Unsecured Indenture shall be computed in conformity with IFRS.

“*Incur*” means issue, assume, guarantee, incur or otherwise become liable for, *provided*, *however*, that any Debt or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) or is merged into a Subsidiary will be deemed to be Incurred by such Subsidiary at the time it becomes or is merged into a Subsidiary. Each of the terms “Incurrence,” “Incurs” and “Incurred” shall have a corresponding meaning.

“*Independent Appraiser*” means an investment banking firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Company.

“*Intercompany Loans*” means the intercompany loans comprising the Unsecured Notes Proceeds Loans and the Secured Notes Proceeds Loans.

“*Intercreditor Agreement*” means the intercreditor deed, dated on or about the Issue Date, among others, the Company, the Secured Note Guarantors, the Secured Notes Trustee and the Security Trustee, as amended from time to time.

“*Interest Rate Protection Agreement*” means, in respect of any Person, any interest rate swap agreement, interest rate option agreement, interest rate cap agreement, interest rate collar agreement, interest rate floor agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in interest rates.

“*Investment Grade*” means a rating of BBB minus or higher by S&P or Baa3 or higher by Moody’s or the equivalent of such ratings by S&P or Moody’s or by any other Rating Agency selected by the Company as provided by the definition thereof.

“*Investment*” in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender) or other extensions of credit (including by way of guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Debt or other similar instruments issued by such Person. The amount of any investment in respect of any property or assets other than cash will be its Fair Market Value at the time of such Investment. For purposes of the definition of “Unrestricted Subsidiary,” the definition of “Restricted Payment” and the covenant described under “—Certain covenants— Limitation on Restricted Payments,” (i) “Investment” shall include the portion (proportionate to the Company’s equity interest in such Subsidiary) of the Fair Market Value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary equal to an amount (if positive) equal to (x) the Company’s “Investment” in such Subsidiary at the time of such redesignation less (y) the portion (proportionate to the Company’s equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and (ii) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer.

“*Issue Date*” means February 13, 2007.

“*Joint Venture*” will mean any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership that is not a Restricted Subsidiary in which the Company or any Subsidiary has an interest from time to time.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, easement, restriction, covenant, right-of-way, servitude, lien, charge or adverse claim of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof, including a Sale/Leaseback Transaction.

"*Moody's*" means Moody's Investors Service, Inc. and its successors.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received) therefrom, in each case net of (i) all legal, title, recording, refinancing, consultancy, brokerage and banking fees and tax expenses, commissions and other fees and expenses Incurred, and all U.S. federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under IFRS as a consequence of such Asset Disposition, (ii) all payments made on any Debt which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition, (iii) all distributions and other payments required to be made to minority interest holders in Subsidiaries or Joint Ventures as a result of such Asset Disposition and (iv) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds*" with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"*Notch*" means any change in graduation (+ and — for S&P; 1, 2 and 3 for Moody's; or the equivalent graduation for another Rating Agency) with respect to Rating Categories.

"*Offering Memorandum*" means the offering memorandum in relation to the Unsecured Notes.

"*Officer's Certificate*" means a certificate signed by an officer or director of the Company.

"*Opinion of Counsel*" means a written opinion from legal counsel who is reasonably acceptable to the Unsecured Notes Trustee.

"*Permitted Debt*" will have the meaning set forth under "—Certain covenants—Limitation on Debt."

"*Permitted Holders*" means CVC Europe Limited and any of its affiliates, any limited partnership of which any of them is the general partner and any investment fund controlled or managed by any of them under common control therewith.

"*Permitted Investment*" means an investment by the Company or any Restricted Subsidiary in:

(i) the Company, a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary; *provided, however*, that the primary business of such Restricted Subsidiary is a Related Business;

(ii) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or any Restricted Subsidiary, *provided, however*, that the primary business of such Restricted Subsidiary is a Related Business;

(iii) cash or Cash Equivalents;

(iv) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(v) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(vi) loans or advances to employees and officers of the Company or such Restricted Subsidiary made in the ordinary course of business consistent with past practices of (including past practices of any immediate predecessor of) the Company or such Restricted Subsidiary, as the case may be, or as required by law and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments;

(vii) stock, obligations or securities received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any debtors of the Company or a Restricted Subsidiary or received in settlement of Debt created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments;

(viii) non-cash consideration received in connection with an Asset Disposition consummated in compliance with "—Certain covenants—Limitation on sales of assets and Restricted Subsidiary stock;"

(ix) guarantees not prohibited by the covenant described under "—Limitation on Debt;"

(x) Investments in Unrestricted Subsidiaries or Joint Ventures not to exceed (A) the aggregate net after-tax amount returned in cash on or with respect to any Investments made in Unrestricted Subsidiaries and Joint Ventures whether through interest payments, principal payments, dividends or other distributions or payments on account of such Investment, (B) the net after-tax cash proceeds received by the Company or any Restricted Subsidiary from the disposition of all or any portion of such Investments (other than to a Restricted Subsidiary), and (C) upon redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary, the Fair Market Value of such Subsidiary; *provided, however*, that the net after-tax amount has not been included in Consolidated Net Income for the purpose of calculating clause (c)(i) in the covenant described under "—Limitation on Restricted Payments;"

(xi) Investments existing on the Issue Date;

(xii) any Investment by the Company or a Wholly Owned Subsidiary of the Company in a Person or any Investment by a Person in any other Person in connection with a Permitted Receivables Financing; *provided* that any such Investment is in the form of a purchase money note or an equity interest;

(xiii) any Debt of the Company to any of its Subsidiaries Incurred in connection with the purchase of accounts receivable and related assets by the Company from any such Subsidiary which assets are subsequently conveyed by the Company to a Person in a Permitted Receivables Financing;

(xiv) Investments described in clauses (B), (C), (D) and (K) of the proviso under "—Certain covenants— Transactions with Affiliates" above;

(xv) Investments in Permitted Joint Venture Transactions in an aggregate principal amount at any time outstanding not in excess of €15 million in the aggregate;

(xvi) Receivables owing to the Company or a Restricted Subsidiary, if created or acquired in the ordinary course of business, and Investments in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors of the Company, are necessary or advisable to effect or maintain such Qualified Receivables Financing; and

(xvii) additional Investments which, when taken together with all other Investments made pursuant to this clause (xvii) and outstanding on the date such Investment is made, do not exceed €10 million.

"Permitted Joint Venture Transactions" means any Joint Venture transaction pursuant to which the Company or any Restricted Subsidiary enters into, acquires or subscribes for any shares, stock, securities or other interest in or transfers any assets to any Joint Venture; *provided, however*, that (i) the primary business of such Joint Venture is a Related Business and (ii) such Joint Venture is a limited liability company or is owned, directly or indirectly, by the Company or such Restricted Subsidiary through a limited liability company which is itself a party to such Joint Venture.

"Permitted Liens" means, with respect to any Person:

(1) Liens securing the Secured Notes, the Secured Note Guarantees and the Intercompany Loans, including the Security Documents;

(2) Liens in favor of the Company or a Restricted Subsidiary on assets of any Restricted Subsidiary (other than Liens in favor of a Restricted Subsidiary that is not an Unsecured Note Guarantor on the assets of any Unsecured Note Guarantor);

(3) Liens securing Refinancing Debt which is Incurred to refinance any Debt which has been secured by a Lien not prohibited under the Unsecured Indenture; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiaries other than that pledged under the Liens securing the Debt being refinanced;

(4) pledges or deposits by such Person under workmen's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of borrowed money) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits or cash or government bonds to secure surety, judgment or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(5) Liens imposed by law, including carriers', warehousemen's and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person will then be proceeding with an appeal or other proceedings for review and Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; *provided, however*, that, in the case of the Company, such deposit account is not a dedicated cash collateral account subject to restrictions against access by the Company in excess of those customarily applied to deposit accounts not intended by the Company or any Restricted Subsidiary to provide collateral to the relevant bank;

(6) Liens for taxes, assessments or other governmental charges or claims that are extinguished within 60 days' notice of their existence, are not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings; *provided* that, in the case of the Company, appropriate reserves have been taken on the books of the Company;

(7) Liens in favor of issuers of surety bonds, performance bonds or standby letters of credit, entered into the ordinary course of business, including Debt permitted to be Incurred pursuant to clause (x) of the covenant entitled "—Certain covenants—Limitation on Debt";

(8) Liens securing any Hedging Obligations entered into the ordinary course of business, including Hedging Obligations permitted to be Incurred pursuant to clause (ix) of the covenant entitled "—Certain covenants—Limitation on Debt";

(9) Lien securing Debt permitted to be Incurred pursuant to clauses (iv), (xvi) or (xix) (2) of the covenant entitled "—Certain covenants—Limitation on Debt;"

(10) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;

(11) Liens for the purpose of securing the payment (or the refinancing of the payment) of all or any part of any Permitted Debt relating to assets or property acquired or constructed directly or indirectly, *provided* that (A) the aggregate principal amount of Debt secured by such Liens will not exceed the cost of the assets or property so acquired or constructed and (B) such Liens will not encumber any other assets or property of the Company or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto;

(12) Liens arising from precautionary Uniform Commercial Code financing statement filings regarding operating leases entered into by the Company or its Subsidiaries in the ordinary course of business;

(13) Liens securing Debt Incurred under the Revolving Credit Facility, the security documents in relation thereto or otherwise permitted to be Incurred by clause (ii) of the covenant entitled "—Certain covenants—Limitation on Debt";

(14) Liens on property, shares of Capital Stock or Debt of a Person existing at the time such Person is merged with or into or consolidated with or acquired by the Company or any Subsidiary of the Company; *provided* that such Liens were in existence prior to the contemplation of such merger, consolidation or acquisition and do not extend to any assets other than those of the Person merged into, consolidated with or acquired by the Company or the Subsidiary (other than assets and property affixed or appurtenant thereto);

(15) Liens to secure the performance of statutory, regulatory, contractual or warranty obligations or other obligations of a like nature Incurred in the ordinary course of business;

(16) easements (including reciprocal easement agreements), rights-of-way, building, zoning and similar restrictions, utility agreements, covenants, reservations, restrictions, encroachments, charges and other similar encumbrances or title defects Incurred, or leases or sub-leases granted to others, in the ordinary course of business, that do not in the aggregate materially detract from the aggregate value of the properties of the Company and its Subsidiaries, taken as a whole, or in the aggregate materially interfere with or adversely affect in any material respect the ordinary course of the business of the Company and its Subsidiaries on the properties subject thereto, taken as a whole;

(17) Liens arising by operation of law (or by agreement to the same effect) in the ordinary course of business and not as a result of any default or omission on the part of the Company or any Restricted Subsidiary;

(18) Liens over credit balances on bank accounts of the Company or any Restricted Subsidiary with Approved Banks created in order to facilitate the operation of such bank accounts and other bank accounts of such companies with such Approved Banks on a net balance basis with credit balances and debit balances on the various accounts being netted off for interest purposes;

(19) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Company or any Restricted Subsidiary in the ordinary course of business;

(20) Liens arising by reason of any judgment, decree or order of any court so long as such Lien is adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(21) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses; provided that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend to any additional property or assets;

(22) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(23) any interest or title of a lessor in the property subject to any lease other than a Capitalized Lease Obligations;

(24) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of banker's acceptances issues or credit for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(25) Liens granted to the Secured Notes Trustee (or any other trustee) for its compensation and indemnities pursuant to the Intercreditor Agreement or the Secured Notes; and

(26) Liens granted to the Security Trustee (or any other security agent) for its compensation and indemnities pursuant to the terms governing the Secured Notes or the Intercreditor Agreement.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization (in the case of a Receivables Financing, an entity without legal personality (including any French *communs de crèances*)), government or any agency or political subdivision thereof or any other entity.

“*Preferred Stock,*” as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution or such Person, over shares of Capital Stock of any other class of such Person.

“*Pro forma*” means, with respect to any calculation made or required to be made pursuant to the terms hereof, a calculation in accordance with Article 11 of Regulation S-X promulgated under the U.S. Securities Act (to the extent applicable), as interpreted in good faith by the Board of Directors of the Company after consultation with the independent certified public accountants of the Company, or otherwise a calculation made in good faith by the Board of Directors of the Company after consultation with the independent certified public accountants of the Company, as the case may be.

“*Qualified Receivables Financing*” means any Receivables Financing that meets the following conditions: (1) the Board of Directors of the Company shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company and any Receivables Subsidiary; and (2) the financing terms, covenants, termination events and other provisions thereof shall be market terms in the context of the European Securitization Market and the nature of the Receivables Assets (as determined in good faith by the Board of Directors of the Company) and may include Standard Securitization Undertakings; provided that (a) no portion of the Debt or any other obligations (contingent or otherwise) of the Receivables Purchaser, (i) is guaranteed by the Company or any Restricted Subsidiary of the Company (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Company or any Restricted Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings, or (iii) subjects any property or asset of the Company or any other Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings; (b) the Receivables Purchaser has no contract, agreement, arrangement or understanding with the Company or any Restricted Subsidiary other than on terms which the Company reasonably believes to be no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company; and (c) neither the Company nor any Restricted Subsidiary of the Company has any obligation to maintain or preserve the Receivables Purchaser’s financial condition or cause such entity to achieve certain levels of operating results.

“*Rating Agency*” means S&P and Moody’s or, if S&P or Moody’s or both shall not make a rating on the Unsecured Notes publicly available, a “nationally recognized statistical rating organization or organizations” (as defined in Rule 436 under the U.S. Securities Act), as the case may be, then making a rating on the notes publicly available selected by the Company which shall be substituted for S&P or Moody’s or both, as the case may be.

“*Rating Categories*” means (i) with respect to S&P, any of the following categories: AAA, AA, A, BBB, BB, B, CCC, CC or C; (ii) with respect to Moody’s, any of the following categories: Aaa, Aa, A, Baa, Ba, B, Caa, Ca or C; and (iii) with respect to any other Rating Agency, the equivalent of any such category of S&P or Moody’s used by such other Rating Agency.

“*Rating Date*” means the date which is the earlier of (x) 120 days prior to the occurrence of an event specified in clauses (a), (b), (c) or (d) of the definition of a Change of Control and (y) the date of the first public announcement of the possibility of such event.

“*Rating Decline*” means the occurrence on any date within the 90-day period following the occurrence of an event specified in clauses (a), (b), (c) or (d) of the definition of a Change of Control (which period shall be extended so long as during such period the rating of the Unsecured Notes is under publicly announced consideration for a possible downgrade by a Rating Agency) of: (i) in the event the Unsecured Notes are rated by any Rating Agency on the Rating Date below Investment Grade, the rating of the Unsecured Notes by such Rating Agency within such period being at least one Notch below the rating of the Unsecured Notes by such Rating Agency on the Rating Date, (ii) in the event the Unsecured Notes are rated by any Rating Agency on the Rating Date as Investment Grade, the rating of the Unsecured Notes within such period by such Rating Agency being (A) at least two Notches below the rating of the Unsecured Notes by such Rating Agency on the Rating Date or (B) below Investment Grade or (iii) any Rating Agency withdrawing its rating of the Unsecured Notes. In determining how many Notches the rating of the Unsecured Notes has decreased, gradation with respect to Rating Categories will be taken in account (e.g., with respect to S&P, a decline in rating from BB+ to BB, or BB— to B+, will constitute a decrease of one Notch).

“*Receivable*” means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined in accordance with IFRS.

"*Receivables Assets*" are any Receivables and Related Receivables Assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means any payments made in connection with any Qualified Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to any other Person (the "Receivables Purchaser") or may grant the Receivables Purchaser a security interest in any accounts receivable (whether now existing or arising in the future) of the Company or any of its Subsidiaries.

"*Receivables Purchaser*" has the meaning ascribed thereto in the definition of "Receivables Financing."

"*Receivables Repurchase Obligation*" means (a) any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller and (b) any right of a seller of receivables in a Qualified Receivables Financing to repurchase defaulted receivables in order to obtain any VAT bad debt relief or similar benefit.

"*Redeemable Stock*" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event (i) matures or is mandatorily redeemable for cash pursuant to a sinking fund obligation or otherwise, (ii) is convertible or exchangeable for Debt or Disqualified Stock (excluding Capital Stock that is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary) or (iii) is or may become redeemable or repurchaseable for cash or in exchange for Debt at the option of the holder thereof, in whole or in part.

"*Redemption Price*" means the price to redeem an Unsecured Note, expressed as a percentage of the principle amount set forth in "—Optional redemption" or "—Optional tax redemption," as applicable.

"*Refinancing Debt*" means Debt that refunds, refinances, replaces, renews, repays or extends (including pursuant to any defeasance or discharge mechanism) (collectively, "refinances," "refinanced" and "refinancing" shall have a correlative meaning) any Debt existing on the Issue Date or Incurred in compliance with the Unsecured Indenture (including Debt of the Company that refinances Debt of any Restricted Subsidiary and Debt of any Restricted Subsidiary that refinances Debt of another Restricted Subsidiary) including Debt that refinances Refinancing Debt; *provided, however*, that (i) (x) if the Stated Maturity of the Debt being refinanced is earlier than or equal to the Stated Maturity of the Unsecured Notes, the Refinancing Debt has a Stated Maturity no earlier than the Stated Maturity of the Debt being refinanced and (y) if the Stated Maturity of the Debt being refinanced is later than the Stated Maturity of the Unsecured Notes, the Refinancing Debt has a Stated Maturity later than the Stated Maturity of the Unsecured Notes, (ii) the Refinancing Debt has an Average Life at the time such Refinancing Debt is Incurred that is equal to or greater than the Average Life of the Debt being refinanced, (iii) such Refinancing Debt is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Debt being refinanced plus any premium payable thereon and any expenses or fees Incurred in connection therewith, and (iv) if such Debt being refinanced is subordinated in right of payment in any respect to the Unsecured Notes, such Refinancing Debt shall be subordinated in right of payments to the Unsecured Notes, with terms no less favorable to the Holders of the Unsecured Notes than those contained in the documentation governing the Debt being refinanced; *provided, further, however*, that Refinancing Debt shall not include (x) Debt of a Subsidiary of the Company that refinances Debt of the Company or (y) Debt of the Company or a Restricted Subsidiary that refinances Debt of an Unrestricted Subsidiary.

"*Related Business*" means a business related to the manufacturing and distribution of coated woodfree paper and specialty papers or a related pulp, paper and related energy generation business.

"*Related Receivables Assets*" means, with respect to any Receivables that are, or are to be, the subject of any Qualified Receivables Financing, all collateral securing such Receivables, all agreements and arrangements that support or secure the payments of the relevant Receivables by the debtor(s) in respect of such Receivables (including, without limitation, the relevant seller's interest in any goods and work in progress, rights to returned or repossessed goods and work in progress, all insurance policies, security deposits, guarantees, indemnities, letters of credit, bills of exchange or other documentary credits, cheques or other negotiable instruments, warranties and retention of title claims), the process of such Receivables (including any bank accounts to which such proceeds are credited and no other proceeds are credited) and any other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions or factoring arrangements involving that type of accounts receivable and any Hedging Obligations entered into by the Company or any such Subsidiary in connection with such Receivables.

"*Restricted Payment*" with respect to any Person means (i) the declaration or payment of any dividends or any other distributions of any sort in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving such Person) or similar payment to the direct or indirect holders of its Capital Stock (other than dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock) and dividends or distributions payable solely to the Company or a Restricted Subsidiary, and other than pro rata dividends or other distributions made by a Subsidiary that is not a Wholly Owned Subsidiary to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation)), (ii) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by any Person (other than the Company or a Restricted Subsidiary), (iii) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment of any Subordinated Obligations of the Company or any Unsecured Note Guarantor (other than (A) from the Company or a Restricted Subsidiary or (B) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations made in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value); or (iv) the making of any Investment in any Person (other than a Permitted Investment).

"*Restricted Subsidiary*" means any direct or indirect Subsidiary of the Company, other than an Unrestricted Subsidiary.

"*Restructuring Charge*" means those costs Incurred by the Company or its Restricted Subsidiaries which are set forth in a line item and identified as a restructuring charge on the profit and loss statement of the Company and its consolidated Restricted Subsidiaries.

"*Revolving Credit Facility*" means the revolving credit facility, dated on or about the Issue Date, including any ancillary agreements entered into in connection therewith, and any amendment, modification, renewal, extension, refunding, restatement, supplement, refinancing or other modification thereof from time to time.

"*S&P*" means Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc. and its successors.

"*Sale/Leaseback Transaction*" means an arrangement relating to property now owned or hereafter acquired whereby a Subsidiary of the Company transfers such property to a Person and such Subsidiary leases it from such Person.

"*Secured Debt*" means any Debt of the Company or a Restricted Subsidiary secured by a Lien.

"*Secured Indenture*" means the indenture, dated on or about the Issue Date, among the Company, the Secured Note Guarantors, Deutsche Trustee Company Limited as trustee, and the other parties named therein;

"*Secured Notes*" means the Company's €598.0 million Secured Floating Rate Notes due 2014 and any additional Secured Notes issued pursuant to the Secured Indenture.

"*Secured Notes Proceeds Loans*" means the intercompany loans (i) from the Company in the amounts aggregating €119.0 million multiplied by the quotient of the initial principal amount of the Secured Notes divided by the combined principal amounts of the Secured Notes and Unsecured Notes (the "Applicable Secured Notes Percentage") to Sub Lecta 1 S.A., €268.5 million multiplied by the Applicable Secured Notes Percentage to Condat Holding S.A., €164.1 million multiplied by the Applicable Secured Notes Percentage to Torraspapel Holding S.A., €191.0 million multiplied by the Applicable Secured Notes Percentage to Torraspapel S.A., and €4.9 million multiplied by the Applicable Secured Notes Percentage to Sarriopapel y Celulosa S.A., (ii) from Sub Lecta 1 S.A. of €119.0 million multiplied by the Applicable Secured Notes Percentage to Cartiere del Garda S.p.A., and (iii) from Condat Holding S.A. of €107.9 million multiplied by the Applicable Secured Notes Percentage to Condat S.A.S., in each case together with any amendments thereto, including to reflect increases of the principal amounts loaned thereunder with proceeds of an offering of Additional Notes permitted to be issued under the Secured Indenture.

"*Secured Note Guarantee*" means a guarantee on the terms set forth in the Secured Indenture by a Restricted Subsidiary of the Company's obligations under the Secured Notes and the Secured Indenture.

"*Secured Note Guarantor*" means each Subsidiary of the Company that issues a Secured Note Guarantee pursuant to the terms of the Secured Notes and the Secured Indenture.

"*Security Documents*" means those mortgages, deeds, pledges, security trusts, assignments or other documents that create security over the Collateral, as defined in the Secured Indenture, in favor of the Security Trustee and that will be listed in a schedule of security documents attached to the Secured Indenture.

"*Senior Debt*" means Debt of the Company or any Unsecured Note Guarantor that is not subordinated in right of payment to the Unsecured Notes or the Unsecured Note Guarantee of such Unsecured Note Guarantor, as the case may be.

"*Significant Restricted Subsidiary*" means:

(i) each of the Unsecured Note Guarantors from time to time;

(ii) any Restricted Subsidiary (a) the pre-tax profits of which represent 10% or any greater percentage of the EBITDA of the Company, or (b) the book value of the gross assets of which is 10% or more of the consolidated gross assets of the Company, determined in accordance with IFRS or (c) the aggregate sales of which to third parties in any fiscal year, calculated on a consolidated basis in accordance with IFRS (and excluding VAT and/or sales tax) have been or are budgeted to be at least 10% or more of the aggregate sales of the Company to third parties (calculated on the same basis); *provided*, that (x) in the case of a Restricted Subsidiary which itself has Subsidiaries, such calculation shall be made by using the consolidated pre-tax profits or gross assets or aggregate sales, as the case may be, of such Restricted Subsidiary and its Subsidiaries; and (y) the calculation of consolidated pre-tax profits or gross assets or aggregate sales shall be made by reference to the most recent accounts of the Company and/ or any such Restricted Subsidiary (or, as the case may be, a consolidation of the accounts of such Restricted Subsidiary and its Subsidiaries) provided to the Unsecured Notes Trustee in accordance with "Certain covenants— Reports to Holders"; and

(iii) any Restricted Subsidiary not otherwise constituting a Significant Restricted Subsidiary hereunder to which any Significant Restricted Subsidiary transfers (in any fiscal year) any fixed assets in any transaction or series of transactions (related or unrelated) with an aggregate book value or Fair Market Value in excess of €15 million (and the Subsidiary from which such assets were transferred shall be deemed to continue to be a Significant Restricted Subsidiary).

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Company or any Subsidiary of the Company which the Company has determined in good faith to be customary, in the context of the European Securitization Market and the nature of the Receivables Assets, in a Qualified Receivables Financing including, without limitation, those relating to the servicing of the Receivables Assets, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the Company unless such contingency has occurred).

"*Subordinated Obligation*" means any Debt (whether outstanding on the Issue Date or thereafter Incurred) which is subordinate or junior in right of payment to the Unsecured Note Guarantees or the Unsecured Notes pursuant to a written agreement.

"*Subsidiary*" of any specified Person means any corporation, partnership, joint venture, association or other business entity, whether now existing or hereafter organized or acquired, (a) in the case of a corporation, of which at least 50% of the total voting power of the Voting Stock is held by such first-named Person and/or any of its Subsidiaries and such first-named Person or any of its

Subsidiaries has the power to direct the management, policies and affairs thereof; or (b) in the case of a partnership, joint venture, association, or other business entity, with respect to which such first-named Person or any of its Subsidiaries has the power to direct or cause the direction of the management and policies of such entity by contract or otherwise, if in accordance with IFRS such entity is consolidated with the first-named Person for financial statement purposes.

"*Taxes*" will have the meaning set forth above under "—Additional Amounts."

"*Trade Payables*" means, with respect to any Person, any accounts payable or any indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person arising in the ordinary course of business of such Person in connection with the acquisition of goods or services.

"*Unrestricted Subsidiary*" means (i) each existing Subsidiary of the Company that the Company has designated on the Issue Date in a schedule to the Unsecured Indenture as an Unrestricted Subsidiary, (ii) each Subsidiary of the Company that the Company has designated pursuant to the covenant described under "—Restricted and Unrestricted Subsidiaries" as an Unrestricted Subsidiary and (iii) any Subsidiary of an Unrestricted Subsidiary.

"*Unsecured Note Guarantee*" means a guarantee of the terms set forth in the Unsecured Indenture by a Restricted Subsidiary of the Company's obligations under the Unsecured Notes and the Unsecured Indenture.

"*Unsecured Note Guarantor*" means each Subsidiary of the Company that issues an Unsecured Note Guarantee pursuant to the terms of the Unsecured Notes and the Unsecured Indenture.

"*Unsecured Notes Proceeds Loans*" means the intercompany loans (i) from the Company in the amounts aggregating €119.0 million multiplied by the quotient of the initial principal amount of the Unsecured Notes divided by the combined principal amounts of the Secured Notes and Unsecured Notes (the "Applicable Unsecured Notes Percentage") to Sub Lecta 1 S.A., €268.5 million multiplied by the Applicable Unsecured Notes Percentage to Condat Holding S.A., €164.1 million multiplied by the Applicable Unsecured Notes Percentage to Torraspapel Holding S.A., €191.0 million multiplied by the Applicable Unsecured Notes Percentage to Torraspapel S.A., and €4.9 million multiplied by the Applicable Unsecured Notes Percentage to Sarriopapel y Celulosa S.A., (ii) from Sub Lecta 1 S.A. of €119.0 million multiplied by the Applicable Unsecured Notes Percentage to Cartiere del Garda S.p.A., and (iii) from Condat Holding S.A. of €107.9 million times the Applicable Unsecured Notes Percentage to Condat S.A.S., in each case together with any amendments thereto, including to reflect increases of the principal amounts loaned thereunder with proceeds of an offering of Additional Notes permitted to be issued under the Unsecured Indenture.

"*Voting Stock*" of a corporation means all classes of Capital Stock of such corporation then outstanding and normally entitled to vote in the election of directors.

"*Wholly Owned Subsidiary*" means a Restricted Subsidiary, all the Capital Stock of which (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary) is owned by the Company or another Wholly Owned Subsidiary.

BOOK-ENTRY, SETTLEMENT AND CLEARANCE

General

Each series of Notes sold to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "Rule 144A Global Notes"). Each series of Notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the Rule 144A Global Notes, the "Global Notes"). The Global Notes will be deposited with a common depositary, and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Notes (the "Restricted Book-Entry Interests") and ownership of interests in the Regulation S Global Notes (the "Unrestricted Book-Entry Interests" and, together with the Restricted Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants.

Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Notes will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including some states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream, as applicable, will be considered the sole holder(s) of the Global Notes for all purposes under the Indentures. In addition, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own Book-Entry Interests to transfer their interests or to exercise any rights of holders under the Indentures. Neither we nor the trustee nor any of our respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Payments on Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and Additional Amounts, if any) will be made by us to the common depositary or its nominee for Euroclear and Clearstream. The common depositary or its nominee will distribute such payments to participants in accordance with their procedures. Payments of all such amounts will be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made by any applicable law or regulation of Luxembourg or otherwise as described under "Description of the Secured Notes—Additional Amounts" and "Description of the Unsecured Notes," then, to the extent described under "Description of the Secured Notes—Additional Amounts" and "Description of the Unsecured Notes," such Additional Amounts will be paid as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that payments by participants to owners of Book-Entry Interests held through those participants will be governed by standing customer instructions and customary practices.

Under the terms of the Indentures, we and the trustee will treat the registered holder of the Global Notes (e.g., Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither we, the trustee nor any of our or the trustee's agents have or will have any responsibility or liability for:

(1) any aspect of the records of Euroclear or Clearstream or of any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest;

(2) Euroclear or Clearstream or any participant or indirect participant; or

(3) the records of the common depositary.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream, Luxembourg (or their respective nominees), as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the book-entry interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by Euroclear or Clearstream, Luxembourg, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, Luxembourg, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream, Luxembourg, will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of less than €50,000 principal amount may be redeemed in part.

Currency of payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid in euro.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Notes, Euroclear and Clearstream reserve the right to exchange the Global Notes for definitive registered notes ("Definitive Registered Notes") in certificated form, and to distribute such Definitive Registered Notes to its participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indentures.

The Global Notes will bear a legend to the effect set forth in "Notice to Investors." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "Notice to Investors."

Transfer of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to such transfer restrictions.

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of any Unrestricted Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the U.S. Securities Act.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in another Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the Indentures, owners of the Book-Entry Interests will receive Definitive Registered Notes only:

(1) if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act and a successor is not appointed by us within 90 days; or

(2) if Euroclear or Clearstream so requests following an Event of Default under the Indentures.

Information concerning Euroclear and Clearstream

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Initial Settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interest where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

TAX CONSIDERATIONS

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Luxembourg, the United States, France or Spain and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.

The summaries set out below are based upon Luxembourg, U.S., French or Spanish law as in effect on the date of this listing memorandum and are subject to any change in such law that may take effect after such date. References in this section to holders of Notes include the beneficial owners of the Notes. The statements regarding the Luxembourg and U.S. laws and practices set forth below assume that the Notes will be issued, and transfers thereof will be made, in accordance with the Indentures.

Luxembourg Taxation

Withholding Tax, Income Tax

Taxation of Interest

There is no withholding tax for Luxembourg residents and non-residents on payments of interest (including accrued but unpaid interest) in respect of Notes, nor is any Luxembourg withholding tax payable on payments received upon repayment of the principal or upon an exchange of Notes except that in certain circumstances a withholding tax may be required to be made upon payments of interest pursuant to (i) European Council Directive 2003/48/EC (the “EU Savings Directive”) or the law of December 23, 2005 (“Interest Withholding Tax Law”).

Under the EU Savings Directive, each EU Member State (a “Member State”) generally must provide to the tax authorities of another Member State details of interest payments or similar income paid by a paying agent (within the meaning of article 4 of the EU Savings Directive) within its jurisdiction to a residual entity (within the meaning of article 4.2. of the EU Savings Directive, a “Residual Entity”) or to or for an individual (the “Beneficial Owner”) resident in the latter Member State, although certain Member States are entitled to apply a withholding tax system during a transitional period.

The EU Savings Directive was implemented into Luxembourg law by a law of June 21, 2005, which is in effect as of July 1, 2005. Due to certain bilateral agreements (the “Bilateral Agreements”), relevant dependant and associated territories and certain non-EU States apply similar measures as of the same date.

According to the law of June 21, 2005 and the Bilateral Agreements, during the transitional period, a Luxembourg paying agent may be required to withhold taxes on interest payments to Residual Entities or to Beneficial Owners who reside in an EU Member State or relevant dependant and associated territories at a rate of 15% (the rate will increase to 20% on July 1, 2008 and to 35% on July 1, 2011), unless the Residual Entities or the Beneficial Owner has opted for an exchange of information or has provided a tax certificate in accordance with procedure laid down in the EU Saving Directive and the Bilateral Agreements.

By the Interest Withholding Tax Law, effective as of January 1, 2006, Luxembourg introduced a withholding tax of 10% for interest payments made to Luxembourg individual residents and Residual Entities (within the meaning of article 4(2) of the EU Savings Directive) established in other EU Member States or certain dependent and associated territories thereof, by a Luxembourg paying agent. For an individual holder of Notes who is a resident of Luxembourg and who acts in the course of the management of his private wealth, the 10% withholding tax is a final levy.

A holder of Notes is subject to Luxembourg income tax in respect of the interest paid or accrued on the Notes only if such holder (i) is or is deemed to be a resident of Luxembourg for tax purposes and the interest has not been subject to the 10% final withholding tax or (ii) has a fixed place of business, a permanent establishment or a permanent representation in Luxembourg, to which the Notes are attributable.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of June 21, 2005 and December 23, 2005 is assumed by the Luxembourg paying agent, within the meaning of the EU Savings Directive and the Interest Withholding Tax Law, and not by the issuer of Notes.

Taxation of Capital Gains

Gains realized by an individual holder of Notes, who acts in the course of the management of his private wealth and who is resident in Luxembourg for tax purposes, are not subject to Luxembourg income tax, unless they are taxed as speculative capital gains. Speculative capital gains realized on the sale of Notes within six months of their acquisition trigger taxation at the full income tax rate. For an individual holder of Notes, the portion of the gain corresponding to accrued but unpaid interest will be considered as interest income and will be taxed as described under "—Withholding Tax, Income Tax—Taxation of Interest."

Gains realized by a corporate holder of Notes or by an individual holder of Notes, who acts in the course of the management of a professional or business undertaking, who is resident in Luxembourg for tax purposes or who has a permanent establishment in Luxembourg, to which the Notes are attributable, will be subject to Luxembourg income tax on the sale of Notes.

Gains realized by a non resident holder of Notes, who does not have a permanent establishment or fixed place of business in Luxembourg to which the Notes are attributable, will not be subject to Luxembourg income tax on the sale of Notes.

Registration Taxes

It is not compulsory that the Notes be filed, recorded or enrolled with any court or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Notes, except that in the event of court proceedings in a Luxembourg court (including but not limited to a Luxembourg Insolvency Proceeding), registration of the Notes may be ordered by the court, and even in the absence of such order, could in principle be required in the event the relevant Notes are produced either directly or by way of reference in any act introducing legal proceedings (including but not limited to a Luxembourg Insolvency Proceeding). In such case, a fixed or an *ad valorem* registration duty calculated on the amounts mentioned in the Notes shall apply and be payable by the party prevailing itself from the Notes. In principle, registration would also be required, and the same registration duties would be due, if the Notes were produced, either directly or by way of reference, before an official authority (*"autorité constituée"*) in Luxembourg.

Other Taxes

A corporate holder of Notes who is resident in Luxembourg for tax purposes or who has a fixed plan of business, a permanent establishment or a permanent representation in Luxembourg, to which the Notes are attributable, must take into account the Notes for purposes of Luxembourg net wealth tax currently levied at 0.5% per annum. An individual holder of Notes, whether resident or not in Luxembourg is exempt from net wealth tax.

No estate or inheritance tax is levied on the transfer of Notes upon death of a holder of Notes in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes and no gift tax is levied upon a gift of Notes if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg. Where a holder of Notes is resident for tax purposes in Luxembourg at the time of his death, the Notes are included in its taxable estate for inheritance tax or estate tax purposes.

EU Savings Directive

On June 3, 2003, the EU Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income (the "EU Savings Directive"). Under the EU Savings Directive, Member States of the EU are required to provide to the tax authorities of another Member State details of payments of interest (and other similar income) paid by a person within its jurisdiction to an individual resident in such other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are (unless during such transitional period they elect otherwise) operating a withholding system in relation to such payments (with the ending of such transitional period dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES IN THIS LISTING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON INVESTORS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a general summary of the material U.S. federal income tax consequences of the purchase, ownership and disposition of Notes to a U.S. holder (as defined below) that holds its Notes as a capital asset (generally, property held for investment) and that purchases the Notes in the initial offering and at the "issue price" (as defined below). This summary is based on the Internal Revenue Code of 1986, as amended, (the "Code"), Treasury regulations, rulings, judicial decisions and administrative pronouncements, all as in effect as of the date hereof, and all of which are subject to change or changes in interpretation, possibly with retroactive effect.

This summary does not address all aspects of U.S. federal income taxation that may apply to holders that are subject to special tax rules, including U.S. expatriates, insurance companies, tax-exempt entities, banks, financial institutions, persons subject to the alternative minimum tax, securities-broker dealers, regulated investment companies, traders in securities that elect to use the mark to market method of accounting for their securities, persons holding their Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle, or persons whose functional currency is not the U.S. dollar. These holders may be subject to U.S. federal income tax consequences different from those set forth below. If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner in a partnership that holds Notes is urged to consult its tax advisor regarding the specific tax consequences of the purchase, ownership and disposition of the Notes.

For purposes of this discussion, the term "U.S. holder" means a beneficial owner of Notes (as determined for U.S. federal income tax purposes) who is (a) a citizen or individual resident of the United States, (b) a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States or any state thereof or the District of Columbia, (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons are authorized to control all substantial decisions of the trust.

The "issue price" of a Note is equal to the first price at which a substantial amount of the Notes is sold for money other than to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. Rules under the Code relating to amortizable bond premium, acquisition premium or market discount may, in particular instances, apply to U.S. holders that purchase the Notes at a time other than the initial offering or at a price other than the issue price. These U.S. holders should consult their own tax advisors as to the possible applicability of these rules.

U.S. holders should consult their tax advisors regarding the specific Luxembourg and U.S. federal, state and local tax consequences of purchasing, owning and disposing of Notes in light of their particular circumstances as well as any consequences arising under the laws of any other relevant taxing jurisdiction.

Payments of Interest

It is anticipated that the Notes will not be issued with original issue discount for U.S. federal income tax purposes. In this case, interest paid on the Notes (including a payment of any Additional Amounts) will be taxable to a U.S. holder as ordinary interest income at the time the interest is received or accrued, depending on the U.S. holder's method of accounting for U.S. tax purposes.

A cash basis U.S. holder will be required to include in gross income the U.S. dollar value of the interest payment, based on the spot exchange rate on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars at that time. A cash basis U.S. holder will not realize exchange gain or loss on the receipt of the interest income but may recognize exchange gain or loss upon the actual disposition of the euros so received.

An accrual method U.S. holder may determine the amount of income recognized with respect to such interest in accordance with either of two methods. Under the first method, and accrual method U.S. holder will be required to include in gross income the interest income that has accrued on the Notes in euros and translate that amount into U.S. dollars at the average rate of exchange in effect for the interest accrual period (or, with respect to an accrual period that spans two taxable years at the average rate for the partial period within the U.S. holder's taxable year). (The average rate of exchange for an interest accrual period (or partial period) is the simple average of the spot exchange rates for each business day of the period or other average rate for the period that is reasonably derived and consistently applied by the holder.) Under the second method, an accrual method U.S. holder may make an election to translate interest income at the spot rate on (i) the last day of the interest accrual period, (ii) the last day of the taxable year in the case of a partial accrual period, or (iii) the date of receipt or payment if the last day of the interest accrual period is within five business days. This election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the Internal Revenue Service (the "IRS"). An accrual method U.S. holder generally will realize exchange gain or loss with respect to accrued interest income on the date the interest payment actually is received. The amount of exchange gain or loss to be recognized by the holder will be an amount equal to the difference, if any, between the U.S. dollar value of the euro interest payment received (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above). This exchange gain or loss generally will be treated as U.S.-source ordinary income or loss and generally will not be treated as an adjustment to interest income or expense.

Interest paid on the Notes (including the payment of any Additional Amounts) generally will constitute foreign-source income. For purposes of computing allowable foreign tax credits for U.S. tax purposes, interest generally will be treated as "passive income" or, for certain other U.S. holders, "financial services income." For taxable years beginning after December 31, 2006, interest income generally will constitute "passive category" income, or in the case of certain U.S. holders, "general category" income for foreign tax credit purposes. The rules relating to foreign tax credits and the timing thereof are complex and U.S. holders should consult their own tax advisors regarding the availability of a foreign tax credit and the application of the foreign tax credit limitations to their particular situation.

Sale or Other Disposition

Upon the sale or other disposition of the Notes, a U.S. holder generally will recognize gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued and unpaid interest, which will be taxable as ordinary interest income in accordance with the U.S. holder's method of tax accounting) and the holder's adjusted tax basis in the Notes. A U.S. holder's adjusted tax basis in the Notes generally will be the amount the holder paid for the Note less any principal payments previously received by the holder. The cost of a Note will be the U.S. dollar value of the euro purchase price on the date of purchase, calculated at the spot rate in effect on that date. If the Notes are traded on an established securities market, a cash method taxpayer and an electing accrual method taxpayer will determine the U.S. dollar value of the amount realized by translating that amount at the spot rate on the settlement date of the sale or other disposition, and will determine the U.S. dollar value of the cost of the Notes at the spot rate on the settlement date of the purchase. If an accrual method taxpayer makes this election, the election must be applied consistently by the taxpayer from year to year and once made cannot be revoked without the consent of the IRS.

Except as discussed in the following paragraph with respect to exchange gains or losses, any gain or loss recognized upon the sale or other disposition of the Notes by a U.S. holder generally will be U.S.-source capital gain or loss, and will be treated as long-term capital gain or loss if the Notes have been held for more than one year at the time of the sale or other disposition. Capital gains recognized by an individual U.S. holder generally are subject to U.S. federal income taxation at preferential rates if specified minimum holding periods are met. Capital gains of a corporate U.S. holder generally are taxable at the regular rates applicable to corporations. The deductibility of capital losses for all taxpayers is subject to significant limitations.

Gain or loss realized upon the sale or other disposition of the Notes that is attributable to fluctuations in currency exchange rates will constitute exchange gain or loss with respect to the principal amount to the extent provided under special rules. This exchange gain or loss generally will be taxable as U.S.-source ordinary income or loss, but generally will not be treated as interest income or expense. For these purposes, the principal amount of a Note is a U.S. holder's purchase price for the Note calculated in euro on the date of purchase. A U.S. holder will recognize exchange gain or loss on the principal amount of the Notes equal to the difference between (i) the U.S. dollar value of the euro principal amount of the Notes determined at the spot rate on the date of the sale or other disposition and (ii) the U.S. dollar value of the euro principal amount of the Notes determined at the spot rate on the date the U.S. holder acquired the Notes. However, a U.S. holder will recognize exchange gain or loss only to the extent of the total gain or loss realized on the sale or other disposition of the Notes.

Receipt of Euro

A U.S. holder may receive euro in payment for interest or principal. The tax basis of any euro received by a U.S. holder generally will equal the U.S. dollar equivalent of the euro at the spot rate on the date the euro are received. Upon any subsequent conversion or other disposition of the euro for U.S. dollars, a U.S. holder generally will recognize exchange gain or loss equal to the difference between the amount of U.S. dollars received and the U.S. holder's tax basis in the euro. In addition, upon any subsequent exchange of euro for property (including non-U.S. currency), a U.S. holder generally will recognize exchange gain or loss equal to the difference between the U.S. dollar value of the euro exchanged based on the U.S. dollar spot rate for euro on the date of the exchange and the U.S. holder's tax basis in the euro so exchanged. Exchange gain or loss generally will be treated as U.S.-source ordinary income or loss.

Tax Return Disclosure Requirements

A U.S. holder may be required to report a sale or other disposition of its Notes on IRS Form 8886 (Reportable Transaction Disclosure Statement) if it recognizes exchange loss that exceeds US$50,000 in a single taxable year from a single transaction, if such U.S. holder is an individual or trust. Higher minimum amounts apply for other non-individual U.S. holders. U.S. holders are urged to consult their tax advisors in this regard.

U.S. Information Reporting and Backup Withholding

Payments of interest on and proceeds from the sale or other disposition of the Notes may be subject to information reporting to the IRS and backup withholding at a current rate of 28%. Certain exempt recipients (such as corporations) are not subject to these information reporting requirements. Backup withholding will not apply to a holder who furnishes a correct taxpayer identification number and makes any other required certification, or who is otherwise exempt from backup withholding. U.S. persons who are required to establish their exempt status generally must provide IRS Form W-9 (Request for Taxpayer Identification Number and Certification). Non-U.S. holders generally will not be subject to U.S. information reporting or backup withholding. However, these holders may be required to provide certification of non-U.S. status (generally on IRS Form W-8BEN) in connection with payments received in the United States or through certain U.S.-related financial intermediaries. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing any required information.

French Taxation

Residents of France for Tax Purposes

Individuals Holding Notes as Part of Their Private Assets

Interest and redemption premium. Income from the Notes received by individuals holding the Notes as part of their private assets is either included in total income, which is subject to:

- personal income tax calculated on a progressive scale;
- a general social contribution (*contribution sociale généralisée or* CSG) at the rate of 8.2%, 5.8% of which is deductible from taxable income;
- a social levy (*prélèvement social*) of 2%;
- an additional contribution of 0.3% to the social levy of 2%; and

- a social debt repayment contribution (*contribution au remboursement de la dette sociale*, or CRDS) of 0.5%;

or, at the taxpayer's option, subject to a final withholding tax at the rate of 16%; plus:

- a general social contribution (CSG) at the rate of 8.2%, 5.8% of which is deductible from the taxable income;
- a social levy (*prélèvement social*) of 2%;
- an additional contribution of 0.3% to the social levy of 2%; and
- a social debt repayment contribution (CRDS) of 0.5%.

Luxembourg withholding tax on interest income. If withholding tax is required to be made in Luxembourg upon the payment of interest to French individual residents pursuant to the European Council Directive 2003/48/EC (the "Tax Savings Directive") as implemented into Luxembourg law by a law of June 21, 2005 (see "Tax Considerations—Luxembourg Taxation—Withholding Tax, Income Tax—Taxation of Interest"), such withholding tax gives right to a tax credit in France. The tax credit may be offset against the personal income tax levied on the gross interests payments (i.e., the net amount received, increased by the amount of Luxembourg withholding tax applied) and the excess, if any, is refundable.

Capital gains. Capital gains on the disposal of securities are taxable, from the first euro, where the aggregate amount of disposals of securities per tax household for the calendar year exceeds a certain threshold, set at €20,000 for 2007, and which will be increased annually in the same proportion as the upper limit of the first bracket of the personal income tax scale. When such threshold is exceeded, the capital gains are taxed at a rate of 16% to which is added:

- a general social contribution (CSG) at the rate of 8.2% (not deductible from taxable income);
- a social levy (*prélèvement social*) of 2%;
- an additional contribution of 0.3% to the social levy of 2%; and
- a social debt repayment contribution (CRDS) of 0.5%.

Capital losses incurred in one year can only be off-set against capital gains of a similar nature realized in the same year or in the ten following years provided that in the year in which capital losses are incurred, disposals are in excess of the above-mentioned threshold currently set at €20,000.

Wealth tax. Notes held by individuals are included in their taxable assets subject to wealth tax.

Duties on inheritance and gifts. Notes acquired by way of inheritance or gift are subject to French inheritance and gifts duties.

Legal Entities Subject to Corporate Income Tax

Interest and redemption premium. Interest accrued on Notes over the fiscal year is included in taxable income subject to corporate tax at the rate of 33.33%. In addition, a social contribution of 3.3% is also applicable. This contribution is calculated on the amount of corporate tax with an allowance of €763,000 for each 12-month period. However, with respect to entities that have a turnover of less than €7,630,000 and whose share capital is fully paid-up and of which at least 75% is held continuously by individuals or by an entity meeting all of these requirements, the corporate tax rate is set, within the limit of €38,120 of taxable income for every 12-month period, at 15%. These companies are exempt from the 3.3% social contribution mentioned above.

In accordance with Article 238 *septies* E of the Code Général des Impôts ("CGI"), companies must include a portion of the redemption premium, which they record at the time of the subscription or acquisition of the Notes, into the taxable results for each of their fiscal years, each time this premium exceeds 10% of the acquisition price. For the purpose of these provisions, redemption premium means the difference between the sums potentially received from the Issuer, exclusive of straight line interest paid each year, and the sums paid on subscription or acquisition of the Notes. However, these provisions do not apply to Notes whose average issue price is higher than 90% of the redemption value. The taxable annuity is obtained by applying the annual yield determined at the date of acquisition to the acquisition price. This price is increased each year by a portion of the premium capitalized each year on the date on which the redemption date falls. The yield is the annual rate which, on the acquisition date, equals, at that rate and on a compound interest basis, the current value of the amounts to be paid and the amounts to be received.

Capital gains. Disposals of Notes give rise to a gain or loss to be included in taxable income. The amount of the gain or loss is equal to the difference between the disposal price and the subscription or acquisition price of the Notes increased, as the case may be, by the amounts of redemption premium already taxed in accordance with Article 238 *septies* E of the CGI and not yet received, and is included in the results subject to corporate tax at the rate of 33.33% (or, within the limit of €38,120 for every 12-month period, at a rate of 15% for companies that fulfill the conditions described above). Where applicable, the social contribution of 3.3% is to be added in accordance with the conditions mentioned above.

Non-Residents of France for Tax Purposes

Individual holders of the Notes which are not resident in France for tax purposes will not be subject to French taxation on any income derived from the Notes, including receipt of interest income, redemption premium paid, if any, and income from a sale of Notes, assuming the Notes are not deposited in France. Notwithstanding the above, Notes acquired by way of inheritance or gift by an individual who is a French resident for tax purposes will be subject to French inheritance and gift duties, subject to the application of double taxation treaties signed by France with certain countries regarding gift and inheritance duties.

A corporate holder of the Notes who is not a resident in France for tax purposes and has no permanent establishment in France to which the Notes are attributable will not be subject to any French taxation on income derived from the Notes, including receipt of interest income, redemption premium paid, if any, and income from a sale of Notes.

Spanish Taxation

Introduction

This section does not purport to deal with all aspects of Spanish taxation that relate to an investment in Notes or that may be relevant to particular investors in light of their personal circumstances. If you are considering buying Notes, you should consult your own tax advisor concerning the tax consequences of holding the Notes in your particular situation.

Taxation of Payments under the Guarantees under the Spanish Resident Guarantors's Current Situation

In the event that any payments of principal or interest are made under the Guarantees by Spanish resident Guarantors, these may be characterized by the Spanish tax authorities as an indemnity and, accordingly, may be made free and clear of withholding or deduction of any taxes, duties, assessments or governmental charges of any nature whatsoever which may be imposed, levied, collected, withheld or assessed by the Kingdom of Spain or any political subdivision or authority thereof or therein having power to tax.

However, although no clear precedent, statement of law or regulation exists in relation thereto, the Spanish tax authorities may take the view that a Guarantor resident in Spain has validly, legally and effectively assumed (whether contractually or by any other means) all of the obligations of the Issuer under the Notes, subject to and in accordance with the Guarantee of such Guarantor. In such a case, the Spanish tax authorities may treat part of the payments made by such Guarantor to the holders of the Notes under such Guarantee as Spanish source interest and attempt to impose withholding tax at the current rate of 18% on the payments by such Guarantor on the Notes.

In the event that part of the payments made by a Spanish Guarantor are treated by the Spanish tax authorities as Spanish source interest, no withholding would apply for the following types of holders of the Notes: (i) holders that are resident for tax purposes in a European Union Member State other than Spain, and that are not acting through countries or territories considered as tax havens pursuant to Royal Decree 1080/1991, of July 5, 1991; (ii) holders that pay corporate income tax in Spain; and (iii) holders that are non-residents of Spain acting through a permanent establishment in Spain.

In the case of (i) above, for withholding to be avoided, the holder must provide to the applicable Spanish Guarantor a certificate of residence issued by the tax authorities of the jurisdiction in which the holder resides, prior to any payment, and such certificate must be valid for one year from issuance. In the cases of (ii) and (iii) above, the Paying Agent must be provided with a list of those investors who are, as the case may be, Spanish corporate income tax payers or non-residents of Spain acting through a permanent establishment in Spain, together with their name, address, tax identification number, ISIN code of the Notes, principal amount of Notes held at each Interest Payment Date, gross income and amount withheld.

Additionally, such withholding tax, if any, may be reduced or eliminated under an applicable income tax treaty to which the Kingdom of Spain is a party. The applicability of a reduced tax rate or exemption shall be evidenced by the appropriate document as set out in the order, if any, implementing the applicable tax treaty.

Income Taxation of Spanish Resident Noteholders

Interest payments and capital gains realized by individual holders of the Notes who are resident for tax purposes in Spain will be subject to taxation at the fixed tax rate of 18%. Should any withholding tax be applied, taxation may be reduced or eliminated upon application of the corresponding provisions.

Interest payments and capital gains realized by corporate holders of the Notes that are resident for tax purposes in Spain and subject to the regular provisions of the Spanish Corporate Income Tax Act or non-resident for tax purposes in Spain and are holders acting through a permanent establishment in the Spanish territory to which such income is attributable, will be subject to taxation at the corresponding Spanish corporate income tax rate. For tax periods commencing on January 1, 2007, the Spanish corporate income tax rate is set at 32.5%, which will be lowered to 30% for tax periods commencing on January 1, 2008. Should any withholding tax be applied, taxation may be reduced or eliminated upon application of the corresponding provisions.

Other Taxes

Net Wealth Tax

Holders who are individuals resident for tax purposes in Spain are subject to net wealth tax in accordance with the rules set forth by Spanish law, whereas holders who are non-resident for tax purposes in Spain will not be subject to net wealth tax to the extent that the Notes are not deemed to be located, exercisable or enforceable in the Spanish territory. Finally, even if the Notes are located, exercisable or enforceable in the Spanish territory, an exemption of this tax applies to holders that are individuals resident in any country of the European Union who are entitled to the aforementioned exemption on the income derived from the Notes.

Corporate holders of the Notes, either resident or non-resident for tax purposes in Spain, are not subject to this tax.

Inheritance and Gift Tax

Notes acquired by individuals who are resident for tax purposes in Spain by way of inheritance or gift will be subject to inheritance and gift tax in accordance with the rules set forth by Spanish Law.

Notes acquired by corporations that are resident for tax purposes in Spain by way of inheritance or gift will not be subject to inheritance and gift tax but to corporate income tax.

Notes acquired by any non-resident for tax purposes in Spain by way of inheritance or gift will not be subject to inheritance and gift tax to the extent that the Notes are not deemed to be located, exercisable or enforceable in the Spanish territory.

PLAN OF DISTRIBUTION

The Issuer, the Guarantors and the Initial Purchasers have entered into a purchase agreement, dated February 2, 2007, with respect to the Notes. Subject to certain conditions contained in the purchase agreement, the Initial Purchasers have agreed to purchase, and the Issuer has agreed to sell, all of the Notes. The purchase agreement with respect to the Notes provides that the obligations of the Initial Purchasers to purchase and accept delivery of the Notes are subject to the approval by their counsel of certain legal matters and to certain other conditions.

The purchase price for the Notes is the initial offering price set forth on the cover page of this listing memorandum less an initial purchaser discount. The Initial Purchasers propose to offer the Notes at the initial offering price. After the Notes are released for sale, the Initial Purchasers may change the offering price and other selling terms.

The Notes have not been and will not be registered under the U.S. Securities Act. The Initial Purchasers have agreed that they will only offer or sell the Notes (1) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act and (2) in the United States to QIBs in reliance on Rule 144A under the U.S. Securities Act. The terms used above have the meanings given to them by Regulation S and Rule 144A.

In connection with the sales outside the United States, the Initial Purchasers have agreed that they will not offer, sell or deliver the Notes to, or for the account or benefit of, U.S. persons (1) as part of the Initial Purchasers' distribution at any time or (2) otherwise until 40 days after the later of the commencement of this offering or the date the Notes were originally issued. The Initial Purchasers will send to each dealer to whom they sell such Notes during such 40-day period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States by a dealer or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of any Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the U.S. Securities Act.

Delivery of the Notes will be made against payment therefor on or about the seventh London business day following the date of pricing of the Notes (such settlement being referred to as "T+7"). Pursuant to Rule 15(c)6-1 under the U.S. Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date of pricing or the next six succeeding business days will be required, by virtue of the fact that the Notes will initially settle in T+7, to specify an alternative settlement cycle at the time of such trade to prevent failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next six succeeding business days should consult their own advisors.

In connection with the offering, Deutsche Bank AG, London Branch (or persons acting on its behalf) may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by Deutsche Bank AG, London Branch of a greater number of Notes than it is required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress.

These activities by Deutsche Bank AG, London Branch (or persons acting on its behalf) may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by Deutsche Bank AG, London Branch at any time and must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

Each of the Initial Purchasers also agrees that: (1) it has not offered or sold and, prior to the expiry of a period of six months after the date of issue of the Notes, it will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended; (2) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done by it in relation to the Notes in, from, or otherwise involving the United Kingdom; and (3) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to us.

No action has been taken in any jurisdiction, including the United States, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this listing memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this listing memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This listing memorandum does not constitute an offer to purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this listing memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this listing memorandum and resale of the Notes. See "Notice to Investors."

The Issuer has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act. The Issuer will pay the fees and expenses related to this offering.

Deutsche Bank AG, London Branch and its affiliates have from time to time performed certain investment banking and other financial services for us and our affiliates, for which it received customary fees and reimbursement of certain expenses. Deutsche Bank AG, London Branch and certain of its affiliates are lenders to us, including in connection with the bank indebtedness that will be repaid with the proceeds of the offering. In addition, Deutsche Bank AG, London Branch and its affiliates may in the future provide investment banking or other financial services to us, for which they will receive customary fees.

Bayerische Hypo- und Vereinsbank AG and its affiliates have from time to time performed certain investment banking and other financial services for us and our affiliates, for which it received customary fees and reimbursement of certain expenses. Bayerische Hypo- und Vereinsbank AG and certain of its affiliates are lenders to us, including in connection with the bank indebtedness that will be repaid with the proceeds of the offering. In addition, Bayerische Hypo- und Vereinsbank AG and its affiliates may in the future provide investment banking or other financial services to us, for which they will receive customary fees.

Banco Bilbao Vizcaya Argentaria, S.A. and its affiliates have from time to time performed certain investment banking and other financial services for us and our affiliates, for which it received customary fees and reimbursement of certain expenses. Banco Bilbao Vizcaya Argentaria, S.A. and certain of its affiliates are lenders to us, including in connection with the bank indebtedness that will be repaid with the proceeds of the offering. In addition, Banco Bilbao Vizcaya Argentaria, S.A. and its affiliates may in the future provide investment banking or other financial services to us, for which they will receive customary fees.

NOTICE TO INVESTORS

The Issuer has not registered the Notes under the U.S. Securities Act and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Notes are only to be offered and sold:

- to QIBs in compliance with Rule 144A under the U.S. Securities Act; and
- in offers and sales that occur outside the United States to foreign purchasers, that is, purchasers who are not U.S. persons.

The term "foreign purchasers" includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners, other than an estate or trust, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the U.S. Securities Act. We use the terms "offshore transaction," "U.S. person" and "United States" with the meanings given to them in Regulation S.

If you purchase Notes, you will be deemed to have represented and agreed as follows:

(1) You understand and acknowledge that the Notes have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You are not our "affiliate" (as defined in Rule 144), you are not acting on our behalf and you are either:

(a) a QIB and are aware that any sale of these Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB; or

(b) not a "U.S. person" as defined in Regulation S or purchasing for the account or benefit of a U.S. person (other than a distributor) and you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that neither the Issuer, the Initial Purchasers nor any person representing the Issuer or the Initial Purchasers has made any representation to you with respect to the Issuer or the offer or sale of any of the Notes, other than the information contained in this listing memorandum, which listing memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither of the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of this listing memorandum. You have had access to such financial and other information concerning us and the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) You are purchasing Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of these Notes by its acceptance of the Notes will agree, to offer, sell or otherwise transfer such Notes prior to (x) the date which is two years (or such shorter period of time as permitted by Rule 144(k) under the U.S. Securities Act or any successor provision thereunder) after the later of the date of the original issue of these Notes and the last date on which the Issuers or any of their affiliates were the owner of such Notes (or any predecessor thereto) or (y) such later date, if any, as may be required by applicable law (the "Resale Restriction Termination Date") only:

(a) to us;

(b) pursuant to a registration statement which has been declared effective under the U.S. Securities Act;

(c) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of another QIB to whom you give notice that the transfer is being made in reliance on Rule 144A;

(d) pursuant to offers and sales to non-U.S. persons occurring outside the United States within the meaning of Regulation S; or

(e) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act;

subject in each of the foregoing cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be within the seller or account's control, and in compliance with any applicable state securities laws.

The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. You acknowledge that the Issuer, the trustee and the registrar reserve the right prior to any offer, sale or other transfer of the Notes pursuant to clause (d) above prior to the end of the 40-day distribution compliance period within the meaning of Regulation S or pursuant to clause (e) above prior to the Resale Restriction Termination Date of the Notes to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to us, the trustee and the registrar.

Each purchaser acknowledges that each Note will contain a legend substantially in the following form:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES THAT IT WILL NOT PRIOR TO (X) THE DATE WHICH IS TWO YEARS (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144(k) UNDER THE U.S. SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS NOTE) OR THE LAST DAY ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WERE THE OWNERS OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE ISSUER, THE TRUSTEE AND THE REGISTRAR SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) PRIOR TO THE END OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT OR PURSUANT TO

CLAUSE (E) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THAT AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER, THE TRUSTEE AND THE REGISTRAR IS COMPLETED AND DELIVERED BY THE TRANSFEROR. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT."

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(5) You acknowledge that the registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to us and the registrar that the restrictions set forth herein have been complied with.

(6) You acknowledge that:

(a) the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify us and the Initial Purchasers promptly in writing; and

(b) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make the foregoing acknowledgements, representations and agreements.

(7) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.

(8) If you are a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, you acknowledge that until the expiration of the "distribution compliance period" (as defined below), you shall not make any offer or sale of these Notes to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the U.S. Securities Act. The "distribution compliance period" means the 40-day period following the issue date for the Notes.

(9) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this listing memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "Plan of Distribution."

Each purchaser and subsequent transferee of Notes will also be deemed to have made the representations and warranties set forth in "—ERISA Considerations," below.

ERISA Considerations

Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 4975 of the Code prohibit employee benefit plans and certain other retirement plans, accounts and arrangements that are subject to Title I of ERISA and/or Section 4975 of the Code, as amended ("ERISA Plans") from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition and/or holding of Notes by an ERISA Plan with respect to which the Issuer or any Initial Purchaser is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption.

Section 408(b)(17) of ERISA provides an exemption from ERISA's prohibited transaction rules for transactions between an ERISA Plan and a person who is a party in interest solely because that person either provides services to the ERISA Plan or has a specified relationship to a person who does, provided that the ERISA Plan receives no less or pays no more than "adequate consideration" for such services. This exemption does not apply to a disqualified person or a party in interest that is a fiduciary or an affiliate of a fiduciary, who has or exercises discretionary authority or control with respect to the investment of plan assets involved in the transaction, or who renders investment advice with respect to those assets. In addition, the U.S. Department of Labor has issued prohibited transaction class exemptions, or "PTCEs," that may apply to the acquisition and holding of the Notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers, although there can be no assurance that all of the conditions of any such exemptions will be satisfied.

Because of the foregoing, the Notes should not be purchased or held by any person investing "plan assets" of any employee benefit plan or other retirement plan, account or arrangement, including, without limitation, ERISA Plans, unless such purchase and holding will not constitute a non-exempt prohibited transaction under ERISA or the Code or a violation of any applicable provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to Title I of ERISA or Section 4975 of the Code (collectively, "Similar Laws").

In this regard, each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Notes (or any interest therein) constitutes assets of any ERISA Plan or any employee benefit plan or other retirement plan, account or arrangement subject to any Similar Law or (ii) the purchase and holding of the Notes (or any interest therein) by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer and certain of the Guarantors are incorporated under the laws of Luxembourg and all of the directors and executive officers of the Issuer (or certain other persons named in this listing memorandum) and the Luxembourg Guarantors are non-residents of the United States. Furthermore, a substantial portion of the assets of the Issuer and the Luxembourg Guarantors and a substantial portion of the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon those persons, the Issuer or the Luxembourg Guarantors, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws.

We have been advised by our Luxembourg counsel that the United States and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. According to such counsel, an enforceable judgment for the payment of monies rendered by any U.S. Federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Luxembourg. However, a party who received such favorable judgment in a U.S. court may initiate enforcement proceedings in Luxembourg (*exequatur*) by requesting enforcement of the U.S. judgment by the District Court (*Tribunal d'Arrondissement*) pursuant to Section 678 of the New Luxembourg Code of Civil Procedure. The District Court will authorize the enforcement in Luxembourg of the U.S. judgment if it is satisfied that all of the following conditions are met:

- the U.S. judgment is enforceable ("*exequatur*") in the United States;
- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under applicable U.S. Federal or state jurisdictions rules, and the jurisdiction of the U.S. court is recognized by Luxembourg private international and local law;
- the U.S. court has applied to the dispute the substantive law which would have been applied by Luxembourg courts;
- the principles of natural justice have been complied with;
- the U.S. judgment does not contravene international public policy or order as understood under the laws of Luxembourg or has been given in proceedings of a criminal nature;
- the U.S. court has acted in accordance with its own procedural laws;
- the U.S. judgment was granted following proceedings where the counterparty had the opportunity to appear, and if it appeared, to present a defense; and
- the U.S. judgment was not granted pursuant to an evasion of Luxembourg law ("*fraude à la loi luxembourgeoise*").

Subject to the above conditions, Luxembourg courts tend not to review the merits of a foreign judgment, although there is no statutory prohibition.

In addition, certain other Guarantors are entities organized under the laws of Italy or Spain.

The Guarantor organized under Italian law, Cartiere del Garda S.p.A., is a company with limited liability. All of its directors and executive officers are non-residents of the United States. In addition, all of its assets and substantially all of the assets of its directors and executive officers are located outside the United States. As a result, you may not be able to effect service of process within the United of States upon Cartiere del Garda S.p.A. or its directors and executive officers or to enforce a judgment obtained against it or its directors and executive officers in foreign courts predicated solely upon the civil liability provisions of U.S. securities laws. Furthermore, we have been advised by our Italian counsel that there is doubt whether a lawsuit based upon U.S. federal or state securities laws could be brought in an original action in Italy and whether a judgment obtained in a U.S. court based upon U.S. securities laws would be enforced in Italy.

The Guarantors organized under Spanish law are companies with limited liability. All of the directors and executive officers of the Spanish Guarantors are non-residents of the United States. In addition, all of the assets of the Spanish Guarantors and substantially all of the assets of the directors and executive officers of the Spanish Guarantors are located outside the United States. As a result, you may not be able to effect service of process within the United States upon any of the Spanish Guarantors or their directors and executive officers or to enforce a judgment obtained against any of the Spanish Guarantors or their directors and executive officers in foreign courts predicated solely upon the civil liability provisions of U.S. securities laws. Furthermore, we have been advised by our Spanish counsel that there is doubt whether a lawsuit based upon U.S. federal or state securities laws could be brought in an original action in Spain and whether a judgment obtained in a U.S. court based upon U.S. securities laws would be enforced in Spain.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Shearman & Sterling LLP, London, England, as to matters of United States federal and New York law, by Shearman & Sterling LLP, Paris, France, as to matters of French law, by Oostvogels Pfister Roemers, Luxembourg, Grand Duchy of Luxembourg, as to matters of Luxembourg law, by Garrigues Abogados, Barcelona, Spain, as to matters of Spanish law, by KStudio Associato, Torino, Italy, as to matters of Italian law and by Studio Vasapolli & Associati, Torino, Italy, as to matters of Italian tax law. Certain legal matters in connection with this offering will be passed upon for the Initial Purchasers by Simpson Thacher & Bartlett LLP, London, England, as to matters of United States federal and New York law, by Clifford Chance LLP, London, England, as to matters of English law, by Kremer Associés & Clifford Chance, Luxembourg, Grand Duchy of Luxembourg, as to matters of Luxembourg law, by Clifford Chance Europe LLP, Paris, France, as to matters of French law, by Clifford Chance S.L., Barcelona, Spain, as to matters of Spanish law, by Clifford Chance Studio Legale, Milano, Italy, as to matters of Italian law and by Maisto e Associati, Milano, Italy, as to matters of Italian tax law.

INDEPENDENT ACCOUNTANTS

Our audited consolidated financial statements as of and for the year ended December 31, 2004 included in this listing memorandum have been audited by Ernst & Young S.A., Munsbach, Grand Duchy of Luxembourg, independent auditors, without qualification. Our audited consolidated financial statements as of and for the year 2005 included in this listing memorandum have been audited by Ernst & Young S.A., Munsbach, Grand Duchy of Luxembourg, independent auditors, as stated in their report appearing herein.

WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this listing memorandum and any related amendments or supplements to this listing memorandum. Each person receiving this listing memorandum and any related amendments or supplements to the listing memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on any of the Initial Purchasers or any person affiliated with any of the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, Lecta S.A. will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Exchange Act, as amended, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to: Lecta S.A., 19-21, boulevard Prince Henri, L-1724 Luxembourg.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market in accordance with the rules and regulations of the Luxembourg Stock Exchange.

Copies of the following documents will be available free of charge during usual business hours at the registered office of the Issuer, as well as the registered office of the Luxembourg Paying and Transfer Agent for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange:

- the memorandum and articles of association of the Issuer and the Guarantors;
- the Secured Indenture and the Unsecured Indenture;
- the financial statements included in this listing memorandum;
- annual financial statements of the Issuer for the years ended December 31, 2004 and 2005;
- annual financial statements of the Guarantors for the years ended December 31, 2004 and 2005, to the extent available;
- future annual or interim financial statements or accounts, including quarterly reports, of the Issuer and the Guarantors, to the extent available; and
- the Intercreditor Agreement and the contracts for the Secured Note Guarantees.

We have appointed Deutsche Bank Luxembourg S.A. as Luxembourg Paying and Transfer Agent and Deutsche Bank AG, London Branch as Principal Paying Agent to make payments on, and transfers of, the Notes. We reserve the right to vary such appointment.

Except as disclosed or described in this listing memorandum, there has been no material adverse change in the financial position or prospects of the Issuer or the Guarantors since December 31, 2005, the date of the last consolidated annual accounts.

Guarantors

The following table sets forth a list of the Guarantors, their respective name, date of incorporation, address of registered office, company number and primary activities:

Name	Date of Incorporation	Address of Registered Office	Company Number	Primary Activities
Sub Lecta 1 S.A	August 11, 1997	19-21 Boulevard Prince Henri, L-1724, Luxembourg	B60592	Holding company
Sub Lecta 2 S.A	October 14, 1999	19-21 Boulevard Prince Henri, L-1724, Luxembourg	B72206	Holding company
Cartiere del Garda S.p.A	July 25, 1997	Riva del Garda (TN) Viale Rovereto 15, Italy	07378310010	Operating company
Torraspapel Holding S.A	September 24, 1999	Gran Via de les Corts Catalanes, 678, Barcelona, Spain	Commercial Registry of Barcelona: Sheet B-209541, Volume 33660, Folio 34	Holding company

Torraspapel S.A	October 6, 1988	Gran Via de les Corts Catalanes, 678, Barcelona, Spain	Commercial Registry of Barcelona: Sheet B-19599, Volume 35230, Folio 89	Operating company
Sarriopapel y Celulosa S.A	August 6, 1987	Calle Elbarren, s/n, Leiza (Navarra), Spain	Commercial Registry of Navarra: Sheet NA-798, Volume 47, Folio 1	Operating company

Clearing information

The Secured Notes and the Unsecured Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers for the Secured Notes and the Unsecured Notes sold pursuant to Regulation S are XS0285604863 and XS0285605837, respectively, and the international securities identification numbers for the Secured Notes and the Unsecured Notes sold pursuant to Rule 144A are XS0285605597 and XS0285606132, respectively. The common codes for the Secured Notes and the Unsecured Notes sold pursuant to Regulation S are 028560486 and 028560583, respectively, and the common codes for the Secured Notes and the Unsecured Notes sold pursuant to Rule 144A are 028560559 and 028560613, respectively

Legal information

The Issuer is a public limited liability company incorporated in the Grand Duchy of Luxembourg and registered with the Luxembourg Register of Trade and Companies under number B 72.198. The issued share capital of the Issuer is €1,430,898.96 and is fully paid. Details of the Issuer's share capital are included in note 25.1 to our audited consolidated financial statements as of and for the year ended December 31, 2005 included elsewhere in this listing memorandum. The creation and issuance of the Notes was authorized by a resolution of the Board of Directors of the Issuer dated January 11, 2007 and January 25, 2007.

Sub Lecta 1 S.A. is a public limited liability company incorporated in the Grand Duchy of Luxembourg and registered with the Luxembourg Trade Registry under number B60592. The issued share capital of Sub Lecta 1 S.A. is €1,243,131.72. There have been no material developments or trends in the business of Sub Lecta 1 S.A. in the year 2006 and in the current year 2007, except as otherwise disclosed herein.

Sub Lecta 2 S.A. is a public limited liability company incorporated in the Grand Duchy of Luxembourg and registered with the Luxembourg Trade Registry under number B72206. The issued share capital of Sub Lecta 2 S.A. is €51,053,003.88. There have been no material developments or trends in the business of Sub Lecta 2 S.A. in the year 2006 and in the current year 2007, except as otherwise disclosed herein.

Cartiere del Garda S.p.A. is a joint-stock company incorporated in Italy and registered with the Registro delle imprese under number 07378310010. The issued share capital of Cartiere del Garda S.p.A. is €11,440,000. There have been no material developments or trends in the business of Cartiere del Garda S.p.A. in the year 2006 and in the current year of 2007, except as otherwise disclosed herein.

Torraspapel Holding S.A. is a corporation incorporated in Spain and registered with the Commercial Registry of Barcelona under Sheet B-209541, Volume 33660, Folio 34. The issued share capital of Torraspapel Holding S.A. is €5,566,000. There have been no material developments or trends in the business of Torraspapel Holding S.A. in the year 2006 and in the current year of 2007, except as otherwise disclosed herein.

Torraspapel S.A. is a corporation incorporated in Spain and registered with the Commercial Registry of Barcelona under Sheet B-19599, Volume 35230, Folio 89. The issued share capital of Torraspapel S.A. is €95,550,000. There have been no material developments or trends in the business of Torraspapel S.A. in the year 2006 and in the current year of 2007, except as otherwise disclosed herein.

Sarriopapel y Celulosa S.A. is a corporation incorporated in Spain and registered with the Commercial Registry of Navarra under Sheet NA-798, Volume 47, Folio 1. The issued share capital of Sarriopapel y Celulosa S.A. is €20,434,000. There have been no material developments or trends in the business of Sarriopapel y Celulosa S.A. in the year 2006 and in the current year of 2007, except as otherwise disclosed herein.

Listing Memorandum

Except as disclosed in this listing memorandum:

- there has been no material adverse change in our financial position since December 31, 2005, the date of the last consolidated annual accounts; and

- we have not been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issue of the Notes, and, so far as we are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

The Issuer accepts responsibility for the information contained in this listing memorandum. To the best of our knowledge, the information contained in this listing memorandum is in accordance with the facts and does not omit anything likely to affect the import of this listing memorandum.

Secured Note Guarantee and Security and Unsecured Note Guarantee package

ANNEX A

No.	Company	Unconsolidated EBITDA for the 12 months ended September 30 2006(1)	Credit enhancement with respect to Secured Notes: Direct Upstream Guarantee	Credit enhancement with respect to Secured Notes: Security	Credit enhancement with respect to Senior Unsecured Notes: Direct Upstream Guarantee
		(€ in millions)			
ISSUER:					
1.	Lecta S.A. (“**Lecta**”) (Luxembourg)	0.0	N/A	Security to secure its indebtedness under the Secured Notes over certain of Lecta’s bank accounts, over the shares held by Lecta in SL 1 and SL 2 and over all Intercompany Loans (including Unsecured Notes Proceeds Loans) from Lecta to SL 1, CH (the Secured Notes Proceeds Loan from Lecta to CH being secured as described in section 5 below), TPH, TP and SP in the aggregate amount of €747.5 million.	N/A
SUBSIDIARIES:					
2.	Sub Lecta 1 S.A. (“**SL 1**”) (Luxembourg)	—0.2	Direct guarantee provided that the maximum amount enforceable is limited to (i) the aggregate principal amount of the Secured Notes Proceeds Loans from Lecta to SL 1 or its subsidiaries (which is initially expected to be €387.5 million multiplied by the quotient of the Secured Notes principal amount divided by the sum of Secured Notes principal amount plus the Unsecured Notes principal amount (such quotient, the “Applicable Secured	Security to secure the guarantee liabilities of SL 1 over certain of SL 1’s bank accounts, over shares held by SL 1 in CdG and SL 2 and over the Intercompany Loans (including Unsecured Notes Proceeds Loans) to be made available by SL 1 to CdG.	Direct guarantee provided that the maximum amount enforceable is limited to (i) the aggregate principal amount of the Unsecured Notes Proceeds Loans from Lecta to SL 1 or its subsidiaries (which is initially expected to be €387.5 million multiplied by the quotient of the Unsecured Notes principal amount divided by the sum of the Secured Notes principal amount and the Unsecured Notes principal amount (such quotient, the “Applicable Unsecured Percentage”) plus (ii) such

			Percentage”) plus (ii) such amount as is equal to the higher of (a) 90% of SL 1’s *capitaux propres* determined as at the date on which a demand under the guarantee is made and (b) 90% of SL 1’s *capitaux* propres determined as at the date of the issuance of the Senior Secured Notes. The limit under (ii) above will apply as an aggregate limit in all guarantees granted by SL 1, without prejudice to the amounts under (i) which will be separately determined for each guarantee with reference to the Intercompany Loans made out of the relevant proceeds.		amount as is equal to the higher of (a) *90% of SL 1’s capitaux propres* determined as at the date on which a demand under the guarantee is made and *(b) 90% of SL 1’s capitaux propres* determined as at the date of the issuance of the Senior Unsecured Notes. The limit under (ii) above will apply as an aggregate limit in all guarantees granted by SL 1, without prejudice to the amounts under (i) which will be separately determined for each guarantee with reference to the Intercompany Loans made out of the relevant proceeds.
3.	Sub Lecta 2 S.A. (“**SL 2**”) (Luxembourg)	0.0	Direct guarantee provided that the maximum amount enforceable is limited to (i) the aggregate principal amount of the Secured Notes Proceeds Loans from Lecta to TPH, TP and SP (which are initially expected to be an aggregate of €360 million multiplied by the Applicable Secured Percentage) plus (ii) such amount as is equal to the higher of (a) 90% of SL 2’s *capitaux propres* determined as at the date on which	Security to secure the guarantee obligations of SL 2 over certain of SL 2’s bank accounts, over the shares held by SL 2 in TPH and SL 1 and over a certain percentage of a subordinated intercompany 1999 loan from SL 2 to TPH of €167.5 million.	Direct guarantee provided that the maximum amount enforceable is limited to (i) the aggregate principal amount of the Unsecured Notes Proceeds Loans from Lecta to TPH, to TP and to SP (which is initially expected to be an aggregate of €360 million multiplied by the Applicable Unsecured Percentage) plus (ii) such amount as is equal to the higher of (a) 90% of SL 2’s *capitaux propres* determined as at the date on which a

			a demand under the guarantee is made and (b) 90% of SL 2's *capitaux propres* determined as at the date of the issuance of the Senior Secured Notes. The limit under (ii) above will apply as an aggregate limit in all guarantees granted by SL 2, without prejudice to the amounts under (i) which will be separately determined for each guarantee with reference to the Intercompany Loan made out of the relevant proceeds.		demand under the guarantee is made and (b) 90% of SL 2's *capitaux propres* determined as at the date of the issuance of the Senior Unsecured Notes. The limit under (ii) above will apply as an aggregate limit in all guarantees granted by SL 2, without prejudice to the amounts under (i) which will be separately determined for each guarantee with reference to the Intercompany Loan made out of the relevant proceeds.
4.	Cartiere del Garda S.p.A. ("**CdG**") (Italy)	34.4	Direct guarantee provided that the maximum amount enforceable under Italian law is limited to the aggregate principal amount of the Secured Notes Proceeds Loan from SL 1 to CdG less any repayments of such Secured Notes Proceeds Loan utilized to repay the Secured Notes.	Security to secure the guarantee liabilities of CdG over the shares held by CdG in CH, over certain receivables, certain insurance proceeds and over any indemnification rights under an Italian Sale and Purchase Agreement dated 25 August 1997 relating to the acquisition of CdG (which rights expire later in 2007).	Direct guarantee provided that the maximum amount enforceable under Italian law is limited to the aggregate principal amount of the Unsecured Notes Proceeds Loan from SL 1 to CdG less any repayments of such Unsecured Notes Proceeds Loan utilized to repay the Unsecured Notes.
5.	Condat Holding S.A. ("**CH**") (France)	0.0	None	Security for obligations of CH to Lecta under the Secured Notes Proceeds Loan (the rights under which Lecta will in turn pledge in favor of the Security Trustee) over certain bank accounts and over the shares held by CH in Condat and Lecta Europe SARL, over a subordinated intercompany 1999 loan from CH to SL 2 of €173.9 million, and over the Intercompany Loans from CH to Condat (including the French Unsecured Notes Proceeds Loan from CH to Condat).	None
6.	Condat S.A.S. ("**Condat**")	20.6	None	Security for obligations of Condat to CH under the French Secured Notes Proceeds	None

	(France)			Loan (the rights under which CH will in turn pledge in favor of Lecta as set out above in section 5, as a security for the Secured Notes Proceeds Loan from Lecta to CH, which Lecta will in turn pledge in favor of the Security Trustee as set out in section 1, above) over the *fonds de commerce* (comprising generally tangible and intangible assets used in Condat's business but excluding inventory, receivables and real property). Condat has agreed to pledge certain bank accounts within 60 days.	
7.	Torraspapel Holding S.A. ("**TPH**") (Spain)	—0.3	Direct guarantee	Security to secure the guarantee obligations of TPH over shares held by TPH in TP. TPH will enter into an agreement to pledge a certain percentage of certain bank accounts, and an agreement to pledge any shares in TP which it may acquire upon the exercise of any put-call right under an arrangement with Grupo Torras S.A.	Direct guarantee
8.	Torraspapel S.A. ("**TP**") (Spain)	71.0	Direct guarantee provided that the maximum amount enforceable against TP is limited to (i) the aggregate principal amount of the Secured Notes Proceeds Loan from Lecta to TP (which is expected to be €191 million multiplied by the Applicable Secured Percentage plus (ii) an amount of €120 million less any amount repaid by TP to Lecta under the Secured Notes Proceeds Loan to repay the Secured Notes. The limit described in (ii) above is applicable to the guarantees given by TP in relation	Security to secure the guarantee obligations of TP over the shares held by TP in SP, in Torras Paper Limited and in Torraspapel France SARL and over certain receivables. TP has agreed to pledge certain bank accounts within 60 days.	Direct guarantee provided that the maximum amount enforceable against TP is limited to (i) the aggregate principal amount of the Unsecured Notes Proceeds Loan from Lecta to TP (which is expected to be €191 million multiplied by the Applicable Unsecured Percentage plus (ii) an amount of €120 million less any amount repaid by TP to Lecta under the Notes Proceeds Loan to repay the Notes. The limit described in (ii) above is applicable to the guarantees given by TP in relation to the RCF, the Secured

			to the RCF, the Secured Indenture, the Unsecured Indenture and the Intercompany Loans.		Indenture, the Unsecured Indenture and the Intercompany Loans.
9.	Sarriopapel y Celulosa, S.A. ("**SP**") (Spain)	9.9	Direct guarantee provided that the maximum amount enforceable against SP is limited to (i) the aggregate principal amount of the Secured Notes Proceeds Loan from Lecta to SP (which is expected to be €4.9 million multiplied by the Applicable Secured Percentage) plus (ii) an amount of €36 million less any amount repaid by SP to Lecta under the Secured Notes Proceeds Loan to repay the Secured Notes. The limit described in (ii) above is applicable to all guarantees given by SP in relation to the RCF, the Secured Indenture, the Unsecured Indenture and the Intercompany Loans.	Security to secure the guarantee obligations of SP over the shares held by SP in Torraspapel France SARL and over certain receivables. SP has agreed to pledge certain bank accounts within 60 days.	Direct guarantee provided that the maximum amount enforceable against SP is limited to (i) the aggregate principal amount of the Unsecured Notes Proceeds Loan from Lecta to SP (which is expected to be €4.9 million multiplied by the Applicable Unsecured Percentage) plus (ii) an amount of €36 million less any amount repaid by SP to Lecta under the Unsecured Notes Proceeds Loan to repay the Unsecured Notes. The limit described in (ii) above is applicable to all guarantees given by SP in relation to the RCF, the Secured Indenture, the Unsecured Indenture and the Intercompany Loans.
	Total EBITDA	135.3			

(1) EBITDA is defined as earnings before depreciation, amortization, unusual items, finance costs, net income from associates and income tax. EBITDA includes non-cash expenses and income, consisting of variations in inventories and operating provisions. EBITDA does not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of results of operations. In addition, EBITDA as we define it may not be comparable to other similarly titled measures used by other companies. Moreover, EBITDA as presented herein and in our financial statements is not calculated in the same way as "EBITDA" is calculated under the Indentures or under the RCF.

INDEX TO FINANCIAL STATEMENTS

Auditor's Report on the December 31, 2005
IFRS Consolidated Financial Statements

To the shareholders of Lecta S.A.

We have audited the accompanying consolidated accounts of Lecta S.A. for the year ended December 31, 2005 and have read the related management report. These consolidated accounts and the management report are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated accounts based on our audit and to check that the management report is consistent with the consolidated accounts.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated accounts. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall consolidated accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 35.2 to the consolidated accounts, the Company does not disclose the information required by IAS 24 on key management personnel compensation.

In our opinion, except for the omission of the information mentioned in the preceding paragraph, the accompanying consolidated accounts give, in accordance with International Financial Report Standards as adopted by the EU, a true and fair view of the financial position of Lecta S.A. as at December 31, 2005 and of the results of its operations and its cash flows for the year then ended.

The management report is consistent with the consolidated accounts.

ERNST & YOUNG S.A.

March 31, 2006

Lecta S.A.

Consolidated Income Statement
for the year ended December 31, 2005
(in € thousands)

	Notes	Jan to Dec 2005	(in EUR K)	Jan to Dec 2004	
Volume sold (metric tons)		1,642,303		1,576,761	
			%		%
Revenue	(7)	1,414,799	100	1,355,184	100
Changes in inventories of finished goods and work in process		8,740	1	(5,821)	(0)
Raw materials and consumables used		(616,991)	(44)	(580,350)	(43)
Labor costs		(235,380)	(17)	(232,013)	(17)
Other operating costs except unusual items		(388,206)	(27)	(359,173)	(27)
EBITDA		182,962	13	177,827	13
Depreciation	(8)	(85,729)	(6)	(89,289)	(7)
Amortization	(9)	(139)	(0)	(128)	(0)
Unusual items	(10)	(1,388)	(0)	(4,522)	(0)
Profit (loss) from operations		95,706	7	83,888	6
Finance costs	(11)	(61,404)	(4)	(56,223)	(4)
Share of results in associates		0	0	0	0
Profit (loss) before tax		34,302	2	27,665	2
Income tax	(12)	(15,539)	(1)	(11,478)	(1)
Profit (loss) after tax		18,763	1	16,187	1
Attributable to:					
Equity holders of the parent		15,501	1	14,182	1
Minority interest		3,262	0	2,005	0
Earnings per share (in EUR)					
Basic	(13)	28.0		25.6	
Diluted	(13)	26.3		24.0	

The accompanying Notes are an integral part of these Consolidated financial statements.

Lecta S.A.

Consolidated Balance Sheet
as of December 31, 2005
(in € thousands)

	Notes	Actual Dec 2005 (in EUR K)	Last Year Dec 2004
ASSETS			
Property, plant and equipment	(15)	844,882	881,328
Goodwill	(16)	178,761	178,761
Other intangible assets	(17)	780	919
Investment in associates		0	0
Available-for-sale financial investments	(18)	1,709	1,498
Biological assets	(19)	583	714
Deferred income tax assets	(30)	66,550	76,343
Non-current income tax receivable	(30)	3,963	4,461
Other non-current receivables	(23)	2,893	1,741
Non-current assets		1,100,121	1,145,765
Income tax receivable	(30)	121	0
Inventories	(20)	167,498	152,266
Trade receivables	(21)	286,715	274,457
Prepayments	(22)	1,049	1,324
Other current receivables	(23)	717	590
Cash & cash equivalents	(24)	124,871	144,776
Current assets		580,972	573,412
TOTAL ASSETS		1,681,093	1,719,177
EQUITY & LIABILITIES			
Paid-in capital	(25.1)	1,431	1,431
Share premium	(25.1)	136,669	136,669
Net unrealized gains (losses)	(25.2)	(4,497)	0
Foreign currency translation	(25.3)	(503)	(837)
Accumulated net profits (losses)	(25.4)	301,133	274,647
Equity holders of the parent		434,234	411,910
Minority interest		28,961	33,440
TOTAL EQUITY	(25)	463,195	445,350
Interest-bearing borrowings	(26)	739,489	810,326
Non-current grants	(28)	11,328	10,964
Non-current provisions	(29)	29,357	26,278
Deferred income tax liabilities	(30)	66,035	60,846
Non-current income tax payable	(30)	0	4,702
Other non-current payables	(32)	6,824	96
Non-current liabilities		853,033	913,211
Current portion of interest-bearing borrowings	(26)	24,747	59,864
Bank overdrafts	(27)	4,743	3,185
Current grants	(28)	1,050	892
Current provisions	(29)	4,888	3,281
Income tax payable	(30)	6,318	3,875
Trade payables	(31)	301,424	278,432
Other payables	(32)	21,695	11,087
Current liabilities		364,865	360,616
TOTAL LIABILITIES		1,217,898	1,273,827
TOTAL EQUITY AND LIABILITIES		1,681,093	1,719,176

Lecta S.A.
Consolidated Cash Flow Statement
for the year ended December 31, 2005
(in € thousands)

	Jan to Dec 2005	Jan to Dec 2004
	(in EUR K)	
CASH FLOWS FROM OPERATING ACTIVITIES		
EBITDA	182,962	177,827
Inventories decrease (increase)	(15,233)	5,642
Trade receivable decrease (increase)	(12,371)	51,337
Prepayments decrease (increase)	274	268
Trade payables increase (decrease)	32,241	(68,389)
Working Capital decrease (increase)	4,912	(11,142)
Provisions increase (decrease)	902	(1,618)
GHG emission rights decrease (increase)	0	0
Consumption of Biological assets	778	592
Proceeds (payments) related to unusual items	78	(2,951)
Income tax paid	(6,174)	(11,709)
Net cash flow (used in)/from operating activities	183,458	150,998
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, plant and equipment	(47,901)	(63,223)
Proceeds from disposal of Property, plant and equipment	194	719
Receipt of Grants	533	1,388
Purchase of subsidiary, net of cash acquired	0	(735)
Disposal of subsidiary, net of cash sold	0	(10)
Purchase of other assets	(610)	(2,123)
Proceeds from disposal of other assets	0	10
Dividends from associates	0	0
Dividends received from Available-for-sale financial investments	0	296
Net cash flow (used in)/from investing activities	(47,783)	(63,678)
CASH FLOWS FROM FINANCING ACTIVITIES		
Equity dividends paid	0	0
Dividends paid to minority interest	(773)	(833)
Share capital increase (redemption)	0	85
Interest paid	(57,928)	(56,592)
Issue costs of Borrowings	(46)	(578)
Proceeds from Borrowings	0	61,071
Repayment of Borrowings	(95,829)	(121,781)
Loans repaid (granted)	(1,489)	0
Payment of finance lease liabilities	(1,344)	(1,513)
Net cash flow (used in)/from financing activities	(157,409)	(120,141)
Net increase (decrease) in Cash & cash equivalents net of Bank overdrafts	(21,734)	(32,821)
Net foreign exchange difference	271	(117)
Cash & cash equivalents net of Bank overdrafts at 1 January	141,591	174,528
Cash & cash equivalents net of Bank overdrafts at 31 December	120,128	141,591
Of which Cash & cash equivalents	124,871	144,776
Of which Bank overdrafts	(4,743)	(3,185)

The accompanying Notes are an integral part of these Consolidated financial statements.

Lecta S.A.

Consolidated Statement of Changes in Equity
for the year ended December 31, 2005
(in € thousands)

	Paid-in capital	Share premium	Net unrealized gains (losses)	Foreign currency translation	Accumulated net profits (losses)	Total Equity holders of the parent
			(in EUR K)			
AT 31 DECEMBER 2003	1,346	136,6	0	(408)	260,156	397,763
Available-for-sale investments:						
Fair value gains (losses)			0			0
Transferred to Income statement			0			0
Cash flow hedging of interest rates:						
Fair value gains (losses)			0			0
Transferred to Income statement			0			0
Actuarial gains (losses) on defined benefits plans:						
Fair value gains (losses)			0			0
Transferred to Income statement			0			0
Options on Minority interests						
Fair value decrease (increase)						
Exercise of the options						
Foreign currency translation				(119)		(119)
Tax on items recognized directly in Equity			0	0		0
Net gains (losses) recognized directly in Equity	0	0	0	(119)	0	(119)
Profit (loss) after tax of the Income statement					14,182	14,182
Total recognized income (expense) of the period	0	0	0	(119)	14,182	14,063
Entries in the perimeter			0	(310)	310	(0)
Share capital increase (redemption)	85	0				85
Equity dividends					0	0
Dividends paid to Minority interests						0
AT 31 DECEMBER 2004	1,431	136,6	0	(837)	274,647	411,910
Effect of adopting IAS 32 & 39			(8,463)	0	10,984	2,521
AT 1 JANUARY 2005	1,431	136,6	(8,463)	(837)	285,632	414,431
Available-for-sale investments:						
Fair value gains (losses)			207			207
Transferred to Income statement			0			0
Cash flow hedging of interest rates:						
Fair value gains (losses)			(681)			(681)
Transferred to Income statement			10,323			10,323
Actuarial gains (losses) on defined benefits plans:						
Fair value gains (losses)			(3,736)			(3,736)
Transferred to Income statement			0			0
Options on Minority interests						
Fair value decrease (increase)						
Exercise of the options						
Foreign currency translation				335		335
Tax on items recognized directly in Equity			(2,146)	0		(2,146)
Net gains (losses) recognized directly in Equity			3,967	335	0	4,301
Profit (loss) after tax of the Income						

statement					15,501	15,501
Total recognized income (expense) of the period	0	0	3,967	335	15,501	19,803
Entries in the perimeter			0	0	0	0
Share capital increase (redemption)	0	0				0
Equity dividends					0	0
Dividends to Minority interests					(0)	(0)
AT 31 DECEMBER 2005	1,431	136,6	(4,497)	(503)	301,133	434,234

The accompanying Notes are an integral part of these Consolidated financial statements.

Lecta S.A.

Consolidated Statement of Changes in Equity
for the year ended December 31, 2005
(in € thousands)

	Net unrealized gains (losses)	Foreign currency translation	Accumulated net profits (losses) (in EUR K)	Total Minority Interest	TOTAL EQUITY
AT 31 DECEMBER 2003	0	(21)	32,390	32,368	430,131
Available-for-sale investments:					
Fair value gains (losses)	0			0	0
Transferred to Income statement	0			0	0
Cash flow hedging of interest rates:					
Fair value gains (losses)	0			0	0
Transferred to Income statement	0			0	0
Actuarial gains (losses) on defined benefits plans:					
Fair value gains (losses)	0			0	0
Transferred to Income statement	0			0	0
Options on Minority interests					
Fair value decrease (increase)	0			0	0
Exercise of the options	0			0	0
Foreign currency translation		(6)		(6)	(126)
Tax on items recognized directly in Equity	0	0		0	0
Net gains (losses) recognized directly in Equity	0	(6)	0	(6)	(126)
Profit (loss) after tax of the Income statement			2,005	2,005	16,187
Total recognized income (expense) of the period	0	(6)	2,005	1,999	16,062
Entries in the perimeter	0	(16)	16	0	(0)
Share capital increase (redemption)					85
Equity dividends				0	0
Dividends paid to Minority interests			(927)	(927)	(927)
AT 31 DECEMBER 2004	0	(44)	33,484	33,440	445,350
Effect of adopting IAS 32 & 39	(7,359)	0	238	(7,121)	(4,599)
AT 1 JANUARY 2005	(7,359)	(44)	33,722	26,319	440,750
Available-for-sale investments:					
Fair value gains (losses)	4			4	211
Transferred to Income statement	0			0	0
Cash flow hedging of interest rates:					
Fair value gains (losses)	(25)			(25)	(705)
Transferred to Income statement	229			229	10,552
Actuarial gains (losses) on defined benefits plans:					
Fair value gains (losses)	(48)			(48)	(3,784)
Transferred to Income statement	0			0	0
Options on Minority interests					
Fair value decrease (increase)	352			352	352
Exercise of the options	0			0	0
Foreign currency translation		17		17	352
Tax on items recognized directly in Equity	(56)	0		(56)	(2,203)
Net gains (losses) recognized directly in					

Equity	456	17	0	474	4,775
Profit (loss) after tax of the Income statement			3,262	3,262	18,763
Total recognized income (expense) of the period	456	17	3,262	3,736	23,539
Entries in the perimeter	0	0	0	0	0
Share capital increase (redemption)				0	0
Equity dividends				0	0
Dividends to Minority interests			(1,094)	(1,094)	(1,094)
AT 31 DECEMBER 2005	(6,902)	(26)	35,889	28,961	463,195

The accompanying Notes are an integral part of these Consolidated financial statements.

Lecta S.A.

Notes to Consolidated Financial Statements

1. Summary of significant accounting policies

1.01. Basis of preparation

The consolidated financial statements of Lecta Group have been prepared in accordance with the Standards and Interpretations adopted by the International Accounting Standards Board (IASB). They comprise:

— International Financial Reporting Standards (IFRS),

— International Accounting Standards (IAS),

— Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

The consolidated financial statements have been prepared on an historical cost basis, except for the measurement at fair value of Investment properties (none in Lecta Group), Available-for-sale financial assets, Biological assets and Derivative financial instruments. The carrying values of recognized assets and liabilities that are hedged are adjusted to record changes in the fair values attributable to the hedged risks.

In the process of applying Lecta Group's accounting policies, the Management has made the following judgments:

— Each consolidated company has the ability to continue as a going concern.

— Companies considered as Special Purpose Entities. There are two of them in Lecta Group (see Note 2.3).

— Recognition of risks through provisions (see Note 29).

Management of Lecta Group made assumptions for the years to come. The macro-economic assumptions are based on figures provided by well-established entities (banks and industry experts) adapted to the specificities of Lecta Group. These are inflation, interest rates, exchange rates, prices, volumes, etc. Management used these assumptions to develop strategies and prepare plans. The assumptions and the resulting plans are used in preparing the financial statements (e.g. computation of impairment tests, recognition of Deferred income tax assets...). Actual results may differ from these estimates.

1.02. Changes in accounting policies—New accounting standards

On 1 January 2005, Lecta Group adopted for the first time the IFRSs. Therefore, the present consolidated financial statements are compliant with the transitional rules defined in IFRS 1 "First-time adoption of international financial reporting standards". The date of transition to IFRSs is 1 January 2004.

Lecta Group elected to use the following exemptions from other IFRSs:

— IFRS 3, Business combinations, was not applied retrospectively to business combinations that occurred before 1 January 2004. These business combinations were dealt with according to Appendix B, paragraph B1 of IFRS 1.

— At 1 January 2004, the Property, plant and equipment of Cartiere del Garda SpA were measured at fair value and these fair values were used as deemed cost at that date. The values of Property, plant & equipment of all other companies as well as all the Intangible assets used under the previous GAAP were maintained.

— All cumulative actuarial gains and losses on employee benefits at 1 January 2004 were fully recognized.

Other exemptions proposed by IFRS 1 were either not used or not applicable. Previously Lecta prepared its accounts in accordance with French GAAP formalized in Regulation 99-02 approved by decree dated 22 June 1999 of the "Comité de Réglementation Comptable", the French accounting regulation commission. The reconciliations with the previous GAAP are provided in Note 3.1.

For the adoption of IAS 32, "Financial Instruments: Disclosures and presentation" and IAS 39, "Financial instruments: Recognition and Measurement", Lecta Group elected to use the exemption of IAS 39 (revised 2003), Appendix B, paragraph 36A: The year of comparative information, 2004, does not comply with IAS 32 and IAS 39 but with the above mentioned previous GAAP. The reconciliation between the closing Balance sheet at 31 December 2004 and the opening Balance sheet, at 1 January 2005 is provided in Note 3.2.

Lecta Group made an early adoption of the revised version, dated December 2004 of IAS 19, Employee benefits. Lecta Group will apply to actuarial gains and losses the treatment set out in paragraph 93A: they will be recognized in the period in which they occur against equity, outside profit or loss.

1.03. Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company Lecta SA and its subsidiaries (including Special Purpose Entities) drawn up to 31 December each year. Subsidiaries are entities in which Lecta Group has the sole power to exercise control over their operations. All the consolidated subsidiaries are listed in Note 2.2.

Nevertheless, some subsidiaries (including Special Purpose Entities) of Lecta Group are not consolidated on the basis of immateriality (see Note 2.3).

Subsidiaries are consolidated from the date on which control is transferred to Lecta Group and cease to be consolidated from the date on which control is transferred out of Lecta Group.

All inter-company transactions, balances and unrealized gains on transactions between Lecta Group companies are eliminated. Unrealized losses are also eliminated unless cost cannot be recovered. Where accounting policies followed by subsidiaries differ significantly from those adopted for the purpose of the consolidated financial statements, appropriate adjustments are made in order to achieve a consistent basis of accounting.

1.04. Investment in associates

An Associate is an entity, including an unincorporated entity such as a partnership, over which Lecta Group has significant influence but which it does not control. It is neither a subsidiary nor a joint venture.

An associate is accounted for under the equity method of consolidation: The investment in an associate is initially recognized at cost and adjusted thereafter for the post-acquisition changes in Lecta Group's share of net assets of the associate. The Income statement of Lecta Group includes Lecta Group's share of the profit or loss of the associate.

Lecta Group doesn't consolidate any associate.

1.05. Interests in joint ventures

A Joint venture is a contractual arrangement whereby Lecta Group and one or more third parties undertake an economic activity that is subject to joint control.

A jointly controlled entity is accounted for under the proportionate method of consolidation or alternatively under the equity method. Under the proportionate method, Lecta Group's share of each of the assets, liabilities, incomes and expenses of this entity is combined line by line with similar items in Lecta Group's financial statements. The equity method has been described in Note 1.04.

Lecta Group doesn't consolidate any joint venture.

1.06. Glossary

EBITDA: Earnings before depreciation, amortization, unusual items, finance costs, net income from associates and income tax. It includes non-cash (expenses) incomes, consisting of variations of inventories and operating provisions. This aggregate is a key performance indicator for Lecta Group and the fine paper industry.

Unusual items: Costs isolated for a better understanding of the business performance. This heading comprises essentially:

— the profit and losses on disposals or impairments of long-lived assets,

— the financial or operational restructuring costs.

1.07. Foreign currency transactions

The functional and presentation currency of Lecta Group is the euro (EUR). For each entity of Lecta Group, transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance sheet date. All the differences are taken to the Income statement: Foreign exchange differences for operating business items are entered in the line "Other operating costs except unusual items". For financial items, they are entered in the line "Finance costs". This last point could suffer an exception in the case of a foreign currency borrowing that would provide a hedge against a net investment in a foreign entity. Nevertheless, Lecta Group does not bear such borrowing.

1.08. Foreign currency translations—subsidiaries

The Income statements of the non-euro consolidated subsidiaries are translated at weighted average exchange rates for the year. Their assets and liabilities are translated into euro at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the retranslation are taken directly to Equity. On disposal of such entity, accumulated exchange differences are recognized in the line "Unusual items" of the Income statement as a component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are stated in the currency of the acquiring entity at the date of the acquisition.

Lecta Group doesn't consolidate any company operating in hyper-inflationary economy.

1.09. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Lecta Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

— Sales of goods: In the great majority of cases, Revenue is recognized when the goods leave the warehouses of the Group or those of the consignees. This method enables a reliable measurement of revenue. It acknowledges that the significant risks have been transferred either to the buyer or to the transporter.

— Interest: Revenue is recognized as the interest accrues.

— Dividends: Revenue is recognized when the shareholders' right to receive the payment is established.

1.10. Property, plant and equipment

Property, plant and equipment purchased by Lecta Group's companies are stated at historical cost, augmented where appropriate by terminal environmental reinstatement costs (none in Lecta Group). When they come into Lecta Group through the acquisition of a new subsidiary, they are stated at their fair value at the date of acquisition.

The property, plant and equipment present in Lecta Group at First Time Adoption, 1 January 2004, were subject to specific rules: those of Cartiere del Garda SpA were fair valued and these fair values were used as deemed cost at that date, while the values of property, plant & equipment of all other companies used under the previous GAAP were maintained. At closing date, property, plant and equipment are stated at the above-described gross value less accumulated depreciation and any impairment.

Depreciation is calculated on a straight-line basis over the following estimate useful lives:

Lands...	No depreciation
Road, railways and car parks	20 to 40 years
Buildings..	30 to 40 years
Quality control systems..................	5 to 10 years
Plant and machinery.......................	10 to 20 years
Forklifts..	3 to 8 years
Motor vehicles	3 to 7 years
Hardware and office equipments	3 to 5 years
R&D equipment.............................	6 to 10 years
Furniture, fixtures and fittings	10 years

1.11. Maintenance

Maintenance costs related to an existing tangible asset are capitalized if and only if it has a useful life of more than one year and if it replaces an identifiable component of the existing tangible asset. This capitalization translates into the creation of a new component that will be individually depreciated. The depreciation will not exceed the remaining useful life of the existing tangible asset except when it extends its useful life. This capitalization also translates into derecognizing the replaced component. The maintenance of existing Safety and Environment installations may be necessary to continue to obtain the future economic benefits from its other assets. Under such circumstances, they may qualify for recognition as Property, plant and equipment. In other circumstances, they are expensed. Recurring maintenance or day-to-day servicing (outside contractors, felt & wires...) are always expensed. The overhauls of gas turbines of cogeneration plants are capitalized as Plant and machinery and depreciated over 3 to 6 years.

1.12. Leases

Leases, which transfer to Lecta Group substantially all the risks and rewards incidental to ownership of the leased item, are classified as finance leases. Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases.

Finance leases are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in the line “Finance costs” of the Income statement. The lease liability is included in the line “Interest-bearing borrowings” of the Balance sheet. If there is a reasonable certainty that Lecta Group will obtain ownership by the end of the lease term, the capitalized leases follow the same depreciation policy than the similar owned assets. Otherwise, they are depreciated over the shorter of the estimated useful life of the asset or the lease term. In both cases, the depreciation is included in the line “Depreciation” of the Income statement.

Operating lease payments are recognized as an expense in the line “Other operating costs except unusual items” of the Income statement in accordance with the terms of the lease.

1.13. Investment properties

Land or buildings, held to earn rentals or capital appreciation, are classified as Investment properties and stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the line “Unusual items” of the Income statement, in the period in which they arise.

Lecta Group has no investment properties.

1.14. Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary, joint venture or associate at the date of acquisition. Goodwill is not amortized. It is reviewed for impairment at each closing date.

The Negative goodwill represents the excess of the fair value of identifiable net assets of a subsidiary, joint venture or associate at the date of acquisition over the cost of the acquisition. It is recognized immediately in the line "Unusual items" of the Income statement.

1.15. Other intangible assets

Other intangible assets acquired separately are capitalized at cost. Intangible assets acquired as part of an acquisition of a business are capitalized separately from Goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any Negative goodwill arising on the acquisition. The carrying values of Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Other intangible assets created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred.

Research and Development are related to product and process development. As such, they are part of a continuing improvement process and not allocated to individual projects. Therefore, these costs are expensed as incurred.

Other intangible assets are amortized on a straight-line basis, over the shortest period between their own legal duration and the useful life of the assets to which they benefit.

In Lecta group, this heading comprises essentially:

Patents	3 to 5 years
Trademarks..	3 to 5 years
Rights to connect to the electricity network	8 years
CO2 emission rights (see hereunder)	No amortization

1.16. CO2 emission rights

The European Union, as a consequence of its adhesion to the Kyoto protocol, has set up the CO2 emission rights scheme. Lecta Group elected to use the implicit rule of IAS 20 "Accounting for government grants and disclosure of government assistance" to account for the CO2 emission rights. This rule is sometimes referenced as "net liability method": The rights that have been granted free of charge by each National Authority are not recognized. A provision at fair value is recognized for the tons of CO2 emitted in excess of the rights granted by each National Authority. Initially, purchased rights are recognized at cost in the line "Other intangible assets" of the Balance sheet. After initial recognition, the rights that are not in excess of the above-mentioned provisioned tons are measured at fair value. The rights in excess are kept at their historical cost, unless the market price drops below this cost. In such a case, these rights are impaired. All the movements in the Income statement are in the line "Other operating costs except unusual items". These rules are implemented for each Company separately, because National Authorities grant the rights to single companies.

1.17. Financial investments

Financial investments are accounted for by considering the four categories defined by IAS 39, Financial instruments recognition and measurement:

"Available-for-sale financial assets", "Financial assets at fair value through the profit or loss", "Held-to-maturity investments" and "Loans and receivables originated by the enterprise".

Initially, all financial investments are recognized at cost, being the fair value of the consideration given and the acquisition costs associated with the investment.

Then the accounting rules differ from one category to another:

Available-for-sale financial assets are acquired to be held for an indefinite period of time but may be sold due to changed strategic decisions. In Lecta Group, available-for-sale investments are shares in companies that are not consolidated on the basis of immateriality or because the percentage of control is too small. They are shown in the line “Available-for-sale financial investments”, in the Non-current assets of the Balance sheet. After initial recognition, they are measured at fair value. Gains or losses are directly recognized in the line “Net unrealized gains (losses)”, in the Equity of the Balance sheet, until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in Equity is included in the line “Unusual items” of the Income statement. Call and put options on shares of non-consolidated companies (derivatives held for trading) are accounted for at fair value in the lines other receivables or other payables of the Balance sheet. Changes in the fair value are entered in the line Unusual items of the Income statement.

Financial assets at fair value through the profit or loss are acquired for the purpose of generating a profit from short-term fluctuations in price.

In Lecta Group, investments at fair value through the profit or loss are money market funds used to invest safely temporary excess of Cash. They are included in the line “Cash and cash equivalents”, in the Current assets of the Balance sheet. After initial recognition, they are measured at fair value. Gains or losses are recognized in the line “Finance costs” of the Income statement.

Held-to-maturity investments are acquired with the intent to be held to their fixed maturity (e.g. bonds). Lecta Group holds no such investment. Held-to-maturity investments are included in the line “Other non-current assets”, in the Non-current assets of the Balance sheet. After initial recognition, they are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. Gains and losses are recognized in the line “Finance costs” of the Income statement when the investments are derecognized or impaired, as well as through the amortization process.

Loans and receivables originated by the enterprise are created by providing money, goods or services directly to a debtor, other than those that are originated with the intent to be sold immediately or in the short term. In Lecta Group, financial investments originated by the enterprise are as follows:

— deposits,

— guarantees,

— loans to non-consolidated companies or third parties.

They are included in the line “Other non-current assets”, in the Non-current assets of the Balance sheet. After initial recognition, they are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. Gains and losses are recognized in the line “Unusual items” of the Income statement when the investments are derecognized or impaired, as well as through the amortization process.

Determination of fair values

For investments that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the Balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument, which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. If these elements are not available, the initial cost is kept until better information is available.

Date of recognition

All sales and purchases of financial assets are recognized using the settlement date i.e. the date the asset is delivered to or received from the counter-party. Qualify in this category all sales or purchases of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

1.18. Biological assets

In Lecta Group, biological assets are limited to standing timber. The latter is exclusively dedicated to internal consumption, for the production of pulp. It is shown in the line “Biological assets”, in the Non-current assets of the Balance sheet. It is measured at fair value.

1.19. Impairment of long-lived assets

Property, plant and equipment, Investment properties, Other intangible assets, Investment in associates, Available-for-sale investments and Biological assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. This review is done each year for the Goodwill. Where the carrying values exceed the estimated recoverable amount, the asset or the associated cash-generating unit is written down to its recoverable amount.

The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognized in the line “Unusual items” of the Income statement.

1.20. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes materials, direct labor and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is computed according to the weighted average cost method. Net realizable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Given the lack of meaningful market references, the inventoried spare parts are impaired in accordance with slow moving rules reflecting their obsolescence.

1.21. Trade receivables

They are recognized and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of part or all of a receivable is no longer probable. Bad debts are written off when identified. From time to time, Lecta Group assigns trade receivables to financial institutions through non-recourse agreements. If Lecta Group has a residual commitment in the transferred assets, this liability is accounted for using the continuous involvement approach: the net amount of this financial liability and the related financial asset is equal to the fair value of the rights and obligations retained.

1.22. Prepayments

This heading comprises payments to trade or other payables for future benefits such as insurance premiums. They are stated at their nominal value.

1.23. Other receivables

This heading comprises:

— loans,

— deposits and guarantees,

— grants receivables,

— capital receivables on the sale of long-lived assets,

— Shareholders receivables (e.g. on capital increase),

— dividends receivables,

— favorable options on non-consolidated companies,

— favorable interest rate hedging,

— miscellaneous other receivables (e.g. expected reimbursement through an insurance contract).

1.24. Cash and cash equivalents

This heading comprises:

— cash in hand,

— cash in banks' current accounts,

— short-term deposits and certificates of deposit with an original maturity of three months or less,

— marketable securities (Government bonds, Treasury bills and similar short-term securities).

Any gains and losses on Cash and cash equivalents are taken to the Income statement, in the line "Finance costs".

Note: In the Cash flow statement, the analysis is focused on variation of Cash and cash equivalents net of Bank overdrafts.

1.25. Interest-bearing borrowings and Bank overdrafts

All borrowings are initially recognized at cost, being the fair value of the consideration received net of issue cost associated with the borrowings. After initial recognition, they are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains or losses are recognized in the line "Finance costs" of the Income statement, when the liabilities are derecognized or impaired, as well as through the amortization process.

Lecta Group doesn't capitalize any borrowing cost in the long-lived assets.

1.26. Grants

Grants constitute deferred income related to Property, plant & equipment. Grants are recognized at their fair value and released in the line "Depreciation" of the Income statement, over the expected useful life of the relevant asset, on a straight-line basis.

1.27. Provisions

Provisions are recognized when:

— Lecta Group has a present obligation (legal or constructive) as a result of a past event; and

— It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

— A reliable estimate can be made of the amount of the obligation.

Where Lecta Group expects the impact of a provision to be neutralized, for example under an insurance contract, a separate asset is recognized when it is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the change of the provision due to the time value of money is recognized in the line "Finance costs" of the Income statement.

1.28. Employee benefits

Lecta Group's employees take advantage of various benefits schemes:

— Short-term employee benefits:

These include wages, salaries, paid holidays, social contributions, sick leave, compensated absences, bonuses, profit sharing and non-monetary benefits, all paid within 12 months after service is rendered.

— Defined contribution post-employment plans:

The cost to the employer is fixed and predictable. The charge for the period is the contribution due in respect of the service rendered during the period. Payments in advance are in the line "Prepayments" of the Balance sheet. Payments in arrears are in the line "Trade payables" of the Balance sheet. Any accrual that does not fall due within 12 months beyond Balance sheet date is discounted to present value.

— Defined benefit post-employment plans:

The employer retains a risk of additional contributions to be paid. The plan is valued in the Balance sheet at the present value of the obligation less the fair value of any plan assets legally separate from the employer. For any unrecognized past service costs, if the changed benefits vest immediately it is immediately recognized, otherwise it is amortized over the vesting period. All actuarial gains or losses are immediately recognized (see . For any curtailment or settlement, the resulting change is immediately recognized.

— Other long-term benefits:

These include long-service or jubilee benefits.

All actuarial gains or losses and any past service costs are immediately recognized.

— Termination benefits:

These include early retirement schemes or redundancy programs. They are recognized as a liability and an expense when and only when a company of Lecta group is demonstrably committed to terminate the employment of a group of employees before the normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Lecta Group employees do not benefit from Equity compensation benefits plan or share based payments plan.

The employee benefits may be funded, resulting in a debt obligation with financial institutions, or unfunded, resulting in the booking of a provision. Independent qualified actuaries review any material long-term obligation of Lecta Group.

The costs are accounted for as follows:

— The actuarial gains and losses are directly recognized in the line "Net unrealized gains (losses)" of the Equity.

— All the other costs are recognized in the Income statement, in the following lines:

— Costs related to active employees: “Labor costs”.

— Costs related to retired people: “Other operating costs except unusual items”.

— Costs due to the time value of money: “Finance costs”.

1.29. Income tax payable

Income tax payable includes withholding taxes.

1.30. Deferred income tax

Deferred income tax is provided, using the liability method, on all temporary differences at the Balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the temporary difference will not reverse in the foreseeable future. Furthermore, deferred income tax assets are recognized for deferred deductibility of expenses (e.g. employee benefits paid to financial institutions for which the deductibility is deferred), carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available to use these assets. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Balance sheet date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

1.31. Trade payables

This heading comprises:

— trade payables,

— employees and social charges,

— VAT and other taxes except Income tax,

— any accruals on the above.

1.32. Other payables

This heading comprises:

— capital payables following the purchase of long-lived assets,

— Shareholders payables (e.g. on capital redemption),

— dividends payables,

— options on Minorities of consolidated companies,

— unfavorable options on non-consolidated companies,

— unfavorable interest rate hedging,

— miscellaneous other payables (unusual items).

Options on Minorities of consolidated companies are Equity derivatives:

A premium paid or received on equity derivatives at inception is recorded in Equity in a specific line “Equity derivatives”. Up to now, Lecta Group didn’t pay such premiums.

Discounted value of exercise price of a sold option or a firm commitment, at inception and at each year-end, is recorded in the line Other payables against the line Minority interests.

When the sold option or the firm commitment is exercised, the amount in Other payables is reversed against Cash, and the remaining balances of Minority interests and Equity derivatives are reversed against Goodwill. If it is a negative goodwill, it is immediately written off against a profit in the line Unusual items of the Income statement.

1.33. Derivative hedging instruments

Lecta Group uses derivative instruments to hedge foreign currency and interest rates fluctuations. Such derivative instruments are stated at their fair values as communicated by the financial institutions counterpart to these transactions.

For accounting purposes, derivative instruments are classified in three categories as follows:

— Fair value hedges: to cover the exposure to changes in the fair value of a recognized asset or liability. In Lecta Group, these are forward agreements on realized sales and purchases in non-euro currencies. Any gain or loss from re-measuring the hedging instrument at fair value is recognized in the line “Other operating costs except unusual items” of the Income statement against Trade receivables or Trade payables.

— Cash flow hedges: to cover the exposure to variability in cash flows that is attributable to a particular risk associated with a forecast transaction. In Lecta Group, these could be interest rate and/or exchange rate swaps, caps, floors, collars, options. The portion of the gain or loss on the hedging instrument that is determined to be an *effective* hedge is recognized directly in the line “Net unrealized gains (losses)” in the Equity against Other receivables or Other payables. It is removed from Equity to the line “Finance costs” of the Income statement when the hedged item affects the Income statement. The *ineffective* portion of gain or loss is immediately recognized in the line “Finance costs” of the Income statement.

— Hedges of net investments in foreign entities expressed in a non-euro currency:

In Lecta Group, there is no such instrument.

The accounting treatment is the same as for Cash flow hedges.

2. Lecta Group at 31.12.2005

2.1. Organization Chart

See next page

LOGO

2.2. Consolidated subsidiaries

Subsidiaries	Activity	Country of incorporation	Interest	Control	Consol. method
Cartiere del Garda SpA	Production of woodfree coated paper	Italy	98.7331%	100%	Full
Cogeneración Motril SA	Cogeneration	Spain	48.4748%	51%	Full
Condat Holding SA	Holding	France	98.7331%	100%	Full
Condat SA	Production of woodfree coated paper	France	98.7331%	100%	Full
Dispap SA	Distribution of paper	Spain	95.0486%	100%	Full
Lecta Europe Sàrl	Group headquarters	France	98.7331%	100%	Full
Sarriopapel Distribuiçao (Portugal) Lda	Distribution of paper	Portugal	95.0486%	100%	Full
Sarriopapel y Celulosa SA	Production and distribution of paper	Spain	95.0486%	100%	Full
Sub Lecta 1 SA (previously Papier '97 SA then Lecta SA)	Holding	Luxembourg	98.7331%	100%	Full
Sub Lecta 2 SA (previously Sub New Lecta SA)	Holding	Luxembourg	100%	100%	Full
Torras Papel Lda	Distribution of paper	Portugal	95.0486%	100%	Full
Torras Paper Ltd	Distribution of paper	UK	95.0486%	100%	Full
Torras Papier GmbH	Commercial agent	Germany	95.0486%	100%	Full
Torraspapel Argentina SA	Distribution of paper	Argentina	95.0486%	100%	Full
Torraspapel France Sàrl	Distribution of paper	France	95.0486%	100%	Full
Torraspapel Holding SA (previously Nueva Organización SA)	Holding	Spain	100%	100%	Full
Torraspapel Italia SrL	Distribution of paper	Italy	95.0486%	100%	Full
Torraspapel Maroc Sàrl	Commercial agent	Morocco	95.0486%	100%	Full
Torraspapel México S. de R.L. de C.V	Distribution of paper	Mexico	95.0486%	100%	Full
Torraspapel Servicios México S. de R.L. de C.V	Provider of administration services	Mexico	95.0486%	100%	Full
Torraspapel SA	Production of pulp and paper, distribution of paper	Spain	95.0486%	95.0486%	Full

Sub Lecta 1 SA was incorporated in Luxembourg on 11 August 1997. On 2 October 1997, Sub Lecta 1 SA acquired Cartiere del Garda SpA, an Italian producer of coated woodfree paper, from Bertelsmann Group.

Condat Holding SA was set up by Cartiere del Garda SpA and incorporated in France on 4 November 1998. On 13 November 1998, Condat Holding SA acquired Condat SA, a French producer of coated woodfree paper, from Jefferson Smurfit Group.

Lecta Europe Sàrl, the Group headquarters was set up by Condat Holding SA and incorporated in France on 30 November 1998.

Sub Lecta 2 SA was incorporated in Luxembourg on 14 October 1999. Torraspapel Holding SA, incorporated in Spain on 24 September 1999, became a subsidiary of Sub Lecta 2 SA on 28 October 1999. On 14 December 1999, Torraspapel Holding SA acquired 95.0486% of Torraspapel SA, a Spanish paper merchant and producer of pulp and paper, from Grupo Torras SA and Paltor ApS, two companies under the control of Kuwait Investment Authority.

The parent company Lecta SA was incorporated in Luxembourg on 14 October 1999. On 13 December 1999, the shares of Sub Lecta 1 SA and Sub Lecta 2 SA were contributed to Lecta SA. Consequently, the above subsidiaries have been consolidated since 1 December 1999.

On 13 December 2002, Torraspapel SA acquired 25.59% of Sub Lecta 1 SA. As there are some minority interests in Torraspapel SA, there are now minority interests in Sub Lecta 1 SA and its subsidiaries.

Torraspapel Servicios México S. de R.L. de C.V. was set up by Dispap SA and incorporated in Mexico on 6 October 2004. It is a provider of administration services to Torraspapel México S. de R.L. de C.V.. It started its activities in 2005. It is consolidated since 01 January 2005.

2.3. Interests in non-consolidated companies

Companies	Activity	Country of incorporation	Interest	Control	Comments
Catalana d'Iniciatives CR SA	*Participation in Catalonian* initiatives of development	*Spain*	*0.3707%*	*0.39%*	*(a)*
Celulosa y Papel del Ferrol SA	*In liquidation*	*Spain*	*30.3633%*	*31.945%*	*(b)*
Cogeneración del Ter SL	Cogeneration	Spain	0.9505%	1%	(c)
Condat Benelux SA	Commercial agent for Condat products	Belgium	98.7331%	100%	(b)
Condat North America Inc (previously 3587461 Canada Inc)	*Dormant*	*Canada*	*98.7331%*	*100%*	*(b)*
Condat UK Ltd	Commercial agent for Condat products	UK	50.3539%	51%	(b)
Consorzio Nazionale Imballaggi Scarl	*Recovery & Recycling*	*Italy*	*0.0045%*	*0.0046%*	*(a)*
Eurogalicia Forestal SA	*Dormant*	*Spain*	*73.0353%*	*76.84%*	*(b)*
Expresso Paper Platform BV	*In liquidation*	*The Netherlands*	*6.0056%*	*6.0827%*	*(a) (d)*
Formazione Assindustria Trento Scarl	*Training*	*Italy*	*1.6785%*	*1.7%*	*(a)*
Garda UK Ltd	Commercial agent for Cartiere del Garda products	UK	98.7331%	100%	(b)
Gas Intensive Scarl	*Purchase of methane by* Italian industries	*Italy*	*0.5134%*	*0.52%*	*(a)*
Lecta Deutschland GmbH (previously Garda Deutschland GmbH)	Commercial agent for Group products	Germany	98.7331%	100%	(b)
Lecta North America Inc (previously Torraspapel USA Inc)	Commercial agent for Group products	USA	95.0486%	100%	(b)
Lecta Services Sprl	Admin & financial services to Group	Belgium	98.2394%	99.5%	(b)

Liaison Technologies LLC	Paper industry owned e-commerce platform	USA	1.5012%	1.5205%	(a)(d)
Promotora del Ulla SA	*Dormant*	*Spain*	*42.9620%*	*45.2%*	*(b)*
SVL Pilote Sàrl	Logistic	France	0%	0%	(c)
Torras Dorna SA	*Dormant*	*Spain*	*95.0486%*	*100%*	*(b)*
Torras Hostench SL	*Dormant*	*Spain*	*95.0486%*	*100%*	*(b)*

In italic: Non-strategic companies. Other companies are considered as strategic, even if they are not consolidated because of the below-mentioned reasons.

Reasons for not consolidating the companies:

(a) Lecta Group has no control and no significant influence in these companies.

(b) These companies are not consolidated because of their immateriality.

(c) These companies might be considered as Special Purpose Entities to some extent. Nevertheless, they are not consolidated because of their immateriality.

Other comments

(d) Expresso Paper Platform BV is a Dutch joint venture constituted in 2001 by the major producers and merchants of woodfree coated in Europe. Its aim was to develop and then operate an e-commerce transactions platform.

On 10 May 2005, the assets of Expresso have been transferred to Liaison Technologies LLC, against a 25% shareholding in this company. Liaison is a company based in the USA, similar to Expresso, but already operational. Expresso is in liquidation and, on 31 August 2005, its shareholding in Liaison was transferred to the shareholders of Expresso in proportion of their investment.

3. Significant events

3.1. First Time Adoption of the IFRSs

3.1.1. Overview

On 1 January 2005, Lecta Group adopted for the first time the IFRSs. Previously Lecta prepared its accounts in accordance with French GAAP formalized in Regulation 99-02 approved by decree dated 22 June 1999 of the "Comité de Réglementation Comptable", the French accounting regulation commission.

The specific treatment for IAS32, Financial Instruments: Disclosures and presentation, and IAS 39, Financial instruments: Recognition and Measurement, is explained in Note 3.2.

In the next pages, the following statements are presented:

— Reconciliation of the Balance sheets at 1 January 2004. This is the date of transition to IFRS.

— Reconciliation of the Income statements for the year 2004.

— Reconciliation of the Balance sheets at 31 December 2004.

— Reconciliation of the Cash flow statements for the year 2004. 2004 is the last year where the financial statements were shown under previous GAAP.

Rules followed on the reconciliation statements:

— Priority has been given to the formats under IFRS.

— Columns under the previous GAAP show figures as they can be found in the Annual report of Lecta Group at 31 December 2004, either in the main statements or in the notes.

— When the designation of a line under the previous GAAP significantly differs from the one under IFRS or if the line has no equivalent under IFRS, the old designation has been added *in italic*.

— In the two reconciliations of the Balance sheets and in the reconciliation of the Income statements, the simple reclassifications from one line to another and the changes that have an impact in the equity are shown in two different columns.

— The reconciliation of the Cash flow statements is only a matter of reclassifications from one line to another. These reclassifications have been reported in two columns: one column for the changes that are a direct consequence of the adjustments made in the Balance sheets or in the Income statement and the other column for the changes that are specific to the Cash flow statement.

— Detailed comments are available in the pages following the statements.

3.1.2. Statements

See next pages.

Reconciliation of the Balance sheets at 1 January 2004
Lecta Group

	Previous GAAP	Reclassifications	Variations through Equity	IFRS
		(in EUR K)		
ASSETS				
Share capital not called for payment	85	(85) (l)		
Property, plant and equipment	866,866	778 (m)(n)	44,144 (a)(e)(f)(i)	911,788
Tangible assets				
Goodwill	147,530	13,995 (o)	17,236 (b)	178,761
Acquisition costs	11,866		(11,866) (c)	
Other intangible assets	21,521	(13,995) (o)	(6,590) (d)	936
Investment in associates	0			0
Available-for-sale financial investments				
Financial assets	2,951	478 (p)		3,429
Biological assets	754			754
Other long-term assets 1/2 (Standing timber)				
Deferred income tax assets	92,328		5,844 (j)	98,172
Other receivables 1/3				
Non-current income tax receivable	0	4,411 (t)		4,411
Other non-current receivables	3,061	(70) (n)(p)(q)	(1,305) (h)	1,687
Other long-term assets 2/2				
Non-current assets	1,146,962	5,512	47,463	1,199,938
Income tax receivable	0	516 (t)		516
Inventories	157,908			157,908
Trade receivables	323,061	21 (r)		323,081
Prepayments	1,574	(11) (m)		1,563
Other receivables 2/3				
Other current receivables	25	700 (q)(r)(s)		725
Other receivables 3/3				
Cash & cash equivalents	177,050			177,050
Current assets	659,617	1,226	0	660,844
TOTAL ASSETS	1,806,579	6,738	47,463	1,860,781
EQUITY & LIABILITIES				
Paid-in capital	1,431	(85) (l)		1,346
Share capital subscribed				
Share premium	136,669			136,669
Additional paid-in capital				
Net unrealized gains (losses)				0
Foreign currency translation	(408)			(408)
Cumulative translation adjustments				
Accumulated net profits (losses)	228,406		31,750 (k)	260,156
Retained earnings + Net earnings				
Equity holders of the parent	366,097	(85)	31,750	397,763
Minority interest	32,365		4 (k)	32,368
TOTAL EQUITY	398,462	(85)	31,754	430,131
Interest-bearing borrowings	877,811	1,148 (m)(q)(u)		878,958
Non-current grants	10,681		(1,030) (f)	9,651

Other payables 1/7				
Non-current provisions	24,877			24,877
Deferred income tax liabilities	56,538		16,815 (j)	73,353
Other payables 2/7				
Non-current income tax payable	0	9,112 (t)		9,112
Other payables 3/7				
Other non-current payables	692	(617) (u)(v)		75
Other payables 4/7				
Non-current liabilities	970,598	9,642	15,785	996,025
Current portion of interest-bearing borrowings	50,013	(1,577) (m)(q)(w)		48,437
Bank overdrafts		2,522 (w)		2,522
Current grants			(f)	
Other payables 5/7	2,027		(76)	1,951
Current provisions	5,386			5,386
Income tax payable	13,575	(4,184) (t)		9,391
Other payables 6/7				
Trade payables	310,349	35,922 (r)(u)(v)		346,271
Other payables	56,169	(35,501) (m)(r)(s)	(u)(v)	20,668
Other payables 7/7				
Current liabilities	437,519	(2,819)	(76)	434,624
TOTAL LIABILITIES	1,408,117	6,823	15,709	1,430,650
TOTAL EQUITY AND LIABILITIES	1,806,579	6,738	47,463	1,860,781

When the designation of a line under the previous GAAP significantly differs from the one under IFRS or if the line has no equivalent under IFRS, it has been added in *italic*.

Reconciliation of the Income statements for the year 2004
Lecta Group

	Previous GAAP	Reclassifications	Variations through Equity	IFRS
		(in EUR K)		
Volume sold (T)	1,576,761			1,576,761
Revenue				
Net sales	1,359,497	(4,313) (x)		1,355,184
Changes in inventories of finished goods and work in process	(6,153)		332 (g)	(5,821)
Raw materials and consumables used	(580,694)		344 (f)	(580,350)
Materials & Purchased products				
Labor costs	(232,013)			(232,013)
Other operating costs except unusual items	(359,192)	851 (m)(n)(y)	(833) (d)(i)	(359,173)
Other operating costs + Local taxes & levies				
EBITDA	181,445	(3,462)	(157)	177,827
Depreciation	(84,759)	(812) (m)(n)	(3,718) (a)(e)(f)(i)	(89,289)
Amortization	(3,455)		3,327 (b)(d)	(128)
Amortization of Other intangible assets				
Amortization of Acquisition costs	(6,671)		6,671 (c)	
Amortization of Goodwill	(9,305)		9,305 (b)	
Unusual items				
Exceptional income (expense)	(6,671)	(2) (y)	2,151 (a)(e)(h)	(4,522)
Profit (loss) from operations	70,585	(4,276)	17,579	83,888
Finance costs	(60,498)	4,276 (m)(x)		(56,223)
Financial income (expense)				
Share of results in associates	0			0
Profit (loss) before tax	10,086	0	17,579	27,665
Income tax	(9,465)		(2,013) (j)	(11,478)
Profit (loss) after tax				
Net earnings of consolidated companies	621	0	15,566 (k)	16,187
Attributable to:				
Equity holders of the parent				
Net earnings	(1,166)		15,348	14,182
Minority interest	1,787		217	2,005
Earnings per share (in EUR)				
Basic	(2.1)		27.7	25.6
Diluted	(2.0)		26.0	24.0

When the designation of a line under the previous GAAP significantly differs from the one under IFRS or if the line has no equivalent under IFRS, it has been added in *italic*.

Reconciliation of the Balance sheets at 31 December 2004
Lecta Group

	Previous GAAP	Reclassifications	Variations through Equity	IFRS
		(in EUR K)		
ASSETS				
Share capital not called for payment	0			
Property, plant and equipment	839,541	938(m)(n)	40,849 (a)(e)(f	881,328
Tangible assets				
Goodwill	138,225	13,030(o)	27,507(b)	178,761
Acquisition costs	5,195		(5,195) (c)	
Other intangible assets	18,490	(13,030) (o)	(4,541) (d)	919
Investment in associates	0			0
Available-for-sale financial investments	976	522(p)		1,498
Financial assets				
Biological assets	714			714
Other long-term assets 1/2 (Standing timber)				
Deferred income tax assets	73,571		2,772(j)	76,343
Other receivables 1/3				
Non-current income tax receivable	0	4,461(t)		4,461
Other non-current receivables	1,983	(242) (n)(p)(q)		1,741
Other long-term assets 2/2				
Non-current assets	1,078,696	5,678	61,392	1,145,765
Income tax receivable	0			0
Inventories	151,934		332(g)	152,266
Trade receivables	274,455	2(r)		274,457
Prepayments	1,324			1,324
Other receivables 2/3				
Other current receivables	2	588 (q)(r)(s		590
Other receivables 3/3				
Cash & cash equivalents	144,776			144,776
Current assets	572,490	590	332	573,412
TOTAL ASSETS	1,651,185	6,268	61,724	1,719,177
EQUITY & LIABILITIES				
Paid-in capital	1,431			1,431
Share capital subscribed				
Share premium	136,669			136,669
Additional paid-in capital				
Net unrealized gains (losses)				0
Foreign currency translation	(838)		0(k)	(837)
Cumulative translation adjustments				
Accumulated net profits (losses)	227,549		47,098(k)	274,647
Retained earnings + Net earnings				
Equity holders of the parent	364,811	0	47,099	411,910
Minority interest	33,219		221(k)	33,440
TOTAL EQUITY	398,030	0	47,320	445,350
Interest-bearing borrowings	808,823	1,503 (m)(q)(u		810,326
Non-current grants	12,164		(1,200) (f)	10,964
Other payables 1/7				
Non-current provisions	26,278			26,278

Deferred income tax liabilities	45,090		15,756(j)	60,846
Other payables 2/7				
Non-current income tax payable	0	4,702(t)		4,702
Other payables 3/7				
Other non-current payables	499	(403) (u)(v)		96
Other payables 4/7				
Non-current liabilities	892,854	5,801	14,556	913,211
Current portion of interest-bearing borrowings	62,534	(2,670) (m)(q)(w)		59,864
Bank overdrafts		3,185(w)		3,185
Current grants			(f)	
Other payables 5/7	1,044		(152)	892
Current provisions	3,281			3,281
Income tax payable	4,116	(241) (t)		3,875
Other payables 6/7				
Trade payables	242,049	36,383 (r)(u)(v		278,432
Other payables	47,277	(36,190) (r)(s)(u)		11,087
Other payables 7/7				
Current liabilities	360,302	466	(152)	360,616
TOTAL LIABILITIES	1,253,156	6,268	14,403	1,273,827
TOTAL EQUITY AND LIABILITIES	1,651,185	6,268	61,723	1,719,176

When the designation of a line under the previous GAAP significantly differs from the one under IFRS or if the line has no equivalent under IFRS, it has been added in *italic*.

Reconciliation of the Cash flow statements for the year 2004
Lecta Group

	Previous GAAP	Reclassifications in Income statement and Balance sheet	Reclassifications specifics to Cash flow statement	IFRS
		(in EUR K)		
CASH FLOWS FROM OPERATING ACTIVITIES				
EBITDA	181,445	(3,618) (d)(f)(g)(i)(m)(n)(x)(y		177,827
Inventories decrease (increase)	5,974	(332) (g)		5,642
Trade receivable decrease (increase)	51,337			51,337
Prepayments decrease (increase)	279	(11) (m)		268
Trade payables increase (decrease)	(68,607)	212(u)	6(A)	(68,389)
Accounts payable increase (decrease)				
Working Capital decrease (increase)	(11,018)	(130)	6	(11,142)
Provisions increase (decrease)	(1,618)			(1,618)
Interest income (expense)	(60,795)		60,795(E)	
GHG emission rights decrease (increase)	0			0
Consumption of Biological assets			592(B)	592
Proceeds (payments) related to unusual items	(2,635)		(317) (A)(B)(C)	(2,951)
Other in(out)flows from operating activities				
Income tax paid	(11,709)			(11,709)
Taxation paid excluding tax on investing activities				
Net cash flow (used in)/from operating activities	93,671	(3,749)	61,076	150,998
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, plant and equipment	(63,571)	348 (m)(i)(s		(63,223)
Purchase of Fixed Assets 1/2				
Proceeds from disposal of Property, plant and equipment	721	(2) (y)		719
Disposal of fixed assets 1/2				
Receipt of Grants		(107) (f)(s)	1,495(D)	1,388
Purchase of subsidiary, net of cash acquired	(735)			(735)
Acquisition of consolidated companies, net of cash acquired				
Disposal of subsidiary, net of cash sold	(10)			(10)

Sales of Consolidated companies, net of cash sold				
Purchase of other assets	(2,457)	334(d)(n)		(2,123)
Purchase of Fixed Assets 2/2				
Proceeds from disposal of other assets	10			10
Disposal of fixed assets 2/2				
Dividends from associates	0			0
Dividends received from Available-for-sale financial investments			296(C)	296
Net cash flow (used in)/from investing activities	(66,042)	573	1,791	(63,678)
CASH FLOWS FROM FINANCING ACTIVITIES				
Equity dividends paid	0			0
Dividends paid to minority interest	(833)			(833)
Share capital increase (redemption)	85			85
Grants received	1,495		(1,495) (D)	
Interest paid		4,276(m)(x)	(60,868) (E)	(56,592)
Issue costs of Borrowings			(578) (A)	(578)
Proceeds from Borrowings	113,647		(52,576) (E)(F)	61,071
Increase in Borrowings				
Repayment of Borrowings	(173,554)	(212) (u)	51,986(E)	(121,781)
Decrease in Borrowings 1/2				
Loans repaid (granted)				0
Payment of finance lease liabilities	(631)	(882) (m)		(1,513)
Decrease in Borrowings 2/2				
Net cash flow (used in)/from financing activities	(59,791)	3,181	(63,530)	(120,141)
Net increase (decrease) in Cash & cash equivalents net of Bank overdrafts	(32,162)	5	(663) (F)	(32,821)
Net in(de)crease in Cash & Cash equivalent				
Net foreign exchange difference				
Net effect of exchange rates changes	(112)	(5) (m)		(117)
Cash & cash equivalents net of Bank overdrafts at 1 January				
Opening Cash & Cash equivalent	177,050		(2,522) (F)	174,528
Cash & cash equivalents net of Bank overdrafts at 31 December				
Closing Cash & Cash equivalent	144,776	0	(3,185) (F)	141,591

When the designation of a line under the previous GAAP significantly differs from the one under IFRS or if the line has no equivalent under IFRS, it has been added in *italic*.

3.1.3. Changes that have an impact on equity

(a) Revaluation of Property, plant and equipment:

At 1 January 2004 only the Property, plant and equipment of Cartiere del Garda SpA were revaluated from 120,863 under previous GAAP to 165,803. In the 2004 Income statement, this created differences in Depreciation and in Unusual items (net book value of disposals).

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Property, plant and equipment....	+44,939	+41,568

Income statement	Year 2004
Depreciation......	(3,844)
Unusual items....	+472
Total.................	(3,372)

(b) Goodwill.

Under the previous GAAP, the Goodwill on acquired subsidiaries (positive as well as negative) was identified and amortized. There was also a "Transaction goodwill", consequence of the merger at the origin of Cartiere del Garda SpA in 1997, that was in Other intangible assets. In 2004, the positive and negative Goodwills bore amortizations of (10,826) and +1,521. The net of (9,305) was reported in a specific line of the Income statement, "*Amortization of Goodwill*". The "Transaction goodwill" bore an amortization of (965) in "Amortization *of Other intangible assets*". Under IFRS, the positive Goodwill is not amortized anymore. The negative Goodwill is immediately accounted for as an income. The "Transaction goodwill" is part of the positive Goodwill, see comment (o).

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Goodwill......	+17,236	+27,507

Income statement	Year 2004
Amortization *of Other intangible assets*	+965
Amortization of Goodwill...........................	+9,305
Total...	+10,270

(c) *Acquisition costs*.

Under the previous GAAP, *Acquisitions costs* consisted in charges to be spread over several years. They were capitalized and amortized in a specific line of the Balance sheet and of the Income statement. In 2004, nothing was capitalized and (6,671) were amortized. Under IFRS, such costs are expensed as incurred.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Acquisition costs...	(11,866)	(5,195)

Income statement	Year 2004
Amortization of Acquisition costs....	+6,671

(d) *Start-up expenses.*

Under the previous GAAP, *Start-up expenses* consisted in the costs associated to the learning curve of new tangible assets (inefficiency), a capital increase or changes in the articles of association of a consolidated subsidiary. They were capitalized and amortized as part of the Other intangible assets. In 2004, 313 were capitalized and (2,362) were amortized. Under IFRS, such costs are expensed as incurred.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Other intangible assets....	(6,590)	(4,541)

Income statement	Year 2004
Other operating costs except unusual items.....	(313)
Amortization *of Other intangible assets*..........	+2,362
Total..	+2,049

Cash flow statement	Year 2004
EBITDA..........................	(313)
Purchase of other assets ...	+313

(e) Durations of depreciation.

The durations of depreciation were reviewed in Condat SA and Torraspapel Group. In the 2004 Income statement, this created differences in Depreciation and in Unusual items (net book value of disposals).

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Property, plant and equipment	+37	+424

Income statement	Year 2004
Depreciation	+13
Unusual items....	+374
Total	+387

(f) Private subsidies.

In Lecta Group, a private subsidy is related to a piece of equipment dedicated to a specific raw material or an other supply (e.g. starch). This piece of equipment is payable by installment, but at each installment time, the supplier sends a credit note. Under previous GAAP, the private subsidies were considered as Grants (in Other payables). Under IFRS, each time a credit note is received from the supplier, it is considered as a reduction of the cost of raw materials, while the piece of equipment is depreciated by the same amount.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Property, plant and equipment	(1,002)	(1,143)
Other non-current payables.........	(1,030)	(1,200)
Other payables	(76)	(152)
Total...	+104	+210

Income statement	Year 2004
Raw materials and consumables used	+344
Depreciation..	(238)
Total...	+106

Cash flow statement	Year 2004
EBITDA	+344
Receipt of Grants...	(344)

(g) Inventories.

The revaluation of Property, plant and equipment mentioned in comment (a) caused an increase in the valuation of inventories, as there is more depreciation.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Inventories...	0	+332

Income statement	Year 2004
Changes in inventories of finished goods and work in process..	+332

Cash flow statement	Year 2004
EBITDA	+332
Inventories decrease (increase)....	(332)

(h) Loans CILEM.

CILEM loans are compulsory interest-free loans in support of social housing in France. They are reimbursable in one installment after 20 years. In 2004, Condat SA elected to use the alternative option of converting these loans into immediately tax-deductible subsidies. Under previous GAAP, the impact was a charge in the Income statement of 2004. Under IFRS, the opening balance was changed.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Other non-current receivables ...	(1,305)	0

Income statement	Year 2004
Unusual items....	+1,305

(i) Capitalization of Overhaul.

The previous GAAP required an accounting change to be implemented in 2004. The maintenance costs of overhaul were capitalized and depreciated. It impacted the Income statement of 2004, generating a reduction of maintenance costs of +520 and an additional depreciation of (350). Under IFRS, the opening balance was changed.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Property, plant and equipment	+170	0

Income statement	Year 2004
Other operating costs except unusual items.....	(520)
Depreciation..	+350
Total..	(170)

Cash flow statement	Year 2004
EBITDA	(520)
Purchase of Property, plant and equipment	+520

(j) Deferred tax.

There were deferred tax impacts on the above items except on Goodwill (but on "Transaction goodwill") and for companies where no deferred tax can be accounted for.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Deferred income tax assets	+5,844	+2,772
Deferred income tax liabilities	+16,815	+15,756
Total	(10,971)	(12,983)

Income statement	Year 2004
Income tax	(2,013)

(k) The net impact of all the above items was as follows:

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Equity holders of the parent	+31,750	+47,099
Minority interest	+4	+221
Total Equity	+31,754	+47,320

Income statement	Year 2004
Equity holders of the parent	+15,348
Minority interest	+217
Profit (loss) after tax	+15,566

3.1.4. Reclassifications that have no impact on equity

(l) Share capital not called for payment.

Under previous GAAP, the share capital not called for payment of Lecta SA was in a separate line of the Assets. Under IFRS, it is netted in the Paid-in capital in Equity & Liabilities. At 1 January 2004, it was 85. At 31 December 2004, it was 0 (it was paid in 2004).

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Share capital not called for payment	(85)	0
Paid-in capital	(85)	0

(m) Leases.

Under previous GAAP, some leases of vehicles were not capitalized. Under IFRS, they are capitalized.

The impacts are as follows:

— In the balance sheet, an increase of Motor vehicles in Property, plant and equipment against an increase of Lease obligation in Interest-bearing borrowings (non-current and current).

— In the Income statement, lease charges are cancelled in the line Other operating costs except unusual items against charges in the lines Depreciation and Finance costs.

— Linked to leases, a change was made in the opening balance between Prepayments and Other payables for 11.

In 2004, there was a purchase of such vehicles, at the end of the leasing contract, for (50). Due to the above changes, there is a mechanical foreign exchange impact of 5 in the Cash flow statement.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Property, plant and equipment	+983	+1,122
Prepayments	(11)	0
Interest-bearing borrowings	+258	+936
Current portion of interest-bearing borrowings	+725	+186
Other payables	(11)	0

Income statement	Year 2004
Other operating costs except unusual items	+870
Depreciation	(833)
Finance costs	(37)
Total	0

Cash flow statement	Year 2004
EBITDA	+870
Prepayments decrease (increase)	(11)
Purchase of Property, plant and equipment	+66
Interest paid	(37)
Lease obligation	(882)
Net foreign exchange difference	(5)
Total	0

(n) Insurance indemnity.

Under previous GAAP, an insurance indemnity received from a supplier of equipment was booked in reduction of Other current receivables, as a deferred income to be released over the full life of the said equipment. Under IFRS, it is entered as an impairment of the asset.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Property, plant and equipment	(205)	(184)
Other non-current receivables	+205	+184

Income statement	Year 2004
Other operating costs except unusual items	(21)
Depreciation	+21
Total	0

Cash flow statement	Year 2004
EBITDA	(21)
Purchase of other assets	+21
Total	0

(o) “Transaction goodwill”.

As already mentioned in comment (b), the “Transaction goodwill” was reclassified from Other intangible assets to Goodwill.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Goodwill........................	+13,995	+13,030
Other intangible assets....	(13,995)	(13,030)

(p) Investment securities.

Under previous GAAP, investment securities consisted in interests in non-strategic companies. They were reported in Other non-current receivables. Under IFRS, they are reported in Available-for-sale financial investments.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Available-for-sale financial investments	+478	+522
Other non-current receivables.....................	(478)	(522)

(q) Loans.

Under previous GAAP, the loans were netted in the Borrowings. Under IFRS, they are reported in Other receivables.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Other non-current receivables	+203	+95
Other current receivables.......................................	+9	+116
Interest-bearing borrowings...................................	+203	+95
Current portion of interest-bearing borrowings......	+9	+116

(r) Foreign exchange conversions.

Under previous GAAP, the foreign exchange conversions adjustments were reported in Other receivables or Other payables. Under IFRS, they are reported in Trade receivables or Trade payables.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Trade receivables...............	+21	+2
Other current receivables....	(21)	(2)
Trade payables....................	+32	+536
Other payables....................	(32)	(536)

(s) Grants to be received.

Under previous GAAP, grants to be received were in reduction of Capital payables, in the line Other payables. Under IFRS, they are reported in Other receivables.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Other current receivables....	+712	+474
Other payables....................	+712	+474

Cash flow	Year 2004
Purchase of Property, plant and equipment	(237)
Receipt of grants...	+237
Total..	0

(t) Income tax.

Under previous GAAP, income tax receivable was in reduction of Current income tax, in the line Other payables. Furthermore, the non-current portion of tax was not isolated. Under IFRS, it is reported in a separate line of the Assets.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Non-current income tax receivable	4,411	4,461
Income tax receivable	516	0
Non-current income tax payable	9112	4,702
Income tax payable	(4,184)	(241)

(u) Accruals.

Under previous GAAP, the Accruals were considered as Other payables. Under IFRS, most of them are reported in Trade payables. The remaining part, consisting of borrowings with a rate of 0% granted in the context of environmental installations, is reported in Borrowings.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Interest-bearing borrowings	+686	+472
Other non-current payables	(686)	(472)
Current portion of interest-bearing borrowings	+212	+213
Trade payables	+35,964	+35,915
Other payables	(36,176)	(36,128)

Cash flow	Year 2004
Trade payables increase (decrease)	+212
Repayment of Borrowings	(212)
Total	0

(v) Share capital to be called by non-consolidated companies.

Under previous GAAP, Share capital to be called by non-consolidated companies was in Trade payables. Under IFRS, they are reported in Other payables.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Other non-current payables	+69	+69
Trade payables	(75)	(69)
Other payables	+6	0

(w) Bank overdrafts.

Under previous GAAP, Bank overdrafts were included in the borrowings. Under IFRS, they are reported in a separated line.

Balance sheet	1 Jan 2004	31 Dec 2004
	(in EUR K)	
Current portion of interest-bearing borrowings	(2,522)	(3,185)
Bank overdrafts	+2,522	+3,185

(x) Discounts for early payments by customers.

Some discounts are the consequence of a unique short term of payment. Under previous GAAP, some of them were in Finance costs. Under IFRS, they are in reduction of Revenue.

Income statement	Year 2004 (in EUR K)
Revenue	(4,313)
Finance costs	+4,313
Total	0

Cash flow statement	Year 2004
EBITDA	(4,313)
Interest paid	+4,313
Total	0

(y) Miscellaneous adjustments from previous GAAP:

Income statement	Year 2004 (in EUR K)
Other operating costs except unusual items	+2
Unusual items	(2)
Total	0

Cash flow statement	Year 2004
EBITDA	+2
Proceeds from disposal of Property, plant and equipment	(2)
Total	0

3.1.5 Reclassifications specifics to the Cash flow statement

(A) Under IFRS, the Issue costs on borrowings are in the specific line "Issue costs on borrowings".

Cash flow statement	Year 2004 (in EUR K)
Trade payables increase (decrease)	+6
Proceeds (payments) related to unusual items	+572
Issue costs on borrowings	(578)
Total	0

(B) Under IFRS, harvesting of standing timber used for pulp is in the specific line "Consumption of Biological assets".

Cash flow statement	Year 2004 (in EUR K)
Consumption of Biological assets	+592
Other in(out)flows from operating activities	(592)
Total	0

(C) Under IFRS, dividends received from non-consolidated companies are in the specific line “Dividends received from non-consolidated companies”.

Cash flow statement	Year 2004 (in EUR K)
Proceeds (payments) related to unusual items	(296)
Dividends received from non-consolidated companies	+296
Total	0

(D) Under previous GAAP, the Grants received were in the line “*Grant received*” of the “Net cash flow (used in)/from financing activities”.

Under IFRS, they are in the line “Receipt of Grants” of the “Net cash flow (used in) / from investing activities”.

Cash flow statement	Year 2004 (in EUR K)
Receipt of Grants	+1,495
Grants received	(1,495)
Total	0

(E) Under previous GAAP, the Charge of interest was in the line “Interest income (expense)” of the “Net cash flow (used in)/from operating activities”. In addition, the adjustment from “interest charge” to “interest paid” was in the variation of Borrowings. Under IFRS, they are both in the line “Interest paid” of the “Net cash flow (used in)/from financing activities”.

Cash flow statement	Year 2004 (in EUR K)
Interest income (expense)	+60,795
Interest paid	(60,868)
Proceeds from Borrowings	(51,913)
Repayments of Borrowings	+51,986
Total	0

(F) Under previous GAAP, the variation of Bank overdrafts was reported as *Increase of Borrowings* or *Decrease of Borrowings*. Under IFRS, in the Cash flow statement, the variation of Bank overdrafts is reported in the line “Net increase (decrease) in Cash & cash equivalents net of bank overdrafts”. It consequently impacts the two lines “Cash & cash equivalents net of Bank overdrafts”.

Cash flow statement	Year 2004 (in EUR K)
Proceeds from Borrowings	(663)
Net increase (decrease) in Cash & cash equivalents net of bank overdrafts	(663)
Cash & cash equivalents net of Bank overdrafts at 1 January	(2,522)
Cash & cash equivalents net of Bank overdrafts at 31 December	(3,185)

3.2. Adoption of IAS 32 and 39

3.2.1. Overview

For the adoption of IAS 32, “Financial Instruments: Disclosures and presentation” and IAS 39, “Financial instruments: Recognition and Measurement”. Lecta Group elected to use the exemption of IAS 39 (revised 2003), Appendix B, paragraph 36A. The year of comparative information, 2004, does not comply with IAS 32 and IAS 39 but with the previous GAAP (see Note 3.1.1). The reconciliation between the closing Balance sheet at 31 December 2004 and the opening Balance sheet at 1 January 2005 is provided hereafter.

3.2.2. Statement

See next page.

Impact of IAS 32 & 39 on the Balance sheet at 01 January 2005
Lecta Group

	Impact of IAS 32 & 39 (in EUR K)
ASSETS	
Property, plant and equipment	0
Goodwill	0
Other intangible assets	0
Investment in associates	0
Available-for-sale financial investments	0
Biological assets	0
Deferred income tax assets	4,859(2)(3)
Other non-current receivables	0
Non-current assets	4,859
Income tax receivable	0
Inventories	0
Trade receivables	(113)(4)
Prepayments	0
Other current receivables	0
Cash & cash equivalents	0
Current assets	(113)
TOTAL ASSETS	4,746
EQUITY & LIABILITIES	
Paid-in capital	0
Share premium	0
Net unrealized gains (losses)	(8,463)(2)
Foreign currency translation	0
Accumulated net profits (losses)	10,984(1)(3)(4)
Equity holders of the parent	2,521
Minority interest	(7,121)(1)(2)(3)(4)(5)
TOTAL EQUITY	(4,599)
Interest-bearing borrowings	(14,546)(1)(3)
Non-current grants	1,185(3)
Non-current provisions	0
Deferred income tax liabilities	6,261(1)
Non-current income tax payable	0
Other non-current payables	10,093(2)(5)
Non-current liabilities	2,993
Current portion of interest-bearing borrowings	5,045(1)(3)(6)
Bank overdrafts	0
Current grants	93(3)
Current provisions	0
Income tax payable	0
Trade payables	(9,249)(4)(6)
Other payables	10,463(2)
Current liabilities	6,353
TOTAL LIABILITIES	9,345
TOTAL EQUITY AND LIABILITIES	4,746

3.2.3. Comments

(1) Issue costs on borrowings.

The costs related to the debt refinancings were formerly expensed as incurred. At 1 January 2005, their net recomputed value, using the effective interest method, was accounted for the first time.

	(in EUR K)
Accumulated net profits (losses)	+11,207
Minority interest	+246
TOTAL EQUITY	+11,454
Interest-bearing borrowings	(13,692)
Deferred income tax liabilities	+6,261
Current portion of interest-bearing borrowings	(4,023)
TOTAL LIABILITIES	(11,454)

(2) Interest rate hedging.

At 1 January 2005, the marked-to-market value of the actual collars has been accounted for the first time.

	(in EUR K)
Deferred income tax assets	+4,734
TOTAL ASSETS	+4,734
Net unrealized gains (losses)	(8,463)
Minority interest	(182)
TOTAL EQUITY	(8,646)
Other non-current payables	+2,917
Other payables	+10,463
TOTAL LIABILITIES	+13,380

(3) Borrowings with a rate of 0%.

Some borrowings with a rate of 0% were granted in the context of environmental installations.

At 1 January 2005, such borrowings were reduced to bring out the embedded grant in “Other non-current payables” and “Other payables”, using the effective interest rate method.

	(in EUR K)
Deferred income tax assets	+82
TOTAL ASSETS	+82
Accumulated net profits (losses)	(148)
Minority interest	(4)
TOTAL EQUITY	(153)
Interest-bearing borrowings	(854)
Non-current grants	+1,185
Current portion of interest-bearing borrowings	(189)
Current grants	+93
TOTAL LIABILITIES	+235

(4) Hedging of foreign currencies.

At 1 January 2005, the options on foreign currencies are accounted for the first time.

	(in EUR K)
Deferred income tax assets	+42
Trade receivables	(113)
TOTAL ASSETS	(71)
Accumulated net profits (losses)	(75)
Minority interest	(4)
TOTAL EQUITY	(79)
Trade payables	7

TOTAL LIABILITIES	7

(5) Options on minorities of consolidated companies.

See note 37.1.1.

At 1 January 2005, the discounted value of these options was accounted for the first time.

	(in EUR K)
Minority interest	(7,176)
TOTAL EQUITY	(7,176)
Other non-current payables	+7,176
TOTAL LIABILITIES	+7,176

(6) Advance on non-recourse Factoring.

At 1 January 2005, the advance on non-recourse Factoring was recognized as "Current portion of interest-bearing borrowings" instead of "Trade payables".

	(in EUR K)
Current portion of interest-bearing borrowings	+9,256
Trade payables	(9,256)
TOTAL LIABILITIES	0

3.3. Discontinuing operations

There was no discontinuing operation in 2004 and 2005.

3.4. Other significant events

The Lecta's syndicate of senior debt lenders agreed to the following:

— Amendment to the financial covenants;

— Creation of a new tranche G of EUR 146 M becoming due in 2010. Tranche G was used to partially prepay debt becoming due in 2006 and 2007. (See Note 26).

The related costs of EUR 4,103 K were booked as issue costs in the Interest-bearing borrowings in application of the effective interest rate method (see Note 1.25). In addition, EUR 546 K of coordination fees were expensed as incurred in the line Other financial expenses of the Finance costs (see Note 11).

4. Information by Segment

The IAS 14 "Segment reporting" (paragraph 3) applies to listed companies. Lecta being privately held has elected not to communicate this information.

5. Personnel

The following schedule presents the number of employees at year-end, computed on a full-time equivalent basis. It includes permanent and temporary employees.

Companies	2005	2004	2003
Lecta SA	0	0	0
Sub Lecta 1 SA	0	0	0
Cartiere del Garda SpA	588	593	574

Condat Holding SA	0		0		0	
Condat SA	881		914		942	
Lecta Europe Sàrl	10		9		9	
Sub Lecta 2 SA	0		0		0	
Torraspapel Holding SA	0		0		0	
Torraspapel SA	2,3		2,3		2,2	
Cogeneración Motril SA	0		0		0	
Dispap SA	33		35		35	
Sarriopapel Distribuiçao Lda	32		29		30	
Sarriopapel y Celulosa SA	657		654		656	
Torras Papel Lda	22		23		26	
Torras Paper Ltd	22	3,1	20	3,1	19	3,1
Torras Papier GmbH	2		1		4	
Torraspapel Argentina SA	18		15		15	
Torraspapel France Sàrl	62		59		56	
Torraspapel Italia Srl	6		6		6	
Torraspapel Maroc Sàrl	2		2		2	
Torraspapel México S. de R.L. de C.V	3		1		1	
Torraspapel Servicios México S. de R.L. de C.V	0		0		0	
Total	4,6		4,6		4,6	

6. Research and Development costs

	2005	2004
	(in EUR K)	
Income/(Expense)	6,4	6,3

These costs, related to product and process development, were all expensed as incurred.

7. Revenue

	2005	2004
	(in EUR K)	
Sales of paper	1,3	1,3
Sales of energy	27,5	24,9
Income/(Expense)	1,4	1,3

8. Depreciation

	2005	2004
	(in EUR K)	
Depreciation of Property, plant and equipment	(86,782)	(90,186)
Amortization of Grants	1,053	897
Income/(Expense)	(85,729)	(89,289)

9. Amortization

	2005	2004
	(in EUR K)	
Amortization of Other intangible assets	(139)	(128)
Income/(Expense)	(139)	(128)

10. Unusual items

	2005	2004
	(in EUR K)	
Property, plant and equipment	(1,453)	(250)

Goodwill	0	0
Other intangible assets	0	(0)
Available-for-sale financial investments	0	(1,390)
Biological assets	0	0
Loans, Deposit & Guarantees	0	(124)
Purchased call options on Available-for-sale financial investments	0	0
Sold put options on Available-for-sale financial investments	0	0
Ineffective portion in the variation of Rate hedging derivatives	(9)	0
Other unusual incomes	122	4
Other unusual charges	(48)	(2,762)
Income/(Expense)	(1,388)	(4,522)

In 2005, the net charge of EUR (1,453) K on Property, plant and equipment consisted in:

— Net disposals of EUR (2,085) K.

— Movements of provision of EUR 632 K.

In 2004, the net charge of EUR (250) K on Property, plant and equipment consisted in:

— Net disposals of EUR (2,773) K.

— Movements of provision of EUR 2,523 K.

In 2004, the net charge of EUR (1,390) K on Available-for-sale financial investments consisted in:

— EUR (1,338) K provision on the 6.0827% shareholding in Expresso Platform BV;

— EUR (61) K provision on the fully owned Condat North America Inc that is dormant;

— EUR (45) K provision on the fully owned Lecta North America Inc;

— EUR (15) K write-off related to the liquidation of the 33.34% shareholding in Iberbosque SA;

— EUR 10 K net proceeds from the sale of the 0.00007% shareholding in Reno de Medici SpA;

— EUR 59 K adjustments of provisions on other securities.

In 2004, the charge of EUR (124) K on Deposits & Guarantees consisted in new CILEM loans granted in 2004 and converted into immediately tax deductible subsidies. See Note 3.1.3 comment (h).

In 2005, the charge of EUR (9) K on “Ineffective portion in the variation of Rate hedging derivatives” is related to the new accounting treatment of the collars (see Note 37.3) introduced by IAS 32 & 39 (see Note 1.02).

In 2005, the other unusual incomes of EUR 122 K consisted of a local tax incentive in Torraspapel Argentina SA.

In 2004, the other unusual charges of EUR (48) K consisted of several non-recurrent costs in Condat SA.

In 2004, the other unusual charges of EUR (2,762) K mainly consisted of:

— EUR (2,468) K of fees related to the amendment of covenant limits.

— EUR (225) K of costs related to Portucel privatization (project abandoned at the beginning of 2004).

11. Finance costs

	2005	2004
	(in EUR K)	
Interest on Senior debt	(36,710)	(39,280)
Interest on rate hedging derivatives	(10,552)	(11,005)
Amortization of issue costs on borrowings	(2,699)	0
S/T Senior debt	(49,961)	(50,285)
Externalized pension funds	(583)	(685)
Lease obligations	(52)	(68)
Incomes on Loans	22	0
Other long-term borrowings	(939)	(1,076)
Trade receivable: discounts on anticipated payments and non-recourse assignment costs	(9,248)	(3,959)
Finance cost in the provisions on employees benefits	(892)	(1,159)
Other financial incomes	3,223	2,922
Other financial expenses	(2,975)	(2,208)
Dividends	0	296
Income/(Expense)	(61,404)	(56,223)

In 2005, the charge of EUR (2,699) K of "Amortization of Issue costs on borrowings" is a consequence of the introduction of IAS 32 & 39 (see Note 1.02).

In 2004, EUR 296 K of dividends were received from Garda UK Ltd.

12. Income tax in the income statement

12.1. Analysis of income tax effects

	2005	2004
	(in EUR K)	
Current tax	(4,161)	(2,155)
Deferred tax	(11,378)	(9,323)
Income/(Expense)	(15,539)	(11,478)

The deferred tax charge of EUR (11,378) K booked in 2005 was the result of:

— EUR 976 K of net deferred tax asset generated on 2005 losses that will be used against future taxable profits.

— EUR (12,354) K of deferred tax charge on temporary differences.

The deferred tax charge of EUR (9,323) K booked in 2004 was the result of:

— EUR 11,392 K of net deferred tax asset generated on 2004 losses that will be used against future taxable profits.

— EUR (20,715) K of deferred tax charge on temporary differences.

12.2. Effective income tax rate

	2005	2004
	(in EUR K)	
Profit (loss) before tax	34,302	27,665
Nominal rate in Luxembourg	30.38%	30.38%
Tax at nominal rate	(10,421)	(8,405)
Impact of local rates (1)	(2,377)	(2,467)

Adjustments on usable losses (2)	225	(463)
Permanent differences on tax bases (3)	(1,702)	1,135
Other adjustments (4)	(1,264)	(1,279)
P&L income tax	(15,539)	(11,478)
Effective tax rate	45.30%	41.49%

Year 2005

(1) Impact of local rates:

— The local statutory tax rates (actual and deferred) were all higher than the Luxembourg actual nominal tax rate. Applied to the sum of locally computed taxable earnings, positive in 2005, it generated an unfavorable impact of EUR (2,369) K.

— The French applicable deferred tax rate decreased in 2005. It led to an unfavorable decrease of the net deferred tax asset on 1 January 2005 of EUR (8) K.

(2) Adjustments on usable losses:

— Tax losses of Dispap SA (Spain), Torraspapel Lda (Portugal), Torraspapel France Sàrl (France) and Torraspapel Argentina SA (Argentina), were used in 2005. Since they were not previously recorded as deferred tax assets, there was a favorable impact of EUR 399 K.

— Some tax losses of 2005, in Luxembourg holdings, Torraspapel Ltd (United Kingdom) and Torras Papier GmbH (Germany) didn’t lead to the recognition of deferred tax assets, resulting in an unfavorable impact of EUR (174) K.

(3) Permanent differences on tax bases:

— Some intragroup dividends paid between Spanish subsidiaries borne a withholding tax. It resulted in an unfavorable impact of EUR (573) K.

— Definitively non-deductible charges resulted in an unfavorable impact of EUR (474) K.

— Some temporary differences didn’t lead to the recognition of deferred tax assets because of the weak probability of recovery. In 2005, the net movement of such items was an increase of provision. It resulted in an unfavorable impact of EUR (655) K.

(4) Other adjustments:

— The IRAP (“Imposta Regionale sulle Attivita Produttive”) was computed on a larger base than the taxable earnings in Italy, leading to an unfavorable impact of EUR (1,430) K.

— Some miscellaneous adjustments, mostly on prior years generated a net favorable impact of EUR 166 K.

Year 2004

(1) Impact of local rates:

— The local statutory tax rates (actual and deferred) were all higher than the Luxembourg actual nominal tax rate. Applied to the sum of locally computed taxable earnings, positive in 2004, it generated an unfavorable impact of EUR (2,416) K.

— The French applicable deferred tax rate decreased in 2004. It led to an unfavorable decrease of the net deferred tax asset on 1 January 2004 of EUR (51) K.

(2) Adjustments on usable losses:

— Tax losses of Dispap SA (Spain), Torraspapel Lda (Portugal), Torraspapel France Sàrl (France) and Torraspapel Argentina SA (Argentina), were used in 2004. Since they were not previously recorded as deferred tax assets, there was a favorable impact of EUR 294 K.

— Some tax losses of 2004, in Luxembourg holdings and Torras Papier GmbH (Germany) didn't lead to the recognition of deferred tax assets, resulting in an unfavorable impact of EUR (757) K.

(3) Permanent differences on tax bases:

— Some intragroup dividends paid between Spanish subsidiaries borne a withholding tax. It resulted in an unfavorable impact of EUR (54) K.

— Definitively non-deductible charges resulted in an unfavorable impact of EUR (247) K.

— 95% of the dividends received from Garda UK Ltd were not taxable resulting in a favorable impact of EUR 86 K.

— Some temporary differences didn't lead to the recognition of deferred tax assets because of the weak probability of recovery. In 2004, the net movement of such items was a decrease of provision. It resulted in a favorable impact of EUR 1,350 K.

(4) Other adjustments:

— The Italian tax law 2004 had an impact of EUR (363) K.

— The IRAP ("Imposta Regionale sulle Attivita Produttive") was computed on a larger base than the Taxable earnings in Italy, leading to an unfavorable impact of EUR (867) K.

— Some miscellaneous adjustments, mostly on prior years generated a net unfavorable impact of EUR (49) K.

13. Earnings per share

	2005	2004
Profit (loss) after tax attributable to the equity holders of the parent (in EUR K)		
Income statement	15,5	14,1
Pro-forma interest on warrants	6	6
Total diluted	15,5	14,1
Weighted number of shares		
Basic shares	554,6	554,6
Warrants	35,3	35,3
Total	589,9	589,9
Earnings per share (in EUR)		
Basic	28.0	25.6
Diluted	26.3	24.0

"Basic earnings per share" were computed on the basis of the weighted average number of shares issued after deduction of the weighted average number of shares owned by Lecta Group consolidated companies.

"Diluted earnings per share" took into account share equivalents having a dilutive effect after deduction of the weighted average number of share equivalents owned by Lecta Group consolidated companies. The dilutive effect of warrants was calculated using the notional investment method for which the Net earnings were adjusted to include a notional after tax interest income on proceeds coming from the sale of warrants.

14. Dividends paid and proposed

No dividend was paid nor proposed.

15. Property, plant and equipment

	Purchased					Leased		
(in EUR K)	Land & Building	Plant & machinery	Motor vehicles	Fixtures & fittings	Work in progress	Land & Building	Motor vehicles	TOTAL
At 1 January 2005								
Cost	230,933	1,138,337	10,342	83,442	21,671	10,854	2,157	1,497,737
Depreciation & Impairment	(64,301)	(482,181)	(5,351)	(61,882)	0	(1,715)	(981)	(616,409)
Net carrying amount	166,632	656,157	4,991	21,561	21,671	9,139	1,177	881,328
Effect of adopting IAS 32 & 39	0	0	0	0	0	0	0	0
Additions	0	(0)	0	0	50,052	0	1,915	51,967
Depreciation charge	(7,148)	(70,471)	(1,213)	(6,771)	0	(343)	(836)	(86,782)
Impairment losses charged	0	0	0	0	0	0	0	0
Impairment losses reversed as profit	27	532	0	72	0	0	0	632
Disposals	(119)	(1,907)	(167)	(85)	0	0	0	(2,279)
Reclassification in/(out)	8,092	35,741	766	7,124	(51,719)	0	(4)	(0)
Exchange adjustments	0	0	2	11	0	0	3	16
At 31 December 2005								
Cost	238,558	1,163,302	10,531	89,762	20,004	10,854	3,439	1,536,450
Depreciation & Impairment	(71,073)	(543,250)	(6,153)	(67,850)	0	(2,058)	(1,184)	(691,568)
Net carrying amount	167,485	620,052	4,378	21,912	20,004	8,796	2,254	844,882
Major paper machine rebuilds								364
Cost reduction and productivity improvement								12,378
Maintenance								24,459
Information technology								4,292
Environment and safety								10,474
Total Capex = Additions								51,967

Cost reduction and productivity improvement Capex were allocated as follows:

— EUR 2.6 M in Cartiere del Garda SpA, of which EUR 2.3 M for a Jet Flow/BTG Bent Blade Beloit off-line coater.

— EUR 5.3 M in Condat SA of which EUR 1.3 M for Rewinder 9 now shared by Line 4 and Line 8 and EUR 0.8 M for the replacement of quality control system equipments on Coater 7 and Calender 7 in Line 6.

— EUR 4.5 M in Torraspapel Group, of which EUR 2.6 M in Sarrià for a new head box on PM4, EUR 0.9 M in Zaragoza and EUR 0.8 M in Sant Joan.

Maintenance Capex were allocated as follows:

— EUR 5.7 M in Cartiere del Garda SpA, of which EUR 1.0 M for the upgrading of the Vari Dur unwinder, EUR 1.0 M for Solar gas turbine and EUR 1.2 M for office, canteen and other rebuilding.

— EUR 2.0 M in Condat SA of which EUR 0.6 M for Stal steam turbine.

— EUR 16.7 M in Torraspapel Group, of which EUR 2.2 M on Sheeter 8 in Motril, EUR 1.4 M for the quality control system of the off-line coater in Zaragoza, EUR 1.3 M for the reel wrapping machine in Motril, EUR 1.1 M for transferring the Calender 7 from Sarrià to Motril and EUR 1.0 M for a sheeter in Almazán.

Information technology Capex were allocated as follows:

— EUR 0.2 M in Cartiere del Garda SpA.

— EUR 1.4 M in Condat SA of which EUR 0.9 M related to the development of ERP system.

— EUR 2.6 M in Torraspapel Group.

Environment and safety Capex were allocated as follows:

— EUR 1.6 M in Cartiere del Garda SpA, including a sludge dryer, building sound insulation and the first part of a pipe line aimed at directing rain water to the biological treatment plant.

— EUR 3.2 M in Condat SA of which EUR 2.0 M for the replacement of the cast of PM4 press section.

— EUR 5.7 M in Torraspapel Group, of which EUR 1,8 M for the fire prevention and protection in Zaragoza.

The Reclassifications were as follows:

EUR 51,719 K of Work in progress came into service.

EUR 4 K of forklifts were transferred from Leased to Purchased motor vehicles.

16. Goodwill

	(in EUR K)
At 1 January 2005	
Gross amount	178,761
Impairment	0
Net carrying amount	178,761
Effect of adopting IAS 32 & 39	0
Additions	0
Impairment losses charged	0
Disposals	0
Exchange adjustments	0
At 31 December 2005	
Gross amount	178,761
Impairment	0
Net carrying amount	178,761

Note: Lecta Group has no intangible asset with indefinite life.

Impairment testing of Goodwill:

The Goodwill has been allocated to three cash-generating units that are the geographical divisions based on location of industrial assets, Italy, France and Spain.

The recoverable amounts of these cash-generating units have been determined based on values-in-use calculation. This was produced based upon 2006 to 2009 cash flow projections part of the Lecta financial plan, as approved by Lecta Group Management. As already mentioned in Note 1.01, Management of Lecta Group made assumptions for the years to come. The cash flows beyond 2009 are extrapolated being equal to those in the year 2009. The pre-tax discount rate applied to cash flow projections is 12.3%.

The origin of the Goodwill and their allocation to the cash-generating units are explained hereunder.

— On 13 November 1998, Condat Holding SA acquired the entire share capital of Condat SA for EUR 142.8 M. The historical Goodwill amounting to EUR 87.9 M was amortized over 20 years until 1 January 2004, date of transition to IFRS. At that date, the cumulated amortization was EUR (22.7) M. The net amount of 65.2 M was allocated to the unit France.

— On 13 December 1999 the entire share capital but one share of Sub Lecta 1 SA was contributed to Lecta SA for EUR 151.9 M. The Goodwill amounting to EUR 102.9 M was amortized over 20 years until 1 January 2004, date of transition to IFRS. At that date, the cumulated amortization was EUR (21.0) M. The net amount of EUR 81.9 M was globally related to the whole sub-group held by Sub Lecta 1 SA. Lecta Group Management considers that there is no economical way to split this Goodwill between the two industrial companies of this sub-group, Cartiere del Garda SpA and Condat SA. Nevertheless, for the sake of impairment testing only, Management let this Goodwill arbitrarily allocated to the unit Italy. This decision has no impact on the result of the test anyway.

— On 13 December 1999 the entire share capital but one share of Sub Lecta 2 SA was contributed to Lecta SA for EUR 51.1 M. The Goodwill amounting to EUR 14 K was amortized over 20 years until 1 January 2004, date of transition to IFRS. At that date, the cumulated amortization was EUR (3) K. The net amount of EUR 11 K was allocated to the unit Spain.

— On 14 December 1999, Torraspapel Holding SA (previously Nueva Organización SA) acquired 95.0486% of the share capital of Torraspapel SA for EUR 315.9 M. The Goodwill amounting to EUR 11.3 M was written-off at 31 December 2001 simultaneously to the recognition of pre-acquisition tax losses. On 30 October 2002, following a reduction of the acquisition price of Torraspapel SA of EUR (19.0) M a Badwill of the same amount was booked. It was amortized over 13 years until 1 January 2004, date of transition to IFRS. At that date, the cumulated amortization was EUR 1.8 M. The net amount of EUR (17.2) M was fully eliminated against Equity.

— In 2002, a correction was made to the acquisition balance of Cartiere del Garda SpA. Therefore, a Goodwill of EUR 25.7 M was booked. It was amortized over 20 years starting back from the acquisition of this company, 02.10.1997. This amortization was frozen at 1 January 2004, date of transition to IFRS. At that date, the cumulated amortization was EUR (8.0) M. The net amount of EUR 17.7 M was allocated to the unit Italy.

— A merger took effect under Italian law on 1 August 1997, of which Cartiere del Garda SpA was the surviving entity. As a consequence, Transaction goodwill of EUR 96.8 M, to be amortized over 10 years, was recorded. On 2 October 1997, Sub Lecta 1 SA acquired Cartiere del Garda SpA. In view of the Lecta Group accounting policy, the tangible assets were revalued at their market value according to an external appraisal and the value of inventories was adjusted on 30 June 1998, date of the first consolidation of the Cartiere del Garda Group. The counterpart to this revaluation of EUR 77.5 M was subtracted from Transaction Goodwill. Its residual value of EUR 19.3 M was amortized over 20 years until 1 January 2004, date of transition to IFRS. At that date the cumulated amortization was EUR (5.3) M. This Transaction goodwill was transferred from Intangible assets to Goodwill. The net amount of EUR 14.0 M was allocated to the unit Italy.

As a whole, the Goodwill was allocated as follows:

Italy.....	EUR 113.6 M
France .	EUR 65.2 M
Spain...	EUR 11 K
Total....	EUR 178.8 M

The impairment test was successfully passed and no impairment was accounted for.

17. Other intangible assets

	GHG emission rights	Other intangible assets	TOTAL
At 1 January 2005			
Gross amount		2,312	
Amortization & Impairment...........................	_	(1,393)	
Net carrying amount..	0	919	919
Effect of adopting IAS 32 & 39	0	0	0
Additions...	0	0	0
Amortization charge...		(139)	(139)
Impairment losses charged...............................		0	0

Impairment losses reversed as profit		0	0
Var.of fair value through Income statement	0		0
Disposals	0	0	0
Exchange adjustments	0	0	0
At 31 December 2005			
Gross amount		2,062	
Amortization & Impairment		(1,282)	
Net carrying amount	0	780	780

Other intangible assets consisted of:

— Rights to connect to the electricity network for Cogeneración Motril SA and for the cogeneration plant of Zaragoza (Spain).

— Patents and Trademarks, fully amortized.

18. Available-for-sale financial investments

At 1 January 2005	
Fair value	1,498
Effect of adopting IAS 32 & 39	0
Additions	0
Increases of fair value through Equity	235
Decreases of fair value through Equity	(24)
Impairment losses charged	0
Disposals	0
Exchange adjustments	0
At 31 December 2005	
Fair value	1,709

At 31 December 2005, the detail of Available-for-sale financial assets was as follows:

Companies	Control	Fair value	Revenue	Profit (loss) after tax	Equity	Borrowings (Cash)	Closing date
Catalana d'Iniciatives CR SA	0.39%	293	3,367	(1,853)	60,251	10,037	31.12.2004
Celulosa y Papel del Ferrol SA	31.945%	0	0	0	0	0	31.12.2004
Cogeneración del Ter SL	1%	37	10,424	(110)	4,645	374	31.12.2005
Condat Benelux SA	100%	433	625	60	131	(54)	31.12.2005
Condat North America Inc.	100%	0	586	3	60	87	31.12.2004
Condat UK Ltd	51%	87	1,550	225	306	(184)	31.12.2005
Consorzio Nazionale Imballaggi Scarl	0.0046%	1	19,630	837	19,469	(12,441)	31.12.2004
Eurogalicia Forestal SA	76.84%	0	0	0	156	0	31.12.2004
Expresso Paper Platform BV	6.0827%	0	518	(4,788)	(27)	(94)	31.12.2005
Formazione Assindustria Trento Scarl	1.7%	3	844	(27)	167	(1)	31.12.2004
Garda UK Ltd	100%	291	596	31	320	(120)	31.12.2005
Gas Intensive Scarl	0.52%	1	28	(8)	198	(178)	31.12.2004
Lecta Deutschland GmbH	100%	45	996	7	191	(25)	31.12.2005
Lecta North America Inc	100%	128	2,353	54	128	744	31.12.2005
Lecta Services Sprl	99.5%	20	2,053	90	267	(234)	31.12.2005
Liaison Technologies LLC	1.5205%	167	7,265	(2,826)	4,278	(3,949)	31.12.2005
Promotora del Ulla SA	45.2%	89	0	(9)	197	(103)	31.12.2004
SVL pilote	0%	0	7,451	89	204	2,489	31.12.2004
Torras Dorna SA	100%	99	0	4	99	(0)	31.12.2005
Torras Hostench SL	100%	14	0	(1)	11	0	31.12.2005
		1,7					

All the above companies are unlisted.

19. Biological assets

	(in EUR K)
At 1 January 2005	
Fair value	714
Effect of adopting IAS 32 & 39	0
Additions	0
Changes of fair value	647
Decrease due to harvest	(778)
Impairment losses charged	0
Impairment losses reversed as profit	0
Disposals	0
Exchange adjustments	0
At 31 December 2005	
Fair value	583

Biological assets only consisted of standing timber.

20. Inventories

	Wood/ Pulp/ Base Paper	Other Raw materials	Work In Process	Finished goods (in EUR K)	Purchased products	Other inventories	TOTAL
At 1 January 2005							
Cost	34,166	3,622	15,163	71,394	8,641	27,835	160,822
Impairment	(2)	0	(219)	(1,850)	(541)	(5,945)	(8,557)
Net carrying amount	34,164	3,622	14,944	69,545	8,101	21,889	152,266
Effect of adopting IAS 32 & 39	0	0	0	0	0	0	0
Movements	5,116	100	1,927	6,690	560	615	15,008
Impairment	(2)	0	150	567	(92)	(398)	224
Exchange adjustments	0	0	0	0	0	0	0
At 31 December 2005							
Cost	39,282	3,723	17,090	78,084	9,201	28,450	175,831
Impairment	(4)	0	(69)	(1,283)	(632)	(6,344)	(8,332)
Net carrying amount	39,278	3,723	17,021	76,801	8,569	22,107	167,498

Wood is used for the production of pulp, which in turn is the main ingredient for the production of paper. Base paper is employed for the production of specialties. Other Raw materials mainly consisted of coatings and chemicals used in the process of production. Finished goods consisted of paper produced and ready for sale, while Purchased products consist of paper purchased from third parties and ready for trading. Other inventories included spare parts for the maintenance of plant & machinery, felts and wires.

21. Trade receivables

	(in EUR K)
At 1 January 2005	
Cost	276,970
Impairment	(2,513)
Net carrying amount	274,457
Effect of adopting IAS 32 & 39	(113)
Movements	12,220
Impairment	151
Exchange adjustments	0
At 31 December 2005	

Cost	289,077
Impairment	(2,362)
Net carrying amount	286,715
Non-current	0
Current	286,715

The hedging of sales denominated in non-euro currencies is detailed in Note 37.4.

22. Prepayments

	(in EUR K)
At 1 January 2005	
Cost	1,324
Impairment	0
Net carrying amount	1,324
Effect of adopting IAS 32 & 39	0
Movements	(274)
Impairment	0
Exchange adjustments	0
At 31 December 2005	
Cost	1,049
Impairment	0
Net carrying amount	1,049
Non-current	0
Current	1,049

Prepayments included insurance premiums.

23. Other receivables

	Loans	Deposits and guaranties	Grants receivables	Capital receivables	Shareholders receivables	Dividends receivables	Options on non-consol. companies	Interest rate hedging	Misc. other receivables	TOTAL
					(in EUR K)					
At 1 January 2005										
Cost or fair value	211	1,657	474	0	0	0	0	0	0	2,342
Impairment	0	(11)	0	0	0	0			0	(11)
Net carrying amount	211	1,646	474	0	0	0	0	0	0	2,331
Effect of adopting IAS 32 & 39	0	0	0	0	0	0	0	0	0	0
Movements	1,4	(38)	(237)	0	0	0	0	0	0	1,213
Var.of fair value through Income statement							0	0		0
Increases of fair value through Equity								0		0
Decreases of fair value through Equity								0		0
Impairment	0	0	0	0	0	0			0	0
Disposals	0	0	0	0	0	0			0	0
Exchange adjustments	49	17	0	0	0	0	0	0	0	66
At 31 December 2005										
Cost or fair value	1,7	1,636	237	0	0	0	0	0	0	3,621
Impairment	0	(11)	0	0	0	0			0	(11)

Net carrying amount	1,7	1,625	237	0	0	0	0	0	0	3,610
Non-current	1,2	1,621	0	0	0	0	0	0	0	2,893
Current	477	4	237	0	0	0	0	0	0	717

Options on non-consolidated companies are detailed in Note 37.2. Their value was null. Interest rate hedging is detailed in Note 37.3.

24. Cash & cash equivalents

	(in EUR K)
At 1 January 2005	144,776
Effect of adopting IAS 32 & 39	0
Movements	(19,905)
Exchange adjustments	0
At 31 December 2005	124,871
Cash in hand	1,015
Current accounts	54,937
Deposits	13,234
Certificates of deposits	15,860
Marketable securities	39,826
At 31 December 2005	124,871

Marketable securities are Government bonds, Treasury bills and similar short-term securities.

25. Equity

25.1. Paid-in capital and Share premium

Paid-in capital at 31 December 2005
Lecta SA

		Paid-in capital		New shares authorized	
Class	Rights, preferences and restrictions	Number	EUR	Number	EUR
A1	ordinary	113,852	293,738.16		
A2	preferred without voting right	113,858	293,753.64		
B	ordinary	22,460	57,946.80		
C1A	ordinary	13,652	35,222.16	7,351	18,965.58
C1B	ordinary	14,146	36,496.68	7,617	19,651.86
C2A	ordinary	2,324	5,995.92	760	1,960.80
C2B	ordinary	2,396	6,181.68	783	2,020.14
C3A	ordinary	5,500	14,190.00	5,352	13,808.16
C3B	ordinary	5,670	14,628.60	5,519	14,239.02
D	ordinary	1,453	3,748.74	1,184	3,054.72
E	ordinary	468	1,207.44		
G1	ordinary	12,296	31,723.68	4,312	11,124.96
G2	ordinary	11,020	28,431.60		
I	ordinary	0	0.00	2,500	6,450.00
J1	ordinary	100,000	258,000.00		
J2	preferred without voting right	15,000	38,700.00		
X1	preferred without voting right	90,361	233,131.38		
X2	preferred without voting right	30,121	77,712.18		
Y	preferred without voting right	35	90.30		
		554,612	1,430,898.96	35,378	91,275.24

All the shares have a par value of EUR 2.58.

Lecta SA was incorporated on 14 October 1999 with a share capital composed of 12,015 shares with a par value of EUR 2.58 representing EUR 31 K.

On 13 December 1999, Lecta SA increased its share capital by the issuance of 416,296 new shares with a par value of EUR 2.58 representing EUR 1,074 K, of which EUR 85 K were not called for payment. The premium attached to each new share issued amounted to EUR 362.5448 totaling EUR 150,926 K. This share capital increase was paid in kind by the contribution of the entire share capital but one share of Sub Lecta 1 SA valued at EUR 151,915 K.

On 13 December 1999, Lecta SA increased its share capital by the issuance of 112,685 new shares with a par value of EUR 2.58 representing EUR 291 K. The premium attached to each new share issued amounted to EUR 450.4794 totaling EUR 50,762 K. This share capital increase was paid in kind by the contribution of the entire share capital but one share of Sub Lecta 2 SA valued at EUR 51,053 K.

On 31 December 1999, the subscribed Share capital was composed of 540,996 shares with par value of EUR 2.58 representing EUR 1,396 K, of which EUR 85 K were not called for payment.

During the period 01 January 2000 to 31 December 2003, several capital increases took place by the issuance of 23,316 new shares representing a total par value of EUR 60 K and a total premium of EUR 855 K.

On 13 December 2002, all the 9,700 class K preferred shares were redeemed representing a total par value of EUR 25 K and a total premium of EUR 65,924 K.

On 12 December 2004, EUR 85 K (consisting of 75% of 43,688 shares of class C) were called for payment. Therefore, all the shares were fully paid.

On 31 December 2005, the subscribed Share capital was composed of 554,612 shares with a par value of EUR 2.58 representing EUR 1,431 K, all shares being fully paid.

The Board of Directors is authorized, during a period ending on 12 December 2007, to increase once or several times the subscribed Share capital within the limits of the authorized Share capital up to an amount of EUR 1,665 K, i.e. by the issuance of up to 90,836 new shares all with a par value of EUR 2.58, representing EUR 234 K.

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 2005, 90,378 warrants had been issued and sold of which 47,500 had expired. The remaining 42,878 warrants had different rights of conversion, subject to condition precedent, entitling holders to subscribe up to 35,378 shares.

After the constitution of Lecta Group certain employees bought shares and warrants at fair value price.

25.2. Net unrealized gains (losses)

The origin of this reserve was as follows:

	31 Dec 2005	1 Jan 2005	31 Dec 2004
		(in EUR K)	
Available-for-sale financial assets, adjustment at fair value (see Note 18)	211	0	0
Cash flow hedging of interest rates, effective part of fair value (see Note 32)	(3,533)	(13,380)	0
Actuarial gains (losses) on defined benefits plans (see Notes 29 and 34)	(3,784)	0	0
Deferred tax on the above items (see Note 30.2)	+2,532	+4,734	0
Options on minorities (see Note 32)	(6,824)	(7,176)	0
Total	(11,399)	(15,822)	0

Group	(4,497)	(8,463)	0
Minority	(6,902)	(7,359)	0

1 January 2005 is the date of adoption and transition to IAS 32, "Financial Instruments: Disclosures and presentation" and IAS 39, "Financial instruments: Recognition and Measurement". See Notes 1.02 and 3.2.

25.3. Foreign currency translation

This reserve is the consequence of the consolidation of subsidiaries that are not in the Euro zone:

— Torras Paper Ltd (GBP)

— Torraspapel Argentina SA (ARS)

— Torraspapel Maroc Sàrl (MAD)

— Torraspapel México S. de R.L. de C.V. (MXN)

— Torraspapel Servicios México S. de R.L. de C.V. (MXN)

25.4. Accumulated net profit (losses)

The breakout of this reserve was as follows:

	31 Dec 2005	31 Dec 2004
	(in EUR K)	
Legal reserve of Lecta SA	143	143
Other reserves from Lecta SA	23,171	23,255
Reserves Group generated by the consolidation process	277,819	250,249
Total	301,133	274,647

26. Interest-bearing borrowings

	Senior debt	Externalized pension funds	Lease obligations	Other	TOTAL
			(in EUR K)		
At 1 January 2005	834,548	10,661	1,971	23,009	870,190
Effect of adopting IAS 32 & 39	(17,714)	0	0	8,213	(9,501)
Increase of principal	(4,103)	0	1,915	0	(2,188)
Repayment of principal	(79,644)	(1,697)	(1,344)	(14,488)	(97,173)
Variation of interests	71	(9)	0	147	209
Amortization of issue costs	2,699	0	0	0	2,699
Exchange adjustments	0	0	0	0	0
At 31 December 2005	735,856	8,956	2,542	16,881	764,235
Non-current	718,794	7,213	1,246	12,236	739,489
Current	17,062	1,742	1,296	4,646	24,747

The borrowings were essentially expressed in Euro.

Senior debt

Senior debt mainly consisted in facilities dedicated to the acquisition of companies, the funding of their pre-acquisition debt and needs in working capital or capital expenditures. Rates are Euribor plus margins (from 2.00 to 2.50% subject to step-down reductions according to the Leverage of the Group). A part of the Senior debt was hedged (see Note 37.3). Repayments of principal and payments of interests are done according to installment schedules, respectively twice and four times a year. There can also be prepayments (voluntary, mandatory or further to "excess cash flow"). The last payment is scheduled on 13 December 2010.

At 31 December 2005, the Senior debt was:

— Principal amount of EUR 754,905 K. The scheduled future installments were:

2006	2007	2008	2009	2010	TOTAL
21,428	27,1	117,9	117,9	470,346.	754,9

— Accrued interests of EUR 71 K

— Issue costs capitalized using the effective interest method of EUR (19,119) K of which EUR (4,103) K where 2005 costs (in the line Increase of principal) related to the amendment to the Senior debt agreement (see Note 3.4).

At 31 December 2005, the group companies had non-utilized credit lines up to a maximum principal of EUR 80M.

Senior debt is subject to quarterly financial covenants.

— Interest cover = EBITDA / Net cash interest $ 2.25 from December 2005 to December 2006, then globally increasing up to 4.00 from December 2009.

— Cash flow cover = Cash flow / Debt service $ 1.00 permanently from March 2003.

— Leverage = Net borrowings / EBITDA # 4.50 from December 2005 to December 2006, then globally decreasing down to 2.50 from June 2009.

Externalized pension funds

The liability of pensions for retired people of Torraspapel Group was externalized in 2001. The interest rate is 5.85% per year. Repayments of principal and payments of interests are done according to constant installments, four times a year. The last payment is scheduled on 28 February 2011. At 31 December 2005, the Externalized pension funds were:

— Principal amount of EUR 8,911 K. The scheduled future installments were:

2006	2007	2008	2009	2010	2011	TOTAL
1,697	1,6	1,6	1,6	1,6	425	8,911

— Accrued interests of EUR 45 K

Lease obligations

A reconciliation between lease obligation present value and future minimum leases payments is provided in Note 33.1.

Other borrowings

At 31 December 2005, Other borrowings were:

— Borrowings with a rate of 0%, granted in the context of environmental installations. These borrowings were restated to bring out the embedded grant, using the effective interest rate method. At 31 December 2005, the amount was EUR 3,806 K.

— Borrowing in Cogeneración Motril SA from La Caixa: The rate is Euribor + 1%. Repayments of principal and payments of interests are done according to an installment schedule, twice a year.

At 31 December 2005, the principal amount was EUR 11,402 K. The scheduled future installments were:

2006	2007	2008	2009	TOTAL
3,485 .	3,2	3,4	1,1	11,402

— Residual commitment in trade receivables assigned to financial institutions through non-recourse agreements: EUR 196 K.

— Miscellaneous: EUR 1,477 K.

27. Bank overdrafts

At 1 January 2005	3,1
Effect of adopting IAS 32 & 39	0
Movements	1,5
Exchange adjustments	0
At 31 December 2005	4,7

28. Grants

	(in EUR K)
At 1 January 2005	
Net carrying amount	11,856
Effect of adopting IAS 32 & 39	1,278
Movements	296
Amortization (income)	(1,053)
Exchange adjustments	0
At 31 December 2005	
Net carrying amount	12,378
Non-current	11,328
Current	1,050

Grants were allocated as follows:

— EUR 2,160 K in Condat SA.

— EUR 10,218 K in Torraspapel Group.

29. Provisions

	Early retirement scheme	Other social commitments	Other	TOTAL
		(in EUR K)		
At 1 January 2005	1,359	24,818	3,382	29,560
Effect of adopting IAS 32 & 39	0	0	0	0
Additional	0	1,757	2,668	4,425
Utilized	(638)	(2,085)	(315)	(3,038)
Unused reversed	(30)	(68)	(387)	(485)
Increases of fair value through Equity		3,784		3,784
Decreases of fair value through Equity		0		0
Exchange adjustments	0	0	0	0
At 31 December 2005	691	28,206	5,348	34,246
Non-current	0	26,964	2,393	29,357
Current	691	1,242	2,955	4,888

Provision for early retirement scheme was related to a termination benefit plan called CATS (see Note 34.7).

Provision for other social commitments was composed of (see Note 34):		
— For Cartiere del Garda SpA employees	EUR	9,786K
— For Condat SA employees		16,0
— For Lecta Europe Sàrl employees		254
— For employees of Torraspapel SA and its subsidiaries		2,1
	EUR	28,206K
Other provisions in Cartiere del Garda SpA were made up of:		
— Social security		820K
— Deficit of CO_2 emission rights		443
— Litigation with customers		110
— Agents termination indemnities		108
— Litigations with suppliers		105
	EUR	1,586K
Other provisions in Condat SA were made up of:		
— Litigation with customers	EUR	920K
— Social security, redundancies, overtime		890
— Miscellaneous		415
	EUR	2,225K
— Other provisions in Torraspapel Holding SA and its subsidiaries were made up of:		
— Tax litigations		1,395K
— Miscellaneous		142
	EUR	1,537K

30. Income tax in the balance sheet

	Income tax receivable	Income tax payable	Deferred tax assets	Deferred tax liablities	TOTAL assets (liabilities)
			(in EUR K)		
At 1 January 2005	4,461	8,577	76,343	60,846	11,382
Effect of adopting IAS 32 & 39	0	0	4,859	6,261	(1,402)
Variations through income statement	(405)	3,756	(12,465)	(1,087)	(15,539)
Increases of fair value through Equity			1,303	24	1,280
Decreases of fair value through Equity			(3,491)	(8)	(3,482)
Payments	28	(6,146)			6,174
Exchange adjustments	0	0	0	0	0
At 31 December 2005	4,084	6,318	66,550	66,035	(1,719)
Non-current	3,963	0	66,550	66,035	4,478
Current	121	6,318			(6,197)

Since 1 January 1999, Condat Holding SA is the parent company of a French tax-pooling group (“intégration fiscale”) created with its two subsidiaries, Condat SA and Lecta Europe Sàrl.

Since 1 January 2001, Torraspapel Holding SA is the parent company of a Spanish tax-pooling group (under Spanish Law 43/1995 regulating the taxation of consolidated income of groups of companies). Other members of the group are Torraspapel SA and some of its Spanish-resident subsidiaries over which it has at least 75% control. The Spanish tax group already existed in the previous years with Torraspapel SA as parent.

30.1. Income tax receivable and payable

The EUR 4,084 K of income tax receivable was mainly a tax credit of EUR 3,889 K that will be recovered by Cartiere del Garda SpA no later than 2008.

The EUR 6,318 K of income tax payable included:

— Balance of “Imposta sostitutiva” related to tax revaluation of Cartiere del Garda SpA made in 2003: EUR 4,975 K to be paid in 2006.

— Withholding tax linked with the payment of dividends by Torraspapel SA: EUR 64 K

30.2. Deferred income tax

The following schedule details the deferred income tax assets and liabilities by nature, at 31 December 2005.

	Actual Dec 2005	Actual Dec 2004	Variations 2005 through Income stat.	Variations 2005 through Equity
	(in EUR K)			
Loss to be carried forward up to 5 years	16,447	13,395	3,051	0
Loss to be carried forward up to 15 years	15,024	16,214	(1,190)	0
Loss to be carried forward indefinitely	9,047	9,932	(885)	0
S/T Tax losses	40,517	39,541	976	0
Provision for early retirement scheme	238	475	(237)	0
Charges for other social commitments	15,911	17,500	(1,589)	0
Non-deductible provisions	5,759	7,065	(1,306)	0
Deductible legal revaluation in Italy	0	7,574	(7,574)	0
Unrealized losses through Equity	2,547	0		2,547
Other deferred tax assets	1,578	4,189	(2,736)	124
S/T Temporary differences	26,033	36,802	(13,441)	2,671
Deferred tax assets	66,550	76,343	(12,465)	2,671
Accelerated tax depreciation	41,729	50,528	8,798	0
Tangible assets revaluation at acquisition	8,748	9,590	842	0
Deductible legal revaluation in Italy	8,113	0	(8,113)	0
Unrealized gains through Equity	15	0		(15)
Other deferred tax liabilities	7,429	728	(440)	(6,261)
S/T Temporary differences	66,035	60,846	1,087	(6,276)
Deferred income tax liabilities	66,035	60,846	1,087	(6,276)
Net value	515	15,498	(11,378)	(3,605)

Cartiere del Garda SpA generated tax losses in 2004 and 2005. At 31 December 2005, the total of deferred tax on loss to be carried forward was EUR 16,447 K of which EUR 13,995 K have to be used before 31 December 2009 and EUR 3,051 K before 31 December 2010. Management, in view of the plan, considers that the tax losses will be used against taxable profits within a few years and in any case before the above limit.

The impact of deductible legal revaluation in Italy, which applied in Cartiere del Garda SpA, was an asset on 31 December 2004 and a liability on 31 December 2005. This is due to the combination of local tax rules and of the tax loss situation of the company.

The new lines in 2005, Unrealized losses and gains through Equity, are a consequence of the introduction of IAS 32 & 39 and of the early adoption of IAS 19 (see Note 1.02).

At 31 December 2005, the Income tax rates used for Deferred tax purposes were as follows:

Country	Rate
Argentina	35%
France	33.33% to 34.43%
Germany	35.78%
Italy	33% (IRPEG) + 4.25% (IRAP)
Luxembourg	29.63%
Mexico	29%

Morocco	35%
Portugal	27.5%
Spain	35%
UK	30%

The Lecta Group didn't record deferred tax assets on deductible temporary differences, unused tax losses and unused tax credits, for several consolidated entities, under conservative valuation criteria. The table below shows the last possible year of use for such tax-deductible carry forward amounts as of 31 December 2005:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Indef.	Total
						(in EUR K)						
Lecta SA	0	0	0	0	0	0	0	0	0	0	1,0	1,0
Sub Lecta 1 SA	0	0	0	0	0	0	0	0	0	0	65,3	65,3
Sub Lecta 2 SA	0	0	0	0	0	0	0	0	0	0	6,3	6,3
Sub-Total Luxembourg	0	0	0	0	0	0	0	0	0	0	72,6	72,6
Cartiere del Garda SpA	0	0	0	0	0	0	0	0	0	0	0	0
Torraspapel Italia Srl	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Italy	0	0	0	0	0	0	0	0	0	0	0	0
Condat Holding SA	0	0	0	0	0	0	0	0	0	0	0	0
Condat SA	0	0	0	0	0	0	0	0	0	0	0	0
Lecta Europe Sàrl	0	0	0	0	0	0	0	0	0	0	0	0
Torraspapel France Sàrl	0	0	0	0	0	0	0	0	0	0	351	351
Sub-Total France	0	0	0	0	0	0	0	0	0	0	351	351
Torraspapel Holding SA	0	0	0	0	0	0	0	0	0	19,3	0	19,3
Torraspapel SA	0	0	0	7,7	0	123	0	0	0	0	0	7,8
Cogeneración Motril SA	0	0	0	0	0	0	0	0	0	0	0	0
Dispap SA	0	451	2,7	0	0	1,0	0	38	0	0	0	4,2
Sarriopapel y Celulosa SA	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Spain	0	451	2,7	7,7	0	1,1	0	38	0	19,3	0	31,5
Sarriopapel Distribuiçao Lda	0	0	0	0	0	0	0	0	0	0	0	0
Torras Papel Lda	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Portugal	0	0	0	0	0	0	0	0	0	0	0	0
Toras Paper Ltd	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total United Kingdom	0	0	0	0	0	0	0	0	0	0	0	0
Torras Papier GmbH	0	0	0	0	0	0	0	0	0	0	5,3	5,3
Sub-Total Germany	0	0	0	0	0	0	0	0	0	0	5,3	5,3
Torraspapel Argentina SA	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Argentina	0	0	0	0	0	0	0	0	0	0	0	0
Torraspapel Maroc Sàrl	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Morocco	0	0	0	0	0	0	0	0	0	0	0	0
Torraspapel México	0	0	0	0	0	0	0	0	0	0	0	0
Torraspapel Servicios México	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Mexico	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	451	2,7	7,7	0	1,1	0	38	0	19,3	78,4	109,9

These tax-deductible carry forward amounts could lead to a total income tax saving of up to EUR 34,611 K in view of the above-mentioned income tax rates. Nevertheless, they can only be compensated with future profits of each of the respective companies.

31. Trade payables

	(in EUR K)
At 1 January 2005	
Net carrying amount	278,432
Effect of adopting IAS 32 & 39	(9,249)
Movements	32,241
Exchange adjustments	0
At 31 December 2005	
Net carrying amount	301,424
Non-current	0
Current	301,424

The hedging of purchases in foreign currencies is detailed in Note 37.4.

32. Other payables

	Capital payables	Shareholders payables	Dividends payables	Options on Minorities	Options on non-consol. companies	Interest rate hedging	Misc. other payables	TOTAL
				(in EUR K)				
At 1 January 2005								
Net carrying amount	11,108	0	0	0	0	0	75	11,182
Effect of adopting IAS 32 & 39	0	0	0	7,176	0	13,380	0	20,557
Movements	2,151	0	321		0	22	4,607	7,101
Var.of fair value through Income statement					0	9		9
Increases of fair value through Equity				0		0		0
Decreases of fair value through Equity				(352)		(9,847)		(10,199)
Exchange adjustments	0	0	0	0	0	0	0	0
At 31 December 2005								
Net carrying amount	13,259	0	190	6,824	0	3,565	4,682	28,519
Non-current	0	0	0	6,824	0	0	0	6,824
Current	13,259	0	190	0	0	3,565	4,682	21,695

Options on Minorities are detailed in Note 37.1. Options on non-consolidated companies are detailed in Note 37.2. Their value was null. Interest rate hedging is detailed in Note 37.3.

33. Commitments and contingencies

33.1. Finance leases

Net carrying amounts by class of assets at 31 December 2005 are part of Property, plant and equipment (see Notes 1.12 and 15).

	Present value	Interest to be paid	Future minimum payments
		(in EUR K)	
later than five years	0	0	0
later than one year and not later than five years	1,246	48	1,294
not later than one year	1,296	33	1,330
Total	2,542	81	2,624

Finance leases in Lecta Group are hire-purchase contracts for buildings, personal computers, cars or forklifts.

— No sublease is allowed.

— All these contracts are non-rescindable.

— No material issue is related to these contracts.

— There is no contingent rent.

33.2. Operating leases

Operating leases are expensed in Other operating costs except unusual items of Income statement (see Note 1.12).

	Future minimum payments (in EUR K)
Future minimum payments	
later than five years	584
later than one year and not later than five years	8,906
not later than one year	4,964
Total future minimum payments	14,454
Expense of the year	5,930

Operating leases in Lecta Group are commercial leases of office buildings, warehouses and small fittings (such as copy machines). It is not the best interest of the Group to purchase these assets.

— No material issue is related to these contracts.

33.3. Capital commitments

At 31 December 2005, Lecta Group has firm commitments in relation to orders of Property, plant and equipment net of advances to suppliers of EUR 16.4 M.

These commitments were allocated as follows:

— EUR 2.2 M in Cartiere del Garda SpA.

— EUR 6.9 M in Condat SA.

— EUR 7.3 M in Torraspapel Group.

33.4. Other contracts

33.4.1. In order to realize savings on energy costs, Torraspapel SA entered into a contract to purchase steam from the cogeneration plant of Cogeneración del Ter SL. Since 1998, Torraspapel SA is committed to buy a yearly quantity of 232,000 tonnes of steam at an estimated price of EUR 1.2 M (value 2005).

33.4.2. In order to realize savings on energy costs, Condat SA entered into a contract to purchase steam from the cogeneration plant of Périgord Énergies SNC. Since March 2001 and for a period of twelve years, Condat SA is committed to buy and use a minimum quantity of 65.1 MW of steam throughout a 5-month period (from November to March each year) at an estimated price of EUR 4.44 M, value Winter 2005, vs EUR 2.73 M, value Winter 2004.

33.5. Guarantees issued

33.5.1 Guarantees in favor of Lecta's syndicate of senior debt lenders.

Assets have been pledged and mortgaged in order to guarantee the access of the companies to the credit lines up to a maximum principal of:

	EUR M
Cartiere del Garda SpA	195
Condat Holding SA and its subsidiaries	413
Torraspapel Holding SA and its subsidiaries	570

33.5.2 Other guarantees in favor of banks.

Shares and Receivables of Cogeneración Motril SA have been pledged to guarantee its banks exposure of EUR 11.4 M.

33.5.3. Guarantee issued by Condat SA in favor of SVL Pilote Sàrl for the leasing of a finished goods storage building: EUR 3.0 M.

33.5.4. Guarantee issued by Condat Holding SA in favor of Agence de l'Eau Adour-Garonne for a non-interest bearing loan granted to Condat SA: EUR 1.9 M.

33.6. Lawsuits.

The Group is the subject of a number of lawsuits, which have arisen, in the normal course of business. While any litigation has an element of uncertainty, the management of the Group believes that the outcome of such lawsuits will not have a material adverse effect on its financial condition or operations.

34. Employee benefits

34.1. Amounts recognized in Profit or Loss

	2005	2004
	(in EUR K)	
Short-term employees benefits	(225,749)	(222,775)
Defined contributions post-employment plans	(9,122)	(8,472)
Defined benefit post-employment plans	(337)	(1,043)
Other long-term benefits	(201)	72
Termination benefits	30	205
Labor costs	(235,380)	(232,013)
Short-term employees benefits	0	0
Defined contributions post-employment plans	(197)	(800)
Defined benefit post-employment plans	(273)	(276)
Other long-term benefits	0	0
Termination benefits	0	0
Other operating costs except unusual items	(470)	(1,076)
Short-term employees benefits	0	0
Defined contributions post-employment plans	0	0
Defined benefit post-employment plans	(813)	(1,060)
Other long-term benefits	(79)	(99)
Termination benefits	0	0
Finance costs	(892)	(1,159)

34.2. Amounts recognized directly through Equity

	2005	2004
	(in EUR K)	
Short-term employees benefits	0	0
Defined contributions post-employment plans	0	0
Defined benefit post-employment plans	(3,682)	0
Other long-term benefits	(102)	0
Termination benefits	0	0
Actuaries gains and losses	(3,784)	0

34.3. Short-term employee benefits

They include wages, salaries, paid holidays, social contributions, sick leave, compensated absences, bonuses, profit sharing and non-monetary benefits (medical care, housing, cars), all paid within 12 months after service is rendered.

Hereunder are the main local specificities.

France. Condat SA:

— Paid holidays scheme includes CET ("Compte Épargne Temps"), a spare time credit scheme.

— Social contributions and sick leave.

The legal requirements are paid to "Sécurité Sociale". Company commitment for sick leave: first 3 days = 100% Condat SA; after 3 days and before 6 months = 50% Condat SA/50% "Sécurité Sociale", after 6 months = 100% plan "Prévoyance Malakoff" (see Note 34.4).

— "Europ Assistance" covers frequent travelers.

— Profit sharing—legal requirement ("Participation") based on taxable earnings.

— Profit sharing—company commitment ("Intéressement") was closed on 31 December 2004.

— Work Council—mandatory contribution: 3.00% of gross salaries to Work Council (0.20% of operating costs and 2.80% of social, medical care and cultural contribution).

Italy. Cartiere del Garda SpA:

— Social contributions and sick leave.

The legal requirements are paid to INPS ("Istituto Nazionale della Previdenza Sociale") and to INAIL ("Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro"). Company commitment for sick leave is in accordance with the collective labor agreement CCNL ("Contratti Collettivi Nazionali di Lavoro"): up to 6 months per calendar year and up to 1 year in 3 calendar years. The cost is paid 50% / 50% by the company/INPS for blue collars and 100% by the company for white collars.

— Canteen: company is committed for a contribution of 70% of the cost.

— Profit sharing—company commitment is based on statutory EBITDA, number of claims and days of sickness, accident—safety evolution (frequency/severity rate).

— Medical care for the managers and their families is covered by insurance (FASI + UniSalute). The company commitment stops at the retirement of the beneficiaries.

Spain. Spanish companies:

— Social contributions and sick leave.

Company commitment is in accordance with the national collective agreement: “Seguridad Social” and an additional mandatory contribution cover 100% of the monthly salary for a maximum of 18 months.

— Death and disability. Some risks related to 10 employees (at 31 December 2005) are partially excluded by the insurance company Vida Caixa. No reasonable approach for their valuation exists under IFRS. The maximum probable exposure amounts to EUR 2,411 K. A conservative provision is booked since 1999.

	2005	2004
	(in EUR K)	
Provision..	1,5	1,5

34.4. Defined contribution post-employment plans

Mandatory state (national) or multi-employers plans:

— Argentina: ANSES (“Administración Nacional de Seguridad Social”).

— France: “Sécurité Sociale”, Arrco (“Association des régimes de retraites complémentaires”) and Agirc (“Association générale des institutions de retraite des cadres”).

— Germany: BFA (“Bundesversicherungsanstalt für Angestellte”).

— Italy: INPS (“Istituto Nazionale della Previdenza Sociale”) and INAIL (“Istituto Nazionale per l’Assicurazione contro gli Infortuni sul Lavoro”).

— Mexico: IMSS (“Instituto Mexicano del Seguro Social”).

— Morocco: CNSS (“Caisse Nationale de Sécurité Sociale”).

— Portugal: IGFSS (“Instituto de Gestão Financeira da Segurança Social”).

— Spain: “Seguridad Social”.

— United Kingdom: NIC (“National Insurance Contribution”).

Voluntary plans:

— France: Condat SA and Lecta Europe Sàrl.

Death and disability plan: the insurance company “Malakoff” covers the risks of death, permanent and temporary disability and serious illness for all employees. Urrpimmec manages this agreement of “Prévoyance”.

i) Death and disability: the minimum benefit is 230% of the annual salary (tranches A and B of “Sécurité Sociale”). This benefit is increased by 25% of the annual salary for each minor child.

ii) Pension for spouse and children.

— France: Torraspapel France Sàrl.

Death and disability plan: the insurance “Prévunion” covers all the employees. It is mandatory for the managers (“cadres”) and voluntary for the rest of the employees.

i) Death and disability: the benefit is between 240% and 400% of the annual salary (tranches A and B of “Sécurité Sociale”) according to the family situation. This benefit is increased by 80% of the annual salary for each minor child.

ii) If the death is due to an accident, the benefit is increased by 100% of the annual salary.

— Germany: Torras Papier GmbH.

Death and disability plan: the insurance “Provinzial” covers all the employees.

i) Death: the benefit is equivalent to the annual salary of the employee.

ii) In case of accident, the benefit is twice the annual salary of the employee.

— Italy: Cartiere del Garda SpA

Retirement plan “Fondo Integrativo Laborfonds”: the supplementary pension is in accordance with the collective labor agreement CCNL (“Contratti Collettivi Nazionali di Lavoro”). The employees can voluntarily join the externalized pension fund “Laborfonds” managed at Regional level (Trentino Alto Adige) contributing 1.5 to 4.0% of their gross salary and TFR (see Note 34.5). For such employees, the company also contributes 1% of their gross salary.

Retirement plan “Previndai”: the supplementary pension for managers is in accordance with CCNL. The managers contribute part or total of their TFR plus 3 to 4% of their gross salary up to a cap. The company also contributes 3 to 4% of the gross salary up to a cap.

Death and disability plan: the risks of death, permanent and temporary disability and incident are covered for managers in accordance with CCNL, for middle managers in accordance with CCNL and company agreement. The insurance companies are AIG Europe and Zurich. The insurance company Zurich covers the risks of death only for all remaining employees. The company pays 50% of premiums and the employees paid the other 50%.

— Italy. Torraspapel Italia, SrL.

Death and disability plan: the insurance company TORO Assicurazioni covers all the employees.

i) Death: the benefit is equivalent to 3 times the annual salary of the employee with a maximum of EUR 103K.

ii) Disability: the benefit is equivalent to 4 times the annual salary of the employee with a maximum of EUR 129K.

— Portugal: Torras Papel Lda and Sarriopapel Distribuiçao Lda.

Death and disability plan: the insurance Zurich Life covers all the employees.

i) Death and disability: the benefit is equivalent to the annual salary of the employee.

ii) In case of accident, the benefit is twice the annual salary of the employee.

— Spain: Spanish companies of Torraspapel group.

Retirement plan: all the employees except those working in the mills of Leitza, Carmen and Uranga have a defined contribution plan. The companies and the employees respectively contribute 3.5 and 1% of a portion of the gross salary to BanSabadell Vida and VidaCaixa. BBVA covers the liabilities prior to 2001.

According to a collective agreement only applicable to the mill of Uranga since 2000, the company and the employees each pay a monthly premium of 0.60% of the social security cost to E.P.S.V. Geroa.

Death and disability plan: Vida Caixa covers all the employees except the administrative & blue collars of the mills of Leitza, Carmen and Uranga. The insurance companies partially excluded some risks related to 10 employees (see Note 34.3).

i) This benefit is equivalent to the annual salary of the employee;

ii) In case of accident, the benefit is twice the annual salary of the employee.

Vida Caixa covers on an individual basis (“Ad persona”) the additional benefit for employees with higher historical rights (i.e. employees working for Torraspapel SA in 1995; the total premium was EUR 378 K for the year 2005).

For the administrative and blue collars of the mills of Leitza, Carmen and Uranga, the risk of death and disability is covered as follows:

i) Uranga: from EUR 19 K to EUR 38 K, depending on the seriousness.

ii) Carmen: from EUR 15 K to EUR 30 K, depending on the seriousness.

iii) Leitza: from EUR 12 K to EUR 24 K, depending on the seriousness.

In these cases, the company pays 55% of the premium, the remaining 45% being paid by the employees.

— United Kingdom: Torras Paper Ltd.

Retirement plan, individual and voluntary agreement: the liability of the company is paid to an insurance company.

Death and disability plan: the insurance “Scottish Equitable” covers all the employees.

i) Death and disability: the benefit is equivalent to the annual salary of the employee.

ii) In case of accident, the benefit is twice the annual salary of the employee.

iii) In case of death due to an accident and for the commercial people only, the benefit is three times the annual salary.

34.5. Defined benefit post-employment plans

— France: Condat SA and Lecta Europe Sàrl.

Retirement plan IFC (“Indemnités de Fin de Carrière”): it is a one time payment made by the company when (and only when) the employee leaves the company for retirement. It varies with the seniority of the employee in the company. It has an upper limit of 20 months of gross salary.

	2005	2004
	(in EUR K)	
PRESENT VALUE		
Opening balance	6,950	6,507
Current service cost	(333)	312
Interest cost	303	341
Contributions by plan participants	0	0
Actuarial gains and losses	1,050	0
Benefits paid	(605)	(210)
Past service cost	0	0
curtailments	0	0

settlements	0	0
Closing balance	7,364	6,950
PROVISION		
Present value of the plan	7,364	6,950
Net actuarial gains and losses not recognized in the balance sheet	0	0
Past service cost not yet recognized in the balance sheet	0	0
Provision	7,364	6,950

— France: Condat SA.

Retirement plan “Progil”: pension scheme supplementing the mandatory state (national) or multi-employers plans Sécurité Sociale, Arrco and Agirc (see Note 34.4) with an upper limit of 80% of the yearly gross salary. Since 01 July 2002, the plan is closed to new employees of the company. Part of this obligation is externalized with Eparinter.

	2005	2004
	(in EUR K)	
PRESENT VALUE		
Opening balance	6,175	5,925
Current service cost	(42)	92
Interest cost	301	307
Contributions by plan participants	0	0
Actuarial gains and losses	1,873	0
Benefits paid	(131)	(149)
Past service cost	0	0
curtailments	0	0
settlements	0	0
Closing balance	8,176	6,175
Funded	0	0
Unfunded	8,176	6,175
ASSETS “EPARINTER”		
Opening balance	1,862	1,721
Expected return on plan assets	232	141
Contributions by the employer	0	0
Contributions by plan participants	0	0
Actuarial gains and losses	0	0
Benefits paid	0	0
settlements	0	0
Closing balance	2,094	1,862
PROVISION		
Present value of the plan	8,176	6,175
Assets	(2,094)	(1,862)
Net actuarial gains and losses not recognized in the balance sheet	0	0
Past service cost not yet recognized in the balance sheet	0	0
Provision	6,082	4,313

— France: Condat SA.

Death and disability plan “Prévoyance Malakoff” (see Note 34.4). In case of anticipated termination of the agreement with the insurer, the company would bear the unfunded obligation related to social commitments created prior to 1990.

	2005	2004
	(in EUR K)	
PRESENT VALUE		
Opening balance	736	749
Current service cost	18	(13)

Interest cost	0	0
Contributions by plan participants	0	0
Actuarial gains and losses	0	0
Benefits paid	0	0
Past service cost	0	0
curtailments	0	0
settlements	0	0
Closing balance	754	736
PROVISION		
Present value of the plan	754	736
Net actuarial gains and losses not recognized in the balance sheet	0	0
Past service cost not yet recognized in the balance sheet	0	0
Provision	754	736

— France: Torraspapel France Sàrl.

Retirement plan IDR ("Indemnités de Départ en Retraite"): It is a one time payment made by the company when (and only when) the employee leaves the company for retirement. The obligation is regulated by the Convention Collective Distribution et Commerce de Gros Papier et Carton—n(o) 3054 and 3055. The benefit goes from 1 to 5 monthly salaries depending on the seniority of the employee in the company.

	2005	2004
	(in EUR K)	
Provision	118	114

— Italy: Cartiere del Garda SpA.

Staff leaving indemnity TFR ("Trattamento Fine Rapporto"). It is an employees' deferred compensation. In accordance with Italian law, the company is required to provide the employees with a lump sum payment on the date of leave regardless of the reason for leaving. This obligation is not externalized but provisioned.

	2005	2004
	(in EUR K)	
PRESENT VALUE		
Opening balance	8,827	8,605
Current service cost	694	661
Interest cost	441	412
Contributions by plan participants	0	0
Actuarial gains and losses	759	0
Benefits paid	(1,073)	(713)
Past service cost	0	0
curtailments	0	0
settlements	137	(137)
Closing balance	9,786	8,827
PROVISION		
Present value of the plan	9,786	8,827
Net actuarial gains and losses not recognized in the balance sheet	0	0
Past service cost not yet recognized in the balance sheet	0	0
Provision	9,786	8,827

— Italy: Torraspapel Italia SrL.

Staff leaving indemnity TFR (“Trattamento Fine Rapporto”). See here above.

	2005	2004
	(in EUR K)	
Provision..	168	164

— Spain: Spanish companies of Torraspapel group.

Retirement plan: for the employees of Torraspapel SA only, who were entitled to retire at the age of 60 at 31 December 1995, company’s obligations agreed with the unions are externalized on a yearly basis in accordance with law “Ley de planes y fondos de pensiones 8/1987” of 8 June 1987 revised by “Ley de regulación de los planes y fondos de pensiones RD 1/2002” of 29 November 2002 and by “Reglamento 304/2004 de planes y fondos de pensiones” of 20 February 2004. In addition, the company has to cover the difference between the 6% rate agreed and the market interest rate. Such cost is provisioned before being periodically externalized.

	2005	2004
	(in EUR K)	
Provision..	30	30

The pensions for the retired people of Torraspapel SA were externalized with BBVA and Vida Caixa in accordance with the above-mentioned law. The debt carries a 5.85% interest rate. Torraspapel SA continues to bear a limited liability in case Spanish inflation falls under 2%, while it benefits when inflation is over 2%. In addition, some pending amounts remain to be paid.

	2005	2004
	(in EUR K)	
Provision..	98	9

The principal assumptions used in determining the defined benefit post-employment obligations are as follows:

	2005	2004
Discount rate (varies with the duration of the commitment):		
— IFC Condat	4.0%	5.0%
— IFC Lecta Europe	3.5%	5.0%
— Progil Condat	4.0%	5.0%
— TFR Cartiere del Garda	4.0%	5.0%
Future salary increases:		
— Condat	2.2%	2.2%
— Lecta Europe	3.0%	3.0%
— Cartiere del Garda	3.0%	3.0%

34.6. Other long-term benefits

— France: Condat SA.

Long service benefits “Médailles du travail”: 1 month of gross salary after 18 years of seniority in the company or after 20, 30, 35 or 40 years as salaried employee.

	2005	2004
	(in EUR K)	
Provision..	2,0	1,8

— Spain: Torraspapel SA.

Welfare plan of Motril: the employees of the Motril plant have access to a plan set up in 1988. Single or periodical payments, loans with low rate are provided to them to cover social needs like births, weddings, mentally or physically handicapped people.

The company's commitments are limited to:

i) a yearly available grant (EUR 20 K in 2005) indexed to the salary increase;

ii) the unused part of the cumulated available grant accrued in favor of the employees (EUR 173 K on 31 December 2005).

	2005	2004
	(in EUR K)	
Provision..	173	165

34.7. Termination benefits

— France: Condat SA.

CATS ("Cessation d'Activité de certains Travailleurs Salariés"): early retirement scheme potentially opened to 87 employees, who were (i) shift workers for a minimum of 15 years and (ii) older than 57 years between 01 January 2002 and 31 August 2005.

	2005	2004
	(in EUR K)	
Provision..	691	1,3

— Spain: Carmen plant of Torraspapel SA. In accordance with a collective agreement, if an employee of Carmen plant decides to retire before the age of 65, he is entitled to a premium depending on his age (from EUR 14.8 K at 60 to EUR 4.2 K at 64).

	2005	2004
	(in EUR K)	
Provision..	55	55

35. Related party disclosures

35.1. Transactions with non-consolidated companies

	Sales to related parties	(Purchases) from related parties	Finance (costs) from related parties	Amounts owed by related parties	Amounts owed to related parties
			(in EUR K)		
Celulosa y Papel del Ferrol SA	0	0	0	0	0
Cogeneración del Ter SL	149	(1,308)	8	446	439
Condat Benelux SA	0	(625)	3	0	28
Condat North America Inc	0	0	0	0	0
Condat UK Ltd	0	(1,550)	0	0	142
Eurogalicia Forestal SA	0	0	0	0	0
Garda UK Ltd	0	(596)	0	0	199
Lecta Deutschland GmbH	0	(996)	0	0	82
Lecta North America Inc	0	(2,353)	14	1,272	586
Lecta Services Sprl	0	(2,053)	1	0	511
Promotora del Ulla SA	0	0	0	0	0
SVL Pilote Sàrl	0	(6,188)	0	0	1,754
Torras Dorna SA	0	0	(4)	0	110
Torras Hostench SL	0	0	0	0	0

These are companies non-consolidated because of their immateriality. They are listed in Note 2.3 under Comments (b) and (c).

35.2. Key management personnel compensation

Lecta group decided not to provide the detail of the above compensation as it would breach the confidentiality restrictions on this matter.

35.3. Other related parties

Nothing to mention.

36. Financial risk management objectives and policies

Lecta undertook a risk mapping exercise encompassing all business areas. The Board of Directors reviewed the information collected.

Currency risk on transactions:

Lecta Group covers the fluctuations of non-euro currencies, mainly USD, GBP and CAD, according to the following rules:

— Balance sheet approach for trade receivables and payables: on a regular basis, the actual sales and purchases expressed in non-euro currencies are covered through forward agreements with fixed expiry dates consistent with those of the hedged items.

— Income statement approach for forecast income and expenses: on an occasional basis, a part of the future sales and purchases to be made in non-euro currencies may be covered through forward agreements or options for a maximum period of six months.

Consequently, the profit of Lecta is exposed to the fluctuations of non-euro currencies on future sales and purchases. The sensitivity to such fluctuations is provided in Note 37.4.

Currency risk on investments:

Lecta Group has no significant investments in the non-euro zone.

Currency risk on Borrowings:

The borrowings of Lecta Group are essentially expressed in euro.

Interest rate risk:

Interest on a part of the Borrowings of Lecta Group is indexed to Euribor and hedged in order to reduce the impact of interest rate fluctuations (see Note 37.3). The counterparts are only leading financial institutions that have a credit rating equal to or better than A1+/P1 short-term or AA—/Aa3 long-term ratings.

Market risk:

Lecta Group profit is affected by cyclical changes in the overall economic activity. Also, Lecta Group is exposed to variations in the price of 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, the main raw material used in the production of paper. It also produces part of its energy requirement.

Customer credit risk:

Lecta Group strictly monitors the customer credit risk. Credit insurance covers a large part of the Trade receivables.

Business risk:

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

Financial credit risk, liquidity risk and cash flow risk:

The major part of the Lecta Group borrowings is senior debt contracted with a syndicate of lenders. It ensures both long-term financing and operating flexibility, as long as Lecta Group abides by some covenants that are commonly used in such contracts (see Note 26).

37. Financial instruments

37.1. Equity derivatives

These are options on the minorities of consolidated companies.

37.1.1. Agreement for Sold put and Purchased call options on the shares of Torraspapel SA.

Torraspapel Holding SA currently holds 95.05% of the shares of Torraspapel SA. The agreement relates to the 2.50% of shares in Torraspapel SA owned by Grupo Torras SA and any part of the remaining 2.45% held by other minority shareholders that Grupo Torras SA might acquire. The possibility to exercise these options is dependent on the occurrence of certain future events that are not foreseen to take place in the near future. There was no premium paid at inception. At 1 January 2005, the discounted value of the exercise price, EUR 7.2 M, was accounted for the first time. It was lower than the net book value, EUR 14.4 M, of the shares object of the agreement. At 31 December 2005, the discounted value was EUR 6.8 M.

37.1.2. Purchased call option on the shares of Cogeneración Motril SA.

The current shareholders of Cogeneración Motril SA are:

— Torraspapel SA:	51%
— Sociedad Inversora en Energia y Medio Ambiente, SA (SIEMA)	39%
— La Energia SA:	10%

If the option was exercised, Torraspapel would acquire 24% from SIEMA. This could only take place between 2014 and 2018. At 31 December 2005, the discounted value of the exercise price of the option was EUR 4.4 M. The likelihood for the conditions in the option to be met was considered as remote. Furthermore, the exercise price was considered as above the fair value of the shares. Therefore, nothing was entered in the balance sheet.

37.2. Derivatives held for trading

These are options on the shares or on the assets of non-consolidated companies.

37.2.1. Sold put and Purchased call options agreement on the shares of Condat UK Ltd.

The current shareholders of Condat UK Ltd are:

— Condat SA: 51%
— HH Peggs Ltd: 49%

If the options were exercised, Condat SA would acquire the remaining 49%. At 31 December 2005, the exercise price of the option was EUR 1.5 M. This price was considered as close to its fair value. Therefore, nothing was entered in the balance sheet.

37.2.2. Sold put and Purchased call options agreement on the shares of Cogeneración del Ter SL.

The current shareholders of Cogeneración del Ter SL are:

— Endesa Cogeneración y Renovables SAU: 69%
— La Energia SA: 30%
— Torraspapel SA: 1%

If the option was exercised, Torraspapel SA would acquire 74%, 49% from Endesa and 25% from La Energia. At 31 December 2005, the exercise price of the option was EUR 0.01 M. The likelihood for the conditions in the agreement to be met was considered as remote. Therefore, nothing was entered in the balance sheet.

37.2.3. Purchased call option agreement on the shares of SVL Pilote Sàrl.

The current shareholder of SVL Pilote Sàrl is:

— Private owner: 100%

If the option was exercised, Condat SA would acquire up to 100% of the shares. At 31 December 2005, the exercise price of the option was EUR 1.1 M. This price was considered as higher or equal to the fair value of the company. Therefore, nothing was entered in the balance sheet.

37.2.4. Purchased call option agreement on the shares or assets of Périgord Énergies SNC.

The current shareholders of Périgord Énergies SNC is:

— Elyo Midi Ocean SA: 100%

There is a contract between Elyo Midi Ocean SA and Condat SA for the supply of steam (see Note 33.4.2). At the end of this 12 year contract, i.e. on 31 March 2013, Condat SA has the option to purchase 100% of the assets of Périgord Énergies SNC for a price of EUR 6.6 M. A clause specifies that an overhaul of the assets will be performed and billed to Condat SA before the acquisition. At 31 December 2005, the total price was considered as higher or equal to the probable fair value of the equipments after the overhaul. Therefore, nothing was entered in the balance sheet. The contract also provides for a clause of early termination. Nevertheless, the likelihood for the conditions in the agreement to be met was considered as remote. Therefore, nothing was entered in the balance sheet.

37.3. Hedging derivatives on interest rates

The interest rates of a part of the Senior debt have been hedged according to the following Euribor 3 months Collars:

Notional amount	Effective date	Termination date	Floor rate	Cap rate	Fair value at 31 December 2005 Intrinsic	Time	Total
			(in EUR K)				
310,000 .	31.03.2003	30.06.2006	3.500%	5.000%	(1,370)	(9)	(1,379)
200,000 .	31.03.2003	30.06.2006	3.570%	5.000%	(971)	0	(971)
200,000 .	31.03.2003	30.06.2006	3.820%	5.000%	(1,214)	0	(1,214)
710,000 .					(3,555)	(9)	(3,565)

On 31 December 2005, the Euribor 3 months was 2.492%. Since it was below the floors, there is a potential additional cost on future interest. The value of the collars at 31 December 2005 was computed by the banks that granted them. Negative values express amounts in favor of the banks.

These values have been accounted for as cash flow hedging. Intrinsic values, considered as effective, are recognized directly in Equity while time values, considered as ineffective, are recognized in the Income statement. As the termination date of these collars is 30 June 2006, all the cash flows are expected to occur no later than this date.

37.4. Hedging derivatives on foreign currencies

The Lecta Group operations are impacted by the fluctuations of the non-euro currencies, mainly USD, CAD and GBP. Sales and purchases are specifically hedged trough:

— Forward agreements on realized sales in foreign currencies: EUR 41.6 M.

— Forward agreements on realized purchases in foreign currencies: EUR 47.4 M.

— Options on future sales in foreign currencies: EUR 16.1 M.

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

The profit of Lecta is exposed to the fluctuations of non-euro currencies on future sales and purchases. Favorable (unfavorable) impact on EBITDA of a decrease of 0.01 of exchange rate (e.g. for USD/EUR from 1.19 to 1.18), all things being equal, based on actual figures of 2005.

Currency	EUR M
USD	—1.3
CAD.......	+0.1
GBP	+2.5

37.5. Fair value of financial instruments

	Carrying amount	Fair value
	(in EUR K)	
ASSETS		
Available-for-sale financial investments	1,7	1,7
Trade receivables..	286,7	286,7
Prepayments...	1,0	1,0
Loans	1,7	1,7
Capital receivables..	0	0
Shareholders receivables...............................	0	0
Dividends receivables...................................	0	0

Options on non-consolidated companies	0	0
Interest rate hedging......................................	0	0
Miscellaneous other receivables	0	0
Cash and cash equivalents	124,8	124,8
LIABILITIES		
Interest-bearing borrowings...........................	768,3	768,3
Bank overdrafts...	4,7	4,7
Trade payables	301,4	301,4
Capital payables..	13,2	13,2
Shareholders payables...................................	0	0
Dividends payables	190	190
Options on Minorities	6,8	6,8
Options on non-consolidated companies	0	0
Interest rate hedging......................................	3,5	3,5
Miscellaneous other payables	4,6	4,6

At 31 December 2005 there is no noticeable difference between carrying amount and fair value of financial instruments.

38. Events after the balance sheet date

Nothing to be mentioned.

Lecta S.A.

Consolidated Income Statement
for the nine months ended September 30, 2006
(in € thousands)

	Notes	Jan to Sep 2006	(in EUR K)	Jan to Sep 2005	
Volume sold (metric tons)		1,246,932		1,228,344	
			%		%
Revenue		1,075,032	100	1,056,150	100
Changes in inventories of finished goods and work in process		13,927	1	12,733	1
Raw materials and consumables used		(491,765)	(46)	(463,857)	(44)
Labor costs		(180,624)	(17)	(176,109)	(17)
Other operating costs except unusual items		(311,169)	(29)	(289,622)	(27)
EBITDA		105,400	10	139,294	13
Depreciation		(63,004)	(6)	(62,709)	(6)
Amortization		(104)	(0)	(96)	(0)
Unusual items	(5)	(4,383)	(0)	(565)	(0)
Profit (loss) from operations		37,909	4	75,924	7
Finance costs		(47,148)	(4)	(45,968)	(4)
Share of results in associates		0	0	0	0
Profit (loss) before tax		(9,239)	(1)	29,957	3
Income tax	(6)	21,769	2	(10,699)	(1)
Profit (loss) after tax		12,530	1	19,258	2
Attributable to:					
Equity holders of the parent		10,920	1	16,790	2
Minority interest		1,610	0	2,468	0
Earnings per share (in EUR)					
Basic		19.7		30.3	
Diluted		18.5		28.5	

The accompanying Notes are an integral part of these Interim condensed consolidated financial statements.

Lecta S.A.

Consolidated Balance Sheets
as of September 30, 2006 and December 31, 2005
(in € thousands)

	Notes	Sep 2006 (in EUR K)	Dec 2005
ASSETS			
Property, plant and equipment	(8)	803,899	844,882
Goodwill	(9)	172,051	178,761
Other intangible assets		824	780
Investment in associates		0	0
Available-for-sale financial investments		1,709	1,709
Biological assets		362	583
Deferred income tax assets		89,850	66,550
Non-current income tax receivable		3,446	3,963
Other non-current receivables		2,874	2,893
Non-current assets		1,075,015	1,100,121
Income tax receivable		648	121
Inventories		188,580	167,498
Trade receivables		300,878	286,715
Prepayments		1,820	1,049
Other current receivables		473	717
Cash & cash equivalents		164,628	124,871
Current assets		657,028	580,972
Non-current assets held for sale	(3.1)	9,336	0
TOTAL ASSETS		1,741,379	1,681,093
EQUITY & LIABILITIES			
Paid-in capital		1,431	1,431
Share premium		136,669	136,669
Net incomes (expenses) recognized directly through Equity		(2,267)	(4,497)
Foreign currency translation		(759)	(503)
Accumulated net profits (losses)		312,053	301,133
Equity holders of the parent		447,127	434,234
Minority interest		28,980	28,961
TOTAL EQUITY		476,106	463,195
Interest-bearing borrowings	(10)	719,591	739,489
Non-current grants		10,613	11,328
Non-current provisions		26,540	29,357
Deferred income tax liabilities		65,665	66,035
Non-current income tax payable		360	0
Other non-current payables		7,048	6,824
Non-current liabilities		829,816	853,033
Current portion of interest-bearing borrowings	(10)	42,055	24,747
Bank overdrafts		5,365	4,743
Current grants		1,049	1,050
Current provisions		4,977	4,888
Income tax payable		1,954	6,318
Trade payables		361,671	301,424
Other payables		18,384	21,695
Current liabilities		435,456	364,865
TOTAL LIABILITIES		1,265,273	1,217,898
TOTAL EQUITY AND LIABILITIES		1,741,379	1,681,093

The accompanying Notes are an integral part of these Interim condensed consolidated financial statements.

Lecta S.A.
Consolidated Cash Flow Statement
for the nine months ended September 30, 2006
(in € thousands)

	Jan to Sep 2006	Jan to Sep 2005
	(in EUR K)	
CASH FLOWS FROM OPERATING ACTIVITIES		
EBITDA	105,400	139,294
Inventories decrease (increase)	(21,082)	(19,687)
Trade receivable decrease (increase)	(14,163)	(10,811)
Prepayments decrease (increase)	(771)	19
Trade payables increase (decrease)	60,246	45,143
Working Capital decrease (increase)	24,231	14,664
Provisions increase (decrease)	(2,729)	868
GHG emission rights decrease (increase)	0	0
Consumption of Biological assets	673	547
Proceeds (payments) related to unusual items	(616)	72
Income tax paid	(7,235)	(4,979)
Net cash flow (used in)/from operating activities	119,724	150,466
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, plant and equipment	(30,322)	(30,165)
Proceeds from disposal of Property, plant and equipment	6,247	17
Receipt of Grants	119	139
Purchase of subsidiary, net of cash acquired	2	1
Disposal of subsidiary, net of cash sold	0	0
Purchase of other assets	(795)	(478)
Proceeds from disposal of other assets	0	0
Dividends from associates	0	0
Dividends received from Available-for-sale financial investments	47	0
Net cash flow (used in)/from investing activities	(24,701)	(30,486)
CASH FLOWS FROM FINANCING ACTIVITIES		
Equity dividends paid	0	0
Dividends paid to minority interest	(1,102)	(193)
Share capital increase (redemption)	0	0
Interest paid	(43,956)	(42,429)
Issue costs of Borrowings	(4,255)	(1)
Proceeds from Borrowings	177,017	1,417
Repayment of Borrowings	(182,746)	(59,617)
Loans repaid (granted)	563	(1,513)
Payment of finance lease liabilities	(1,229)	(994)
Net cash flow (used in)/from financing activities	(55,707)	(103,329)
Net increase (decrease) in Cash & cash equivalents net of Bank overdrafts	39,317	16,651
Net foreign exchange difference	(181)	356
Cash & cash equivalents net of Bank overdrafts at 1 January	120,128	141,591
Cash & cash equivalents net of Bank overdrafts at 30 September	159,263	158,599
Of which Cash & cash equivalents	164,628	162,613
Of which Bank overdrafts	(5,365)	(4,015)

The accompanying Notes are an integral part of these Interim condensed consolidated financial statements.

Lecta S.A.

Consolidated Statement of Changes in Equity
for the nine months ended September 30, 2006
(in € thousands)

	Paid-in capital	Share premium	Net inc. (exp.) recognized directly through Equity	Foreign currency translation	Accumulated net profits (losses)	Total Equity holders of the parent
			(in EUR K)			
AT 31 DECEMBER 2004	1,431	136,6	0	(837)	274,647	411,910
Effect of adopting IAS 32 & 39	0	0	(8,463)	0	10,944	2,481
AT 1 JANUARY 2005	1,431	136,6	(8,463)	(837)	285,592	414,391
Available-for-sale investments:						
Fair value gains (losses)			0			0
Transferred to Income statement			0			0
Cash flow hedging of interest rates:						
Fair value gains (losses)			(1,985)			(1,985)
Transferred to Income statement			7,731			7,731
Actuarial gains (losses) on defined benefits plans:						
Fair value gains (losses)			(3,736)			(3,736)
Options on Minority interests						
Fair value decrease (increase)						
Exercise of the options						
Foreign currency translation				372		372
Tax on items recognized directly in Equity			(736)	0		(736)
Net gains (losses) recognized directly in Equity	0	0	1,274	372	0	1,646
Profit (loss) after tax of the Income statement					16,790	16,790
Total recognized income (expense) of the period	0	0	1,274	372	16,790	18,436
Entries in the perimeter			0	0	0	0
Share capital increase (redemption)	0	0				0
Equity dividends					0	0
Dividends paid to Minority interests						0
AT 30 SEPTEMBER 2005	1,431	136,6	(7,189)	(465)	302,382	432,828
AT 31 DECEMBER 2005	1,431	136,6	(4,497)	(503)	301,133	434,234
Available-for-sale investments:						
Fair value gains (losses)			0			0
Transferred to Income statement			0			0
Cash flow hedging of interest rates:						
Fair value gains (losses)			88			88
Transferred to Income statement			3,368			3,368
Actuarial gains (losses) on defined benefits plans:						
Fair value gains (losses)			0			0
Options on Minority interests						
Fair value decrease (increase)						
Exercise of the options						
Foreign currency translation				(256)		(256)
Tax on items recognized directly in Equity			(1,227)	0		(1,227)
Net gains (losses) recognized directly in						

Equity			2,229	(256)	0	1,973
Profit (loss) after tax of the Income statement					10,920	10,920
Total recognized income (expense) of the period	0	0	2,229	(256)	10,920	12,893
Entries in the perimeter			0	0	0	0
Share capital increase (redemption)	0	0				0
Equity dividends					0	0
Dividends to Minority interests					(0)	(0)
AT 30 SEPTEMBER 2006	1,431	136,6	(2,267)	(759)	312,053	447,127

The accompanying Notes are an integral part of these Interim condensed consolidated financial statements.

Lecta S.A.

Consolidated Statement of Changes in Equity
for the nine months ended September 30, 2006
(in € thousands)

	Net inc. (exp.) recognized directly through Equity	Foreign currency translation	Accumulated net profits (losses)	Total Minority Interest	TOTAL EQUITY
			(in EUR K)		
AT 31 DECEMBER 2004	0	(44)	33,484	33,440	445,350
Effect of adopting IAS 32 & 39	(7,359)	0	236	(7,122)	(4,641)
AT 1 JANUARY 2005	(7,359)	(44)	33,720	26,318	440,708
Available-for-sale investments:					
Fair value gains (losses)	0			0	0
Transferred to Income statement	0			0	0
Cash flow hedging of interest rates:					
Fair value gains (losses)	(55)			(55)	(2,039)
Transferred to Income statement	172			172	7,903
Actuarial gains (losses) on defined benefits plans:					
Fair value gains (losses)	(48)			(48)	(3,784)
Options on Minority interests					
Fair value decrease (increase)	140			140	140
Exercise of the options	0			0	0
Foreign currency translation		19		19	392
Tax on items recognized directly in Equity	(25)	0		(25)	(760)
Net gains (losses) recognized directly in Equity	184	19	0	204	1,850
Profit (loss) after tax of the Income statement			2,468	2,468	19,258
Total recognized income (expense) of the period	184	19	2,468	2,672	21,108
Entries in the perimeter	0	0	0	0	0
Share capital increase (redemption)					0
Equity dividends				0	0
Dividends paid to Minority interests			(1,094)	(1,094)	(1,094)
AT 30 SEPTEMBER 2005	(7,175)	(24)	35,094	27,895	460,723
AT 31 DECEMBER 2005	(6,902)	(26)	35,889	28,961	463,195
Available-for-sale investments:					
Fair value gains (losses)	0			0	0
Transferred to Income statement	0			0	0
Cash flow hedging of interest rates:					
Fair value gains (losses)	2			2	90
Transferred to Income statement	75			75	3,443
Actuarial gains (losses) on defined benefits plans:					
Fair value gains (losses)	0			0	0
Options on Minority interests					
Fair value decrease (increase)	(224)			(224)	(224)
Exercise of the options	0			0	0
Foreign currency translation		(13)		(13)	(270)
Tax on items recognized directly in Equity	(27)	0		(27)	(1,254)
Net gains (losses) recognized directly in					

Equity	(174)	(13)	0	(187)	1,786
Profit (loss) after tax of the Income statement			1,610	1,610	12,530
Total recognized income (expense) of the period	(174)	(13)	1,610	1,423	14,316
Entries in the perimeter	0	0	2	2	2
Share capital increase (redemption)				0	0
Equity dividends				0	0
Dividends to Minority interests			(1,406)	(1,406)	(1,406)
AT 30 SEPTEMBER 2006	(7,076)	(40)	36,095	28,980	476,106

The accompanying Notes are an integral part of these Interim condensed consolidated financial statements.

1. Basis of preparation and accounting policies

1.01. Basis of preparation

The interim condensed consolidated financial statements of Lecta Group for the nine months ended 30 September 2006 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 2005.

1.02. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, except for the adoption of the following standards and interpretations, applicable for the first time on 1 January 2006:

— Amendment to IAS 39 (Financial Instruments: Recognition and Measurement), relating to the fair value option;

— Amendment to IAS 39, relating to Cash flow hedge Accounting of forecast intragroup Transactions;

— Amendment to IFRS 4 (Insurance Contracts) and IAS 39, relating to financial guarantee contracts;

— Amendment to IAS 21 (Effects of changes in Foreign Exchange Rates), relating to the treatment of foreign exchange differences arising on monetary items forming part of a net investment in a foreign operation;

— IFRS 6 (Exploration for and Evaluation of Mineral Resources) and the resulting amendments to IFRS 1 (First Time Adoption of International Financial Reporting Standards);

— IFRIC 4 (Determining whether an Arrangement contains a Lease);

— IFRIC 5 (Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds);

— IFRIC 6 (Liabilities arising from Participating in a Specific Market -Waste Electrical and electronic Equipment).

These Standards and Interpretations had no impact on Lecta Group consolidated financial statements.

2. Lecta Group at 30.09.2006

2.1. Organization Chart

See next page

LOGO

2.2. Consolidated subsidiaries

Subsidiaries	Activity	Country of incorporation	Interest	Control	Consol. method
Alto Garda Power SrL	Cogeneration	Italy	78.9865%	80%	Full
Cartiere del Garda SpA	Production of woodfree coated paper	Italy	98.7331%	100%	Full
Cogeneración Motril SA	Cogeneration	Spain	48.4748%	51%	Full
Condat Holding SA	Holding	France	98.7331%	100%	Full
Condat SA	Production of woodfree coated paper	France	98.7331%	100%	Full
Dispap SA	Distribution of paper	Spain	95.0486%	100%	Full
Lecta Europe Sàrl	Group headquarters	France	98.7331%	100%	Full
Sarriopapel y Celulosa SA	Production and distribution of paper	Spain	95.0486%	100%	Full
Sub Lecta 1 SA (previously Papier '97 SA then Lecta SA)	Holding	Luxembourg	98.7331%	100%	Full
Sub Lecta 2 SA (previously Sub New Lecta SA)	Holding	Luxembourg	100%	100%	Full
Torras Paper Ltd	Distribution of paper	UK	95.0486%	100%	Full
Torras Papier GmbH	Commercial agent	Germany	95.0486%	100%	Full
Torraspapel Argentina SA	Distribution of paper	Argentina	95.0486%	100%	Full
Torraspapel France Sàrl	Distribution of paper	France	95.0486%	100%	Full
Torraspapel Holding SA (previously Nueva Organización SA)	Holding	Spain	100%	100%	Full
Torraspapel Italia SrL	Distribution of paper	Italy	95.0486%	100%	Full
Torraspapel Maroc Sàrl	Commercial agent	Morocco	95.0486%	100%	Full
Torraspapel México S. de R.L. de C.V.	Distribution of paper	Mexico	95.0486%	100%	Full
Torraspapel Portugal Lda (merger of Sarriopapel Distribuiçao (Portugal) Lda and Torras Papel Lda)	Distribution of paper	Portugal	95.0486%	100%	Full
Torraspapel Servicios México S. de R.L. de C.V.	Provider of administration services	Mexico	95.0486%	100%	Full
Torraspapel SA	Production of pulp and paper, distribution of paper	Spain	95.0486%	95.0486%	Full

Changes from 31 December 2005:

— On 1 July 2006, Sarriopapel Distribuiçao (Portugal) Lda absorbed Torras Papel Lda and was renamed Torraspapel Portugal Lda. Both companies were consolidated before the merger.

— On 11 September 2006, Alto Garda Power Srl was incorporated in Italy. It is 80% owned by Cartiere del Garda SpA and 20% by Alto Garda Servizi SpA, a company controlled by the City of Riva del Garda. This company is aimed to bear a cogeneration plant and provide steam and electricity to its contributors.

2.3. Interests in non-consolidated companies

There is no change from 31 December 2005.

3. Significant events

3.1. Sale of non-industrial properties

Torraspapel SA is currently undertaking the sale of non-industrial properties. On 30 September 2006, the impact on the accounts of Lecta Group was as follows:

— A part of the assets was already sold, resulting in a net gain of EUR 3,204 K in the line “Unusual items” of the Income statement.

— A part of the assets is in a firm process to be sold. Payments in advance of EUR 3,201 K were received in July 2006. In application of IFRS 5, the net book value of EUR 9,336 K was transferred in the line “Non-current assets held for sale” of the Balance sheet and not depreciated anymore as of 31 July 2006.

— Expenses of offices grouping, linked to this program, were also entered in the line “Unusual items” of the Income statement: EUR 610 K.

3.2. Recognition of a deferred tax asset on unused tax losses

Sub Lecta 1 SA has the ability to generate taxable profits as from the fiscal year 2006. It led to the accounting for deferred tax assets on tax losses to be carried forward. The amount of available tax losses on 31 December 2005 was EUR 66,942 K that translates in a deferred tax income of EUR 19,835 K, the current rate in the Grand duchy of Luxembourg being 29.63%.

EUR 22,513 K out of these tax losses were already part of the unused tax losses of Sub Lecta 1 SA on 13 December 1999 when its shares were contributed to Lecta SA.

The tax rate at the time of this acquisition was 37.45%. If these tax losses had been immediately recognized, the Goodwill would have been reduced by an initial amount of EUR 8,431 K. This Goodwill was amortized before the adoption of IFRS by Lecta Group. Therefore, this initial amount has been reduced in the same proportion. Finally, EUR 6,710 K of the Goodwill were released, in compliance with the paragraph 68 of IAS 12 (revised 2000) “Income taxes”, causing a charge by the same amount in the line Unusual items of the Income statement.

4. Information by Segment

The IAS 14 “Segment reporting” (paragraph 3) applies to listed companies. Lecta being privately held has elected not to communicate this information.

5. Unusual items

	January to September	
	2006	2005
	(in EUR K)	
Property, plant and equipment	2,933	(617)
Goodwill	(6,710)	0
Other intangible assets	0	0
Available-for-sale financial investments	(0)	0
Biological assets	0	0
Loans, Deposit & Guarantees	(0)	0
Purchased call options on Available-for-sale financial investments	0	0
Sold put options on Available-for-sale financial		

investments	0	0
Ineffective portion in the variation of Rate hedging derivatives	9	(15)
Other unusual incomes	0	0
Other unusual charges	(616)	68
Income/(Expense)	(4,383)	(565)

In 2006, the net profit of EUR 2,933 K on Property, plant and equipment consisted in:

— Net gain of EUR 2,927 K, of which EUR 3,204 K were related to the sale of property scheme undertake by Torraspapel SA (see Note 3.1);

— movements of provision of EUR 6 K.

In 2005, the net charge of EUR (617) K on Property, plant and equipment consisted in:

— Net disposals of EUR (617) K.

In 2006, the EUR (6,710) K reduction in the carrying amount of the Goodwill was linked to the recognition of a deferred tax asset in Sub Lecta 1 SA (see Note 3.2).

In 2006, the net charge of EUR (616) K mainly consisted in:

— EUR (610) K of expenses of offices grouping in Torraspapel SA (see Note 3.1);

6. Income tax in the income statement

	January to September	
	2006	**2005**
	(in EUR K)	
Current tax	(3,154)	(3,043)
Deferred tax	24,924	(7,656)
Income/(Expense)	21,769	(10,699)

The deferred tax profit of EUR 24,924 K booked in 2006 was the result of:

— EUR 19,835 K of deferred tax asset generated on prior tax losses (see note 3.2);

— EUR 6,402 K of net deferred tax asset generated on 2006 losses that will be used against future taxable profits;

— EUR (1,313) K of deferred tax charge on temporary differences.

The deferred tax charge of EUR (7,656) K booked in 2005 was the result of:

— EUR (4,864) K of net deferred tax asset used against 2005 taxable profits;

— EUR (2,791) K of deferred tax charge on temporary differences.

7. Dividends paid and proposed

No dividend was paid nor proposed.

8. Property, plant and equipment

During the nine month ended 30 September 2006, Lecta Group acquired assets with a cost of EUR 32,194 K compared to EUR 36,655 K in the same period of 2005. Information on disposals is disclosed in Note 5. The transfer to the line Held for sale property is explained in Note 3.1.

9. Goodwill

The reduction of EUR 6,710 K in the carrying amount of the Goodwill in 2006, following the recognition of tax losses of previous years in the deferred tax assets, is explained in Note 3.2.

10. Interest-bearing borrowings

As agreed in 2005 with Lecta's syndicate of senior debt lenders, the creation of a new tranche G of EUR 145,850 K took place in January 2006. It is becoming due in 2010 and was used to partially prepay debt becoming due in 2006 and 2007.

The related Issue costs of EUR (19,119) K were capitalized in 2005, using the effective interest method. EUR (4,255) K were paid in 2006.

In addition, during the nine month ended 30 September 2006, EUR 20,000 K of Senior debt were drawn, to be reimbursed in 2009 at the latest, and EUR 19,574 K were reimbursed.

11. Capital commitments

At 30 September 2006, Lecta Group had firm commitments in relation to orders of Property, plant and equipment net of advances to suppliers of EUR 31.0 M.

These commitments were allocated as follows:

— EUR 3.9 M in Cartiere del Garda SpA;

— EUR 14.2 M in Condat SA;

— EUR 12.9 M in Torraspapel Group.

12. Related party disclosures

12.1. Transactions with non-consolidated companies

		January to September			31 December 2005 / 30 September 2006	
		Sales to related parties	(Purchases) from related parties	Finance (costs) from related parties	Amounts owed by related parties	Amounts owed to related parties
				(in EUR K)		
Celulosa y Papel del Ferrol SA	**2005**	0	0	0	0	0
	2006	0	0	0	0	0
Cogeneración del Ter SL	**2005**	112	(971)	5	446	439
	2006	116	(986)	3	440	45
Condat Benelux SA	**2005**	0	(467)	2	0	28
	2006	0	(446)	3	0	48
Condat North America Inc	**2005**	0	0	0	0	0
	2006	0	0	0	0	0
Condat UK Ltd	**2005**	0	(1180)	0	0	142
	2006	0	0	0	0	106
Eurogalicia Forestal SA	**2005**	0	0	0	0	0

	2006	0	0	0	0	0
Garda UK Ltd	**2005**	0	(451)	0	0	199
	2006	0	(374)	0	0	0
Lecta Deutschland GmbH......	**2005**	0	(747)	0	0	82
	2006	0	(216)	0	0	85
Lecta North America Inc	**2005**	0	(1266)	0	1272	586
	2006	0	(1648)	32	1027	635
Lecta Services Sprl	**2005**	0	(1260)	1	0	511
	2006	0	(1503)	0	0	167
Promotora del Ulla SA...........	**2005**	0	0	0	0	0
	2006	0	0	0	0	0
SVL Pilote Sàrl	**2005**	0	(4630)	0	0	1754
	2006	0	(4871)	0	0	2415
Torras Dorna SA....................	**2005**	0	0	(3)	0	110
	2006	0	0	(3)	0	114
Torras Hostench SL	**2005**	0	0	0	0	0
	2006	0	0	0	0	0

12.2. Key management personnel compensation

Lecta group decided not to provide the detail of the above compensation as it would breach the confidentiality restrictions on this matter.

13. Hedging derivatives on interest rates

The interest rates of a part of the Senior debt have been hedged according to the following Euribor 3 months Caps:

					Fair value at 30 September 2006		
Notional amount	**Premium paid**	**Effective date**	**Termination date**	**Cap Rate**	**Intrinsic**	**Time**	**Total**
			(in EUR K)				
200,000	80	29.09.2006	29.06.2007	4.000%	0	16	16
200,000	56	29.09.2006	29.06.2007	4.000%	0	23	23
400,000	136				0	39	39

These Caps replace the previous collars that had their termination date on 30.06.2006.

14. Events after the balance sheet date

The sales of non-industrial properties, explained in the note 3.1, are under way. The properties that were classified as “Non-current assets held-for-sale” were sold at the end of November 2006, providing a further net gain of EUR 20 M.

REGISTERED OFFICE OF THE ISSUER

Lecta S.A.
19-21, boulevard Prince Henri
L-1724 Luxembourg

SOLE BOOK-RUNNING MANAGER

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

LEGAL ADVISORS TO THE ISSUER AND GUARANTORS

as to United States and English law:
Shearman & Sterling LLP
Broadgate West
9 Appold Street
London EC2A 2AP

as to Luxembourg law:
Oostvogels Pfister Roemers
Avocats a la Cour
Avenue Monterey, 20 - BP 603
L-2016 Luxembourg

as to French law:
Shearman & Sterling LLP
114, avenue des Champs-Elysées
75008 Paris

as to Spanish law:
Garrigues Abogados
Avenida Diagonal, 654
08034 Barcelona

as to Italian law:
KStudio Associato
Consulenza legale e tributaria
Corso Vittorio Emanuele II, 48
10123 Torino

as to Italian tax law:
Studio Vasapolli & Associati
Piazza Carlo Emanuele II, 13
10123 Torino

LEGAL ADVISORS TO THE INITIAL PURCHASERS

as to United States law:
Simpson Thacher & Bartlett LLP
CityPoint
One Ropemaker Street
London EC2Y 9HU

as to English law:
Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

as to Luxembourg law:
Kremer Associés & Clifford Chance
4 Place de Paris
B.P. 1147
L-1011 Luxembourg

as to French law:
Clifford Chance Europe LLP
9 Place Vendôme
CS 50018
75038 Paris Cedex 01

as to Spanish law:
Clifford Chance S.L.
Av. Diagonal 682
80834 Barcelona

as to Italian law:
Clifford Chance Studio Legale Associato
Piazzetta M. Bossi, 3
20121 Milano

as to Italian tax law:

Maisto e Associati

Piazza F. Meda 5
20121 Milano

INDEPENDENT AUDITORS

Ernst & Young S.A.
7, Parc d'Activité Syrdall
L-5365 Munsbach
Grand Duchy of Luxembourg

SECURED NOTE TRUSTEE AND UNSECURED NOTE TRUSTEE	TRANSFER AGENT, REGISTRAR, PRINCIPAL PAYING AGENT AND SECURITY TRUSTEE	LUXEMBOURG LISTING, TRANSFER AND PAYING AGENT
Deutsche Trustee Company Limited Winchester House 1 Great Winchester Street London EC2N 2DB	Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB	Deutsche Bank Luxembourg S.A. 2 Bld Konrad Adenauer L-1115 Luxembourg

[THIS PAGE IS INTENTIONALLY LEFT BLANK]

[THIS PAGE IS INTENTIONALLY LEFT BLANK]

Printed on GardaMatt Art paper
Covers 250 gsm
Text 90 gsm

(LOGO)
U51315

We have not authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in this listing memorandum. You must not rely on unauthorized information or representations.

This listing memorandum does not offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities.

The information in this listing memorandum is current only as of the date on the cover page, and may change after that date. For any time after the date of this listing memorandum, we do not represent that our affairs are the same as described or that the information in this listing memorandum is correct — nor do we imply those things by delivering this listing memorandum or selling securities to you.

TABLE OF CONTENTS

LISTING MEMORANDUM

(LECTA LOGO)

Lecta S.A.

€748,000,000

€598,000,000
Senior Secured Floating Rate Notes Due 2014

€150,000,000
Senior Unsecured Floating Rate Notes Due 2014

Deutsche Bank

Sole Book-Running Manager

UniCredit Group (HVB)

Co-Manager

Banco Bilbao Vizcaya
Argentaria, S.A.

Co-Manager

March 9, 2007