OFFERING MEMORANDUM | **NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES**

€390,000,000 Floating Rate Senior Secured Notes due 2018
€200,000,000 $8^{7}/_{8}$% Senior Secured Notes due 2019

LECTA

Lecta S.A.

Lecta S.A. (the "Issuer") is offering €390,000,000 aggregate principal amount of its Floating Rate Senior Secured Notes due 2018 (the "Floating Rate Senior Secured Notes") and €200,000,000 aggregate principal amount of its $8^{7}/_{8}$% Senior Secured Notes due 2019 (the "Fixed Rate Senior Secured Notes," and together with the Floating Rate Senior Secured Notes, the "Notes") (each an "Offering" and together the "Offerings"). As part of the Offering of the Floating Rate Senior Secured Notes, the Issuer issued Floating Rate Senior Secured Notes (such Floating Rate Senior Secured Notes are referred to herein as "Exchange Notes") to eligible holders of the Issuer's €598,000,000 Senior Secured Floating Rates Notes due 2014 pursuant to an exchange offer (the "Exchange Offer"). The combined aggregate principal amount of the Floating Rate Senior Secured Notes (including the Exchange Notes to be issued pursuant to the Exchange Offer) and the Fixed Rate Senior Secured Notes is €590,000,000. Of the € 390,000,000 aggregate principal amount of Floating Rate Senior Secured Notes being offered by the Issuer, an aggregate principal amount of € 344,062,000 has been issued pursuant to the Exchange Offer while an aggregate principal amount of €45,938,000 will be issued for cash pursuant to the Offering of the Floating Rate Senior Secured Notes. The Floating Rate Senior Secured Notes offered hereby and the Exchange Notes will comprise one series of Floating Rate Senior Secured Notes.

Interest on the Floating Rate Senior Secured Notes will be equal to three-month EURIBOR plus 550 basis points, reset quarterly, and will be paid quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on August 15, 2012. Interest on the Fixed Rate Senior Secured Notes will be paid semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2012.

The Issuer may redeem the Floating Rate Senior Secured Notes in whole or in part at any time on or after May 15, 2014 at the redemption prices specified herein. Prior to May 15, 2014, the Issuer may redeem all or part of the Floating Rate Senior Secured Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus the applicable "make whole" premium, as described herein.

The Issuer may redeem the Fixed Rate Senior Secured Notes in whole or in part at any time on or after May 15, 2015 at the redemption prices specified herein. Prior to May 15, 2015, the Issuer may redeem all or part of the Fixed Rate Senior Secured Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus the applicable "make whole" premium, as described herein. Prior to May 15, 2015, the Issuer may redeem up to 35% of the aggregate principal amount of the Fixed Rate Senior Secured Notes with the net proceeds from certain equity offerings at the redemption price set forth in this Offering Memorandum.

The Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all of the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

The Notes will be the Issuer's senior obligations and will be guaranteed (the "Guarantees" and each a "Guarantee") on a senior secured basis by the guarantors named herein (the "Guarantors"). The Notes and the Guarantees will be secured by first-ranking security interests (together with the Issuer's and the Guarantors' obligations under the New Revolving Credit Facility (as defined herein)) in certain assets of the Issuer and certain subsidiaries of the Issuer, including shares of Guarantors, as described in greater detail herein. The laws of certain jurisdictions limit the enforceability of Guarantees and the rights to the Collateral (as defined herein) securing such Guarantees. In the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral only after the lenders under the New Revolving Credit Facility and certain hedging obligations have been repaid in full. See "Description of the Notes — Security."

There is currently no public market for the Notes. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Luxembourg Stock Exchange's Euro MTF market. The Euro MTF market is not a regulated market pursuant to the provisions of Directive 2004/39/EC.

The Notes will be issued in the form of one or more global notes in registered form. On or about the closing date of the Offerings, the global notes representing the Notes will be deposited and registered in the name of a nominee for a common depositary for Euroclear S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"). See "Book Entry, Delivery and Form."

This Offering Memorandum constitutes a prospectus for the purpose of Luxembourg law dated July 10, 2005 on Prospectuses for securities.

Investing in the Notes involves a high degree of risk. See "Risk Factors" beginning on page 23.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or the securities laws of any other jurisdiction. Accordingly, the Notes and the Guarantees are being offered and sold inside the United States only to qualified institutional buyers ("QIBs") in accordance with Rule 144A under the U.S. Securities Act ("Rule 144A") and outside the United States to certain persons in offshore transactions in accordance with Regulation S under the U.S. Securities Act ("Regulation S"). Prospective purchasers that are QIBs are hereby notified that the sellers of the Notes may be relying on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes, see "Plan of Distribution" and "Notice to Investors."

Price for the Floating Rate Senior Secured Notes: 99% plus accrued interest, if any, from the Issue Date.
Price for the Fixed Rate Senior Secured Notes: 100% plus accrued interest, if any, from the Issue Date.

Joint Bookrunners

Deutsche Bank | **Credit Suisse** | **Morgan Stanley**

Co-Managers

Banco Bilbao Vizcaya Argentaria, S.A. | **UniCredit Bank**

The date of this Offering Memorandum is July 4, 2012.

IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

You should rely only on the information contained in this Offering Memorandum. We have not, and Deutsche Bank AG, London Branch ("Deutsche Bank"), Credit Suisse Securities (Europe) Limited ("Credit Suisse"), Morgan Stanley & Co. International plc ("Morgan Stanley"), Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") and UniCredit Bank AG ("UniCredit") (collectively, the "Initial Purchasers") have not, authorized anyone to provide you with information that is different from the information contained herein. We are not, and the Initial Purchasers are not, making an offer of these securities in any jurisdiction where such offer is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

This Offering Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, nor may this Offering Memorandum be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell any Notes or possess or distribute this Offering Memorandum, and you must obtain all applicable consents and approvals; neither we nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements. See "Notice to Investors."

Neither we nor the Initial Purchasers, the Trustee or Agents, nor any of our or their respective representatives are making any representation to you regarding the legality of an investment in the Floating Rate Senior Secured Notes and/or the Fixed Rate Senior Secured Notes, and you should not construe anything in this Offering Memorandum as legal, business, tax or other advice. You should consult your own advisors as to the legal, tax, business, financial and related aspects of an investment in the Notes. In making an investment decision regarding any of the Notes, you must rely on your own examination of the Issuer and the terms of the relevant Offering, including the merits and risks involved.

By accepting delivery of this Offering Memorandum, you agree to the foregoing restrictions, to make no photocopies of this Offering Memorandum or any documents referred to herein and not to use any information herein for any purpose other than considering an investment in the Floating Rate Senior Secured Notes or the Fixed Rate Senior Secured Notes.

This Offering Memorandum is based on information provided by us and other sources that we believe to be reliable. The Initial Purchasers are not making any representation or warranty that this information is accurate or complete and are not responsible for this information. In this Offering Memorandum, 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.

We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything material that is likely to affect the import of such information. However, the information set forth under the headings "Summary," "Operating and Financial Review and Prospects," "Industry and Market Overview" and "Business" includes extracts from information and data, including industry and market data, released by publicly available sources in Europe and elsewhere. While we accept responsibility for the accurate extraction and summarization of such information and data, neither we nor the Initial Purchasers have independently verified the accuracy of such information and data, and neither we nor the Initial Purchasers accept any further responsibility in respect thereof. In addition, this Offering Memorandum contains summaries we believe to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. However, as far as we are aware, no information or data has been omitted which would render reproduced information inaccurate or misleading.

The information contained in this Offering Memorandum is correct as of the date hereof. Neither the delivery of this Offering Memorandum at any time after the date of publication nor any subsequent commitment to purchase the Floating Rate Senior Secured Notes and/or the Fixed Rate Senior Secured Notes shall, under any circumstances, create an implication that there has been no change in the information set forth in this Offering Memorandum or in our business since the date of this Offering Memorandum.

The information contained under the "Exchange Rate Information" section of this Offering Memorandum includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarizing the information concerning exchange rate information, we do not accept any further responsibility in respect of such information. The information set forth in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including “Book-Entry, Delivery and Form,” is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information.

The Notes will be available initially only in book-entry form. We expect that the Notes offered hereby will be issued in the form of one or more global notes, which will be deposited with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected only through, records maintained by Euroclear and/or Clearstream and their participants, as applicable. See “Book Entry, Delivery and Form.”

The Notes are subject to restrictions on transferability and resale, which are described under the “Notice to Investors” section of this Offering Memorandum. By possessing this Offering Memorandum or purchasing any Note, you will be deemed to have represented and agreed to all of the provisions contained in that section of this Offering Memorandum. You should be aware that you may be required to bear the financial risks of your investment for a long period of time.

We reserve the right to withdraw either Offering at any time. We and the Initial Purchasers also reserve the right to reject any offer to purchase the Floating Rate Senior Secured Notes and/or the Fixed Rate Senior Secured 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 Floating Rate Senior Secured Notes and/or the Fixed Rate Senior Secured Notes, as applicable, sought by it. The Initial Purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the relevant Notes.

Each purchaser of the Floating Rate Senior Secured Notes and/or the Fixed Rate Senior Secured Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Memorandum under the “Notice to Investors” section of this Offering Memorandum.

IN CONNECTION WITH THE OFFERINGS, DEUTSCHE BANK (THE “STABILIZATION MANAGER”) OR PERSONS ACTING ON BEHALF OF THE STABILIZATION MANAGER MAY OVER-ALLOT NOTES 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, THERE IS NO ASSURANCE THAT THE STABILIZATION MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN 30 DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVES THE PROCEEDS OF THE ISSUE, OR NO LATER THAN 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES, WHICHEVER IS EARLIER.

NOTICE TO INVESTORS IN THE UNITED STATES

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold in the United States, except to QIBs (as defined in Rule 144A), in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. The Notes may be offered and sold outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S. Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes, see “Notice to Investors.”

Neither the U.S. Securities and Exchange Commission, any U.S. state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offence.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES 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 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 PERSONS, 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.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Offering Memorandum has been prepared on the basis that all offers of the Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for us or any of the Initial Purchasers to publish a prospectus in relation to such offer. Neither we 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 the Notes contemplated in this Offering Memorandum. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

NOTICE TO ITALIAN INVESTORS

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except: (a) to Qualified Investors (*Investitori Qualificati*) as defined pursuant to Article 100, paragraph 1(a) of Legislative Decree No 58, February 24, 1998 (the "Financial Services Act") and Article 34-*ter* paragraph 1(b) of CONSOB Regulation 11971, May 14, 1999 (the "Issuers' Regulation"), all as amended and restated from time to time, provided that such Qualified Investors act in their capacity as such and not as depositaries or nominees for other shareholders; or (b) in any other circumstances where an express exemption from compliance with offer restrictions applies, as provided under the Financial Services Act and its implementing CONSOB regulations, including the Issuers' Regulation. For the purposes of this provision, the expression "offer of notes to the public" in Italy means the communication in any form and by any means of sufficient information on the terms of the Offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, including placement through authorized intermediaries. Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable Italian laws and regulations. The Notes and the information contained in this Offering Memorandum are intended only for the use of its recipient. No person resident or located in Italy other than the original recipients of this Offering Memorandum may rely on it or its content. Moreover, and subject to the foregoing, each Initial Purchaser has acknowledged that any offer, sale or delivery of the Notes or distribution of copies of this document or any other document relating to the Notes in Italy under (a) or (b) above must be: (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of September 1, 1993 and CONSOB regulation No. 16190 of October 29, 2007, all as amended; and (ii) in compliance with any other applicable notifications, requirements or limitations which may be imposed by CONSOB, the Bank of Italy or any other Italian authorities.

NOTICE TO INVESTORS IN FRANCE

This Offering Memorandum (or any other offering material relating to the Notes) has not been prepared in the context of a public offering in France within the meaning of the French *Code Monétaire et Financier* and may not be distributed or caused to be distributed to the public in the French Republic and the Notes have not been offered or sold, and will not be offered or sold, directly or indirectly, to the public in the French Republic, and such offers, sales and distributions have been and will be made in the French Republic only to (i) providers of investment services relating to portfolio management for the account of third parties and/or qualified investors (*investisseurs qualifiés*) and (ii) a limited group of investors (*cercle restreint d'investisseurs*), in each case acting for their own account, all as defined in, and in accordance with, Articles L. 411-1, L. 411-2 and D. 411-1 to D. 411-4 of the French *Code Monétaire et Financier*.

Prospective investors are informed that (a) no prospectus has been approved by the *Autorité des marchés financiers*, (b) such prospective investors may only take part in the transaction for their own account as provided in articles D. 411-1 and D. 411-4, D. 744-1, D. 754-1 et D. 764-1 of the French *Code Monétaire et Financier* and (c) the Notes may not be further distributed directly or indirectly to the public in the French Republic otherwise than in accordance with articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French *Code Monétaire et Financier*.

NOTICE TO INVESTORS IN SPAIN

The Notes may not be offered or sold in Spain except in accordance with the requirements of the Spanish Securities Market Law (*Ley 24/1988, de 28 de Julio del Mercado de Valores*), as amended and restated and Royal Decree 1310/2005 (*Real Decreto 1310/2005 de 4 de noviembre*), as amended and restated ("R.D. 1310/2005"). This Offering Memorandum is neither verified nor registered in the administrative registries of the *Comisión Nacional del Mercado de Valores*, and therefore a public offer for subscription of the Notes will not be carried out in Spain. Notwithstanding that and in accordance with Article 38 of R.D. 1310/2005, a private placement of the Notes addressed exclusively to institutional investors (as defined in Article 39.1 of R.D. 1310/2005) may be carried out in accordance with the requirements of R.D. 1310/2005.

NOTICE TO INVESTORS IN LUXEMBOURG

The Notes are not offered to the public in or from Luxembourg and each Initial Purchaser has represented and agreed that it will not offer the Notes or cause the offering of the Notes or contribute to the offering of the Notes to the public in or from Luxembourg, unless all the relevant legal and regulatory requirements concerning a public offer in or from Luxembourg have been complied with. In particular, this offer has not been and may not be announced to the public and offering material may not be made available to the public in Luxembourg.

NOTICE TO UNITED KINGDOM INVESTORS

This Offering Memorandum is for distribution only to, and is only directed at, persons who: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the "Financial Promotion Order"); (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; (iii) are outside the United Kingdom; 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 Offering 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 relevant persons and will be engaged in only with relevant persons.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes "forward-looking statements" within the meaning of the securities laws of certain jurisdictions. 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 Offering 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 known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and 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 Offering Memorandum. You should not place undue reliance on these forward looking statements. 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 Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. In particular, you should place no reliance on statements we make with respect to estimates, expectations or projections regarding sales volume or synergies expected from acquisitions we have made or may undertake, including with respect to Polyedra. 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;
- changing customer preferences or the development of new technologies;
- our reliance on a limited number of customer accounts for a significant amount of our revenue;
- our ability to realize cost reductions and efficiency improvements;
- risks related to current and future acquisitions, including Polyedra;
- risks related to the Permitted Reorganization;
- 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;
- the consequences of our substantial indebtedness;
- other risks and uncertainties inherent to our business and to general local and global economic conditions; and
- other factors discussed under "Risk Factors" and "Limitations on Validity and Enforceability of the Guarantees and the Security Interests."

These risks and others described under "Risk Factors" are not exhaustive. Other sections of this Offering Memorandum describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the sectors in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

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 Offering Memorandum.

PRESENTATION OF INDUSTRY AND MARKET INFORMATION

We have generally obtained the market and competitive position data in this Offering Memorandum from industry publications and from surveys or studies conducted by third-party sources that we believe to be reliable, including Euro-Graph asbl, the European Association of Graphic Paper Producers ("Euro-Graph"), Laves Chemie, the International Federation of Manufacturers and Converters of Self-Adhesive and Heat-Seal Materials on Paper and Other Substrates, the European Thermal Paper Association and the European Metallizers Association. However, we cannot assure you of the accuracy and completeness of such information and we have not independently verified such market and position data and neither we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of such information set forth in this Offering Memorandum. 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.

In addition, in many cases we have made statements in this Offering 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.

TRADEMARKS AND TRADE NAMES

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum is the property of the respective holder.

In this Offering Memorandum:

- “Agents” refers to the paying agents, the transfer agents and the registrar;
- “closing date” refers to the date on which the Offerings are completed, May 11, 2012
- “Collateral” has the definition set forth under “Description of the Notes — Credit enhancement — Security”;
- “CVC” refers to CVC Capital Partners;
- “CWF” refers to coated woodfree;
- “EU” refers to the European Union;
- “EUR,” “euro” or “€” refers to the single currency of the EU Member States participating in the European Monetary Union;
- “Existing Credit Facilities,” refers to our existing senior term and revolving credit facilities described in “Description of Other Indebtedness — The Existing Credit Facilities” which will be refinanced with the proceeds of the offering of the Notes;
- “Existing Indebtedness” refers to our Existing Credit Facilities and our Existing Notes;
- “Existing Notes” refers to our €598,000,000 Senior Secured Floating Rate Notes due 2014 and our €119,661,000 Senior Unsecured Floating Rate Notes due 2014, which will be refinanced with cash raised through the offering of the Notes and cash on balance sheet;
- “Fixed Rate Notes Proceeds Loans” refers to the loans as described under “Description of the Notes— Certain definitions”;
- “Floating Rate Notes Proceeds Loans” refers to the loans as described under “Description of the Notes— Certain definitions”;
- “Fixed Rate Senior Secured Notes” refers to the €200,000,000 $8^{7}/_{8}$% Senior Secured Notes due 2019 offered hereby;
- “Fixed Rate Senior Secured Notes Indenture” refers to the indenture governing the Fixed Rate Senior Secured Notes as described in “Description of the Notes — Certain Definitions;”
- “Fixed Rate Senior Secured Notes Trustee” refers to Deutsche Trustee Company Limited, in its capacity as trustee for the holders of the Fixed Rate Senior Secured Notes;
- “Floating Rate Senior Secured Notes” refers to the € 390,000,000 Floating Rate Senior Secured Notes due 2018 offered hereby and pursuant to the Exchange Offer;
- “Floating Rate Senior Secured Notes Indenture” refers to the indenture governing the Floating Rate Senior Secured Notes as described in “Description of the Notes;”
- “Floating Rate Senior Secured Notes Trustee” refers to Deutsche Trustee Company Limited, in its capacity as trustee for the holders of the Floating Rate Senior Secured Notes;
- “GBP” or “pound sterling” refers to the lawful currency of the United Kingdom;

- "Group" or the "Lecta Group" refers to Lecta S.A. and its consolidated subsidiaries, except where the context otherwise requires;

- "Guarantors" refers collectively to Sub Lecta 1 S.A., Sub Lecta 2 S.A., Sub Lecta 3 S.A., Cartiere del Garda S.p.A., Condat Holding S.A.S., Condat S.A.S. (upon it becoming a guarantor pursuant to the Indentures), Lecta HQ S.A., Torraspapel S.A., Sarriopapel y Celulosa S.A. and any other subsidiary of the Issuer that guarantees the Notes pursuant to the Indentures, and each, individually, a "Guarantor;"

- "Iberia" or the "Iberian Peninsula" refers to Spain and Portugal collectively;

- "IFRS-EU" refers to International Financial Reporting Standards as adopted by the European Union;

- "Indentures" refers to the Floating Rate Senior Secured Notes Indenture and the Fixed Rate Senior Secured Notes Indenture;

- "Intercompany Loans" refers to the Floating Rate Notes Proceeds Loans and the Fixed Rate Notes Proceeds Loans;

- "Issue Date" refers to the date on which the Notes offered hereby are issued by the Issuer;

- "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 and incorporated November 9, 1999;

- "Member States" refers to countries belonging to the EU or European Economic Area, as the context requires;

- "New Revolving Credit Facility" refers to our new revolving credit facility totaling €80,000,000, described in "Description of Other Indebtedness — New Revolving Credit Facility;"

- "Notes" refers, collectively, to the Floating Rate Senior Secured Notes and the Fixed Rate Senior Secured Notes offered hereby;

- "PaperlinX" refers to PaperlinX Limited, a company incorporated in Australia whose registered office is at 7 Dalmore Drive, Scoresby, Victoria 3179, Australia;

- "Permitted Reorganization" means certain steps relating to the reorganization of the Group, taking place subsequent to the Issue Date, as described and set forth under the heading "Summary — The Transactions and Use of Proceeds — The Refinancing and the Reorganization — Permitted Reorganization," concluded within 90 calendar days of the Issue Date, as part of which the Issuer and its subsidiaries will grant additional Collateral; *provided* that the percentage of the Group's EBITDA generated by, and the percentage of the Group's total assets held by, the Issuer and the Guarantors is not materially diminished as a result of such reorganization;

- "Polyedra" refers to Polyedra S.p.A., Carthago S.r.l. and Polyedra AG;

- "Refinancing" refers to the transactions described under "Summary — The Transactions and Use of Proceeds — The Refinancing and the Reorganization;"

- "Secmar" refers to Secmar S.A.S., a company incorporated in France, which, as of May 2008, owned 100% of Malmenayde S.A.S. and 66% of Nord Papier S.A.;

- "Security Trustee" refers to Deutsche Bank AG, London Branch, in its capacity as security trustee for the Notes and the New Revolving Credit Facility;

- "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 renewed on December 13, 2009 and entered into by each shareholder of the Issuer;

- "Sub Lecta 1 S.A." refers to a public limited liability company (*société anonyme*) organized under the laws of Luxembourg, having its registered office at 19-21 Boulevard du Prince Henri, L-1724 Luxembourg and registered with the Luxembourg Trade and Companies Register under number B 60592;

- "Sub Lecta 2 S.A." refers to a public limited liability company (*société anonyme*) organized under the laws of Luxembourg, having its registered office at 19-21 Boulevard du Prince Henri, L-1724 Luxembourg and registered with the Luxembourg Trade and Companies Register under number B 72206;

- "Sub Lecta 3 S.A." refers to a public limited company (*société anonyme*) organized under the laws of Luxembourg, having its registered office at 19-21 Boulevard du Prince Henri, L-1724 Luxembourg and in the process of registration with the Luxembourg Trade and Companies Register;

- "Trustee" refers to Deutsche Trustee Company Limited, in its capacity as Fixed Rate Senior Secured Notes Trustee and Floating Rate Senior Secured Notes Trustee;

- "United Kingdom" or the "UK" refers to the United Kingdom of Great Britain and Northern Ireland;

- "United States" or the "U.S." refers to the United States of America;

- "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;

- "UWF" refers to uncoated woodfree; and

- "we," "us," "our" and other similar terms refer to the Issuer and its consolidated subsidiaries, except where the context otherwise requires.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, financial information in this Offering Memorandum is presented in euro and has been prepared in accordance with IFRS-EU.

This Offering Memorandum includes audited consolidated financial information of the Issuer as of and for the years ended December 31, 2009, 2010 and 2011 and accompanying notes, prepared in accordance with IFRS-EU (the "Audited Consolidated Financial Information"). The financial information included in this Offering Memorandum is not intended to comply with the SEC reporting requirements. Compliance with such requirements would require the presentation of financial information in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") or in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS-IASB"), as the case may be, the modification or exclusion of certain information presented in this Offering Memorandum and the presentation of certain other information not included in this Offering Memorandum including pro forma financial information for a material disposition. In addition, IFRS-EU, IFRS-IASB and U.S. GAAP may differ in certain significant respects from each other. This Offering Memorandum does not include any reconciliation of the Consolidated Financial Statements from IFRS-EU to IFRS-IASB or U.S. GAAP. It is possible that a reconciliation or other qualitative or quantitative analysis would identify material differences between the financial information presented herein in accordance with IFRS-EU and other financial information prepared under IFRS-IASB or U.S. GAAP. Prospective investors should consult their own accounting advisors for an understanding of the differences between IFRS-EU, IFRS-IASB and U.S. GAAP and how those differences might affect the financial information and other data presented in this Offering Memorandum.

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

In this Offering 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 income, 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 New Revolving Credit Facility.

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Offering Memorandum. Neither Lecta S.A. nor the Initial Purchasers represent that the U.S. dollar amounts referred to below could be or could have been converted into euro at any particular rate indicated or any other rate.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate of the euro on May 4, 2012 was $1.3082 per €1.00.

	High	Low	Average	Period End
	(U.S. dollars per €1.00)			
Year				
2007	1.4862	1.2904	1.3797	1.4603
2008	1.6010	1.2446	1.4695	1.3919
2009	1.5120	1.2555	1.3948	1.4406
2010	1.4563	1.1942	1.3257	1.3362
2011	1.4882	1.2889	1.3920	1.2939
Month				
January 2012	1.3176	1.2669	1.2905	1.3176
February 2012	1.3454	1.2982	1.3224	1.3443
March 2012	1.3356	1.3057	1.3201	1.3356
April 2012	1.3332	1.3062	1.3165	1.3228
May 2012 (through May 4)	1.3222	1.3082	1.3155	1.3082

SUMMARY

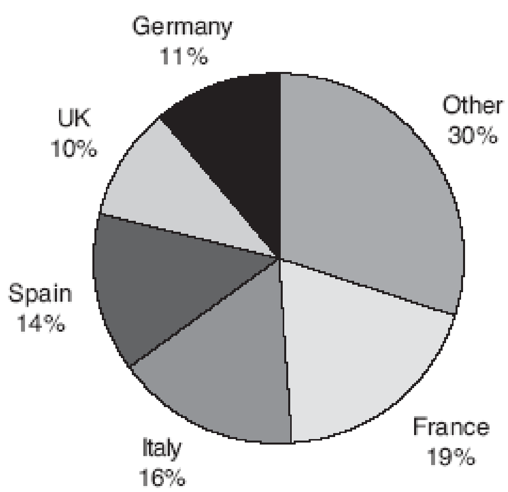
The following summary supplements, and should be read in conjunction with, the more detailed information contained elsewhere in this Offering Memorandum. You should read the entire Offering Memorandum carefully to understand our business, the nature of the Notes offered hereby, and the tax and other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

Our Company

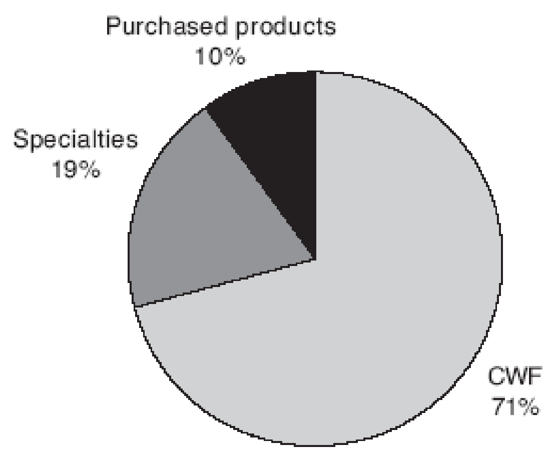
We are the second largest CWF paper manufacturer in Europe, with an annual production capacity of 1,475,000 metric tons as of 2011. We are also one of the leading manufacturers of specialty papers in Europe, with an annual production capacity of 259,000 metric tons of finished products and 118,000 metric tons of UWF and base paper. We own and operate a 230,000 metric ton pulp mill in Spain, which provides approximately 30% of our overall pulp requirements. We have nine CWF paper machines and three specialty paper machines in nine mills located at various sites in Italy, France and Spain. In the year ended December 31, 2011, our mills produced an aggregate of 1,342,000 metric tons of CWF paper and 202,000 metric tons of specialty papers.

We rank either first or second in terms of market share in each of France, Spain and Italy, the principal markets for our products, which accounted for 19%, 14% and 16%, respectively, of our CWF deliveries in 2011. We also market our CWF paper elsewhere in Europe, including Germany (11%), the United Kingdom (10%) and other European countries (12%) and, to a lesser extent, outside of Europe (18%). Our mills are located in close proximity to the key commercial markets in Europe. These markets account for approximately 83% of demand for CWF in Europe and accounted for approximately 71% of our total sales in 2011.

2011 percentage of Lecta CWF deliveries(1)



2011 paper sales by product (value)



(1) Based on 2011 actual CWF volume shipped.

Source: Euro-Graph (formerly Cepifine) and Issuer information.

During the year ended December 31, 2011, our revenues (consisting of sales of paper and energy) were €1,577 million and we had EBITDA of €162 million.

We were formed by CVC Capital Partners ("CVC") in 1997 through the acquisition of Cartiere del Garda of Italy in October of that year, and we 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 CWF paper for sale under their own brand names, which are well known in the European market. In addition to CWF paper, we also produce a variety of specialty papers, including self-adhesive, carbonless, thermal and metalized paper.

We operate a significant paper merchanting business that we have built organically and through the acquisition of Secmar in France in 2008 and the pending acquisition of Polyedra in Italy in 2012. In the year ended December 31, 2011, we distributed 445,000 metric tons of paper, of which 105,000 metric tons were produced by third parties. We plan to expand our merchanting business with selected and opportunistic bolt-on acquisitions that expand our presence in other countries.

We have a high-quality asset base, which achieves superior operating performance. Between 1999 and 2011, we invested approximately €900 million in rebuilding our papermaking, coating and converting machines, increasing our co-generation capabilities, reducing costs, improving productivity, enhancing our information technology, implementing environmental and safety improvements and maintenance. We have reduced both our variable and fixed costs through machine modernization and various cost reduction initiatives, including the coordination of sales and marketing and raw material purchases and extensive internal and external benchmarking of our production processes. Additionally, we have invested in efficient energy generation activity and reduction in greenhouse-gas emissions, and currently benefit from seven co-generation plants with total installed capacity of 297 MW.

Our Strengths

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

Strong Market Positions in the Markets in which We Operate. We are the market leader for CWF paper in target markets in Spain, France and Italy, and enjoy strong positions in some of the key markets for CWF outside Southern Europe, including Germany and the UK. The following table sets forth the percentage of our deliveries and our market share in our principal markets for CWF paper based on volume shipped in 2011.

	% of Lecta	Market Share(1)		
Country	**Deliveries**	**2005**	**2011**	**Increase**
France	19%	26%	34%	+8
Italy	16%	26%	31%	+5
Spain	14%	44%	44%	—
UK	10%	14%	17%	+3
Germany	11%	3%	8%	+5
Other Europe	12%	—	—	—
Total Europe	**82%**	**16%**	**18%**	**+2**

(1) Based on 2011 actual volume shipped.

Source: Euro-Graph (formerly Cepifine) and Issuer information.

The majority of our products are sold under our own brand names — Creator, Garda Cartiere and Condat — which we believe have strong brand name recognition among our target customers in Spain, France, Italy and Portugal. 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 and Flexibility and Variety in Production. Our mills are located in close proximity to the key commercial markets in Europe, as well as our key customers. These markets account for approximately 83% of demand for CWF in Europe and accounted for approximately 71% of our total deliveries in 2011. The strategic location of our mills allows us to keep transportation costs down, which generally account for a substantial portion of sales prices in our industry. Our competitors, particularly our principal competitors in Europe with mills in Nordic countries, are located much further away from our core customers and therefore we benefit from lower transportation costs. Proximity to customers also allows us to better manage inventories and to provide improved customer service by being able to more quickly respond to our customers' needs. Although most large industrial paper machines produce reels of paper, most demand for CWF and specialty papers in Europe is for sheeted paper which generates higher margins. 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. As our converting facilities are situated at or near our paper mills, our ability to efficiently satisfy orders while minimizing waste provides us with a further advantage over most of our competitors.

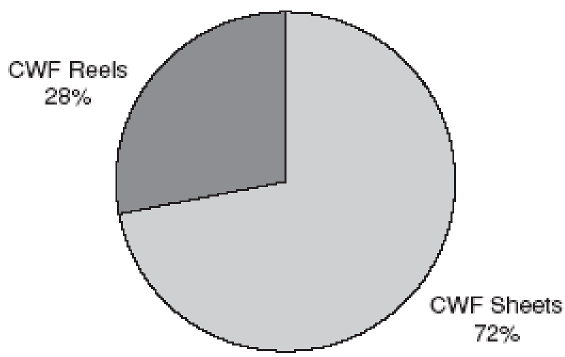
We manufacture our CWF paper on nine medium-width machines, which we believe are best suited for the production of most CWF paper products. Since the CWF paper market generally demands a greater variety of basis weights and surface finishes than other types of graphic paper, these machines allow us to 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.

Value Chain Integration. Our integrated distribution business, combined with our internet-based ordering platform, has allowed us to simplify ordering, tracking and invoicing, and is part of our strategy to continually reduce the cost of the logistical aspects of our value chain. In addition, we operate an information system designed for collaborative production planning, procurement and inventory management processes throughout the supply chain. Our integration in each stage of production provides us with full visibility of the entirety of our supply chain. Our ability to partially source our own pulp and source the majority of our base paper from our mills reduces earnings volatility and increases our manufacturing flexibility with respect to CWF and specialty papers. As a result, we optimize inventory costs and, with the visibility provided by our sales and marketing knowledge, are able to adapt the production process to the changing market environment.

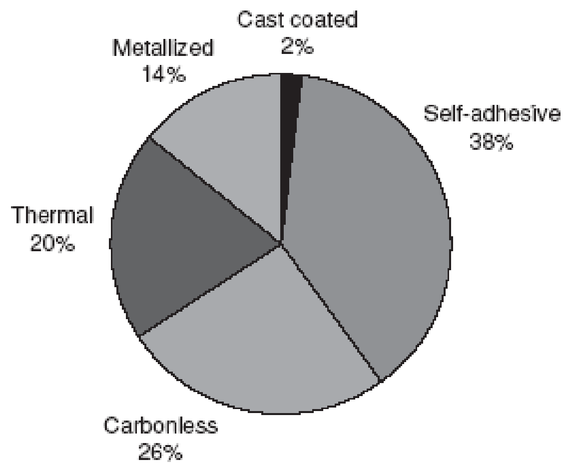
Focus on Higher-Margin and Value Added Products. We continue to shift our product mix towards products that generate higher margins, such as sheeted CWF paper, CWF paper in higher grades and weights and value added specialties, and are focusing our marketing and distribution efforts on customers who require these products. We are pursuing increased sales to our existing customers as well as to new customers, in particular printers, publishers and paper merchants and expect that the demand for CWF paper will increase at a moderate rate in the short to medium term. We seek to drive product performance improvements in the coated paper segment by developing new products that meet the needs of our core customers.

The charts below show our focus on sheeted paper versus reels and the breakdown of our specialty paper production, as described in further detail below.

Lecta added value CWF sheets vs. reels breakdown (volume)



2011 Lecta specialty sales breakdown (value)

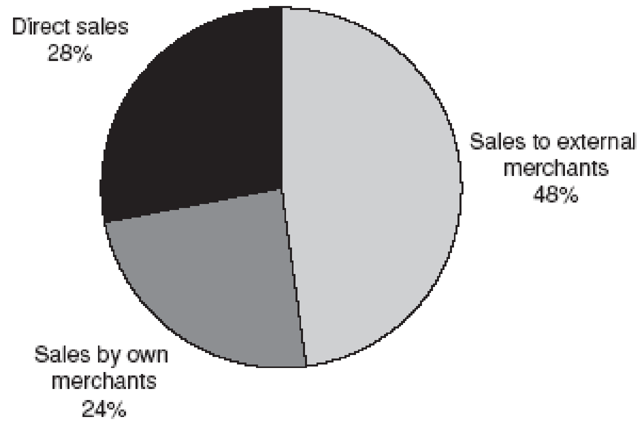


Source: Issuer information.

In specialty papers, in response to declining demand for carbonless paper, we are shifting our product mix toward self-adhesive, thermal and metalized 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, flexible printing platform and dedication to customer service enable us to shift our product mix in response to growth trends.

Successful and Growing Paper Merchanting Business Directly Linked to Customer Base. In addition to our production activities, we operate a paper merchanting business serving over 12,000 customers, distributing both our own CWF and specialty papers and those produced by third parties. Our merchanting group is a leader in Southern Europe, with the leading merchanting market position in Spain and the second highest positions in France and Italy. Overall, we are the sixth largest European paper merchanting group with sales volume of 445,000 metric tons for the year ended December 31, 2011. We currently sell our products through our merchanting business in Spain, Portugal, France and Argentina. Our distribution business enhances our ability to provide a high level of customer service by improving our understanding of our customers' product, final application and service needs, which allows us to more effectively develop and market new products to meet such requirements. Our merchant business also enables us to reduce delivery time and increase our flexibility in adapting to customer needs. Our merchanting market position also provides for sales stability and consistent order inflow to our mills, allowing for production system optimization, streamlined working capital management and optimization of logistic costs.

2011 sales by channel (volume)



Source: Issuer information.

Valuable Energy Assets. We own and operate seven co-generation plants with a total installed capacity of 297MW. Through these investments, we generate more electricity than we consume and our plants produce electrical and thermal energy fuelled by natural gas or biomass thereby helping to reduce greenhouse-gas emissions and raising energy efficiency. Our energy assets are well invested, with the most recent 25MW co-generation plant at Sant Joan, Spain coming into operation in the third quarter of 2011.

Well-Invested Asset Base and Efficient, Low-Cost Production. All of our mills and paper machines were modernized through a series of investment projects between 1999 and 2011 focused on increasing added value, continuing cost reduction and increasing environmental performance and co-generation capabilities. We have reorganized production significantly through targeted headcount reductions, mill restructuring and closures, CWF production homogenization, the interchangeability of production among different mills and investment in co-generation. Excluding employee headcount growth due to the Secmar acquisition, we were able to reduce overall headcount by 21%, which resulted in labor cost reduction of 9% between 2006 and 2011. Our CWF paper machines are, we believe, among the most efficient in Europe and such efficiency, combined with low transportation and sheet converting costs, provides us with a cost advantage in our key markets.

Skilled Personnel and Incentivized Management. Our management team has significant operating experience and is highly regarded by participants in the paper industry. The management team has successfully reorganized our operations, which are now fully integrated, with centrally managed purchasing, sales, marketing, risk, financing and administration functions. Each of our senior managers has been granted an incentive package with a strong focus on increasing EBITDA and cash generation.

Our Strategy

Our objectives are to build on our position as the leading CWF paper producer in Southern Europe and to improve EBITDA, diversify our activity and increase the company value. 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 of CWF paper largely due to our past capital investment projects, which have improved the efficiency of our machines. We seek to further improve the efficiency of all of our mills through the vigorous application of best practices, the use of up-to-date technological processes and risk management techniques, and thereby increase our cost competitiveness and margins. We continue to take steps to increase productivity as measured by metric tons produced per employee. 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 currently benefit from seven co-generation plants with a total installed capacity of 297MW, and continually look for additional co-generation opportunities which we believe would improve our cost efficiency.

Continue to Focus on Value Added Products. We intend to continue focusing on the production and distribution of higher grade, higher weight and sheeted CWF products, which generate higher margins. In addition, we intend to continue focusing on certain specialty papers, which, similarly, generate higher margins than other types of paper.

Reinforce Merchanting Integration. We intend to continue developing our merchanting operations both organically and through acquisitions. We intend to focus on investments and acquisition opportunities that fit our strategies and that can be conservatively financed while offering a potential return that exceeds our cost of capital in the medium term. Recent examples of this include the 2008 acquisition of the Secmar paper merchanting business, which we successfully integrated into our existing business, and the recent agreement to acquire Polyedra, which will expand our sales capacity in Italy. We will continue to carefully evaluate opportunities in the merchanting area that may arise from time to time.

Expand Further Our Energy Co-Generation Assets. We expect energy generation and third-party sales to continue to be a key focus for our mills for the foreseeable future and are pursuing several initiatives to increase our overall energy generation and the amount of, and price for, our surplus power sales. We have a total installed capacity of 297MW, which represents more than our current electricity usage. We are also exploring other initiatives and potential high-return projects to further enhance our energy generation and revenues.

Focus on Our Customers. We continue to focus on our target markets of France, Italy, Spain, Germany and the UK where we enjoy brand awareness and cost advantage over our competitors and we occupy leading market positions. We may seek to further enhance our customer focus by expanding our distribution capabilities, while maintaining and further developing our relationships with third-party distributors. We may also seek to expand our direct sales to end-users.

Continue to Respect the Environment. We intend to continue focusing on the sustainability of our production and comply with the highest environmental standards. We will seek to continue improving our environmental performance by reducing our CO_2 emissions, water use, energy consumption and sludge sent to disposable sites. We believe that our products comply with the highest social and environmental standards in the market and all our mills have completed the strictest environmental audits, and carry ISO 14001 and EMAS Environmental Management certifications guaranteeing transparent and responsible environmental performance. Furthermore, 100% of the wood used to manufacture our products comes from sustainably managed forests. We also intend to continue our environmental transparency by publishing annual environmental reports and providing information on the sources of all our coated, uncoated and specialty papers.

Industry Trends and Outlook

In recent years, the European CWF paper industry has experienced overcapacity, due to a history of industry-wide investment in new production capacity coupled with slower and often negative demand growth and a reduction in exports, which all contributed to reduced paper prices. Following a significant decrease in demand during the 2008–2009 economic crisis, the demand for CWF paper in Western Europe has somewhat stabilized though the overall operating environment continues to be challenging, as it has been affected by increasing raw material costs, particularly pulp and energy costs and the relatively weak U.S. dollar.

The financial performance of the industry, including our financial performance, has been negatively impacted during this period and has required the implementation of price increases during periods of favorable demand in order to maintain profitability. On three separate occasions in 2010, prices for coated fine paper increased, driven by higher prices charged by pulp producers, and a further set of price increases were implemented in April and May 2011.

Overcapacity

In response to challenging conditions in the paper industry, CWF paper industry participants, including Lecta, closed almost two million tons of production capacity between 2006 and 2010, representing approximately 19% of the total European capacity in 2006, with Lecta alone accounting for 160,000 tons of reduced capacity. Additional closure announcements were made in 2011 by several of our competitors with manufacturing capabilities in Europe. As a result, approximately 700,000 tons of capacity in aggregate will be removed from the market by other industry participants by the end of 2012, representing approximately 9% of the total European capacity in 2011.

Demand for CWF paper

In recent years, the growth of the commercial press and advertising sectors in Europe has been challenged due to the emergence of electronic media and related substitution trends. Total CWF deliveries in Europe in 2011 decreased by 5% compared to 2010, with this decrease affecting all Western European countries. We believe, however, based on projections of European paper industry analysts, that demand for CWF paper will stabilize until at least 2015 due to recovery in the general economic environment and a resulting increase in advertising spending.

The European CWF industry is also negatively affected by CWF 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. In the other direction, exports from China to Western Europe accounted for less than 1% of CWF paper demand in 2011, with Chinese imports greatly restricted by anti-subsidy duties as high as 12% and anti-dumping duties of up to 35.1% imposed by the European Union on Chinese CWF paper imports in May 2011. Such duties are expected to remain in place until May 2016.

Recent Developments

Preliminary First Quarter Results

Based on an analysis of our preliminary financial statements for the first quarter of 2012, we estimate that each of our revenue and EBITDA generated in the first quarter of 2012 is lower (by approximately 2% to 5% in each case) than our revenue and EBITDA generated in the first quarter of 2011. In addition, we estimate that our profit after tax generated in the first quarter of 2012 is lower (by approximately 9% to 12%) than our profit after tax generated in the first quarter of 2011. In the first quarter of 2011, we generated revenue, EBITDA and profit after tax of €418.5 million, €45.2 million and €9.9 million, respectively. The estimated declines for the first quarter of 2012 are primarily due to decreased sales volumes and lower average prices per ton in the first quarter of 2012 compared to the first quarter of 2011. On April 17, 2012, we announced a price increase of 6% to 8% on CWF paper, to be effective June 1, 2012. In addition, our cash and cash equivalents and total assets for the period ended March 31, 2012 decreased from December 31, 2011 by approximately 1.0%-1.5% and by less than 1%, respectively. The estimated results described in this paragraph have not been reviewed or audited and may change in connection with the preparation of our first quarter accounts and our normal end-of-quarter review process. See "Information Regarding Forward-Looking Statements" for more information.

Polyedra Acquisition

In March 2012, we reached an agreement to acquire Polyedra, the second largest paper merchant in Italy and one of our existing customers, from PaperlinX. The consideration for the acquisition is approximately € 45 million in cash, subject to post-completion adjustments, and is expected to be financed from our working capital. Polyedra had sales of around 200,000 tons of paper in 2011. Once completed, we expect that this acquisition will significantly expand our sales capacity in Italy and management estimates it will raise our CWF market share in Italy to around 35% from 31% in 2011. We believe that the Lecta Group will benefit from strong synergies and logistical advantages from the vertical integration afforded by the acquisition of the merchanting business of Polyedra. Completion is conditional on, among other things, a final value audit and regulatory clearances and is expected to occur during the second or third quarter of 2012.

The Transactions and Use of Proceeds

The Offerings and the Exchange Offer was completed on the Issue Date at the same time as a number of corporate restructuring steps being undertaken by Lecta, as described in more detail below. The use of proceeds of the Offerings, along with cash currently held by the Issuer, will be used to satisfy and discharge the Existing Notes on the Issue Date and discharge other existing indebtedness, as well as payment of certain fees and expenses in connection with the transactions. See "Use of Proceeds."

The Refinancing and the Reorganization

The Offerings, the Exchange Offer and the application of the proceeds therefrom along with the use of cash currently held by the Issuer and the entry by the Issuer and certain of its subsidiaries into the New Revolving Credit Facility are collectively referred to in this Offering Memorandum as the "Refinancing." It is not expected that the New Revolving Credit Facility will be drawn on the Issue Date.

The Exchange Offer

As part of the Offering of the Floating Rate Senior Secured Notes, the Issuer offered eligible holders of its €598,000,000 aggregate principal amount of Senior Secured Floating Rate Notes due 2014 to exchange up to a maximum aggregate principal amount of €585,000,000 of validly tendered and accepted outstanding Senior Secured Floating Rate Notes due 2014 for its Floating Rate Senior Secured Notes due 2018 upon the terms and conditions set forth in the exchange offer memorandum dated April 30, 2012, as supplemented by the exchange offer memorandum supplement dated May 1, 2012 (together, the "Exchange Offer Memorandum"). The combined aggregate principal amount of the Floating Rate Senior Secured Notes (including the Floating Rate Senior Secured Notes offered hereby for cash consideration and the Exchange Notes) and the Fixed Rate Senior Secured Notes offered hereby is equal to €590,000,000, with €45,938,000 aggregate principal amount of Floating Rate Senior Secured Notes being issued for cash consideration in the Offering of the Floating Rate Senior Secured Notes, €344,062,000 aggregate principal amount of Exchange Notes being issued pursuant to the Exchange Offer and €200,000,000 aggregate principal amount of Fixed Rate Senior Secured Notes being issued in the Offerings.

The Exchange Offer commenced on Monday, April 30, 2012 and expired at 12:00 p.m. London (UK) local time on Friday, May 4, 2012 (the "Expiration Deadline"). Among others, U.S. Persons (as defined in Regulation S under the U.S. Securities Act) and persons located within the United States were not eligible to participate in the Exchange Offer.

The price at which the Floating Rate Senior Secured Notes offered hereby will be issued, expressed as a percentage and rounded to the nearest 0.001 percent (with 0.0005 rounded upwards), is herein referred to as the "New Issue Price." On May 4, 2012, the Issuer announced that it was accepting an aggregate principal amount of €340,654,000 of validly offered Senior Secured Floating Rate Notes due 2014 in the Exchange Offer, and determined the New Issue Price to be 99%. The Exchange Notes and the Floating Rate Senior Secured Notes offered hereby for cash consideration are issued under the Floating Rate Senior Secured Notes Indenture, have identical terms and conditions and are part of the same series of notes. The Exchange Notes and the Floating Rate Senior Secured Notes offered hereby for cash consideration are guaranteed by the same subsidiaries of the Issuer and secured by first-ranking security interests, on an equal and ratable basis, in the Collateral. The Exchange Notes and the Floating Rate Senior Secured Notes offered hereby for cash consideration are fully fungible.

Any holder of the existing Senior Secured Floating Rate Notes due 2014 who validly offered its notes prior to the Expiration Deadline and did not withdraw its offer pursuant to the terms and conditions of the Exchange Offer received Floating Rate Senior Secured Notes, on the settlement date of the Exchange Offer, in an aggregate amount (rounded down to the nearest €1,000) calculated by multiplying (i) the aggregate principal amount of the Senior Secured Floating Rate Notes due 2014 validly tendered by such holder and that are accepted for exchange by the Issuer, by (ii) the ratio (rounded down to six decimal places) resulting from the division of the exchange price, which has been set at 100.00%, by the New Issue Price (the "Exchange Ratio") and, if appropriate, after relevant adjustments for acceptances on a pro rata basis. On May 4, 2012, the Issuer announced that it will be issuing an aggregate principal amount of €344,062,000 of Floating Rate Senior Secured Notes pursuant to the Exchange Offer.

On the settlement date of the Exchange Offer, accrued and unpaid interest up to, but not including, such settlement date, on the Senior Secured Floating Rate Notes due 2014 accepted by the Issuer in the Exchange Offer will be paid in cash. The settlement date was May 11, 2012. The Offerings closed concurrently with the settlement of the Exchange Offer.

The New Revolving Credit Facility

In addition, we are entering into the New Revolving Credit Facility on the Issue Date. See "Description of Other Indebtedness" for a summary of the terms of the New Revolving Credit Facility.

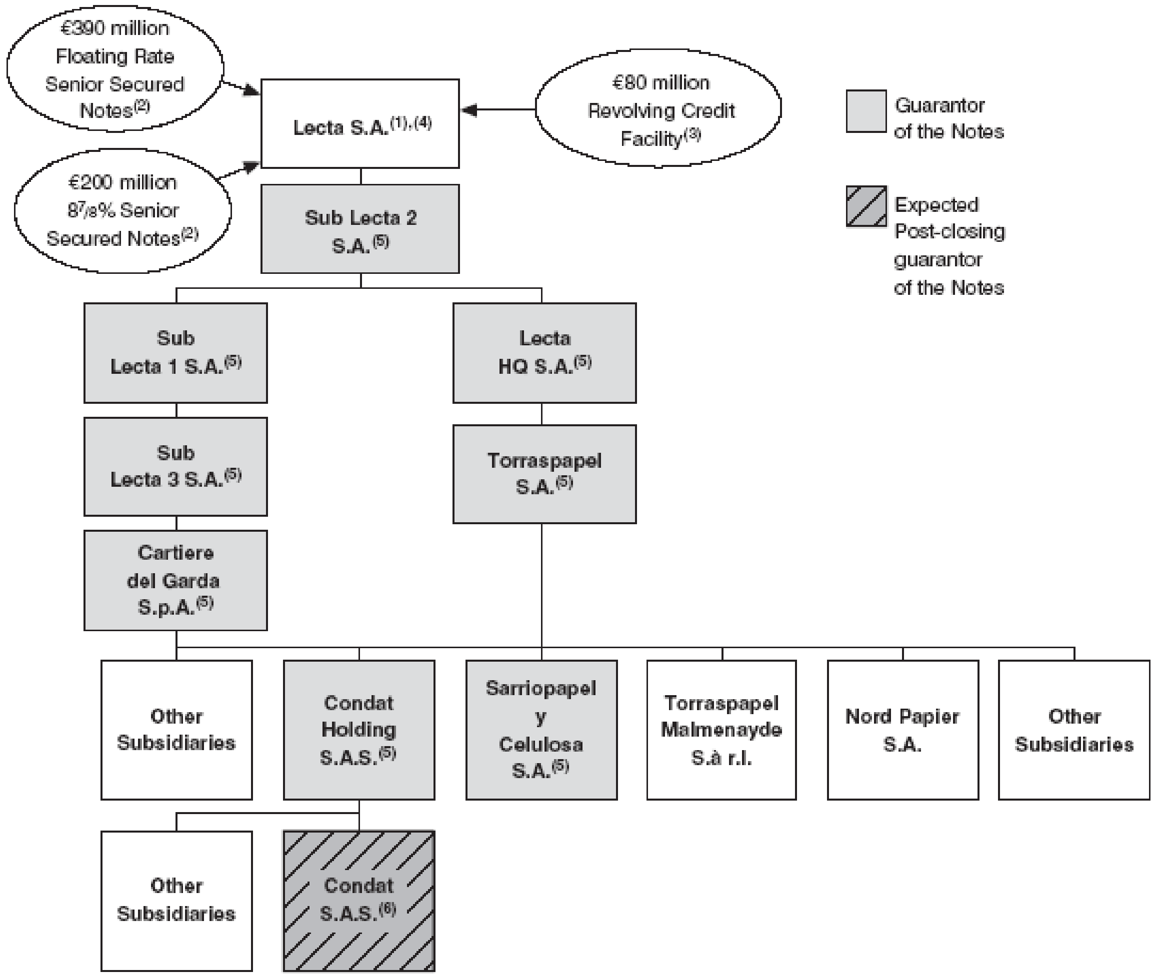
The Reorganization

Concurrent with the issuance of the Notes, the Issuer is undertaking a corporate reorganization which is intended to reduce complexities in its structure, realize certain efficiency gains and optimize transactions.

A significant number of the steps necessary for such reorganization will be completed in connection with and on the date that the Notes are issued (the "Closing Date Reorganization"). The Issuer's intention is to effect the steps constituting the Permitted Reorganization within 90 calendar days after the Issue Date, which will be permitted by the Indentures governing the Notes. No Guarantees or Collateral in respect of the Notes that is in place on or immediately following the Issue Date shall be released in connection with any steps taken pursuant to the Permitted Reorganization. The Issuer and the Guarantors will undertake in the Indentures to provide certain additional Collateral within 90 calendar days after the Issue Date. The nature of the additional Collateral required to be granted to secure the Notes will depend on whether the Issuer elects to take certain steps contemplated by the Permitted Reorganization. See "Description of the Notes — Certain Covenants — Post-Closing obligations with respect to grant of guarantee and security" and Annex A hereto. In addition, to the extent that the Intra-Group Receivable (as defined in "Description of the Notes — Certain definitions") is created in connection with the Permitted Reorganization it shall be pledged as Collateral securing the Notes, provided that the pledge may be released at any time (including subsequent to the 90-day period following the Issue Date) in the circumstances described under "Description of the Notes — Release of Collateral."

Closing Date Reorganization

The following chart sets forth the corporate and financing structure of the Issuer and its subsidiaries as of the Issue Date, after giving effect to the Closing Date Reorganization. See also "Use of Proceeds," "Capitalization," "Description of Other Indebtedness," "Description of the Notes" and Annex A hereto.



(1) For a description of the principal shareholders of Lecta, see "Principal Shareholders."

(2) The gross proceeds of the Offerings (including the Exchange Offer and without giving effect to the 1% issue price discount applicable to the Floating Rate Senior Secured Notes) will be €590 million, comprising €390 million Floating Rate Senior Secured Notes and €200 million $8^{7}/_{8}$% Senior Secured Notes. Of the €390 million Floating Rate Senior Secured Notes being issued, an aggregate principal amount of €344,062,000 will be issued pursuant to the Exchange Offer while an aggregate principal amount of €45,938,000 will be issued for cash consideration pursuant to the Offering of the Floating Rate Senior Secured Notes.

(3) The New Revolving Credit Facility will provide for up to € 80.0 million of borrowings, though the Issuer has no current intention to draw upon the New Revolving Credit Facility as of the Issue Date. The New Revolving Credit Facility will be the senior secured obligation of the Issuer and the Guarantors, secured on a first-ranking basis by the same Collateral securing the Notes. In the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral only after the lenders under the New Revolving Credit Facility and counterparties to certain hedging obligations have been repaid in full. See "Description of Other Indebtedness — Intercreditor Agreement."

(4) The Offerings' proceeds will, by amendment, modification, replacement and other means, refinance the intercompany loans related to the Existing Notes and will result in proceeds loans from the Issuer, Sub Lecta 2 and, in turn, to other entities in the Group (the "Intercompany Loans"). The Issuer's and its subsidiaries' rights under the proceeds loans will be pledged as security for the Notes. See Annex A hereto for a description of such loans.

(5) The Notes will be general, senior obligations of the Issuer and will be guaranteed on a senior basis by certain guarantor subsidiaries of the Issuer. The Guarantees are subject to significant limitations relevant to the jurisdiction of organization of each Guarantor. See "Limitations on Validity and Enforceability of the Guarantees and the Security Interests" and Annex A hereto. The obligations of the Issuer and the Guarantors under the Notes, the New Revolving Credit Facility and certain hedging obligations will, as of the Issue Date, be secured by first-ranking security interests in the Collateral comprising certain pledges over bank accounts, shares and the Intercompany Loans, as more

specifically described under "Description of the Notes — Security" and Annex A hereto. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the New Revolving Credit Facility and certain hedging obligations that are permitted to be secured by the Collateral will receive priority with respect to any proceeds received upon any enforcement action over any Collateral. See "Description of Other Indebtedness — Intercreditor Agreement." Any proceeds received upon any enforcement action over any Collateral, after all obligations under the New Revolving Credit Facility have been repaid and such hedging obligations have been discharged from such recoveries, will be applied pro rata in repayment of all obligations under the Floating Rate Senior Secured Notes Indenture and the Fixed Rate Senior Secured Notes Indenture and any other indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Collateral on a *pari passu* basis pursuant to the Indentures and the Intercreditor Agreement. The aggregate unconsolidated EBITDA (i.e., the sum of the EBITDA of the Issuer and the Guarantors without giving effect to any eliminations that would arise upon consolidation of the Issuer and its subsidiaries) for the year ended December 31, 2011, as reported in the respective stand-alone financial statements of the Guarantors, was €113.0 million. This represented approximately 70% of the Issuer's consolidated EBITDA for the same period, and gives effect to the unconsolidated EBITDA generated by Condat S.A.S. during such period (which was €14.8 million, or 9.1%, of the Issuer's consolidated EBITDA). The aggregate unconsolidated revenue (i.e., the sum of the revenue of the Issuer and the Guarantors without giving effect to any eliminations that would arise upon consolidation of the Issuer and its subsidiaries) for the year ended December 31, 2011, as reported in the respective stand alone financial statements of the Guarantors was €1,702.4 million. This represented approximately 108% of the Issuer's consolidated revenue for the same period, and gives effect to the unconsolidated revenue generated by Condat S.A.S. during such period (which was €460.4 million, or 29.2% of the Issuer's consolidated revenue). The aggregate unconsolidated total net assets (i.e., the sum of the total net assets of the Issuer and the Guarantors without giving effect to any eliminations that would arise upon consolidation of the Issuer and its subsidiaries) for the year ended December 31, 2011, as reported in the respective stand alone financial statements of the Guarantors were €3,038.1 million. This represented approximately 182% of the Issuer's consolidated total net assets for the same period, and gives effect to the unconsolidated total net assets generated by Condat S.A.S. during such period (which were €285.7 million, or 17.1% of the Issuer's consolidated revenue). It is intended that Condat S.A.S. will guarantee the Notes after the Issue Date. See "Description of the Notes — Credit enhancement — Post-Closing Actions."

(6) Condat S.A.S. is required to give notice to its works council (*Comité d'Entreprise*) in order to provide a guarantee and furnish security in favor of the Notes. Although approval is likely, it is not assured. Promptly after receipt of a decision from the council, Condat S.A.S. will execute a supplemental indenture and become a guarantor of the Notes and Condat S.A.S. and Condat Holding S.A.S. will furnish security in favor of the Notes. See "Description of Notes — Certain Covenants — Post-Closing obligations with respect to grant of guarantee and security."

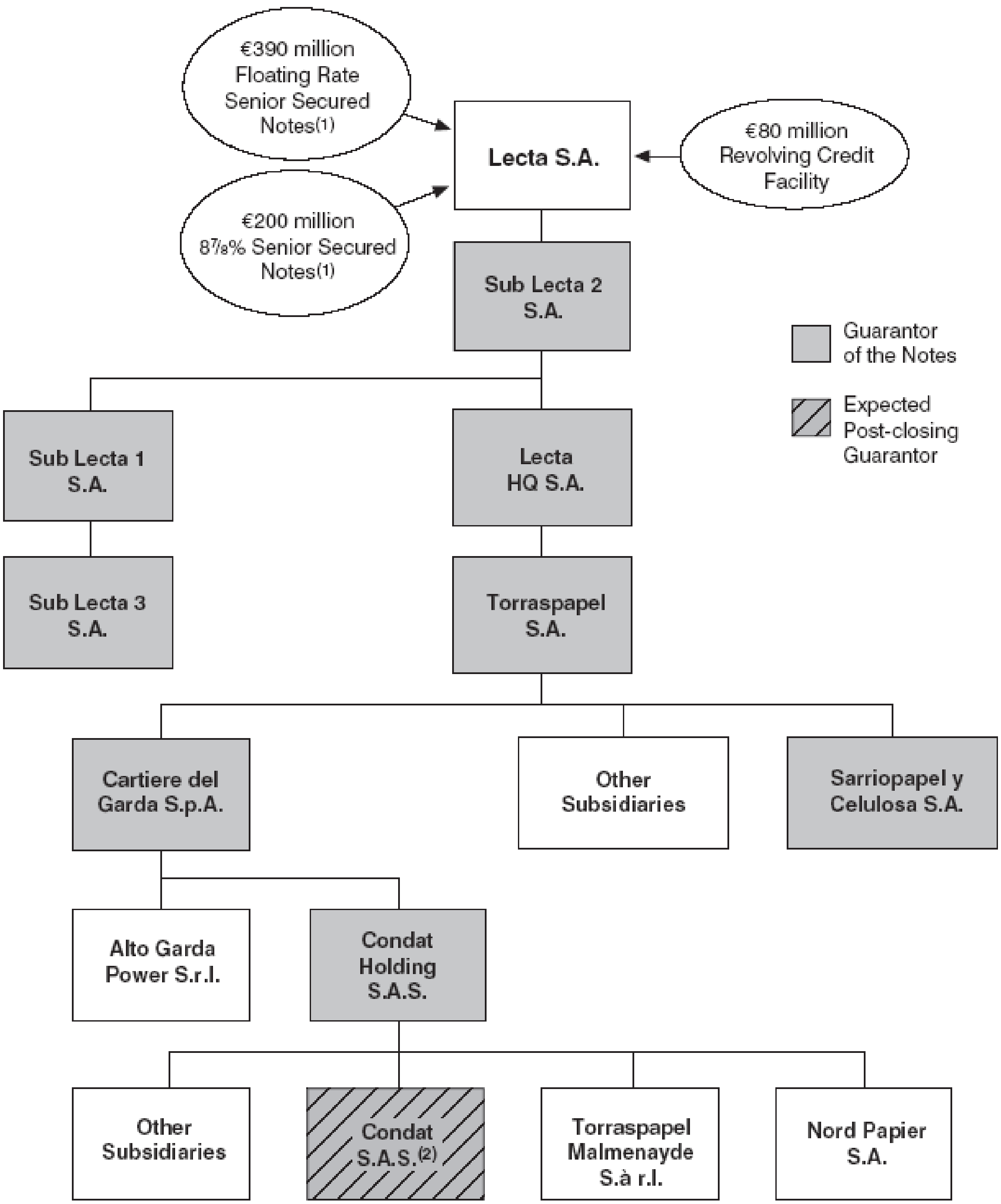
Permitted Reorganization

The Indentures will permit the Issuer and its subsidiaries to implement the following steps relating to the Permitted Reorganization within 90 calendar days after the Issue Date:

- Sub Lecta 3 S.A. will sell its interests in Cartiere del Garda S.p.A. to Torraspapel S.A.;
- Lecta HQ will assume Torraspapel S.A.'s intercompany debt to Sub Lecta 3 S.A. in exchange for a receivable against Torraspapel S.A., and Sub Lecta 2 S.A. will assume Lecta HQ S.A.'s intercompany debt to Sub Lecta 3 S.A. in exchange for a receivable against Lecta HQ, in order to reduce the number of intercompany obligations within the Lecta Group and to increase distributable reserves of certain Group companies;
- Torraspapel S.A. will capitalize certain of its distributable revenues of other Group companies;
- Torraspapel S.A. will contribute its share stake in Torraspapel Malmenayde S.à r.l. and its share stake in Nord Papier S.A. to Condat Holdings S.A.S. in exchange for the issuance of shares;
- Torraspapel S.A. will contribute all its shares in Condat Holdings S.A.S. to Cartiere del Garda S.p.A. in exchange for the issuance of shares;
- Sarriopapel y Celulosa S.A. will contribute its share stake in Torraspapel Malmenayde S.à r.l. to Condat Holdings S.A.S. against the issuance of shares;
- Sarriopapel y Celulosa S.A. will contribute its shares in Condat Holdings S.A.S. to Cartiere del Garda S.p.A. against the issuance of shares;
- Sarriopapel y Celulosa S.A. will distribute its share stake in Cartiere del Garda S.p.A. to Torraspapel S.A. by way of repayment of share premium;
- Sub Lecta 3 S.A. will make a loan to Sub Lecta 2 S.A., which in turn will distribute such loan to Sub Lecta 1 S.A. by way of (i) dividend distribution and/or (ii) share premium reimbursement and/or (iii) share capital reduction and Sub Lecta 1 S.A. will further distribute such loan to Sub Lecta 2 S.A. by way of (i) dividend distribution, and /or (ii) share premium reimbursement and/or (iii) share capital reduction; and
- Sub Lecta 1 S.A. will reimburse part of its share premium to Sub Lecta 2 S.A. and Sub Lecta 2 S.A. will reimburse part of its share premium to Lecta S.A.

While we currently intend to take all of the actions described above, there is no obligation to do so and not all of the steps may be taken. No Collateral or Guarantee granted at the Issue Date will be released as part of the Permitted Reorganization, and within 90 days of the Permitted Reorganization, the Issuer and its subsidiaries are required to provide certain additional Collateral, and in the event that one or more of the steps of the Permitted Reorganization does not occur, certain other Collateral will be pledged to secure the Notes. See "Description of the Notes — Credit enhancement — Post-Closing Actions" and "Description of the Notes — Certain Covenants — Post-Closing obligations with respect to grant of guarantee and security."

Assuming all permitted steps are completed as contemplated by the Permitted Reorganization, our corporate and financing structure will be as follows:



(1) While no Guarantees or security interests in the Collateral will be released as part of the Permitted Reorganization, structure and intragroup holdings and financing arrangements may change depending upon the completion of the various steps of the Permitted Reorganization, provided that the percentage of the Group's EBITDA generated by, and the percentage of the Group's total assets held by, the Issuer and the Guarantors is not materially diminished as a result of such reorganization. See "Description of the Notes — Certain definitions — Permitted Reorganization" and "Description of the Notes — Certain Covenants — Post-Closing obligations with respect to grant of guarantee and security." See Annex A hereto for a list of the Collateral to be pledged in favor of the Notes, and the possible alternative Collateral to be pledged if certain of the steps of the Permitted Reorganization are not completed as intended and as described above.

(2) Condat S.A.S. is required to give notice to its works council (*Comite d'Entreprise*) in order to provide a guarantee and furnish security in favor of the Notes. Although approval is likely, it is not assured. Promptly after receipt of a decision from the council, Condat S.A.S. will execute a supplemental indenture and become a guarantor of the Notes and Condat S.A.S. and Condat Holding S.A.S. will furnish security in favor of the Notes. See "Description of the Notes — Certain Covenants — Post-Closing obligations with respect to grant of guarantee and security."

(3) The following provides the share ownership by the Issuer in the Guarantors:

Guarantors	Shareholding by Issuer	Description
Sub Lecta 1 S.A.	100%	Sub Lecta 1 S.A. is a public limited company (*société anonyme*) incorporated in Luxembourg.
Sub Lecta 2 S.A.	100%	Sub Lecta 2 S.A. is a public limited company (*société anonyme*) incorporated in Luxembourg.
Sub Lecta 3 S.A.	100%	Sub Lecta 3 S.A. is a public limited company (*société anonyme*) incorporated in Luxembourg.
Cartiere del Garda S.p.A.	100%	Cartiere del Garda S.p.A. is a public limited company (*società per azioni*) incorporated in Italy and engaged primarily in the production of coated woodfree paper.
Lecta HQ S.A.	100%	Lecta HQ S.A. is a public limited company (*sociedad anónima*) incorporated in Spain and serves as the Group headquarters.
Torraspapel S.A.	100%	Torraspapel S.A. is a public limited company (*sociedad anónima*) incorporated in Spain and is engaged primarily in the production of pulp and paper and in the distribution of paper.
Sarriopapel y Celulosa S.A.	100%	Sarriopapel y Celulosa S.A. is a public limited company (*sociedad anónima*) incorporated in Spain and is engaged primarily in the production of paper.
Condat Holding S.A.S	100%	Condat Holding S.A.S is a public limited company (*société anonyme*) incorporated in France and serves as a holding company in the Group.
Condat S.A.S.	100%	Condat S.A.S. is a public limited company (*société anonyme*) incorporated in France and is engaged primarily in the production of paper.

Our Controlling Shareholder

As of December 31, 2011, funds advised by CVC owned 61.1% of the outstanding shares and controlled 56.4% of the voting rights in Lecta S.A., with a group of other private equity firms, including Adavale Global Holdings Limited (owned by Smurfit Kappa Group plc), MidOcean Capital Investors Offshore L.P. and ICG, with management holding the balance of the shareholding.

CVC is a leading private equity and investment advisory firm which has raised over US$44 billion in Europe and Asia. Founded in 1981 as Citicorp's European private equity arm, CVC completed its own management buyout in 1993 and is independently owned by its management.

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 one of the most extensive and longest established teams of any private equity group in Europe. In addition, the firm benefits from a multicultural industrial advisory board, the members of which have diverse backgrounds and assist CVC in identifying, analyzing and introducing investment opportunities and advise on portfolio company management throughout Europe.

The Offerings

The following summary of the Offerings 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 Notes" section of this Offering Memorandum contains more detailed descriptions of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Terms of the Notes

Issuer	Lecta S.A.
Notes Offered	€390,000,000 aggregate principal amount of Floating Rate Senior Secured Notes due 2018 (the "Floating Rate Senior Secured Notes"). €200,000,000 aggregate principal amount of $8^7/_8$% Senior Secured Notes due 2019, (the "Fixed Rate Senior Secured Notes" and, together with the Floating Rate Senior Secured Notes, the "Notes"). The combined aggregate principal amount of the (A) Floating Rate Senior Secured Notes (including the Floating Rate Senior Secured Notes that may be issued pursuant to the Exchange Offer) and (B) the Fixed Rate Senior Secured Notes shall be equal to €590,000,000. The Issuer will issue an aggregate principal amount of €344,062,000 of Floating Rate Senior Secured Notes pursuant to the Exchange Offer while an aggregate principal amount of €45,938,000 of Floating Rate Senior Secured Notes will be issued for cash consideration pursuant to the Offering of the Floating Rate Senior Secured Notes. The Issuer may issue additional Fixed Rate Senior Secured Notes and/or Floating Rate Senior Secured Notes in the future, subject to compliance with the covenants in the Indentures and covenants governing its indebtedness.
Issue Price	99% for the Floating Rate Senior Secured Notes. 100% for the Fixed Rate Senior Secured Notes.
Issue Date	On: May 11, 2012.
Maturity Date	The Floating Rate Senior Secured Notes will mature on May 15, 2018. The Fixed Rate Senior Secured Notes will mature on May 15, 2019.
Interest Rates and Payment Dates	The interest rate on the Floating Rate Senior Secured Notes will be equal to the three-month EURIBOR plus 550 bps, reset quarterly. Interest will be paid on each February 15, May 15, August 15 and November 15, beginning on August 15, 2012. The interest rate on the Fixed Rate Senior Secured Notes will be $8^7/_8$% payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2012.
Denominations	Each Note will have a minimum denomination of €100,000 and integral multiples of €1,000 in excess thereof.
Ranking of the Notes	The 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 Notes; • rank senior in right of payment to any existing and future debt of the Issuer that is subordinated to the 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 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).
Note Guarantees	The Notes will be guaranteed on a senior secured basis (the "Guarantees") by the following subsidiaries of the Issuer (the "Guarantors") on or immediately following, the Issue Date:

	• Sub Lecta 1 S.A.; • Sub Lecta 2 S.A.; • Sub Lecta 3 S.A.; • Cartiere del Garda S.p.A.; • Lecta HQ S.A.; • Torraspapel S.A.; • Sarriopapel y Celulosa S.A.; and • Condat Holding S.A.S. It is expected that Condat S.A.S. will guarantee the Notes subsequent to the Issue Date. See "— Post-Closing Actions." The aggregate unconsolidated EBITDA (i.e., the sum of the EBITDA of the Issuer and the Guarantors without giving effect to any eliminations that would arise upon consolidation of the Issuer and its subsidiaries) for the year ended December 31, 2011, as reported in the respective stand-alone financial statements of the Guarantors, was €113.0 million. This represented approximately 70% of the Issuer's consolidated EBITDA for the same period, and gives effect to the unconsolidated EBITDA generated by Condat S.A.S. during such period (which was €14.8 million, or 9.1%, of the Issuer's consolidated EBITDA). The aggregate unconsolidated revenue (i.e., the sum of the revenue of the Issuer and the Guarantors without giving effect to any eliminations that would arise upon consolidation of the Issuer and its subsidiaries) for the year ended December 31, 2011, as reported in the respective stand alone financial statements of the Guarantors was €1,702.4 million. This represented approximately 108% of the Issuer's consolidated revenue for the same period, and gives effect to the unconsolidated revenue generated by Condat S.A.S. during such period (which was €460.4 million, or 29.2% of the Issuer's consolidated revenue). The aggregate unconsolidated total net assets (i.e., the sum of the total net assets of the Issuer and the Guarantors without giving effect to any eliminations that would arise upon consolidation of the Issuer and its subsidiaries) for the year ended December 31, 2011, as reported in the respective stand alone financial statements of the Guarantors were €3,038.1 million. This represented approximately 182% of the Issuer's consolidated total net assets for the same period, and gives effect to the unconsolidated total net assets generated by Condat S.A.S. during such period (which were €285.7 million, or 17.1% of the Issuer's consolidated revenue). Condat S.A.S. is intended to guarantee the Notes after the Issue Date. See "Description of the Notes — Post-Closing Actions." The Guarantees may be released in certain circumstances, including upon the sale of a Guarantor. The Guarantees are full and unconditional guarantees of the Issuer's obligations under the Notes, but are subject to certain limitations. For example, the obligations of each Guarantor under its 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. For more information, see "Description of the Notes — Credit enhancement," "Risk Factors — Risks Related to the Notes and Our Structure" and "Limitation on Validity and Enforceability of the Guarantees and the Security Interests." See also Annex A hereto.
Ranking of the Guarantees.............	The Guarantee of each Guarantor will be a general unsubordinated obligation of such Guarantor and will: • rank *pari passu* in right of payment with all existing and future debt of such Guarantor that is not subordinated to such Guarantee; • rank senior in right of payment to any existing and future subordinated obligations of such Guarantor;

	• be secured by security interests in the Collateral in favor of the Security Trustee over certain of such 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 Notes and related Guarantees will be secured by security interests in certain of the Issuer's or the Guarantors' assets, consisting, in the case of the Issuer, of its shares in Sub Lecta 2 S.A. and the Intercompany Loans held by it, and in the case of the several Guarantors, of shares in certain subsidiaries held by such Guarantors and certain other assets. Certain Collateral securing the Notes and the New Revolving Credit Facility will be added subsequent to the Issue Date in accordance with the Permitted Reorganization. See "Description of the Notes — Credit enhancement — Post-Closing Actions" and Annex A hereto for a description of the Collateral. The security interests in the Collateral securing the Notes and the Guarantees will be first ranking except that the New Revolving Credit Facility 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 New Revolving Credit Facility, certain hedging counterparties and the Floating Rate Senior Secured Notes Trustee as trustee for the holders of the Floating Rate Senior Secured Notes and the Fixed Rate Senior Secured Notes Trustee as trustee for the holders of the Fixed Rate Senior Secured Notes. For more information, see "Risk Factors — Risks Related to the Notes and Our Structure," "Description of the Notes — Credit enhancement" and "Limitation on Validity and Enforceability of the Guarantees and the Security Interests."
Post-Closing Actions.........................	Promptly following the decision by its works council (*Comité d' Entreprise*), Condat S.A.S. will become a Guarantor of the Notes and each of Condat S.A.S and Condat Holding S.A.S. will grant certain Collateral to secure their Guarantees of the Notes. The Indentures provide that the Company may, within 90 calendar days from the Issue Date, undertake one or more steps in connection with the Permitted Reorganization. No Guarantees or Collateral in respect of the Notes that is in place on or immediately following the Issue Date shall be released in connection with any steps taken pursuant to the Permitted Reorganization. The Issuer and the Guarantors will undertake in the Indentures to provide certain additional Collateral within 90 calendar days after the Issue Date. The nature of the security required to be granted to secure the Notes will depend on whether the Issuer elects to take certain steps contemplated by the Permitted Reorganization. In addition, to the extent that the Intra-Group Receivable is created in connection with the Permitted Reorganization it shall be pledged as Collateral securing the Notes, *provided* that the pledge shall be released at any time (including subsequent to the 90-day period following the Issue Date) in the circumstances described under "Description of the Notes — Credit enhancement — Release of Collateral." See "Description of the Notes — Certain Covenants — Post-Closing obligations with respect to grant of guarantee and security" and Annex A hereto for further information. See also "Description of the Notes — Credit enhancement — Post-Closing Actions."
Intercreditor Agreement..................	Pursuant to the Intercreditor Agreement, the Floating Rate Senior Secured Notes Trustee and the Fixed Rate Senior Secured Notes Trustee will agree to certain provisions that, among other things, give effect to the priority of the application of proceeds in the event of an enforcement. In particular, proceeds from the sale of the Collateral shall be applied first in favor of the lenders under the New Revolving Credit Facility and certain hedging counterparties and thereafter to the Floating Rate Senior Secured Notes Trustee on behalf of holders of Floating Rate Senior Secured Notes and the Fixed Rate Senior Secured Notes Trustee on behalf of holders of Fixed Rate Senior Secured Notes and to other *Pari Passu* Debt that is secured by the Collateral. In addition, the Intercreditor Agreement provides that

	holders of the Floating Rate Senior Secured Notes and the Fixed Rate Senior Secured Notes will vote in respect of the enforcement of the Collateral as a single class and that only the Security Trustee can enforce security. See "Description of Other Indebtedness — Intercreditor Agreement."
Optional Redemption	Prior to May 15, 2014, we will be entitled at our option to redeem all or a portion of the Floating Rate Senior Secured Notes at a redemption price equal to 100% of the principal amount thereof, plus the applicable "make-whole" premium described in this Offering Memorandum and accrued and unpaid interest to, but not including, the redemption date. See "Description of the Notes — Optional Redemption — Floating Rate Notes." The Issuer may redeem the Floating Rate Senior Secured Notes in whole or in part at any time on or after May 15, 2014 at the redemption prices specified herein. Prior to May 15, 2015 we will be entitled at our option to redeem all or a portion of the Fixed Rate Senior Secured Notes at a redemption price equal to 100% of the principal amount thereof, plus the applicable "make-whole" premium described in this Offering Memorandum and accrued and unpaid interest to, but not including, the redemption date. See "Description of the Notes — Optional Redemption — Fixed Rate Notes." In addition, prior to May 15, 2015, we will be entitled at our option on one or more occasions to redeem the Fixed Rate Senior Secured Notes in an aggregate principal amount not to exceed 35% of the aggregate principal amount outstanding of Fixed Rate Senior Secured Notes with the net cash proceeds from certain equity offerings at a redemption price equal to 108.875% of the aggregate principal amount of the Fixed Rate Senior Secured Notes, plus accrued and unpaid interest to the redemption date. The Issuer may also redeem the Fixed Rate Senior Secured Notes in whole or in part at any time on or after May 15, 2015 at the redemption prices specified herein. See "Description of the Notes — Optional Redemption."
Additional Amounts; Tax Redemption	All payments in respect of the 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 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 Notes or the Guarantees, we may redeem the 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 certain change of control events and a ratings decline, as described in the Floating Rate Senior Secured Notes Indenture and the Fixed Rate Senior Secured Notes Indenture, we will be required to make an offer to purchase all outstanding Notes at a redemption price of 101% of the principal amount thereof plus accrued interest to the date of repurchase.
Permitted Reorganization...............	The Permitted Reorganization consists of certain steps that will take place on or subsequent to the Issue Date (as described and set forth herein) and concluded within 90 calendar days of the Issue Date, as part of which the Issuer and its Subsidiaries will grant additional Collateral provided that the percentage of the Group's EBITDA generated by, and the percentage of the Group's total assets held by, the Issuer and the Guarantors is not materially diminished. See "— Permitted Reorganization," "Description of the Notes" and Annex A hereto.
Certain Covenants...........................	We will issue the Floating Rate Senior Secured Notes and the Fixed Rate Senior Secured Notes under the Floating Rate Senior Secured Notes Indenture and the Fixed Rate Senior Secured Notes Indenture, respectively, among others, the Issuer, the Guarantors, the Floating Rate Senior Secured Notes Trustee and the Fixed Rate Senior Secured Notes Trustee, as the case may be under such Indenture, and the Security Trustee. The Floating Rate Senior Secured Notes

	Indenture and Fixed Rate Senior Secured Notes 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 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.
Concurrent Exchange Offer...........	On April 30, 2012, the Issuer announced an offer to exchange (the "Exchange Offer"), up to a target amount of €585 million in aggregate principal amount of its outstanding Senior Secured Floating Rate Notes due 2014 (the "Existing Senior Secured Notes") for an aggregate principal amount of Floating Rate Senior Secured Notes to be determined in accordance with an exchange ratio (the "Exchange Ratio"). The Exchange Ratio is required to be calculated by dividing the exchange price, which has been set at 100%, by the issue price of the Floating Rate Senior Secured Notes being offered hereby. The Exchange Offer expired at 12 pm London (UK) time on April 4, 2012 and the Issuer announced on the same day that it had accepted €340,654,000 in aggregate principal amount of its Senior Secured Floating Rate Notes due 2014 and, after application of the Exchange Ratio, would be issuing an aggregate principal amount of €344,062,000 of its Floating Rate Senior Secured Notes pursuant to the Exchange Offer. The Exchange Offer and the Offerings settled on the same day. The Floating Rate Senior Secured Notes offered hereby for cash consideration and the Exchange Notes will comprise one series of notes. The Exchange Offer is exclusionary and not in the scope of public offers in Luxembourg. Unless the context requires otherwise, references to the "Floating Rate Senior Secured Notes" in this "The Offerings" section and in the "Description of the Notes" refer to such notes to be issued in the Offerings and the Exchange Offer.
Listing and Trading.........................	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Luxembourg Stock Exchange's Euro MTF market. We cannot assure you, however, that this application will be accepted.
Floating Rate Senior Secured Notes Trustee and Fixed Rate Senior Secured Notes Trustee	Deutsche Trustee Company Limited.
Transfer Agent and Principal Paying Agent	Deutsche Bank AG, London Branch.

Luxembourg Transfer Agent, Paying Agent, Registrar 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 Offerings, together with certain cash on balance sheet as of the Issue Date, to refinance certain Existing Indebtedness and to pay certain fees and expenses in connection with the Refinancing. See "Use of Proceeds" for further information.
Governing Law	The Floating Rate Senior Secured Notes Indenture, the Fixed Rate Senior Secured Notes Indenture, the Notes and the Guarantees will be governed by the laws of the State of New York. The Intercreditor Agreement and the New Revolving Credit Facility are governed by English law. The security agreements relating to the Collateral are governed by the laws of the jurisdictions in which the collateral subject to those security agreements is located. For the avoidance of doubt, the provisions of Articles 86 to 94-8 of the Luxembourg law dated August 10, 1915, on commercial companies, as amended, are excluded.

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 Offering Memorandum, the specific risk factors set forth under "Risk Factors" beginning on page 23.

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 Offering 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, 2009, 2010 and 2011 is extracted or derived from our consolidated financial statements and the notes thereto included elsewhere in this Offering Memorandum. Such consolidated financial statements have been audited by Ernst & Young S.A., independent auditor.

This Offering Memorandum includes certain unaudited pro forma condensed consolidated financial information, presented on an as-adjusted basis to give pro forma effect to reflect the satisfaction and redemption of the Existing Notes, the Exchange Offer, the issuance of the Notes offered hereby and the use of proceeds therefrom.

The unaudited pro forma condensed consolidated financial information for the year ended December 31, 2011 has been prepared as though (i) the Exchange Offer, (ii) the issuance of the Notes offered hereby, and (iii) the application of the proceeds therefrom and cash on balance sheet occurred as of (i) January 1, 2011 for purposes of the calculation of net cash interest expense and (ii) December 31, 2011 for the purposes of the calculation of net debt. The unaudited consolidated pro forma financial data of the Issuer for the year ended December 31, 2011 is presented for illustrative purposes only and does not purport to represent what the Issuer's consolidated results of operations or financial position would have been after giving effect to the Refinancing and does not provide any indication as to the Issuer's future results of operations or financial position. Our historical results may not be indicative of our future results following completion of the Offering. The unaudited pro forma consolidated financial data has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma consolidated financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with the information contained in "Use of Proceeds," "Capitalization," "Operating and Financial Review and Prospects" and our historical financial statements included elsewhere in this Offering Memorandum.

Our consolidated financial statements and the accompanying notes thereto as of and for the years ended December 31, 2009, 2010 and 2011 have been presented in euro and prepared in accordance with IFRS-EU. IFRS-EU differs in certain significant respects from U.S. GAAP.

	Year ended December 31,		
	2009	2010	2011
	(audited) (in millions of euro, except volumes)		
Income Statement Data:			
Volume sold (in thousands of metric tons)	1,534.2	1,643.1	1,655.5
Revenues[(1)]	1,379.9	1,521.5	1,576.8
Changes in inventories of finished goods and work in progress	(25.7)	19.3	(12.0)
Raw materials and consumables used	(575.8)	(744.8)	(744.4)
Labor costs	(213.5)	(217.1)	(216.3)
Other operating costs except unusual items	(409.8)	(418.0)	(441.8)
EBITDA[(2)]	**155.1**	**160.8**	**162.3**
Depreciation	(76.3)	(76.0)	(70.9)
Amortization	(1.6)	(1.7)	(1.5)
Unusual items[(3)]	(1.0)	(0.9)	(5.2)
Profit (loss) from operations	**76.3**	**82.3**	**84.7**
Finance costs[(4)]	(54.0)	(46.5)	(49.5)
Profit before tax	**22.3**	**35.8**	**35.3**
Income tax	(10.1)	(9.4)	(11.4)
Profit (loss) after tax	**12.2**	**26.4**	**23.8**
Attributable to:			
Equity holders of the parent	8.6	24.3	19.9
Minority interest	3.5	2.1	4.0

	As of December 31,		
	2009	2010	2011
	(audited) (in millions of euro, except ratios)		
Balance Sheet Data:			
Cash and cash equivalents	214.2	310.1	361.6
Total assets	1,584.4	1,657.5	1,667.7
Total debt[(5)]	806.7	799.4	793.8
Total net debt[(6)]	592.5	489.4	432.2
Shareholders' equity/Equity holders of the parent	349.5	369.8	391.8
Minority interest	15.7	16.0	10.9
Total equity	**365.2**	**385.8**	**402.7**

	Year ended December 31,		
	2009	2010	2011
	(audited, with the exception of pro forma data and ratios) (in millions of euro, except ratios)		
Cash Flow Data:			
Net cash flow (used in)/from operating activities	172.1	171.0	157.2
Net cash flow (used in)/from investing activities	(42.3)	(17.5)	(44.6)
Net cash flow (used in)/from financing activities	(53.7)	(59.6)	(62.4)
Net (decrease) increase in cash and cash equivalents(7)	76.1	93.9	50.3
Other Data:			
EBITDA(2)	155.1	160.8	162.3
EBITDA margin(8)	11.2%	10.6%	10.3%
Capital expenditures cash outflow(9)	45.0	28.4	52.2
Total net debt(6)	592.5	489.4	432.2
Total net debt to EBITDA(2)	3.8x	3.0x	2.7x
Pro forma net debt(10)	—	—	438.0
Pro forma net debt to EBITDA	—	—	2.7x
Pro forma net cash interest expense(11)	—	—	65.0
EBITDA to pro forma net cash interest expense(11)	—	—	2.5x
Selected Operating Data			
Tons produced per employee(12)	400.7	453.2	459.8

(1) Revenues consist of sales of paper (including paper produced by third parties and sold through 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 similar 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 New Revolving Credit Facility.

(3) Unusual items includes 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 floating rate notes, rate hedging derivatives, amortization of issue costs on borrowings and other finance-related expenses.

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

(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) EBITDA margin, presented as a percentage, is calculated by dividing EBITDA by revenues.

(9) 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.

(10) Pro forma net debt is derived by giving effect to the Refinancing as described under "— The Transactions and Use of Proceeds — The Refinancing and the Reorganization" as if it had occurred at the end of the period and excludes €18.4 million of estimated aggregate transaction costs related to the Refinancing to be amortized.

(11) Pro forma net cash interest expense reflects the estimated cash interest expense net of interest income that would have been payable during the year ended December 31, 2011, as adjusted to give effect to the Refinancing as if it had occurred at the beginning of the period. This estimate reflects the issuance of €590,000,000 aggregate principal amount of Notes, split between (i) €390,000,000 Floating Rate Senior Secured Notes issued at a price of 99% and carrying an interest rate of EURIBOR plus 550 bps and (ii) €200,000,000 $8^{7}/_{8}$% Senior Secured Notes issued at par.

(12) 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 Offering 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 Offering 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 are 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.

Our main raw material costs are for pulp and energy. A 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.

Paper manufacturing is a highly capital-intensive industry and a large portion of our operating costs, as well as those of our competitors, are fixed. Additionally, paper machines are large and complex and are more efficient when operated continuously. Consequently, certain manufacturers choose to continue to run their machines whenever marginal sales exceed the marginal costs. Our ability to achieve acceptable margins is principally dependent on managing our cost structure and managing changes in raw material prices, which represent a large component of our operating costs and fluctuate based upon factors beyond our control. If the prices of our products decline, or if our raw material costs increase, or both, it could have a material adverse effect on our business, financial condition and results of operations.

Global economic conditions could adversely affect our business, results of operations and financial condition.

During the latter half of 2008 and throughout 2009, the effects of a global economic recession reduced demand for our products and caused an accompanying decline in pulp prices and demand. Uncertainty caused by the prevailing adverse economic conditions contributed to a reduction in business and consumer spending in, among others, the advertising industry, from which we derive a significant amount of the demand for our products. This trend negatively impacted our volume of sales, results of operations and financial condition during 2008 and 2009. In 2010 and 2011, global demand for our products showed signs of recovery, supported by increased spending on advertising and other demand from end-users. The slow recovery of the global economy, however, has been and continues to be uneven and significant risks remain as a result of turmoil in the sovereign debt markets, in Europe generally and in Southern Europe in particular. We cannot predict the severity, timing or duration of any future downturn in our key markets, including if economic conditions deteriorate as a result of sovereign debt concerns or any other economic factor.

We have historically faced, and continue to face, significant exposure to global economic trends, fluctuating levels of investment in advertising and other activities which foster demand for our products and general liquidity and credit conditions. We cannot predict with any certainty what impact such events could have on our major customers, including a disruption in the ability of our significant customers to access sources of liquidity, or on our ability to implement our strategic plans and we may face difficulties in successfully marketing our products, collecting on our accounts receivable and/or obtaining financing for our business on terms acceptable to us. The occurrence of any of these events could have a material adverse effect on our results of operations and financial position.

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 the advertising industry, 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 the 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 condition, results of operations and cash flows.

Trends in advertising, electronic data transmission and storage, and the internet could have adverse effects on traditional print media, including our products and those of our customers, but neither the timing nor the extent of those trends can be predicted with certainty. Our magazine and catalogue publishing customers may increasingly use, and compete with businesses that use, other forms of media advertising, and electronic data transmission and storage, particularly the internet, and including personal data devices such as smartphones, e-readers and tablets, instead of paper made by us. In addition, electronic formats for textbooks could cause the demand to decline for paper textbooks. As the use of these alternatives grows, demand for our paper products could decline.

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 at 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, compared to our non-European competitors, 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. Foreign overcapacity could result in an increase in the supply of paper products available in our markets. Certain Asian producers, in particular, have significantly increased exports in recent years; producers in China have been selling in our markets at less than fair value and have been subsidized by their governments, which is beyond our control. As of May 2011, however, the European Union imposed anti-subsidy duties as high as 12% and anti-dumping duties of up to 35.1% on Chinese CWF paper imports, which has led to a substantial decline in such imports. As a result of the duties, which are expected to remain in place until May 2016, Chinese exports to Western Europe have declined significantly. Following the expiration of these duties in 2016, it is not possible to predict whether such duties will be maintained at current levels or at all. In the absence of anti-dumping duties, it is likely that Chinese exporters will increase their CWF exports into our core markets, which could reduce our market share. This could have an adverse effect on our business, financial condition, results of operations and cash flows.

In addition, competitive pressures will continue to require 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 appropriate levels of capital investment in the future in response to competitive pressures. In addition, the following factors will affect our ability to compete:

- the quality of our products;
- the breadth of our 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 €52 million for the year ended December 31, 2011. Going forward, we expect our average annual maintenance capital expenditure (i.e., capital expenditure required to maintain the operating performance of our mills and co-generation plants) to be between €35 million and €50 million. We will undertake any additional, non-maintenance capital expenditure only where we believe such capital expenditure would be accretive to our EBITDA.

We anticipate that our available cash resources, including drawings that we may make under the New Revolving Credit Facility, 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 for 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, 2011, our 10 largest customers accounted for approximately 27% of our total net sales and one customer alone accounted for approximately 14% of our total net sales. We have entered into a master purchase agreement with this customer, which automatically renews each year. See "Business — Customers." In addition, some of our largest paper merchant and printer customers have been negatively affected by the ongoing economic turmoil and their credit profiles have deteriorated over time. This may result in the exit of certain customers from the market and/or in further consolidation among our client base; resulting in higher purchasing power for the remaining customers. The loss of, or reduction in orders from, any of these significant 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.

We may not be able to achieve the synergies expected from the acquisition of Polyedra.

We may experience unforeseen difficulties or uncover contingent or heretofore hidden liabilities associated with our pending acquisition of Polyedra. These difficulties may disrupt our operations and require significant management attention and financial resources that would otherwise be available for the day-to-day operations or the ongoing development or expansion of existing operations. In addition, the integration of Polyedra's paper merchanting business with our existing operations involves risks, including difficulties in integrating financial, technological and management standards, processes, procedures and controls. Polyedra is currently one of our customers, and thus the acquisition will result in a decrease in our third-party sales. To the extent we do not realize increased revenue from the acquisition of its merchanting business to offset this decrease in sales, or we are unsuccessful in integrating Polyedra into our operations, we may experience a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not realize all of the anticipated benefits of current or future acquisitions.

We intend to continue participating in the consolidation of the European paper and paper merchanting market and to expand our existing business on a selective basis. Growth can place significant strain on our management resources and financial and accounting control systems. Our management needs to identify appropriate investments and subsequently integrate, train and manage increased numbers of employees as we acquire new companies or assets. Unprofitable investments or an ability to integrate or manage new investments could adversely affect our results of operations. Any future acquisitions or investments will also involve financial, managerial and operational challenges, including:

- the diversion of management attention from other business concerns;
- difficulty with integrating businesses, operations, personnel and financial and other systems;
- difficulty in obtaining regulatory approvals;
- increased levels of debt potentially leading to an associated reduction in the ratings of our debt securities;
- an adverse impact on our various financial ratios;
- the potential loss of key employees and customers;
- the assumption of and exposure to unknown or contingent liabilities of acquired businesses; and
- potential disputes with sellers.

In addition, we could experience financial or other setbacks if any of the businesses that we have acquired or may acquire in the future have problems of which we are not aware or liabilities that exceed expectations. We may not overcome problems encountered in connection with potential acquisitions, completed acquisitions or other expansion, and such problems could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The Permitted Reorganization may not generate expected benefits and may cause complications that could be adverse to our business.

The Permitted Reorganization will result in a substantial reorganization of our group structure. We anticipate this will result in benefits and efficiencies to our group. We cannot assure you that such benefits will occur. Furthermore, as part of the Permitted Reorganization, our internal and financial reporting systems will require amendment and modification. See "Description of the Notes — Certain covenants — Reports to Holders." The effort to effect the Permitted Reorganization may take more management time than anticipated or in other ways distract management from our day-to-day business.

We may face high costs for compliance with environmental, health and safety 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, the use and preservation of natural resources, the noise impact of our operations and the use, disposal and remediation of hazardous materials. Compliance with these laws and regulations is a significant aspect of our industry, 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 of 1997 in the countries in which our mills operate, is expected to require progressively increased reductions of carbon dioxide and other greenhouse-gas emissions during its third phase of regulation from 2013 to 2020. Our mills and co-generation facilities generate such gases, and any further limitations applicable to us may require material expenditures and may have other adverse consequences. In addition, most of our facilities in Spain have been licensed under the EU Integrated Pollution Prevention and Control regime, and conditions imposed by authorities as part of this licensing scheme, or the licensing scheme under its successor, the Industrial Emissions Directive (the "IED"), could become more stringent over time and require material capital and other expenditures.

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. While 100% of the wood used to manufacture our products currently comes from such forests, we may be required to implement additional measures in an effort to address these concerns in the future, which may require us to invest substantial resources in adjusting and modifying our production processes.

The risk of substantial environmental costs and liabilities is inherent in our industry, and there can be no assurance that any incurrence by us 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.

Although we strive to ensure that our facilities comply with all applicable environmental laws and permits required for our operations, we have in the past been, and may in the future be, subject to governmental enforcement actions for failure to comply with environmental regulations. Impacts from historical operations, including the land or water disposal of waste materials, or our own activities may require costly investigation and clean-up. In addition, we could become subject to environmental liabilities resulting from personal injury (including from exposure to hazardous materials in the workplace), property damage or natural resources damage. Expenditures to comply with future environmental requirements and the costs related to any potential environmental liabilities and claims could have a material adverse effect on our business and financial condition.

We may incur liability and costs in connection with hazardous substances present at certain of our facilities.

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 release 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. Asbestos-containing materials (“ACM”) were formerly commonly used as building materials such as insulation or tiling in industrial buildings. The use of ACM was standard practice throughout the world until the late 1970s. Given the varying ages of our Spanish and French facilities, we have identified ACM as being present at certain facilities. The laws of such jurisdictions 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.

Should we face claims relating to hazardous substances, we could incur significant costs defending such claims or damages awards arising from them. Such expenses could have a material adverse effect on our business, financial condition and results of operations.

Concerns about the effects of climate change may have an impact on our business.

Concerns about global warming and carbon footprints, as well as legal and financial incentives favoring alternative fuels, are causing the increased use of sustainable, non-fossil fuel sources for electricity generation. Electricity generation companies are competing in the same markets as us for the same raw materials we use in our paper production process, namely wood and wood chips, driving prices for such materials upwards, especially during the winter in the Northern hemisphere.

Climate change could also cause the spread of disease and pestilence into our plantations and fiber sources, far beyond their traditional geographic spreads, increasing the risk that the wood supply necessary to our operations may be negatively impacted. If either of these phenomena intensifies, additional costs or supply shortages could have a material adverse effect on our business, financial condition and results of operations.

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 in which 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. For example, we recently experienced limited work stoppages at our facility in Leitza over wage negotiations. Negotiations are still ongoing and while work has resumed at that facility, we could be affected by additional work stoppages or other labor actions.

Although management believes its relationship with employees is generally 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 a material 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 to 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 a material adverse effect on our business, financial condition, results of operations and cash flows.

Our insurance is limited and subject to exclusions, and depends on the ongoing viability of our insurers.

We operate a significant number of 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, 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.

In addition, recent turmoil and volatility in the global financial markets may adversely affect the insurance market. This may result in some of the insurers in our insurance portfolio failing and being unable to pay their share of claims.

A fire, accident or other calamity at our facilities could have a material adverse effect on our business, financial condition or results of operations.

A fire, accident or other calamity resulting in significant damage to our facilities could have a material adverse effect on our business, financial condition or results of operations. Our operations would be interrupted if any of our facilities were to experience a major accident or were forced to shut down or curtail operations due to unforeseen events. Such incidents could result in delayed delivery timetables and additional costs to us and there can be no assurance that our insurance coverage would adequately cover all such costs, if at all, or that other funding would be available in such circumstances to repair any unforeseen damage at our facilities. This could have a material adverse effect on the quality of our products, the efficiency of our facilities and our business in general.

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

We depend on our senior management. Our performance and our 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.

Certain of our subsidiaries may face liabilities for past failures to file information statements with the relevant tax authorities.

Certain of our subsidiaries have unintentionally neglected to file certain information statements with tax authorities relating to, among other things, payments to third parties. Penalties, in some cases substantial, may be imposed on us by the relevant tax authorities for failure to make such filings. The potential penalties would not be in connection with a failure to make withholdings or any other form of tax payment — and we believe that we have properly made all necessary withholdings and payments — but rather arise from the technical obligation to file such information with the relevant tax authorities. We estimate that our total potential exposure could be as high as €48.0 million. However, we understand from our tax counsel that such penalties are applied rarely or are for an amount that is substantially reduced. The aggregate liability could, therefore, be substantially less than €48.0 million.

Risks Related to the Notes and Our Structure

Market perceptions concerning the instability of the euro, the potential re-introduction of individual currencies within the countries that utilize the euro as an official currency (the "Eurozone"), or the potential dissolution of the euro entirely, could adversely affect the value of the Notes.

As a result of the credit crisis in Europe, particularly in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility (the "EFSF") and the European Financial Stability Mechanism (the "EFSM") to provide funding to Eurozone countries in financial difficulties that seek support. In March 2011, the European Council agreed on the need for Eurozone countries to establish a permanent stability mechanism, the European Stability Mechanism ("ESM"), to assume the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries after June 2013. In December 2011, the European Council and each Eurozone head of state or government agreed a package of measures to restore confidence and address the continued tensions in financial markets, including (i) bringing forward implementation of the ESM from June 2013 to as soon as Member States representing 90% of the capital commitments to the ESM had ratified the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (also known as the Fiscal Compact), which is expected in July 2012, and (ii) a new fiscal compact between all 17 Eurozone Member States and, subject to parliamentary vote, all other non-Eurozone countries (except the United Kingdom) to put deficit restrictions on Member State budgets, with associated sanctions for those Member States that violate the specified limits. Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Member States. These and other concerns could lead to the re-introduction of individual currencies in one or more Member States, or, in more extreme circumstances, the possible dissolution of the euro entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the Notes.

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

The obligations under the Notes and the Guarantees are secured on a first-ranking basis with security interests over Collateral which also secures our obligations under the New Revolving Credit Facility and certain hedging obligations. The Indentures also permit the Collateral to be pledged to secure additional indebtedness permitted to be incurred and secured, including on an equal and ratable basis or subordinate or junior to the Notes and the Guarantees, in accordance with the terms thereof and the Intercreditor Agreement.

Pursuant to the Intercreditor Agreement, the liabilities under the New Revolving Credit Facility and certain hedging obligations will have priority over any amounts received from the sale of the Collateral pursuant to an enforcement action taken with respect to the Collateral. As such, in the event of a foreclosure of the Collateral, you may not be able to recover on the Collateral if the then outstanding claims under the New Revolving Credit Facility and in respect of the hedging obligations are greater than the proceeds realized. Any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations under the New Revolving Credit Facility and in respect of the hedging obligations have been discharged from such recoveries, be applied pro rata in repayment of the Notes and any other obligations secured by the Collateral on a pro rata basis. The Intercreditor Agreement provides that a common Security Trustee, who will also serve as the security agent for the lenders under the New Revolving Credit Facility, our hedging obligations and any additional secured debt permitted to be incurred by the Indentures whose representative accedes as a party to the Intercreditor Agreement, will act only as provided for in the Intercreditor Agreement. In general, there are limitations on the ability of the Noteholders to take enforcement action with respect to the Collateral, including a specified consultation period that is required to be observed before enforcement action can commence. For additional details regarding the ability of Noteholders to enforce, see "Description of Other Indebtedness—Intercreditor Agreement."

The Notes are secured only to the extent of the value of the Collateral that has been granted as security for the Notes and the Guarantees, and such security may not be sufficient to satisfy the obligations under the Notes and the Guarantees.

The holders of the Notes will be secured only by the Collateral. See "Description of the Notes — Credit enhancement — Security." While the Indentures limit the amount of additional debt that can be incurred by the Issuer and its Restricted Subsidiaries, any such debt can be secured by the Collateral, including on an equal and ratable and *pari passu* basis or on a junior or subordinated basis. If there is an event of default on the Notes, there is no guarantee that the value of the Collateral will be sufficient to enable the Issuer to perform its obligations under the Notes. There is no requirement to provide funds to enhance the value of the Collateral if it is insufficient. The proceeds of any sale of the Collateral following an event of default with respect to the Notes may not be sufficient to satisfy, and may be substantially less than, amounts due on the Notes as well as other indebtedness secured by the Collateral, including indebtedness under the New Revolving Credit Facility and certain hedging obligations as well as *Pari Passu* Debt.

The amount of proceeds realized upon the enforcement of the security interests over the Collateral or in the event of liquidation will depend upon many factors, including, among others, whether or not our business is sold as a going concern, the jurisdiction in which the enforcement action or sale is completed, the ability to readily liquidate the Collateral, the availability of buyers and the condition of the Collateral, and exchange rates. Furthermore, there may not be any buyer willing and able to purchase our business as a going concern, or willing to buy a significant portion of its assets in the event of an enforcement action. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. Portions of the Collateral may be illiquid and may have no readily ascertainable market value. In addition, the Collateral excludes leases that have a term of less than 30 years as well as intellectual property rights, licenses, contracts or agreements that by their express terms limit the assignment thereof or the grant of a security interest thereunder, unless such consent from the relevant third party can be obtained within the period and on the terms specified in the relevant debenture. Some of these contracts may be material to the Issuer or the Guarantor or may be necessary to operate essential facilities, or conduct its business operations and such exclusion or termination could have a material adverse effect on the value of the Collateral or the ability to enforce or realize it.

By its nature, some or all of the Collateral may not have a readily ascertainable market value or may not be saleable or, if saleable, there may be substantial delays in its disposal. To the extent that liens, security interests and other rights granted to other parties encumber assets owned by the Issuer or the Guarantors, those parties have or may exercise rights and remedies with respect to the property subject to their liens, security interests or other rights that could adversely affect the value of that Collateral and the ability of the Trustee or investors as holders of the Notes to realize or enforce that Collateral. If the proceeds of any sale of Collateral are not sufficient to repay all amounts due on the Notes and the Guarantees, investors (to the extent not repaid from the proceeds of the sale of the Collateral) would have only an unsecured claim against the Issuer's and the Guarantors' remaining assets. Each of these factors or any challenge to the validity of the Collateral or the intercreditor arrangement governing our creditors' rights could reduce the proceeds realized upon enforcement of the Collateral. In addition, there can be no assurance that the Collateral could be sold in a timely manner, if at all. Proceeds from enforcement sales of capital stock and assets that are part of the Collateral must first be applied in satisfaction of obligations under the New Revolving Credit Facility and to counterparties under certain hedging obligations and thereafter towards repayment on a *pari passu* basis the obligations of the Issuer and the Guarantor under the Notes. In addition, the Indentures will allow incurrence of certain additional permitted debt in the future that is secured by the Collateral on a priority or *pari passu* basis. Such additional secured debt may be substantial. The rights of a holder of Notes to the Collateral may be diluted by any increase in the debt secured by the Collateral or a reduction of the Collateral securing the Notes.

To the extent that other first priority security interests, preexisting liens, liens permitted under the Indentures and other rights encumber the Collateral securing the Notes, those parties may have or may exercise rights and remedies with respect to the Collateral that could adversely affect the value of the Collateral and the ability of the Security Trustee to realize or foreclose on the Collateral.

The Issuer and the Guarantors have control over the Collateral securing the Notes, and the sale of particular assets could reduce the pool of assets securing the Notes.

The security documents allow the Issuer and the Guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral securing the Notes. So long as no default or event of default under the Indentures would result therefrom, the Issuer and the Guarantors may, among other things, without any release or consent by the Security Trustee, conduct ordinary course activities with respect to the Collateral, such as selling, factoring, abandoning or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness.

The value of the Collateral may decrease because of obsolescence, impairment or certain casualty events.

The value of the properties that the Issuer and the other Guarantors own or lease and the real estate serving as Collateral may be adversely affected by depreciation and normal wear and tear or because of certain events that may cause damage to these properties. Although the Security Documents contain certain covenants in relation to the maintenance and preservation of assets, the Issuer and the Guarantors are not required to improve the Collateral. The Issuer is obligated under the security documents to maintain insurance with respect to the Collateral, but the proceeds of such insurance may not be sufficient to rebuild or restore such properties to their original condition prior to the occurrence of the events that caused the insured damages. Those insurance policies will most certainly not cover all the events that may conceivably result in damage to the Collateral.

Condat S.A.S. can guarantee the Notes and provide security only after receipt by Condat S.A.S. of a decision from its works council (Comité d'Entreprise).

One of Lecta's subsidiaries, Condat S.A.S., will neither guarantee the Notes nor provide Collateral on the Issue Date, and can do so only after receiving a favorable decision from its works council. Further, certain collateral consisting of shares in Condat S.A.S. can only be pledged once such decision is received. Although we expect that Condat S.A.S. will receive a favorable decision and thereafter promptly provide a Guarantee and furnish Collateral, we cannot assure you of that outcome and the time it may take to receive a favorable decision.

It may be difficult to realize the value of the Collateral securing the Notes.

The Collateral securing the Notes is subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indentures and/or the Intercreditor Agreement and accepted by other creditors that have the benefit of first-priority security interests in the Collateral securing the Notes from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Notes, as well as the ability of the Security Trustee to realize or foreclose on such Collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under the laws of certain jurisdictions.

The security interests of the Security Trustee will be subject to practical problems generally associated with the realization of security interests over real or personal property such as the Collateral. For example the Security Trustee may need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Security Trustee will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Trustee may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

In addition, we are required to register our various operations with national regulators. Such requirements may prohibit foreclosure on our share capital or may require us to incur significant cost and expense due to such requirements. Furthermore, there can be no assurance that any applicable governmental authorities will consent to such action. If any regulatory approvals that are required are not obtained or are delayed, the foreclosure may be delayed, a temporary shutdown of operations may result and the value of the Collateral may be significantly decreased.

The security interests in the Collateral are granted to the Security Trustee rather than directly to the holders of the Notes.

The security interests in the Collateral that secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Guarantees are not granted directly to the holders of the Notes but are granted only in favor of the Security Trustee. The Indentures provide (along with the Intercreditor Agreement) that only the Security Trustee has the right to enforce the Security Documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indentures) provide instructions to the Security Trustee in respect of the Collateral.

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.

Under Italian law there is some uncertainty (a) if the beneficial owners of the Notes that are not identified as registered holders in the pledge agreement will be deemed to have a valid and perfected security interest under such pledge and (b) with respect to the validity of any security interest created in favor of the Security Trustee under the Notes on behalf of the holders of the Notes. If any challenge to the validity, perfection or enforceability of the security interests created by the pledges or the validity of the parallel debt structure were successful, the holders of the Notes may be unable to recover any amounts under the pledges.

Also, under Italian law, in the event that the relevant obligor enters into insolvency proceedings, the pledges or the parallel debt obligation could be subject to potential challenges by an insolvency administrator or by other creditors of such obligor under the rules of avoidance or clawback of Italian insolvency laws and the relevant law on the non-insolvency avoidance or clawback of transactions by the debtor.

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 in favor of the secured creditor, following which the secured creditor becomes the legal owner of the pledged shares. In foreclosure proceedings 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 secured creditor may be required to pay the obligor an amount (*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 secured creditor 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.

In addition, as there is currently no established concept of "trust" or "trustee" under French law, the precise nature, effect and enforceability of the duties, rights and powers of a security agent as trustee for holders of the Notes in respect of security interests such as pledges are uncertain under French law. A concept of fiduciary agent (*fiduciaire*) was recently incorporated in French law, but the effects of such incorporation on the recognition of foreign law-governed "trusts" are not yet clear.

For more information, see "Limitations on Validity and Enforceability of the Guarantees and the Security Interests."

The Collateral may be released without the consent of the holders of the Notes.

The Collateral 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 Notes — Credit enhancement — Release of Guarantees" and "Description of the Notes — Credit enhancement — Release of Collateral."

Additionally, the Indentures permit us to release and retake the security interest granted over the Collateral in order to issue additional Notes pursuant to the Indentures. Upon the issuance of additional Notes pursuant to the Indentures, 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. In some circumstances, such as if we filed for bankruptcy after the issuance of additional 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 Notes pursuant to the Indentures, the Collateral could be released and its subsequent retaking voided. See "Description of the Notes — Certain Covenants — Impairment of security interest."

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

We have, and after the Offerings will continue to have, a significant amount of indebtedness. As of December 31, 2011 and as adjusted to give effect to the Refinancing, Lecta S.A. and its subsidiaries would have had € 686.8 million of indebtedness, of which €590.0 million would have been represented by the Notes. We anticipate that our substantial indebtedness will continue for the foreseeable future. Our substantial indebtedness 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 New Revolving Credit Facility 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 substantial indebtedness, we may be able to incur more debt in the future, including on a secured basis over the Collateral or otherwise, which could further exacerbate the risks of our indebtedness.

We may incur more debt in the future. The New Revolving Credit Facility provides for total commitments of up to €80.0 million, 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, secured by the Collateral or otherwise, that could mature prior to the Notes, and such debt could be secured on an equal, ratable and *pari passu* basis with the Notes and the Guarantees.

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 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. Interim accounts must be drawn up by the board of directors, showing available distributable reserves and results for the current interim period. The amount to be distributed may not exceed total profit made since the end of the last financial year (for which the annual accounts have been approved), plus any profit carried forward and sums drawn from reserves available for this purpose, less losses carried forward and any sums to be placed in reserve pursuant to the requirements of Luxembourg company law or of the articles of incorporation and by-laws of the company. 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 delay the Luxembourg Guarantors in 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 Offering 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 New Revolving Credit Facility 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 Notes — Credit enhancement — 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 Guarantee will be limited under the Indentures to an amount which has been determined 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.

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.

For more information on the specific limitations under applicable law of the respective jurisdictions of incorporation of the Guarantors and certain contractual limitations to be confirmed in the Indentures, see "Limitations on Validity and Enforceability of the Guarantees and the Security Interests" and Annex A hereto.

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.

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. See "Limitations on Validity and Enforceability of the Guarantees and the Security Interests."

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, France and Spain. 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.

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 basis as of December 31, 2011, we had total assets of €1,667.7 million and total debt of €793.8 million. In the year ended December 31, 2011, Lecta S.A. and the Guarantors had aggregate unconsolidated EBITDA of €113.0 million. This figure gives effect to the unconsolidated EBITDA generated by Condat S.A.S. during such period (which was €14.8 million, or 9.1%, of the Issuer's consolidated EBITDA). Condat S.A.S. is intended to guarantee the Notes after the Issue Date. See "Description of the Notes — Post-Closing Actions." 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 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.

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, France, 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 multijurisdictional 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 and certain events which might otherwise constitute a change of control may not trigger a requirement for us to repurchase the Notes if no rating decline occurs.

Upon the occurrence of certain change of control events, together with a ratings decline, as described in the Indentures, 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 Notes — Change of Control." We may not have sufficient funds at the time of any such event to make the required repurchases. Additionally, certain change of control events would be prepayment events under the New Revolving Credit Facility. In the event this results in an event of default thereunder, the lenders under the New Revolving Credit Facility may accelerate such debt, which could also cause an event of default under the Indentures. However, the occurrence of certain events that might otherwise constitute a change of control under the Indentures will be deemed not to be a change of control if such events are not accompanied by a rating decline in respect of ratings afforded to the Notes. See "Description of the Notes — Change of Control" and "Description of the Notes — Certain Definitions — Change of Control."

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 and 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 respective 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 that 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 which, 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 New Revolving Credit Facility and the Floating Rate Senior Secured 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 New Revolving Credit Facility 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.

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. Although there is no clear precedent, statement of law or regulation to support this position, however, and 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 21% withholding tax on such payments. See "Tax Considerations — Spanish Taxation" for a more detailed explanation.

If such withholding tax were imposed on any payments by any Spanish Guarantor, we may be required under the Indentures to gross-up any such payments to cover the full amount of the taxes required to be withheld, subject to certain exceptions described in "Description of the Notes — Additional Amounts." If we are required to gross-up payments under the Guarantee, 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 existing public trading market for the Notes and the ability to transfer them is limited, 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, the 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 CWF 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 these "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 U.S. 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 € 100,000.

USE OF PROCEEDS

The gross proceeds from the Offering will be €590.0 million. This includes proceeds from the issuance of (i) the Floating Rate Senior Secured Notes (without giving effect to the issue price of 99%) of €390.0 million and (ii) the Fixed Rate Senior Secured Notes of €200.0 million. The net proceeds from the Offering will be €571.1 million.

We intend to use the net proceeds of the Offering, together with certain cash on our balance sheet as of the Issue Date, to refinance certain of our Existing Indebtedness and to pay certain fees and expenses in connection with the Refinancing. See "Summary — The Transactions and Use of Proceeds — The Refinancing and the Reorganization."

The expected estimated sources and uses of the funds necessary to consummate the Refinancing are shown in the table below. Actual amounts may vary from estimated amounts depending on several factors, including the difference between actual and estimated existing cash in the business, the actual and estimated cost of repaying the Existing Indebtedness and actual and estimated fees and expenses.

You should read "Capitalization" and "Description of Other Indebtedness" for a more detailed description of the expected use of proceeds and our capitalization and financing arrangements.

Sources	€ in millions	Uses	€ in millions
Notes offered hereby[(1)]	590.0	Refinancing of Existing Debt[(2)]	721.7
Other existing debt[(3)]	77.9	Other existing debt[(3)]	77.9
Cash on balance sheet[(4)]	361.6	Cash on balance sheet[(4)]	211.0
		Fees and expenses[(5)]	18.9
Total sources	**1,029.6**	**Total uses**	**1,029.6**

(1) Consists of the combined aggregate principal amount of Floating Rate Senior Secured Notes and Fixed Rate Senior Secured Notes offered hereby and pursuant to the Exchange Offer. In aggregate, €390,000,000 principal amount of Floating Rate Senior Secured Notes are being issued (at an issue price of 99%) and €200,000,000 principal amount of Fixed Rate Senior Secured Notes are being issued. The impact of the issue price of 99% in respect of the €390,000,000 Floating Rate Senior Secured Notes on the gross proceeds of the offering has been reflected under fees and expenses.

(2) Includes the issuance of Exchange Notes in an amount of € 344,062,000 to eligible holders of our existing Senior Secured Floating Rate Notes due 2014 pursuant to the Exchange Offer to repay €598.0 million of principal amount of our existing Senior Secured Floating Rate Notes due 2014, and €119.7 million to repay the principal amount of our existing Senior Unsecured Floating Rate Notes due 2014, plus aggregate accrued interest of €4.0 million. This figure does not include transaction-related and swap break fees.

(3) Consists of existing debt primarily related to our co-generation plants in Italy and Spain. See "Description of Other Indebtedness — Existing Co-generation Financings."

(4) Actual cash available on the date of issuance of the Notes may vary.

(5) Represents certain estimated fees and expenses associated with the Refinancing, including an issue price discount of 1% on the €390,000,000 Floating Rate Senior Secured Notes. Actual fees and expenses may vary.

On or about the Issue Date, the Issuer will enter into the New Revolving Credit Facility in the amount of €80.0 million. We do not currently expect to draw any amount under the New Revolving Credit Facility as of the Issue Date. See "Description of Other Indebtedness — New Revolving Credit Facility."

This section does not take into account our pending acquisition of Polyedra for a purchase price of €45 million (subject to post-closing adjustments), which we expect to finance from working capital. see "Summary — Recent Developments — Polyedra Acquisition."

CAPITALIZATION

The following table sets forth our cash and consolidated capitalization as of December 31, 2011 (i) on an actual basis and (ii) as adjusted to give effect to the Refinancing. 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 Offering Memorandum.

	As of December 31, 2011	
	Actual	**As Adjusted[(1)]**
	(in millions of euro)	
Cash and cash equivalents	361.6	211.0
Debt:		
Other existing debt[(2)]	77.9	77.9
New Revolving Credit Facility[(3)]	—	—
Existing Notes[(4)]	715.9	—
Floating Rate Senior Secured Notes offered hereby[(5)]	—	390.0
Fixed Rate Senior Secured Notes offered hereby	—	200.0
Fees and expenses[(6)]	—	(18.9)
Total debt	793.8	649.5
Total net debt[(7)]	432.2	438.0
Total shareholders' equity	391.8	387.7
Total capitalization	**1,185.6**	**1,036.8**

(1) The adjustments presented herein do not include any pro forma adjustments with respect to our pending acquisition of Polyedra for a purchase price of €45 million (subject to post-closing adjustments), to be financed from working capital. See "Summary — Recent Developments — Polyedra Acquisition."

(2) Consists of existing debt primarily related to our co-generation plants in Italy and Spain. See "Description of Other Indebtedness — Existing Co-generation Financings."

(3) On or about the Issue Date, the Issuer will enter into the New Revolving Credit Facility in the amount of €80.0 million. We do not currently expect to draw any amount under the New Revolving Credit Facility as of the Issue Date. See "Description of Other Indebtedness — New Revolving Credit Facility."

(4) Includes €717.7 million of aggregate principal amount of our Existing Notes, plus €4.0 million of aggregate accrued interest, less €5.8 million of aggregate issue costs to be amortized. All Existing Notes, other than those validly tendered and exchanged pursuant to the Exchange Offer, will be satisfied and discharged on the Issue Date.

(5) €390,000,000 aggregate principal amount of Floating Rate Senior Secured Notes offered hereby and pursuant to the Exchange Offer (without giving effect to the issue price of 99%).

(6) Represents certain estimated fees and expenses associated with the Refinancing including an issue price discount on the Floating Rate Senior Secured Notes of 1%. Actual fees and expenses may vary.

(7) Total net debt derived from total debt less cash on balance sheet.

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 Offering 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, 2009, 2010 and 2011 is extracted or derived from our consolidated financial statements and notes thereto included elsewhere in this Offering Memorandum. Such consolidated financial statements have been audited by Ernst & Young S.A., independent auditor.

Our consolidated financial statements and the accompanying notes thereto as of and for the years ended December 31, 2009, 2010 and 2011 have been presented in euro and prepared in accordance with IFRS-EU. IFRS-EU differs in certain significant respects from U.S. GAAP.

	Year ended December 31,		
	2009	**2010**	**2011**
	(audited) (in millions of euro, except volumes)		
Income Statement Data:			
Volume sold (in thousands of metric tons)	1,534.2	1,643.1	1,655.5
Revenues[(1)]	1,379.9	1,521.5	1,576.8
Changes in inventories of finished goods and work in progress	(25.7)	19.3	(12.0)
Raw materials and consumables used	(575.8)	(744.8)	(744.4)
Labor costs	(213.5)	(217.1)	(216.3)
Other operating costs except unusual items	(409.8)	(418.0)	(441.8)
EBITDA[(2)]	155.1	160.8	162.3
Depreciation	(76.3)	(76.0)	(70.9)
Amortization	(1.6)	(1.7)	(1.5)
Unusual items[(3)]	(1.0)	(0.9)	(5.2)
Profit (loss) from operations	**76.3**	**82.3**	**84.7**
Finance costs[(4)]	(54.0)	(46.5)	(49.5)
Profit before tax	**22.3**	**35.8**	**35.3**
Income tax	(10.1)	(9.4)	(11.4)
Profit (loss) after tax	**12.2**	**26.4**	**23.8**
Attributable to:			
Equity holders of the parent	8.6	24.3	19.9
Minority interest	3.5	2.1	4.0

	As of December 31,		
	2009	**2010**	**2011**
	(audited) (in millions of euro, except ratios)		
Statement of Financial Position Data:			
Cash and cash equivalents	214.2	310.1	361.6
Total assets	1,584.4	1,657.5	1,667.7
Total debt[(5)]	806.7	799.4	793.8
Total net debt[(6)]	592.5	489.4	432.2
Equity holders of the parent	349.5	369.8	391.8
Minority interest	15.7	16.0	10.9
Total equity	**365.2**	**385.8**	**402.7**

	Year ended December 31,		
	2009	**2010**	**2011**
	(audited) (in millions of euro, except ratios or as otherwise indicated)		
Cash Flow Data:			
Net cash flow (used in)/from operating activities	172.1	171.0	157.2
Net cash flow (used in)/from investing activities	(42.3)	(17.5)	(44.6)
Net cash flow (used in)/from financing activities	(53.7)	(59.6)	(62.4)
Net (decrease) increase in cash and cash equivalents	76.1	93.9	50.3

(1) Revenues consist of sales of paper (including paper produced by third parties and sold through 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 similar 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 New Revolving Credit Facility.

(3) Unusual items includes 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 floating rate notes, rate hedging derivatives and amortization of issue costs on borrowings, and other finance-related expenses.

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

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

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 Offering Memorandum. We have prepared our financial statements for the years ended December 31, 2009, 2010 and 2011 in accordance with IFRS-EU. The discussion contained herein is based on our audited IFRS-EU financial statements.

Overview

We are the second largest CWF paper manufacturer in Europe, with an annual production capacity of 1,475,000 metric tons as of 2011. We also have strong market positions in Germany and the UK. We are also one of the leading manufacturers of specialty papers in Europe, with an annual production capacity of 259,000 metric tons of finished products and 118,000 metric tons of UWF and base paper. We own and operate a 230,000 metric ton pulp mill in Spain, which provides approximately 30% of our overall pulp requirements. We have nine CWF paper machines and three specialty paper machines in nine mills located at various sites in Italy, France and Spain. In the year ended December 31, 2011, our mills produced an aggregate of 1,342,000 metric tons of CWF paper and 202,000 metric tons of specialty papers.

We rank either first or second in terms of market share in each of France, Spain and Italy, the principal markets for our products accounting for 19%, 14% and 16%, respectively, of our CWF deliveries in 2011. We also market our CWF paper elsewhere in Europe, including Germany (11%), the United Kingdom (10%) and other European countries (12%) and, to a lesser extent, outside of Europe (18%). Our mills are located in close proximity to the key commercial markets in Europe. These markets account for approximately 83% of demand for CWF in Europe and accounted for approximately 71% of our total sales in 2011.

We were formed by CVC Capital Partners ("CVC") in 1997 through the acquisition of Cartiere del Garda of Italy in October of that year, and we 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 CWF paper for sale under their own brand names, which are well-known in the European market. In addition to CWF paper, we also produce a variety of specialty papers, including self-adhesive, carbonless, thermal and metalized paper.

We operate a significant paper merchanting business that we have built organically through the acquisition of Secmar in France in 2008 and the pending acquisition of Polyedra in Italy in 2012. In the year ended December 31, 2011, we distributed 445,000 metric tons of paper, of which 105,000 metric tons were produced by third parties. We plan to expand our merchanting business with selected and opportunistic bolt-on acquisitions that expand our presence in other countries.

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

	Year ended December 31,	
	2010	2011
Volume of paper sold (in thousands of metric tons)	1,643.1	1,655.5
Volume of energy sold (in thousands of MWh)	1,089.8	1,181.8
Revenues (in millions of euro)	1,521.5	1,576.8
EBITDA (in millions of euro)	**160.8**	**162.3**

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.

In 2011, Western European deliveries declined by 5% to 5.4 million tons according to Euro-Graph. Germany, UK, France, Italy and Spain are the main markets, accounting for 79% of deliveries. We estimate that the global demand for CWF paper industry was approximately 25 million tons in 2011.

As a result of these challenging market conditions, significant capacity has been closed in Europe. Between 2007 and 2010, capacity for two million tons has been closed, with Lecta alone accounting for 160,000 tons of the reduced capacity.

In 2011, Sappi, one of our competitors, announced the closure of its Biberist mill in Switzerland, reducing CWF paper production capacity by 425,000 tons. Stora Enso, another of our competitors, announced the conversion of its Uetersen mill in Germany, reducing CWF paper production capacity by 150,000 tons. Metsä Board (formerly M-real), another competitor, announced the closure of its Äänekoski mill in Finland at the end of 2011, further reducing CWF paper production by approximately 145,000 tons. Once these closures have taken place, approximately 700,000 tons of capacity in aggregate will have been removed from the market by 2012, representing approximately 9% of the total European capacity in 2011.

We estimate that five producers of CWF paper — Sappi (25%), Lecta (17%), UPM (15%), Burgo (14%) and Stora Enso (14%) — currently account for approximately 85% of the European CWF paper production capacity. We believe that paper producers will continue to pursue a strategy of capacity rationalization, closing down less-efficient, high-cost mills, if required.

Raw Materials and Energy Costs

Pulp and energy represent our primary input costs. Wood pulp is the principal raw material required to manufacture paper. During the period from 2008 through the present, we purchased approximately 70% of our pulp requirements, producing the remainder of our needs at our pulp mill in Spain. The price of pulp is highly volatile and sensitive to changes in wood prices, industry capacity, producer inventories, demand for paper, and cyclical changes in the world economy and fluctuations in the U.S. dollar, the reference currency for trading in wood pulp. Fluctuations in pulp prices may impact, in turn, prices of final paper products.

Energy is also an important input cost for manufacturing paper and related transport costs. During the period under review, a rise in the price of crude oil has increased oil-based raw materials and transportation costs. In order to reduce our energy costs, we control and benefit from seven co-generation plants, including a new co-generation plant in Sant Joan, Spain, which commenced operations in September 2011.

The high yield of co-generation plants compared with the separate production of electricity and steam, and the savings from the resulting reduction in the use of fossil fuels, is the basis for various incentive plans in various countries. These incentive plans, granted under the terms of EC Council Directive 2004/8/EC, contribute to making these investments attractive and lowering the cost of energy per ton of paper produced.

For internal reporting purposes we account for revenues derived from the sale of excess electricity and from the sale of hot water as a reduction of our total energy bill.

Cost-Savings Measures and Efficiency of Operations

Paper producers have a high proportion of fixed costs, and as a result, fluctuations in prices and volumes for paper products cause corresponding fluctuations in the profitability of paper manufacturers. As 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 mills to enhance the efficiency of our production by reducing our fixed costs.

Since 2006, excluding the effect of the Secmar acquisition, we have reduced headcount in continuing operations by 995 employees (21%). Over the same period we have reduced absolute labor costs by 9%, including inflation. These actions were achieved through the following measures:

- *Operational integration of Garda, Condat and Torraspapel:* The integration helped to reduce the Group's subsidiaries' production and logistics costs while allowing the Group to achieve market growth by strengthening its relationships with customers.

- *Significant production reorganization:* Production was significantly reorganized through targeted headcount reductions, mill restructuring and closures, CWF production homogenization, the interchangeability of production among different mills and investment in co-generation with the aim of reducing energy dependency on third parties.

- *Optimization of sales organization:* This included the full integration of Garda, Condat and Torraspapel, the centralization and merger of sales offices, and the strategic acquisitions of Malmenayde, Nord Papier and Polyedra (expected close in 2012). Our sales organization was consolidated further by the merger of Malmenayde and Torraspapel France, which closed in December 2011.

In December 2011, we completed the integration of our merchanting activities in France.

Effect of Currency Fluctuations

Our sales are denominated principally in euro and are also denominated in pounds sterling, U.S. 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. As a consequence, we are net purchasers of U.S. dollars. As such, all other things being equal, a weakening of the U.S. dollar should 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 in the long run, a weakening of the U.S. dollar exerts downward pressure on euro paper prices and upward pressure on pulp prices.

We have a policy of hedging our foreign exchange exposure on non-euro-denominated sales and purchases once they are committed. We only hedge a low portion of our projected foreign exchange flows.

Critical Accounting Policies

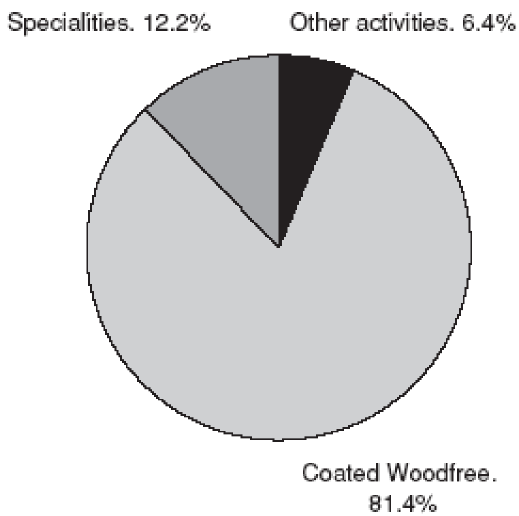
For a description of our critical accounting policies, see Note 1 to our consolidated financial statements included elsewhere in this Offering Memorandum.

Results of Operations

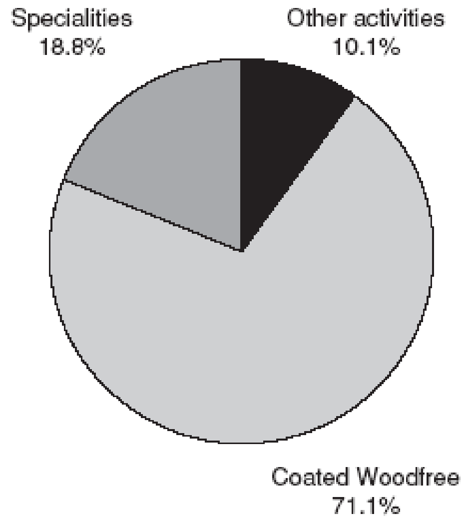
Breakdown of Revenues

The first chart below illustrates a breakdown by product type of consolidated volumes of 1,656,000 metric tons of paper for the year ended December 31, 2011, while the second chart below illustrates a breakdown by product type of our revenues of €1,577 million for the year ended December 31, 2011. The first chart does not take into account the revenues from our sales of excess energy produced by the co-generation facilities we operate, which is sold to third parties and is reflected in our total revenues.

2011 volume sold to third parties, by product type



2011 consolidated revenues, by product type



Source: Issuer information

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

The following table sets forth our income statement line items in absolute numbers, as a percentage of revenues for the years ended December 31, 2010 and 2011 and the percentage change period over period:

	Year Ended December 31,					
	2010	%	2011	%	Change	% change
	(audited)		(audited) (in millions of euro, except percentages or unless otherwise indicated)			
Volume of paper sold (in thousands of metric tons)	1,643.1		1,655.5		+12.5	+0.8%
Volume of energy sold (in thousands of MWh)	1,089.7		1,181.8		+92.1	+8.5%
Revenues (including from both paper and energy)	1,521.5	100.0	1,576.8	100.0	+55.3	+3.6%
Change in inventories of finished goods and work in progress	19.3	1.3	(12.0)	(0.8)	—	—
Raw materials and consumables used	(744.8)	(49.0)	(744.4)	(47.2)	+0.5	−0.1%
Labor costs	(217.1)	(14.3)	(216.3)	(13.7)	+0.9	−0.4%
Other operating costs except unusual items	(418.0)	(27.5)	(441.8)	(28.0)	−23.8	+5.7%
EBITDA	160.8	10.6	162.3	10.3	+1.5	+1.0%
Depreciation	(76.0)	(5.0)	(70.9)	(4.5)	+5.1	−6.7%
Amortization	(1.7)	(0.1)	(1.5)	(0.1)	+0.1	−7.8%
Unusual items	(0.9)	(0.1)	(5.2)	(0.3)	−4.3	—
Profit from operations	82.3	5.4	84.7	5.4	+2.4	+3.0%
Finance costs	(46.5)	(3.1)	(49.5)	(3.1)	−2.9	+6.3%
Profit before tax	35.8	2.4	35.3	2.2	−0.5	−1.4%
Income tax	(9.4)	(0.6)	(11.4)	(0.7)	−2.1	+21.9%
Profit after tax	26.4	1.7	23.8	1.5	−2.6	−9.7%

Revenues

The following table presents the Group's revenue by product line for the years ended December 31, 2010 and 2011:

Products and Services

	Year ended December 31, 2010	Year ended December 31, 2011
	(audited) (in millions of euro)	
CWF	1,070.3	1,120.1
Specialties	285.1	297.0
Other activities	166.1	159.7
Total	**1,521.5**	**1,576.8**

For the year ended December 31, 2011, Lecta had revenues of €1,576.8 million, versus €1,521.5 million in the year ended December 31, 2010, an increase of €55.3 million, or 3.6%. This increase was primarily attributable to an increase of €28.0 million, or 2.0%, in sales of CWF, Specialties and Trading goods, from €1,435.3 million in the year ended December 31, 2010 to €1,463.3 million in the year ended December 31, 2011. Such increase resulted from higher sales volumes of 12,500 metric tons due to further development of existing customer relationships, or 0.8%, from 1,643,100 metric tons in the year ended December 31, 2010 to 1,655,000 metric tons in the year ended December 31, 2011, and an increase in average net sales price of 10€/t, or 1.0%, from 874€/t in the year ended December 31, 2010 to 884€/t in the year ended December 31, 2011.

Energy sales increased by €27.3 million or 31.7%, from €86.2 million in the year ended December 31, 2010 to €113.5 million in the year ended December 31, 2011. Such increase resulted from higher sales volumes of 92,100 MWh, or 8.5%, from 1,089,700 MWh in the year ended December 31, 2010 to 1,181,800 MWh in the year ended December 31, 2011, and an increase in average net sales price of 17€/MWh or 21.5%, from 79€/MWh in the year ended December 31, 2010 to 96€/MWh in the year ended December 31, 2011. The increase in sales volume was primarily a result of the commencement of operations of the Sant Joan co-generation plant in September 2011.

The following table presents revenue by geographical location from external customers of the Group's products and services for the years ended December 31, 2010 and 2011:

Geographical Location

	Year ended December 31, 2010	Year ended December 31, 2011
	(audited) (in millions of euro)	
Spain	347.4	369.2
France	311.0	332.7
Italy	208.8	183.4
United Kingdom	122.5	130.2
Germany	74.5	118.6
North America	84.7	67.1
Other countries	372.6	375.5
Total	**1,521.5**	**1,576.8**

Raw Materials and Consumables Used

The costs of raw materials and consumables used decreased slightly by €0.5 million, or 0.1%, from €744.8 million in the year ended December 31, 2010 to €744.4 million in the year ended December 31, 2011. As a percentage of revenues, such costs decreased from 49.0% in the year ended December 31, 2010 to 47.2% in the year ended December 31, 2011. The absolute decrease was attributable to lower production and purchased volumes and a decrease in the average purchase price of pulp from 525€/t in the year ended December 31, 2010 to 478€/t in the year ended December 31, 2011.

Labor Costs

Labor costs decreased by €0.9 million, or 0.4%, from €217.1 million in the year ended December 31, 2010 to €216.3 million in the year ended December 31, 2011, and, as a percentage of revenues, they decreased from 14.3% in the year ended December 31, 2010 to 13.7% in the year ended December 31, 2011. The absolute decrease was primarily attributable to a headcount reduction. There was a net reduction in headcount of 62, from 3,907 employees in the year ended December 31, 2010 to 3,845 employees in the year ended December 31, 2011.

Other Operating Costs Except Unusual Items

Other operating costs except unusual items increased by €23.8 million, or 5.7%, from € 418.0 million in the year ended December 31, 2010 to €441.8 million in the year ended December 31, 2011, and, as a percentage of revenues, they increased from 27.5% in the year ended December 31, 2010 to 28.0% in the year ended December 31, 2011. The absolute increase was mainly due to higher costs of energy, distribution and outsourcing, partly offset by lower local taxes and overheads.

EBITDA

EBITDA increased by €1.5 million, or 1.0%, from €160.8 million in the year ended December 31, 2010 to €162.3 million in the year ended December 31, 2011. This increase was attributable to lower net costs of energy, labor, local tax and overheads, in the context of lower unit gross margin.

Depreciation and Amortization

Depreciation and amortization decreased by €5.2 million, or 7%, from €77.6 million in the year ended December 31, 2010 to €72.4 million in the year ended December 31, 2011.

Unusual Items

In the year ended December 31, 2011, we recorded an unusual charge of €5.2 million. This was due to a €7.1 million gain on the disposal of non-industrial properties and a € 12.3 million charge in relation to our group-wide organization efficiency program, and fees and costs associated with the simplification of the group structure, the strengthening of our merchanting operations and the identification of refinancing opportunities.

In the year ended December 31, 2010, we recorded an unusual charge of €0.9 million, of which €0.6 million related to costs associated with the organization efficiency program.

Finance Costs

Finance costs increased by €2.9 million, or 6.3%, from €46.5 million in the year ended December 31, 2010 to €49.5 million in the year ended December 31, 2011. The increase was mainly due to the increase in the three-month EURIBOR interest rate, partly offset by the repurchase of €23.3 million of our Senior Unsecured Floating Rate Notes due 2014 in 2011.

Income Tax

In the year ended December 31, 2011, we recorded an income tax charge of €11.4 million, compared to €9.4 million in the year ended December 31, 2010.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

The following table sets forth our income statement line items in absolute numbers, as a percentage of revenues for the years ended December 31, 2009 and 2010 and the percentage change period over period:

	Year Ended December 31,					
	2009	%	2010	%	Change	% change
	(audited)		(audited) (in millions of euro, except percentages or unless otherwise indicated)			
Volume of paper sold (in thousands of metric tons)	1,534.2		1,643.1		+108.8	+7.1%
Volume of energy sold (in thousands of MWh)	1,052.1		1,089.8		+37.6	+3.6%
Revenues (including from both paper and energy)	1,379.9	100.0	1,521.5	100.0	+141.6	+10.3%
Change in inventories of finished goods and work in progress	(25.7)	(1.9)	19.3	1.3	—	—
Raw materials and consumables used	(575.8)	(41.7)	(744.8)	(49.0)	−169.1	+29.4%
Labor costs	(213.5)	(15.5)	(217.1)	(14.3)	−3.6	+1.7%
Other operating costs except unusual items	(409.8)	(29.7)	(418.0)	(27.5)	−8.2	+2.0%
EBITDA	155.1	11.2	160.8	10.6	+5.7	+3.7%
Depreciation	(76.3)	(5.5)	(76.0)	(5.0)	+0.3	−0.4%
Amortization	(1.6)	(0.1)	(1.7)	(0.1)	−0.1	+6.0%
Unusual items	(1.0)	(0.1)	(0.9)	(0.1)	+0.1	−12.5%
Profit from operations	76.3	5.5	82.3	5.4	+6.0	+7.9%
Finance costs	(54.0)	(3.9)	(46.5)	(3.1)	+7.5	−13.8%
Profit before tax	22.3	1.6	35.8	2.4	+13.5	+60.5%
Income tax	(10.1)	(0.7)	(9.4)	(0.6)	+0.7	−7.3%
Profit after tax	12.2	0.9	26.4	1.7	+14.2	+116.8%

Revenues

The following table presents the Group's revenue by product line for the years ended December 31, 2009 and 2010:

Products and Services

	Year ended December 31,	
	2009	2010
	(audited) (in millions of euro)	
CWF	951.1	1,070.3
Specialties	252.8	285.1
Other activities	176.0	166.1
Total	**1,379.9**	**1,521.5**

For the year ended December 31, 2010, Lecta had revenues of €1,521.5 million, versus €1,379.9 million in the year ended December 31, 2009, an increase of €141.6 million, or 10%. This increase was primarily attributable to an increase of €148.2 million, or 12%, in sales of CWF, Specialties and Trading goods, from €1,287.2 million in the year ended December 31, 2009 to €1,435.3 million in the year ended December 31, 2010. Such increase resulted from higher sales volumes of 108,800 metric tons due to recovery in the general economic environment, or 7%, from 1,534,200 metric tons in the year ended December 31, 2009 to 1,643,100 metric tons in the year ended December 31, 2010, and an increase in average net sales price of 35€/t, or 4%, from 839€/t in the year ended December 31, 2009 to 874€/t in the year ended December 31, 2010.

The increase in product sales described above was partially offset by a decrease in sales of energy of €6.5 million, or 7%, from €92.7 million in the year ended December 31, 2009 to €86.2 million in the year ended December 31, 2010. Such decrease resulted from a decrease in average net sales price of 9€/MWh, or 10%, from 88€/MWh in the year ended December 31, 2009 to 79€/MWh in the year ended December 31, 2010, offsetting higher sales volumes of 37,600 MWh or 3.6% from 1,052,100 MWh in the year ended December 31, 2009 to 1,089,700 MWh in the year ended December 31, 2010.

The following table presents revenue by geographical location from external customers of the Group's products and services for the years ended December 31, 2009 and 2010:

Geographical Location

	Year ended December 31,	
	2009	**2010**
	(audited) (in millions of euro)	
Spain	356.8	347.4
France	310.1	311.0
Italy	191.6	208.8
United Kingdom	107.1	122.5
Germany	62.6	74.5
North America	60.5	84.7
Other countries	291.3	372.6
Total	**1,379.9**	**1,521.5**

Raw Materials and Consumables Used

The costs of raw materials and consumables used increased by €169.1 million, or 29%, from €575.8 million in the year ended December 31, 2009 to €744.8 million in the year ended December 31, 2010. As a percentage of revenues, such costs increased from 41.7% in the year ended December 31, 2009 to 49.0% in the year ended December 31, 2010. The absolute increase was attributable to higher production and purchased volumes, and an increase in the average purchase price of pulp from 334€/t in the year ended December 31, 2009 to 525€/t in the year ended December 31, 2010.

Labor Costs

Labor costs increased by €3.6 million, or 2%, from €213.5 million in the year ended December 31, 2009 to €217.1 million in the year ended December 31, 2010, but, as a percentage of revenues, they decreased from 15.5% in the year ended December 31, 2009 to 14.3% in the year ended December 31, 2010. The absolute increase was primarily attributable to the first consolidation of Lecta Deutschland GmbH and Condat Benelux SA as of January 1, 2010. There was a net reduction in headcount of 71, from 3,978 employees in the year ended December 31, 2009 to 3,907 employees in the year ended December 31, 2010.

Other Operating Costs Except Unusual Items

Other operating costs except unusual items increased by €8.2 million, or 2%, from € 409.8 million in the year ended December 31, 2009 to €418.0 million in the year ended December 31, 2010, but, as a percentage of revenues, they decreased from 29.7% in the year ended December 31, 2009 to 27.5% in the year ended December 31, 2010. The absolute increase was mainly due to higher costs of packaging materials and distribution costs due to higher energy costs in 2010 compared to 2009, in line with the increase in sales volume.

EBITDA

EBITDA increased by €5.7 million, or 4%, from €155.1 million in the year ended December 31, 2009 to €160.8 million in the year ended December 31, 2010. This increase was attributable to higher sales volumes of paper, partially offset by lower sales of energy and lower gross margins.

Depreciation and Amortization

Depreciation and amortization was stable, at €77.6 million in the year ended December 31, 2010 compared to €77.8 million in the year ended December 31, 2009.

Unusual Items

In the year ended December 31, 2010, we recorded an unusual charge of €0.9 million, of which €0.6 million related to costs associated with the organization efficiency program.

In the year ended December 31, 2009, we recorded an unusual charge of €1.0 million, mainly related to €6.0 million of organization efficiency costs, an impairment of € 1.3 million in a nonconsolidated company and €0.6 million of expenses in relation to the possible acquisition of a new company, partially offset by €7.4 million of profit on tangible assets.

Finance Costs

Finance costs decreased by €7.5 million, or 14%, from €54.0 million in the year ended December 31, 2009 to €46.5 million in the year ended December 31, 2010. The decrease was mainly due to a reduction in the three-month EURIBOR interest rate and a gain relating to the May 2010 repurchase and cancellation of €5.0 million of our Floating Rate Notes due 2014.

Income Tax

In the year ended December 31, 2010, we recorded an income tax charge of €9.4 million, compared to €10.1 million in the year ended December 31, 2009, mainly due to a decreased deferred tax charge of €1.2 million.

Liquidity and Capital Resources

Liquidity

Our primary sources of liquidity are cash from operating activities and our New Revolving Credit Facility credit line.

Cash Flow

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Our cash flows for the years ended December 31, 2010 and 2011 were as follows:

	Year ended December 31,		
	2010	**2011**	**Change**
	(in millions of euro)		
EBITDA	160.8	162.3	+1.5
Inventories	(34.1)	12.3	+46.5
Trade receivables	(13.1)	1.9	+15.0
Prepayments	(0.1)	0.3	+0.4
Trade payables	69.8	3.6	−66.3
Working capital	22.6	18.2	−4.4
Provisions	(2.3)	(2.0)	+0.3
Greenhouse gas emission rights	0.4	0.1	−0.3
Consumption of biological assets	0.1	0.0	−0.1
Proceeds (payments) related to unusual items	(4.3)	(12.4)	−8.1
Income tax paid	(6.2)	(9.0)	−2.8
Net cash flow (used in)/from operating activities	**171.0**	**157.2**	**−13.8**
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(26.6)	(51.3)	−24.8
Proceeds from disposal of property, plant and equipment	1.6	8.7	+7.0
Receipt of grants	7.2	2.0	−5.2
Purchase of subsidiary, net of cash acquired	0.3	(1.0)	−1.3
Disposal of subsidiary, net of cash sold	0.0	(1.0)	−1.0
Purchase of other assets	(0.3)	(2.0)	−1.6
Proceeds from disposal of other assets	0.0	0.2	+0.1
Dividends from associates	0.0	0.0	+0.0
Dividends received from available-for-sale financial investments	0.3	0.0	−0.3
Net cash flow (used in)/from investing activities	**(17.5)**	**(44.6)**	**−27.0**
Cash flows from (used in) financing activities			
Equity dividends paid	0.0	0.0	+0.0
Dividends paid to minority interest	(1.9)	(6.3)	−4.4
Share capital increase (redemption)	0.0	0.0	+0.0
Interest paid	(43.4)	(46.3)	−2.9
Issue costs of borrowings	0.0	(0.1)	−0.1
Proceeds from borrowings	18.3	24.6	+6.3
Repayment of borrowings	(31.4)	(33.3)	−2.0
Loans repaid (granted)	0.0	0.0	+0.0
Payments of finance lease liabilities	(1.2)	(0.9)	+0.2
Net cash flow (used in)/from financing activities	**(59.6)**	**(62.4)**	**−2.8**
Net increase (decrease) in cash and cash equivalents net of banks overdrafts	93.9	50.3	−43.7
Net foreign exchange difference	0.2	(0.1)	−0.3
Cash and cash equivalents net of bank overdrafts at January 1	210.2	304.3	+94.1
Cash and cash equivalents net of bank overdrafts at period end	**304.3**	**354.5**	**+50.2**
Of which cash and cash equivalents	310.1	361.6	+51.6
Of which bank overdrafts	(5.8)	(7.2)	−1.4

During the year ended December 31, 2011, our cash and cash equivalents increased by € 51.6 million, or 16.6%, from €310.1 million at December 31, 2010 to € 361.6 million at December 31, 2011. Our principal uses of cash during the year ended December 31, 2011 were purchases of property, plant and equipment of €51.3 million and interest payments of €46.3 million.

During the year ended December 31, 2011, our cash flows from operating activities were € 157.2 million, €13.8 million less than during the year ended December 31, 2010. Our principal sources and uses of cash in operating activities were:

- EBITDA of €162.3 million;
- a decrease in working capital of €18.2 million, mainly due to reductions in inventories (of €12.3 million) and in trade receivables (€1.9 million), and an increase in trade payables (€3.6 million);
- payments related to unusual items of €12.4 million in relation to our organization efficiency program, the simplification of the group structure, the strengthening of our merchanting operations and the identification of refinancing opportunities; and
- income tax paid of €9.0 million.

During the year ended December 31, 2011, our cash flows used in investing activities were €44.6 million, €27.0 million more than our cash flows used in investing activities during the year ended December 31, 2010. Our principal use of cash for investing activities was:

- purchases of property, plant and equipment of €51.3 million;
- proceeds from the disposal of property, plant and equipment of €8.7 million in relation to the sale of land next to the Riva del Garda mill and in Algeciras;
- the acquisition of an additional 30% equity holding in Cogeneración Motril;
- the disposal of and cessation of the consolidation of Torraspapel Italia S.r.l. as of December 31, 2011; and
- the purchase of other assets of €2.0 million in the Sant Joan co-generation plant.

During the year ended December 31, 2011, our cash flows used in financing activities were €62.4 million, €2.8 million more than our cash flows used in financing activities during the year ended December 31, 2010.

Our principal uses of cash in financing were:

- dividends paid to minority interests of €6.3 million;
- interest paid of €46.3 million; and
- the repayment of borrowings net of proceeds from borrowings of €8.8 million.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Our cash flows for the years ended December 31, 2009 and 2010 were as follows:

	Year ended December 31,		
	2009	2010	Change
	(in millions of euro)		
EBITDA	155.1	160.8	+5.7
Inventories	37.5	(34.1)	−71.7
Trade receivables	89.1	(13.1)	−102.2
Prepayments	1.2	(0.1)	−1.2
Trade payables	(69.9)	69.8	+139.7
Working capital	57.9	22.6	−35.4
Provisions	4.2	(2.3)	−6.5
Greenhouse gas emission rights	0.1	0.4	+0.3
Consumption of biological assets	0.0	0.1	+0.1
Proceeds (payments) related to unusual items	(41.8)	(4.3)	+37.5
Income tax paid	(3.4)	(6.2)	−2.8
Net cash flow (used in)/from operating activities	**172.1**	**171.0**	**−1.1**
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(44.5)	(26.6)	+18.0
Proceeds from disposal of property, plant and equipment	2.6	1.6	−1.0
Receipt of grants	0.1	7.2	+7.1
Purchase of subsidiary, net of cash acquired	(0.6)	0.3	+0.9
Disposal of subsidiary, net of cash sold	0.0	0.0	+0.0
Purchase of other assets	(0.6)	(0.3)	+0.2
Proceeds from disposal of other assets	0.2	0.0	−0.2
Dividends from associates	0.0	0.0	+0.0
Dividends received from available-for-sale financial investments	0.5	0.3	−0.2
Net cash flow (used in)/from investing activities	**(42.3)**	**(17.5)**	**+24.8**
Cash flows from (used in) financing activities			
Equity dividends paid	0.0	0.0	+0.0
Dividends paid to minority interest	(2.0)	(1.9)	+0.1
Share capital increase (redemption)	0.0	0.0	−0.0
Interest paid	(55.0)	(43.4)	+11.5
Issue costs of borrowings	0.0	0.0	+0.0
Proceeds from borrowings	29.9	18.3	−11.5
Repayment of borrowings	(25.5)	(31.4)	−5.9
Loans repaid (granted)	0.0	0.0	+0.0
Payments of finance lease liabilities	(1.1)	(1.2)	−0.0
Net cash flow (used in)/from financing activities	**(53.7)**	**(59.6)**	**−5.9**
Net increase (decrease) in cash and cash equivalents net of banks overdrafts	76.1	93.9	+17.8
Net foreign exchange difference	(0.3)	0.2	+0.5
Cash and cash equivalents net of bank overdrafts at January 1	134.4	210.2	+75.8
Cash and cash equivalents net of bank overdrafts at period end	**210.2**	**304.3**	**+94.1**
Of which cash and cash equivalents	214.2	310.1	+95.9
Of which bank overdrafts	(4.0)	(5.8)	−1.8

During the year ended December 31, 2010, our cash and cash equivalents increased by € 95.9 million, or 45%, from €214.2 million at December 31, 2009 to €310.1 million at December 31, 2010. Our principal uses of cash during the year ended December 31, 2010 were purchases of property, plant and equipment of €26.6 million and interest payments of €43.4 million.

During the year ended December 31, 2010, our cash flows from operating activities were € 171.0 million, €1.1 million less than during the year ended December 31, 2009. Our principal sources and uses of cash in operating activities were:

- EBITDA of €160.8 million.
- A decrease in working capital of €22.6 million due to increases in inventories of €34.1 million, in trade receivables of €13.1 million and in trade payables of €69.8 million. The increase in trade receivables was a consequence of the increase in sales. The increase in trade payables was mainly due to increases in volume purchased and the per-unit purchase price of pulp.

- Payments related to unusual items of €4.3 million, primarily relating to organization efficiency program costs.

During the year ended December 31, 2010, our cash flows used in investing activities were €17.5 million, €24.8 million less than our cash flows used in investing activities during the year ended December 31, 2009. Our principal use of cash in investing was purchases of property, plant and equipment of €26.6 million. It was partly offset by the receipt of grants in an amount of €7.2 million.

During the year ended December 31, 2010, our cash flows used in financing activities were €59.6 million, €5.9 million more than our cash flows used in financing activities during the year ended December 31, 2009.

Our principal uses of cash in financing were:

- dividends paid to minority interests of €1.9 million;

- interest paid of €43.4 million; and

- the repayment of borrowings net of proceeds from borrowings of €13.1 million.

Capital Resources

Our total capital resources amounted to €402.7 million in total equity and €779.0 million in non-current interest-bearing borrowings as of December 31, 2011, compared to € 385.8 million and €784.0 million, respectively, as of December 31, 2010. In addition, current interest-bearing borrowings amounted to €7.9 million as of December 31, 2011, compared to €9.9 million as of December 31, 2010.

Capital Expenditures and Investments

In 2011, capital expenditures were €52.4 million, and included €42.2 million for cost reduction and productivity improvement, €9.1 million for maintenance, €1.7 million for information technology, €7.6 million for environment and safety, and a decrease in capital payables of €8.2 million.

In 2010, capital expenditures were €28.4 million, and included €11.6 million for cost reduction and productivity improvement, €7.3 million for maintenance, € 1.7 million for information technology, €3.0 million for environment and safety, and a decrease in capital payables of €4.7 million.

In 2009, capital expenditures were €45.0 million, and included €24.8 million for cost reduction and productivity improvement, €12.8 million for maintenance, € 1.4 million for information technology, €3.1 million for environment and safety, and a decrease in capital payables of €2.9 million.

Going forward, we expect our average annual maintenance capital expenditure (i.e., capital expenditure required to maintain the operating performance of our mills and co-generation plants) to be between €35 million and €50 million. We will undertake any additional, non-maintenance capital expenditure only where we believe such capital expenditure would be accretive to our EBITDA.

Contractual Obligations

The following table summarizes our contractual obligations and principal payments as of December 31, 2011 under debt instruments, capital and operating leases, and other agreements 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)		
Revolving Credit Facility	0.1	0.1	0.0
Notes	590.0	0.0	590.0
Other debt	69.9	4.4	65.5
Externalized pension funds	0.0	0.0	(0.0)
Debt on assigned receivables	0.0	0.0	0.0
Capital lease obligations	2.4	0.7	1.6
Bank overdrafts	7.2	7.2	0.0
Interest rate hedging	(0.2)	(0.2)	0.0
Other IFRS-EU adjustments	(7.2)	(2.6)	(4.5)
Total debt	**662.1**	**9.6**	**652.6**
Operating leases	24.7	6.6	18.1
Total contractual obligations[1]	**686.8**	**16.2**	**670.7**

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

Employee Benefits

We currently operate defined contribution pension plans and defined benefit pension plans for our employees.

Our long-term employee benefit provisions primarily comprise obligations under our pension plans, death and disability plans, staff-leaving indemnities and long-term service awards. Our long-term employee benefit provisions amounted to €28.9 million as of December 31, 2011, compared to €30.1 million as of December 31, 2010.

The decrease of provisions in 2011 of €1.2 million was primarily attributable to the payment of benefits, the booking of current service costs, interest costs and actuarial gains.

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. See "Business — Legal Proceedings."

Off-Balance Sheet Arrangements

We do not believe that off-balance sheet arrangements are 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.

Financial Risk Management

Foreign Exchange Risk

Our operations are impacted by the fluctuations of non-euro currencies, primarily pounds sterling and U.S. dollars. This foreign currency exposure includes foreign currency-denominated sales and 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 of December 31, 2011:

	Valued as of December 31, 2011
	(in millions of euro)
Forward agreements on realized sales in foreign currencies	46.9
Forward agreements on realized purchases in foreign currencies	5.5
Options on future sales in foreign currencies	—
Options on future purchases in foreign currencies	—

Interest Rate Risk

Our profit before tax is exposed to fluctuations of interest rates, as a vast proportion of our borrowings is indexed to the three-month EURIBOR. An increase of 1% (100 basis points) of the three-month EURIBOR (e.g., from 1.393% to 2.393%), all other things being equal, based on actual figures in 2011, would have resulted in an unfavorable impact on profit before tax of approximately €4.7 million.

The interest rates for a portion of our senior debt are typically hedged according to EURIBOR three-month collars, caps, floors or similar instruments. As of December 31, 2011, we have hedged €500 million of our Senior Secured Floating Rate Notes due 2014 using interest rate caps. See Note 38.5 to our consolidated financial statements included elsewhere in this Offering Memorandum.

Commodity Risk

We rarely hedge against raw material costs, the energy price of gas or electricity. However, in June 2011 Torraspapel S.A.U. entered into a swap to hedge a portion of its sales of electricity for a period of 12 months from July 2011 to June 2012. 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."

INDUSTRY AND MARKET OVERVIEW

The paper industry is generally divided into three sectors: Graphic Papers; Packaging; and Sanitary & Household. The segment of the paper industry in which we compete is Graphic Papers, and more specifically CWF paper and specialty papers.

The paper industry is relatively capital intensive and competitive. Long-term demand for paper is driven by global economic trends, demographic trends, technological developments and trends in end-user preferences. Profitability 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.

In 2011, Western European deliveries declined by 5% to 5.4 million tons according to Euro-Graph. Germany, UK, France, Italy and Spain are the main markets, accounting for 79% of deliveries. We estimate that the global demand for CWF paper was approximately 25 million tons in 2011.

As a result of challenging market conditions, European paper producers significantly reduced production capacity via plant shutdowns. Between 2007 and 2010, production capacity of two million tons per year was reduced, with Lecta alone accounting for 160,000 tons of the reduced capacity and the remainder attributable to other paper producers with operations in Europe.

In 2011, further plant closures and restructurings were announced by European paper producers. Sappi, one of our competitors, announced the closure of its Biberist mill in Switzerland, reducing CWF paper production capacity by 425,000 tons per year. Stora Enso, another of our competitors, announced the conversion of its Uetersen mill in Germany, reducing CWF paper production capacity by 150,000 tons per year. Metsä Board (formerly M-real), another competitor, announced the closure of its Äänekoski mill in Finland at the end of 2011, further reducing CWF paper production by approximately 145,000 tons per year. Once these closures have taken place, approximately 700,000 tons per year of capacity in aggregate will have been removed from the market by other industry participants by the end of 2012, representing approximately 9% of the total European capacity in 2011.

We estimate that five producers of CWF paper — Sappi (25%), Lecta (17%), UPM (15%), Burgo (14%) and Stora Enso (14%) — currently account for approximately 85% of the European CWF paper production capacity. We believe that paper producers will continue to pursue a strategy of capacity rationalization, closing down less-efficient, high-cost mills, if required.

Significant developments have taken place in China, where rapid economic growth and government incentives have spurred investment in the pulp and paper industry. In recent years, China's paper and board as well as CWF paper production capacity have increased considerably, allowing China to change from a net importer to a net exporter of CWF paper, mainly to Asian markets and to the United States, but also to some extent Europe. As a result, exports from Asia to Western Europe accounted for approximately 1.5% of CWF paper demand in Europe in 2010. In May 2011, the European Union imposed anti-subsidy duties as high as 12% and anti-dumping duties of up to 35.1% on Chinese CWF paper imports which has substantially reduced such imports. As a result of the duties, which are expected to remain in place until May 2016, Chinese exports to Western Europe have declined significantly.

Paper and Pulp Prices

Paper prices continue to be influenced by developments in raw material pricing, including the cost of pulp. Paper manufacturers seek to maintain a spread between the price of pulp and the price of CWF paper.

In the recent past, CWF paper prices in Western Europe have increased, while pulp prices, as measured by the price of bleached kraft pulp, came under significant pressure in 2009, causing a widening of the spread between the two. After fluctuating pulp prices in 2010 and 2011, early 2012 has seen stronger pulp prices, narrowing the spread.

Ongoing capacity increases, particularly in Latin America, are expected to exert downward pressure on pulp prices from mid-2012. Early 2012 was characterized by rising oil prices which resulted in an increase in costs for oil-based raw materials, as well as energy. As a result of these rising costs, pulp producers in North America have recently implemented a price increase.

Paper

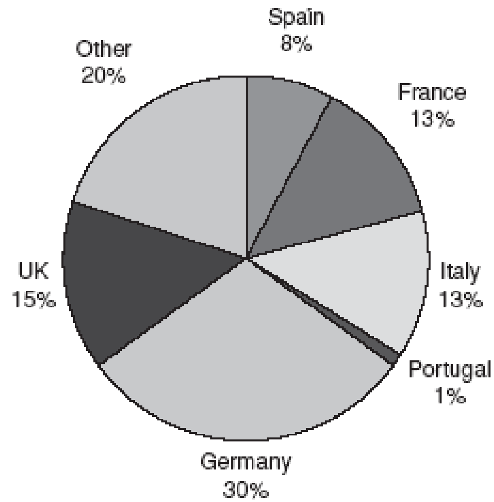
The papermaking process is relatively similar for all kinds of paper, with variations for different paper products based primarily on the type of pulp used and the existence or absence of coatings. We primarily produce CWF paper and also produce specialty papers.

CWF Paper

CWF paper is the highest value-added, mass-produced product in the paper industry. Approximately 7.5 million metric tons of CWF paper are manufactured in Europe each year, and approximately 25.0 million metric tons are produced worldwide. Production capacity in Europe has traditionally exceeded the regional demand and as a consequence, paper has been exported primarily to the Americas.

We are engaged, to different degrees, in three stages of the CWF industry — pulp production, CWF paper manufacturing and distribution.

Western European CWF paper markets by country



Source: Euro-Graph (formerly Cepifine), Issuer information.

CWF 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. It can be produced either on reels or in sheets with the majority of the demand in Western Europe being for higher-value-added sheeted paper. The finer printing qualities of CWF paper are a function of its weight and surface properties. Wood fiber comprises about 60% of each sheet of CWF 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. CWF paper is generally used for commercial printing, magazines, brochures, annual reports, advertising materials, direct mail, inserts, flyers, supplements and art books because of its strength, printability and brightness. Because CWF 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 CWF paper requires a complex and demanding production process, its pricing has been less volatile relative to lower-quality paper grades.

Specialty Papers

Specialty papers are made from both chemical and mechanical pulp and like CWF 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 CWF paper.

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

Thermal. Thermal paper is a copy paper which uses heat to produce its image. Thermal technology is cost-efficient, very versatile and used in a wide range of end-use segments (e.g., logistics, medical, tickets, point-of-sale machines, etc.). We estimate that the demand for thermal paper in Europe increased by 6% during 2011.

Metalized. Metalized paper has a thick deposit of metalized particles that resemble a layer of foil. Metalized paper offers reduced stiffness and increased flexibility and is used for labels, cigarette packets, luxury packaging, gift wrapping and self-adhesive labels. We estimate that the demand for metalized paper in Europe increased by 3% during 2011.

Self-Adhesive. Self-adhesive paper is used primarily for printing labels in a broad range of end-use segments (e.g., food, beverage, pharmaceutical, cosmetics, etc.). This paper has a self-adhesive coating on one side and a surface suitable for printing on the other. We estimate that the demand for self-adhesive paper in Europe was flat in 2011.

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 electronic devices. For example, carbonless paper is used for car rental contracts. We estimate that the demand for carbonless paper declined by 15% during 2011.

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 CWF 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, the 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, Latin America and the Nordic countries.

We currently produce approximately 30% of our pulp needs (and approximately 82% of our base paper needs) internally, with the balance purchased from the market. We believe we have access to adequate market sources for the remainder of our pulp and base paper needs.

Full vertical pulp integration is intended to insulate the producer from sharp variations in the market price of pulp at the cost of increasing capital employed. Through our partial pulp integration, we seek to maximize earnings stability by increasing production cost stability but at the same time allowing paper prices to more closely track pulp prices.

Distribution

CWF paper products are generally sold to distributors and directly to printers and major publishers. 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 CWF paper is extensively used by small businesses, commercial printers and offices, paper distributors are a particularly important sales channel for CWF paper.

Competition

Competition in the paper industry is relatively intense. Paper products are largely commodities and are subject to 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 benefit from cost savings and have 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 CWF 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 the sheeted paper 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 the cost of raw materials, the efficiency of mills, product quality and customer service. Our primary competition comes from other large paper producers in Europe including Burgo Group, Sappi, Stora Enso and UPM-Kymmene.

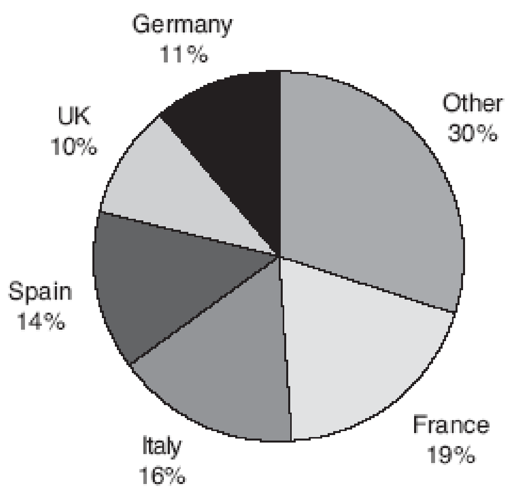
BUSINESS

Our Company

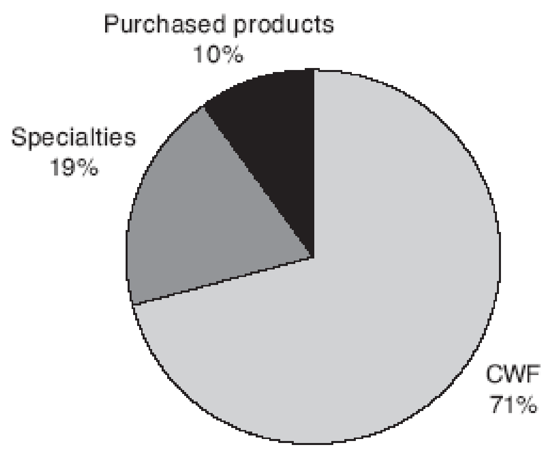
We are the second largest CWF paper manufacturer in Europe, with an annual production capacity of 1,475,000 metric tons as of 2011. We are also one of the leading manufacturers of specialty papers in Europe, with an annual production capacity of 259,000 metric tons of finished products and 118,000 metric tons of UWF and base paper. We own and operate a 230,000 metric ton pulp mill in Spain, which provides approximately 30% of our overall pulp requirements. We have nine CWF paper machines and three specialty paper machines in nine mills located at various sites in Italy, France and Spain. In the year ended December 31, 2011, our mills produced an aggregate of 1,342,000 metric tons of CWF paper and 202,000 metric tons of specialty papers.

We rank either first or second in terms of market share in each of France, Spain and Italy, the principal markets for our products, which accounted for 19%, 14% and 16%, respectively, of our CWF deliveries in 2011. We also market our CWF paper elsewhere in Europe, including Germany (11%), the United Kingdom (10%) and other European countries (12%) and, to a lesser extent, outside of Europe (18%). Our mills are located in close proximity to the key commercial markets in Europe. These markets account for approximately 83% of demand for CWF in Europe and accounted for approximately 71% of our total sales in 2011.

2011 percentage of Lecta CWF deliveries[(1)]



2011 paper sales by product (value)



(1) Based on 2011 actual CWF volume shipped.

Source: Euro-Graph (formerly Cepifine) and Issuer information.

During the year ended December 31, 2011, our revenues (consisting of sales of paper and energy) were €1,577 million and we had EBITDA of €162 million.

We were formed by CVC Capital Partners ("CVC") in 1997 through the acquisition of Cartiere del Garda of Italy in October of that year, and we 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 CWF paper for sale under their own brand names, which are well known in the European market. In addition to CWF paper, we also produce a variety of specialty papers, including self-adhesive, carbonless, thermal and metalized paper.

We operate a significant paper merchanting business that we have built organically through the acquisition of Secmar in France in 2008 and the pending acquisition of Polyedra in Italy in 2012. In the year ended December 31, 2011, we distributed 445,000 metric tons of paper, of which 105,000 metric tons were produced by third parties. We plan to expand our merchanting business with selected and opportunistic bolt-on acquisitions that expand our presence in other countries.

We have a high-quality asset base, which achieves superior operating performance. Between 1999 and 2011, we invested approximately €900 million in rebuilding our papermaking, coating and converting machines, increasing our co-generation capabilities, reducing costs, improving productivity, enhancing our information technology, implementing environmental and safety improvements and maintenance. We have reduced both our variable and fixed costs through machine modernization and various cost reduction initiatives, including the coordination of sales and marketing and raw material purchases and extensive internal and external benchmarking of our production processes. Additionally, we have invested in efficient energy generation activity and reduction in greenhouse-gas emissions, and currently benefit from seven co-generation plants with total installed capacity of 297 MW.

Our Strengths

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

Strong Market Positions in the Markets in which We Operate. We are the market leader for CWF paper in target markets in Spain, France and Italy, and enjoy strong positions in some of the key markets for CWF outside Southern Europe, including Germany and the UK. The following table sets forth the percentage of our deliveries and our market share in our principal markets for CWF paper based on volume shipped in 2011.

Country	% of Lecta Deliveries	Market Share(1)		
		2005	2011	Increase
France	19%	26%	34%	+8
Italy	16%	26%	31%	+5
Spain	14%	44%	44%	—
UK	10%	14%	17%	+3
Germany	11%	3%	8%	+5
Other Europe	12%	—	—	—
Total Europe	**82%**	**16%**	**18%**	**+2**

(1) Based on 2011 actual volume shipped.

Source: Euro-Graph (formerly Cepifine) and Issuer information.

The majority of our products are sold under our own brand names — Creator, Garda Cartiere and Condat — which we believe have strong brand name recognition among our target customers in Spain, France, Italy and Portugal. 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 and Flexibility and Variety in Production. Our mills are located in close proximity to the key commercial markets in Europe, as well as our key customers. These markets account for approximately 83% of demand for CWF in Europe and accounted for approximately 71% of our total deliveries in 2011. The strategic location of our mills allows us to keep transportation costs down, which generally account for a substantial portion of sales prices in our industry. Our competitors, particularly our principal competitors in Europe with mills in Nordic countries, are located much further away from our core customers and therefore we benefit from lower transportation costs. Proximity to customers also allows us to better manage inventories and to provide improved customer service by being able to more quickly respond to our customers' needs. Although most large industrial paper machines produce reels of paper, most demand for CWF and specialty papers in Europe is for sheeted paper which generates higher margins. 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. As our converting facilities are situated at or near our paper mills, our ability to efficiently satisfy orders while minimizing waste provides us with a further advantage over most of our competitors.

We manufacture our CWF paper on nine medium-width machines, which we believe are best suited for the production of most CWF paper products. Since the CWF 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.

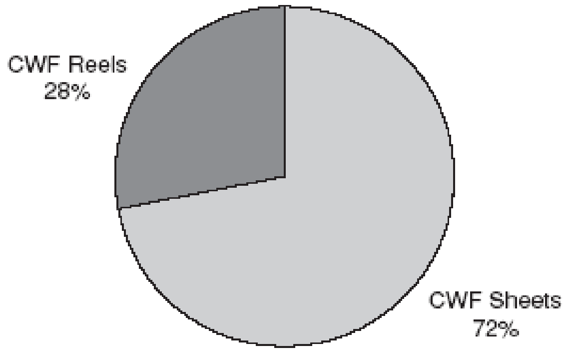
Value Chain Integration. Our integrated distribution business, combined with our internet-based ordering platform, has allowed us to simplify ordering, tracking and invoicing, and is part of our strategy to continually reduce the cost of the logistical aspects of our value chain. In addition, we operate an information system designed for collaborative production planning, procurement and inventory management processes throughout the supply chain. Our integration in each stage of production provides us with full visibility of the entirety of our supply chain. Our ability to partially source our own pulp and source the majority of our base paper from our mills reduces earnings volatility and increases our manufacturing flexibility with respect to CWF and specialty papers. As a result, we optimize inventory costs and, with the visibility provided by our sales and marketing knowledge, are able to adapt the production process to the changing market environment.

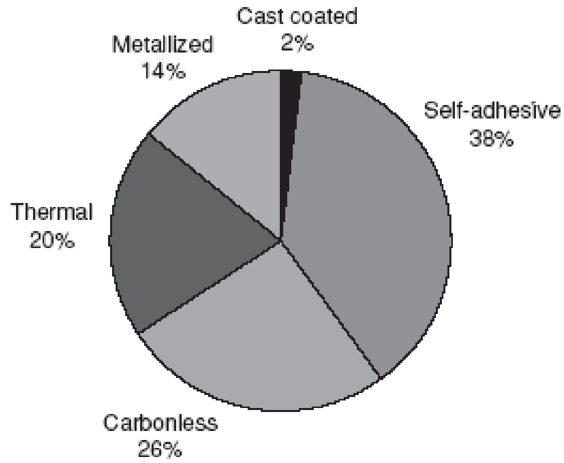
Focus on Higher-Margin and Value Added Products. We continue to shift our product mix towards products that generate higher margins, such as sheeted CWF paper, CWF paper in higher grades and weights and value added specialties, and are focusing our marketing and distribution efforts on customers who require these products. We are pursuing increased sales to our existing customers as well as to new customers, in particular printers, publishers and paper merchants and expect that the demand for CWF paper will increase at a moderate rate in the short to medium term. We seek to drive product performance improvements in the coated paper segment by developing new products that meet the needs of our core customers.

The charts below show our focus on sheeted paper versus reels and the breakdown of our specialty paper production, as described in further detail below.

Lecta added value CWF sheets vs. reels breakdown (volume)

2011 Lecta specialty sales breakdown (value)



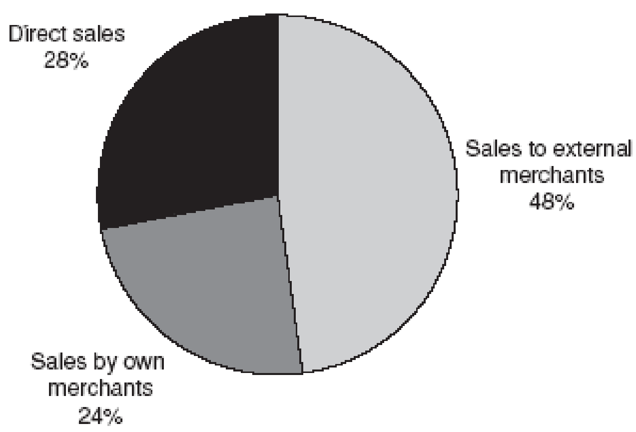


Source: Issuer information.

In specialty papers, in response to declining demand for carbonless paper, we are shifting our product mix toward self-adhesive, thermal and metalized 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, flexible printing platform and dedication to customer service enable us to shift our product mix in response to growth trends.

Successful and Growing Paper Merchanting Business Directly Linked to Customer Base. In addition to our production activities, we operate a paper merchanting business serving over 12,000 customers, distributing both our own CWF and specialty papers and those produced by third parties. Our merchanting group is a leader in Southern Europe, with the leading merchanting market position in Spain and the second highest positions in France and Italy. Overall, we are the sixth largest European paper merchanting group with sales volume of 445,000 metric tons for the year ended December 31, 2011. We currently sell our products through our merchanting business in Spain, Portugal, France and Argentina. Our distribution business enhances our ability to provide a high level of customer service by improving our understanding of our customers' product, final application and service needs, which allows us to more effectively develop and market new products to meet such requirements. Our merchant business also enables us to reduce delivery time and increase our flexibility in adapting to customer needs. Our merchanting market position also provides for sales stability and consistent order inflow to our mills, allowing for production system optimization, streamlined working capital management and optimization of logistic costs.

2011 sales by channel (volume)



Source: Issuer information.

Valuable Energy Assets. We own and operate seven co-generation plants with a total installed capacity of 297MW. Through these investments, we generate more electricity than we consume and our plants produce electrical and thermal energy fuelled by natural gas or biomass thereby helping to reduce greenhouse-gas emissions and raising energy efficiency. Our energy assets are well invested, with the most recent 25MW co-generation plant at Sant Joan, Spain coming into operation in the third quarter of 2011.

Well-Invested Asset Base and Efficient, Low-Cost Production. All of our mills and paper machines were modernized through a series of investment projects between 1999 and 2011 focused on increasing added value, continuing cost reduction and increasing environmental performance and co-generation capabilities. We have reorganized production significantly through targeted headcount reductions, mill restructuring and closures, CWF production homogenization, the interchangeability of production among different mills and investment in co-generation. Excluding employee headcount growth due to the Secmar acquisition, we were able to reduce overall headcount by 21%, which resulted in labor cost reduction of 9% between 2006 and 2011. Our CWF paper machines are, we believe, among the most efficient in Europe and such efficiency, combined with low transportation and sheet converting costs, provides us with a cost advantage in our key markets.

Skilled Personnel and Incentivized Management. Our management team has significant operating experience and is highly regarded by participants in the paper industry. The management team has successfully reorganized our operations, which are now fully integrated, with centrally managed purchasing, sales, marketing, risk, financing and administration functions. Each of our senior managers has been granted an incentive package with a strong focus on increasing EBITDA and cash generation.

Our Strategy

Our objectives are to build on our position as the leading CWF paper producer in Southern Europe and to improve EBITDA, diversify our activity and increase the company value. 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 of CWF paper largely due to our past capital investment projects, which have improved the efficiency of our machines. We seek to further improve the efficiency of all of our mills through the vigorous application of best practices, the use of up-to-date technological processes and risk management techniques, and thereby increase our cost competitiveness and margins. We continue to take steps to increase productivity as measured by metric tons produced per employee. 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 currently benefit from seven co-generation plants with a total installed capacity of 297MW, and continually look for additional co-generation opportunities which we believe would improve our cost efficiency.

Continue to Focus on Value Added Products. We intend to continue focusing on the production and distribution of higher grade, higher weight and sheeted CWF products, which generate higher margins. In addition, we intend to continue focusing on certain specialty papers, which, similarly, generate higher margins than other types of paper.

Reinforce Merchanting Integration. We intend to continue developing our merchanting operations both organically and through acquisitions. We intend to focus on investments and acquisition opportunities that fit our strategies and that can be conservatively financed while offering a potential return that exceeds our cost of capital in the medium term. Recent examples of this include the 2008 acquisition of the Secmar paper merchanting business, which we successfully integrated into our existing business, and the recent agreement to acquire Polyedra, which will expand our sales capacity in Italy. We will continue to carefully evaluate opportunities in the merchanting area that may arise from time to time.

Expand Further Our Energy Co-Generation Assets. We expect energy generation and third-party sales to continue to be a key focus for our mills for the foreseeable future and are pursuing several initiatives to increase our overall energy generation and the amount of, and price for, our surplus power sales. We have a total installed capacity of 297MW, which represents more than our current electricity usage. We are also exploring other initiatives and potential high-return projects to further enhance our energy generation and revenues.

Focus on Our Customers. We continue to focus on our target markets of France, Italy, Spain, Germany and the UK where we enjoy brand awareness and cost advantage over our competitors and we occupy leading market positions. We may seek to further enhance our customer focus by expanding our distribution capabilities, while maintaining and further developing our relationships with third-party distributors. We may also seek to expand our direct sales to end-users.

Continue to Respect the Environment. We intend to continue focusing on the sustainability of our production and comply with the highest environmental standards. We will seek to continue improving our environmental performance by reducing our CO_2 emissions, water use, energy consumption and sludge sent to disposable sites. We believe that our products comply with the highest social and environmental standards in the market and all our mills have completed the strictest environmental audits, and carry ISO 14001 and EMAS Environmental Management certifications guaranteeing transparent and responsible environmental performance. Furthermore, 100% of the wood used to manufacture our products comes from sustainably managed forests. We also intend to continue our environmental transparency by publishing annual environmental reports and providing information on the sources of all our coated, uncoated and specialty papers.

History and Organization of the Lecta Group

We are controlled by funds advised by CVC, one of the largest private equity firms in Europe. We were formed in 1997 in Luxembourg to participate in the consolidation of the CWF paper manufacturing industry. We participated in this consolidation by acquiring Garda in October 1997, Condat in November 1998 and Torraspapel in December 1999, creating a European CWF paper manufacturing group and adding value by realizing synergies and growing the three businesses as a group.

In 2007 we started a process aimed at integrating our three main operations and today we operate as one organization, with centralized procurement, manufacturing, logistics, commercial, legal and financial functions.

In May 2008, we acquired Secmar, a French holding company, which in turn owned 100% of Malmenayde and 66% of Nord Papier, two well-established French paper merchants.

In March 2012, we reached an agreement to acquire Polyedra, the second largest paper merchant in Italy.

Within Lecta we 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 continued reducing their variable and fixed costs.

Our management team has significant operating experience and is highly regarded by participants in the paper industry. The management team has successfully reorganized our operations, which are now fully integrated, with centrally managed purchasing, sales, marketing, risk management, financing and administration functions. In addition, each of our senior managers has been granted an incentive package with a strong focus on increasing EBITDA and cash generation.

Products and Services

We primarily produce CWF paper and manufacture specialty papers.

CWF 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. CWF paper is generally used for commercial printing, magazines, brochures, annual reports, advertising materials and art books because of its strength, printability and brightness. Because CWF 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 CWF 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 CWF products, which generate higher margins.

Specialty papers are made from both chemical and mechanical pulp and like CWF 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, metalized, 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, metalized and self-adhesive papers, which have healthy and stable markets.

In addition, we engage in other activities consisting of the resale of purchased products, which amounted to 106,000 metric tons in 2011 and the sale of energy, which amounted to 1.18 million MWh in 2011.

Customers

We have a diversified customer base. Our customers for CWF paper consist primarily of distributors, printers and publishers. Our customers for specialty products consist primarily of distributors, high-end packagers and industrial end-users.

A significant portion of CWF 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 merchanting, beyond our current distribution business.

We sell our products to a large number of customers, over 14,000 in 2011, and we benefit from numerous long-standing relationships with many of our most significant customers. In the year ended December 31, 2011, our top 10 customers accounted for approximately 27% of our total net sales, with one customer alone accounting for more than 14% of our net sales in the year ended December 31, 2011. Pursuant to a recent agreement with this customer, which we expect to take effect in summer 2012, such customer will be obligated to purchase, at a minimum, set quantities of our products. In addition, we will be obligated to sell our products to this customer at the lowest price at which we have made such products available to customers with which we do not have exclusivity arrangements, as well as to provide a rebate on total product sales.

Marketing and Distribution

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

We tailor our sales and marketing activities to serve different categories of customers. We sell our products primarily to distributors or through our distribution business and 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 paper distribution business maintains four warehouses in Spain, Portugal and France to service our customers in Madrid, Barcelona, Lisbon and Paris. Our recent agreement to acquire Polyedra will allow us to expand our CWF and specialty paper distribution capabilities in Italy. Once completed, management estimates that this acquisition will raise our CWF market share in Italy to around 35%. 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.

Facilities and Operations

Production and Distribution

We have nine factories and 12 paper machines that comprise our CWF and specialty paper manufacturing operations. We manufacture CWF paper at five factories located in Italy, France and Spain on nine paper machines and a variety of converting, coating and finishing machines, and we manufacture or convert specialty papers at four factories in Spain. We believe that our manufacturing facilities are in excellent operating condition and are suited for the purposes for which they are being used. We believe there is sufficient capacity to meet our CWF 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 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 of the output. As a result, we have not purchased any new machines since acquiring each of Garda, Condat and Torraspapel but we have invested significant amounts to upgrade the existing machines to improve quality and reduce costs. The resulting increase in capacity has allowed us to shut down our less profitable operations. 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 CWF paper products. All of our CWF paper machines are of medium-width, between three and five meters wide. Our CWF 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 reels of paper. As most demand for CWF and specialty papers in Europe is for sheeted paper, we convert approximately 72% of the paper we produce into sheets.

The following table sets forth the location and use of our manufacturing facilities.

Location	Use	Capacity (in thousands of metric tons)	Co-generation (in megawatts)	Size (in thousands of square meters)
Italy				
Riva del Garda	Production of CWF paper	350	49	172
France				
Le Lardin St. Lazare	Production of CWF paper	580	99(1)	280
Spain				
Almazán	Conversion of base paper to self-adhesive paper	50	0	16
Uranga	Production of base paper	25	0	152
Leitza	Conversion of base paper to carbonless, metalized, thermal and cast-coated papers	139	7	134
Motril	Production of CWF paper	230	48	248
St. Joan les Fonts	Production of CWF paper	145	25	120
Sarrià de Ter	Uncoated paper and base paper	85	25	152
Zaragoza	Production of CWF paper, base paper, and pulp	406	44	305

(1) Of which 84MW is controlled by a third party.

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 CWF paper production capacity of 350,000 metric tons.

We have replaced the co-generation facility we previously operated in Riva del Garda with a new plant that we have constructed, together with Alto Garda Servizi Teleriscaldamento S.p.A., the city-owned utility company. The new facility was completed in December 2008 and produces both steam and electricity. The plant is wholly owned by Alto Garda Power, a joint venture between Garda and Alto Garda Servizi Teleriscaldamento S.p.A., in which Garda has an 80% ownership interest, with Alto Garda Servizi Teleriscaldamento S.p.A. owning the remaining 20%.

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 CWF paper production capacity of 580,000 metric tons.

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.

In 2009, we completed the reorganization of Torraspapel plants in Spain, including the resizing and conversion of the Sarrià de Ter plant and the closing down of the Amorebieta and Algeciras facilities (the production of specialty paper relocated to the mill in Motril) and the operating merger of the Spanish distribution activities.

Torraspapel has an annual CWF paper production capacity of 520,000 metric tons, a specialty paper production capacity of 280,000 metric tons and a pulp production capacity of 230,000 metric tons.

Our Pulp Mill. Pulp is the primary raw material used in the production of our CWF 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 CWF papermaking operations. The pulp mill produces 30% of the chemical pulp we need to make our CWF paper across all of our mills. The pulp mill has an annual production capacity of 230,000 metric tons.

Paper Distribution

We act as a paper distributor in Spain, Portugal, France and Argentina. In addition, once completed, our acquisition of Polyedra will significantly expand our sales capacity in Italy and management estimates that it will raise our CWF market share in Italy to around 35%. In the year ended December 31, 2011, our paper distribution business sold 339,000 metric tons of CWF paper and specialty papers. Our distribution operations allow us to maintain a close understanding of our customers' product and service needs and to effectively develop and market new products to meet such requirements. It also allows us to more rapidly adjust production levels and product mix in response to market demand.

Our 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 redistributing the paper in smaller quantities with short delivery times to printers, publishers and other customers. The business also involves marketing and promotion activities.

We operate one distributor based in Spain, one based in Portugal, two 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, we centralize the warehouse, logistics and overhead functions of our distribution business in order to minimize costs.

Raw Materials

The principal raw materials used to manufacture our products are pulp, minerals and chemicals, energy, wood and water. We believe we have access to 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 CWF 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 (production capacity) 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 CWF papermaking operations. The wood used in our pulp mill in Zaragoza comes from plantations in the Iberian Peninsula.

Pulp purchased from third parties is our most significant cost, amounting to approximately 18% of our revenues in the year ended December 31, 2011. We purchase our pulp primarily from leading pulp producers in Latin America, Iberia and the United States. We have annual volume agreements with our pulp suppliers, with the prices we pay for pulp being determined by prevailing market prices at the time we place orders with our suppliers. We believe our sources of pulp are sufficiently diversified to ensure we have sufficient 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, 2011, the purchase of minerals and chemicals represented approximately 15% 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 due to general increases in commodity prices. 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, 2011, energy costs were equivalent to approximately 11% of our revenues. Our energy policy is to secure supplies of gas, steam and electricity that are reliable and cost-effective.

We operate co-generation energy plants at our seven principal mills which provide, and in many cases exceed, all of our energy needs at the mills where they are located. The co-generation 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 co-generation plant. In 2007, we invested in a new co-generation plant in Sant Joan, Spain. The plant is 51% owned by Torraspapel and 49% owned by the Spanish Institute for Energy Diversification and Saving (*Instituto para la Diversificación y Ahorro de la Energia*) (the “IDAE”). The plant commenced operations in September 2011. Torraspapel currently operates five co-generation plants at Leitza, Motril, Zaragoza, Sant Joan and Sarrià de Ter that collectively 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.

In France, Condat’s steam-driven power plant produces approximately 10% of Condat’s annual electricity requirements, with Condat purchasing the remainder via a multi-year contract with a multinational supplier.

In Italy, we have replaced the co-generation facility we previously operated in Riva del Garda with a new plant that we have constructed, together with Alto Garda Servizi, the city-owned utility company. The new facility was completed in December 2008 and produces both steam and electricity. Garda has 80% ownership of the plant, with Alto Garda Servizi owning the remaining 20%.

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 rarely 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 co-generation plants we operate and also through a combination of long-term, variable price contracts with local suppliers.

Paper mills require electrical and thermal (steam) power, making co-generation plants their ideal energy source. The physical characteristics of a co-generation plant are such that self-sufficiency in steam comes with an excess of electricity available for sale to the grid. A co-generation plant consists of a gas turbine that produces electricity through an alternator connected to it and produces steam by heating water with the turbine’s exhaust gas.

Electricity is then partly used to operate different equipment in the paper mill, and the balance of electricity is sold to the grid. Steam is used to run a steam turbine, which in turn provides additional electricity, and then to dry paper in the final stages of the production process.

When distance and economics permit, low enthalpy steam, otherwise dispersed into the atmosphere, is used to heat water, which is distributed to neighboring cities where it replaces fossil fuels normally used for residential heating.

The high yield of co-generation plants compared with the separate production of electricity and steam, and the savings resulting from the reduction in use of fossil fuels, is the basis for various incentive plans in various countries.

Wood

Wood purchases for our pulp mill were equivalent to approximately 3% of our revenues in the year ended December 31, 2011. We purchase the majority of 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 the Lecta brand as well as 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. In certain instances, we pursue research and development activities in conjunction with third parties involving industry-standard non-disclosure agreements. Specific research and development activities include innovation and improvement of our bleaching, bulking, chemical recovery, papermaking and coating processes and research regarding the raw materials used in our manufacturing processes. In the year ended December 31, 2011 we spent approximately €2.3 million on research and development activities.

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, 2011 the total amount we paid for insurance premiums in relation to Group policies was approximately €5.2 million.

We believe that prevention, protection and employee training are key means of defending against loss from workplace incidents. In 2010 and 2011 we spent €4.3 million on various loss prevention initiatives resulting in decreased risk. We also have a project which aims to obtain FM Global's Highly Protected Risk standard in all our main mills, which may result in lower insurance premiums.

Employees

As of December 31, 2011, we had a total of 3,764 employees as computed on a full-time equivalent basis. Since 2006, excluding the impact of our acquisition of Secmar, we have reduced headcount in continuing operations by 995 employees (21%). The majority of our staff is 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 defined contribution post-employment plans and certain employees also participate in defined benefit post-employment plans. Our employees do not participate in any equity-based compensation plans or share-based payment plans.

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 the 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 they have each obtained registration 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. In 2011, we spent €7.6 million on capital expenditures relating to environmental and safety compliance. The most significant European Union laws that apply or are expected to apply to our mills are the Integrated Pollution Prevention and Control (the "IPPC") Directive, the Emissions Trading Scheme and laws related to the Environmental Liability Directive.

IPPC

The IPPC Directive (96/61/EC, 2008/1/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. All of our facilities have been licensed under the IPPC licensing regime.

The IPPC regulates air emissions and water discharges and defines permit requirements and best available techniques ("BAT") for pollution control. A revised BAT reference document published in April 2010 remains in draft form.

The Industrial Emissions Directive 2010/75/EU (the "IED"), which maintains and extends the IPPC approach to permitting but effectively replaces the IPPC Directive, was adopted in November 2010 and came into force on January 6, 2011. The IED must be transposed into EU Member State legislation by January 7, 2013, and most installations must comply with it starting in January 2014, although this depends on the type of installation. More stringent BAT requirements could be imposed on our operations through the IED.

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 our mills and co-generation facilities in France, Italy and 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."

In the past, 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 co-generation. 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 continuing implementation measures applicable to our production facilities (including in the third phase of the Scheme from 2013 to 2020), 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) (the "Environmental Liability Directive"), aims to prevent and remedy the 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 when the contamination was caused and whether the hazardous material disposal activity that caused it was legal at the time. In Spain, Royal Decree 9/2005 required operators of paper mills and co-generation 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.

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 co-generation 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 the investigation and remediation of contamination.

The national European laws regulate the waste disposal framework and place restrictions on land-filling materials in order to reduce contaminated leachate and methane emissions. Prevention, reuse and recycling (material or thermal) are the preferred waste management methods.

REACH Regulation

The EU Chemicals Regulation REACH (1907/2006/EC), intended to harmonize existing European and national regulations to provide a better protection of human health and our environment, is not directly applicable to pulp and paper. It does, however, apply to a number of raw materials that we source. We also registered some intermediate substances in our pulp production processes under REACH in November 2010.

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. Italy, France and Spain each regulates health and safety in the workplace.

Legal Proceedings

We are party to pending legal proceedings (including tax audits) 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

The board of directors of Lecta S.A. (the "Board of Directors") and senior management team comprise the following individuals:

Board of Directors

Name	Age	Title
Santiago Ramírez	60	Chairman of the Board
Eduardo Querol	53	Chief Executive Officer
Andrea Minguzzi	58	Vice President Finance
Emanuela Brero	41	Director
Pierre Denis	45	Director
Giorgio De Palma	37	Director
Francisco Javier de Jaime y Guijarro	47	Director
Yann Hilpert	38	Director
Stella Le Cras	46	Director
Bruce Hardy McLain	59	Director
Thomas Morana	29	Director
Manuel Mouget	35	Director
Stef Oostvogels	50	Director
Delphine Tempé	41	Director

Executive Officers

Name	Age	Position
Santiago Ramírez	61	Executive Chairman
Eduardo Querol	54	Chief Executive Officer
Andrea Minguzzi	58	Vice President Finance

The members of our Board of Directors and our Executive Officers can be contacted at Lecta S.A., 19-21 Boulevard du Prince Henri, L-1724 Luxembourg.

Biographical Information

Santiago Ramírez is the Chairman of the Board of Directors of Lecta S.A., a position he has held since 2007. Mr. Ramírez is an Industrial Partner and member of the Advisory Board of CVC Capital Partners. Mr. Ramírez was previously Chairman and CEO of BSN Glasspack (the European leader of the glass packaging industry), Exide Europe (the leading battery manufacturer) and Mivisa (the leading European manufacturer of triplate cans for the food industry).

Eduardo Querol is the Chief Executive Officer of Lecta S.A., a position he has held since March 2012. Mr. Querol has been with Lecta for 25 years, previously working as Group General Sales and Marketing Director. Mr. Querol has a degree in industrial engineering and an MBA from the Universidad de Navarra. Mr. Querol was appointed to the Board of Directors in March 2012.

Andrea Minguzzi is the Vice President 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 2000. 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 Font James Corp. Mr. Minguzzi has a degree in economics from the Università di Bologna.

Emanuela Brero was appointed the Director of Corporate Administration of CVC Capital Partners (Luxembourg) S.à r.l. in 2005, having previously worked for more than 10 years in the Corporate Department of Société Européenne de Banque (Luxembourg), where she was involved in the structuring and implementation of a wide range of private equity transactions. Ms. Brero has a degree in business administration from Università Bocconi.

Pierre Denis was appointed to the Board of Directors of Lecta S.A. in March 2012. He is Director of Finance and Administration of CVC Capital Partners (Luxembourg) S.à r.l., having joined CVC in 2005. Mr. Denis previously worked as an Administration and Finance Manager for Settler International and Yusen Air & Sea Services in Luxembourg. Mr. Denis has a degree in accounting and analyst programming from Institut des Arts & Metiers of Virton, Belgium.

Giorgio De Palma is a Director of CVC Italy. He joined CVC in 2005, having previously worked for over four years in the M&A team at Morgan Stanley. Mr. De Palma has an MS degree in nuclear engineering from the Università Politecnico di Milano and an MS degree in industrial engineering from the École Centrale de Paris.

Francisco Javier de Jaime y Guijarro holds the position of Managing Partner, having joined CVC in 1997. He previously worked for 3i Plc in Madrid for five years and in London for two years, and is a member of the European Investment Committee. Mr. de Jaime y Guijarro graduated in law from ICADE, Universidad Pontificia Comillas in Madrid and has an MBA from Houston University, Texas.

Yann Hilpert was appointed to the Board of Directors of Lecta S.A. on April 25, 2012. Mr. Hilpert also works as a Partner in the Banking & Finance practice of OPF Partners Luxembourg, advising private equity houses and international financial institutions on banking and finance. He graduated from the Université de Nancy II (France) with an MA in private law and a post-graduate diploma (DEA), and also obtained a post-graduate diploma (DESS) in business law from the Université de Strasbourg III (France).

Stella Le Cras was appointed to the Board of Directors of Lecta S.A. on April 25, 2012. She is the Corporate Administrator at CVC Capital Partners Luxembourg S.à r.l., having joined CVC in April 2007. She previously worked in the Corporate Department of Société Européenne de Banque S.A. in Luxembourg for 10 years. Ms. Le Cras has over 20 years of corporate administration, accounting and audit experience in both Luxembourg and Jersey.

Bruce Hardy McLain was appointed to the Board of Directors of Lecta S.A. in 1999. Mr. McLain is also a managing partner of CVC, a position he has held since 1990, and serves on the boards of directors of various other corporate entities. He has a bachelor's degree from Duke University and an MBA from the University of California, Los Angeles.

Thomas Morana was appointed to the Board of Directors of Lecta S.A. on April 25, 2012. He is also a Manager of Accounting and Administration with CVC Luxembourg, having joined in June 2008. Mr. Morana previously worked in the Real Estate and Private Equity department at Alter Domus. He has a degree in accounting and taxes from Haute École Mosane d'Enseignement Supérieur in Liège (Belgium).

Manuel Mouget was appointed to the Board of Directors of Lecta S.A. in March 2012. Mr. Mouget is the Manager of Corporate Administration at CVC and joined CVC Luxembourg in April 2010. Prior to this, he worked at Alter Domus, servicing multinational and private equity clients. Mr. Mouget is a Luxembourg-qualified accountant and has a business administration degree from the HEC Business School – Université de Liège (Belgium).

Stef Oostvogels was appointed to the Board of Directors of Lecta S.A. on April 25, 2012. Previously, Mr. Oostvogels was the Founding and Managing Partner of OPF Partners Luxembourg and specialized in private equity, mergers and acquisitions, international taxation, banking and finance, and corporate and general business law. Mr. Oostvogels has an advanced degree in Luxembourg law from Centre Universitaire Luxembourg, a master's degree in law from Katholieke Universiteit Leuven, and a degree in law from Katholieke Universiteit Brussel.

Delphine Tempé was appointed to the Board of Directors of Lecta S.A. in November 2011. Ms. Tempé is also a Partner of OPF Partners Luxembourg, where she focuses on mergers and acquisitions, corporate, and general business law, particularly advising private equity firms and financial institutions on a wide range of international transactions. Ms. Tempé graduated with degrees in law from the Université de Strasbourg (France) and an LLM from the University of Durham.

Share Ownership

Our management in aggregate owns 11.85% of the voting shares and 8.50% of the total shares in Lecta S.A.

Remuneration

During the year ended December 31, 2011, the former and current members of our Board of Directors, including our executive officers, received aggregate remuneration of €2.4 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 incorporation and by-laws and the

Shareholders' Agreement are determined in accordance with Luxembourg law. Lecta S.A.'s articles of incorporation 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 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 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 10 directors. CVC European Equity Partners L.P., CVC European Equity Partners II L.P., Citicorp Capital Investors Europe Limited, Capital Ventures Nominees Limited, CVC European Equity Partners (Jersey) L.P. 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 10 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 the 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 19 classes of shares, including voting ordinary shares, voting and non-voting preferred shares. In addition to the voting rights conferred by law to both classes of shares or by the articles of incorporation to the ordinary shares and some preferred 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 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 December 31, 2011, 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)	56.44%	72.85%	61.10%
Adavale Global Holdings Limited(2)	8.65%	15.39%	10.56%
Midocean Capital Investors Offshore L.P.	8.86%	11.01%	9.47%
Management	11.85%	0.03%	8.50%
Intermediate Capital Investors(3)	11.01%	0.60%	8.06%
HSBC Bank Plc	1.46%	0.08%	1.07%
UniCredit Bank AG	1.25%	0.00%	0.89%
NIBC Bank N.V.	0.23%	0.01%	0.17%
The Northwestern Mutual Life Insurance Company	0.19%	0.00%	0.13%
Damor Investments Ltd	0.06%	0.02%	0.05%

(1) The CVC Investors include CCIEL LLC, 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) Owned by Smurfit Kappa Group plc.

(3) 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 a Shareholders' Agreement dated December 10, 1999, as amended and restated on each of June 20, 2000, December 13, 2002 and October 22, 2003 and renewed on December 13, 2009. 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 shall consist of 10 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 further provides 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.

OPF Partners

OPF Partners *Avocats à la cour*, has provided, and may in the future provide, legal advisory services to the Issuer or other companies within its group in the ordinary course of business. OPF Partners is providing legal advice to the Issuer as to Luxembourg law in connection with the Offerings, for which it will be paid customary fees. Additionally, Delphine Tempé and Yann Hilpert, partners of OPF Partners *Avocats à la Cour*, have been members of the board of directors of the Issuer since November 2011 and April 2012, respectively.

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.

The Existing Credit Facilities

In February 2007, the Issuer issued senior secured floating rate notes due 2014 and senior unsecured floating rates notes due 2014, guaranteed on a senior basis by certain subsidiaries of the Issuer (the "Existing Notes"). In addition, a revolving credit facility was entered into by the Issuer and various of its subsidiaries to, among other things, refinance existing debt of the Group (the "Existing Credit Facilities"). In connection with the Refinancing, the Existing Credit Facilities will be cancelled and all amounts under the Existing Notes will be redeemed and all security granted pursuant to which the Existing Senior Secured Notes will be released.

Existing Co-generation Financings

We have entered into certain financing arrangements in connection with our co-generation facilities. The Alto Garda Power S.r.l. co-generation plant is funded through nonrecourse project financing, comprising a base facility of €56 million and a stand-by facility and working capital facility, each of €5.0 million. Payments are made on the base and stand-by facilities on a six-month basis, commencing December 31, 2009 and ending on December 31, 2020. The working capital facility is a revolving credit line to be repaid by December 31, 2020. As of December 31, 2011, the principal amount drawn under the Alto Garda Power S.r.l. financings was €41.2 million.

The IDAE Sant Joan co-generation plant is funded through a €25.0 million revolving credit facility with a progressively declining cap beginning on June 30, 2012, until its maturity date at March 31, 2017. As of December 31, 2011, principal and accrued interest under the facility was €22.3 million.

Existing Assignment of Trade Receivables

In 2000, Cartiere del Garda S.p.A. ("Garda") entered into an assignment of trade receivables (the "Existing Assignment") to improve cash flow and finance working capital. The Existing Assignment will remain in place after the Refinancing.

The Existing Assignment 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 December 31, 2011, the invoice discounting arrangement amounted to €26.7 million.

The second facility, the cash advance on assigned receivables facility, 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 December 31, 2011, this second facility amounted to €45,000.

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

New Revolving Credit Facility

As part of the Refinancing, on or around the date of the issuance of the Notes, Lecta S.A. (as original borrower and guarantor), will enter into the New Revolving Credit Facility between, among others, Credit Suisse International, Morgan Stanley Bank International Limited, Deutsche Bank AG, London Branch and UniCredit Bank AG, Milan Branch (as Arrangers), and Deutsche Bank AG, London Branch (as Facility Agent, original Issuing Bank and Security Trustee) and the lenders under the New Revolving Credit Facility. The New Revolving Credit Facility provides for a €80.0 million committed revolving credit facility. In the event that the €80.0 million committed revolving credit facility is reduced by reason of a lender defaulting or it becomes unlawful for a lender to provide or continue to provide funding, the borrower is entitled to request that the aggregate commitments are increased to permit another lender or lenders to provide a commitment equal to the commitment of the defaulting lender. Debt incurred under the New Revolving Credit Facility will rank *pari passu* with the Notes.

Interest and maturity

The loans under the New Revolving Credit Facility will bear interest at LIBOR or, in relation to any loan in euro, EURIBOR, plus a margin of 4.25% 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 New Revolving Credit Facility agreement (the "RCF Agreement")); *provided* that at the end of the first quarter following the anniversary of the date of completion of the Offerings and at the end of each quarter thereafter the margin will fluctuate with and be tied to our ratio of Net Debt to EBITDA (as both terms are defined in the RCF Agreement) at a rate per annum of between 4.25% and 3.50%. The lower margin will be applicable if our ratio of Net Debt to EBITDA is less than 2.00:1 while the higher margin will be applicable if our ratio of Net Debt to EBITDA is greater than or equal to 3.00:1.

The termination date of the New Revolving Credit Facility is the sixth anniversary of the date the RCF Agreement is signed.

Covenants and Events of Default

The RCF Agreement 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 Agreement also contains certain customary representations and warranties for facilities of this type. In addition, the Issuer shall not, and shall procure that none of its subsidiaries shall, repay, prepay, purchase, defease (or otherwise retire for value) or directly or indirectly acquire any of the Notes or offer to do so unless (to the extent the aggregate amount applied towards such Notes purchases exceeds an amount equal to 50% of the par value of the Notes) the commitments under the RCF Agreement are also cancelled pro rata.

Security and Guarantees

Our obligations under the RCF Agreement will be secured by first-priority security interests over the same assets as those securing the Notes. Guarantees, subject to certain limitations in relation to unlawful financial assistance and/or save which would result in directors or officers acting in contravention of their fiduciary duties or would subject them to civil or criminal or personal liability as a result of providing such guarantees, will be jointly and severally provided by the same subsidiaries guaranteeing the Notes.

Voluntary Prepayments

The Issuer has the option to voluntarily prepay or cancel all or part of the New Revolving Credit Facility in tranches of at least €250,000 (and in multiples of €250,000 if more) with five business days' notice for each of cancellation and prepayments. The Issuer has the option to voluntarily prepay an individual lender or issuing bank in the event that any sum payable to that lender or issuing bank 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 New Revolving Credit Facility will, reflecting the covenants contained in the Notes, 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 prepayment, the Issuer would be required to pay break costs.

Intercreditor Agreement

In connection with entering into the RCF Agreement and the Indentures, the Issuer and the Guarantors entered into the Intercreditor Agreement to govern the relationships and relative priorities among: (i) the lenders under the New Revolving Credit Facility (the "RCF Lenders"); (ii) any persons that accede to the Intercreditor Agreement as counterparties to certain other hedging agreements (collectively, the "Hedging Agreements" and any persons that accede to the Intercreditor Agreement as counterparties to the Hedging Agreements are referred to in such capacity as the "Hedge Counterparties"); (iii) the Trustee, on its behalf and on behalf of the holders of the Notes (the "Noteholders"); and (iv) subsidiaries of the Issuer which are borrowers or guarantors of the New Revolving Credit Facility (each an "Obligor").

The Issuer and each of its Restricted Subsidiaries that provides any guarantee under the RCF Agreement or the Indentures is each referred to in this description as an "Obligor" and are referred to collectively as the "Obligors". In this description "Group" refers to the Issuer and its Restricted Subsidiaries.

The Intercreditor Agreement sets forth:

- the relative ranking of certain indebtedness of the Obligors;
- the relative ranking of certain security granted by the Obligors;
- when payments can be made in respect of certain indebtedness of the Obligors;
- when enforcement actions can be taken in respect of that indebtedness;
- the terms pursuant to which that indebtedness will be subordinated upon the incurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit a sale of any assets subject to transaction security (the "Collateral").

The Intercreditor Agreement contains provisions relating to future indebtedness that may be incurred by the Obligors or another group company that is permitted by the RCF Agreement and the Indentures to rank *pari passu* with the New Revolving Credit Facility and the Notes and be secured by the Collateral, subject to the terms of the Intercreditor Agreement (such debt being "*Pari Passu* Liabilities" and the creditors of such debt being "*Pari Passu* Creditors"). The Intercreditor Agreement allows for a refinancing in full or in part of the Notes or the New Revolving Credit Facility or any *Pari Passu* Liabilities.

The following description is a summary of certain provisions, among others, contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety, and we urge you to read that document because it, and not the description that follows, defines your rights as holders of the Notes.

Ranking and Priority

The Intercreditor Agreement provides that the liabilities of the Obligors with respect to the New Revolving Credit Facility (the "RCF Liabilities") and the Hedging Agreements (the "Hedging Liabilities" and together with the RCF Liabilities, the "Super Senior Liabilities"), the liabilities of the Obligors in respect of the Notes (the "Senior Secured Notes Liabilities"), the *Pari Passu* Liabilities and the liabilities of the Obligors under certain intercompany loans relating to the on-lending of the proceeds of the Notes, the repayment of which is needed to enable an Obligor to repay any of the Senior Secured Notes Liabilities ("Structural Intercompany Liabilities"), will rank in right and priority of payment in the following order:

- first, the Super Senior Liabilities, the *Pari Passu* Liabilities and the Senior Secured Notes Liabilities (together with the Super Senior Liabilities and the *Pari Passu* Liabilities, the "Secured Liabilities") and the Structural Intercompany Liabilities *pari passu* and without any preference between them; and
- second, certain intercompany liabilities of the Issuer and its subsidiaries to the Issuer and its subsidiaries under intercompany loans which are not Structural Intercompany Liabilities (the "Non-Structural Intercompany Liabilities").

Under the Intercreditor Agreement, all proceeds from enforcement of the Collateral will be applied as provided under "— Application of Proceeds."

Permitted Payments of Subordinated Debt

The Intercreditor Agreement permits, among other things, payments to be made by the Obligors in respect of the RCF Liabilities, the Senior Secured Notes Liabilities, the *Pari Passu* Liabilities and Structural Intercompany Liabilities. The Intercreditor Agreement also permits payment of Non-Structural Intercompany Liabilities from time to time when due to members of the Group owed Non-Structural Intercompany Liabilities ("Non-Structural Intercompany Liabilities Payments") if at the time of payment no acceleration event has occurred in respect of any Secured Liabilities (an "Acceleration Event"). The Intercreditor Agreement permits Non-Structural Intercompany Liabilities Payments if such an Acceleration Event occurs (i) prior to the date on which all Super Senior Liabilities are discharged in full and the RCF Lenders have no further obligations under the New Revolving Facility documents and the Hedge Counterparties have no further obligations under the Hedging Agreements (the "Super Senior Discharge Date"), with the consent of the RCF Agent (as defined below), (ii) prior to the date on which all the Senior Secured Notes Liabilities are discharged (the "Secured Notes Discharge Date"), with the consent of the Trustee and (iii) prior to the date on which the *Pari Passu* Liabilities have been discharged in full and the *Pari Passu* Creditors have no further obligation in respect of the *Pari*

Passu Liabilities (the "*Pari Passu* Discharge Date"), with the consent of the creditor representative of the *Pari Passu* Creditors (the "*Pari Passu* Debt Representative").

Creditor Representative

Under the Intercreditor Agreement, the parties appoint various creditor representatives being:

(a) in relation to the RCF Lenders, the New Revolving Credit Facility agent (the "RCF Agent");

(b) in relation to the Noteholders, the Trustee; and

(c) in relation to the *Pari Passu* Creditors, the *Pari Passu* Debt Representative.

Each Hedge Counterparty shall be its own creditor representative.

Entitlement to Enforce Collateral

The Security Trustee may refrain from enforcing the Collateral or from directing a creditor of the Structural Intercompany Liabilities to enforce the Collateral unless otherwise instructed by:

(a) prior to the Super Senior Discharge Date, the *Pari Passu* Discharge Date, the Secured Notes Discharge Date and the date falling six months after the occurrence of any relevant Acceleration Event which is continuing (the "Six Months Date"), the Secured Notes/*Pari Passu* Required Holders (as defined below) and, if the RCF Agent's instructions are consistent with those of the Secured Notes/*Pari Passu* Required Holders, the RCF Agent;

(b) after the Super Senior Discharge Date but prior to the Secured Notes Discharge Date and the *Pari Passu* Discharge Date, the Secured Notes/*Pari Passu* Required Holders; or

(c) prior to the Super Senior Discharge Date but after the first to occur of (A) the Six Months Date and (B) the first date on which both the *Pari Passu* Discharge Date and the Secured Notes Discharge Date have occurred, the RCF Agent,

and *provided* that, so long as neither the Super Senior Discharge Date, nor the *Pari Passu* Debt Discharge Date nor the Secured Notes Discharge Date has occurred, such instructions are consistent with certain principles (the "Security Enforcement Principles"). See "— Limitation on Enforcement by Super Senior Creditors and Noteholders." The Security Trustee may disregard any instructions from any other person to enforce the Collateral and may disregard any instructions to enforce any Collateral if those instructions are inconsistent with the Intercreditor Agreement. The Security Trustee is not obligated to enforce the Collateral if it is not appropriately indemnified by the relevant creditors.

"*Pari Passu* Debt Required Holders" means, in respect of any direction, approval, consent or waiver, the *Pari Passu* Creditors of the principal amount of *Pari Passu* Liabilities required to vote in favor of such direction, consent or waiver under the terms of the relevant *Pari Passu* Liabilities or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding *Pari Passu* Liabilities. For the avoidance of doubt, in determining whether the *Pari Passu* Creditors of the required principal amount of *Pari Passu* Liabilities have concurred in any direction, waiver or consent, *Pari Passu* Liabilities owed by any member of the Group, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Obligor, will be considered as though not outstanding.

"Secured Notes/*Pari Passu* Required Holders" means:

(a) the Notes Required Holders; and

(b) if applicable and if the aggregate amount of *Pari Passu* Liabilities is equal to or more than €50,000,000, the *Pari Passu* Debt Required Holders,

provided that, if the instructions are received from only the Notes Required Holders (as defined below) or (subject to paragraph (b) above) only the *Pari Passu* Debt Required Holders, the instructions of that responding class will prevail, and in the event that there is an inconsistency in instructions received from the Notes Required Holders and (subject to paragraph (b) above) the *Pari Passu* Liabilities Required Holders:

(i) if the Senior Secured Notes Liabilities is equal to or greater than the *Pari Passu* Liabilities, the instructions of the Notes Required Holders will prevail; and

(ii) if the *Pari Passu* Liabilities are greater than the Senior Secured Notes Liabilities, the instructions of the *Pari Passu* Liabilities Required Holders will prevail.

"Notes Required Holders" means, in respect of any direction, approval, consent or waiver, the Noteholders of the principal amount of Notes required to vote in favor of such direction, consent or waiver under the terms of the Notes (treating any voting rights under the Indentures as applying to the aggregated amount of the Notes) or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Notes, in accordance with the Indentures. For the avoidance of doubt, in determining whether the Noteholders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by any member of the Group will be considered as though not outstanding.

Limitation on Enforcement by Super Senior Creditors and Noteholders

If the RCF Agent or the Trustee or the *Pari Passu* Debt Representative wishes to instruct the Security Trustee to commence enforcement of any Collateral, the RCF Agent, the Trustee and the *Pari Passu* Debt Representative (the "Secured Representatives") must consult with one another and with the Security Trustee in good faith with a view to coordinating these instructions for 30 days or such other period as the Secured Representatives may agree. The definition of Secured Notes/*Pari Passu* Required Holders provides that if instructions are not received from either (i) the Notes Required Holders or (ii) the *Pari Passu* Debt Required Holders, the instructions of the responding class will prevail and in the event that conflicting instructions are received from (i) and (ii), if the Senior Secured Notes Liabilities are equal to or greater than the *Pari Passu* Liabilities, the instructions of the Notes Required Holders will prevail, and if the *Pari Passu* Liabilities are greater than the Senior Secured Notes Liabilities, the instructions of the *Pari Passu* Required Holders will prevail.

None of the Secured Representatives shall be obligated to consult before giving instructions to enforce if:

(a) the relevant Collateral has become enforceable as a result of any insolvency proceedings relating to such Obligor against whom such acceleration action has been taken or such debt accelerated; or

(b) a Secured Representative determines in good faith (and notifies each other Secured Representative and the Security Trustee) that to enter into such consultations and thereby delay the commencement of enforcement of the Collateral could reasonably be expected to have an adverse effect on:

  (i) their ability to enforce any of the Collateral; or

  (ii) the realization proceeds of any enforcement of the Collateral in any material respect.

Until the Secured Notes Discharge Date, if the Security Trustee has received conflicting enforcement instructions then the Security Trustee will promptly notify the relevant Secured Representatives and such Secured Representatives will consult with each other and the Security Trustee for a period of not less than 15 days (or such other period as the relevant Secured Representatives may agree) (the "Further Consultation Period"), with a view to resolving the conflict in such instructions in order to enforcement of the Collateral.

The Further Consultation Period will end immediately if:

(i) the Collateral has become enforceable as a result of insolvency proceedings; or

(ii) a Secured Representative determines in good faith (and notifies each other Secured Representative and the Security Trustee) that to so consult and thereby delay commencement of enforcement could reasonably be expected to have an adverse effect on (A) their ability to enforce any of the Collateral or (B) the realization of proceeds of any enforcement of the Collateral in any material respect.

The Security Trustee will only enforce Collateral if the Security Trustee has received instructions from the Secured Notes/*Pari Passu* Required Holders (acting through the Trustee and/or the *Pari Passu* Debt Representative) to enforce or direct the enforcement of the Collateral (regardless of whether or not the Security Trustee has received conflicting instructions or sole instructions from the RCF Agent to enforce or direct the enforcement of the Collateral save if the *Pari Passu* Discharge Date and Secured Notes Discharge Date or the Six Months Date has occurred, whereupon the Security Trustee shall enforce or direct the enforcement of such Collateral in accordance with the instructions it has received.

A creditor representative may only give enforcement instructions that are consistent with the Security Enforcement Principles, including that:

(i) it shall be the primary and overriding aim of any enforcement of the Collateral to achieve the security enforcement objective (being to maximize so far as is consistent with prompt and expeditious realization of value from enforcement of the Collateral, the recovery by the RCF Lenders, the Hedge Counterparties, the Noteholders and the *Pari Passu* Creditors (together the "Secured Creditors" and herein, the "Security Enforcement Objective")):

(ii) the Collateral will be enforced and other enforcement action will be taken such that either:

(a) all proceeds of enforcement are received by the Security Trustee in cash for distribution in accordance with the Intercreditor Agreement (see "— Application of Proceeds"); or

(b) sufficient proceeds from enforcement will be received by the Security Trustee in cash to ensure that when the proceeds are applied in accordance with the Intercreditor Agreement (see "— Application of Proceeds"), the Super Senior Liabilities are repaid and discharged in full (unless the RCF Agent agrees otherwise);

(iii) the enforcement actions are prompt and expeditious to the extent reasonably achievable *provided* that they are consistent with the Security Enforcement Objective;

(iv) to the extent that the Collateral that is the subject of the proposed enforcement action is:

(a) over assets other than shares in a member of the Group where the aggregate book value of such assets exceeds €10,000,000 (or its equivalent) ("Material Collateral"); or

(b) over some or all of the shares in a member of the Group,

then the Security Trustee shall (unless it is unnecessary in respect of enforcement proceedings in a relevant jurisdiction or the enforcement proceedings are by way of public auction or through a court-supervised process) appoint a "big four" accounting firm, any reputable and independent international investment bank or other reputable and independent professional services firm with experience in restructuring and enforcement (a "Financial Advisor") to opine (the "Financial Advisor's Opinion") as expert on:

(1) the optimal method of enforcing the Collateral so as to achieve the Security Enforcement Principles and maximize the recovery of any such enforcement action;

(2) that the proceeds received from any such enforcement is fair from a financial point of view after taking account all relevant circumstances; and

(3) that such sale is otherwise in accordance with the Security Enforcement Objective;

(v) the Financial Advisor's Opinion (or any equivalent opinion obtained by the Security Trustee in relation to any other enforcement of the Collateral that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met; and

(vi) in the event than an enforcement of the Collateral is over assets or shares referred to in paragraph (iv) above and such enforcement is conducted by way of public or court auction, any equity investors of the Group shall, subject to compliance with applicable law, be entitled to participate in such auction.

Application of Proceeds

The Intercreditor Agreement provides that amounts received from the realization or enforcement of all or any part of the Collateral will be applied in the following order of priority:

(a) first in payment of the fees, costs, expenses and liabilities of the RCF Agent, the Security Trustee, the *Pari Passu* Debt Representative and of any receiver, delegate, attorney or agent appointed under any Collateral documents or the Intercreditor Agreement or the *Pari Passu* Liabilities documents and of the Trustee *pari passu* and ratably between such parties;

(b) second in payment of the balance of the costs and expenses of the RCF Lenders and the Hedge Counterparties (together, the "Super Senior Creditors") (other than the Security Trustee, any receiver or delegate) in connection with such realization or enforcement *pari passu* and ratably between such parties;

(c) third, in payment to the RCF Agent and the Hedge Counterparties for application towards the balance of each of the RCF Liabilities and the Hedging Liabilities *pari passu* and ratably between such parties;

(d) fourth in payment *pari passu* and pro rata of the balance of:

   (i) the costs and expenses of the Trustee on behalf of each Noteholder; and

   (ii) the *Pari Passu* Debt Representative on behalf of each Pari Passu Creditor; and

(e) fifth, in payment: *pari passu* and pro rata to:

   (i) the Trustee for application towards the balance of the Senior Secured Notes Liabilities; and

   (ii) the *Pari Passu* Debt Representative for application towards the balance of the *Pari Passu* Liabilities.

Additional Indebtedness

In the event that any Obligor incurs any additional indebtedness that is permitted under the terms of the Notes and the RCF Agreement to be secured by the Collateral, the creditors in respect of such additional liabilities will share in the proceeds of any enforcement of Collateral on the basis and to the extent permitted under the terms of the Notes and the RCF Agreement.

Release of the Guarantees and the Security

Where a disposal of an asset is being effected, the Intercreditor Agreement provides that the Security Trustee is authorized (i) to release the Collateral or guarantee (and the relevant Obligors shall release any Collateral given to them) where such releases are required to give effect to the Intercreditor Agreement and the documents governing the Secured Liabilities or where such releases are connected to a sale, transfer or other disposal of any assets, undertaking or business that is not prohibited or is expressly permitted under the terms of the Finance Documents, and (ii) on commencement of enforcement action to release that Obligor and any subsidiary of that Obligor from all or any part of its liabilities to a member of the Group or a Secured Creditor such that no Secured Liabilities remain attached to those assets being disposed of or any Obligor or subsidiary of that Obligor in which shares are being disposed of.

Amendment

The Intercreditor Agreement provides that it may be amended with only the consent of the Security Trustee, the Secured Notes/*Pari Passu* Required Holders, the RCF Agent, the Trustee and the Hedge Counterparties save in respect of administrative changes or to correct manifest errors on the instructions of the RCF Agent, the *Pari Passu* Debt Representative and the Trustee.

Option to Purchase: RCF Liabilities and Hedging Liabilities

After an Acceleration Event, the Trustee and the *Pari Passu* Debt Representative, at the direction and expense of the Noteholders and the *Pari Passu* Creditors (as applicable), will have the right to acquire or procure that a nominee acquires all (but not part only) of the Super Senior Liabilities.

Any such purchase will be on terms which will include, without limitation, payment in full in cash of an amount equal to the Super Senior Liabilities then outstanding, including in respect of any broken funding costs, as well as certain costs and expenses of the Super Senior Creditors; after the transfer, no Super Senior Creditor will be under any actual or contingent liability to any person under the Intercreditor Agreement; the purchasing Noteholders and *Pari Passu* Creditors indemnify each Super Senior Creditor for any actual or alleged obligation to repay or claw back any amount received by such Super Senior Creditor; and the relevant transfer shall be without recourse to, or warranty from, any Super Senior Creditor save as to title and the absence of third-party interests, power and authority and completion of know-your-customer checks.

DESCRIPTION OF THE NOTES

Lecta S.A. will issue €390 million Floating Rate Senior Secured Notes due 2018 (the "Floating Rate Notes") under an indenture (the "Floating Rate Notes Indenture") among itself, the Floating Rate Notes Guarantors, Deutsche Trustee Company Limited, as trustee for the holders of the Floating Rate Notes (the "Floating Rate Notes Trustee"), Deutsche Bank AG, London Branch, as security trustee (the "Security Trustee"), and other parties named therein. The terms of the Floating Rate Notes will be stated in the Floating Rate Notes Indenture. The Floating Rate Notes will be denominated in euro and bear interest with reference to EURIBOR as described below. The Floating Rate Notes Indenture is unlimited in aggregate principal amount subject to the provisions of the Floating Rate Notes Indenture, although the issuance of Floating Rate Notes on the Issue Date (as defined below) will be limited to €390 million.

Lecta S.A. will issue €200 million $8^7/_8$% Senior Secured Notes due 2019 (the "Fixed Rate Notes" and together with the Floating Rate Notes, the "Notes") under an indenture (the "Fixed Rate Notes Indenture" and together with the Floating Rate Notes Indenture, the "Indentures") among itself, the Fixed Rate Notes Guarantors, Deutsche Trustee Company Limited, as trustee for the holders of the Fixed Rate Notes (the "Fixed Rate Notes Trustee" and together with its capacity as Floating Rate Note Trustee, the "Trustee"), the Security Trustee and other parties named therein. The terms of the Fixed Rate Notes will be stated in the Fixed Rate Notes Indenture. The Fixed Rate Notes will be denominated in euro. The Fixed Rate Notes Indenture will be unlimited in aggregate principal amount subject to the provisions of the Fixed Rate Notes Indenture, although the issuance of Fixed Rate Notes on the Issue Date (as defined below) will be limited to €200 million.

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

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

Brief description of the Notes

The 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 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 Notes; and
- will benefit from additional credit enhancement provided by the Company and certain Subsidiaries of the Company.

Credit enhancement for the Notes will include: (i) guarantees of the Notes by certain Subsidiaries of the Company and (ii) the pledge to the Security Trustee of the Intercompany Loans and the other Collateral (as defined below).

The guarantees of the 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 Notes, and most of those guarantees are subject to significant limitations. The credit enhancement and the associated limitations of the guarantees in respect of the Notes are more fully described below under "— Credit enhancement" and in Annex A to the Offering Memorandum.

As of the date of the Indentures, 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 Indentures. Those of the Company's Subsidiaries that are 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 — Guarantees"), will be jointly and severally liable with respect to the Company's obligations under the 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 Notes, to participate in the assets of any of the Company's Subsidiaries that is not a 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 Trustee against a Guarantor on behalf of the Holders of the Notes will be direct claims on that Guarantor. However, some of the Guarantors are themselves holding companies, and hence claims under a Guarantee will be structurally subordinated to the prior claims of the creditors of the Subsidiaries of such Guarantors, including but not limited to trade creditors.

Principal, Maturity and Interest

The Company will issue the Fixed Rate Notes in an initial aggregate principal amount of €200 million. The Fixed Rate Notes will mature on May 15, 2019. The Company will issue the Floating Rate Notes in an initial aggregate principal amount of €390 million. The Floating Rate Notes will mature on May 15, 2018. The Company will issue the Notes in denominations of €100,000 and integral multiples of €1,000 above €100,000. Notes in denominations of less than € 100,000 will not be available. 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 Indentures in an unlimited principal amount (the "Additional Notes"). The Notes and the Additional Notes, if any, will be treated as a single class for all purposes of the relevant Indenture, including waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the relevant Indentures and this "Description of the Notes", references to the Notes include any Additional Notes actually issued. Each of the Fixed Rate Notes and Floating Rate Notes will constitute a separate series of Notes, but shall be treated as a single class for all purposes under the Indentures, including in respect of any amendment, waiver or other modification of the Indentures or any other action by the holders of the Notes hereunder, including but not limited to enforcement in respect of the Notes and except as otherwise provided in the Indentures. The redemption price at the maturity date will be 100% of the amount due under the Notes.

Fixed Rate Notes

Interest on the Fixed Rate Notes will accrue at the rate of $8^7/_8$% per annum. Interest on the Fixed Rate Notes will be payable semi-annually in arrears on each Fixed Rate Interest Payment Date commencing November 15, 2012, to the person in whose name the Fixed Rate Note is registered on the relevant record date as stated below. Interest on the Fixed Rate 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. Interest will be computed on the basis of a 360-day year comprising twelve 30-day months.

"*Fixed Rate Interest Payment Date*" means May 15 and November 15 in each year from and including November 15, 2012. If any Fixed Rate 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 Fixed Rate Interest Payment Date shall be brought forward to the immediately preceding Business Day. The Company will make each interest payment to the Holders of record on the immediately preceding May 1 and November 1.

Floating Rate Notes

The Floating Rate Notes will bear interest at a rate per annum (the "Applicable Rate"), reset quarterly two days prior to the beginning of each quarterly interest period, equal to EURIBOR plus 550 basis points as determined by the calculation agent for the Floating Rate Notes (the "Calculation Agent"), which will initially be Deutsche Bank AG, London Branch, or any successor thereof.

Interest on the Floating Rate Notes will be payable quarterly in arrears on each Floating Rate Interest Payment Date commencing August 15, 2012, to the person in whose name the Floating Rate Note is registered on the relevant record date as stated below. Interest on the Floating Rate 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 comprising member states of the European Union that adopt the euro.

"*Floating Rate Interest Payment Date*" means February 15, May 15, August 15 and November 15 in each year from and including August 15, 2012. If any Floating Rate 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 Floating Rate Interest Payment Date shall be brought forward to the immediately preceding Business Day. The Company will make each interest payment to the Holders of record on the immediately preceding February 1, May 1, August 1 and November 1, as applicable.

"*Interest Period*" means each successive period commencing on, and including, a Fixed Rate Interest Payment Date or Floating Rate Interest Payment Date, as applicable, and ending on, but excluding, the next succeeding Fixed Rate Interest Payment Date or Floating Rate Interest Payment Date, as applicable, with the exception that the first Interest Period will commence on, and include, the Issue Date and end on, but exclude, August 15, 2012, in the case of Floating Rate Interest Payment Date and November 15, 2012, in the case of the Fixed Rate Interest Payment Date, 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 Floating Rate 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 Floating Rate 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 Floating Rate 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 Floating Rate 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, 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 Floating Rate Note, provide the interest rate then in effect with respect to the Floating Rate Notes. The Luxembourg Stock Exchange will be informed of the interest rate and interest period when the interest rate is determined.

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

Optional redemption

Fixed Rate Notes

Optional Redemption prior to May 15, 2015 upon Public Equity Offering

At any time prior to May 15, 2015, upon not less than 30 nor more than 60 days' notice, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of Fixed Rate Notes at a redemption price of 108.875% of the principal amount of the Fixed Rate Notes being redeemed, plus accrued and unpaid interest, if any, to the redemption date, with the net proceeds from one or more Public Equity Offerings. The Company may only do this, however, if:

(a) at least 65% of the aggregate principal amount of Fixed Rate Notes that were initially issued would remain outstanding immediately after the proposed redemption; and

(b) the redemption occurs within 90 days after the closing of such Public Equity Offering.

Optional Redemption prior to May 15, 2015

At any time prior to May 15, 2015, upon not less than 30 nor more than 60 days' notice, the Company may redeem all or part of the Fixed Rate Notes at a redemption price equal to 100% of the principal amount thereof plus the Applicable Redemption Premium and accrued and unpaid interest to the redemption date.

Optional Redemption on or after May 15, 2015

The Fixed Rate Notes will not be redeemable at the option of the Company prior to May 15, 2015, except as described above and in "— Optional tax redemption." On and after such date, the Fixed Rate 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 aggregate principal amount), plus accrued and unpaid interest (if any) to the redemption date, if redeemed during the 12-month period commencing on May 15 of the years set forth below:

Year	Redemption Price
2015	106.656%
2016	104.438%
2017	102.219%
2018 and thereafter	100.000%

The Company may acquire Fixed Rate 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 Fixed Rate Notes Indenture.

Floating Rate Notes

Optional Redemption prior to May 15, 2014

At any time prior to May 15, 2014, upon not less than 30 nor more than 60 days' notice, the Company may redeem all or part of the Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof plus the Applicable Redemption Premium and accrued and unpaid interest to the redemption date.

Optional Redemption on or after May 15, 2014

The Floating Rate Notes will not be redeemable at the option of the Company prior to May 15, 2014, except as described above and in "— Optional tax redemption." On and after such date, the Floating Rate 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 aggregate principal amount), plus accrued and unpaid interest (if any) to the redemption date, if redeemed during the 12-month period commencing on of the years set forth below:

Year	Redemption Price
2014	101.000%
2015 and thereafter	100.000%

The Company may acquire Floating Rate 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 Floating Rate Notes Indenture.

Selection and notice of redemption

If less than all the Notes are to be redeemed, the particular Notes to be redeemed will be selected not more than 60 days prior to the redemption date by the Trustee on a pro rata basis or by such method as the Trustee or the Registrar (as appropriate) will deem fair and appropriate or in such manner as complies with the requirements of the principal securities exchange, if any, on which the Notes being redeemed are listed and the requirements of any depositary holding the global certificates representing the Notes; *provided however*, that no Note of €100,000 in original principal amount shall be redeemed in part.

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

Subject to the terms of the applicable redemption notice, 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 Notes or portions thereof called for redemption (unless the Company defaults in providing the funds for such redemption) and such Notes will cease to be outstanding.

So long as any 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, the Company will provide a copy of all notices to the Luxembourg Stock Exchange.

Neither the Trustee nor the Registrar will be liable for selections made by it under this "— Selection and notice of redemption."

Sinking Fund

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

Additional Amounts

All payments made under or with respect to the Notes or any Guarantee shall be made 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 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 Notes or any Guarantee is made (each, a "Relevant Taxing Jurisdiction") will at any time be required from any payment made under or with respect to the Notes or a 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 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 Note or Note Guarantee; (2) any estate, inheritance, gift, sales, excise, transfer, personal property tax or similar Tax; (3) any withholding or deduction in respect of the Notes or any Guarantee (a) where such withholding or deduction is imposed on a payment to an individual or a residual entity within the meaning of the European Council Directive 2003/48/EC and is required to be made pursuant to such Directive 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 Directives, 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 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 Notes had been presented for payment (where presentation is required) within 30 days after (i) 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 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 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 Notes; (5) any Taxes that are payable other than by deduction or withholding from payments made under or with respect to the 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 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 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 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 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 Notes then outstanding and (y) the amount of such Tax paid per €1,000 of principal amount of the Notes.

At least 30 days prior to each date on which any payment under or with respect to the Notes or any 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 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 Trustee to pay such Additional Amounts to Holders of Notes on the payment date. The Trustee shall be entitled to rely absolutely upon each such Officer's Certificate until receipt of a further Officer's Certificate addressing such matters.

Whenever in the Indentures 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 Notes;

(3) interest; or

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

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 Notes and based on the total net value of the Holder's property), charges or similar levies that arise in any Relevant Taxing Jurisdiction from the execution, delivery, enforcement or registration of the Notes, the Guarantees, the Indentures or any other document or instrument in relation thereto (other than a transfer of the Notes) except, for Luxembourg registration duties purposes, in case of a voluntary registration by a Holder, where such registration is not necessary to enforce, maintain or preserve its rights.

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

Optional tax redemption

The Company is entitled to redeem the 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 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 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 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 Guarantor (as the case may be) would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due and payable.

Before the Company publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee (i) an Officer's Certificate to the effect that the Company or any 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 Trustee of independent legal counsel of recognized standing stating that the Company or 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 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 Guarantor after such successor person becomes a party to either Indenture.

For so long as the 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, 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 Notes will include on or immediately subsequent to the Issue Date:

- the Guarantees to be granted by Sub Lecta 1 S.A., Sub Lecta 2 S.A., Sub Lecta 3 S.A., Cartiere del Garda S.p.A., Condat Holding S.A.S., Lecta HQ S.A., Torraspapel S.A. and, Sarriopapel y Celulosa S.A. (the "Guarantees"); and

- the pledge or assignment of the Intercompany Loans held by the Company and Sub Lecta 2 S.A. to the Security Trustee, in addition to a pledge or assignment in favor of the Security Trustee by Subsidiaries of the Company with respect to other Collateral.

Each Guarantee will be secured by certain of the assets of the Subsidiary issuing that Guarantee. Not all of the Subsidiaries of the Company will guarantee the Notes, and most of the Guarantees will be subject to significant limitations. The aggregate unconsolidated EBITDA (i.e., the sum of the EBITDA of the Issuer and the Guarantors without giving effect to any eliminations that would arise upon consolidation of the Company and its Subsidiaries) for the year ended December 31, 2011, as reported in the respective stand-alone financial statements of the Guarantors, was € 113.0 million. This represented approximately 70% of the Company's consolidated EBITDA for the same period, and gives effect to the unconsolidated EBITDA granted by Condat S.A.S. during such period (which was €14.8 million, or 9.1% of the Company's consolidated EBITDA). The aggregate unconsolidated revenue (i.e., the sum of the revenue of the Issuer and the Guarantors without giving effect to any eliminations that would arise upon consolidation of the Issuer and its subsidiaries) for the year ended December 31, 2011, as reported in the respective stand alone financial statements of the Guarantors was €1,702.4 million. This represented approximately 108% of the Issuer's consolidated revenue for the same period, and gives effect to the unconsolidated revenue generated by Condat S.A.S. during such period (which was €460.4 million, or 29.2% of the Issuer's consolidated revenue). The aggregate unconsolidated total net assets (i.e., the sum of the total net assets of the Issuer and the Guarantors without giving effect to any eliminations that would arise upon consolidation of the Issuer and its subsidiaries) for the year ended December 31, 2011, as reported in the respective stand alone financial statements of the Guarantors were €3,038.1 million. This represented approximately 182% of the Issuer's consolidated total net assets for the same period, and gives effect to the unconsolidated total net assets generated by Condat S.A.S. during such period (which were €285.7 million, or 17.1% of the Issuer's consolidated revenue). Condat S.A.S. is intended to provide a guarantee after the Issue Date. See "— Post-Closing Actions."

Through a series of intercompany loans relating to the proceeds from the Fixed Rate Notes (the "Fixed Rate Notes Proceeds Loans") and a parallel series of intercompany loans relating to the proceeds from the Floating Rate Notes (the "Floating Rate Notes Proceeds Loans"), (i) the Company intends to document the extension of credit, by way of amendment, modification, replacement and other means, the refinancing of the Existing Notes and the related existing intercompany proceeds loans, to Sub Lecta 2 S.A. (a Luxembourg *société anonyme*), (ii) in turn, Sub Lecta 2 S.A. intends to document the extension of credit, by way of amendment, modification, replacement and other means, the refinancing of the Existing Notes and the related existing intercompany proceeds loans, to Condat Holding S.A.S. (a French *société anonyme*), Lecta HQ S.A., Torraspapel S.A. and Sarriopapel y Celulosa S.A. (each, a Spanish *sociedad anónima*), and (iii) in turn, Torraspapel S.A. intends to document the extension of credit, by way of amendment, modification, replacement and other means, the refinancing of the Existing Notes and the related existing intercompany proceeds loans, to Cartiere del Garda S.p.A., an Italian corporation. The Company's rights under the intercompany loans comprising the Fixed Rate Notes Proceeds Loans, together with the Company's rights under the intercompany loans comprising the Floating Rate 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 Notes, the Intercompany Loans assigned by the Company, Sub Lecta 2 S.A. and Torraspapel S.A. would provide the Trustee with senior claims on behalf of the Note Holders for payment directly against those Subsidiaries who received such loans.

The credit enhancement arrangements for the 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 the Offering Memorandum as Annex A, and you are urged to review that appendix in connection with making your investment decision.

Post-Closing Actions

Promptly following the decision by the works council (*Comité d'Entreprise*) of Condat S.A.S. (which is expected to occur within two to eight months following the Issue Date) in respect of certain matters relating to the Notes, unless authorization is not provided by such works council, Condat S.A.S. shall enter into an indenture supplemental to each of the Indentures relating to the Notes and become a Guarantor of the Notes and certain Collateral will be granted by Condat Holding S.A.S. and Condat S.A.S. to secure their Guarantees of the Notes.

The Indentures will provide that the Company may, within 90 calendar days from the Issue Date, undertake one or more steps in connection with the Permitted Reorganization. No Guarantees or Security in respect of the Notes that is in place on or immediately following the Issue Date shall be released in connection with any steps taken in connection with the Permitted Reorganization. The Issuer and the Guarantors will undertake in the Indentures to provide certain additional Collateral within 90 calendar days after the Issue Date. The nature of the security required to be granted to secure the Notes will depend on whether the Issuer elects to take certain steps contemplated by the Permitted Reorganization. In addition, to the extent that the Intra-Group Receivable is created in connection with the Permitted Reorganization it shall be pledged as Collateral securing the Notes, provided that the pledge shall be released at any time (including subsequent to the 90 day period following the Issue Date) in the circumstances described under "— Release of Collateral." See "Summary — The Transactions and Use of Proceeds — The Refinancing and the Reorganization," "— Certain Covenants — Post-Closing obligations with respect to grant of guarantee and security" and Annex A to the Offering Memorandum for further information.

Guarantees

Each 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 Notes and the Indentures. In addition, each Guarantor will agree to pay any and all costs and expenses (including counsel fees and expenses) incurred by the Trustee or the Holders in enforcing any rights under the Guarantees.

The Guarantee of the Notes by each Guarantor will be a general unsubordinated obligation of such 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 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.

The obligations of each Guarantor under its 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 the Offering Memorandum. The 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 Notes (including any obligation to repurchase the Notes), the Trustee may institute legal proceedings directly against the relevant Guarantor without first proceeding against the Company. The Trustee (acting of its own volition or on the direction of the Holders of a majority in aggregate principal amount of the outstanding Notes), and not the Holders of the Notes individually, may enforce the Guarantees and provide directions to the Security Trustee pursuant to the Intercreditor Agreement to enforce the security for the Guarantees.

Intercompany Loans

Through the Fixed Rate Notes Proceeds Loans and the Floating Rate Notes Proceeds Loans, (i) the Company intends to document the extension of credit, by way of amendment, modification, replacement and other means, the refinancing of the Existing Notes and the related existing intercompany proceeds loans, to Sub Lecta 2 S.A., (ii) in turn, Sub Lecta 2 S.A. intends to document the extension of credit, by way of amendment, modification, replacement and other means, the refinancing of the Existing Notes and the related existing intercompany proceeds loans, to Condat Holding S.A.S., Lecta HQ S.A., Torraspapel S.A. and Sarriopapel y Celulosa S.A. and (iii) in turn, Torraspapel S.A. intends to document the extension of credit, by way of amendment, modification, replacement and other means, the refinancing of the Existing Notes and the related existing intercompany proceeds loans, to Cartiere del Garda S.p.A. Interest will accrue on the Fixed Rate Notes Proceeds Loans and Floating Rate Notes Proceeds Loans at rates at least equal to the interest rates payable on the Fixed Rate Notes and Floating Notes, respectively, with such adjustments as may be necessary to match any Additional Amounts, premium or default interest due with respect to the Fixed Rate Notes or Floating Rate 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 Fixed Rate Notes or Floating Rate Notes, as the case may be, whether at maturity, on early redemption or upon acceleration. Both the Company and Sub Lecta 2 S.A., each of which will be 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.

Security

As noted above, on or immediately following the Issue Date, except as described above under "— Post-Closing Actions," the Notes and the Guarantees will benefit from security granted directly in favor of the Security Trustee (the "Collateral"), as set forth in further detail in Annex A to this offering memorandum.

No appraisals of the Collateral have been prepared by or on behalf of the Company in connection with the issuance of the 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 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 Trustee and the creditors under the Revolving Credit Facility have, and by accepting a 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 Notes, the applicable Indenture (including the Guarantees) and the Security Documents (together, the "Finance Documents"). The Trustee and the creditors under the Revolving Credit Facility have, and by accepting a 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. The security interests in the Collateral securing the Notes, which in respect of enforcement of any Collateral will vote as a single class, will be first ranking except that the New Revolving Credit Facility and certain hedging obligations will be repaid in priority upon enforcement of the Collateral. See "Description of Other Indebtedness — Intercreditor Agreement" for a summary of the Intercreditor Agreement.

Release of Guarantees

Pursuant to the Indentures, the Capital Stock of a 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 Guarantor following which such Guarantor is no longer a Restricted Subsidiary, (ii) all or substantially all of the properties and assets of such 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 Guarantor to another Guarantor in connection with a liquidation or dissolution of such Guarantor; *provided* that such other Guarantor expressly assumes in writing in form satisfactory to the applicable Trustee in its sole discretion all the obligations of such Guarantor under the applicable 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 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 Guarantee provided by a Guarantor also will be released under the relevant Indenture:

(i) upon the valid designation of such 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 relevant Indenture are discharged in accordance with the terms of the relevant Indenture, in each case in accordance with the terms and conditions in the relevant Indenture and the Intercreditor Agreement;

(iii) upon repayment in full of the Notes;

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

(v) in the event that the continued obligations of such Guarantor or the continued existence of such 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 Guarantor; which in each case of (a) and (b) cannot be avoided or otherwise prevented through measures reasonably available to the Company and the Guarantor; and

(vi) as described under "— Amendments and waivers."

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

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 Guarantor (or any of its Subsidiaries), upon designation of the 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 relevant Indenture are discharged in accordance with the terms of the relevant Indenture, in each case in accordance with the terms and conditions in the relevant Indenture and the Intercreditor Agreement;

(iii) upon repayment in full of the Notes;

(iv) upon the surrender of all outstanding Notes issued under the relevant Indenture to the 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;

(viii) in respect of the Intra-Group Receivable, if and to the extent that the Intra-Group Receivable is distributed to Sub Lecta 1 S.A. by way of a (i) reimbursement of share premium and/or (ii) dividend distribution and/or (iii) capital reduction;

(ix) as described under "— Amendments and waivers;"

(x) as described under "— Certain covenants — Limitation on Liens;" or

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

provided such release is permitted by or does not violate the terms of the Intercreditor Agreement.

Upon request of the Company or any Guarantor, in connection with any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition of assets or property permitted by or not prohibited by the relevant 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 relevant 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 relevant 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 Notes in accordance with the provisions set forth under "— Notices," with a copy of such notice to the Trustee in writing, of the occurrence of the Change of Control and will make an offer to purchase (the "Change of Control Offer") the Notes, in whole or in part, in principal amounts of €100,000 and integral multiples of €1,000 above €100,000 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 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 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 Notes must follow to accept the Change of Control Offer.

The Indentures 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 Indentures.

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 Indentures applicable to a Change of Control Offer made by the Company and purchases all 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 Notes, which may in turn lead to a default under the Notes if the Company cannot finance such a repurchase. In addition, the exercise by the Holders of the Notes of their right to require the Company to repurchase the 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 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 and certain events which might otherwise constitute a change of control may not trigger a requirement for us to repurchase the Notes if no rating decline occurs" and "Risk Factors — Risks Related to the Notes — Our substantial indebtedness 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 Indentures 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 Indentures 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 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 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 Indentures will contain, 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 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 Company evidenced by the Notes issued on the Issue Date (not including Additional Notes), (b) of the Guarantors in respect of the Guarantees, including any Additional Guarantees, and (c) any "parallel debt" obligations created under the Intercreditor Agreement, the Security Documents or the Indentures in respect of clauses (a) and (b);

(ii) Debt of the Company or any Restricted Subsidiary (x) Incurred under Credit Facilities (including, without double counting, any Debt to the extent backed by letters of credit, guarantees or bonds issued under Credit Facilities), 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 Credit Facilities and Refinancing Debt in respect thereof under this clause (ii) at any one time outstanding does not exceed €80 million, which amount shall be permanently reduced by any payments made by the Company under a 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) Debt of Polyedra in an amount not to exceed €25 million existing at the time Polyedra becomes a Restricted Subsidiary and (i) such Debt was not Incurred in connection with or in anticipation of Polyedra becoming a Restricted Subsidiary, and (ii) such Debt is related solely to, and results solely from, factoring and the working capital of Polyedra;

(iv) 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 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 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;

(v) 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 €115 million;

(vi) 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;

(vii) 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;

(viii) 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 Indentures; (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;

(ix) 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;

(x) 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;

(xi) 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;

(xii) 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;

(xiii) 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 Indentures;

(xiv) 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;

(xv) Debt of a Person existing at the time that Person becomes a Restricted Subsidiary or assumed in connection with the acquisition of assets 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;

(xvi) 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;

(xvii) Debt of the Company or any Restricted Subsidiary not otherwise described in clauses (i) through (xvi) above (1) outstanding on the Issue Date and disclosed in the Offering Memorandum and (2) any Refinancing Debt Incurred in respect thereof; and

(xviii) Refinancing Debt Incurred in respect of Debt Incurred under the first paragraph of this covenant or under clause (i) or (xv) hereof,

provided, *however*, that, for purposes of determining the compliance of any non-euro-denominated Debt Incurred under clauses (ii), (iii),(v), (vi), (xiv) or (xv) 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 (xvi) 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 Indentures; *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;"

(g) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, following a Public Equity Offering that results in a Public Market of the Capital Stock of the Company or any Holding Company thereof, make payments of dividends on the Capital Stock of the Company up to 6% per annum of the net cash proceeds received by the Company in any such Public Equity Offering or any subsequent Public Equity Offering of such Capital Stock, or the net cash proceeds of any such Public Equity Offering or subsequent Public Equity Offering of such Capital Stock of any Holding Company of the Company that are contributed in cash to the Company's equity (other than through the issuance of Disqualified Stock); *provided* that if such Public Equity Offering was of Capital Stock of a Holding Company of the Company, the net proceeds of any such dividend are used to fund a corresponding dividend in equal or greater amount on the Capital Stock of such Holding Company; and

(h) make additional Restricted Payments in an aggregate amount not to exceed €75 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") involving aggregate payments or consideration in excess of €2 million, 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 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 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 Indentures;

(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 Indentures 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;

(J) payments of any Management Fees; or

(K) any issuance of Capital Stock (other than Disqualified Stock) of the Company to a Permitted Holder or an Affiliate.

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 Notes or a Guarantee, the Notes or such 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 Notes or the Guarantee of such 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.

Any such Lien arising as a result of clauses (1) or (2) above will be automatically and unconditionally released and discharged concurrently with (i) the unconditional release of the Lien which gave rise to such Lien (other than as a consequence of an enforcement action with respect to the assets subject to such Lien) or (ii) as set forth under the heading "— Release of Collateral."

Limitation on guarantees of Debt by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary that is not a 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 Guarantor under any Debt unless:

(1) (A) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for a Guarantee of payment of the 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 Guarantee at least to the same extent as such Subordinated Obligations are subordinated to the 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 Guarantee.

Notwithstanding the foregoing, the Company shall not be obligated to cause any such Restricted Subsidiary to guarantee the Notes to the extent that such 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 Indentures, any 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 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, without limitation, pursuant to the Revolving Credit Facility, and which is disclosed in the Offering Memorandum under the heading "Description of Other Indebtedness";

(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 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 Indentures 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 (vii) 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 Guarantor or Debt of a Subsidiary of the Company that is not a 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 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 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 Indentures, *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 Indentures.

In the event of any Asset Disposition that requires the purchase of Notes pursuant to clause (D), the Company will be required to purchase Notes tendered pursuant to any offer by the Company for 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 Fixed Rate Notes and Floating Rate Notes in the event of oversubscription on the basis of the aggregate amount of each series of Notes tendered) set forth in the Indentures. The Company will not be required to make a Prepayment Offer for 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 Trustee and to each Holder of Notes in accordance with the provisions set forth under "— Notices" a written notice stating that such Holder may elect to have its 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 €100,000 and integral multiples of €1,000 above €100,000 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 Notes to make an informed decision and will contain all instructions and material necessary to tender Notes pursuant to the Prepayment Offer and the procedures for withdrawing such a tender (such procedures as set forth in the Indentures). 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 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 the Trustee

The 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 Indentures, provide to the Trustee a certificate of compliance on an annual basis certifying compliance (or not, as applicable) with such covenants, and the Trustee will be entitled to rely on such certificates absolutely and without further enquiry.

Reports to Holders

For so long as any Notes are outstanding, the Company will provide to the 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 two 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 (other than as set forth in paragraph (c) below), 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;

(c) within:

(A) 60 days following the end of the first two fiscal quarters ending after the Issue Date, quarterly financial statements of the Company containing the following information: an unaudited report of gross debt, cash and net debt as of the end of such quarter and an unaudited report of revenue, tons sold and EBITDA for the most recent quarter; and

(B) 120 days following the end of the first two fiscal quarters ending after the Issue Date, 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 (c)(B)(i) or (c)(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

(d) 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), (b) and (c) 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 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 Indentures will also provide that, so long as any of the 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 Notes or beneficial owner of 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 Notes are listed on the Official List of the Luxembourg Stock Exchange.

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 Qualified 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 indentures in form satisfactory to the Trustee, executed and delivered to the 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 Indentures 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 Trustee, in form satisfactory to the Trustee, an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, transfer or other transaction and the supplemental indentures 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 and that the supplemental indentures, the relevant Indenture and the Notes will be the legal, valid and binding obligations of the Surviving Person or Company, enforceable in accordance with their terms.

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 Indentures, the Surviving Person will succeed to, and be substituted for, and may exercise every right and power of the Company under the Indentures, and the predecessor (except in the case of a lease) and the Company will be released from its obligations under the Indentures.

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 Trustee by the Company by promptly filing with the 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 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 that none of (i) the implementation of a Permitted Reorganization, (ii) the discharge and release of Collateral in accordance with the Indentures or (iii) the Incurrence of Permitted Liens relating to the Collateral securing the Notes will, under any circumstances, be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Holders of Notes, and the Company will not, and will not permit any Restricted Subsidiary to, grant to any Person other than the Trustee or the Security Trustee, for the benefit of the Holders, the 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.

(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) provide for a Permitted Reorganization, (iv) add to the Collateral, (v) provide for the discharge and release of the Collateral in accordance with the Indentures or (vi) 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 Trustee either (1) a solvency opinion, in form and substance reasonably satisfactory to the 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; (2) a certificate from the board of directors or chief financial officer of the Company (acting in good faith) that confirms the solvency of the Person granting such Lien after giving effect to any transaction related to such amendment, extension, renewal, restatement, replacement, supplement, modification or release or (3) an Opinion of Counsel, subject to customary limitations, in form and substance satisfactory to the 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 Notes (other than any Additional 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

Except (a) to the extent necessary in connection with a Permitted Reorganization or (b) in the case of clause (v) below only, to the extent the Company complies with the covenant "Impairment of security interest" and/or provides the documents required by clauses (b)(1), (2) or (3) of such covenant, 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 Fixed Rate Notes and/or the Floating Rate Notes, as applicable; (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 Notes); (v) to assign or novate the Intercompany Loans (except as permitted under the Indentures); or (vi) to amend, modify or alter the Intercompany Loans in any manner materially adverse to the Holders of 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 Notes or have the effect of impairing the Intercompany Loans.

Post-Closing obligations with respect to grant of guarantee and security

(a) The Issuer shall, and shall cause its Subsidiaries to, ensure that, promptly after the receipt by Condat S.A.S. of a decision from its work council (*Comité d'Entreprise*), and in no event later than 15 days after the receipt of such decision, Condat S.A.S. shall provide a Guarantee in favor of the obligations of the Issuer under each of the Floating Rate Notes Indenture and the Fixed Rate Notes Indenture and the Notes, in each case on substantially the same terms and conditions as those set forth in each Indenture and, in connection therewith, execute supplemental indentures in accordance with the relevant provisions of each Indenture.

(b) Contemporaneously with Condat S.A.S. becoming a Guarantor, the Issuer shall, and shall cause its Subsidiaries to, take all necessary actions so that the French Collateral shall be pledged in favor of the Security Trustee on behalf of, and for the benefit of, the holders of the Notes and the Issuer and its Subsidiaries shall execute and deliver, or shall cause the execution and delivery, to the Security Trustee of such further or additional Security Documents in such form as the Security Trustee shall reasonably require creating an effective security interest over the French Collateral on behalf of the holders of the Notes.

(c) Within 90 calendar days from the Issue Date, the Issuer and the Guarantors shall procure that:

(i) either (x) Condat Holding S.A.S. or (y) Torraspapel S.A. and Sarriopapel y Celulosa S.A., shall provide a French law pledge in favor of the Security Trustee over all of the shares in Torraspapel Malmenayde Sarl (*nantissement de parts sociales*);

(ii) either (x) Torraspapel S.A. or (y) Sub Lecta 3 S.A., shall provide an Italian law pledge in favor of the Security Trustee over all of the shares in Cartiere del Garda SpA;

(iii) either (x) Torraspapel S.A. shall provide a French law pledge in favor of the Security Trustee over all of the shares in Condat Holding S.A.S. (*nantissement de compte de titres financiers*) held by it (constituting a 14.5% equity interest in Condat Holding S.A.S.) or (y) Cartiere del Garda SpA shall provide a French law pledge in favor of the Security Trustee over all of the shares in Condat Holding S.A.S. that it acquires from Torraspapel S.A. (such that, after acquiring and pledging the 14.5% equity interest in Condat Holding S.A.S., the entire shareholding of Torraspapel S.A. in Condat Holding S.A.S. amounting to 100% of the equity interests of Condat Holding S.A.S. would be pledged in favor of the Security Trustee);

(iv) if certain steps contemplated by the Permitted Reorganization are taken, Lecta HQ S.A. will issue shares to Sub Lecta 2 S.A. and Sub Lecta 2 S.A. will grant security over such new shares under a Spanish law deed of extension granted in favor of the Security Trustee;

(v) if certain steps contemplated by the Permitted Reorganization are taken, and if Torraspapel S.A. issues new shares pursuant to such steps, then Lecta HQ S.A. will pledge such new shares in favor of the Security Trustee pursuant to a deed of extension between Lecta HQ S.A., Torraspapel S.A. and the Security Trustee; and

(vi) to the extent that the Intra-Group Receivable is created, Sub Lecta 3 S.A. shall provide a Luxembourg law pledge in favor of the Security Trustee of the Intra-Group Receivable.

(d) Upon the granting of the Guarantee by Condat S.A.S. and the granting of the Liens as contemplated in the preceding paragraphs, the Issuer, Condat Holding S.A.S., Condat S.A.S., Sub Lecta 3 S.A. and each other entity that grants a Lien shall provide the Trustee with a legal opinion from counsel as to such matters as provided for in the Indentures.

Suspension of Certain Covenants When Notes Rated Investment Grade

If on any date following the date of the Indentures, (1) the 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 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 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, the Company shall notify the Trustee and then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in the Offering 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 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 Indentures 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 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 relevant Indentures if:

(i) the Company fails to make any payment of interest (including Additional Amounts) on any 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 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 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 Indentures (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 Guarantee ceases to be, or is asserted by any Guarantor, or any Person acting on behalf of any Guarantor, not to be in full force and effect or enforceable in accordance with its terms (other than as provided for in the Indentures or any 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 relevant Indenture and discharge of the relevant Indenture or in accordance with the terms of the relevant 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 Trustee notifies the Company or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding notify the Company and the 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 Indentures shall not constitute an Event of Default.

The Company will deliver to the 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 Trustee, by notice in writing to the Company, or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding by notice to the Company and the Trustee, may, and the Trustee, if directed by Holders of at least 25% in aggregate principal amount of the Notes then outstanding, shall declare the principal of, premium, if any, and accrued interest on all 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 Notes will ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders of the 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 Trustee, the registered Holders of a majority in aggregate principal amount of the 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 Indentures.

The Holders of a majority in aggregate principal amount of the Notes by notice to the 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 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 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 Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indentures or that the Trustee determines is unduly prejudicial to the rights of other Holders or would involve the Trustee in personal liability; *provided, however*, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to taking any action under the Indentures, the Trustee will be entitled to indemnification and/or security satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

A Holder of Notes may not pursue any remedy with respect to the Indentures or the Notes unless: (i) such Holder gives to the Trustee written notice stating that an Event of Default is continuing; (ii) Holders of at least 25% in aggregate principal amount of the Notes then outstanding make a written request to the Trustee to pursue the remedy; (iii) such Holder or Holders offer to the Trustee reasonable security and/or indemnity satisfactory to it against any loss, liability or expense; (iv) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of security and/or indemnity; and (v) the Holders of a majority in principal amount of the Notes do not give the Trustee a written direction inconsistent with the request during such 60-day period.

Notwithstanding the foregoing, the Guarantees and Security Documents may only be enforced by or, as the case may be, at the discretion of the Trustee (acting of its own volition or on the direction of the Holders of a majority in principal amount of the outstanding Notes) (see "— Credit enhancement").

Amendments and waivers

Subject to certain exceptions, each Indenture, each series of 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 Notes then outstanding (including consents obtained in connection with a consent solicitation, tender offer or exchange for the Notes) acting as a single class 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 Notes then outstanding acting as a class. However, without the consent of Holders of at least 90% of the aggregate principal amount of the outstanding Notes affected thereby, no amendment may, among other things, (i) reduce the amount of Notes whose Holders must consent to an amendment, (ii) reduce the rate of or extend the time for payment of interest on any Note, (iii) reduce the principal of or extend the Stated Maturity of any Note, (iv) reduce the premium payable upon the redemption of any Note or change the time or times at which any Notes may or shall be redeemed, (v) make any Note payable in money other than that stated in the Note, (vi) impair the right of any Holder of Notes to institute suit for the enforcement of any payment on or with respect to any Notes, or (vii) release any security that may have been granted in respect of the Notes other than pursuant to the terms of the Security Documents, the Intercreditor Agreement or as otherwise permitted under the Indentures. Notwithstanding the foregoing, the Indentures may be amended with the consent of Holders of $66^2/_3$% of the aggregate principal amount of outstanding Notes to release a Guarantee (if such consent is required by the Indentures).

Notwithstanding the foregoing, if any amendment, waiver or other modification affects only the rights of the Floating Rate Notes or the Fixed Rate Notes, as applicable, the holders of the other series of Notes shall not be required to consent thereto (and in such case, the consent of a majority or 90%, as the case may be, in aggregate principal amount of the affected series of Notes shall be required to consent thereto). For the avoidance of doubt, it is understood and agreed that any matter described in clauses (ii), (iii), (iv) and (v) in the previous paragraph that by its terms applies only to the Floating Rate Notes or the Fixed Rate Notes shall not be deemed to affect the rights of, or require the consent of, the holders of the other series of Notes and shall require only the consent of 90% of the holders of the Floating Rate Notes or the Fixed Rate Notes, as the case may be.

Notwithstanding the foregoing, without the consent of any Holder of the Notes, the Company, the Guarantors, the Security Trustee and the Trustee (as applicable) may, among other things, amend or supplement the Indentures, the 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 Indentures, to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indentures and to make such changes as may be required to the Security Documents to accommodate and implement such issuance of Additional 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 Indentures, to provide for uncertificated Notes in addition to or in place of certificated Notes, evidence and provide for the acceptance and appointment under the Indentures of a successor trustee pursuant to the requirements thereof, comply with the rules of any applicable securities depository, conform the text of the Indentures, the Notes, the Guarantees, the Intercreditor Agreement or the Security Documents to any provision of this "Description of the Notes" to the extent that such provision in the Description of the Notes was intended to be a verbatim recitation of a provision of the Indentures, the Notes, the Guarantees, the Intercreditor Agreement or the Security Documents, to add Guarantees with respect to the Notes or release a Guarantor upon its designation as an Unrestricted Subsidiary or as otherwise permitted by the Indentures; *provided, however*, that the release is in accord with the applicable provisions of the Indentures, to secure the Notes and to amend the mechanical provisions to facilitate release of all or any portion of the Collateral pursuant to the terms of the Indentures, to add to the covenants of the Company for the benefit of the Holders of the 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 Notes.

The consent of the Holders of the Notes is not necessary under the Indentures 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 Indentures by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

After an amendment under the Indentures becomes effective, the Company is required to mail to each registered Holder of the 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 Notes, or any defect therein, will not impair or affect the validity of the amendment.

Additional or Amended Intercreditor Agreements

The Indentures will provide that, at the direction of the Company and without the consent of the Holders of Notes, the Trustee and the Security Trustee shall from time to time enter into an additional intercreditor agreement (each an "*Additional Intercreditor Agreement*") on terms substantially similar to the Intercreditor Agreement or one or more amendments to the Intercreditor Agreement or any Additional Intercreditor Agreement to (A) cure any ambiguity, omission, defect or inconsistency of the Intercreditor Agreement or any Additional Intercreditor Agreement, (B) increase the amount of Debt of the types covered by the Intercreditor Agreement or any Additional Intercreditor Agreement that may be Incurred by the Company or a Guarantor that is subject to the Intercreditor Agreement (including the addition of provisions relating to new Debt ranking equal to or junior in right of payment to the Notes or the Guarantees, as applicable), (C) add Guarantors to the Intercreditor Agreement or any Additional Intercreditor Agreement, (D) further secure the Notes (including Additional Notes), or (E) make any other such change to the Intercreditor Agreement or any Additional Intercreditor Agreement that does not adversely affect the Holders of Notes in any material respect.

The Company shall not otherwise direct the Trustee or the Security Trustee to enter into any Additional Intercreditor Agreement or amendment to the Intercreditor Agreement or any Additional Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted under this covenant, and the Company may only direct the Trustee and the Security Trustee to enter into any amendment to the extent that such amendment does not impose any personal obligations on the Trustee or the Security Trustee or adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Trustee under the Indentures or the Intercreditor Agreement or any Additional Intercreditor Agreement.

Each Holder of Notes, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein). A copy of the Intercreditor Agreement or any Additional 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 Trustee and, for so long as any Notes are listed on the Official List of the Luxembourg Stock Exchange, at the offices of the Paying Agent in Luxembourg.

All references in this "Description of the Notes" to the Intercreditor Agreement shall, where appropriate, also refer to any Additional Intercreditor Agreement.

Satisfaction and Discharge

Each Indenture (and all Liens on Collateral created pursuant to the Security Documents applicable to such Indenture) and the Guarantees applicable to such Indenture will be discharged and will cease to be of further effect (except as otherwise expressly provided for in the applicable Indenture) when either (i) all outstanding Notes issued pursuant to the applicable Indenture have been delivered (other than lost, stolen or destroyed Notes which have been replaced) to the Trustee for cancellation or (ii) all outstanding Notes issued pursuant to the applicable Indenture not theretofore delivered to the 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 Trustee, or such other entity designated by the Trustee for this purpose, cash in euro or euro-denominated European Government Obligations or a combination thereof sufficient to pay at maturity or upon redemption all outstanding Notes issued pursuant to the applicable Indenture, including interest thereon (other than lost, stolen or destroyed Notes which have been replaced), and, in either case, the Company has paid all sums payable by it under the applicable Indenture. The Trustee will be required to acknowledge satisfaction and discharge of the applicable 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 Notes, the Guarantees and the Indentures ("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 Notes may not be accelerated because of an Event of Default. If the Company exercises its covenant defeasance option, payment of the Notes may not be accelerated because of certain Events of Default described under "— Defaults" (not including, among others, Events of Default relating to non-payment, bankruptcy and insolvency events) or because of the failure of the Company to comply with certain covenants specified in the Indentures. If the Company exercises its legal defeasance option or its covenant defeasance option, each Guarantor will be released from all of its obligations with respect to its Guarantee and the Collateral will be released as security for the 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 Trustee, or such other entity designated by the Trustee for this purpose, cash in euro or euro-denominated European Government Obligations or a combination thereof, for the payment of principal of and interest on the Notes to maturity or redemption, as the case may be; (2) the Company delivers to the 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 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 Trustee an Opinion of Counsel satisfactory to the 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 Trustee an Opinion of Counsel satisfactory to the 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 relevant 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 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 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 Trustee; (7) in the case of the covenant defeasance option, the Company delivers to the Trustee an Opinion of Counsel satisfactory to the Trustee in its sole discretion to the effect that the Holders of the 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 Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the defeasance and discharge of the Notes have been complied with as required by the Indentures.

Notices

Notices to Holders of Notes (while any 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 Notes, shall be given by mail to the addresses of Holders of such Notes appearing on the register for such Note, and in each case shall be published (so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange) in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger 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 Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, the Indentures, the 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 Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

Concerning the Trustee

Deutsche Trustee Company Limited will be the Trustee under the Indentures. The Trustee's current specified address is Winchester House, 1 Great Winchester Street, London EC2N 2DB.

The Indentures will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indentures. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indentures, 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 Trustee will be under no obligation to exercise any of its rights or powers under the Indentures (including, without limitation, directing the Security Trustee to enforce any of the Security Documents) at the request of any Holder of Notes, unless such Holder has offered to the Notes Trustee security and/or indemnity satisfactory to it against loss, liability or expense as provided in the Indentures.

The Indentures will provide for the indemnification of the Trustee and for its relief from responsibility in connection with its actions under the applicable Indenture. The Intercreditor Agreement will provide that the 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 Indentures will provide that the 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 Trustee will not be responsible for the adequacy or fitness of any of the Collateral as security in relation to the notes. The 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 Indentures will provide that the Trustee will be permitted to engage in other transactions with the Company; *provided* that if the Trustee acquires any conflicting interest, it must eliminate such conflict or resign.

Paying agent and Registrar for the Notes

The Company will maintain a paying agent for the Notes in (i) the City of London, and (ii) Luxembourg, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange. 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 (the "*Principal Paying Agent*"), 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 Notes are listed on the Official List of the Luxembourg Stock Exchange, 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 Notes*") outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered 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 Notes without prior notice to the Holders of such Notes. However, for so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange, 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 Notes.

Consent to jurisdiction and service of process

The Indentures will provide that the Company and each Guarantor will irrevocably appoint CT Corporation Systems as their agent for service of process in any suit, action or proceeding with respect to the Indentures, the Notes or any 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 Indentures will provide that they, each Guarantee and the Notes will be governed by, and construed in accordance with, the laws of the State of New York. For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg law dated August 10, 1915, on commercial companies, as amended, are excluded. 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 Guarantee*" means a guarantee on the terms set forth in the Indentures of the Company's obligations under the Notes and the Indentures issued by a company that becomes a Guarantor (as defined in the Indentures) in accordance with the terms of the Indentures.

"*Additional 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.

"*Applicable Redemption Premium*" means, with respect to any Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of the Note; and

(b) with respect to any Fixed Rate Note the excess of:

(i) the present value at such redemption date of: (x) the redemption price of such Fixed Rate Note at May 15, 2015 (such redemption price being set forth in the table appearing below the caption "*Optional Redemption — Fixed Rate Notes — Optional Redemption on or after*

May 15, 2015"); *plus* (y) all required interest payments that would otherwise be due to be paid on such Fixed Rate Note during the period between the redemption date and May 15, 2015 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate at such redemption date *plus* 50 basis points; over

(ii) the outstanding principal amount of such Fixed Rate Note,

with respect to any Floating Rate Note, the excess of:

(i) the present value at such redemption date of: (x) the redemption price of such Floating Rate Note at May 15, 2014 (such redemption price being set forth in the table appearing below the caption "*Optional Redemption — Floating Rate Notes — Optional Redemption on or after May 15, 2014*"); *plus* (y) all required interest payments that would otherwise be due to be paid on such Floating Rate Note (assuming that the interest rate per annum on the Floating Rate Note applicable on the date on which notice of redemption was given was in effect for the entire period) during the period between the redemption date and May 15, 2014 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate at such redemption date *plus* 50 basis points; over

(ii) the outstanding principal amount of such Floating Rate Note.

For the avoidance of doubt, calculation of the Applicable Redemption Premium shall not be a duty or obligation of the Trustee or any Paying Agent.

"*Approved Banks*" means banks with capital and surplus in excess of €500.0 million and whose long-term debt is rated "BBB−" or higher by S&P or "Baa3" or higher by Moody's.

"*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 Indentures; *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 Trustee.

"*Bund Rate*" means, with respect to any redemption date, the rate per annum equal to the equivalent yield to maturity as at such redemption date of the Comparable German Bund issue, assuming a price for the Comparable German Bund issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such redemption date, where:

(a) "*Comparable German Bund Issues*" means: (i) with respect to the Fixed Rate Notes, the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to May 15, 2015 and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of Euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Fixed Rate Notes and of a maturity most nearly equal to May 15, 2015; *provided* that if the period from such redemption date to May 15, 2015, is less than one year, a fixed maturity of one year shall be used; and (ii) with respect to the Floating Rate Notes, the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to May 15, 2014 and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of Euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Floating Rate Notes and of a maturity most nearly equal to May 15, 2014; *provided* that if the period from such redemption date to May 15, 2014, is less than one year, a fixed maturity of one year shall be used

(b) "*Comparable German Bund Price*" means, with respect to any redemption date, the average of the Reference German Bund Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Company obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(c) "*Reference German Bund Dealer*" means any dealer of German *Bundesanleihe* securities appointed by the Company in consultation with the Trustee; and

(d) "*Reference German Bund Dealer Quotations*" means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Company of the bid and offered prices for the Comparable German Bund issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany time on the third business day preceding such redemption date.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in any of London, England, Luxembourg, Grand Duchy of 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 "BBB−" or higher by S&P or "Baa3" or higher 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 "A1" 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 five highest ratings categories obtainable from S&P or "Baa" 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 and "A2" 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 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 Notes publicly available, the equivalent or lower rating by a "nationally recognized statistical rating organization or organizations" (as defined in Section 3(a)(62) of the U.S. Exchange 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 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 Notes publicly available, the equivalent higher rating by a "nationally recognized statistical rating organization or organizations" (as defined in Section 3(a)(62) of the U.S. Exchange 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 "— Security."

"*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, (X) 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 and (Y) minus interest income; *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, (C) any Receivables Fees and (D) any expense relating to anticipated payments by customers.

"*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 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, exceptional, unusual or nonrecurring gain, loss, charge or expense; or any charges, expenses or reserves in respect of any restructuring, redundancy or severance; or any expenses, charges, reserves, gains or other costs related to the Refinancing, as well as the tax effects thereof and all reasonable expenses Incurred in connection therewith, (vi) any goodwill or other intangible asset impairment charge or write-off and (vii) the cumulative effect of a change in accounting principles.

"*Credit Facility*" means one or more debt facilities, instruments or arrangements incurred (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, term loans, performance guarantees, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, bonds, notes debentures or other corporate debt instruments or other Debt, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under the Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "*Credit Facilities*" shall include any agreement or instrument (i) changing the maturity of any Debt incurred thereunder or contemplated thereby, (ii) adding Subsidiaries of the Company as additional borrowers, issuers or guarantors thereunder, (iii) increasing the amount of Debt incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

"*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 Indentures; *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. For the avoidance of doubt, if a change to IFRS occurs after the Issue Date and such change results in a recharacterization of a provision into "Debt", such recharacterization shall be disregarded for purposes of the Indentures and such item shall not be classified as "Debt" solely as a result of such reclassification (including, without limitation, a reclassification of any provision reflecting obligations under the put-call arrangements in respect of SVL Pilote Sàrl shares or assets, or Périgord Énergies SNC shares, that arise as a result of any such change to IFRS or as a result of the exercise of any put or call pursuant to such put-call arrangements).

"*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 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 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 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 Notes, including the purchase of any 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 Investors*" means CVC Europe Limited and 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.

"*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.

"*Fixed Rate Notes Guarantee*" means a guarantee of the terms set forth in the Fixed Rate Notes Indenture by a Restricted Subsidiary of the Company's obligations under the Fixed Rate Notes and the Fixed Rate Notes Indenture.

"*Fixed Rate Notes Guarantor*" means each Subsidiary of the Company that issues a Fixed Rate Notes Guarantee pursuant to the terms of the Fixed Rate Notes and the Fixed Rate Notes Indenture.

"*Fixed Rate Notes Indenture*" means the indenture, dated on or about the Issue Date, among the Company, the Fixed Rate Guarantors, Deutsche Trustee Company Limited, as trustee, and the other parties named therein.

"*Fixed Rate Notes Proceeds Loans*" has the meaning ascribed to it in "— Credit enhancement."

"*Floating Rate Notes Guarantee*" means a guarantee on the terms set forth in the Floating Rate Notes Indenture by a Restricted Subsidiary of the Company's obligations under the Floating Rate Notes and the Floating Rate Notes Indenture.

"*Floating Rate Notes Guarantor*" means each Subsidiary of the Company that issues a Floating Rate Notes Guarantee pursuant to the terms of the Floating Rate Notes and the Floating Rate Notes Indenture.

"*Floating Rate Notes Indenture*" means the indenture, dated on or about the Issue Date, among the Company, the Guarantors, Deutsche Trustee Company Limited, as trustee, and the other parties named therein.

"*Floating Rate Notes Proceeds Loans*" has the meaning ascribed to it in "— Credit enhancement."

"*French Collateral*" means (i) a French law pledge by Condat Holding S.A.S. in favor of the Security Trustee of 100% of the shares of Condat S.A.S. (*nantissement de compte*); (ii) a French law charge over business (*fonds de commerce*) by Condat S.A.S. in favor of the Security Trustee; (iii) a French law charge over its bank accounts (*nantissement de solde de compte bancaire*) by Condat S.A.S. in favor of the Security Trustee; and (iv) a French law receivables pledge agreement (*nantissement de créance*) by Condat S.A.S. in favor of the Security Trustee in relation to receivables of Condat S.A.S..

"*Group*" means the Company and its Subsidiaries;

"*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.

"*Guarantees*" means the Fixed Rate Notes Guarantee and the Floating Rate Notes Guarantee.

"*Guarantors*" means the Fixed Rate Notes Guarantors and the Floating Rate Notes Guarantors.

"*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 Note, the Person in whose name such Note is registered in the register maintained by the registrar pursuant to the provisions of the Indentures.

"*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 Indentures, all ratios and calculations based on IFRS contained in the Indentures 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.

"*Indentures*" means the Floating Rate Notes Indenture and the Fixed Rate Notes Indenture.

"*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*" has the meaning ascribed to it in "— Credit enhancement."

"*Intercreditor Agreement*" means the intercreditor deed, dated on or about the Issue Date, among others, the Company, the Guarantors, the 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.

"*Intra-Group Receivable*" means, if and to the extent created in connection with the sale by Sub Lecta 3 S.A. of its interests in the share capital of Cartiere del Garda S.p.A. to Torraspapel S.A., which will then subsequently be transferred to Sub Lecta 2 S.A., in each case pursuant to any Permitted Reorganization, a receivable expected to be approximately €198.6 million owing from Sub Lecta 2 S.A. to Sub Lecta 3 S.A.

"*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.

"*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.

"*Issue Date*" means the date on which the Notes are originally issued.

"*Joint Venture*" means 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).

"*Management Fees*" means payments made by the Company or any of its Restricted Subsidiaries, directly or indirectly, to a Permitted Holder 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; *provided* that such fees will not exceed €0.5 million per annum.

"*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 gradation (+ and — for S&P; 1, 2 and 3 for Moody's; or the equivalent gradation for another Rating Agency) with respect to Rating Categories.

"*Offering Memorandum*" means the offering memorandum in relation to the 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 Trustee.

"*Permitted Debt*" will have the meaning set forth under "— Certain covenants — Limitation on Debt."

"*Permitted Holders*" means the Equity Investors and Related Parties. Any Person or group which, pursuant to an event described under clause (a) or (b) of "— Certain definitions — Change of Control," acquires ownership of the Company, but which event does not constitute a Change of Control, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*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 Qualified 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 Qualified 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 Notes, the 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 Guarantor on the assets of any Guarantor);

(3) Liens securing Refinancing Debt which is Incurred to refinance any Debt which has been secured by a Lien not prohibited under the Indentures; *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 (ix) 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 (viii) of the covenant entitled "— Certain covenants — Limitation on Debt;"

(9) Lien securing Debt permitted to be Incurred pursuant to clauses (xv) or (xvii) 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 a Credit Facility 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 Trustee (or any other trustee) for its compensation and indemnities pursuant to the Intercreditor Agreement or the 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 Notes or the Intercreditor Agreement;

provided that only the Debt referred to in clauses (8) and (13) of this definition of Permitted Liens may be secured by Liens that rank senior to Liens securing the Notes and the Guarantees with respect to distributions of proceeds of any enforcement of Collateral pursuant to the Intercreditor Agreement.

"*Permitted Reorganization*" means certain steps relating to the reorganization of the Group, taking place on or subsequent to the Issue Date, as described and set forth in the Offering Memorandum under the heading "Summary — The Transactions and Use of Proceeds — The Refinancing and the Reorganization — Permitted Reorganization," concluded within 90 calendar days of the Issue Date, *provided* that the percentage of the Group's EBITDA generated by, and the percentage of the Group's total assets held by, the Company and the Guarantors is not materially diminished as a result of such reorganization.

"*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.

"*Polyedra*" means Polyedra S.p.A., Carthago S.r.l and Polyedra AG.

"*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.

"*Public Equity Offering*" means, with respect to any Person, a bona fide underwritten public offering of the ordinary shares or common equity of such Person, either:

(1) pursuant to a flotation on the main market of the London Stock Exchange or the main market of any other nationally recognized regulated stock exchange or listing authority in a European Union Member State; or

(2) pursuant to an effective registration statement under the U.S. Securities Act (other than a registration statement on Form S-8 or otherwise relating to Capital Stock issued or issuable under any employee benefit plan).

"*Public Market*" means any time after:

(1) a Public Equity Offering has been consummated; and

(2) at least 20% of the total issued and outstanding ordinary shares or common equity of the Company (or a Holding Company thereof) has been distributed to investors other than the Equity Investors or any other direct or indirect shareholders of the Company.

"*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 one or more of S&P and Moody's shall not make a rating on the Notes publicly available, a "nationally recognized statistical rating organization or organizations" (as defined in Section 3(a)(62) of the U.S. Exchange 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, 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 Notes is under publicly announced consideration for a possible downgrade by a Rating Agency) of: (i) in the event the Notes are rated by any Rating Agency on the Rating Date below Investment Grade, the rating of the Notes by such Rating Agency within such period being at least one Notch below the rating of the Notes by such Rating Agency on the Rating Date, (ii) in the event the Notes are rated by any Rating Agency on the Rating Date as Investment Grade, the rating of the Notes within such period by such Rating Agency being (A) at least two Notches below the rating of the Notes by such Rating Agency on the Rating Date or (B) below Investment Grade or (iii) any Rating Agency withdrawing its rating of the Notes. In determining how many Notches the rating of the 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 Note, expressed as a percentage of the principle amount set forth in “— Optional redemption” or “— Optional tax redemption,” as applicable.

“*Refinancing*” shall have the meaning assigned to such term in the Offering Memorandum under the caption “Summary — The Transactions and Use of Proceeds.”

“*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 Indentures (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 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 Notes, the Refinancing Debt has a Stated Maturity later than the Stated Maturity of the 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 Notes, such Refinancing Debt shall be subordinated in right of payments to the Notes, with terms no less favorable to the Holders of the 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 Party*” means:

(1) any controlling stockholder, partner or member, or any 50% (or more) owned Subsidiary, or immediate family member (in the case of an individual), of any Equity Investor; or

(2) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding a 50% or more controlling interest of which consist of any one or more Equity Investors and/or such other Persons referred to in the immediately preceding clause.

“*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 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.

"*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.

"*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 Indentures.

"*Senior Debt*" means Debt of the Company or any Guarantor that is not subordinated in right of payment to the Notes or the Guarantee of such Guarantor, as the case may be.

"*Significant Restricted Subsidiary*" means:

(i) each of the 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 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 Guarantees or the 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 applicable 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.

"*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.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE SECURITY INTERESTS

Set out below is a summary of certain limitations on the enforceability of the Guarantees and the security interests in each of the jurisdictions in which the Guarantees and security interests are being provided. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply, and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the security interests or the Guarantees.

Also set forth below is a brief description of certain aspects of insolvency law in the European Union, France, Italy, Luxembourg and Spain. In the event that any one or more of the Issuer, the Guarantors or any other of Lecta S.A.'s subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

European Union

Insolvency

Pursuant to Council Regulation (EC) no. 1346/2000 of May 29, 2010 on insolvency proceedings (the "EU Insolvency Regulation"), the court that 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.

In the event that any of the Issuer, the Guarantors of any of their respective subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer and of the Guarantors.

France

Insolvency

French Guarantors, to the extent that the "centre of our main interests" is deemed to be in France, will be subject to French insolvency proceedings affecting creditors, including court-assisted informal proceedings (*mandat ad hoc* or *conciliation* proceedings) and court-administered insolvency proceedings (safeguard (*sauvegarde*), reorganization or liquidation proceedings (*redressement* or *liquidation judiciaire*)). In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit your ability to enforce your rights under the Notes and/or the guarantees granted by the French Guarantors.

The following is a general discussion of insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the Notes.

Grace Periods

In addition to insolvency laws discussed below, you could, like any other creditors, be subject to Article 1244-1 of the French Civil Code (*Code civil*).

Pursuant to the provisions of this article, French courts may, in any civil proceeding involving the debtor, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the legal rate as published annually by decree) or that payments made shall first be allocated to repayment of the principal rather than interest. A court order made under Article 1244-1 of the French Civil Code will automatically suspend any pending enforcement measures, and any contractual interest or penalty for late payment will not accrue or be due during the period ordered by the court.

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.

Court-assisted Pre-insolvency Proceedings

A French company facing difficulties may request the opening of court-assisted pre-insolvency proceedings (*mandat ad hoc* or *conciliation*) the aim of which is to reach an agreement with the debtor's main creditors. *Mandat ad hoc* and *conciliation* are informal proceedings carried out under the supervision of the president of the court, which do not involve any stay of the proceedings.

French law does not provide for any specific rule in respect of *mandat ad hoc*. In practice, *mandat ad hoc* proceedings are used by debtors that are facing difficulties of an economic or financial nature but are not in a state of cessation of payments (*cessation de paiements*) (i.e., the debtor is considered in a state of cessation of payments where it is unable to pay its debts when they fall due with its liquid assets (taking into account available credit lines and existing rescheduling agreements)). They are confidential and are not limited in time. The agreement reached by the parties (if any) with the help of the court-appointed officer (*mandataire ad hoc*) is reported by the latter to the court but is not sanctioned by the court.

Conciliation proceedings are available to a debtor that faces actual or foreseeable difficulties of a legal, economic or financial nature but which has not been insolvent for more than 45 days. The debtor petitions the Commercial Court for the appointment of a conciliator in charge of assisting the debtor in negotiating with all or part of its creditors and/or trade partners an agreement providing for the restructuring of its indebtedness. Conciliation proceedings are confidential and may last up to five months. During the proceedings, creditors may continue to sue individually for payment of their claims but the debtor retains the right to petition for debt rescheduling pursuant to Article 1244-1 of the Civil Code. Upon its execution, the agreement reached by the parties becomes binding upon them and creditors may not take action against the company in respect of claims governed by the agreement. In addition, without such formalities being an obligation on the parties, the agreement can be either:

- upon all parties' request, acknowledged (*constaté*) by the President of the court, which makes it immediately enforceable; or

- upon the debtor's request, sanctioned (*homologué*) by the Commercial Court if (i) the debtor is not insolvent at the time or if the rescheduling agreement has the effect of putting an end to the debtor's insolvency, (ii) if the rescheduling agreement effectively ensures that the company will survive as a going concern, and (iii) the agreement is not violating the interest of the non signatory creditors; the judgment does not make public the terms of the agreement but discloses the guarantees and priorities (*privilèges*) granted to the creditors.

While the agreement (whether acknowledged, sanctioned or not) is being implemented, any individual proceedings by creditors with respect to the claims included in the agreement are suspended. Subject to having been sanctioned, creditors having extended new credits to the debtor are privileged in future proceedings. In case of breach of the agreement, any party to the agreement can petition the Court for its termination.

Court-administered Proceedings — Safeguard, Reorganization and Liquidation Proceedings

Court-administered proceedings may be initiated:

- in the event of safeguard proceedings, upon petition by the debtor only; and
- in the event of judicial reorganization or liquidation, upon petition by the debtor, any creditor or the public prosecutor, or on the court's own initiative.

The debtor may file for safeguard proceedings at any time it is facing difficulties that it cannot overcome, as long as it is not insolvent. It is required to petition for the opening of judicial reorganization proceedings (if recovery is possible) or judicial liquidation proceedings (if recovery is manifestly not possible) within 45 days of becoming insolvent. If it fails to do so, its directors and officers are subject to civil liability.

The period from the date of the court decision commencing the proceedings (whether a safeguard or a judicial reorganization) to the date on which the court takes a decision on the outcome of the proceedings is called the observation period and may last up to 18 months. During the observation period, a court-appointed administrator, whose name can be suggested by the debtor in safeguard proceedings, investigates the business of the company. In safeguard proceedings, the administrator's mission is limited to either supervising or assisting the debtor's management and assisting it in preparing a safeguard plan for the company. In judicial reorganization proceedings, the administrator's mission is usually to assist the management and to make proposals for the reorganization of the company, which proposals may include the sale of all or part of the company's business to a third party.

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 will entail a restructuring and/or rescheduling of debts and may entail the divestiture of some or all of the debtor's assets and businesses (a sale of the entire business is not possible in a safeguard plan). Unlike in safeguard proceedings, at the end of the observation period of judicial reorganization proceedings and, alternatively to a reorganization plan, the court may determine that all or part of the business should be sold to purchasers who have submitted bids. If the court adopts a safeguard plan, a reorganization plan or a plan for the sale of the business, it can set a time period during which the assets that it deems to be essential to the continued business of the debtor may not be sold without its consent. At any time during safeguard proceedings, the court may convert such proceedings into reorganization proceedings (i) upon its own initiative, if the debtor becomes in a state of cessation of payments, or (ii) at the debtors' request, if the approval of a safeguard plan is manifestly impossible and if the company would become insolvent should safeguard proceedings be closed. At any time during safeguard or reorganization proceedings, the court may convert such proceedings into liquidation proceedings if recovery of the debtor is manifestly impossible.

Creditors' Committees and Adoption of the Safeguard or Reorganization Plan

During the observation period, in the case of large companies (with more than 150 employees or turnover greater than €20 million), two creditors' committees (one for credit institutions having a claim against the debtor and the other for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers) have to be established. To be eligible to vote, suppliers must have their claims set forth in the list provided by the debtor to the administrator as certified by the debtor's statutory auditor.

If there are any outstanding debt securities in the form of *obligations* (such as bonds or notes), a general meeting gathering all holders of such debt securities will be established whether or not there are different issuances and no matter what the applicable law of those *obligations* are (the "bondholders' general assembly"). The Notes constitute *obligations* for the purposes of a safeguard or reorganization proceeding.

These two committees and the bondholders' general assembly will be consulted on the safeguard or reorganization plan drafted by the debtor's management during the observation period.

In the first instance, the plan must be approved by each of the two creditors' committees. Each committee must announce whether its members approve or reject such plan within 30 days of its proposal by the company. Such approval requires the affirmative vote of creditors holding at least two-thirds of the amounts of the claims held by the members of such committee that participated in such vote.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the bondholders' general meeting. The approval of the plan at such meeting requires the affirmative vote of bondholders representing at least two-thirds of the principal amount of the obligations held by creditors who voted in the bondholders' general meeting.

Following approval by the creditors' committees and the bondholders' general meeting, the plan has to be approved (*arrêté*) by the court. In considering such approval, the court has to verify that the interests of all creditors are sufficiently protected. Once approved by the relevant court, the safeguard or reorganization plan accepted by the committees and the bondholders' general meeting will be binding on all the members of the committees and all bondholders (including those who voted against the adoption of the plan). A safeguard or reorganization plan may include debt rescheduling and debt write-offs as well as debt-to-equity swaps.

In the event any of the committees or the bondholders' general meeting has refused to give its consent to the plan, the plan will not be approved by the court and a consultation of the creditors on an individual basis will take place. In those circumstances, the court has the right to impose unilateral debt deferrals for a maximum period of 10 years, but the court may not impose debt write-offs. The same rule applies in respect to creditors who are not members of the committees and who have not consented to the plan as adopted by the two committees and the bondholders' general meeting.

Accelerated Financial Safeguard

Pursuant to the banking and financial regulation law no. 2010-1249 dated October 22, 2010 (which came into force on March 1, 2011), a debtor in the course of *conciliation* proceedings may request commencement of Accelerated Financial Safeguard proceedings. The Accelerated Financial Safeguard procedure has been designed to "fast-track" purely financial difficulties of large companies (with more than 150 employees or turnover greater than €20 million). The procedure relates only to debt owed to financial institutions and bondholders (i.e., debts towards credit institutions which are eligible to creditor's committees and debts towards bondholders, which are eligible to the bondholders' general assembly described above), which are subjected to an automatic stay and dealt with under the safeguard plan. The company continues to trade normally while the procedure is pending, thus reducing significantly the impact of a Safeguard on operational companies. Other classes of creditors, such as trade creditors, are not affected by the procedure.

The Accelerated Financial Safeguard procedure is only available to companies which have failed to agree on a restructuring plan on a unanimous basis in the context of *conciliation* proceedings.

To be eligible to the Accelerated Financial Safeguard, the debtor must fulfill three conditions:

- as is the case for regular safeguard proceedings, the debtor must (i) not be in cessation of payments (*cessation de paiements*) and (ii) face difficulties which it is not in a position to overcome;

- the debtor must be subject to ongoing *conciliation* proceedings when it applies for the opening of the Accelerated Financial Safeguard; and

- in the context of *conciliation* proceedings, the debtor must have prepared a draft safeguard plan to protect its operations in the long run likely to be supported by financial creditors (i.e., credit institutions which are eligible to creditor's committees and bondholders, which are eligible to the bondholders' general assembly described above), representing a two-thirds majority of its financial indebtedness.

Where Accelerated Financial Safeguard is opened, the credit institution committee and the bondholders' general assembly are convened and are required to vote on the proposed safeguard plan within a minimum period of eight days of delivery of the proposed plan (as compared to a minimum period of 15 days for the regular Safeguard).

For their claim to be taken into account in the safeguard plan, creditors that are members of the committee of credit institutions and bondholders must file a proof of claim within two months from the publication of the judgment opening the proceedings as this is the case for regular safeguard proceedings. However, if creditor members of the committee of credit institutions and the bondholders' general assembly do not file their claims within the above-mentioned two-month period, then (i) if they were party to the *conciliation* proceeding, their claims will be assumed to have been filed according to the list of claims established by the debtor and certified by its statutory auditors, which has to be provided to the court at the opening of the proceedings and (ii) if they were not party to the *conciliation* proceedings, their claim will not be enforceable during the Accelerated Safeguard Proceeding and will therefore not be included in the plan.

The total duration of the Accelerated Financial Safeguard (i.e., the period between the judgment opening the Accelerated Financial Safeguard and the judgment adopting the plan) is one month, unless the Court decides to extend it by one additional month.

Status of Creditors during Safeguard, Accelerated Financial Safeguard, Judicial Reorganization or Judicial Liquidation Proceedings

Contractual provisions pursuant to which the opening of the proceedings constitutes an event of default are not enforceable against the debtor, while the court-appointed officer can unilaterally decide to terminate ongoing contracts (*contrats en cours*) which it believes the debtor will not be able to continue to perform. The court-appointed officer can, on the contrary, require that other parties to a contract continue to perform their obligations even though the debtor may have been in default, but on the condition that it fully performs its post-petition contractual obligations.

In addition, during the observation period:

- accrual of interest is suspended (except in respect of loans providing for a term of at least one year, or contracts providing for a payment which is differed by at least one year);
- the debtor is prohibited from paying debts contracted prior to the date of the court decision commencing the proceedings, subject to specified exceptions which essentially cover the set-off of related (*connexes*) debts and payments authorized by the bankruptcy judge to recover assets for which recovery is justified by the continued operation of the business; and
- creditors may not initiate or pursue any individual legal action against the debtor (or a guarantor of the debtor provided such guarantor is an individual) with respect to any claim arising prior to the court decision commencing the proceedings if the objective of such legal action is:
    - to obtain an order for 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 take any action against the debtor, including to enforce the creditor's rights against any assets of the debtor.

In Accelerated Financial Safeguard, the above rules only apply to the creditors which are subject to the Accelerated Financial Safeguard (i.e., credit institutions which are eligible to creditors' committees and bondholders, which are eligible to the bondholders' general assembly described above).

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of proceedings must file a claim with the creditors' representative within two months of the publication of the court decision in the *Bulletin Officiel des annonces civiles et commerciales*; this period is extended to four months for creditors domiciled outside France. Creditors who have not submitted their claims during the relevant period are, except with respect to very limited exceptions, barred from receiving distributions made in connection with the proceedings. Employees are not subject to limitations and are preferential creditors under French law.

If the court adopts a safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan. The court can also set a time period during which the assets that it deems to be essential to the continued business of the debtor may not be sold without its consent.

If the court adopts a plan for the sale of the business (*plan de cession*), the proceeds of the sale will be allocated for the repayment of the creditors according to the ranking of the claims. If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator in charge of selling the assets of the company and settling the relevant debts in accordance with their ranking.

French insolvency law assigns priority to the payment of certain preferred creditors, including employees, officials appointed by the insolvency court, creditors who, as part of the sanctioned *conciliation* agreement, have provided new money or goods or services, post-petition creditors, certain secured creditors essentially in the event of liquidation proceedings and the French State (taxes and social charges).

The "Hardening Period" in Judicial Reorganization and Liquidation Proceedings

The Court determines the date on which the debtor is deemed to have become insolvent. It can be any date within the 18 months preceding the date of the opening of the proceedings. This marks the beginning of the "hardening period" (*période suspecte*). Certain transactions entered into by the debtor during the hardening period are automatically void or voidable by the court.

Automatically void transactions include transactions or payments entered into during the suspect period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no, or nominal, consideration, contracts under which the reciprocal 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 and security granted for debts (including a security granted to secure a guarantee obligation such as the guarantees) previously incurred and provisional measures, unless the right of attachment or seizure predates the date of cessation of payments.

Transactions voidable by the court include payments made on accrued debts, transfers of assets for consideration and notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie- attribution*) and oppositions made during the hardening period, if the court determines that the creditor knew of the insolvency of the debtor.

Creditors' Liability

Pursuant to article L. 650-1 of the French Commercial Code (*Code de commerce*), where insolvency proceedings or safeguard have been commenced, creditors may be held liable for the losses suffered as a result of facilities granted to the debtor on the following grounds (and may only be held liable on those grounds): (i) fraud; (ii) wrongful interference with the management of the debtor; and (iii) the security or guarantees taken to support the facilities are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court.

Limitations on Enforcement of Guarantees

Notwithstanding anything to the contrary in a guarantee provided by a French company, such guarantee will be subject to the following limitations:

- the obligations and liabilities of a French company under its guarantee will not include any obligation or liability which, if incurred, would constitute prohibited financial assistance within the meaning of article L. 225-216 of the French Commercial Code and/or would constitute a "misuse of corporate assets or powers" within the meaning of articles L.242-6 or L.244-1 of the French Commercial Code and/or would constitute a prohibited guarantee under article L.223-11 al.4 of the French Commercial Code or any other law or regulations having the same effect, as interpreted by French courts; and

- the obligations and liabilities of a French company under its guarantee for the obligations of a parent company shall be limited, at any time, to an amount equal to the lesser of (i) the aggregate nominal amount of all notes issued by the parent company and (ii) the amount (if any) directly or indirectly on-lent or permitted to continue to be on-lent or otherwise provided to the French company and/or any subsidiary(ies) of such French company under intercompany loans or similar arrangements and outstanding at the date a payment is to be made by such French company under its guarantee, it being specified that any payment made by a French company under this guarantee shall automatically reduce *pro tanto* the outstanding amount of the relevant intercompany loans or similar arrangements due by such French company to the parent company or its subsidiary(ies).

Accordingly, the guarantees provided by any French company are limited to amounts, that represent either (i) the amount of debt that such French company can be deemed to have had refinanced or continued to have financed with the proceeds of the notes through the intercompany loans, or (ii) the amounts of such proceeds made available to it via the group's cash-pooling arrangements or otherwise.

In addition, if a French company receives, in return for issuing the guarantee, an economic return that is less than the economic benefit such French company would obtain in a transaction entered into on an arms'-length basis, the difference between the actual economic benefit and that in a comparable arms'-length transaction could be taxable under certain circumstances.

Parallel Debt

Under French law, certain "accessory" security interests such as pledges require that the pledgee and the creditor be the same person. Such security interests cannot be held on behalf of third parties who do not hold the secured claim, unless they act as fiduciary under article 2011 of the French Civil Code or as security agent under article 2328-1 of the French Civil Code. The Intercreditor Agreement will provide for the creation of a "parallel debt." Pursuant to the parallel debt, the Security Trustee becomes the holder of a claim equal to each amount payable by an Obligor under the Indentures and the Intercreditor Agreement. The pledges governed by French law will directly secure the parallel debt, and may not directly secure the obligations under the Notes and the other indebtedness secured by the Collateral. In

France, the highest French judicial court (*Cour de cassation*) has set forth in a decision dated September 13, 2011 the conditions under which the concept of parallel debt under New York law would be deemed compatible with French international public order. This decision is not binding on other French courts and there is no assurance that the Parallel Debt would be recognized in each and every case by French courts or will meet such courts' interpretation of the *Cour de cassation* decision, and therefore the ability of the Security Trustee to enforce the Collateral may be restricted. Indeed, such a decision should not be considered to be a general recognition of the enforceability in France of the rights of a security agent benefiting from a parallel debt. To the extent that the security interests created under the parallel debt structure are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of the security interest.

Fraudulent Conveyance

French law contains specific provisions dealing with fraudulent conveyance both in and outside of bankruptcy, the so-called *action paulienne* provisions. The *action paulienne* offers creditors protection against a decrease in their means of recovery. A legal act performed by a person (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third-party's obligations, enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged in or outside bankruptcy of the relevant person by the bankruptcy trustee or receiver in a bankruptcy of the relevant person or by any of the creditors of the relevant person outside bankruptcy, and may be declared unenforceable against third parties if: (i) the person performed such acts without an obligation to do so; (ii) the creditor concerned or, in the case of the person's bankruptcy, any creditor, was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the act was performed both the person and the counterparty to the transaction knew or should have known that one or more of its creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration (*à titre gratuit*) in which case such knowledge of the counterparty is not necessary for a successful challenge on grounds of fraudulent conveyance. If a court found that the issuance of the Notes, the grant of the security interests, or the granting of a Guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes, the granting of the security interests, or the granting of such Guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor that lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the Notes may not enjoy the benefit of the Notes, the Guarantees or the security interests in the Collateral and the value of any consideration that holders of the Notes received with respect to the Notes, the security interests in the Collateral or the Guarantees could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the Issuer or the Guarantors as a result of the fraudulent conveyance.

Italy

Insolvency

In the event of insolvency or financial distress of an entity having its "center of main interests" (as defined in the EU Insolvency Regulation) in Italy, insolvency, reorganization and debt restructuring proceedings will be initiated in Italy.

The insolvency laws of Italy may not be as favorable to your interests as creditors in other jurisdictions with which you may be familiar. In general, Italian creditors' rights and insolvency laws are generally considered to be more favorable to debtors and to the trustee in bankruptcy than the regimes of certain other jurisdictions. In Italy, the courts play a central role in the insolvency process. Moreover, the enforcement of security interests by creditors in Italy can be time consuming.

The following is a brief description of certain aspects of insolvency law in Italy.

The two primary aims of Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the "Italian Bankruptcy Law") are to maintain employment and to liquidate the debtor's assets for the satisfaction of creditors. These competing aims often have been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold.

Under the Italian Bankruptcy Law, bankruptcy must be declared by a court, based on the insolvency (*insolvenza*) of a company. Insolvency occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent, and not a temporary, status, in order for a court to hold that a company is insolvent.

The following debt restructuring and bankruptcy alternatives are currently available under Italian law for companies facing financial difficulties or in a state of temporary crisis, and for insolvent companies.

Restructuring Outside of a Judicial Process (concordati stragiudiziali)

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal arrangements put in place as a result of an out-of-court restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

Out-of-court reorganization plans (piani di risanamento) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law

Out of court debt restructuring agreements are based upon restructuring plans ("*piani di risanamento attestati*") and are prepared by companies for the restructuring of their indebtedness and to ensure the recovery of their financial condition, the reasonableness of which must be assessed by an independent expert.

Debt Restructuring Agreements with Creditors (accordi di ristrutturazione dei debiti)

Out-of-court agreements for the restructuring of indebtedness entered into with creditors representing at least 60% of the outstanding company's debts can be ratified by the court. An expert must assess that the agreement is feasible and, particularly, that it ensures that the nonparticipating creditors can be fully satisfied in a timely manner. Only a debtor who is insolvent or in a situation of "financial distress" (i.e., facing financial distress which does not yet amount to insolvency) can initiate this process and request the court's ratification (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter creditors cannot start or continue any interim relief or enforcement actions over the assets of the debtor in relation to pre-existing receivables. Pursuant to Law Decree No. 78 of May 31, 2010, as converted into Law No. 122 of July 30, 2010 (effective as of July 31, 2010), such moratorium of any interim relief and enforcement actions can also be requested by the debtor to the court prior to the above-mentioned publication of the agreement, subject to the fulfillment of certain conditions set forth under the new paragraphs of Article 182-*bis* of the Italian Bankruptcy Law introduced by the above-mentioned Law Decree No. 78 of May 31, 2010 (as converted into Law No. 122 of July 30, 2010). The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

Creditors may oppose the agreement within 30 days from the publication of the agreement in the companies' register. The court will, after having settled the oppositions (if any), validate the agreement by issuing a decree, which may be appealed within 15 days of its publication.

Court Supervised Pre-bankruptcy Composition with Creditors (concordato preventivo)

A company that is insolvent or in a situation of "financial distress" which has not been declared insolvent by the court, has the option to seek an arrangement with its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such arrangement with creditors can be sought by a company which exceeds certain thresholds (i.e., assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million in each of the three proceeding fiscal years, gross revenues (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three proceeding fiscal years and total indebtedness in excess of €0.5 million). Only the debtor company can file a petition at court for a *concordato preventivo* (together with, among other things, the proposed agreement and independent expert report assessing, among other things, the feasibility of the composition proposal). Between the filing of the *concordato preventivo* proposal with the court and its confirmation by the court, all enforcement actions by the creditors (whose title arose before filing with the court) are stayed. The composition proposal may provide for: (i) the restructuring of debts and the satisfaction of creditors' claims, in any manner, including by way of example, through extraordinary transactions such as the granting to creditors and their subsidiaries or affiliated companies of shares, bonds (also convertible into shares), or other financial instruments and debt securities; (ii) the transfer to a receiver (*assuntore*) of the operations of the business involved in the proposed composition agreement; (iii) the division of creditors into classes; and (iv) different treatments for creditors belonging to different classes. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The court determines whether the proposal for the composition is admissible, in which case the court, among other things, delegates a judge (*giudice delegato*) to follow the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditor meeting. During the implementation of the arrangement, the company is managed by its corporate bodies (generally its board of directors) under the surveillance of such judicial officer(s) and under the supervision of such judge delegated by the court.

The *concordato preventivo* is voted on at a creditors' meeting and must be approved by creditors representing a majority of the unsecured creditors entitled to vote or, where different classes of creditors are formed, by the majority of creditors within each class. Secured creditors do not generally vote on the proposal of *concordato preventivo* unless they waive their security or *the concordato preventivo* provides that they will not receive full satisfaction (in which case they can vote only in respect of the part of the debt affected by the proposal). The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes did not consent) if (i) the majority of the classes has approved the *concordato preventivo* and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through the *concordato preventivo* compared to other solutions.

After the creditors' approval, the court (after having settled possible objections raised by the dissenting creditors, if any) must confirm the *concordato preventivo* proposal by issuing a confirmation order.

If the approval of the *concordato preventivo* fails, the court may, upon request of the public prosecutor or a creditor and after having ascertained the condition for declaration of bankruptcy, declare the company bankrupt.

Bankruptcy (fallimento)

A request to declare a debtor bankrupt and to commence a bankruptcy proceeding (*fallimento*) for the judicial liquidation of its assets can be filed by the same debtor, any number of creditors and, in certain cases, by the public prosecutor. The bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only if certain thresholds are met (i.e., assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million in each of the three proceeding fiscal years, gross revenues (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three proceeding fiscal years and total indebtedness in excess of €0.5 million).

Upon the commencement of bankruptcy proceedings:

- subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular, under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of the secured assets, together with interest and expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. The secured creditor may sell the secured asset only after it has obtained authorization from the designated judge (*giudice delegato*). After hearing the bankruptcy trustee and the creditors' committee, the designated judge decides whether to authorize the sale, and sets forth the timing in its decision;

- the administration of the debtor and the management of its assets pass from the debtor to the bankruptcy receiver (*curatore fallimentare*); and

- any act (including payments) made by the debtor, other than those made through the receiver, after a declaration of bankruptcy with respect to a creditor become ineffective. Although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by Italian Bankruptcy Law.

The bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of the creditors, and is responsible for the liquidation of the assets of the debtor for the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. The Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury and judicial and social authorities. The following features are also to be mentioned:

(1) *Bankruptcy composition with creditors (concordato fallimentare)*. A bankruptcy proceeding can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant petition can be filed by one or more creditors, third parties or the receiver starting from the declaration of bankruptcy, whereas the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration but before two years from the decree giving effectiveness to the bankruptcy's estate. The petition may provide for the division of creditors into classes (thereby proposing different treatments among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The petition may provide the possibility that secured claims are paid only in part. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority of claims (and, if classes are formed, by a majority of the claims in a majority of the classes). Final court confirmation is also required.

(2) *Statutory priorities*. The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other EU jurisdictions. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors, including the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priorities of claims are, in order of priority, to the claims of as related to secured creditors (*creditori privilegiati*; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgages (*creditori ipotecari*), pledges (*creditori prignoratizi*) and unsecured creditors (*crediti chirografari*). Under Italian law, the proceeds from the sale of the bankrupt's estate are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles. The law creates a hierarchy of claims that must be strictly adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate a part thereof, or from a single asset.

(3) *Avoidance powers in insolvency*. Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian law which may give rise, among other things, to the revocation of payments or to the granting of security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions with which you may be familiar.

In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances) and a two-year ineffectiveness period for certain other transactions.

In particular, the Italian Bankruptcy Law distinguishes between acts or transactions that are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner:

(a) *Acts ineffective by operation of law*. (i) Under article 64 of the Italian Bankruptcy Law, all transactions entered into for no consideration are ineffective vis-à-vis creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration, and (ii) under article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective vis-à-vis creditors, if made by the bankrupt entity in the two-year period prior to the insolvency declaration.

(b) *Acts that may be avoided at the bankruptcy receiver's request*. These can include the following:

(i) The following acts and transactions, if made during the vulnerability period or such other period specified below, may be avoided and declared ineffective, unless the other party proves that it had no actual or constructive knowledge of the debtor's insolvency:

- transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;

- payments of debts, due and payable, made by the bankrupt entity which were not paid in cash or by other customary means of payment in the year before the insolvency declaration;

- pledges and mortgages granted by the bankrupt entity in the year before the insolvency declaration in order to secure preexisting debts which have not yet fallen due; and

- pledges and mortgages granted by the bankrupt entity in the six months before the insolvency declaration in order to secure mature debts.

(ii) The following acts and transactions, if made during the vulnerability period or such other period specified below, may be avoided and declared ineffective if the bankruptcy receiver proves that the other party knew that the bankrupt entity was insolvent:

(a) the payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months before the insolvency declaration; and

(b) deeds granting preemptive rights in favor of debts (even those of third parties) which are simultaneously created and made within six months before the insolvency declaration.

(iii) The following transactions are exempt from claw-back actions:

(a) a payment for goods or services made in the ordinary course of business according to market practice;

(b) a remittance on a bank account, *provided* that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;

(c) the sale, including an agreement for sale registered pursuant to Article 2645-*bis* of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship);

(d) transactions entered into, payments made and guarantees issued with respect to the bankrupt entity's goods, provided that they concern the implementation of a plan (*piano attestato*) which permits for the restructuring of the debt and for the improvement of its financial position, *provided* that such plan reasonable according to an expert registered in the accounting auditors' register and eligible to be appointed as a bankruptcy receiver, as provided for by Art.2501-*bis*, para.4 of Article 2501-*bis* of the Italian Civil Code;

(e) a transaction entered into, payment made or guarantee issued to implement a *concordato preventivo* or an *accordo di ristrutturazione dei debiti* under Art. 182-*bis* of the Italian Bankruptcy Law;

(f) remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and

(g) payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared void within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*). Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, *provided* that the bankrupt entity was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the bankruptcy entity for the purpose of prejudicing the bankrupt entity) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third person participated in the fraudulent design).

Extraordinary Administration for Large Insolvent Companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)

There is an extraordinary administration procedure available under Italian law for large industrial and commercial enterprises (commonly referred to as the "*Prodi-bis*" procedure). Companies must be insolvent although able to demonstrate serious recovery prospects. To qualify for this procedure, the company must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income from sales and services during its last financial year. The procedure may be commenced by petition of the creditors, the debtor, a court or the public prosecutor. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to an extraordinary administration proceeding. There are two main phases — an administrative phase and a judicial phase.

In the administrative phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints a judicial receiver (or up to three) (*commissiario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver submits a report to the court (within 30 days) together with an opinion from the Italian Productive Activities Minister (the "Ministry"). The court has 30 days to decide whether to admit the company to the procedure or place it into bankruptcy.

Assuming that the company is admitted to the extraordinary administration procedure, the judicial phase begins and the extraordinary commissioner(s), appointed by the Ministry, prepare a restructuring plan. The plan can provide for either the sale of the business as a going concern within one year (unless extended by the Ministry) (the "Disposal Plan") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "Recovery Plan"). It may also include an arrangement with creditors (e.g., debt for equity swap, an issue of shares in a new company to whom the assets of the company have been transferred, etc.) (*concordato*). The plan must be approved by the Ministry. The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan; however, should either Plan fail, the company will be declared bankrupt, failing which the company is declared bankrupt.

Industrial Restructuring of Large Insolvent Companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

There is a new extraordinary administration procedure introduced in 2003, known as the "Marzano procedure." It is complementary to the *Prodi-bis* procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to be faster than the *Prodi-bis* procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the administrative phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt. The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) has 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

Compulsory Administrative Winding-up (liquidazione coatta amministrativa)

A compulsory administrative winding-up (*liquidazione coatta amministrativa*) is only available for public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be made subject to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. It is a special sort of insolvency proceeding in that the entity is liquidated not by the bankruptcy court but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity but also by other grounds expressly provided for by the relevant legal provisions (e.g., in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

Unlike bankruptcy proceedings, the primary purpose of this proceeding is to withdraw the entity from the market in which it is active. The sale and distribution of the entity's assets to satisfy creditors' claims is secondary to this purpose. The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions will be monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect of the forced administrative winding-up on creditors is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to a compulsory administrative winding-up.

Limitation on Enforcement of Guarantees and Security Interests

Corporate Benefit and Financial Assistance Issues Affect the Italian Guarantor's Ability to Grant the Guarantee

Under Italian Law the guarantee obligations under the Indenture of Cartiere del Garda S.p.A. (the "Italian Guarantor") are subject to compliance with the rules on corporate benefit and corporate authorization. If the guarantee is being provided in the context of an acquisition, group reorganization or restructuring, financial assistance issues may also be triggered.

An Italian company granting a guarantee must receive a real and adequate benefit in exchange for the guarantee. While corporate benefit for a downstream guarantee is usually self-evident, the validity and effectiveness of an upstream or cross-stream guarantee granted by an entity organized under the laws of Italy (such as the Guarantee to be granted by the Italian Guarantor with respect to the Notes) depends on the existence of a real and adequate benefit in exchange for the guarantee. The concept of real and adequate benefit is not defined in the applicable legislation and is determined on a case by case basis. In particular, in the case of upstream and cross-stream guarantees for the financial obligations of group companies, examples of real and adequate benefits include financial consideration in the form of a guarantee fee or access to cash flows in the form of intercompany loans from other members of the group.

The general rule is that the risk assumed by the Italian Guarantor must not be disproportionate to the direct or indirect economic benefit to the guarantor. To this extent, customary "limitation language" is usually inserted in indentures, credit agreements and guarantees for the purpose of limiting the amount guaranteed by the guarantor to an amount that is proportionate to the direct or indirect economic benefit that the guarantor derives from a transaction.

Absence of a real and adequate benefit could render the Guarantee to be provided by the Italian Guarantor *ultra vires* and potentially affected by conflict of interest. Thus, civil liabilities may be imposed on the directors of the Italian Guarantor if it is determined that it did not act in the best interest of the Italian Guarantor and that the acts they carried out do not fall within the corporate purpose of the Italian Guarantor. Any lack of corporate benefit might also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over the Italian Guarantor or having knowingly received an advantage or profit from such improper control. Moreover, the Guarantee to be provided by the Italian Guarantor could be declared null and void if the lack of corporate benefit was known or is presumed to be known by the third party and such third party acted intentionally against the interest of the Italian Guarantor.

The rules on corporate benefit apply equally to security instruments provided by subsidiaries in relation to the financial obligations of their parent or sister companies.

As to corporate authorizations and financial assistance, the granting of a guarantee (such as the Guarantee to be granted by the Italian Guarantor with respect to the Notes) or security by an Italian company must be permitted by the by laws (*statuto*) of the Italian company and cannot include any liability which would result in unlawful financial assistance within the meaning of article 2358 and article 2474 (as the case may be) of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company (including those set forth in the form of an S.r.l.) to give financial assistance (whether by means of loans, security, guarantees or otherwise) for the acquisition of its own shares by a third party. Financial assistance for the refinancing of indebtedness originally incurred for the purchase or subscription of its own shares or those of its direct or indirect holding company might also be construed as a violation. In addition, directors may be personally liable for failure to act in the best interests of the company.

In accordance with Article 2358 or 2474 (as the case may be) of the Italian Civil Code, any guarantee, indemnity, obligations and liability granted or assumed pursuant to the Guarantee by the Italian Guarantor for amounts lent to acquire directly or indirectly the shares or quotas of the Italian Guarantor and/or shares of its direct or indirect holding company shall be expressly excluded from such Italian Guarantor's undertaking hereunder.

Fraudulent Conveyance Laws and Other Limitations on the Enforceability and the Amount of the Guarantee May Adversely Affect the Validity and Enforceability of the Guarantee

The Indentures will provide that the Guarantees will be limited to the maximum amount that can be guaranteed by the Italian Guarantor without rendering the Guarantee voidable or otherwise ineffective under the Italian law. Recent case law has called into doubt whether such limitations are valid to permit a portion of a guarantee that would otherwise be a fraudulent conveyance to survive. Moreover, enforcement of the Guarantee would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance laws, a court could subordinate or void any Guarantee and, if a payment had already been made under the relevant Guarantee, require that the recipient return the payment to the Italian Guarantor if it found that:

- the Guarantee was incurred with actual intent to hinder, delay or defraud current or prospective creditors or shareholders of the Italian Guarantor or even when the recipient was simply aware that the Italian Guarantor was insolvent when it granted the Guarantee;

- the Italian Guarantor did not receive fair consideration or reasonably equivalent value for incurring the debt represented by the Guarantee;

- the Italian Guarantor was insolvent or was rendered insolvent because of the Guarantee;

- the Italian Guarantor was undercapitalized or became undercapitalized because of the Guarantee;

- the Italian Guarantor intended to incur, or believed that it would incur, debts beyond its ability to pay at maturity;

- the Guarantee was held to exceed the corporate objects of the Italian Guarantor or not to be in the best interests or for the corporate benefit of the Italian Guarantor;

- the amount paid or payable under the Guarantee was in excess of the maximum amount permitted under applicable law; or

- the corporate resolution approving the granting of the Guarantee was resolved upon by person(s) acting in conflict of interest with the Italian Guarantor.

Luxembourg

Insolvency

The following is a brief description of certain aspects of insolvency law in Luxembourg. As described above, in the event that Lecta S.A. or a Luxembourg Guarantor experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under U.S. bankruptcy laws. Under Luxembourg law, the following types of proceedings (together referred to as "insolvency proceedings") may be initiated against a company incorporated in Luxembourg having its "centre of main interests" (within the meaning of EU Council Regulation No. 1346/2000 of May 29, 2000 on insolvency proceedings (the "EUIR")) or an establishment in Luxembourg (in the latter case assuming that the centre of main interests is located in a jurisdiction where the EUIR is applicable):

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the company, by any of its creditors or by the courts *ex officio*. Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings if the company: (i) is in a state of cessation of payments (*cessation des paiements*) and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*). The main effect of such proceedings is the sale of the assets and allocation of the proceeds of such sale between creditors taking into account their rank of privilege, as well as the suspension of all measures of enforcement against the company, except, subject to certain limited exceptions, for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets. In addition, the managers or directors of a Luxembourg company that ceases its payments (i.e., is unable to pay its debts as they fall due with normal means of payment) must within a month of them having become aware of the company's cessation of payments, file a petition for bankruptcy (*faillite*) with the court clerk of the district court of the company's registered office. If the managers or directors fail to comply with such provision they may be held (i) liable towards the company or any third parties on the basis of principles of directors' liability for any loss suffered and (ii) criminally liable for simple bankruptcy (*banqueroute simple*) in accordance with article 573 of the Luxembourg Commercial Code.

- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the company and not by its creditors and under which a Luxembourg court may order the provisional stay of enforcement of claims except for secured creditors (please see the below applicable provision of the law as of August 5, 2005); or

- composition proceedings (*concordat préventif de faillite*), the opening of which may only be requested by the company (subject to obtaining the consent of the majority of its creditors) and not by its creditors directly. The Luxembourg court's decision to admit a company to composition proceedings triggers a provisional stay on enforcement of claims by creditors except for secured creditors (see the below applicable provisions of the law as of August 5, 2005).

- In addition to these proceedings, your ability to receive payment on the Notes may be affected by a decision of a Luxembourg court to grant a stay on payments (*sursis de paiement*) or to put a Luxembourg company into judicial liquidation (*liquidation judiciaire*). 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 serious breach or violation of the Luxembourg Commercial Code or of the Luxembourg law dated August 10, 1915 on commercial companies, as amended. The management of such liquidation proceedings will generally follow similar rules as those applicable to Luxembourg bankruptcy proceedings.

Liability of the Luxembourg companies in respect of the Notes will, in the event of a liquidation of the company following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and any claims that are preferred under Luxembourg law. Preferential claims under Luxembourg law include, among others:

- remuneration owed to employees (last six months' wages amounting to a maximum of six times the minimum social salary);
- employees' contributions to social security;
- amounts owed to the Luxembourg Revenue (including direct and indirect taxes);
- the employer's contribution to social security;
- landlord, pledgor not under the Financial Collateral Law (as defined herein); and
- unsecured creditors.

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

More-favorable rules apply in relation to security interests of claims or financial instruments securing monetary claims (or claims for the delivery of financial instruments). In such a case, the act dated August 5, 2005 concerning financial collateral arrangements, as amended (the "Financial Collateral Law") applies. Article 20 of the Financial Collateral Law provides that all Luxembourg law collateral arrangements (pledges, security assignments and repo agreements) over claims and financial instruments, as well as all enforcement measures and valuation and enforcement measures agreed upon by the parties in accordance with this law, are valid and enforceable even if entered into during the preference period (*periode suspecte*) against third parties, commissioners, receivers, liquidators and other similar persons notwithstanding the insolvency proceedings (save in the case of fraud).

Article 24 of the Financial Collateral Law provides that foreign law security interests over claims or financial instruments granted by a Luxembourg pledgor will be valid and enforceable as a matter of Luxembourg law notwithstanding any Luxembourg insolvency proceedings, if such foreign law security interests are similar in nature to a Luxembourg security interest falling within the scope of the Financial Collateral Law. If article 24 applies, Luxembourg preference period rules are disapplied (save the case of fraud).

Article 21(2) of the Financial Collateral Law provides that where a financial collateral arrangement has been entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, such arrangement is enforceable against third parties, administrators, insolvency receivers, liquidators and other similar persons if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of such proceedings, measures or arrangement.

Impact of Insolvency Proceedings on Transactions

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. Other than as described above, the ability of certain secured creditors to enforce their security interests may also be limited, particularly in the event of controlled management proceedings expressly providing that the rights of secured creditors will be frozen until a final decision has been taken by a Luxembourg court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganization order requires the prior approval by more than 50% of the creditors representing more than 50% of the relevant Luxembourg company's liabilities in order to take effect.

Furthermore, you should note that declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

Luxembourg insolvency laws may also affect transactions entered into or payments made by a Luxembourg company during the preference period (*période suspecte*) which is a maximum of six months plus 10 days preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date. In particular:

- pursuant to article 445 of the Luxembourg Code of Commerce (*Code de commerce*), specified transactions (including the granting of a security interest for antecedent debts save in respect of financial collateral arrangements within the meaning of the Financial Collateral Law; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; and the sale of assets without consideration or with substantially inadequate consideration) entered into during the preference period (or the 10 days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;

- pursuant to article 446 of the Luxembourg Code of Commerce, payments made for matured debts as well as other transactions concluded for consideration during the preference period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt party's cessation of payments; and

- pursuant to article 448 of the Luxembourg Code of Commerce and article 1167 of the Civil Code (*action paulienne*), the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in the automatic termination of contracts except for employment agreements and powers of attorney. The contracts, therefore, subsist after the bankruptcy order. However, the bankruptcy receiver may choose to terminate certain contracts so as to avoid worsening the financial situation of the company. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate. Insolvency proceedings may hence have a material adverse effect on the relevant Luxembourg company's business and assets and the Luxembourg company's respective obligations under the Notes.

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to the EUIR. In particular, rights *in rem* over assets located in another jurisdiction where the EUIR will not be affected by the opening of insolvency proceedings, without prejudice, however, to the applicability of rules relating to the voidness, voidability or unenforceability of legal acts detrimental to all the creditors (subject to the application of article 24 of the Financial Collateral Law as described above and article 13 of the EUIR).

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 "centre of main 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 court 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*). 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 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, among others:

- remuneration owed to employees (last six months' wages amounting to a maximum of six times the minimum social salary);

- employees' contributions to social security;
- amounts owed to the Luxembourg Revenue (including direct and indirect taxes);
- the employer's contribution to social security;
- landlord, pledgor not under the Financial Collateral Law (as defined herein); and
- unsecured creditors.

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 will be 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 "preference period" (which is a maximum of six months and 10 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."

Limitation on Enforcement of Guarantees and Security Interests

Guarantees

The Luxembourg Guarantors will guarantee certain obligations under the Notes.

The Luxembourg law dated August 10, 1915 on commercial companies, as amended, does not provide for rules governing the ability of a Luxembourg company to guarantee the indebtedness of another entity of the same group. It is generally held that within a group of companies, the corporate interest of each individual corporate entity should, to a certain extent, be tempered by and subordinated to the interest of the group. A reciprocal assistance from one group company to another does not necessarily conflict with the interest of the assisting company. However, this assistance must justified by a group policy, be in proportion with the real financial means of the assisting company (which in relation to upstream or cross-stream guarantees may be addressed by guarantee limitations) and have a reciprocal character. A guarantee not satisfying these criteria would expose its *de facto or de jure* directors or managers to personal liability or criminal liability. In addition, the guarantee or security interest could itself be held unenforceable. The Guarantee granted by the Luxembourg Guarantors will be limited to a certain percentage of, among other things, the company's net worth (*capitaux propres*).

The granting of the Guarantee or of the security interests also needs to be part of the corporate object of the Luxembourg Guarantors.

Security Interests

Assets over which a valid security right 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). Under Article 20 of the Luxembourg Act dated August 5, 2005 on financial collateral arrangements, as amended (the "Collateral Act"), all collateral arrangements in respect of assets over which Luxembourg security rights have been granted, as well as all enforcement measures and valuation and enforcement measures agreed upon by the parties in accordance with the Collateral Act, are valid and enforceable against third parties, insolvency receivers, liquidators and other similar persons notwithstanding the insolvency proceedings and even if entered into during the pre-bankruptcy period (*période suspecte*) (in all cases except in case of fraud).

Security rights granted by any of the Luxembourg Guarantors that are governed by a law other than Luxembourg law are subject to Article 24 of the Collateral Act, which provides that a foreign law security right granted by a Luxembourg grantor will be valid and enforceable as a matter of Luxembourg law notwithstanding any Luxembourg insolvency proceedings, if such foreign law security right is similar in nature to a Luxembourg financial collateral arrangement falling within the scope of the Collateral Act (i.e., a pledge or transfer of title by way of security covering financial instruments and/or monetary claims). Notwithstanding the foregoing, a foreign security that is not of a similar legal nature to a Luxembourg security right, where it covers collateral located in a Member State (other than Luxembourg) of the European Union party to the EU Insolvency Regulation will not be affected by Luxembourg insolvency proceedings.

Spain

Insolvency

Under the current Spanish Insolvency Law, a debtor is considered insolvent when it cannot possibly comply with its due obligations on a regular basis or when it expects that it will shortly be unable to do so. 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.

There is no clawback date by operation of law. Therefore, there are no prior transactions that automatically become void as a result of the initiation of insolvency proceedings but instead the insolvency administrators must expressly challenge those transactions. Under the current Spanish Insolvency Law, upon a 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 (unless such obligations were guaranteed by means of an *in rem* security) 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 preexisting obligation or a new obligation that replaces an existing one, and those payments or other acts extinguishing obligations which would have become due after the declaration of insolvency and which are guaranteed by means of an *in rem* security, 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 and some kinds of refinancing arrangements meeting certain legal requirements set forth in Article 71 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 particularly 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 the costs and expenses of the insolvency proceedings, and 50% of the funds lent under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71, 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 Spanish Insolvency Law provides that insolvency proceedings conclude following either the implementation of an agreement between the creditors and the debtor (the "Company Voluntary Agreement" or the "CVA") or the liquidation of the debtor.

Creditors are required to report their claims to the insolvency administrators within one month from the last official publication of the court order declaring the insolvency, providing original documentation to justify such claims. Based on the documentation provided by the creditors and documentation held by the debtor, the court administrators draw up a list of acknowledged creditors/claims and classify them according to the categories established in the Spanish Insolvency Law:

- Creditors benefiting from special privileges, representing security on certain assets (*in rem* sureties). These privileges may entail separate proceedings, although subject to certain restrictions derived from a waiting period that may last up to one year. Privileged creditors are not subject to the CVA, except if they give their express support by voting in favor of the CVA. In the event of liquidation, they are the first to collect payment against the assets on which they are secured. However, the receiver has the option to halt any enforcement of the securities and pay these claims as administrative expenses under specific payment rules.

- Creditors benefiting from a general privilege, including, among other things, specific labor claims and specific claims brought by public entities or authorities, which are recognized for half their amount, and claims held by the creditor taking the initiative to apply for the insolvency proceedings, for up to 50% of the amount of such debt and the funds lent under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71 (in the amount not admitted as a debt against the insolvency estate). The holders of general privileges are not to be affected by the CVA if they do not agree to the said CVA (but instead their claims are affected by its terms) and, in the event of liquidation, they are the first collecting payment, in accordance with the ranking established under the Spanish Insolvency Law.

- Ordinary creditors (non-subordinated and non privileged claims) will be paid pro rata.

- Subordinated creditors (so classified by virtue of an agreement or pursuant to law), include, among others, credits communicated late (outside the specific one-month period mentioned above); credits which are contractually subordinated vis-à-vis all other credits of the debtor; credits relating to surcharge and unpaid interest claims (including default interest) except for those credits secured with an *in rem* right up to the secured amount; fines; and loans or similar transactions granted by those creditors which are "specially related parties" to the insolvent debtor.

In the case of a legal entity, the following shall be deemed to be "specially related parties": (i) shareholders with unlimited liability; (ii) limited liability shareholders holding 10% or more of the insolvent company's share capital (or 5% if the company is listed); (iii) directors and those holding general powers of attorney from the insolvent company; and (iv) companies pertaining to the same group as the debtor and their common shareholders, *provided* such shareholders meet the minimum shareholding requirements set forth in (ii) above.

Subordinated creditors do not have the right to vote at the creditors' meeting (whereby the CVA is approved or rejected) and have limited chances of collection according to the ranking established in the Spanish Insolvency Law.

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings. When compatible, in order to protect the interests of the debtor and creditors, the Spanish Insolvency Law extends the jurisdiction of the court dealing with insolvency proceedings, which is then legally authorized to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labor or administrative law).

Applicable Jurisdiction

The applicable jurisdiction to conduct an insolvency proceeding is the one in which the insolvent party has its "centre of main 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 "centre of main interests" are considered to be the "principal insolvency proceedings" and have universal reach affecting all the assets of the insolvent party worldwide. If the "centre of main 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 "centre of main interests" 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 guarantors' 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.

Limitations on Enforcement of Guarantees and Security Interests

Under Spanish law, claims may become time-barred (15 years being the general term established for obligations in personam under Article 1,964 of the Spanish Civil Code (*Código Civil*)) or may be or become subject to the defense of set-off or counterclaim.

The terms "enforceable," "enforceability," "valid," "legal," "binding" and "effective" (or any combination thereof) mean that all the obligations assumed by the relevant party under the relevant documents are of a type enforced by Spanish courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms. In particular, enforcement before the courts will in any event be subject to:

- the nature of the remedies available in the courts; and
- the availability of defenses such as (without limitation), set-off (unless validly waived), fraud (*fraude de ley*), abuse in the exercise of rights (*abuso de derecho*), misrepresentation, force majeure, unforeseen circumstances, undue influence, duress, abatement and counterclaim.

In general terms, under Spanish law, any guarantee, pledge or mortgage must guarantee or secure another obligation to which it is ancillary, which must be clearly identified in the relevant guarantee or security agreement. Therefore, the guarantee or security interest follows the underlying obligation in such a way that nullity of the underlying obligation entails nullity of the guarantee or security and termination of the underlying obligation entails termination of the guarantee or security. In the event that the security providers are able to prove that there are no existing and valid guaranteed obligations, Spanish courts may consider that the security providers' obligations under the relevant guarantees or securities are not enforceable.

The obligations under the Guarantee granted by a Spanish Guarantor:

- shall not extend to any use of the proceeds of the Notes for the purpose of acquiring shares representing the share capital of such Spanish Guarantor or shares representing the share capital of its holding company, or refinancing a previous debt incurred for the acquisition of shares representing the share capital of such Spanish Guarantor or shares representing the share capital of its holding company; and
- shall be deemed not to be undertaken or incurred by the Spanish Guarantor to the extent that the same would constitute unlawful financial assistance within the meaning of Article 150 of the Spanish Companies Act (*Real Decreto Legislativo 1/2010, de 2 de Julio,* approving *Texto Refundido de la Ley de Sociedades de Capital*), and, in that case, all provisions of such Guarantee shall be construed accordingly in the sense that, in no case can any Guarantee or security given by the Spanish Guarantor secure repayment of the above mentioned funds.

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.

BOOK-ENTRY, DELIVERY AND FORM

General

Each series of Notes sold to qualified institutional buyers in reliance on 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, on the Issue Date, 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 ("Rule 144A Book-Entry Interests") and ownership of interests in the Regulation S Global Notes (the "Regulation S Book-Entry Interests" and, together with the Rule 144A 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 depositories. Except under the limited circumstances described below, Book-Entry Interests will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. The Book-Entry Interests in Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The laws of some jurisdictions, including certain 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 registered owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of the Global Notes for all purposes under the respective Indentures. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the respective Indentures.

None of the Issuer, the Guarantors, the Trustee or the Agents or any of their respective affiliates will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

For the purpose of Luxembourg law, ownership of the Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them 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 and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate unless otherwise required by law or applicable stock exchange or depositary requirements.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the relevant Global Notes (including principal, premium, if any, interest and Additional Amounts, if any) to the Principal Paying Agent. The Principal Paying Agent will, in turn, make such payments to the common depositary or its nominees for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective customary procedures. All payments required to be made by the Issuer with respect to the Notes, or by any Guarantor under its Guarantee, will be made free and clear of, and 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 and as described under "Description of the Notes — Additional Amounts." If any such deduction or withholding is required to be made, then, to the extent as described under "Description of the Notes — Additional Amounts," the Issuer will pay additional amounts as may be necessary in order for the net amounts received by any holder of the relevant Global Notes or owner of Book-Entry Interests after such deduction or withholding to 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. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the respective Indentures, the Issuer, the Trustee and the relevant Agents will treat the registered holders 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, none of the Issuer, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or 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;

- Euroclear, Clearstream or any participant or indirect participant; or

- the records of the common depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

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 to holders of interest in such Notes (the "Holders") through Euroclear and/or Clearstream 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 a Note (including the presentation of Notes for exchange as described above) 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 relevant Notes, each of Euroclear and Clearstream, at the request of the holders of such Notes, reserve the right to exchange the Global Notes for definitive registered Notes in certificated form (the "Definitive Registered Notes"), and to distribute such Definitive Registered Notes to their 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 a Note requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states that require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the relevant Indenture.

The Global Notes will each bear a legend to the effect set forth under "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."

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the relevant Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the relevant Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “Notice to Investors” and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under “Description of the Notes — Transfers,” as the case may be and, if required, only if the transferor first delivers to the relevant Trustee a written certificate (in the form provided in the relevant Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “Notice to Investors.”

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 any other 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 the 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 each Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

(1) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the relevant Indenture and enforcement action is being taken in respect thereof under the Indenture.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream or the Issuer (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the relevant Indenture, unless that legend is not required by such Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee and the Agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream, as applicable.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither the Issuer nor any of the Initial Purchasers is responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in 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 and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can act only on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market of the Luxembourg Stock Exchange. Transfers of Interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary ways in accordance with their respective rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee or the Agents will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

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 of 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 Interests 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 forth below are based upon Luxembourg, the United States, French or Spanish law as in effect on the date of this Offering 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, which are not profit participating, 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 paid on interest pursuant to (i) European Council Directive 2003/48/EC of June 3, 2003 on the taxation of savings income in the form of interest payments, as amended (the "EU Savings Directive") or (ii) the law of December 23, 2005, as amended (the "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 or secured by a paying agent (within the meaning of article 4 of the EU Savings Directive) within its jurisdiction to or for the benefit of a residual entity (within the meaning of article 4.2 of the EU Savings Directive, a "Residual Entity(-ies)") or an individual (the "Beneficial Owner") resident in the latter Member State, although certain Member States (currently Luxembourg and Austria), are entitled to apply a withholding tax system during a transitional period (the "Transitional Period").

Due to certain bilateral agreements (the "Bilateral Agreements"), the same regime may apply to payments made to Beneficial Owners or Residual Entities residing or established in any of the following dependent and associated territories of the European Union: Aruba, the British Virgin Islands, Guernsey, the Isle of Man, Jersey, Montserrat, Curaçao, Bonaire, Sint Eustatius, Saba and Sint Maarten. The EU Savings Directive and the Bilateral Agreements were implemented into Luxembourg law by the laws of June 21, 2005, as amended (the "June 21, 2005 Laws"), which have been in effect since July 1, 2005.

According to the June 21, 2005 Laws and the Bilateral Agreements, during the Transitional Period, a Luxembourg paying agent may be required to withhold taxes on interest paid to or secured for the benefit of Residual Entities or to Beneficial Owners who reside in a Member State or relevant dependant and associated territories at a rate currently equal to 35% since July 1, 2011. For Residual Entities, Luxembourg has adopted the option provided by the EU Savings Directive to treat the (Luxembourg) economic operator paying interest or securing the payment of interest to a Residual Entity as the paying agent instead of the Residual Entity receiving the interest, unless the entity has formally agreed to its name, address and the total amount of interest paid to it or secured for its benefit being communicated to the competent authority of Luxembourg, which shall pass this information on to the competent authority of the Member State in which the entity is established. For payments of interest to Beneficial Owners who wish to avoid the Luxembourg withholding tax that may be due under the June 21, 2005 Laws, a choice between two procedures of exemption will exist. They can either provide the Luxembourg paying agent with an authorization to exchange information or a certificate issued by the tax authorities of the Member State in which they have their tax residence under the relevant forms and conditions.

By the Interest Withholding Tax Law, effective as of January 1, 2006, Luxembourg introduced a withholding tax of 10% on savings income (i.e., with certain exemptions, savings income within the meaning of the June 24, 2005 Laws paid to or secured for the benefit of Beneficial Owners resident in Luxembourg and Residual Entities established in other Member States or certain dependent and associated territories thereof (to the extent Beneficial Owners resident in Luxembourg have an interest in such entities), 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 (the "10% WHT").

Furthermore, a Luxembourg resident individual who acts in the course of the management of his/her private wealth and who is the beneficial owner of an interest payment made by a paying agent established outside Luxembourg in a Member State or in a member of the European Economic Area or in a jurisdiction having concluded an agreement with Luxembourg in connection with the EU Savings Directive, may also, in accordance with the Withholding Tax Law, opt for a final 10% levy (the "10% Levy"). In such case, the 10% Levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 10% Levy must cover all interest payments made by the paying agent to the Luxembourg resident beneficial owner during the entire civil year.

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 (or for the purposes of the relevant provisions) and the interest has not been received by him in the course of the management of his private wealth (and has consequently not been subject to the 10% WHT or the 10% Levy) or (ii) such income is attributable to an enterprise or part thereof, which is carried on through a fixed place of business, a permanent establishment or a permanent representative in Luxembourg.

Responsibility for the withholding of tax in application of the June 21, 2005 Laws and Interest Withholding Tax Law is assumed by the Luxembourg paying agent (within the meaning of the EU Savings Directive, the June 21, 2005 Laws and the Interest Withholding Tax Law), which is not necessarily 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/her private wealth and who is resident in Luxembourg for tax purposes, are not subject to Luxembourg income tax, unless they (i) correspond to redemption premiums or issue discounts or (ii) are speculative gains within the meaning of Luxembourg income tax law. Gains on the Notes will be speculative gains within the meaning of Luxembourg income tax law and trigger taxation at the Luxembourg full income tax rate if the sales of the Notes giving rise to the capital gains occur six months or less after their acquisition or if their disposal precedes their acquisition. For a Luxembourg resident individual holder of Notes or a Residual Entity to the extent Beneficial Owners resident in Luxembourg have an interest in such entities, 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, a fixed place of business or a permanent representative in Luxembourg, to which the Notes are attributable, will be subject to Luxembourg income tax on the sale of Notes.

Gains realized by a nonresident holder of Notes (Beneficial Owner or Residual Entity), who does not have a permanent establishment, a fixed place of business or a permanent representative in Luxembourg to which the Notes or the gains realized thereon are attributable, will not be subject to Luxembourg income tax on the sale of Notes except for the portion of the gain corresponding to accrued but unpaid interest, which will be taxed as described under "— Withholding Tax, Income Tax — Taxation of Interest."

Registration Taxes

Under current Luxembourg tax law and current administrative practice, it is not compulsory that the Notes be notarized, 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 or of the financial documents 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 a 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

Luxembourg net wealth tax will not be levied on a holder of a Note unless:

(i) such holder is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions to the exception of the following entities that are net wealth tax exempt, being (i) undertakings for collective investment (UCITS) within the meaning of the law of December 17, 2010, (ii) investment company in risk capital (SICAR) within the meaning of the law dated June 15, 2004 as amended by the law of October 24, 2008, (iii) securitization entities within the meaning of the law dated March 22, 2004 and (iv) special investment funds within the meaning of the law of February 13, 2007 as amended by the law of December 17, 2010; or

(ii) such Note is attributable to an enterprise or part thereof, which is carried on through a permanent establishment, a permanent representative or a fixed base of business in Luxembourg.

With regard to individuals, the Luxembourg law of December 23, 2005 has abrogated the net wealth tax starting with the year 2006. No estate or inheritance tax is levied on the transfer of Notes upon the 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/her death, the Notes are included in its taxable estate for inheritance tax or estate tax purposes.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

EU Savings Directive

The EU Savings Directive (as defined under "— Withholding Tax, Income Tax — Taxation of Interest") was adopted on June 3, 2003 by the EU Council of Economic and Finance Ministers. The EU Savings Directive is, in principle, applied by Member States as from July 1, 2005 and has been implemented in Luxembourg by the June 21, 2005 Laws. Under the EU Savings Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest within the meaning of the EU Savings Directive or other similar income paid by a paying agent within the meaning of the EU Savings Directive, to a Beneficial Owner (as defined under "— Withholding Tax, Income Tax — Taxation of Interest") resident or to a Residual Entity (as defined under "— Withholding Tax, Income Tax — Taxation of Interest") established in that other Member State (or certain dependent or associated territories). For a transitional period, however, Austria and Luxembourg are permitted to apply an optional information reporting system whereby if a beneficial owner (within the meaning of the EU Savings Directive) does not comply with one of two procedures for information reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner. The withholding tax system applies for a Transitional Period during which the rate of the withholding has been 35% since July 1, 2011.

Such Transitional Period will normally end at the end of the first full financial year following the later of (i) the date of entry into force of an agreement between the European Union, following a unanimous decision of the European Council, and the last of Switzerland, Liechtenstein, San Marino, Monaco and Andorra, providing for the exchange of information upon request as defined in the OECD Model Agreement on Exchange of Information on Tax Matters released on April 18, 2002 (the "OECD Model Agreement") with respect to interest payments within the meaning of the EU Savings Directive, in addition to the simultaneous application by those same countries of a withholding tax on such payments at the rate applicable under the EU Savings Directive for the corresponding periods and (ii) the date on which the European Council unanimously agrees that the United States is committed to the exchange of information upon request as defined in the OECD Model Agreement with respect to interest payments within the meaning of the EU Savings Directive.

Also with effect from July 1, 2005, a number of non-EU countries (including Switzerland, Andorra, Liechtenstein, Monaco and San Marino), and certain dependent or associated territories (including Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, the former Netherlands Antilles and Aruba) of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (having the meaning given to it in the EU Savings Directive) within its jurisdiction to, or collected by such a paying agent for, a Beneficial Owner or a Residual Entity established in a Member State. In addition, Luxembourg has entered into reciprocal provision of information or transitional withholding arrangements with those dependent or associated territories in relation to payments made by a paying agent in a Member State to, or collected by such a paying agent for, a Beneficial Owner or a Residual Entity established in one of those territories.

The European Commission has announced on November 13, 2008 proposals to amend the EU Savings Directive. The European Parliament approved an amended version of this proposal on April 24, 2009. If implemented, the proposed amendments would, among other things, (i) extend the scope of the EU Savings Directive to payments made through certain intermediate structures (whether or not established in an EU Member State) for the ultimate benefit of EU resident individuals, and (ii) provide for a wider definition of interest subject to the EU Savings Directive. Investors who are in any doubt as to their position should consult their professional advisors.

U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFERING 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 OF 1986, AS AMENDED (THE "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 by 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 for cash at the price set forth on the cover of this Offering Memorandum. This summary is based on the Code, Treasury regulations issued thereunder (the "Regulations") and rulings, judicial decisions and administrative pronouncements related thereto, 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 or if a valid election is in place to treat the trust as a U.S. person.

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

Interest paid on the Notes (including a payment of any Additional Amounts and any non-U.S. taxes withheld on such payments of interest or 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. federal income 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 euro 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, an accrual method U.S. holder will be required to include in gross income the interest income that has accrued on the Notes in euro 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 ending on such date, (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), regardless of whether the payment is in fact converted into U.S. dollars at that time. 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 and any non-U.S. taxes withheld on such payments of interest or Additional Amounts) generally will constitute foreign-source income. For purposes of computing allowable foreign tax credits for U.S. federal income tax purposes, interest generally will be treated as "passive category" income, or, in the case of certain U.S. holders, "general category" income. The rules relating to foreign tax credits 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 Taxable Disposition

Upon the sale, exchange, redemption, retirement or other taxable 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 to the extent not previously included in income) and the holder's adjusted tax basis in the Notes. The amount realized will generally equal the amount of any cash plus the fair market value of any property received in exchange for the Notes, translated into U.S. dollars at the spot rate on the date of inspection. A U.S. holder's adjusted tax basis in the Notes generally will be the amount the holder paid for the Note reduced by the amount of any principal payments previously received by the holder. For purposes of computing adjusted tax basis, the cost of a Note to a U.S. holder 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 taxable 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 and in the following paragraph with respect to exchange gains or losses, any gain or loss recognized upon the sale, exchange, redemption, retirement or other taxable 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. Long-term capital gains recognized by an individual U.S. holder generally are subject to U.S. federal income taxation at preferential rates. Capital gains of a corporate U.S. holder generally are taxable at the regular rates applicable to corporations. The deductibility of capital losses is subject to significant limitations.

Gain or loss realized upon the sale, exchange, redemption, retirement or other taxable 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 taxable 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 with respect to principal and accrued interest only to the extent of the total gain or loss realized on the sale or other taxable 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 Notes held by U.S. holders may be subject to information reporting to the IRS. Payments of such amounts may also be subject to 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 U.S. 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). 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.

Foreign Financial Asset Reporting

Individuals and certain entities that own "specified foreign financial assets" with an aggregate value in excess of US$50,000 are generally required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons; (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties; and (iii) interests in foreign entities. The Notes may be subject to these rules. Prospective investors are urged to consult their tax advisors regarding the application of this legislation to their ownership of the Notes.

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; plus
    - a general social contribution (*contribution sociale généralisée*) ("CSG") at the rate of 8.2%, 5.8% of which is deductible from taxable income;
    - a social levy (*prélèvement social*) of 3.4% (increasing to 5.4% as of July 1, 2012);
    - additional contributions of 0.3% and 1.1% to the social levy of 2.2%; and
    - a social debt repayment contribution (*contribution au remboursement de la dette sociale*) ("CRDS") of 0.5%;
- or, at the taxpayer's option, subject to a final withholding tax at the rate of 24%; plus:
    - a CSG at the rate of 8.2% (not deductible from taxable income);

- a social levy (*prélèvement social*) of 3.4% (increasing to 5.4% as of July 1, 2012);
- additional contributions of 0.3% and 1.1% to the social levy of 2%; and
- a 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 EC 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, at a rate of 19% to which is added:

- a CSG at the rate of 8.2% (not deductible from taxable income);
- a social levy (*prélèvement social*) of 5.4%;
- additional contributions of 0.3% and 1.1% to the social levy; and
- a CRDS of 0.5%.

Capital losses incurred in one year can only be offset against capital gains of a similar nature realized in the same year or in the 10 following years.

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 the 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. Furthermore, for fiscal years closed between December 31, 2011 and December 30, 2013, a temporary exceptional contribution is due by corporate income taxpayers realizing an annual turnover exceeding €250,000,000. This exceptional contribution is equal to 5% of the amount of the corporate income tax, before deduction of any tax credit or tax claim of any nature. 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%. The latter entities are also 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 subscription or acquisition price. For the purpose of these provisions, redemption premium means the difference between the sums to be 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 subscription or acquisition respectively to the subscription or acquisition price. This price is increased each year by the portion of the premium capitalized each year on the date on which the redemption date falls. The annual yield is the annual rate which, on the subscription or 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 the 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 (i) the disposal price reduced, 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 (ii) the subscription or acquisition price of the Notes. Such amount 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% and, for fiscal years between

December 31, 2011 and December 30, 2013, the 5% temporary exceptional contribution, are 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 Made by a Spanish Resident Guarantor

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 21% 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 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 taxpayers 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 forth in the order, if any, implementing the applicable tax treaty.

Prospective investors should be aware that in the event that a Spanish-resident Guarantor reasonably and timely requests Noteholders to supply such information as may be necessary in order to allow such Guarantor to make payments under the relevant Guarantee free and clear of withholding taxes, and such Noteholder fails to do so, such Guarantor may not be required to pay Additional Amounts to such Noteholder. See “Description of the Notes — Additional Amounts” and "Risk Factors — Risks Related to the Notes and Our Structure — If Spanish tax authorities determine that interest payments that any Spanish Guarantor makes should be treated as Spanish source income, witholding rules could apply and we could be required to gross-up any such payments for the amount of any required withholding."

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 27% (though a 21% tax rate will apply to the first €6,000, and a 25% flat rate will apply to the next bracket between € 6,001 and €18,000). 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 that are holders acting through a permanent establishment in the Spanish territory to which such income is attributable, will be subject to taxation at the standard Spanish corporate income tax rate, which is 30%. Should any withholding tax be applied, taxation may be reduced or eliminated upon application of the corresponding provisions.

Other Taxes

Net Wealth Tax

Law 4/2008 amended Law 19/1991 regulating net wealth tax. This amendment introduced a credit of 100% over the tax due and removed the obligation to file net wealth tax returns as from January 1, 2008. However, Royal Law-Decree 13/2011 of September 17, 2011 temporarily reintroduced net wealth tax for tax years 2011 and 2012.

Holders of Notes who are individuals resident for tax purposes in Spain will be subject to net wealth tax in 2012 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.

CERTAIN ERISA CONSIDERATIONS

General

The U.S. Employee Retirement Income Security Act of 1974 ("ERISA") imposes certain requirements on employee benefit plans subject to Title I of ERISA and on entities that are deemed to hold the assets of such plans ("ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Any Plan fiduciary which proposes to cause a Plan to purchase the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Non-U.S. plans, governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non-U.S., state, local or other federal laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code ("Similar Law"). Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, and the availability, if necessary, of any exemptive relief under any such law or regulations.

Prohibited Transaction Exemptions

The fiduciary of a Plan that proposes to purchase and hold any Notes should consider, among other things, whether such purchase and holding may involve: (i) the direct or indirect extension of credit to a party in interest or a disqualified person; (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person; or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, the Issuer, the Initial Purchaser, Trustee, Transfer Agent or any of their respective affiliates. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the Notes on behalf of a Plan, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code or Prohibited Transaction Class Exemption ("PTCE") 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

By its purchase of any Note, the purchaser and any subsequent transferee thereof will be deemed to have represented and warranted that either: (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes constitutes assets of any Plan or non-U.S., governmental or church plan subject to Similar Law or any entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement; or (ii) the purchase and holding of the Notes 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 a violation under any applicable Similar Law.

Each Plan fiduciary (and each fiduciary for non-U.S., governmental or church plans subject to Similar Law) should consult with its legal advisor concerning the potential consequences to the plan under ERISA, the Code or such Similar Laws of an investment in the Notes.

PLAN OF DISTRIBUTION

The Issuer, the Guarantors and the Initial Purchasers have entered into a purchase agreement (the "Purchase Agreement"), dated May 4, 2012 with respect to the Notes. Condat S.A.S. will accede to the Purchase Agreement in the event it becomes a Guarantor. 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.

None of the Issuer, the Guarantors or any of their subsidiaries will for a period of 180 days after the date of this Offering Memorandum, without the prior written consent of the Initial Purchasers, offer, sell or contract to sell, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition of (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Issuer) any debt securities similar to the Notes.

The purchase price for the Notes is the initial offering price set forth on the cover page of this Offering 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 (i) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act and (ii) 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 (i) as part of the Initial Purchasers' distribution at any time or (ii) 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 fourth London business day following the date of pricing of the Notes (such settlement being referred to as "T+4"). Pursuant to Rule 15(c)6-1 under the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), 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 succeeding business day will be required, by virtue of the fact that the Notes will initially settle in T+4, 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 succeeding business day 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 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 at any time and must end no later than the earlier of 30 days after the Issue Date 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.

In relation to each Relevant Member State, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, the offer is not being made and will not be made to the public of any Notes which are the subject of the Offerings contemplated by this Offering Memorandum in that Relevant Member State, other than:

(a) to any legal entity that is a "qualified investor" as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the PD Amending Directive, 150, natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Notes shall require us or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

Each of the Initial Purchasers represents and warrants that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage an investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issuance or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

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 Offering 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 Offering 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 Offering 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 Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering 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.

UniCredit Bank AG, acting as an Initial Purchaser in connection with the Offerings, is a shareholder of Lecta S.A.

Certain of the Initial Purchasers or their respective affiliates acted as initial purchasers of the Existing Notes and received customary fees for such transaction. From time to time, the Initial Purchasers and their affiliates have provided, and may in the future provide, investment banking, commercial banking, financial advisory and other services to us and our affiliates for which they have received or may receive customary fees and commissions. In addition, each of the Initial Purchasers or their respective affiliates is a lender under our New Revolving Credit Facility that the Issuer has entered into as borrower in connection with the Refinancing, and will receive customary fees for their services in such capacities. Moreover, certain of Initial Purchasers are acting as dealer managers in connection with the Exchange Offer. In addition, affiliates of Deutsche Bank AG, London Branch will also act as Trustee, paying agent, transfer agent, listing agent and Security Trustee for the Notes, the New Revolving Credit Facility and the Intercreditor Agreement. Certain affiliates of Deutsche Bank AG, London Branch and UniCredit Bank AG are also lenders under the Issuer's Existing Credit Facilities which are being cancelled in connection with the Refinancing.

NOTICE TO INVESTORS

General

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or any state securities laws 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 and applicable state securities laws. Accordingly, the Notes are only to be offered and sold to:

- "qualified institutional buyers," or "QIBs" in compliance with Rule 144A; and
- non-U.S. persons in offshore transactions outside the United States in reliance upon Regulation S.

We use the terms "offshore transaction," "U.S. person" and "United States" with the meanings given to them in Regulation S.

Important Information about the Offerings

If you purchase Notes, you will be deemed to have represented and agreed as follows:

(1) You understand and acknowledge that the Notes and the Guarantees 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 under the U.S. Securities Act), you are not acting on our behalf and you are either:

(a) a QIB and are aware that any sale of the 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" 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, any Guarantor, the Initial Purchasers nor any other person has made any representation to you with respect to us or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering 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 no person other than the Issuer makes any representation or warranty as to the accuracy or completeness of this Offering 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, us 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 thereof 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 the Notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such Notes prior to (x) the date which is one year (in the case of Rule 144 Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue of the Notes and the last date on which the Issuer or any of its affiliates was 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 offshore transactions to non-U.S. persons occurring outside the United States within the meaning of Regulation S in reliance on 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's or account's control, and in compliance with any applicable state securities laws.

You acknowledge that the Issuer, the relevant Trustee, the applicable registrar and the applicable Transfer Agent reserve the right prior to any offer, sale or other transfer of the relevant Notes (i) pursuant to clause (d) or 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 relevant Trustee, the applicable registrar and the applicable Transfer Agent, and (ii) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Global Note will contain a legend substantially in the following form:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR OTHER 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, ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO, PRIOR TO (X) THE DATE WHICH IS, IN THE CASE OF RULE 144A NOTES, ONE YEAR AND IN THE CASE OF REGULATION S NOTES, 40 DAYS 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 A 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 IN COMPLIANCE WITH 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; SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (D) AND (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE 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."

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to holders of the 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, and each subsequent holder is required to, give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes, if then applicable.

(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 the 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.

(9) You acknowledge that until 40 days after the commencement of the relevant Offering, any offer or sale of the relevant Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

(10) 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 Offering 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 in this section of the Offering Memorandum and/or in the front of the Offering Memorandum under "Notice to Certain European Investors," "Notice to New Hampshire Residents Only" and "Plan of Distribution."

(11) 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 and hold the Notes constitutes assets of any employee benefit plan subject to Title I of ERISA, any plan, individual

retirement account or other arrangement subject to Section 4975 of the Code or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of Similar Law, or any entity whose underlying assets are considered to include "plan assets" of any such plan or account, or (ii) the purchase and holding of the Notes will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law.

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 Offering 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 final and 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 the substantive law as designated by Luxembourg conflict of laws rules;
- the U.S. judgment does not contravene international public policy or order as understood under the laws of Luxembourg;
- 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.

We have also been advised by our Luxembourg counsel that if an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law (i) if the choice of such law was not made bona fide and (ii) if its application contravenes Luxembourg public policy or is manifestly incompatible with Luxembourg international policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought. Also, an *exequatur* may be refused in respect of punitive damages.

Furthermore, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than euro, a Luxembourg court would have power to give judgment expressed as an order to pay a currency other than euro. However, enforcement of the judgment against any party in Luxembourg would be available only in euro and for such purposes all claims or debts would be converted into euro.

In addition, certain other Guarantors are entities organized under the laws of Italy, Spain or France.

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 as to 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.

The following summary with respect to the enforceability of certain U.S. court judgments in France is based upon advice provided to us by French legal advisors. The United States and France are not party to a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, enforceable in the United States, would not be directly recognized or enforceable in France. A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*). Enforcement in France of such U.S. judgment could be obtained following proper (i.e., *non-ex parte*) proceedings if the civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French court of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having jurisdiction over the matter in accordance with French rules of international conflicts of jurisdiction (including, without limitation, whether the dispute is clearly connected to the United States) and the French courts did not have exclusive jurisdiction over the matter;
- the court that rendered such judgment has applied a law which would have been considered appropriate under French rules of international conflicts of laws;
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case;
- such U.S. judgment is not tainted with fraud; and
- such U.S. judgment does not conflict with a French judgment or a foreign judgment which has become effective in France and there are no proceedings pending before French courts at the time enforcement of the judgment is sought and having the same or similar subject matter as such U.S. judgment.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French criminal law No. 68-678 of July 26, 1968, as modified by French law No. 80-538 of July 16, 1980 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action. Similarly, French data protection rules (law No. 78-17 of January 6, 1978 on data processing, data files and individual liberties, as modified by law No. 2004-801 of August 6, 2004) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply the designated law if its application contravenes French public policy. Furthermore, in an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all of the remedies sought.

Pursuant to articles 14 and 15 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts (Article 14) and can be sued by a foreign claimant before French courts (Article 15). Case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to recent case law, the French courts' jurisdiction towards French nationals is no longer mandatory to the extent an action has been commenced before a court in a jurisdiction which has sufficient contact with the litigation and the choice of jurisdiction is not fraudulent. In addition, the French national may waive its rights to benefit from the provisions of Articles 14 and 15 of the French Civil Code.

LEGAL MATTERS

Certain legal matters in connection with the Offerings will be passed upon for us by Shearman & Sterling (London) LLP, as to matters of U.S. federal, New York and English law, by Shearman & Sterling LLP, as to matters of French law, OPF Partners as to matters of Luxembourg law, KStudio Associato as to matters of Italian law, Vasapolli & Associati as to matters of Italian taxation law and Garrigues, Abogados y Asesores Tributarios as to matters of Spanish law. Certain legal matters in connection with the Offerings will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, as to matters of U.S. federal and New York law and Clifford Chance as to matters of French, Italian, Spanish and Luxembourg law.

INDEPENDENT AUDITOR

Our audited consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 included in this Offering Memorandum have been audited by Ernst & Young S.A., independent auditors (*cabinet de révision agréé*), as stated in their reports 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 Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering 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, 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 Information

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 may be obtained 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 articles of incorporation and by-laws of the Issuer and the Guarantors;
- the Indentures;
- the financial statements included in this Offering Memorandum;
- annual financial statements of the Guarantors for the years ended December 31, 2009, 2010 and 2011, 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 Guarantees.

Each of the Guarantors publishes its own separate financial statements.

We have appointed Deutsche Bank Luxembourg S.A. as Registrar and Luxembourg Listing, Paying and Transfer Agent and Deutsche Bank AG, London Branch as Transfer Agent and Principal Paying Agent to make payments on, and transfers of, the Notes. We reserve the right to vary such appointment.

Each of the Issuer and the Guarantors have passed board resolutions, shareholders resolutions and presidential approvals, as appropriate, authorizing the Offering and the Refinancing.

Clearing information

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers for the Floating Rate Senior Secured Notes and the Fixed Rate Senior Secured Notes sold pursuant to Regulation S are XS0780141999 and XS0780068036, respectively, and the international securities identification numbers for the Floating Rate Senior Secured Notes and the Fixed Rate Senior Secured Notes sold pursuant to Rule 144A are XS0780071683 and XS0780141569, respectively. The common codes for the Floating Rate Senior Secured Notes and the Fixed Rate Senior Secured Notes sold pursuant to Regulation S are 078014199 and 078006803, and the common codes for the Floating Rate Senior Secured Notes and the Fixed Rate Senior Secured Notes sold pursuant to Rule 144A are 078007168 and 078014156, respectively.

Legal information

The Issuer is a public limited liability company (*société anonyme*) incorporated in the Grand Duchy of Luxembourg having its registered office at 19-21 Boulevard du Prince Henri, L-1724 Luxembourg and registered with the Luxembourg Register of Trade and Companies under number B 72.198. The issued share capital of the Issuer is €1,445,744.28. The creation and issuance of the Notes will be authorized by a resolution of the Board of Directors of the Issuer dated prior to the closing of the Offerings.

Offering Memorandum

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in our financial position since December 31, 2011, 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 issuance 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 Offering Memorandum. To the best of our knowledge, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum.

Information About the Issuer

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 and incorporated November 9, 1999. The articles of association of Lecta S.A. were published in the "Recueil du Mémorial" on December 23, 1999.

The issued share capital of the Issuer is €1,445,744.28 and is fully paid-up. The number, classes, and characteristics of securities are as follows:

I.	113,852	Ordinary shares of class A1
II.	113,858	Preferential A2 non-voting shares
III.	22,460	Ordinary shares of class B
IV.	15,752	Ordinary shares of class C1A
V.	16,323	Ordinary shares of class C1B
VI.	2,682	Ordinary shares of class C2A
VII.	2,765	Ordinary shares of class C2B
VIII.	5,500	Ordinary shares of class C3A
IX.	5,670	Ordinary shares of class C3B
X.	1,453	Ordinary shares of class D
XI.	468	Ordinary shares of class E
XII.	12,296	Ordinary shares of class G1
XIII.	11,020	Ordinary shares of class G2
XIV.	750	Ordinary shares of class I
XV.	100,000	Ordinary shares of class J1
XVI.	15,000	Preferential J2 non-voting shares
XVII.	90,361	Preferential X1 voting shares
XVIII.	30,121	Preferential X2 non-voting shares
XIX.	35	Preferential Y non-voting shares

The Issuer's corporate purposes are as follows:

Articles of Organization of Lecta S.A.
Article 3. Object

The object of the Corporation is the holding of participations, in any form, whatsoever, in Luxembourg and foreign companies, the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stock, bonds, debentures, notes and other securities of any kind, and the ownership, administration, development and management of its portfolio. The Corporation may also hold interest in partnerships.

The Corporation may borrow in any form and proceed to the issue of bonds and debentures.

In a general fashion it may grant assistance to affiliated companies, take any controlling and supervisory measures and carry out any operation which it may deem useful in the accomplishment and development of its purposes.

The Corporation may further carry out any commercial, industrial or financial operations, as well as any transactions on real estate or on movable property.

The Corporation is a corporate taxpayer subject to common tax law and does not fall in the scope of the holding company law of 31st July 1929.

ANNEX A

Senior Secured Floating Rate Notes ("FRNs") and the Senior Secured Fixed Rate Notes (the "SNs", and together with the FRNs, the "Notes") Guarantee and Security Package

Credit enhancement

This Annex A sets forth the Guarantees of the Notes and the associated limitations of such guarantees, as well as the Collateral securing the Notes, in each case as of the Issue Date. In addition, within 90 calendar days of the Issue Date, the Issuer intends to carry out the Permitted Reorganization as described in the Offering Memorandum. While it is the Issuer's intention to complete the various steps contemplated by the Permitted Reorganization, the Issuer is not required to do so. The completion of none, some, or all, of the steps in the Permitted Reorganization will in certain instances result in a variation in the security interests (as described below). In addition, as described below under 6 and 7, Condat S.A.S. is expected to guarantee the Notes and Condat S.A.S. and Condat Holding S.A.S. are expected to provide additional Collateral securing the Notes, in each case subsequent to the Issue Date, following the decision from the works council (*Comité d'Entreprise*) of Condat S.A.S. For additional information, see "Summary — The Reorganization," "Description of the Notes," "Risk Factors — Risks Relating to the Notes" and "Limitations on Validity and Enforcebility of the Guarantees and the Security Interests." For the avoidance of doubt, the estimated principal amounts of the Intercompany Loans described in this Annex A will not be impacted by the amount of Exchange Notes issued in connection with the Refinancing.

No.	Company	Guarantee with respect to the FRNs	Security with respect to the FRNs and the SNs	Guarantee with respect to the SNs
1.	Lecta S.A. ("**Lecta**") (Luxembourg)	N/A	Security to secure its indebtedness under the Secured Notes over: **On the Issue Date:** (i) the shares in SL2 (governed by Luxembourg law); (ii) Lecta's bank account (governed by Luxembourg law); and (iii) Lecta's intra-group receivables including: (A) the Senior Secured Fixed Rate Notes Proceeds Loans (the "**SNP Loans**") from Lecta to SL2 (governed by Luxembourg law); and (B) the Senior Secured Floating Rate Notes Proceeds Loan (the "**FRNP Loans**") from Lecta to SL2 (governed by Luxembourg law), (the total of (A) and (B) being the total amount of the Secured Notes issued).	N/A

No.	Company	Guarantee with respect to the FRNs	Security with respect to the FRNs and the SNs	Guarantee with respect to the SNs
2.	Sub Lecta 2 S.A. ("**SL2**") (Luxembourg)	Direct guarantee provided that the maximum amount guaranteed under SL2's upstream guarantee of Lecta is limited to the higher of: (A) 90% of SL2's *capitaux propres* determined as at the date on which a demand under the guarantee is made, plus the amount of the FRNP Loans from Lecta to SL2; and (B) 90% of SL2's *capitaux propres* determined as at the date of the issuance of the FRNs plus the amount of the FRNP Loans from Lecta to SL2. The maximum amount guaranteed under (A) and (B) will therefore be not less than the FRNP Loans to SL2 which will be equal to the full amount of the FRNs. The obligations of each Guarantor incorporated in Luxembourg (a "*Luxembourg Guarantor*") under the Indentures shall exclude any amounts the guaranteeing of which would breach the prohibition on financial assistance under applicable Luxembourg law.	Security to secure the guarantee obligations of SL2: **On the Issue Date:** (i) SL2's bank accounts (governed by Luxembourg law); (ii) the shares held by SL2 in SL1 (governed by Luxembourg law); (iii) the shares held by SL2 in Lecta HQ (governed by Spanish law); and (iv) SL2's intra-group receivables including: (A) the SNP Loans from SL2 to CH (governed by French law); (B) the FRNP loans from SL2 to CH (governed by French law) (the total of (A) and (B) is expected to be €22.5 million, being secured as described in section 7 below); (C) the SNP Loan from SL2 to Lecta HQ (governed by Spanish law); (D) the FRNP Loan from SL2 to Lecta HQ (governed by Spanish law) (the total of C and D is expected to be €348.4 million); (E) the SNP Loan from SL2 to TP (governed by Spanish law); (F) the FRNP Loan from SL2 to TP (governed by Spanish law) (the total of (E) and (F) is expected to be €203 million); (G) the SNP Loan from SL2 to SP (governed by Spanish law); and (H) the FRNP Loan from SL2 to SP (governed by Spanish law) (the total of (G) and (H) is expected to be €4.9 million).	Direct guarantee provided that the maximum amount guaranteed under SL2's upstream guarantee of Lecta is limited to the higher of: (A) 90% of SL2's *capitaux propres* determined as at the date on which a demand under the guarantee is made, plus the amount of the SNP Loans from Lecta to SL2; and (B) 90% of SL2's *capitaux propres* determined as at the date of the issuance of the SNs plus the amount of the SNP Loans from Lecta to SL2. The maximum amount guaranteed under (A) and (B) will therefore be not less than the SNP Loans to SL2 which will be equal to the full amount of the SNs. The obligations of each Luxembourg Guarantor under the Indentures shall exclude any amounts the guaranteeing of which would breach the prohibition on financial assistance under applicable Luxembourg law.
2.	Sub Lecta 2 S.A. ("**SL2**") (Luxembourg) (continued)		The total of (A) to (H) is expected to be €578.8 million. **Within 90 calendar days of the Issue Date**: If certain steps contemplated by the Permitted Reorganization are taken, Lecta HQ will issue shares to SL2 and SL2 will grant security over such new shares under a Spanish law deed of extension granted in favor of the Security Trustee.	

No.	Company	Guarantee with respect to the FRNs	Security with respect to the FRNs and the SNs	Guarantee with respect to the SNs
3.	Sub Lecta 1 S.A. ("**SL1**") (Luxembourg)	Direct guarantee provided that the maximum amount of Lecta's obligations under the FRNs guaranteed under the Indenture together with any amounts due from SL1 under the RCF Guarantee and the guarantee of the SNs is limited to the higher of (a) 90% of SL1's *capitaux propres* determined as at the date on which a demand under the guarantee is made; and (b) 90% of SLls *capitaux propres* determined as at the date of the issuance of the FRNs. The limitations above shall not apply to the FRNP Loans onlent to Cartiere del Garda SpA and Condat Holding SAS. While these remain subsidiaries of SL1, the aggregate of the FRNP Loans and SNP Loans onlent is expected to be €75.9 million. The guarantee given in respect of such amounts shall, for the avoidance of doubt, not be affected or reduced by any amounts paid or payable by SL1 under any other guarantee (including the RCF Guarantee). The obligations of each Luxembourg Guarantor under the Indenture shall exclude any amounts the guaranteeing of which would breach the prohibition of financial assistance under applicable Luxembourg law.	Security to secure the guarantee obligations of SL1 over: **On the Issue Date:** (i) SL1's bank accounts (governed by Luxembourg law); and (ii) shares held by SL1 in New Luxco (governed by Luxembourg law).	Direct guarantee provided that the maximum amount of Lecta's obligations under the SNs guaranteed under the Indenture together with amounts due from SL1 under the RCF Guarantee and the guarantee of the FRNs is limited to the higher of (A) 90% of SL1's *capitaux propres* determined as at the date on which a demand under the guarantee is made; and (B) 90% of SL1's *capitaux propres* determined as at the date of the issuance of the SNs. In addition, the above limitation shall not apply to the SNP Loans onlent to Cartiere del Garda SpA and Condat Holding SAS. While these remain subsidiaries of SL1, the aggregate of the FRNP Loans and SNP Loans onlent is expected to be €75.9 million. The guarantee given in respect of such amounts shall, for the avoidance of doubt, not be affected or reduced by any amounts paid or payable by SL1 under any other guarantee (including the RCF Guarantee). The obligations of each Luxembourg Guarantor under the Indenture shall not extend to cover any amounts the guaranteeing of which would breach the prohibition of financial assistance under applicable Luxembourg law.
4.	Sub Lecta 3 S.A. ("**New Luxco**") (Luxembourg)	Direct guarantee provided that the maximum amount of Lecta's obligations under the FRNs guaranteed under the Indenture together with amounts due from New Luxco under the RCF Guarantee and the guarantee of the SNs is limited to the higher of (A) 90% of New Luxco's *capitaux propres* determined as at the date on which a demand under the guarantee is made and (B) 90% of New Luxco's *capitaux propres* determined as at the date of the issuance of the FRNs. The above limitation shall not apply to the FRNP Loans onlent to Cartiere del Garda SpA and Condat Holding SAS. While these remain subsidiaries of New Luxco, the aggregate of the FRNP Loans and SNP Loans onlent is expected to be €75.9 million. The guarantee given in respect of such amounts shall, for the avoidance of doubt, not be affected or reduced by any amounts paid or payable by New Luxco under any other guarantee (including the guarantee extended to the lenders under the New Revolving Credit Facility). The obligations of each Luxembourg Guarantor under the Indentures shall exclude any amounts the guaranteeing of which would breach the prohibition on financial assistance under applicable Luxembourg law.	Security to secure the guarantee obligations of New Luxco over: **On the Issue Date:** (i) New Luxco's bank accounts (governed by Luxembourg law). **Within 90 calendar days of the Issue Date:** (i) (A) if certain steps contemplated by the Permitted Reorganization are taken, the intercompany loan expected to be approximately €198.6 million from New Luxco to SL2 governed by Luxembourg law (resulting from the initial loan between TP and New Luxco as novated into a new loan between Lecta HQ and New Luxco, as further novated into a new loan between SL2 and New Luxco), provided that such Collateral will subsequently be released if and to the extent that the intercompany loan is distributed to SL1 by way of a (x) reimbursement of share premium and/or (y) dividend distribution and/or (z) capital reduction (irrespective in each of cases (x)-(z) whether such actions occur within 90 calendar days of the Issue Date); or (B) if certain steps contemplated by the Permitted Reorganization are not taken and if the shares held by New Luxco in CdG have not been transferred to TP within 90 calendar days of the Issue Date in connection with any Permitted Reorganization, New Luxco will grant a pledge over such shares within such 90-day period.	Direct guarantee provided that the maximum amount of Lecta's obligations under the SNs guaranteed under the Indenture together with amounts due from New Luxco under the RCF Guarantee and the guarantee of the FRNs is limited to the higher of (A) 90% of New Luxco's *capitaux propres* determined as at the date on which a demand under the guarantee is made and (B) 90% of New Luxco's *capitaux propres* determined as at the date of the issuance of the SNs. The above limitation shall not apply to the SNP Loans onlent to Cartiere del Garda SpA and Condat Holding SAS. While these remain subsidiaries of New Luxco, the aggregate of the FRNP Loans and SNP Loans onlent is expected to be €75.9 million. The guarantee given in respect of such amounts shall, for the avoidance of doubt, not be affected or reduced by any amounts paid or payable by New Luxco under any other guarantee (including the guarantee extended to the lenders under the New Revolving Credit Facility). The obligations of each Luxembourg Guarantor under the Indentures shall exclude any amounts the guaranteeing of which would breach the prohibition on financial assistance under applicable Luxembourg law.

No.	Company	Guarantee with respect to the FRNs	Security with respect to the FRNs and the SNs	Guarantee with respect to the SNs
5.	Cartiere del Garda S.p.A. (“**CdG**”) (Italy)	Direct guarantee provided that the maximum amount guaranteed is limited to the aggregate principal amount of the FRNP Loans from TP to CdG (the aggregate principal amount of the FRNP Loans and the SNP Loans is expected to be €53.4 million). The guarantee will be limited under the applicable indenture to the extent required such that the guarantee will not result in violations of laws relating to corporate benefit, capitalization, financial assistance and other applicable laws or otherwise cause the guarantee to be deemed void.	Security to secure the guarantee liabilities of CdG over: **On the Issue Date:** (i) the 85.5% shareholding held by CdG in CH (*nantissement de compte de titres financiers*) (governed by French law); (ii) certain trade receivables (not subject to factoring and invoice discounting) and certain insurance proceeds (governed by Italian law); (iii) intellectual property of CdG (governed by Italian law); and (iv) certain bank accounts where the proceeds of receivables not subject to factoring or invoice discounting are paid in (governed by Italian law). **Within 90 calendar days of the Issue Date:** (i) if certain steps contemplated by the Permitted Reorganization are taken, the additional shares acquired by CdG in CH following the contribution of the CH shares by TP and SP. Please note, the relevant CH shares will not exist at the Issue Date. They will be issued after the Issue Date in the event that CH acquires Torraspapel Malmenayde Sarl and 60% of the shares in Nord Papier S.A., pursuant to certain steps contemplated by the Permitted Reorganization.	Direct guarantee provided that the maximum amount guaranteed is limited to the aggregate principal amount of the SNP Loans from TP to CdG (the aggregate principal amount of the FRNP Loans and the SNP Loans is expected to be €53.4 million). The guarantee will be limited under the applicable indenture to the extent required such that the guarantee will not result in violations of laws relating to corporate benefit, capitalization, financial assistance and other applicable laws or otherwise cause the guarantee to be deemed void.
6.	Condat Holding S.A.S. (“**CH**”) (France)	CH will give a direct guarantee limited to the maximum principal amount of the FRNP Loan made to it less any amount repaid by CH (the aggregate principal amount of the FRNP Loan and SNP Loan to CH is expected to be €22.5 million). The guarantee will be limited under the applicable indenture to the extent required such that the guarantee will not result in violations of laws relating to corporate benefit, misuse of corporate assets, capitalization, financial assistance and other applicable laws or otherwise cause the guarantee to be deemed void.	Security for obligations of CH under the direct guarantee to the Security Trustee over: **On the Issue Date:** (i) certain bank accounts (*nantissement de solde de compte bancaire*) (governed by French law); (ii) intercompany loan from CH to Condat expected to be in an amount of €89.6 million (governed by French law); and (iii) the shares held by CH in Lecta Europe SARL (*nantissement de compte de titres financiers*) (governed by French law). **Within 90 calendar days of the Issue Date:** (i) in the event that certain steps contemplated by the Permitted Reorganization are taken, post-Issue Date pledge over shares in Torraspapel Malmenayde SARL (*nantissement de parts sociales*) (previously Torraspapel France SARL) once shares acquired (governed by French law). **To be granted promptly after Condat obtains a decision from its works council (*Comité d'Entreprise*), and in any event within 15 calendar days thereof, in respect of, among other things, granting security (irrespective of whether any of the Permitted Reorganization steps are completed):** (i) the financial securities (shares) of Condat (*nantissement de compte*) (governed by French law).	CH will give a direct guarantee limited to the maximum principal amount of the SNP Loan made to it less any amount repaid by CH (the aggregate principal amount of the SNP Loan and FRNP Loan to CH is expected to be €22.5 million). The guarantee will be limited under the applicable indenture to the extent required such that the guarantee will not result in violations of laws relating to corporate benefit, misuse of corporate assets, capitalization, financial assistance and other applicable laws or otherwise cause the guarantee to be deemed void.

No.	Company	Guarantee with respect to the FRNs	Security with respect to the FRNs and the SNs	Guarantee with respect to the SNs
7.	Condat S.A.S. (“**Condat**”)(France)	Promptly after Condat obtains a decision from its works council (*Comité d’Entreprise*), and in any event within 15 calendar days thereof, in respect of, among other things, granting guarantees (irrespective of whether any of the Permitted Reorganization steps are completed), Condat will give a direct guarantee in the amount of the FRNP Loan made to CH, less any amount repaid by CH (the aggregate principal amount of the FRNP Loan and SNP Loan made to CH is expected to be €22.5 million). The guarantee will be limited under the applicable indenture to the extent required such that the guarantee will not result in violations of laws relating to corporate benefit, capitalization, financial assistance and other applicable laws or otherwise cause the guarantee to be deemed void.	**Existing security granted by Condat on February 13, 2007, to remain in existence until Condat obtains a decision from its works council (*Comité d’Entreprise*), in respect of, among other things, granting security (irrespective of whether any of the Permitted Reorganization steps are completed):** (i) certain bank accounts (governed by French law); and (ii) *fonds de commerce* (comprising generally tangible and intangible assets used in Condat’s business, but excluding inventory, receivables and real property (governed by French law). The security described in (i) and (ii) above will be assigned by CH to the Security Trustee pursuant to the security referred to in paragraph (ii) of Section 6 above. **Security to be granted promptly after Condat obtains a decision from its works council (*Comité d’Entreprise*), and in any event within 15 calendar days thereof, in respect of, among other things, (irrespective of whether any of the Permitted Reorganization steps are completed):** (i) Condat’s *fonds de commerce* (comprising generally tangible and intangible assets used in Condat’s business, but excluding inventory, receivables and real property) (governed by French law); and (ii) pledge of certain receivables (governed by French law); and (iii) Condat’s bank accounts (governed by French law).	Promptly after Condat obtains a decision from its works council (*Comité d’Entreprise*), and in any event within 15 calendar days thereof, in respect of, among other things, granting guarantees (irrespective of whether any of the Permitted Reorganization steps are completed), Condat will give a direct guarantee in the amount of the SNP Loan made to CH, less any amount repaid by Condat (the aggregate principal amount of the SNP Loan and FRNP Loan made to CH is expected to be €22.5 million). The guarantee will be limited under the applicable indenture to the extent required such that the guarantee will not result in violations of laws relating to corporate benefit, capitalization, financial assistance and other applicable laws or otherwise cause the guarantee to be deemed void.
8.	Lecta HQ S.A. (“**Lecta HQ**”) (Spain)	Direct guarantee. The guarantee will be limited under the applicable indenture to the extent required such that the guarantee will not result in violations of laws relating to corporate benefit, capitalization, financial assistance and other applicable laws or otherwise cause the guarantee to be deemed void or the directors to incur civil or criminal liability.	Security to secure the guarantee obligations of Lecta HQ over: **On the Issue Date:** (i) shares held by Lecta HQ in TP (governed by Spanish law); and (ii) certain of Lecta HQ’s bank accounts located in Spain: (A) if located in Catalonia (governed by Catalan law); and (B) if located in Spain other than Catalonia (governed by Spanish law). **Within 90 calendar days of the Issue Date:** If certain steps contemplated by the Permitted Reorganization are taken and if TP issues new shares pursuant to such steps, Lecta HQ will pledge such new shares in favor of the Security Trustee pursuant to a deed of extension between Lecta HQ, TP and the Security Trustee.	Direct guarantee. The guarantee will be limited under the applicable indenture to the extent required such that the guarantee will not result in violations of laws relating to corporate benefit, capitalization, financial assistance and other applicable laws or otherwise cause the guarantee to be deemed void or the directors to incur civil or criminal liability.

No.	Company	Guarantee with respect to the FRNs	Security with respect to the FRNs and the SNs	Guarantee with respect to the SNs
9.	Torraspapel S.A. ("**TP**") (Spain)	Direct guarantee provided that the maximum amount guaranteed is limited to (i) the aggregate principal amount of the FRNP Loan from SL2 to TP (the total of the FRNP Loan and the SNP Loan from SL2 to TP is currently expected to be €203 million) plus (ii) an estimated amount of €527 million less (iii) any amount repaid by TP to SL2 under the FRNP Loan and used by SL2 to repay the FRNs. The guarantee will be limited under the applicable indenture to the extent required such that the guarantee will not result in violations of laws relating to corporate benefit, capitalization, financial assistance and other applicable laws or otherwise cause the guarantee to be deemed void or the directors to incur civil or criminal liability.	Security to secure the guarantee obligations of TP over: **On the Issue Date:** (i) the shares held by TP in SP (governed by Spanish law); (ii) the shares held by TP in Lecta Paper UK Limited (governed by English law); (iii) all its receivables other than any receivables which are subject to *venta sin recurso*, with banks, non-recourse factoring and non-recourse invoice discounting (governed by Spanish law); (iv) intra-group receivables including: (A) the loan of approximately €191.7 million to Lecta (governed by Luxembourg law) arising from the transfer of shares and loans of SL1 to Lecta; (B) the SNP Loan from TP to CdG (governed by Italian law); and (C) the FRNP Loan from TP to CdG (governed by Italian law), (the total of (B) and (C) is expected to be €53.4 million); and (v) certain of TP's bank accounts where receivables are paid in: (A) if located in Spain other than Catalonia (governed by Spanish law); and (B) if located in Catalonia (governed by Catalan law).	Direct guarantee provided that the maximum amount guaranteed is limited to (i) the aggregate principal amount of the SNP Loan from SL2 to TP (the total of the FRNP Loan and the SNP Loan from SL2 to TP is currently expected to be €203 million) plus (ii) an estimated amount of €527 million less (iii) any amount repaid by TP to SL2 under the SNP Loan and used by SL2 to repay the SNs. The guarantee will be limited under the applicable indenture to the extent required such that the guarantee will not result in violations of laws relating to corporate benefit, capitalization, financial assistance and other applicable laws or otherwise cause the guarantee to be deemed void or the director to incur civil or criminal liability.
9.	Torraspapel S.A. ("**TP**") (Spain) (continued)		**Within 90 calendar days of the Issue Date:** (i) (A) if certain steps contemplated by the Permitted Reorganization are taken, a pledge over the shares in CdG and, to the extent that TP acquires these shares, including any shares as part of a share for share exchange contemplated by the Permitted Reorganization (governed by Italian law); or (B) if such steps are not taken, a pledge over the shares held by TP in CH (governed by French law) if after 90 calendar days the 14.5% shareholding owned by TP is not transferred to CdG; and (ii) (A) if certain steps contemplated by the Permitted Reorganization are taken, a pledge over the shares of Torraspapel Malmenayde SARL held by CH (governed by French law); or (B) if such steps are not taken and the shares held by TP in Torraspapel Malmenayde SARL have not been transferred to CH within 90 calendar days, a pledge over such shares within such 90 calendar day period (governed by French law).	

No.	Company	Guarantee with respect to the FRNs	Security with respect to the FRNs and the SNs	Guarantee with respect to the SNs
10.	Sarriopapel y Celulosa S.A. (“**SP**”) (Spain)	Direct guarantee provided that the maximum amount guaranteed is limited to (i) the aggregate principal amount of the FRNP Loan from SL2 to SP (the total amount of the FRNP Loan and the SNP Loan from SL2 to SP is expected to be €4.9 million) plus (ii) an amount of €80.7 million less any amount repaid by SP to SL2 under the FRNP Loan and used by Lecta to repay the FRNs. A carve-out applies for amounts which if guaranteed would result in financial assistance or civil or criminal liabilities for directors.	Security to secure the guarantee obligations of SP over: **On the Issue Date:** (i) certain commercial receivables; (ii) certain of SP’s bank accounts located in Spain where the proceeds of receivables are paid in: (A) if located in Catalonia (governed by Catalan law) and (B) if located in Spain other than Catalonia (governed by Spanish law); and (iii) if the shares held by SP in TP Malmenayde Sarl have not been transferred to CH within 90 calendar days, the shares held in Torraspapel Malmenayde SARL.	Direct guarantee provided that the maximum amount guaranteed is limited to (i) the aggregate principal amount of the SNP Loan from SL2 to SP (the total amount of the FRNP Loan and the SNP Loan from SL2 to SP is expected to be €4.9 million) plus (ii) an amount of €80.7 million less any amount repaid by SP to SL2 under the SNP Loan and used by Lecta to repay the SNs. A carve-out applies for amounts which if guaranteed would result in financial assistance or civil or criminal liabilities for directors.

STATEMENTS

LECTA S.A.
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2011
UNDER IFRS

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Independent auditor's report

To the Shareholders of
Lecta S.A.
Société Anonyme
19-21, boulevard du Prince Henri
L-1724 Luxembourg

We have audited the accompanying consolidated financial statements Lecta S.A., which comprise the consolidated statements of financial position as at 31 December 2011, 2010 and 2009, the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, the consolidated cash flow statements for the years then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Lecta S.A. as of 31 December 2011, 2010, and 2009, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Jean-Marie Gischer

Luxembourg, 30 March 2012

GENERAL INFORMATION

Lecta Group is engaged in the production and sale of Coated Woodfree paper. Lecta Group has production sites in France, Italy and Spain and sells all around the world. It employs 3,800 people.

The parent company of the Lecta Group is Lecta SA, a limited company incorporated and domiciled in the Grand Duchy of Luxembourg. The address of its registered office is:

LECTA S.A.
19-21, boulevard Prince Henri
L-1724 LUXEMBOURG

The consolidated financial statements of Lecta Group for the year ended 31 December 2011 were authorized for issue in accordance with a resolution of the Board of Directors on 30 March 2012. They will be submitted to the annual shareholders' meeting for approval.

All the amounts in the present report are in thousands of euros (EUR K) unless otherwise stated.

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT
LECTA GROUP

(in EUR K)	Notes	Jan to Dec 2011	%	Jan to Dec 2010	%	Jan to Dec 2009	%
Revenue	(8)	**1,576,829**	**100**	**1,521,510**	**100**	**1,379,901**	**100**
Changes in inventories of finished goods and work in process		(12,049)	(1)	19,294	1	(25,721)	(2)
Raw materials and consumables used		(744,359)	(47)	(744,839)	(49)	(575,776)	(42)
Labor costs		(216,252)	(14)	(217,144)	(14)	(213,520)	(15)
Other operating costs except unusual items		(441,824)	(28)	(418,007)	(27)	(409,776)	(30)
EBITDA	(1.06)	**162,345**	**10**	**160,812**	**11**	**155,108**	**11**
Depreciation	(9)	(70,863)	(4)	(75,980)	(5)	(76,264)	(6)
Amortization	(10)	(1,538)	(0)	(1,667)	(0)	(1,573)	(0)
Unusual items	(11)	(5,202)	(0)	(853)	(0)	(974)	(0)
Profit (loss) from operations		**84,742**	**5**	**82,313**	**5**	**76,297**	**6**
Financial income	(12)	9,521	1	5,370	0	2,853	0
Financial expense	(12)	(58,992)	(4)	(51,896)	(3)	(56,853)	(4)
Share of results in associates		0	0	0	0	0	0
Profit (loss) before tax		**35,271**	**2**	**35,786**	**2**	**22,297**	**2**
Income tax	(13)	(11,422)	(1)	(9,369)	(1)	(10,110)	(1)
Profit (loss) after tax		**23,849**	**2**	**26,416**	**2**	**12,186**	**1**
Attributable to:							
Equity holders of the parent		19,882	1	24,289	2	8,648	1
Minority interest		3,967	0	2,127	0	3,538	0

The accompanying Notes are an integral part of these Consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
LECTA GROUP

(in K€)	Notes	Jan to Dec 2011	Jan to Dec 2010	Jan to Dec 2009
Profit (loss) for the period		**23,849**	**26,416**	**12,186**
Available-for-sale investments	(19)	54	(31)	32
Income tax		(16)	9	(12)
		38	(22)	20
Cash flow hedging	(24) & (34)	(301)	(102)	(4,425)
Income tax		(11)	25	1,443
		(312)	(77)	(2,983)
Actuarial gains (losses) on defined benefits plans	(31)	899	(5,860)	1,462
Income tax		(241)	2,014	(493)
		658	(3,847)	970
Foreign currency translation		(69)	234	(297)
Other comprehensive income (loss) for the period, net of tax		**316**	**(3,712)**	**(2,290)**
Total comprehensive income for the period, net of tax		**24,165**	**22,705**	**9,896**
Attributable to:				
Equity holders of the parent		20,366	20,595	7,213
Minority interest		3,799	2,109	2,683

The accompanying Notes are an integral part of these Consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
LECTA GROUP

(in EUR K)	Notes	31 Dec 2011	31 Dec 2010	31 Dec 2009
ASSETS				
Property, plant and equipment	(16.1)	605,288	618,067	674,879
Investment properties	(16.2)	540	3,106	1,949
Goodwill	(17)	183,431	183,431	183,431
Other intangible assets	(18)	5,938	5,597	7,485
Available-for-sale financial investments	(19)	5,222	3,285	3,607
Biological assets	(20)	270	290	321
Deferred income tax assets	(32)	65,982	75,018	80,965
Non-current income tax receivable	(32)	0	2,350	3,515
Other non-current receivables	(24)	1,143	3,299	5,252
Non-current assets		**867,815**	**894,443**	**961,404**
Income tax receivable	(32)	3,783	145	(891)
Inventories	(21)	180,550	192,871	158,727
Trade receivables	(22)	249,461	256,939	243,334
Prepayments	(23)	1,417	1,731	1,636
Other current receivables	(24)	1,614	1,292	5,965
Cash & cash equivalents	(25)	361,647	310,062	214,176
Current assets		**798,473**	**763,040**	**622,947**
Non-current assets held for sale	(26)	**1,408**	**0**	**0**
TOTAL ASSETS		**1,667,697**	**1,657,483**	**1,584,350**
EQUITY & LIABILITIES				
Paid-in capital	(27.1)	1,446	1,446	1,446
Share premium	(27.1)	136,669	136,669	136,669
Net incomes (expenses) recognized directly through Equity	(27.2)	(5,115)	(5,673)	(1,745)
Foreign currency translation	(27.3)	(2,970)	(2,811)	(3,046)
Accumulated net profits (losses)	(27.4)	261,776	240,199	216,200
Equity holders of the parent		**391,804**	**369,829**	**349,524**
Minority interest		**10,856**	**15,969**	**15,671**
TOTAL EQUITY	(27)	**402,661**	**385,798**	**365,196**
Interest-bearing borrowings	(28)	778,987	783,996	786,578
Non-current grants	(30)	15,271	15,482	16,580
Non-current provisions	(31)	33,052	33,973	28,171
Deferred income tax liabilities	(32)	37,316	43,609	48,172
Non-current income tax payable	(32)	285	285	285
Other non-current payables	(34)	875	1,695	1,511
Non-current liabilities		**865,788**	**879,041**	**881,298**
Current portion of interest-bearing borrowings	(28)	7,924	9,898	16,317
Bank overdrafts	(29)	7,178	5,776	4,021
Current grants	(30)	1,041	2,213	1,953
Current provisions	(31)	1,324	3,532	6,370
Income tax payable	(32)	2,563	1,353	1,806
Trade payables	(33)	361,912	361,788	291,564
Other payables	(34)	17,306	8,086	15,826
Current liabilities		**399,248**	**392,644**	**337,857**
TOTAL LIABILITIES		**1,265,036**	**1,271,685**	**1,219,155**
TOTAL EQUITY AND LIABILITIES		**1,667,697**	**1,657,483**	**1,584,350**

The accompanying Notes are an integral part of these Consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
LECTA GROUP

(in EUR K)	Jan to Dec 2011	Jan to Dec 2010	Jan to Dec 2009
CASH FLOWS FROM OPERATING ACTIVITIES			
EBITDA	162,345	160,812	155,108
Inventories decrease (increase)	12,321	(34,145)	37,548
Trade receivable decrease (increase)	1,946	(13,097)	89,061
Prepayments decrease (increase)	313	(52)	1,196
Trade payables increase (decrease)	3,581	69,845	(69,895)
Working Capital decrease (increase)	18,162	22,552	57,910
Provisions increase (decrease)	(2,048)	(2,332)	4,206
GHG emission rights decrease (increase)	90	405	130
Consumption of Biological assets	20	75	16
Proceeds (payments) related to unusual items	(12,424)	(4,319)	(41,820)
Income tax paid	(8,960)	(6,196)	(3,425)
Net cash flow (used in)/from operating activities	**157,184**	**170,998**	**172,126**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of Property, plant and equipment	8,662	1,614	2,645
Purchase of property, plant and equipment	(51,319)	(26,560)	(44,520)
Proceeds from disposal of Investment properties	0	0	0
Purchase of Investment properties	0	0	0
Receipt of Grants	1,965	7,170	72
Purchase of subsidiary, net of cash acquired	(1,020)	286	(647)
Disposal of subsidiary, net of cash sold	(1,024)	0	0
Purchase of other assets	(1,974)	(337)	(564)
Proceeds from disposal of other assets	153	32	189
Dividends from associates	0	0	0
Dividends received from Available-for-sale financial investments	0	281	527
Net cash flow (used in)/from investing activities	**(44,557)**	**(17,515)**	**(42,297)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity dividends paid	0	0	0
Dividends paid to minority interest	(6,283)	(1,927)	(2,019)
Share capital increase (redemption)	0	0	2
Interest paid	(46,349)	(43,443)	(54,953)
Issue costs of Borrowings	(60)	0	0
Proceeds from Borrowings	24,572	18,314	29,862
Repayment of Borrowings	(33,331)	(31,363)	(25,480)
Loans repaid (granted)	0	0	0
Payment of finance lease liabilities	(923)	(1,153)	(1,129)
Net cash flow (used in)/from financing activities	**(62,372)**	**(59,573)**	**(53,717)**
Net increase (decrease) in Cash & cash equivalents net of Bank overdrafts	50,254	93,910	76,112
Net foreign exchange difference	(71)	221	(322)
Net effect of IFRS	0	0	0
Cash & cash equivalents net of Bank overdrafts at 1 January	304,287	210,155	134,365
Cash & cash equivalents net of Bank overdrafts at 31 December	**354,469**	**304,287**	**210,155**
Of which Cash & cash equivalents	361,647	310,062	214,176
Of which Bank overdrafts	(7,178)	(5,776)	(4,021)

The accompanying Notes are an integral part of these Consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
LECTA GROUP

(in EUR K)	Paid-in capital	Share premium	Available- for-sale investments reserve	Cash flow hedging reserve	Actuarial gains (losses) on defined benefits plans reserve	Foreign currency translation	Accumulated net profits (losses)	Total Equity holders of the parent	Total Minority Interest	TOTAL EQUITY
AT 1 JANUARY 2009	**1,444**	**136,669**	**100**	**1,430**	**(2,136)**	**(2,749)**	**207,867**	**342,625**	**15,338**	**357,963**
Profit for the period							8,648	8,648	3,538	12,186
Other comprehensive income (loss)			20	(2,119)	961	(297)		(1,435)	(855)	(2,290)
Total comprehensive income of the period			**20**	**(2,119)**	**961**	**(297)**	**8,648**	**7,213**	**2,683**	**9,896**
Options on Minority interests										
Fair value decrease (increase)									0	0
Exercise of the options									0	0
Variation of percentages of consolidation			0	0	0	0	(316)	(316)	0	(316)
Share capital increase (redemption) in Lecta SA	2	0						2		2
Share capital increase (redemption) in subsidiaries by (to) Minorities									(331)	(331)
Dividends paid to Minority interests									(2,019)	(2,019)
AT 31 DECEMBER 2009	**1,446**	**136,669**	**120**	**(689)**	**(1,176)**	**(3,046)**	**216,200**	**349,524**	**15,671**	**365,196**
Profit for the period							24,289	24,289	2,127	26,416
Other comprehensive income (loss)			(22)	(63)	(3,843)	234		(3,694)	(18)	(3,712)
Total comprehensive income of the period			**(22)**	**(63)**	**(3,843)**	**234**	**24,289**	**20,595**	**2,109**	**22,705**
Options on Minority interests										
Fair value decrease (increase)									0	0
Exercise of the options									0	0
Variation of percentages of consolidation			0	0	0	0	(291)	(291)	0	(291)
Share capital increase (redemption) in Lecta SA	0	0						0		0
Share capital increase (redemption) in subsidiaries by (to) Minorities									116	116
Dividends to Minority interests									(1,927)	(1,927)
AT 31 DECEMBER 2010	**1,446**	**136,669**	**98**	**(752)**	**(5,018)**	**(2,811)**	**240,199**	**369,829**	**15,969**	**385,798**
Profit for the period							19,882	19,882	3,967	23,849
Other comprehensive income (loss)			38	(144)	658	(69)		484	(168)	316
Total comprehensive income of the period			**38**	**(144)**	**658**	**(69)**	**19,882**	**20,366**	**3,799**	**24,165**
Variation of percentages of consolidation			0	0	0	0	1,608	1,608	(2,628)	(1,019)
Share capital increase (redemption) in Lecta SA	0	0						0		0
Share capital increase (redemption) in subsidiaries by (to) Minorities									0	0
Reclassification	0	0			5	(90)	87	2	0	2
Dividends to Minority interests									(6,284)	(6,284)
AT 31 DECEMBER 2011	**1,446**	**136,669**	**136**	**(896)**	**(4,356)**	**(2,970)**	**261,776**	**391,804**	**10,856**	**402,661**

The accompanying Notes are an integral part of these Consolidated financial statements.

NOTES

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) and by the E.U. 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 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.
- Some companies are considered Special Purpose Entities. Three such companies exist in Lecta Group (see Note 2.3).
- Recognition of risks through provisions (see Note 31).
- Choice of an accounting treatment when alternative methods are allowed by existing standards.
- Choice of an accounting treatment when insufficient guidance is provided by an existing standard (see Notes 1.16 and 1.17).

Management of Lecta Group has also made assumptions for the years to come.

Where needed management used assumptions (inflation, interest rates, exchange rates, prices, volumes . . .) 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

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Lecta Group adopted the following new and amended IAS, IFRS and IFRIC interpretations during the year 2011. When their adoption is deemed to have an impact on the financial statements of Lecta Group, such impact is described below.

- Amendment to IAS 24 — Related Party Disclosures

The amended standard clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities.

- Amendment to IAS 32 — Classification of rights issues

It amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

– Amendment to IFRIC 14 — Prepayments of a minimum funding requirement

The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

– Improvements to IFRSs:

- IFRS 3 *Business Combinations*:

The measurement options available for non-controlling interests ("NCI", i.e. minority interests) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets.

- IFRS7: *Financial instruments — Disclosures*:

The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- IAS 1 *Presentation of Financial statements*:

The amendment clarified that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the Notes to the financial statements.

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) as at 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.

Certain subsidiaries (including Special Purpose Entities) of Lecta Group are however 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 and losses on transactions between Lecta Group companies are eliminated on consolidation. Where local 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 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. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Income statement of Lecta Group includes Lecta Group's share of the profit or loss after tax of the associate.

After application of the equity method, Lecta Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates. Lecta Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, Lecta Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognizes the amount in the line "Unusual items" of the Income statement.

Lecta Group does not 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.

Refer to Note 1.04 for a description on the equity method.

Lecta Group does not have any joint venture, which requires consolidation.

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: Profits, losses or costs isolated for a better understanding of the business performance. This heading comprises essentially:

- The profit and losses on disposals or impairments of Investment in associates (see Note 1.04), Available-for-sale financial assets (see Note 1.18), and certain long-lived assets (see Note 1.21),
- The costs of restructuring and material reorganization,
- The acquisition costs in relation with business combinations, and the profit following the immediate recognition of negative goodwill (see Note 1.14).

1.07. Foreign currency transactions

The presentation currency of Lecta Group is the euro (EUR).

For each entity of Lecta Group, transactions in foreign currencies are recorded in their functional currency at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the Balance sheet date. Exchange 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", and financial items are entered in the lines "Financial income" and "Financial expense".

An exception to the above would be the case of a foreign currency borrowing that would provide a hedge against a net investment in a foreign entity. 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 the weighted average exchange rates for the year. Their assets and liabilities are translated into euro at the exchange rate prevailing at the Balance sheet date. The exchange differences are taken directly to Equity. On disposal of the entity, the exchange differences accumulated are included in the line "Unusual items" in 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 acquired entity at the date of the acquisition.

Lecta Group doesn't have any entity within the group which operates in a 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 be met before revenue is recognized:

– Sales of goods: Revenue is recognized when goods leave the warehouses of the Group or those of the consignees, or when, the goods being ready on the contractual date, their delivery is postponed following the customer's request. This method enables a reliable measurement of revenue. It acknowledges that the significant risks and rewards of ownership of the goods have been transferred either to the buyer or to the transporter.

– Sales of energy: Revenue is recognized when the energy is effectively supplied to the buyer.

– Interest: Revenue is recognized as 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 the Lecta Group's companies are stated at historical cost, augmented where appropriate by terminal environmental reinstatement costs (none in Lecta Group).

When acquired through the acquisition of a new subsidiary, the assets are stated at their fair value at the date of acquisition.

The Property, plant and equipment present in Lecta Group at First Time Adoption of IFRS as at 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-mentioned gross value less accumulated depreciation and any impairment.

Depreciation is calculated on a straight-line basis over the following estimated 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	5 to 10 years

1.11. Maintenance

Maintenance costs relating 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. The cost represents a new component which will be depreciated individually. 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.

For any given plant, the maintenance of existing Safety and Environment installations may be necessary to continue to obtain the future economic benefits from the other assets of this plant dedicated to production. Under such circumstances, they may qualify for recognition as Property, plant and equipment. Should they not meet the above criteria, these costs are expensed.

Recurring maintenance or day-to-day servicing costs (outside contractors, felt & wires . . .) are always expensed.

The overhauls of gas turbines of cogeneration plants are capitalized as Property, plant and equipment 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

Investment properties consist of land or buildings, held to earn rentals or capital appreciation.

Investment properties purchased by Lecta Group’s companies are stated at historical cost, augmented where appropriate by terminal environmental reinstatement costs (none in Lecta Group).

When acquired by Lecta Group through the acquisition of a new subsidiary, they are stated at their fair value at the date of acquisition.

At closing date, investment properties are stated at the above-mentioned gross value less accumulated depreciation and any impairment.

Depreciation is calculated on a straight-line basis over the following estimate useful lives:

Land......... No depreciation
Buildings ... 30 to 40 years

Investment properties in Lecta Group consisted of plots of land in Algeciras and Amorebieta mills that were closed in 2009 (see Note 4.2), and a plot of land next to Riva del Garda mill that was requalified to residential area in 2010 (see Note 3.6) and sold in 2011. As at 31 December 2011, investment properties only consisted of the land in Amorebieta. The land in Algeciras met the conditions to be reported as “Non-current assets held for sale” (see Note 1.20).

1.14. Business combinations and goodwill

Business combinations from 1 January 2009 (prospective application)

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest (or as minority interest) in the acquiree. For each business combination, the acquirer measures the non controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed (see Note 11).

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, are recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference (formerly known as negative goodwill) is recognized in profit or loss in the line "Unusual items" of the Income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Business combinations prior to 1 January 2009

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (or minority interest) was measured at the proportionate share of the acquiree's identifiable net assets. Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill. Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

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 carrying values of intangible assets with useful lives are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying values of intangible assets with infinite useful lives are tested for impairment on a yearly basis.

Research and Development costs are expensed when incurred, except for certain development costs that are capitalized when it is probable that the project will generate future economic benefits, and the cost can be measured reliably.

Other internally generated intangible assets are not capitalized, but expensed against profit in the year the costs were 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
Customer portfolio	7 years
Trademarks	3 to 5 years
Non-competition clause	2 years
Development costs	2 to 5 years
Rights to connect to the electricity network	10 years
CO2 emission rights (see Note 1.16)	No amortization
Green certificates (see Note 1.17)	No amortization

1.16. CO2 emission rights

In order to comply with the Kyoto protocol, the European Union has set up the CO_2 (or Greenhouse Gas) 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 CO_2 emission rights. This rule is sometimes referred to as "net liability method":

According to the "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 CO_2 emitted in excess of the rights granted by each National Authority.

Purchased rights are initially recognized at cost in the line "Other intangible assets" of the Balance sheet.

After initial recognition, the purchased 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 reported in the line "Other operating costs except unusual items".

These rules are implemented separately for each Subsidiary, because National Authorities grant the rights to single companies.

1.17. Green certificates

On top of selling steam and electricity to Garda mill, excess electricity to the national grid, Alto Garda Power SrL sells hot water to the local urban heating network. This gives Alto Garda Power SrL title to the grant of Green certificates for a period of eight years starting in January 2010. No obligation is attached to these Green certificates.

Lecta Group elected to use the implicit rule of IAS 20 "Accounting for government grants and disclosure of government assistance" to account for the Green certificates. They are recognized as an intangible asset, initially at nominal value, until they are sold to a third party.

1.18. Financial assets

Financial assets 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 profit or loss,
- Held-to-maturity investments,
- Loans and receivables

Initially, all financial assets are recognized at their fair value, plus in the case of a Financial asset not at fair value through profit or loss transaction costs directly attributable to transaction cost.

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.

After initial recognition, they are measured at fair value.

Gains or losses are directly recognized in the line "Net incomes (expenses) recognized directly through 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.

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 reported in the line "Available-for-sale financial investments", in Non-current assets on the Balance sheet.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

After initial recognition, they are measured at fair value.

Gains or losses are recognized in the lines "Financial income" and "Financial expense" of the Income statement.

In Lecta Group, Investments at fair value through the profit or loss are money market funds used to safely invest temporary excess cash. They are included in the line "Cash and cash equivalents", in the Current assets of the Balance sheet.

Held-to-maturity investments are acquired with the intent to hold them to their fixed maturity (e.g. bonds).

Held-to-maturity investments are included in the line "Other non-current receivables", 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.

Lecta Group does not hold such investments.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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.

This category comprises for Lecta Group:

– the Trade receivables (see Note 1.23);

– the financial investments originated by the group included in the line "Other non-current assets" in the Non-current assets of the Balance sheet:

  – deposits,

  – guarantees,

  – loans to non-consolidated companies or third parties.

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 counterpart.

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.

Derecognition

See Note 1.37.

1.19. 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.

They are reported in the line “Biological assets”, under Non-current assets on the Balance sheet, and measured at fair value.

1.20. Non-current assets held for sale

A non-current asset is held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

The non-current assets classified as held for sale are measured at the lower of their carrying amount and their fair value less cost of sale. They are not depreciated any more. They are presented separately from the other assets in the Balance sheet.

1.21. Impairment of certain long-lived assets

Property, plant and equipment, Investment properties and Other intangible 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 and other indefinite life intangible assets. 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” in the Income statement.

1.22. 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.

1.23. Trade receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for 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.

1.24. Prepayments

This heading comprises payments to trade or other payables for future benefits such as insurance premiums. Prepayments are stated at their nominal value.

1.25. 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 currency hedging,

– Favorable interest rate hedging,

– Miscellaneous other receivables (e.g. expected reimbursement through an insurance contract).

1.26. 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 recognized in the Income statement, under the lines "Financial income" and "Financial expense".

Note: In the Cash flow statement, the analysis is focused on variation of Cash and cash equivalents *net of Bank overdrafts*.

1.27. Interest-bearing borrowings and Bank overdrafts

Initially, all financial liabilities are recognized at their fair value, plus in the case of a Financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

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 and losses are recognized in the lines "Financial income" and "Financial expense" of the Income statement, when the liabilities are derecognized or impaired, as well as through the amortization process.

Lecta Group applies IAS 23 (revised)—*Borrowing Costs* as of 1 January 2009. Since the related criteria were not met in 2009 and 2010, Lecta Group did not capitalize any borrowing cost in the long-lived assets until 31 December 2010. In 2011, some borrowing cost in the long-lived assets were capitalized (see Note 12).

Financial liabilities at fair value through the profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

After initial recognition, they are measured at fair value.

Gains or losses are recognized in the lines “Financial income” and “Financial expense” of the Income statement.

In Lecta Group, no financial liabilities were designated as at fair value through profit or loss.

1.28. Grants

Grants constitute deferred income related to Property, plant and equipment. Grants are recognized at their fair value. They are released on a straight-line basis in the line “Depreciation” of the Income statement, over the expected useful life of the relevant asset.

1.29. 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 lines “Financial income” or “Financial expense” in the Income statement.

1.30. 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 reported in the line “Prepayments” of the Balance sheet. Payments in arrears are reported 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 and recognized at its 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.

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 of Defined *benefit* post-employment plans are directly recognized in the lines "Net incomes (expenses) recognized directly through Equity" and "Deferred tax" of the Balance sheet.
- 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: "Financial expense".

1.31. Income tax payable

Income tax payable includes withholding taxes.

1.32. Deferred tax

Deferred 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.

Deferred tax liabilities are recognized for all taxable temporary differences, except (i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or (ii) in respect of taxable temporary differences that will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences (e.g. employee benefits paid to financial institutions for which the deductibility is deferred), carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available to use these assets. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred 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 tax relating to items recognized outside the Income statement is also recognized outside the Income statement, i.e. in the Statement of comprehensive income or directly in Equity in the Balance sheet.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1.33. Trade payables

This heading comprises:

– Trade payables,

– Employees and social charges,

– VAT and other taxes except Income tax,

– Any accruals on the above.

1.34. 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 (see Note 1.35),

– Unfavorable options on non-consolidated companies,

– Unfavorable currency hedging,

– Unfavorable interest rate hedging,

– Miscellaneous other payables (unusual items).

1.35. Options on Minorities of consolidated companies

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 did not pay such premiums.

The discounted value of the 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".

Since 1 January 2009 and in accordance with IAS27 (revised), when a sold option or a firm commitment on minorities is exercised, the amount in Other payables is reversed against Cash, and the remaining balances of Minority interests and Equity derivatives are reversed against Equity.

1.36. Derivative hedging instruments

Lecta Group uses derivative instruments to hedge foreign currency, interest rate and energy price fluctuations. Such derivative instruments are stated at their fair values as communicated by the financial institutions and the energy companies that are the counterparties to these transactions.

For accounting purposes, derivative instruments are classified in the three following categories:

– *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 day-to-day 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 the interest rate, exchange rate and energy price 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 incomes (expenses) recognized directly through Equity" of the Balance sheet against "Other receivables" or "Other payables". It is removed from Equity when the hedged item affects the Income statement. The *ineffective* portion of gain or loss is immediately recognized in the line "Unusual items" of the Income statement.

– *Hedges of net investments in foreign entities denominated in a non-euro currency*:

In Lecta Group, there is no such instrument.

The accounting treatment is the same as for Cash flow hedges.

1.37. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of group of similar financial assets) is derecognized when:

(a) The rights to receive cash flows from the asset have expired; or

(b) The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass through arrangement; or

(c) The Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and / or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

1.38. Future changes in accounting policies

New and amended IFRS and IFRIC interpretations not yet effective:

– IAS 1 *Financial Statement Presentation—Presentation of Items of Other comprehensive Income*:

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012 *(not yet adopted by the E.U)*.

– IAS 12 *Income Taxes—Recovery of Underlying Assets*:

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012 *(not yet adopted by the E.U)*.

– IAS 19 (Amendment) *Employee Benefits*:

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013 *(not yet adopted by the E.U).*

– IAS 28 *Investments in Associates and Joint Ventures (as revised in 2011)*:

As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013 *(not yet adopted by the E.U)*.

– IFRS 7 *Financial Instruments: Disclosures—Enhanced Derecognition Disclosure Requirements*:

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011.

– IFRS 9 *Financial Instruments: Classification and Measurement*:

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. Lecta Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture *(not yet adopted by the E.U)*.

– IFRS 10 *Consolidated Financial Statements*:

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation—Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013 *(not yet adopted by the E.U)*.

– IFRS 11 *Joint Arrangements*:

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will impact the financial position of the Group. This is due to the cessation of proportionate consolidating the joint venture in Showers Limited to equity accounting for this investment. This standard becomes effective for annual periods beginning on or after 1 January 2013 *(not yet adopted by the E.U).*

– IFRS 12 *Disclosure of Involvement with Other Entities*:

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013 *(not yet adopted by the E.U)*.

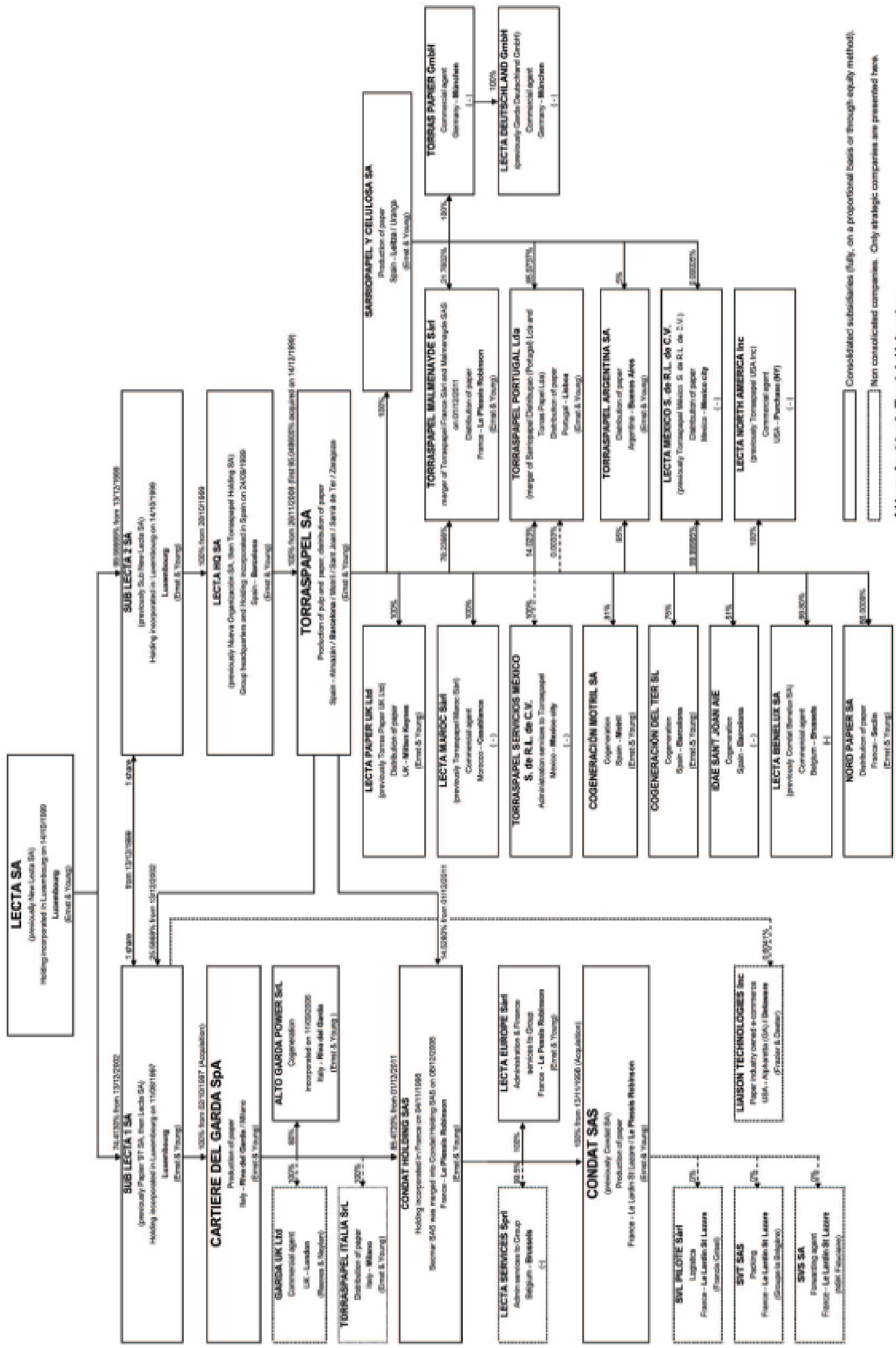
– IFRS 13 *Fair Value Measurement*:

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013 *(not yet adopted by the E.U)*.

Lecta Group is evaluating the effects of the above standards applicable as from 1 January 2012 and expects that their adoption will have no impact on the financial statements.

2. **Lecta Group at 31 December 2011**

2.1. **Organization Chart**



2.2. Consolidated subsidiaries

Subsidiaries	Activity	Country of incorporation	Interest	Control	Consol. method
Alto Garda Power SrL	Cogeneration	Italy	80%	80%	Full
Cartiere del Garda SpA	Production of woodfree coated paper	Italy	100%	100%	Full
Cogeneración del Ter SL	Cogeneration	Spain	75%	75%	Full
Cogeneración Motril SA	Cogeneration	Spain	81%	81%	Full
Condat Holding SAS (previously Condat Holding SA; absorbed Secmar SAS)	Holding	France	100%	100%	Full
Condat SAS (previously Condat SA)	Production of woodfree coated paper	France	100%	100%	Full
IDAE Sant Joan AIE	Cogeneration	Spain	51%	51%	Full
Lecta Benelux SA (previously Condat Benelux SA)	Commercial agent	Belgium	99.8%	99.8%	Full
Lecta Deutschland GmbH (previously Garda Deutschland GmbH)	Commercial agent	Germany	100%	100%	Full
Lecta Europe Sàrl	Administration & Finance services to Group	France	100%	100%	Full
Lecta HQ SA (previously Nueva Organización SA, then Torraspapel Holding SA)	Group headquarters and Holding	Spain	100%	100%	Full
Lecta Maroc Sàrl (previously Torraspapel Maroc Sàrl)	Commercial agent	Morocco	100%	100%	Full
Lecta México S. de R.L. de C.V. (previously Torraspapel México S. de R.L. de C.V.)	Distribution of paper	Mexico	100%	100%	Full
Lecta North America Inc (previously Torraspapel USA Inc)	Commercial agent	USA	100%	100%	Full
Lecta Paper UK Ltd (previously Torras Paper UK Ltd)	Distribution of paper	UK	100%	100%	Full
Nord Papier SA	Distribution of paper	France	66.0009%	66.0009%	Full
Sarriopapel y Celulosa SA	Production of paper	Spain	100%	100%	Full
Sub Lecta 1 SA (previously Papier '97 SA, then Lecta SA)	Holding	Luxembourg	100%	100%	Full
Sub Lecta 2 SA (previously Sub New Lecta SA)	Holding	Luxembourg	100%	100%	Full
Torras Papier GmbH	Commercial agent	Germany	100%	100%	Full
Torraspapel Argentina SA	Distribution of paper	Argentina	100%	100%	Full
Torraspapel Malmenayde Sàrl (merger of Torraspapel France Sàrl and Malmenayde SAS)	Distribution of paper	France	100%	100%	Full
Torraspapel Portugal Lda (merger of Sarriopapel Distribuiçao (Portugal) Lda and Torras Papel Lda)	Distribution of paper	Portugal	100%	100%	Full
Torraspapel Servicios México S. de R.L. de C.V.	Provider of administration services	Mexico	100%	100%	Full
Torraspapel SA	Production of pulp and paper, distribution of paper	Spain	100%	100%	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 SAS was set up by Cartiere del Garda SpA and incorporated in France on 4 November 1998.

On 13 November 1998, Condat Holding SAS acquired Condat SAS, a French producer of coated woodfree paper, from Jefferson Smurfit Group.

Lecta Europe Sàrl, in charge of administration and finance for the Group was set up by Condat Holding SAS and incorporated in France on 30 November 1998.

Sub Lecta 2 SA was incorporated in Luxembourg on 14 October 1999.

Lecta HQ SA (previously called 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, Lecta HQ SA acquired 95.05% 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. Due to the presence of minority interest in Torraspapel SA, this acquisition resulted in minority interest 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.

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 local utility controlled by the City of Riva del Garda. This company's purpose is to own and operate a cogeneration plant and provide steam and electricity to its shareholders and the market.

Cogeneración del Ter SL is a cogeneration plant located in Sarrià del Ter (Spain). It is 70% owned by Torraspapel SA and 30% by La Energía SA, a subsidiary of energy services Gas Natural Group. It was consolidated from 1 July 2007.

On 11 December 2007, IDAE Sant Joan AIE was incorporated in Spain. It is 51% owned by Torraspapel SA and 49% by Instituto para la Diversificación y Ahorro de la Energía (IDAE) the Spanish Institute for Energy Diversification and Saving. This company's purpose is to own and operate a cogeneration plant and provide steam and electricity to Torraspapel SA and the market.

On 1 January 2008, Lecta North America Inc, the 100% owned commercial agent in the North America for Lecta Group, was included in the consolidation perimeter.

On 1 January 2008, Dispap SA, a paper distributor in Spain having no more operating activity, was excluded from the consolidation perimeter.

On 6 May 2008, Torraspapel SA acquired 100% of Secmar SAS. Secmar SAS is a French company holding 100% of Malmenayde SAS and 66% of Nord Papier SA, two French paper merchants.

On 3 November 2008, Torraspapel SA contributed Secmar SAS to Condat Holding SAS and received in return a 23.17% interest in that company.

On 26 November 2008, Lecta HQ SA acquired the remaining 4.95% minority interest in Torraspapel SA following the exercise of a put option negotiated in December 1999, at the time of the acquisition of Torraspapel SA.

On 8 December 2008, Secmar SAS was merged into Condat Holding SAS. Malmenayde SAS and Nord Papier SA are now direct subsidiaries of Condat Holding SAS.

On 18 December 2009, Torraspapel SA acquired an additional 5% in Cogeneración del Ter SL and now holds 75% (see Note 4.3.2).

On 1 January 2010, Lecta Deutschland GmbH, the 100% owned commercial agent in Germany for Lecta Group products, was included in the consolidation perimeter (see Note 4.3.1).

On 1 January 2010, Lecta Benelux SA, the 100% owned commercial agent in Benelux for Condat products, was included in the consolidation perimeter (see Note 4.3.1).

On 26 July 2011, Torraspapel SA acquired 24% additional equity in Cogeneración Motril SA and increased its participation to 75% (see Note 3.5.1).

On 1 Dec 2011, Malmenayde SAS was merged into Torraspapel France Sàrl, and the resulting entity was named Torraspapel Malmenayde Sàrl (see Note 3.5.2).

On 5 December 2011, Torraspapel SA acquired 6% additional equity in Cogeneración Motril SA and increased its participation to 81% (see Note 3.5.1).

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*	*0.39%*	*0.39%*	*(a)*
Condat UK Ltd	*In liquidation*	*UK*	*100%*	*100%*	*(b)*
Consorzio Nazionale Imballaggi Scarl	*Recovery & Recycling*	*Italy*	*0.0046%*	*0.0046%*	*(a)*
Dispap SA	*No operating activity*	*Spain*	*100%*	*100%*	*(b)*
Eurogalicia Forestal SA	*In liquidation*	*Spain*	*76.84%*	*76.84%*	*(b)*
Formazione Assindustria Trento Scarl	*Training*	*Italy*	*1.7%*	*1.7%*	*(a)*
Garda UK Ltd	Commercial agent	UK	100%	100%	(b)
Gas Intensive Scarl	*Purchase of methane by Italian industries*	*Italy*	*0.52%*	*0.52%*	*(a)*
Lecta Services Sprl	Admin services to Group	Belgium	99.5%	99.5%	(b)
Liaison Technologies Inc (previously Liaison Technologies LLC)	Paper industry owned e-commerce platform	USA	0.6041%	0.6041%	(a) (d)
Promotora del Ulla SA	*No operating activity*	*Spain*	*45.2%*	*45.2%*	*(b)*
SVL Pilote Sàrl	Logistics	France	0%	0%	(c)
SVS Sàrl	Forwarding agent	France	0%	0%	(c)
SVT SAS	Packing	France	0%	0%	(c)
Torras Dorna SA	*No operating activity*	*Spain*	*100%*	*100%*	*(b)*
Torras Hostench SL	*No operating activity*	*Spain*	*100%*	*100%*	*(b)*
Torraspapel Italia SrL	Distribution of paper	Italy	100%	100%	(f)

Non-strategic companies.

Other companies are considered as strategic, even if they are not consolidated because of the following reasons.

Reasons for not consolidating 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. Nevertheless, they are not consolidated because of their immateriality.

SVL Pilote Sàrl, SVS Sàrl and SVT SAS are part of the same organization and work almost 100% for Condat SAS.

Other comments

(d) Expresso Paper Platform BV was a Dutch joint venture constituted in 2001 by the major producers and merchants of woodfree coated paper in Europe. Its purpose was to develop and operate an e-commerce transactions platform.

On 10 May 2005, the assets of Expresso were transferred to Liaison Technologies Inc, against a 25% shareholding in this company.

Liaison is the US leading e-commerce transactions platform for the paper industry.

On 31 August 2005, the shareholding of Expresso in Liaison was distributed to Expresso shareholders in proportion to their investment.

Expresso was liquidated in 2007.

(e) Condat North America Inc was the commercial agent for Condat products in Canada and USA. It was liquidated as at 31 December 2009 as its activity was redundant with Lecta North America Inc one in charge of all Lecta products (see Note 2.2).

(f) On 31 December 2011, Torraspapel Italia SrL was not consolidated anymore and was reported as a participation of Cartiere del Garda SpA (see Note 3.5.3).

3. Lecta capital structure and Significant events of 2011

3.1. Lecta capital structure

On 13 February 2007, Lecta Group refinanced its Senior debt with the issuance of EUR 748 M of Floating Rate Notes ("FRN") due in 2014. The FRN are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market.

The FRN documentation contains certain covenants but no financial ratios have to be met on a quarterly basis.

In addition, Lecta negotiated EUR 75 M Revolving Credit Facility ("RCF") maturing in 2013, of which EUR 60 M are committed. This line remained unutilized at the Balance Sheet date.

The resulting capital structure of Lecta proved to be well adapted to the recent economical turmoil.

The main characteristics of February 2007 Lecta Group refinancing were:

– EUR 748 M of Floating Rate Notes due 2014 were issued:
EUR 598 M secured, interest rate of Euribor 3 months + 2.625% and EUR 150 M unsecured, interest rate of Euribor three months + 4.000%.

– EUR 75 M of Multicurrency Revolving Facility agreement ("RCF") due 2013 was signed. Interest rate is Euribor + 2.000%.

– The former Senior debt was fully repaid, EUR (726.3) M.

– The balance of Issue costs related to the former Senior debt was fully charged as Amortization of issue costs on borrowings in the line "Financial expense", EUR (14.3) M.

– EUR (20.5) M of costs related to this operation were paid or accrued. They were capitalized as Issue costs in reduction of the Interest- bearing borrowings. Furthermore, EUR (4.3) M of coordination fees were expensed as incurred as Other financial expenses in the line "Financial expense", EUR (2.3) M in 2006 and EUR (2.0) M in 2007. On 31 December 2011, EUR 0.2 M of these costs remained to be paid in the line "Other payables" of the Balance sheet.

3.2. Repurchase of unsecured FRN

In 2011, Lecta repurchased EUR 23.3 M nominal value of unsecured FRN against a cash payment of EUR 21.3 M. These FRN were immediately cancelled and the resulting profit of EUR 2.0 M was booked in the line "Financial income".

Since their issuance and until 31 December 2011, Lecta has repurchased and immediately cancelled a total of EUR 30.3 M nominal value of unsecured FRN. At the same date, EUR 119.7 M of unsecured FRN remained outstanding.

3.3. Projects and plans

Lecta has Board authorization to explore projects aimed at (i) the simplification of the Group structure from a corporate and tax standpoint, (ii) the optimization of the operating organization, (iii) the strengthening of its merchanting operations, and (iv) the identification of exit and refinancing opportunities.

3.4. Organization efficiency program

The integration of Cartiere del Garda and Condat operations with Torraspapel ones continued. The efficiency program was extended to the paper distribution activity (see Note 3.5.2).

This allows Lecta Group to continue progressing in its efficiency program (see Note 4.2).

For the year 2011, the total cost associated to Lecta efficiency program was EUR 5.4 M, accounted for in the line "Unusual items" (see Note 11). After payments, as at 31 December 2011, the remaining provision was EUR 0.2 M (see Note 31).

3.5. Change in the consolidation perimeter

3.5.1. Acquisition of additional equity in Cogeneración Motril SA

On 26 July and 5 December 2011, Torraspapel SA acquired a total of 30% additional equity in Cogeneración Motril SA against a total payment of EUR 1,020 K. Compared to EUR 2,628 K of accounting value, it led to the recognition of EUR 1,608 K profit through Equity in the line "Accumulated net profits (losses)" in application of the revised standard IAS27 (revised). With these transactions, the shareholding in Cogeneración Motril SA increased from 51% to 81%. As of 1 January 2012, Cogeneración Motril SA joined the Spanish tax group led by Lecta HQ SA (see Note 32.1).

3.5.2. France paper distribution

As at 1 Dec 2011, Condat Holding SAS transferred its participations in Malmenayde SAS and Nord Papier SA to Torraspapel SA. Subsequently, Malmenayde SAS was merged into Torraspapel France Sàrl, and the resulting entity was named Torraspapel Malmenayde Sàrl (see Notes 2.1 and 2.2).

3.5.3. Torraspapel Italia SrL

Torraspapel Italia SrL was consolidated until 30 December 2011. It was a participation of Cartiere del Garda SpA as at 31 December 2011 (see Note 19).

ASSETS	
Property, plant and equipment	12
Non-current assets	**12**
Trade receivables	5,532
Cash & cash equivalents	1,024
Current assets	**6,556**
TOTAL ASSETS	**6,568**
EQUITY & LIABILITIES	
Paid-in capital	50
Share premium	98
Accumulated net profits (losses)	1,854
Equity holders of the parent	**2,002**
Minority interest	**0**
TOTAL EQUITY	**2,002**
Non-current income tax payable	64
Non-current liabilities	**64**
Current portion of interest-bearing borrowings	772
Current provisions	274
Trade payables	95
Other payables	3,360
Current liabilities	**4,502**
TOTAL LIABILITIES	**4,565**
TOTAL EQUITY AND LIABILITIES	**6,568**

3.6. Sales of non-industrial properties

A plot of land next to Riva del Garda mill was sold for a total amount of EUR 8.5 M. A first down payment of EUR 1 M was cashed € in December 2010. Two other down payments were cashed in February 2011 (EUR 1 M) and October 2011 (EUR 1.3 M), and the balance in November 2011 (EUR 5.2 M). Capital gain of EUR 7.4 M was booked in the line "Unusual items" (see Note 11).

A preliminary agreement for the sale of land in Algeciras for a total amount of EUR 13.5 M was signed in December 2011 against a first down payment of EUR 1 M. The closing of the sale was planned in 2012 (see Notes 26 and 40).

3.7 Condat UK Ltd

This company was not consolidated due to its immateriality (see Note 2.3).

On 1 January 2009, the shareholders of Condat UK Ltd were:

– Condat SAS:	51%
– HH Peggs Ltd:	49%

There was a Sold put and Purchased call options agreement on the shares of Condat UK Ltd. On 7 September 2007, HH Peggs Ltd gave notice of its intention to exercise its put option, starting with a six months advance notice period, with an expiration date on 14 March 2008. In March 2008, HH Peggs Ltd exercised its option.

On 31 March 2008, Condat SAS paid GBP 1,017 K, i.e. EUR 1,289 K translating in a cash-out by the same amount in the line “Purchase of other assets” of the Cash flow statement.

Condat SAS owned 100% of Condat UK Ltd for a total value of EUR 1,376 K that was considered as fair.

In 2009, the Management agreement with the prior minority shareholder of Condat UK Ltd was terminated. The shareholding in Condat UK Ltd was impaired (see Note 11) and its fair value was reduced to EUR 179 K as at 31 December 2011. The company was in liquidation at the end of 2011 (see Note 2.3).

4. Significant events of 2009 and 2010

All the items in the present chapters have been already disclosed in the Annual reports of 2009 and 2010.

4.1. Repurchase of unsecured FRN

In December 2009, Lecta repurchased EUR 2.0 M nominal value of unsecured FRN against a cash payment of EUR 1.6 M. These FRN were immediately cancelled and the resulting profit of EUR 0.4 M was booked in the line “Financial income”.

In May 2010, Lecta repurchased EUR 5.0 M nominal value of unsecured FRN against a cash payment of EUR 3.9 M. These FRN were immediately cancelled and the resulting profit of EUR 1.1 M was booked in the line “Financial income”.

4.2. Organization efficiency program

Starting in April 2007, Lecta Group undertook the preparation and implementation of a group-wide organization efficiency program, aimed at improving the group’s competitiveness. For the past several years, Lecta companies operated in a mature market, characterized by strong fluctuations of raw materials and energy prices, and the unfavorable effect on exports of the euro/dollar exchange rate.

As part of this plan, Lecta aimed to developing synergies among its businesses in Spain, France and Italy. These actions gave the group’s subsidiaries increased competitiveness, through reduced production and logistics costs, while allowing it to adapt to a changing economic climate. The program entailed a reduction of 944 full-time equivalent employees, when comparing the average 2010 against the average 2006. The main contribution to this cost reduction effort came from:

4.2.1. Condat SAS efficiency program

On 24 July 2007, a comprehensive restructuring plan was presented to its Works Council. The negotiations were completed in early October 2007 and its full implementation one year later.

The average 2010 headcount was reduced by 164 vs 2006 level.

4.2.2. Spanish efficiency program

The restructuring of Spanish operations entailed two projects.

The first project was the resizing and conversion of Sarrià de Ter plant where the production of CWF paper stopped, the closing down of Amorebieta and Algeciras production sites. The reorganization reduced CWF production capacity by 160,000 tons per year.

After negotiations and agreements with employee representatives started in November 2008, the authorizations to implement the plan were obtained from the Spanish labor authorities in February and March 2009. Most of the affected employees left the company in February, March and April 2009.

The second project was the operating merger of Spanish distribution activities. The affected employees left the company in September 2009.

The average 2010 headcount was reduced by 693 vs 2006 level.

4.2.3. Cartiere del Garda SpA efficiency program

Without the need of a formal social plan, Cartiere del Garda also resized its organization.

The average 2010 headcount was reduced by 83 vs 2006 level.

For the years 2007 to 2010, the total cost associated to Lecta efficiency program was EUR 94.4 M, accounted for in the line “Unusual items” (see Note 11). Of this amount, EUR 31.0 M represented non-cash items, i.e. write-offs of property, plant and equipment and spare parts. After payments, as at 31 December 2010, the remaining provision was EUR 0.6 M (see Note 31).

4.3. Changes in the consolidation perimeter

4.3.1. Consolidation of Lecta Deutschland GmbH and Lecta Benelux SA

On 1 January 2010, Lecta Deutschland GmbH and Lecta Benelux SA were included in the consolidation perimeter (see Note 2.2), translating into a cash net of borrowings flow of EUR 0.2 M.

The impacts of these movements can be summarized as follows:

ACQUIRED BALANCE SHEET
LECTA GROUP

(in EUR K)	Lecta Deutschland GmbH	Condat Benelux SA	Total
ASSETS			
Property, plant and equipment	59	69	128
Deferred income tax assets	44	23	67
Non-current assets	**103**	**92**	**195**
Trade receivables	357	151	508
Prepayments	27	17	43
Cash & cash equivalents	230	56	286
Current assets	**614**	**224**	**838**
TOTAL ASSETS	**716**	**317**	**1,033**
EQUITY & LIABILITIES			
Paid-in capital	26	62	87
Accumulated net profits (losses)	153	63	216
Equity holders of the parent	**178**	**124**	**303**
Minority interest	**0**	**0**	**0**
TOTAL EQUITY	**178**	**124**	**303**
Interest-bearing borrowings	20	31	51
Non-current provisions	267	0	267
Non-current liabilities	**286**	**31**	**317**
Current portion of interest-bearing borrowings	23	12	34
Trade payables	229	149	379
Current liabilities	**252**	**161**	**413**
TOTAL LIABILITIES	**538**	**192**	**730**
TOTAL EQUITY AND LIABILITIES	**716**	**317**	**1,033**

4.3.2. Acquisition of Minority interest in Cogeneración del Ter SL

On 18 December 2009, Torraspapel SA acquired an additional 5% in Cogeneración del Ter SL against a payment of EUR 645 K. Compared to EUR 388 K of accounting value on 31 December 2009, it led to the recognition of EUR (257) K through Equity in the line "Accumulated net profits (losses)" in application of the revised standard IAS27 (revised).

With this acquisition, the shareholding in Cogeneración del Ter SL increased from 70% to 75%. As of 1 January 2010, Cogeneración del Ter SL joined the Spanish tax group led by Lecta HQ SA.

4.4. Cancellation of some deferred tax assets

The limited period of utilization of tax losses in certain jurisdictions coupled with uncertainties in short-term future profitability, led to the cancellation of some deferred tax assets (see Notes 13 and 32.3). The impacts were:

In 2009:

– Cartiere del Garda tax group: EUR (0.7) M

In 2010:

– Cartiere del Garda tax group: EUR (2.8) M

4.5. Discontinued operations

There was no discontinued operation in 2009 and 2010.

5. Information by Operating Segment

Lecta Group applied IFRS 8 "Operating Segments" as of 1 January 2009. The Chief Operating Decision Makers analyze the group activity through three lines of products and services, within a unique operating segment, "production and sale of paper".

Products and services are:

– Coated Woodfree: Manufacturing of fine paper. The majority is sold to third parties.

– Specialties: Manufacturing of specialty papers. The majority is sold to third parties.

– Other activities: Purchased products, Holdings and Headquarters.

Sales between business activities are made at market price.

5.1. Information about profit or loss

The following table presents revenue and profit information of the Group's products and services for the years ended 31 December 2011, 2010 and 2009:

	Revenue—external			Revenue—internal			EBITDA		
Products & Services	**31 Dec 2011**	**31 Dec 2010**	**31 Dec 2009**	**31 Dec 2011**	**31 Dec 2010**	**31 Dec 2009**	**31 Dec 2011**	**31 Dec 2010**	**31 Dec 2009**
Coated Woodfree	1,120,139	1,070,296	951,115	188,828	165,522	88,406	133,080	129,592	127,647
Specialties	296,935	285,112	252,751	13,551	10,946	4,758	26,067	25,214	22,418
Other activities	159,699	166,101	176,035	2,774	4,689	4,104	2,988	7,686	5,398
Eliminations(1)				(205,153)	(181,157)	(97,269)	209	(1,680)	(355)
Total	1,576,772	1,521,510	1,379,901	0	0	0	162,345	160,812	155,108

(1) Inter-segment revenues are eliminated on consolidation.

5.2. Information about geographical areas

The following table presents revenue from external customers of the Group's products and services for the years ended 31 December 2011, 2010 and 2009:

Geographical location of customers (in EUR K)	**Revenue—external**		
	31 Dec 2011	**31 Dec 2010**	**31 Dec 2009**
Luxembourg	217	478	0
Spain	369,226	347,361	356,806
France	332,694	311,018	310,087
Italy	183,357	208,814	191,573
UK	130,246	122,504	107,081
Germany	118,587	74,500	62,558
North America	67,055	84,707	60,467
Other countries	375,448	372,128	291,331
Total	1,576,829	1,521,510	1,379,901

The following table presents non-current assets of the Group's products and services for the years ended 31 December 2011, 2010 and 2009:

Geographical location of assets (in EUR K)	**Non-current assets**		
	31 Dec 2011	**31 Dec 2010**	**31 Dec 2009**
Luxembourg	0	0	0
Italy	132,237	139,896	155,261
France	122,195	143,333	160,129
Spain	357,605	343,830	369,243
Total	612,037	627,060	684,633

For products and services reporting, definitions are as follows.

– Revenue is the Revenue in the Income statement.

– EBITDA is the EBITDA in the Income statement.

  There is no significant non-cash expense within the EBITDA.

– Non-current assets is the sum of Property, plant and equipment, Investment properties, Other intangible assets and Biological assets in the Balance sheet.

  Following items are not included: Goodwill, Investment in associates, Available-for-sale financial investments, Deferred income tax assets, Non-current income tax receivable, Other non-current receivables and Non-current assets held for sale.

6. 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	2011	2010	2009
Lecta SA	0	0	0
Sub Lecta 1 SA	0	0	0
(previously Papier '97 SA, then Lecta SA)			
Cartiere del Garda SpA	498	505	496
Alto Garda Power SrL	0	0	0
Torraspapel Italia Srl[b]	—	8	6
Condat Holding SAS	0	0	0
(previously Condat Holding SA; absorbed Secmar SAS)			
Condat SAS	695	700	701
(previously Condat SA)			
Lecta Europe Sàrl	7	7	7
Nord Papier SA	13	17	17
Sub Lecta 2 SA	0	0	0
(previously Sub New Lecta SA)			
Lecta HQ SA	0	0	0
(previously Nueva Organización SA, then Torraspapel Holding SA)			
Torraspapel SA	1,870	1,910	1,882
Cogeneración del Ter SL	0	0	0
Cogeneración Motril SA	0	0	0
IDAE Sant Joan AIE	0	0	0
Lecta Benelux SA[a]	6	6	—
(previously Condat Benelux SA)			
Lecta Deutschland GmbH[a]	14	14	—
(previously Garda Deutschland GmbH)			
Lecta Maroc Sàrl	2	2	2
(previously Torraspapel Maroc Sàrl)			
Lecta México S. de R.L. de C.V.	3	3	3
(previously Torraspapel México S. de R.L. de C.V.)			
Lecta North America Inc	10	10	10
(previously Torraspapel USA Inc)			
Lecta Paper UK Ltd	20	18	19
(previously Torras Paper UK Ltd)			
Sarriopapel y Celulosa SA	417	429	506
Torraspapel Portugal Lda	35	41	43
(merger of Sarriopapel Distribuiçao (Portugal) Lda and Torras Papel Lda)			
Torras Papier GmbH	1	1	2
Torraspapel Argentina SA	28	25	23
Torraspapel Malmenayde Sàrl		39	45
	145		
(merger of Torraspapel France Sàrl and Malmenayde SAS)		116	111
Torraspapel Servicios México S. de R.L. de C.V.	0	0	0
Total	**3,764**	**3,850**	**3,872**

(a) This company was consolidated for the first time in 2010 (see Note 4.3.1)

(b) This company was not consolidated as at 31 December 2011 (see Note 3.5.3).

7. Research and Development costs

(in EUR K)	2011	2010	2009
Costs	2,285	2,211	2,544

All these costs were expensed as incurred, in compliance with the accounting policy (see Note 1.15).

8. Revenue

(in EUR K)	2011	2010	2009
Sales of paper	1,463,308	1,435,328	1,287,176
Sales of energy	113,521	86,182	92,725
Revenue	1,576,829	1,521,510	1,379,901

(in metric tonnes)	2011	2010	2009
Volume sold of paper	1,655,541	1,643,059	1,534,227

(in MWh)	2011	2010	2009
Volume sold of energy	1,181,825	1,089,774	1,052,149

9. Depreciation

(in EUR K)	2011	2010	2009
Depreciation of Property, plant and equipment	(72,989)	(78,216)	(77,794)
Amortization of Grants	2,127	2,236	1,529
Income/(Expense)	(70,863)	(75,980)	(76,264)

10. Amortization

(in EUR K)	2011	2010	2009
Amortization of Other intangible assets	(1,538)	(1,667)	(1,573)
Amortization of Goodwill	0	0	0
Amortization of Acquisition costs	(0)	0	0
Income/(Expense)	(1,538)	(1,667)	(1,573)

Trademarks Malmenayde and Nord Papier were amortized straight line over a period of 5 years as of 1 October 2009, with an impact of EUR (215) K in 2009, EUR (860) K in 2010 and 2011.

Rights to connect to the electricity network for the Spanish cogeneration plants were amortized straight line over a period of 10 years, with an impact of EUR (164) K in 2009, EUR (164) K in 2010, and EUR (144) K in 2011.

11. Unusual items

(in EUR K)	2011	2010	2009
Profit (Loss) on:			
Property, plant and equipment	7,117	(584)	7,384
Investment properties	0	0	0
Goodwill	0	0	0
Other intangible assets	(5)	(2)	0
Available-for-sale financial investments	(119)	75	(1,813)
Biological assets	0	0	0
Loans, Deposit & Guarantees	0	0	0
Purchased call options on Available-for-sale financial investments	0	0	0
Sold put options on Available-for-sale financial investments	0	0	0
Ineffective portion in the variation of cash flow hedging derivatives	321	5	(479)
Organization efficiency program	(5,402)	(100)	(5,999)
Other unusual incomes (charges)	(7,114)	(247)	(67)
Income/(Expense)	(5,202)	(853)	(974)

In 2011, the profit of EUR 7,117 K on *Property, plant and equipment* consisted of:

- Net profit of EUR 7,350 K on the disposal of a plot of land next to Riva del Garda mill (see Note 3.6).
- Write-off of industrial assets and movements of provision of EUR (233) K.

In 2010, the charge of EUR (584) K on *Property, plant and equipment* consisted of:

- Net loss of EUR (1,040) K on the disposal of tangible assets.
- Movements of provision of EUR 456 K.

In 2009, the profit of EUR 7,384 K on Property, plant and equipment consisted of:

- Partial recovery of EUR 5,436 K of Spanish assets that were written-off in December 2008 as part of the Organization efficiency program (see Note 4.2).

– Net profit of EUR 1,487 K on the disposal of tangible assets.

– Movements of provision of EUR 461 K.

In 2011, 2010 and 2009, there was no impairment on *Goodwill.*

In 2011, the net charge of EUR (119) K on *Available-for-sale financial investments* consisted of:

– Expenses of EUR (119) K in relation with the impairment in a non-consolidated company (Condat UK Ltd) (see Note 3.7).

In 2010, the net profit of EUR 75 K on *Available-for-sale financial investments* consisted of:

– Reduction of EUR 185 K of the impairment in a non-consolidated company (Condat UK Ltd) (see Note 3.7).

– Complementary expenses of EUR (110) K in relation with the aborted acquisition of a new company (see 2009).

In 2009, the net charge of EUR (1,813) K on Available-for-sale financial investments consisted of:

– Impairment of EUR (1,263) K in a non-consolidated company (Condat UK Ltd) (see Note 3.7).

– Expenses of EUR (550) K in relation with the possible acquisition of a new company.

The line *Ineffective portion in the variation of Rate hedging derivatives* was the consequence of the introduction of IAS 32 & 39 (see Note 1.36).

The *Organization efficiency program* is presented in Notes 3.4 and 4.2. The 2011, 2010 and 2009 charges included de(in)creases of provision of EUR 435 K, EUR 831 K and EUR 38,614 K.

In 2011, the other unusual incomes (charges) of EUR (7,114) K consisted in fees and costs in relation with the simplification of the Group structure from a corporate and tax standpoint, the strengthening of its merchanting operations, and the identification of refinancing opportunities (see Note 3.3).

12. Financial income (expense)

(in EUR K)	2011	2010	2009
Interest on Floating Rate Notes	(32,150)	(27,686)	(34,493)
Interest on rate hedging derivatives	0	0	0
Amortization of issue costs on borrowings	(2,735)	(2,735)	(2,735)
S/T Floating Rate Notes	(34,885)	(30,421)	(37,228)
Externalized pension funds	(4)	(79)	(180)
Lease obligations	(36)	(34)	(33)
Incomes on Loans	44	0	0
Interest on other long-term borrowings	(2,737)	(2,115)	(2,056)
Interest on rate hedging derivatives	(981)	(1,205)	(623)
Amortization of issue costs on borrowings	(112)	(133)	(144)
S/T Other long-term borrowings	(3,830)	(3,453)	(2,823)
Trade receivables: discounts on anticipated payments and non-recourse assignment costs	(16,524)	(15,001)	(13,379)
Trade payables: discounts on anticipated payments	463	561	354
Finance cost in the provisions on employees benefits	(1,062)	(1,020)	(910)
Capitalization of borrowing costs	222	0	0
Other financial incomes	9,015	4,528	1,972
Other financial expenses	(2,873)	(1,889)	(2,300)
Dividends	0	281	527
Income/(Expense)	(49,471)	(46,527)	(54,000)

The lines "Amortization of Issue costs on borrowings" are a consequence of the application of the effective interest rate method (see Note 1.27).

The line "Other financial incomes" included the gain of the repurchase of unsecured FRN (see Notes 3.2 and 4.1).

Dividends received from (paid to):

– 2010: EUR 281 K from Garda UK.

– 2009: EUR 527 K, EUR 427 K from Lecta Deutschland GmbH and EUR 100 K from Lecta Services Sprl.

13. Income tax in the Income statement

13.1. Overview

(in EUR K)	2011	2010	2009
Current tax	(8,946)	(5,871)	(5,378)
Deferred tax	(2,476)	(3,498)	(4,732)
Income/(Expense)	(11,422)	(9,369)	(10,110)

The deferred tax charge of EUR (2,476) K booked in 2011 was the result of:

– EUR (5,763) K of net deferred tax charge on tax losses, used against 2011 taxable profits.

– EUR 3,287 K of deferred tax profit on temporary differences.

The deferred tax charge of EUR (3,498) K booked in 2010 was the result of:

– EUR (5,545) K of net deferred tax charge on tax losses, used against 2010 taxable profits.

– EUR 2,048 K of deferred tax profit on temporary differences.

The deferred tax charge of EUR (4,732) K booked in 2009 was the result of:

– EUR (725) K of cancellation of deferred tax asset on tax losses of previous years (see Note 13.2).

– EUR 1,545 K of net deferred tax profit on tax losses, mainly due to the recognition of deferred tax asset on 2009 losses that will be used against future taxable profits, and the use of deferred tax asset on losses of prior years.

– EUR (5,552) K of deferred tax charge on temporary differences, as a large portion of the Spanish Organization efficiency program became tax deductible in 2009.

13.2. Effective income tax rate

(in EUR K)	2011	2010	2009
Profit (loss) before tax	35,271	35,786	22,297
Nominal rate in Luxembourg	28.80%	28.59%	28.59%
Tax at nominal rate	(10,158)	(10,231)	(6,375)
Impact of local rates(1)	341	51	(1,874)
Adjustments on usable tax losses(2):			
– Cancellation of tax losses	0	0	(725)
– Recognition of tax losses	3,461	4,517	91
– Other adjustments	(770)	223	642
Permanent differences on tax bases(3)	(2,003)	(2,385)	(120)
Other adjustments(4)	(2,292)	(1,544)	(1,749)
P&L income tax	(11,422)	(9,369)	(10,110)
Effective tax rate	32.38%	26.18%	45.34%

Year 2011

(1) Impact of local rates:

- The local tax rates (actual and deferred) were generally higher than the Luxembourg actual nominal tax rate. Applied to the sum of locally computed profit (loss) before tax, positive in 2011, the difference in tax rates generated a favorable impact of EUR 454 K.

- The change in tax rates from 2010 to 2011 had an impact of EUR (113) K.

(2) Adjustments on usable tax losses:

- Some deferred tax assets on tax losses were recognized for the first time on 31 December 2011: EUR 1,883 K in Condat Holding tax group (see Note 32.3).

- Some deferred tax assets on tax losses that were cancelled on 31 December 2010, were re-recognized on 31 December 2011: EUR 1,578 K in Cartiere del Garda tax group (see Note 32.3).

- There were some other adjustments on tax losses for a total of EUR (770) K.

(3) Permanent differences on tax bases:

- Non-taxable capital gain on repurchase of FRN in Lecta SA resulted in a favorable impact of EUR 592 K (see Note 3.2).

- Taxable internal profit on capital gains generated an unfavorable impact of EUR (5,144) K (see Note 3.5.2).

- Non-deductible impairment of Available-for-sale financial-investments generated an unfavorable impact of EUR (41) K (see Note 3.7) and non-deductible charges of EUR (210) K.

- Thin capitalization rules on Financial expense generated an unfavorable impact of EUR (562) K.

- Use of non-capitalized tax credits to neutralize the payment of 2011 corporate tax by Lecta HQ tax group generated a favorable impact of EUR 1,132 K.

- Capitalization of tax credits to neutralize the payments of corporate tax by Lecta HQ tax group in 2012 and 2013 generated a favorable impact of EUR 2,910 K.

- Other definitively non-deductible charges resulted in an unfavorable impact of EUR (680) 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 (1,261) K (see Note 32.3).

- The CVAE ("Cotisation sur la Valeur Ajoutée des Entreprises") was computed on a larger base than the taxable earnings in France, leading to an unfavorable impact of EUR (805) K (see Note 32.3).

- Some miscellaneous adjustments generated a net unfavorable impact of EUR (226) K.

Year 2010

(1) Impact of local rates:

- The local tax rates (actual and deferred) were generally higher than the Luxembourg actual nominal tax rate. Applied to the sum of locally computed profit (loss) before tax, positive in 2010, the difference in tax rates generated an unfavorable impact of EUR (234) K.

- The change in tax rates from 2009 to 2010 had an impact of EUR 285 K.

(2) Adjustments on usable tax losses:

- Some deferred tax assets on tax losses that were cancelled on 31 December 2009, were re-recognized on 31 December 2010: EUR 4,093 K in Cartiere del Garda tax group (see Note 32.3).

- Some deferred tax assets on tax losses were recognized for the first time on 31 December 2010: EUR 423 K in Torraspapel France Sàrl (see Note 32.3).

- There were some other adjustments on tax losses for a total of EUR 223 K.

(3) Permanent differences on tax bases:

- Non-taxable capital gain on repurchase of FRN in Lecta SA resulted in a favorable impact of EUR 314 K (see Note 4.1).

- Non-deductible impairment on Available-for-sale financial-investments generated an unfavorable impact of EUR (183) K.

- Thin capitalization rules on Financial expense generated an unfavorable impact of EUR (2,139) K.

- Other definitively non-deductible charges resulted in an unfavorable impact of EUR (376) 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 (1,016) K (see Note 32.3).

- The CVAE ("Cotisation sur la Valeur Ajoutée des Entreprises") was computed on a larger base than the taxable earnings in France, leading to an unfavorable impact of EUR (820) K (see Note 32.3).

- Some miscellaneous adjustments generated a net favorable impact of EUR 291 K.

Year 2009

(1) Impact of local rates:

- The local tax rates (actual and deferred) were generally higher than the Luxembourg actual nominal tax rate. Applied to the sum of locally computed profit (loss) before tax, positive in 2009, the difference in tax rates generated an unfavorable impact of EUR (1,609) K.

- The change in tax rates from 2008 to 2009 had an impact of EUR (265) K.

(2) Adjustments on usable tax losses:

- Some deferred tax assets on tax losses were cancelled on 31 December 2009: EUR (725) K in Cartiere del Garda tax group (see Note 32.3).

- Some tax losses of prior years were recognized in 2009. They generated an impact of EUR 91 K.

- There were some other adjustments on tax losses for a total of EUR 642 K.

(3) Permanent differences on tax bases:

- Non-taxable capital gain on repurchase of FRN in Lecta SA resulted in a favorable impact of EUR 126 K (see Note 4.1).

- Dividends received from Lecta Services Sprl and Lecta Deutschland GmbH did not bear tax resulting in a favorable tax impact of EUR 180 K (see Note 12).

- Other definitively non-deductible charges resulted in an unfavorable impact of EUR (425) 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 (1,829) K.

- The CVAE ("Cotisation sur la Valeur Ajoutée des Entreprises") was set up by the French finance law for the year 2010. Computed on a larger base than the taxable earnings in France, it led to an unfavorable impact of EUR (1,378) K.

- Some temporary differences of prior years were recognized in 2009, and some others of 2008 were cancelled in 2009. They generated a net favorable impact of EUR 1,302 K.

- Some miscellaneous adjustments generated a net favorable impact of EUR 156 K.

14. Earnings per share

(in EUR K)	2011	2010	2009
Profit (loss) after tax attributable to the equity holders of the parent (in EUR K)			
Income statement	19,882	24,289	8,648
Pro-forma interest on warrants	1	0	0
Total diluted	19,882	24,290	8,649
Weighted number of shares			
Basic shares	560,366	560,366	559,643
Warrants	7,246	7,246	7,969
Total	567,612	567,612	567,612
Earnings per share (in EUR)			
Basic	35.5	43.3	15.5
Diluted	35.0	42.8	15.2

"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 (none for these three years).

"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.

Note: IAS 33 paragraph 43 requires that the diluted earnings per share does not assume conversion, exercise or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share.

15. Dividends paid and proposed

No dividend was paid nor proposed.

16. Property, plant and equipment and Investment properties

16.1. Property, plant and equipment

	Purchased					Leased			
(in EUR K)	Land & Building	Plant & machinery	Motor vehicles	Fixtures & fittings	Work in progress	Land & Building	Motor vehicles	Fixtures & fittings	TOTAL
At 1 January 2009									
Cost	222,515	1,187,308	9,166	81,600	13,289	11,545	3,775	648	**1,529,845**
Depreciation & Impairment	(71,370)	(678,139)	(7,142)	(60,180)	0	(3,202)	(2,101)	0	**(822,135)**
Net carrying amount	151,144	509,169	2,024	21,420	13,289	8,343	1,673	648	**707,710**
Additions	0	173	0	42	41,433	0	473	43	**42,164**
Depreciation charge	(6,268)	(64,263)	(849)	(5,316)	0	(458)	(639)	0	**(77,794)**
Impairment losses charged	0	0	0	0	0	0	0	0	**0**
Impairment losses reversed as profit	11	450	0	0	0	0	0	0	**461**
Disposals	5	4,261	(24)	54	0	0	(0)	(17)	**4,278**
Reclassification in/(out)	1,297	40,657	485	2,485	(39,496)	(6,963)	(413)	0	**(1,949)**
Variation of percent of consolidation	0	0	0	0	0	0	0	0	**0**
Exchange adjustments	0	0	(0)	(7)	15	0	0	0	**8**
At 31 December 2009									
Cost	227,013	1,225,008	9,347	83,957	15,241	1,380	3,047	673	**1,565,667**
Depreciation & Impairment	(80,824)	(734,560)	(7,711)	(65,279)	0	(459)	(1,954)	0	**(890,788)**
Net carrying amount	146,188	490,448	1,636	18,678	15,241	921	1,093	673	**674,879**
Additions	0	24	0	26	21,780	0	1,638	174	**23,641**
Depreciation charge	(6,732)	(65,287)	(545)	(5,007)	0	(23)	(622)	0	**(78,216)**
Impairment losses charged	0	0	0	0	0	0	0	0	**0**
Impairment losses reversed as profit	11	445	0	0	0	0	0	0	**456**
Disposals	(54)	(1,465)	(39)	(41)	0	0	(55)	0	**(1,654)**
Reclassification in/(out)	341	15,975	546	2,346	(19,891)	0	(190)	(303)	**(1,176)**
Variation of percent of consolidation	0	0	0	43	0	0	85	0	**128**
Exchange adjustments	0	0	(1)	7	1	0	1	0	**8**
At 31 December 2010									
Cost	227,294	1,236,557	9,249	86,072	17,132	1,380	3,423	543	**1,581,651**
Depreciation & Impairment	(87,539)	(796,418)	(7,652)	(70,019)	0	(482)	(1,474)	0	**(963,584)**
Net carrying amount	139,755	440,140	1,597	16,052	17,132	899	1,949	543	**618,067**
Additions	0	145	47	12	59,517	0	846	41	**60,609**
Depreciation charge	(6,419)	(61,598)	(575)	(3,721)	0	(23)	(654)	0	**(72,989)**
Impairment losses charged	0	0	0	0	0	0	0	0	**0**
Impairment losses reversed as profit	11	101	0	0	0	0	0	0	**112**
Disposals	(1,196)	(455)	(0)	(5)	0	0	(0)	0	**(1,656)**
Reclassification in/(out)	5,391	44,540	55	(3,824)	(44,904)	0	(43)	(57)	**1,158**
Variation of percent of consolidation	0	0	0	18	0	0	(30)	0	**(12)**
Exchange adjustments	0	0	(1)	3	0	0	(0)	0	**1**
At 31 December 2011									
Cost	232,526	1,279,510	8,901	79,664	31,745	1,380	3,724	527	**1,637,977**
Depreciation & Impairment	(94,983)	(856,637)	(7,779)	(71,128)	0	(505)	(1,657)	0	**(1,032,688)**
Net carrying amount	137,543	422,873	1,122	8,536	31,745	876	2,067	527	**605,288**

(in EUR K)	**2011**	**2010**	**2009**
Major paper machine rebuilds	0	0	0
Cost reduction and productivity improvement	42,242	11,642	24,791
Maintenance	9,075	7,260	12,813
Information technology	1,678	1,746	1,427
Environment and safety	7,613	2,993	3,133
Total Capex = Additions	**60,609**	**23,641**	**42,164**

2011

Cost reduction and productivity improvement Capex were allocated as follows:

- EUR 3.0 M in Italy, of which EUR 1.3 M for the converting of self-adhesive paper, EUR 0.4 M for the installation of a calcium carbonates storage tank, and EUR 0.4 M for the rebuilding of the pallet wrapping line
- EUR 0.7 M in France, of which EUR 0.2 M invested in the sheeter n°9

– EUR 38.5 M in Spain, of which EUR 20.8 M invested in the new cogeneration plant in Sant Joan, EUR 10.4 M to increase the production capacity of self-adhesive paper in Almazán, EUR 2.9 M to increase the production capacity of metallized paper in Leitza, and EUR 1.0 M in the railways in Zaragoza

Maintenance Capex was allocated as follows:

– EUR 5.5 M in Italy, of which EUR 0.9 M for the overhaul of the cogeneration plant, EUR 0.7 M for the replacement of a reduction gear box in the gas turbine, EUR 0.7 M for the upgrade of the Autostore overhead crane

– EUR 1.1 M in France, of which EUR 0.5 M for the decennial service of the steam turbine Stal

– EUR 2.4 M in Spain, of which a total of EUR 0.8 M for the overhauls of the cogeneration plants in Sarrià de Ter and Zaragoza

Information Technology Capex was allocated as follows:

– EUR 0.3 M in France

– EUR 1.3 M in Spain

Environment and safety Capex were allocated as follows:

– EUR 2.0 M in Italy, of which EUR 0.6 M in relation with the prescriptions of property damage insurer, EUR 0.4 M for the acquisition of a plot of land

– EUR 0.6 M in France

– EUR 5.1 M in Spain, of which EUR 2.4 M for the installation of new electro-filters in Zaragoza, and EUR 0.6 M in relation with the prescriptions of property damage insurer

The Reclassifications were as follows:

– EUR (44.9) M of Work in progress came into service

– EUR (0.04) M of forklifts were transferred from Leased to Purchased motor vehicles.

2010

Cost reduction and productivity improvement Capex were allocated as follows:

– EUR 0.7 M in Italy, of which EUR 0.5 M for the cogeneration plant of Alto Garda Power

– EUR 1.1 M in France, of which EUR 0.8 M for the installation of the sheeter transferred to Condat

– EUR 9.9 M in Spain, of which EUR 7.7 M for the cogeneration plant of Sant Joan

Maintenance Capex was allocated as follows:

– EUR 1.5 M in Italy, of which EUR 0.4 M for a new utility network

– EUR 1.2 M in France, of which EUR 0.5 M for the overhaul of Stal steam turbine in Condat

– EUR 4.6 M in Spain, of which EUR 1.9 M for the overhaul of the cogeneration in Zaragoza, EUR 0.3 M for the overhaul of Cogeneración del Ter and EUR 0.3 M for the overhaul of Cogeneración Leitza

Information Technology Capex was allocated as follows:

– EUR 0.1 M in Italy

– EUR 0.2 M in France

– EUR 1.5 M in Spain of which EUR 0.7 M for the renewal of the hardware in the headquarters and EUR 0.6 M for Lecta integration project (see Note 4.2)

Environment and safety Capex were allocated as follows:

– EUR 0.8 M in Italy, of which EUR 0.4 M to be in compliance with Italian law and insurer recommendations

– EUR 0.3 M in France

– EUR 1.9 M in Spain, of which EUR 0.4 M to the fire protection in the Cogeneration Motril

The Reclassifications were as follows:

– EUR (19.9) M of Work in progress came into service

– EUR (0.2) M of forklifts were transferred from Leased to Purchased motor vehicles.

2009

Cost reduction and productivity improvement Capex were allocated as follows:

– EUR 13.7 M in Italy, of which EUR 13.5 M for the cogeneration plant of Alto Garda Power

– EUR 0.1 M in France

– EUR 11.1 M in Spain, of which EUR 4.5 M for the press of the PM4 in Sarrià and EUR 2.0 M for an increase of width and speed of the coating machine off-line in Motril

Maintenance Capex was allocated as follows:

– EUR 3.1 M in Italy, of which EUR 1.4 M for a new utility network and EUR 0.6 M for Grinding System Cleaners Reject

– EUR 1.8 M in France

– EUR 8.0 M in Spain, of which EUR 1.7 M for the hot section of the gas turbine in Cogeneración Motril, EUR 0.7 for the winder 3 in Almazán, EUR 0.5 M for the coater and EUR 0.4 M for the transformer in Zaragoza

Information Technology Capex was allocated as follows:

– EUR 0.1 M in Italy

– EUR 0.3 M in France

– EUR 1.0 M in Spain corresponding to the renewal of the hardware in the headquarters

Environment and safety Capex were allocated as follows:

– EUR 0.7 M in Italy, of which EUR 0.3 M to be in compliance with Italian law and insurer recommendations

– EUR 0.3 M in France

– EUR 2.1 M in Spain, of which EUR 0.4 M to reduce the smell of exhaust gas to atmosphere

The Reclassifications were as follows:

– EUR (39.5) M of Work in progress came into service

– EUR (7.0) M of Line 8 building in France were transferred from Leased to Purchased land & building

– EUR (0.4) M of forklifts were transferred from Leased to Purchased motor vehicles.

– The balance EUR (1.9) M consisted of lands in Algeciras and Amorebieta that were transferred to Investment properties after the mills closure.

16.2. Investment properties

(in EUR K)	Purchased Investment properties	Leased Investment properties	TOTAL
At 1 January 2009			
Cost	0	0	**0**
Depreciation & Impairment	0	0	**0**
Net carrying amount	0	0	**0**
Reclassification in/(out)	1,949	0	**1,949**
At 31 December 2009			
Cost	1,949	0	**1,949**
Depreciation & Impairment	0	0	**0**
Net carrying amount	1,949	0	**1,949**
Reclassification in/(out)	1,158	0	**1,158**
At 31 December 2010			
Cost	3,106	0	**3,106**
Depreciation & Impairment	0	0	**0**
Net carrying amount	3,106	0	**3,106**
Reclassification in/(out)	(2,566)	0	**(2,566)**
At 31 December 2011			
Cost	540	0	**540**
Depreciation & Impairment	0	0	**0**
Net carrying amount	540	0	**540**

Investment properties consisted of plots of land.

In 2009, they included the land in Algeciras and Amorebieta transferred from "Property, plant and equipment" after the mills closure.

In 2010, they also included the land next to Riva del Garda mill.

In 2011, they only consisted in the land in Amorebieta, as the land in Riva del Garda was sold and the land in Algeciras was transferred to "Non-current assets held for sale" (see Notes 3.6 and 26). As at 31 December 2011, the land in Amorebieta had an estimated fair value of EUR 3.8 M.

17. Goodwill

(in EUR K)	
At 1 January 2009	
Gross amount	190,141
Impairment	0
Reduction	(6,710)
Net carrying amount	183,431
At 31 December 2009	
Gross amount	190,141
Impairment	0
Reduction	(6,710)
Net carrying amount	183,431
At 31 December 2010	
Gross amount	190,141
Impairment	0
Reduction	(6,710)
Net carrying amount	183,431
At 31 December 2011	
Gross amount	190,141
Impairment	0
Reduction	(6,710)
Net carrying amount	183,431

Impairment testing of Goodwill:

Prior to 2009, the Goodwill was allocated to three cash-generating units that were the geographical divisions based on location of industrial assets, i.e. Italy, France and Spain.

As of 2009, in consideration of the newly integrated organization focused on production and sale of paper only, Lecta acknowledged that it was no longer relevant to allocate cash flow projections and synergies to former cash-generating units. Consequently, goodwill was tested for impairment at Group level only.

This is consistent with the Note 5 prepared in accordance with IFRS 8 "Operating Segments".

The recoverable amount of this cash-generating unit has been determined based on value-in-use calculation (see Note 1.21). This was produced based upon 2012 to 2014 cash flow projections part of Lecta financial plan, as approved by Lecta Group Management.

As mentioned in Note 1.01, Lecta Group Management made assumptions for the years to come. An annual growth rate of 1.5% was applied to the cash flow projections beyond 2014. The pre-tax discount rate applied to cash flow projections was 9.7%.

The origin of Goodwill is explained below:

- On 13 November 1998, Condat Holding SAS acquired the entire share capital of Condat SAS 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 is EUR 65.2 M.

- 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.

  In 2006, this Goodwill was reduced by EUR (6.7) M. This was linked to the first time recognition of deferred tax assets on tax losses to be carried forward, in compliance with paragraph 68 of IAS 12 (revised 2000) "Income taxes". The net amount is EUR 75.2 M.

- 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 is EUR 11 K.

- On 14 December 1999, Lecta HQ SA (previously called Nueva Organización SA, then Torraspapel Holding 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 pre-acquisition tax losses were recognized. On 30 October 2002, following a reduction of the acquisition price of Torraspapel SA of EUR (19.0) M a Negative goodwill of the same amount was recorded. 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, 2 October 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 is EUR 17.7 M.

- 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 is EUR 14.0 M.

– On 6 May 2008, Torraspapel SA acquired the entire share capital of Secmar SAS for EUR 40.3 M. The part of equity purchased was EUR 28.9 M. Therefore, Goodwill was EUR 11.4 M. On 3 November 2008, Torraspapel SA contributed Secmar SAS to Condat Holding SAS and received in return a 23.17% interest in that company. On 1 December 2011, Malmenayde SAS and Nord Papier SA were transferred from Condat Holding SAS to Torraspapel SA against a reduction to 14.53% of its interest in Condat Holding SAS (see Notes 2.2 and 3.5.2). The net amount is EUR 11.4 M.

As at 31 December 2011, the net carrying amount of Goodwill consisted of:

Acquisition of Condat SAS	EUR65.2 M
Contribution of Sub Lecta 1 SA	EUR75.2 M
Contribution of Sub Lecta 2 SA	EUR0.071 M
Acquisition of Cartiere del Garda SpA	EUR31.7 M
Acquisition of Secmar SAS	EUR11.4 M
Total	EUR183.4 M

On 31 December 2011, the impairment test was successfully passed and no impairment was recognized.

A sensitivity analysis showed that:

– An increase of 327 bps of the pre-tax discount rate applied to cash flow projections, from 9.7% to 13.0%, everything else being equal, left no headroom.

– A decrease of 150 bps of the annual growth rate applied to cash flow projections beyond 2014, from 1.5% to none, everything else being equal, did not lead to goodwill impairment.

On 31 December 2009 and 2010, the impairment tests were successfully passed and no impairments were recognized.

18. Other intangible assets

(in EUR K)	CO2 emission rights & Green certificates	Other intangible assets	TOTAL
At 1 January 2009			
Gross amount	686	12,800	**13,486**
Amortization & Impairment		(4,301)	**(4,301)**
Net carrying amount	686	8,499	**9,185**
Additions	0	4	**4**
Amortization charge		(1,573)	**(1,573)**
Var. of fair value through Income statement	(130)		**(130)**
At 31 December 2009			
Gross amount	556	12,804	**13,359**
Amortization & Impairment		(5,874)	**(5,874)**
Net carrying amount	556	6,929	**7,485**
Additions	0	182	**182**
Amortization charge		(1,667)	**(1,667)**
Var. of fair value through Income statement	(405)		**(405)**
Disposals	0	(2)	**(2)**
Reclassification in/(out)	0	4	**4**
At 31 December 2010			
Gross amount	151	12,976	**13,127**
Amortization & Impairment		(7,530)	**(7,530)**
Net carrying amount	151	5,446	**5,597**
Additions	126	1,974	**2,100**
Amortization charge		(1,538)	**(1,538)**
Var. of fair value through Income statement	(216)		**(216)**
Disposals	0	(5)	**(5)**
Variation of percent of consolidation	0	0	**0**
At 31 December 2011			
Gross amount	61	14,394	**14,455**
Amortization & Impairment		(8,517)	**(8,517)**
Net carrying amount	61	5,877	**5,938**

As at 31 December 2011, CO_2 (or GHG) emission rights only consisted in purchased CER (see Note 1.16). Green certificates were accounted for their nominal value (see Note 1.17).

As at 31 December 2011 there were 716,896 tonnes of CO_2 (or GHG) emission rights free of any obligation, having a fair value of EUR 4.8 M, and 32,051 MWh of Green certificates free of any obligation, having a fair value of EUR 2.57 M.

Other intangible assets consisted of:

– Rights to connect to the electricity network for the Spanish cogeneration plants in Motril, Sant Joan, Sarrià de Ter and Zaragoza

– Development costs (see Note 7)

19. Available-for-sale financial investments

(in EUR K)	
At 1 January 2009	
Fair value	4,839
Increases of fair value through Equity	47
Decreases of fair value through Equity	(15)
Impairment profit (charge)	(1,263)
At 31 December 2009	
Fair value	3,607
Additions	1
Decreases of fair value through Equity	(31)
Impairment profit (charge)	185
Variation of percent of consolidation	(478)
At 31 December 2010	
Fair value	3,285
Additions	(0)
Increases of fair value through Equity	54
Impairment profit (charge)	(119)
Variation of percent of consolidation	2,002
At 31 December 2011	
Fair value	5,222

In 2009 EUR (1,263) K in the line "Impairment profit (charge)" was a consequence of the impairment of Condat UK Ltd (see Note 3.7).

In 2010 EUR 185 K in the line "Impairment profit (charge)" consisted in the reduction of the impairment of Condat UK Ltd (see Note 3.7).

EUR (478) K in the line "Variation of percent of consolidation" was a consequence of the first consolidation of Lecta Deutschland GmbH and Lecta Benelux SA as of 1 January 2010 (see Note 4.3.1).

In 2011 EUR 54 K in the line "Increase of fair value through equity" was the adjustment in fair value of non-consolidated financial assets.

EUR (119) K in the line "Impairment profit (charge)" was a consequence of the last impairment of Condat UK Ltd (see Note 3.7).

EUR 2,002 K in the line "Variation of percent of consolidation" was related to the acquisition of Torraspapel Italia SrL by Cartiere del Garda SpA (see Note 3.5.3).

At 31 December 2011, 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%	165	428	(2,216)	42,493	21,604	31.12.2010
Condat UK Ltd	100.00%	179	19	(7)	179	(179)	31.12.2011
Consorzio Nazionale Imballaggi Scarl	0.00%	1	33,133	(33)	21,543	26,849	31.12.2010
Dispap SA	100.00%	2,246	0	50	2,245	(0)	31.12.2011
Eurogalicia Forestal SA	76.84%	0	0	(1)	150	(55)	31.12.2011
Formazione Assindustria Trento Scarl	1.70%	3	45	1	148	(0)	31.12.2008
Garda UK Ltd	100.00%	291	819	189	572	(432)	31.12.2011
Gas Intensive Scarl	0.52%	1	5,430	743	1,604	1,431	31.12.2010
Lecta Services Sprl	99.50%	20	861	52	191	(420)	31.12.2011
Liaison Technologies Inc (previously Liaison Technologies LLC)	0.604%	71	28,221	2,385	11,734	(1,642)	31.12.2010
Promotora del Ulla SA	45.20%	82	0	(5)	181	18	31.12.2010
SVL Pilote Sàrl	0.00%	0	7,708	105	223	7,620	31.12.2010
SVS Sàrl	0.00%	0	697	63	78	(98)	31.12.2010
SVT SAS	0.00%	0	3,074	(6)	159	204	31.12.2010
Torras Dorna SA	100.00%	147	0	5	146	0	31.12.2011
Torras Hostench SL	100.00%	15	0	(0)	15	(14)	31.12.2011
Torraspapel Italia SrL	100.00%	2,002	13,744	34	2,002	(252)	31.12.2011
		5,222					

All the above companies are unlisted.

20. Biological assets

(in EUR K)	
At 1 January 2009	
Fair value	327
Changes of fair value	10
Decrease due to harvest	(16)
At 31 December 2009	
Fair value	321
Changes of fair value	44
Decrease due to harvest	(75)
At 31 December 2010	
Fair value	290
Changes of fair value	0
Decrease due to harvest	(20)
At 31 December 2011	
Fair value	270

Biological assets only consisted of standing timber.

21. Inventories

(in EUR K)	Wood/ Pulp/Base Paper	Other Raw materials	Work In Process	Finished goods	Purchased products	Other inventories	TOTAL
At 1 January 2009							
Cost	37,154	4,174	17,317	96,465	20,734	29,052	**204,896**
Impairment	(150)	0	0	(1,333)	(366)	(6,772)	**(8,621)**
Net carrying amount	37,004	4,174	17,317	95,132	20,367	22,280	**196,275**
Movements	(10,267)	(1,429)	16	(21,851)	(3,027)	(675)	**(37,233)**
Impairment	4	0	0	(255)	(185)	119	**(315)**
At 31 December 2009							
Cost	26,887	2,745	17,333	74,614	17,707	28,377	**167,663**
Impairment	(146)	0	0	(1,588)	(551)	(6,652)	**(8,936)**
Net carrying amount	26,741	2,745	17,333	73,027	17,156	21,725	**158,727**
Movements	13,528	294	1,415	15,095	3,645	173	**34,149**
Impairment	(125)	0	0	529	(80)	(330)	**(5)**
At 31 December 2010							
Cost	40,415	3,039	18,748	89,709	21,351	28,550	**201,812**
Impairment	(270)	0	0	(1,058)	(631)	(6,982)	**(8,941)**
Net carrying amount	40,145	3,039	18,748	88,651	20,721	21,568	**192,871**
Movements	(3,607)	62	766	(9,961)	89	778	**(11,874)**
Impairment	0	0	0	(61)	(270)	(117)	**(447)**
Reclassification in/(out)	359	(20)	0	0	(270)	(69)	**0**
At 31 December 2011							
Cost	36,897	3,081	19,514	79,748	21,440	29,259	**189,938**
Impairment	0	0	0	(1,119)	(1,170)	(7,098)	**(9,388)**
Net carrying amount	36,897	3,081	19,514	78,628	20,270	22,160	**180,550**

Wood is used for the production of pulp, which in turn is the main component in the production of paper. Base paper is employed for the production of specialties.

Other Raw materials mainly consist of coatings and chemicals used in the production process.

Finished goods consist of paper produced and ready for sale, while Purchased products consist of paper purchased from third parties and ready for trading.

Other inventories include spare parts for the maintenance of plant & machinery, felts and wires.

22. Trade receivables

(in EUR K)	
At 1 January 2009	
Cost	335,879
Impairment	(3,169)
Net carrying amount	332,710
Non-current	0
Current	332,710
Movements	(83,157)
Impairment	(5,904)
Reclassification in/(out)	(315)
At 31 December 2009	
Cost	252,722
Impairment	(9,388)
Net carrying amount	243,334
Non-current	0
Current	243,334
Movements	12,507
Impairment	590
Variation of percent of consolidation	508
At 31 December 2010	
Cost	265,738
Impairment	(8,798)
Net carrying amount	256,939
Non-current	0
Current	256,939
Movements	(2,288)
Impairment	341
Variation of percent of consolidation	(5,532)
At 31 December 2011	
Cost	258,058
Impairment	(8,597)
Net carrying amount	249,461
Non-current	0
Current	249,461

In 2010, the increase in "Variation of percent of consolidation" was due to the first consolidation of Lecta Deutschland GmbH and Lecta Benelux SA (see Note 4.3.1).

In 2011, the decrease in "Variation of percent of consolidation" of EUR (5,532) K was due to Torraspapel Italia SrL (see Note 3.5.3).

The Financial instruments on Trade receivables are detailed in Note 38.

23. Prepayments

(in EUR K)	
At 1 January 2009	
Cost	2,831
Impairment	0
Net carrying amount	2,831
Non-current	0
Current	2,831
Movements	(1,196)
Impairment	0
At 31 December 2009	
Cost	1,636
Impairment	0
Net carrying amount	1,636
Non-current	0
Current	1,636
Movements	52
Acquisition of subsidiaries	43
At 31 December 2010	
Cost	1,731
Impairment	0
Net carrying amount	1,731
Non-current	0
Current	1,731
Movements	(313)
At 31 December 2011	
Cost	1,417
Impairment	0
Net carrying amount	1,417
Non-current	0
Current	1,417

This caption included prepayments of insurance premiums, maintenance expenses and rents.

24. Other receivables

(in EUR K)	Loans	Deposits and guaranties	Grants receivables	Capital receivables	Options on non-consol. companies	Currency hedging	Interest rate hedging	Energy price hedging	Misc. other receivables	TOTAL
At 1 January 2009										
Cost or fair value	0	1,541	0	0	0	64	1	4,280	0	**5,885**
Impairment	0	0	0	0					0	**0**
Net carrying amount	0	1,541	0	0	0	64	1	4,280	0	**5,885**
Non-current	0	1,541	0	0	0	0	(0)	0	0	**1,541**
Current	0	0	0	0	0	64	1	4,280	0	**4,344**
Movements	0	(189)	9,706	0	0	0	250		0	**9,766**
Var. of fair value through Income statement					0	0	(335)	0		**(335)**
Increases of fair value through Equity						(64)	227	0		**162**
Decreases of fair value through Equity						0	0	(4,280)		**(4,280)**
Variation of percent of consolidation	0	0	0	0	0	0	0	0	0	**0**
Exchange adjustments	0	17	0	0	0	0	0	0	0	**17**
At 31 December 2009										
Cost or fair value	0	1,369	9,706	0	0	0	141	0	0	**11,217**
Impairment	0	0	0	0					0	**0**
Net carrying amount	0	1,369	9,706	0	0	0	141	0	0	**11,217**
Non-current	0	1,369	3,882	0	0	0	0	0	0	**5,252**
Current	0	0	5,824	0	0	0	141	0	0	**5,965**
Movements	(0)	(32)	(5,824)	(1,000)	0	0	(9)		0	**(6,864)**
Var. of fair value through Income statement					0	0	94	0		**94**
Increases of fair value through Equity						244	37	0		**281**
Decreases of fair value through Equity						0	(157)	0		**(157)**
Variation of percent of consolidation	0	0	0	0	0	0	0	0	0	**0**
Exchange adjustments	0	5	0	0	0	0	0	0	0	**5**
At 31 December 2010										
Cost or fair value	0	1,357	3,882	(1,000)	0	244	106	0	0	**4,590**
Impairment	0	0	0	0					0	**0**
Net carrying amount	0	1,357	3,882	(1,000)	0	244	106	0	0	**4,590**
Non-current	0	1,357	1,941	0	0	0	(0)	0	0	**3,299**
Current	0	0	1,941	(1,000)	0	244	106	0	0	**1,292**
Movements	44	(153)	(1,941)	0	0	0	(24)		0	**(2,074)**
Var. of fair value through Income statement					0	107	24	0		**132**
Increases of fair value through Equity						307	0	123		**430**
Decreases of fair value through Equity						(244)	(79)	0		**(323)**
Variation of percent of consolidation	0	0	0	0	0	0	0	0	0	**0**
Exchange adjustments	0	2	0	0	0	0	0	0	0	**2**
At 31 December 2011										
Cost or fair value	45	1,206	1,941	(1,000)	0	414	27	123	0	**2,757**
Impairment	0	0	0	0					0	**0**
Net carrying amount	45	1,206	1,941	(1,000)	0	414	27	123	0	**2,757**
Non-current	(64)	1,206	0	0	0	0	(0)	0	0	**1,143**
Current	108	0	1,941	(1,000)	0	414	27	123	0	**1,614**

On 31 December 2010, EUR (1,000) K of capital receivables was the counterpart of the down payment cashed following the signing of a preliminary agreement for the sale of a plot of land next to Riva del Garda mill (see Note 3.6).

On 31 December 2011, EUR (1,000) K of capital receivables was the counterpart of the down payment cashed following the signing of a preliminary agreement for the sale of land in Algeciras (see Note 3.6)

Options on non-consolidated companies are detailed in Note 38.2. Their value was null.

Currency hedging is detailed in Note 38.4.

Interest rate hedging is detailed in Note 38.5.

Energy price hedging is detailed in Note 38.6.

25. Cash & cash equivalents

(in EUR K)	
At 1 January 2009	142,468
Cash in hand	132
Current accounts	122,182
Deposits	3,237
Certificates of deposits	0
Marketable securities	16,918
Movements	71,708
Variation of percent of consolidation	0
At 31 December 2009	214,176
Cash in hand	168
Current accounts	170,838
Deposits	3,947
Certificates of deposits	0
Marketable securities	39,223
Movements	95,600
Variation of percent of consolidation	286
At 31 December 2010	310,062
Cash in hand	154
Current accounts	216,671
Deposits	3,376
Certificates of deposits	0
Marketable securities	89,860
Movements	52,609
Variation of percent of consolidation	(1,024)
At 31 December 2011	361,647
Cash in hand	90
Current accounts	180,298
Deposits	4,174
Certificates of deposits	0
Marketable securities	177,085

Marketable securities are Government bonds, Treasury bills and similar short-term securities, highly liquid that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

26. Held for sale property

(in EUR K)	
At 1 January 2009	
Cost	0
Depreciation & Impairment	0
Net carrying amount	0
At 31 December 2009	
Cost	0
Depreciation & Impairment	0
Net carrying amount	0
At 31 December 2010	
Cost	0
Depreciation & Impairment	0
Net carrying amount	0
Reclassification in/(out)	1,408
At 31 December 2011	
Cost	1,408
Depreciation & Impairment	0
Net carrying amount	1,408

The cost of Held for sale property consisted in the land in Algeciras (see Notes 3.6 and 40).

27. Equity

27.1. Paid-in capital and Share premium

Paid-in capital at 31 December 2011

Lecta SA

		2011			
		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	15,752	40,640.16		
C1B	ordinary	16,323	42,113.34		
C2A	ordinary	2,682	6,919.56		
C2B	ordinary	2,765	7,133.70		
C3A	ordinary	5,500	14,190.00		
C3B	ordinary	5,670	14,628.60		
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	750	1,935.00	1,750	4,515.00
J1	ordinary	100,000	258,000.00		
J2	preferred without voting right	15,000	38,700.00		
X1	preferred with 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		
		560,366	1,445,744.28	7,246	18,694.68

All the shares have a par value of EUR 2.58. Each class of shares has its own rights to the appropriation of profit and in case of dissolution or liquidation of the company.

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 share 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 28 October 2008, the share capital was increased by the issuance of 5,004 new shares of class C with a par value of EUR 2.58 representing EUR 13 K.

On 18 December 2009, the share capital was increased by the issuance of 750 new shares of class I with a par value of EUR 2.58 representing EUR 2 K.

On 31 December 2011, the subscribed Share capital was composed of 560,366 shares with a par value of EUR 2.58 representing EUR 1,446 K, all shares being fully paid.

The Board of Directors is authorized, during a period of five years ending on 26 June 2013, 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 85,082 new shares all with a par value of EUR 2.58, representing EUR 220 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 2011, 90,378 warrants had been issued and sold, of which 69,878 had expired and 8,004 had been exercised. The remaining 12,496 warrants had different rights of conversion, subject to conditions precedent, entitling holders to subscribe up to 7,246 shares.

After the creation of the Lecta Group, certain employees bought shares and warrants at fair value price.

The Lecta Group's objectives when managing capital is to increase the unit value of the shares by increasing the fair value of the commercial and industrial subsidiaries.

27.2. Net incomes (expenses) recognized directly through Equity

The origin of this reserve was as follows:

(in EUR K)	At 31 December 2011	At 31 December 2010	At 31 December 2009	At 1 January 2009
Available-for-sale financial assets, adjustment at fair value (see Note 19)	139	84	116	84
Cash flow hedging of currencies, effective part of fair value (see Note 38.4)	307	244	(152)	64
Cash flow hedging of interest rates, effective part of fair value (see Note 38.5)	(2,257)	(1,770)	(1,272)	(1,043)
Cash flow hedging of energy prices, effective part of fair value (see Note 38.6)	123	0	0	3,980
Actuarial gains (losses) on defined benefit plans (see Notes 31 and 36.2)	(6,714)	(7,613)	(1,753)	(3,215)
Deferred tax on the above items (see Note 32.3)	+2,899	+3,166	+1,119	+181
Options on minorities (see Note 38.1)	0	0	0	0
Total	(5,504)	(5,888)	(1,942)	51
Group	(5,115)	(5,673)	(1,745)	(606)
Minority	(388)	(216)	(198)	657

27.3. Foreign currency translation

This reserve was the consequence of the consolidation of subsidiaries that are not in the Euro zone:

- Lecta North America Inc (USD)
- Torras Paper Ltd (GBP)
- Torraspapel Argentina SA (ARS)
- Lecta Maroc Sàrl (MAD)
- Lecta México S. de R.L. de C.V. (MXN)
- Torraspapel Servicios México S. de R.L. de C.V. (MXN)

27.4. Accumulated net profit (losses)

The breakdown of this reserve was as follows:

(in EUR K)	31 Dec 2011	31 Dec 2010	31 Dec 2009	01 Jan 2009
Legal reserve of Lecta SA	145	145	144	144
Other reserves from Lecta SA	19,911	18,592	17,213	16,220
Reserves Group generated by the consolidation process	241,720	221,462	198,843	191,503
Total	261,776	240,199	216,200	207,867

28. Interest-bearing borrowings

28.1. Overview

(in EUR K)	Floating Rate Notes	Externalized pension funds	Lease obligations	Other	TOTAL
At 1 January 2009	740,669	3,839	2,296	52,553	**799,357**
Non-current	736,306	2,121	1,276	40,438	**780,141**
Current	4,363	1,718	1,021	12,115	**19,217**
Increase of principal	537	0	353	29,811	**30,700**
Repayment of principal	(2,537)	(1,697)	(967)	(21,782)	**(26,983)**
Variation of interests	(3,238)	(10)	0	190	**(3,058)**
Amortization of issue costs	2,735			144	**2,879**
At 31 December 2009	738,166	2,132	1,682	60,915	**802,896**
Non-current	737,041	424	934	48,179	**786,578**
Current	1,124	1,708	749	12,736	**16,317**
Increase of principal	537	0	1,633	18,263	**20,434**
Repayment of principal	(5,537)	(1,697)	(975)	(24,666)	**(32,875)**
Variation of interests	369	(9)	0	127	**487**
Amortization of issue costs	2,735			133	**2,868**
Variation of percent of consolidation	0	0	85	0	**85**
At 31 December 2010	736,270	426	2,425	54,773	**793,894**
Non-current	734,889	(0)	1,628	47,480	**783,996**
Current	1,381	426	798	7,293	**9,898**
Increase of principal	537	0	718	22,276	**23,531**
Repayment of principal	(23,876)	(424)	(753)	(7,992)	**(33,046)**
Variation of interests	232	(2)	0	226	**456**
Amortization of issue costs	2,735			112	**2,848**
Variation of percent of consolidation	0	0	(11)	(761)	**(772)**
At 31 December 2011	715,898	0	2,379	68,634	**786,911**
Non-current	713,122	(0)	1,632	64,232	**778,987**
Current	2,776	0	747	4,401	**7,924**

The borrowings were essentially denominated in Euro.

28.2. Floating Rate Notes

On 13 February 2007, Lecta Group refinanced its Senior debt with Floating Rate Notes. This operation is fully described in Note 3.1.

Since their issuance and until 31 December 2011, Lecta has repurchased and immediately cancelled a total of EUR 30.3 M nominal value of unsecured FRN. At the same date, EUR 119.7 M of unsecured FRN remained outstanding (see Note 3.2).

The due dates for interests are on 15 of February, May, August and November.

A large part of these Floating Rate Notes was hedged (see Note 38.5).

28.3. Externalized pension funds

The liability of pensions for retirements of Torraspapel Group was externalized in 2001. The interest rate was 5.85% per year. Repayments of principal and payments of interests were done according to constant installments, four times a year. The last payment was scheduled on 28 February 2011.

28.4. Lease obligations

Reconciliation between lease obligation present value and future minimum leases payments is provided in Note 35.1.

28.5. Other borrowings

At 31 December 2011, Other borrowings were:

- Borrowings with a rate of 0%, granted in the context of environmental friendly installations. These borrowings were restated to bring out the embedded grant, using the effective interest rate method.

At 31 December 2011, the net amount was EUR 4,136 K.

- Borrowing in Cogeneración Motril SA.

At 31 December 2011, the principal and interest accrued was EUR 25 K.

- Borrowing in IDAE Sant Joan AIE.

This cogeneration plant is funded with a EUR 25 M revolving credit line with a cap declining progressively as of 30 June 2012 until the maturity date on 31 March 2017. Interest rate is 1 day to 1 year Euribor + 1.5%.

At 31 December 2011, the principal and interest accrued was EUR 22,280 K.

- Borrowing in Alto Garda Power SrL.

This cogeneration plant is funded with non-recourse project financing. There are four facilities: Base facility of EUR 56 M, Stand-by facility of EUR 5 M, and Working capital facility of EUR 5 M.

For the Base and Stand-by facilities, the repayments will be made every 6 months, starting from 31 December 2009 and ending on 31 December 2020. Interest rate is 6 months Euribor + 1% during the construction phase and + 0.9% thereafter.

The Working capital facility is a revolving line to be repaid by 31 December 2020. It bears interest at 6 months Euribor + 0.90%.

At 31 December 2011, the principal amount drawn under the above four facilities and accrued interests was EUR 41,192 K.

- During the refinancing that took place on 13 February 2007 (see Note 3.1.) a Multicurrency Revolving Facility agreement was signed for EUR 75 M, of which EUR 60 M are committed. Last repayment date is 13 February 2013. The interest rate is Euribor + 2%.

It remained unused through 31 December 2011. The accrued commitment fees were EUR 96 K.

- Non-recourse factoring advance: EUR 0 K.

- Residual commitment in trade receivables assigned to financial institutions through non-recourse agreements: EUR 45 K.

- Miscellaneous: EUR 860 K.

29. Bank overdrafts

(in EUR K)	
At 1 January 2009	8,103
Movements	(4,082)
At 31 December 2009	4,021
Movements	1,755
At 31 December 2010	5,776
Movements	1,402
At 31 December 2011	7,178

30. Grants

(in EUR K)	
At 1 January 2009	
Net carrying amount	10,233
Non-current	9,249
Current	985
Movements	9,830
Amortization (income)	(1,529)
At 31 December 2009	
Net carrying amount	18,534
Non-current	16,580
Current	1,953
Movements	1,398
Amortization (income)	(2,236)
At 31 December 2010	
Net carrying amount	17,695
Non-current	15,482
Current	2,213
Movements	744
Amortization (income)	(2,127)
At 31 December 2011	
Net carrying amount	16,313
Non-current	15,271
Current	1,041

The breakdown of Grants net of amortization as at 31 December 2011 was as follows:

– EUR 7,497 K in Alto Garda Power SrL.

– EUR 1,137 K in Condat SAS.

– EUR 7,679 K in Torraspapel Group.

In December 2011, Alto Garda Power collected three out of the five installments of the grant of EUR 9,70 K for an amount of EUR 5,824 K. This grant has subsequent conditions to meet:

– Net equity > EUR 10 M until 31 December 2012.

– Ratio Net equity/Total assets > 0.154 as at 31 December 2009, 0.160 as at 31 December 2010 and 2011, and 0.164 as at 31 December 2012.

– Cartiere del Garda SpA’s commitment to keep the control of Alto Garda Power SrL until 31 December 2018.

– Cartiere del Garda SpA and Alto Garda Power SrL joint commitment to keep a minimum headcount on a FTE basis of 418 until 2012.

Other grants may be subject to a unique subsequent condition: keep the granted investments running for a minimum period of five years.

31. Provisions

(in EUR K)	Other social commitments	Organization efficiency program	Other	TOTAL
At 1 January 2009	24,475	40,047	6,204	**70,726**
Non-current	23,538	(0)	3,447	**26,984**
Current	937	40,047	2,758	**43,742**
Additional	1,691	264	5,235	**7,189**
Utilized	(2,010)	(38,858)	(1,015)	**(41,882)**
Unused reversed	0	(20)	305	**285**
In(de)creases of fair value through Equity	(1,462)			**(1,462)**
Reclassification in/(out)	0	1,577	(1,892)	**(315)**
Variation of percent of consolidation	0	0	0	**0**
At 31 December 2009	22,693	3,009	8,838	**34,541**
Non-current	22,173	1,823	4,175	**28,171**
Current	521	1,187	4,663	**6,370**
Additional	2,518	1,711	2,275	**6,504**
Utilized	(1,238)	(1,386)	(4,457)	**(7,081)**
Unused reversed	0	(1,156)	(1,430)	**(2,586)**
In(de)creases of fair value through Equity	5,860			**5,860**
Reclassification in/(out)	0	(1,577)	1,577	**0**
Variation of percent of consolidation	267	0	0	**267**
At 31 December 2010	30,100	601	6,803	**37,505**
Non-current	29,198	264	4,512	**33,973**
Current	903	338	2,291	**3,532**
Additional	1,894	0	1,407	**3,302**
Utilized	(1,562)	(435)	(2,593)	**(4,591)**
Unused reversed	(317)	0	(349)	**(666)**
In(de)creases of fair value through Equity	(899)			**(899)**
Reclassification in/(out)	0	0	0	**0**
Variation of percent of consolidation	(274)	0	0	**(274)**
At 31 December 2011	28,942	166	5,268	**34,376**
Non-current	27,863	165	5,024	**33,052**
Current	1,079	1	244	**1,324**

Provision for other social commitments was composed of (see Note 36):

(in EUR K)	
– For Cartiere del Garda SpA employees	6,237
– For Condat SAS employees	20,535
– For Lecta Europe Sàrl employees	322
– For employees of Torraspapel SA and its subsidiaries	1,848
	28,942

Organization efficiency program is explained in Notes 3.4 and 4.2.

Other operating provisions consisted of:

(in EUR K)	
– Tax litigations	2,371
– Litigations with suppliers, penalties	1,509
– Social security, redundancies, overtime	519
– Litigation with customers	50
– Deficit in CO2 (or GHG) emission rights (covered by purchased CO2 emission rights, see Note 18)	61
– Miscellaneous	757
	5,268

32. Income tax in the Balance sheet

32.1. Overview

(in EUR K)	Income tax receivable	Income tax payable	Deferred tax assets	Deferred tax liabilities	TOTAL assets (liabilities)
At 1 January 2009	4,751	2,265	92,770	56,183	**39,073**
Non-current	3,219	285	92,770	56,183	**39,521**
Current	1,532	1,979			**(447)**
Variations through income statement	(2,556)	2,823	(11,596)	(6,864)	**(10,110)**
Increases of fair value through Equity			625	51	**574**
Decreases of fair value through Equity			(834)	(1,199)	**365**
Payments	429	(2,996)			**3,425**
Variation of percent of consolidation	0	0	0	0	**0**
At 31 December 2009	2,625	2,092	80,965	48,172	**33,326**
Variations through income statement	(3,872)	2,000	(8,113)	(4,615)	**(9,369)**
Increases of fair value through Equity			2,616	104	**2,512**
Decreases of fair value through Equity			(516)	(51)	**(465)**
Payments	3,742	(2,454)			**6,196**
Variation of percent of consolidation	0	0	67	0	**67**
At 31 December 2010	2,495	1,638	75,018	43,609	**32,267**
Non-current	2,350	285	75,018	43,609	**33,474**
Current	145	1,353			**(1,208)**
Variations through income statement	(4,367)	4,579	(5,957)	(3,481)	**(11,422)**
Increases of fair value through Equity			401	105	**297**
Decreases of fair value through Equity			(681)	(116)	**(564)**
Payments	5,655	(3,305)			**8,960**
Reclassification in/(out)	0	0	(2,800)	(2,800)	**0**
Variation of percent of consolidation	0	(64)	0	0	**64**
At 31 December 2011	3,783	2,849	65,982	37,316	**29,601**
Non-current	(0)	285	65,982	37,316	**28,381**
Current	3,783	2,563			**1,220**

Since 1 January 1999, Condat Holding SAS is the parent company of a French tax-pooling group ("intégration fiscale", minimum control of 95%) created with two subsidiaries, Condat SAS and Lecta Europe Sàrl. Malmenayde SAS joined this tax-pooling group retroactively as of 1 January 2008 and left it as at 1 January 2011 (see Note 3.5.2).

Since 1 January 2001, Lecta HQ 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, minimum control of 75%). Other members of the group are Torraspapel SA, Sarriopapel y Celulosa SA and Dispap SA.

Since 1 January 2007, Cartiere del Garda SpA is the parent company of an Italian tax-pooling group (minimum control of 50.1%) created with one subsidiary, Alto Garda Power SrL.

Since 1 January 2010, Lecta Deutschland GmbH transfers its Profit before tax to its unique shareholder, Torras Papier GmbH. The latter is the unique taxpayer of corporate tax in Germany. It will not make corporate tax payments, as long it did not use its available tax losses (see Note 32.4).

32.2. Income tax receivable and payable

EUR 3,783 K of income tax receivable included EUR 2,560 K related to Lecta HQ tax group, EUR 1,172 K to Cartiere del Garda tax group, and EUR 51 K to Lecta SA.

Lecta HQ group tax receivable mainly consisted in a tax advanced payment of Lecta HQ SA for an amount of EUR 2,317 K.

Cartiere del Garda tax group receivable consisted in an IRES down payment of EUR 1,172 K. Cartiere del Garda SpA (EUR 1,118 K) and Alto Garda Power SrL (EUR 54 K) can recover this down payment against future IRES or IRAP payments.

Lecta SA tax receivable consisted in a balance of IS down payments.

32.3. Deferred income tax

The following schedule details the deferred income tax assets and liabilities by nature.

(in EUR K)	31 Dec 2011	31 Dec 2010	31 Dec 2009	01 Jan 2009	Variation of perimeter 2011	Variations 2011 through Income stat.	Variations 2011 through Equity	Variation of perimeter[a] 2010	Variations 2010 through Income stat.	Variations 2010 through Equity	Variation of perimeter 2009	Variations 2009 through Income stat.	Variations 2009 through Equity
Loss to be carried forward up to 5 years	0	2,800	1,646	8,114	0	(2,800)	0	0	1,154	0	0	(6,468)	0
Loss to be carried forward up to 15 years	0	22,773	28,685	8,230	0	(22,773)	0	0	(5,912)	0	0	20,455	0
Loss to be carried forward up to 18 years	18,375	0	0	0	0	18,375	0	0	0	0	0	0	0
Loss to be carried forward indefinitely	18,876	17,442	18,229	31,396	0	1,435	0	0	(787)	0	0	(13,167)	0
S/T Tax losses	37,251	43,015	48,560	47,740	0	(5,763)	0	0	(5,545)	0	0	820	0
Provision for early retirement scheme	0	0	0	0	0	0	0	0	0	0	0	0	0
Charges for other social commitments	12,783	13,727	14,833	9,830	0	(944)	0	0	(1,106)	0	0	5,004	0
Non-deductible provisions	4,138	4,257	5,890	3,986	0	(119)	0	0	(1,632)	0	0	1,904	0
Deductible legal revaluation in Italy	0	0	0	0	0	0	0	0	0	0	0	0	0
Net expenses recognized directly through Equity	3,022	3,301	1,201	1,410			(279)			2,100			(209)
Other deferred tax assets	8,788	10,719	10,481	29,804	0	(1,931)	0	67	171	0	0	(19,323)	0
S/T Temporary differences	28,730	32,004	32,405	45,030	0	(2,994)	(279)	67	(2,568)	2,100	0	(12,416)	(209)
Deferred tax assets	**65,982**	**75,018**	**80,965**	**92,770**	**0**	**(8,757)**	**(279)**	67	**(8,113)**	**2,100**	**0**	**(11,596)**	**(209)**
Accelerated tax depreciation	13,173	14,959	17,258	25,980	0	1,786	0	0	2,299	0	0	8,722	0
Tangible assets revaluation at acquisition	5,490	6,717	7,571	4,704	0	1,227	0	0	854	0	0	(2,867)	0
Deductible legal revaluation in Italy	12,886	12,886	13,085	15,501	0	0	0	0	198	0	0	2,417	0
Net incomes recognized directly through Equity	123	135	82	1,229			11			(53)			1,147
Other deferred tax liabilities	5,644	8,912	10,176	8,768	0	3,268	0	0	1,264	0	0	(1,408)	0
S/T Temporary differences	37,316	43,609	48,172	56,183	0	6,282	11	0	4,615	(53)	0	6,864	1,147
Deferred tax liabilities	**37,316**	**43,609**	**48,172**	**56,183**	**0**	**6,282**	**11**	**0**	**4,615**	**(53)**	**0**	**6,864**	**1,147**
Net value	28,666	31,409	32,793	36,587	0	(2,476)	(268)	67	(3,498)	2,047	0	(4,732)	938

(a) The variation of perimeter of EUR 67 K consisted in the consolidation of Lecta Deutschland GmbH and Lecta Benelux SA (see Note 4.3.1).

The limit of use of tax losses is 18 years in Spain. There is no limit in Luxembourg, France, Italy (it was limited to 5 years until 2010) and Germany.

The tax losses can be used to neutralize up to 80% of taxable income in Italy, up to 60% of taxable income exceeding EUR 1 M in France, and up to 50% for large companies and for the three-year period 2011–2013 in Spain. There was no limit in 2010. There is not limit in Luxembourg.

Sub Lecta 1 SA generated taxable profits in 2009, 2010, and 2011. As at 31 December 2011, the deferred tax asset on losses to be carried forward was EUR 10,468 K, to be used indefinitely.

Management, in view of the plan considered that the tax losses will be used against taxable profits within a foreseeable future.

Cartiere del Garda tax group generated taxable profits in 2009, 2010 and 2011. As at 31 December 2011, the deferred tax asset on losses to be carried forward was EUR 1,578 K to be used indefinitely.

Management, in view of the plan considered that the tax losses will be used against taxable profits within a foreseeable future.

Condat Holding tax group generated taxable profit in 2009, but taxable losses in 2010 and 2011. Management considered the probability to use tax losses. As at 31 December 2011, the deferred tax asset on losses to be carried forward was EUR 6,504 K that can be used indefinitely.

Management, in view of the plan considered that the tax losses will be used against taxable profits within a foreseeable future.

Torraspapel Malmenayde Sàrl generated tax losses in 2009 to 2010 and taxable profit in 2011. As at 31 December 2011, the deferred tax asset on tax losses to be carried forward was EUR 324 K that can be used indefinitely.

Management, in view of the plan considered that the tax losses will be used against taxable profits within a foreseeable future.

Lecta HQ tax group generated taxable loss in 2009, but taxable profits in 2010 and 2011. Management considered the probability to use tax losses. As at 31 December 2011, the deferred tax asset on losses to be carried forward was EUR 18,375 K to be used before 31 December of:

2012	2013	after 2013	Total
5,460	3,122	9,793	18,375

Management, in view of the plan considered that the tax losses will be used against taxable profits within the next couple of years, before the above time limits.

In France, the 2010 finance law set up the CVAE (Cotisation sur la ValEUR Ajoutée des Entreprises) as part of the new CET (Contribution Economique Territoriale). Lecta Group decided to report it as Income tax in line with the accounting treatment followed for similar taxes in other countries. Lecta Group has booked a net deferred tax liability of EUR 1.1 M for the temporary differences on CVAE as at 31 December 2011.

The Income tax rates used for Deferred tax purposes were as follows:

Country	As at 31 Dec 2011	As at 31 Dec 2010	As at 31 Dec 2009
Argentina	35%	35%	35%
France	33.33% to 34.43%	33.33% to 34.43%	33.33% to 34.43%
Germany	32.98%	32.98%	32.98%
Italy[(a)]	30.48% to 41.44%	30.48% to 30.94%	30.48% to 36.98%
Luxembourg	28.80%	28.80%	28.59%
Mexico	30%	30%	28%
Morocco	30%	27.1%	25.5%
Portugal	25%	25%	25%
Spain	30%	30%	30%
UK	25.25%	28%	28%

(a) Corporate tax in Italy applies to Cartiere del Garda ("CdG") and Alto Garda Power ("AGP"). It consists in IRES, "Robin" tax and IRAP. IRES rate is 27.5%. "Robin" tax applies to AGP only. Its rate depends on the year and varies from 0% to 10.5%. Normal IRAP rate is 3.9%. In the region of Trentino Alto Adige in which CdG tax group is located, IRAP rate is 2.98% for CdG. For AGP its rate depends on the year and varies from 2.98% to 3.44%.

Only IRES tax losses are recoverable, while "Robin tax" and IRAP ones are not. As at 31 December 2011, 2010 and 2009, deferred tax assets on losses to be carried forward were computed with IRES rate o 27.5%.

As at 31 December 2011, 2010 and 2009, deferred tax on temporary differences for CdG were computed with the rate of 30.48% (= 27.5% IRES + 2.98% IRAP). Deferred tax on temporary differences for AGP were computed with the rates of 41.44% (= 27.5% IRES + 10.5% "Robin tax" + 3.44% IRAP) as at 31 December 2011, 30.94% (= 27.5% + 0% + 3.44%) as at 31 December 2010, and 36.98% (= 27.5% + 6.5% + 2.98%) as at 31 December 2009.

32.4. Tax-deductible carry forward amounts without deferred tax asset

The Lecta Group didn't record deferred tax assets on 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 2011:

(in EUR K)	2012	2013	2014	2015	2016	2017	2018	2019	Indef.	Total
Lecta SA	0	0	0	0	0	0	0	0	0	0
Sub Lecta 1 SA	0	0	0	0	0	0	0	0	0	0
Sub Lecta 2 SA	0	0	0	0	0	0	0	0	0	0
Sub-Total Luxembourg	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cartiere del Garda SpA	0	0	0	0	0	0	0	0	0	0
Alto Garda Power Srl	0	0	0	0	0	0	0	0	0	0
Torraspapel Italia Srl	0	0	0	0	0	0	0	0	0	0
Sub-Total Italy	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Condat Holding SAS	0	0	0	0	0	0	0	0	0	0
Condat SAS	0	0	0	0	0	0	0	0	0	0
Lecta Europe Sàrl	0	0	0	0	0	0	0	0	0	0
Nord Papier SA	0	0	0	0	0	0	0	0	0	0
Torraspapel Malmenayde Sàrl	0	0	0	0	0	0	0	0	0	0
Sub-Total France	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Lecta HQ SA	0	0	1,359	18,013	0	0	0	0	0	19,372
Torraspapel SA	0	0	0	0	0	0	0	0	0	0
Cogeneración Motril SA	0	0	0	0	0	0	0	0	0	0
Cogeneración Del Ter SL	0	0	0	0	0	0	0	0	0	0
Dispap SA	0	38	0	0	0	0	0	0	0	38
Sarriopapel y Celulosa SA	0	0	0	0	0	0	0	0	0	0
Sub-Total Spain	**0**	**38**	**1,359**	**18,013**	**0**	**0**	**0**	**0**	**0**	**19,410**
Torraspapel Portugal Lda	0	0	0	0	0	0	0	0	0	0
Sub-Total Portugal	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Lecta Paper UK Ltd	0	0	0	0	0	0	0	0	0	0
Sub-Total United Kingdom	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Torras Papier GmbH	0	0	0	0	0	0	0	0	3,101	3,101
Sub-Total Germany	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**3,101**	**3,101**
Torraspapel Argentina SA	0	0	0	0	0	0	0	0	0	0
Sub-Total Argentina	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Lecta Maroc Sàrl	0	0	0	0	0	0	0	0	0	0
Sub-Total Morocco	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Lecta México S. de R.L. de C.V.	0	0	0	0	0	0	0	0	0	0
Torraspapel Servicios México S. de R.L. de C.V.	0	0	0	0	0	0	0	0	0	0
Sub-Total Mexico	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**38**	**1,359**	**18,013**	**0**	**0**	**0**	**0**	**3,101**	**22,511**

These tax-deductible carry forward amounts could lead to a total income tax saving of up to EUR 6,846 K in view of the above-mentioned income tax rates.

33. Trade payables

(in EUR K)	
At 1 January 2009	
Net carrying amount	361,459
Non-current	0
Current	361,459
Movements	(69,895)
Variation of percent of consolidation	0
At 31 December 2009	
Net carrying amount	291,564
Non-current	0
Current	291,564
Movements	69,845
Variation of percent of consolidation	379
At 31 December 2010	
Net carrying amount	361,788
Non-current	0
Current	361,788
Movements	219
Variation of percent of consolidation	(95)
At 31 December 2011	
Net carrying amount	361,912
Non-current	0
Current	361,912

The Financial instruments on Trade payables are detailed in Note 38.

In 2010, the increase in "Variation of percent of consolidation" of EUR 379 K was due to Lecta Deutschland GmbH and Lecta Benelux SA (see Note 4.3.1).

In 2011, the decrease in "Variation of percent of consolidation" of EUR (95) K was due to Torraspapel Italia SrL (see Note 3.5.3).

34. Other payables

(in EUR K)	Capital payables	Options on Minorities	Options on non-consol. companies	Currency hedging	Interest rate hedging	Energy price hedging	Misc. other payables	TOTAL
At 31 December 2008								
Net carrying amount	15,084	0	0	(350)	1,418	299	442	**16,893**
Non-current	226	0	0	(340)	1,224	0	0	**1,110**
Current	14,858	0	0	(10)	194	299	442	**15,783**
Movements	(2,872)		0	0	2		2,861	**(9)**
Var. of fair value through Income statement			0	243	(99)	0		**144**
Increases of fair value through Equity		0		152	1,499	0		**1,651**
Decreases of fair value through Equity		0		0	(1,043)	(299)		**(1,342)**
Acquisition of subsidiaries	0	0	0	0	0	0	0	**0**
At 1 December 2009								
Net carrying amount	12,212	0	0	45	1,777	0	3,302	**17,337**
Non-current	0	0	0	23	1,488	0	0	**1,511**
Current	12,212	0	0	22	289	0	3,302	**15,826**
Movements	(4,730)		0	0	0		(3,141)	**(7,871)**
Var. of fair value through Income statement			0	106	(17)	0		**89**
Increases of fair value through Equity		0		0	1,802	(0)		**1,802**
Decreases of fair value through Equity		0		(152)	(1,425)	0		**(1,577)**
Variation of percent of consolidation	0	0	0	0	0	0	0	**0**
At 31 December 2010								
Net carrying amount	7,483	0	0	(1.18)	2,138	0	161	**9,781**
Non-current	0	0	0	0	1,695	0	0	**1,695**
Current	7,483	0	0	(1)	443	0	161	**8,086**
Movements	8,180		0	0	1		3,360	**11,541**
Var. of fair value through Income statement			0	1	(190)	0		**(189)**
Increases of fair value through Equity		0		0	2,210	0		**2,210**
Decreases of fair value through Equity		0		0	(1,802)	0		**(1,802)**
Variation of percent of consolidation	0	0	0	0	0	0	(3,360)	**(3,360)**
At 31 December 2011								
Net carrying amount	15,663	0	0	0	2,358	0	161	**18,182**
Non-current	0	0	0	0	875	0	0	**875**
Current	15,663	0	0	0	1,482	0	161	**17,306**

In 2011, the decrease in "Variation of percent of consolidation" of EUR (3,360) K was due to Torraspapel Italia SrL (see Note 3.5.3).

Options on Minorities are detailed in Note 38.1.

Options on non-consolidated companies are detailed in Note 38.2. Their value was null.

Currency hedging is detailed in Note 38.4.

Interest rate hedging is detailed in Note 38.5.

Energy price hedging is detailed in Note 38.6.

35. Commitments and contingencies

35.1. Finance leases

Net carrying amounts by class of assets at year-end are part of Property, plant and equipment (see Notes 1.12 and 16).

	At 31 December 2011			At 31 December 2010			At 31 December 2009		
(in EUR K)	Present value	Interest to be paid	Future minimum payments	Present value	Interest to be paid	Future minimum payments	Present value	Interest to be paid	Future minimum payments
Later than five years	0	0	0	0	0	0	0	0	0
Later than one year and not later than five years	1,632	69	1,701	1,628	100	1,727	934	125	1,059
Not later than one year	747	52	798	798	44	841	749	68	817
Total	**2,379**	**121**	**2,500**	**2,425**	**143**	**2,569**	**1,682**	**194**	**1,876**

Finance leases in Lecta Group are hire-purchase contracts for buildings, personal computers, cars or forklifts.

- No subleasing is allowed.
- All these contracts are non-rescindable.
- No material issues relate to these contracts.
- There is no contingent rent.

35.2. Operating leases

Operating leases are expensed in the line "Other operating costs except unusual items" of Income statement (see Note 1.12).

(in EUR K)	2011	2010	2009
Future minimum payments			
later than five years	540	1,560	3,553
later than one year and not later than five years	17,541	7,602	7,956
not later than one year	6,605	3,571	3,115
Total future minimum payments	**24,686**	**12,733**	**14,624**
Expense of the year	**3,573**	**3,399**	**3,674**

Operating leases in Lecta Group are commercial leases of office buildings, warehouses and small fittings (such as copy machines). It is not in the best interest of the Group to purchase these assets.

- No material issues relate to these contracts.

35.3. Capital commitments

At 31 December 2011, Lecta Group had firm commitments due to purchase orders of Property, plant and equipment net of advances to suppliers of EUR 20.4 M.

The breakdown of these commitments was:

- EUR 2.1 M in Italy, of which EUR 1.2 M for Cartiere del Garda new adhesive capacity
- EUR 1.0 M in France
- EUR 17.3 M in Spain, of which EUR 6.8 M for the mill of Zaragoza and EUR 6.5 M for the increase of production capacity in the mill Almazan.

35.4. Other contracts

35.4.1. In order to realize savings on energy costs, Condat SAS 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 (March 2013), Condat SAS is committed to buy and use a minimum quantity of 224 GWh of steam throughout a 5-month Winter period (from November to March each year) at an estimated price of EUR 5.1 M, value winter 2011.

35.4.2. With effect from September 2008, Alto Garda Servizi Teleriscaldamento S.p.A, 20% shareholder of Alto Garda Power SrL, is committed to buy from the latter a minimum quantity of 24.4 GWh of steam per year at an estimated price of 26.8 EUR/MWh and a minimum quantity of 8.4 GWh of electricity per year at an estimated price of 68 EUR/MWh. The estimated yearly revenue is EUR 1.2 M.

35.5. Guarantees issued

35.5.1 Guarantees in favor of Lecta's RCF lenders and FRN holders.

Lecta SA and certain of its subsidiaries guarantee the payment of amounts due under the RCF (multicurrency revolving facility agreement) and the FRN (Floating Rate Notes).

Shares in the main subsidiaries of Lecta, Receivables of the main subsidiaries of Lecta, Credit rights deriving from certain bank accounts, some intercompany loans, have been pledged to secure the payment of amounts due under the RCF and the secured FRN.

	Principal due as at 31 December 2011 (in EUR M)
RCF	—
Secured FRN	598
Unsecured FRN	120

35.5.2 Assets of Alto Garda Power SrL have been pledged to guarantee its banks exposure up to EUR 95.0 M.

35.5.3. Guarantee issued by Condat Holding SAS in favor of Agence de l'Eau Adour-Garonne for a non-interest bearing loan granted to Condat SAS: EUR 619 K.

35.6. 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.

36. Employee benefits

36.1. Amounts recognized in Profit or Loss

(in EUR K)	2011	2010	2009
Short-term employees benefits	(206,019)	(206,939)	(204,149)
Defined contributions post-employment plans	(9,445)	(9,444)	(9,049)
Defined benefit post-employment plans	(656)	(611)	(169)
Other long-term benefits	(132)	(150)	(153)
Termination benefits	0	0	0
Labor costs	(216,252)	(217,144)	(213,520)
Short-term employees benefits	0	0	(20)
Defined contributions post-employment plans	(603)	(481)	(701)
Defined benefit post-employment plans	(160)	(555)	(459)
Other long-term benefits	0	0	0
Termination benefits	0	0	0
Other operating costs except unusual items	(763)	(1,035)	(1,180)
Short-term employees benefits	0	0	0
Defined contributions post-employment plans	0	0	0
Defined benefit post-employment plans	(1,000)	(920)	(810)
Other long-term benefits	(62)	(100)	(100)
Termination benefits	0	0	0
Finance costs	(1,062)	(1,020)	(910)

36.2. Amounts recognized directly through Equity

(in EUR K)	2011	2010	2009
Short-term employees benefits	0	0	0
Defined contributions post-employment plans	0	0	0
Defined benefit post-employment plans	899	(5,860)	1,462
Other long-term benefits	0	0	0
Termination benefits	0	0	0
Actuaries gains and losses	899	(5,860)	1,462

36.3. Short-term employee benefits

Short-term employee benefits 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.

Argentina

– Social contributions and sick leave.

The legal requirements are paid to "Administración General de Ingresos Públicos".

Belgium

– Social contributions and sick leave.

The legal requirements are paid to "Sécurité Sociale".

– In case of hospitalization, a health insurance allows the employees to receive 100% of their salary in complement of the payments made by the "Sécurité Sociale".

France

– Paid holidays scheme may also include CET ("Compte Épargne Temps"), a spare time credit scheme.

– Social contributions and sick leave.

The legal requirements are paid to "Sécurité Sociale".

Commitment for sick leave is in accordance with the collective labor agreement "Distribution des papiers et cartons commerce de gros" or is agreed at company level. The cost is shared between the company and "Sécurité Sociale" up to 6 months. Beyond 6 months, the risk is covered with a "Prévoyance" policy signed with the insurers Malakoff and AXA (see Note 36.4).

– "AXA Assistance" and "Chubb Assistance" cover certain frequent travelers.

– Profit sharing—legal requirement ("Participation") based on taxable earnings applies to companies with 50 employees or more.

– Profit sharing—company commitment ("Intéressement") of Condat SAS was closed on 31 December 2008.

– Works Council—mandatory contribution applies to companies with 50 employees or more: up to 2.64% of gross salaries to Works Council (0.20% of operating costs and 2.44% of social, medical care, cultural contribution and meal tickets).

– Medical care for the employees: maybe managed outside the Works Council contribution for a company commitment of up to 67% of the cost.

– Meal tickets: company is committed for a contribution of up to 60% of the cost.

Germany

– Benefits include medical care, sick leave, unemployment and pensions for retirement. The cost is shared 50% / 50% between Lecta Deutschland GmbH and the employees. Each employee elects the entity he wants to receive the payment in a list of eight public entities and six private companies.

Italy

– 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: a new Profit sharing scheme was agreed on 16 November 2010, replacing the old one that was suspended in 2009. It is based on Cartiere del Garda and AGPower group EBITDA, number of claims and days of sickness, accident—safety evolution (frequency / severity rate). It applies when the number of working days per year reaches 320, and Cartiere del Garda and AGPower group reports a net profit.

- Medical care for the managers and their families is covered by insurance (FASI + UniSalute). The company commitment stops at the retirement of the beneficiaries.

Mexico

- Social contributions and sick leave.

The legal requirements are paid to "Instituto Mexicano del Seguro Social"

Morocco

- Social contributions and sick leave.

The legal requirements are paid to "Caisse Nationale de Sécurite Sociale".

Portugal

- Social contributions and sick leave.

The legal requirements are paid to "Instituto de Gestao Financeira da Segurança Social".

Spain

- 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 12 months plus an additional extra time of 6 months.

UK

- Social contributions, including those in relation with pensions for retirement, are paid to "HMR and Customs" (Her Majesty Revenues and Customs).

USA

- Social contributions in relation with death and disability, pensions for retirement are paid to "Social Security".

- For medical care, hospitalization and sick leave, a medical insurance is contracted with UnitedHealthcare. It allows the employees to receive 60% of their salary.

36.4. Defined ***contribution*** post-employment plans

Mandatory state (national) or multi-employers plans

- Argentina: ANSES ("Administración Nacional de Seguridad Social").

- Belgium: ONP ("Office Nationale des Pensions").

- 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: Staff leaving indemnity TFR (“Trattamento Fine Rapporto”). It is an employees’ deferred compensation. Employees receive a lump sum payment on the date of leave regardless of the reason for leaving. In 2007, the regulation changed for companies with more than 49 employees. Based on this new regulation the TFR is no longer a defined benefit plan but has become a defined contribution plan. While the TFR contribution amounts accrued until 31 December 2006 continues to be managed by the Company (see Note 36.5), the TFR amounts accrued from 1 January 2007 have to be paid monthly to an external pension fund, as social security contributions (no more subject to actuarial evaluation).

- 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”).

- USA: “Social Security”.

Voluntary plans

- Argentina: Torraspapel Argentina SA.

Death and disability plan: the insurance company “Generali” covers all the employees. The benefit is twice the annual salary of the employees.

- Belgium: Lecta Benelux SA.

Death and retirement plan: the insurance company “Integrale” covers the risk of death for managers (“cadres”). The benefit is 200% of the annual salary, increased by 25% for each minor child. If the risk doesn’t materialize, a pension is paid to the beneficiaries when they retire. The cost of the premium is shared between the beneficiaries ($^1/_3$) and the company ($^2/_3$).

- France: Condat SAS 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 Malmenayde Sàrl and Nord Papier SA.

Death plan: The insurance companies “AXA” or “OMNIREP” cover all the employees.

(i) The benefit is between 110% and 500% of the annual salary (tranches A, B and C of “Sécurité Sociale”) according to the family situation. This benefit may be increased by 25% to 100% of the annual salary for each minor child.

(ii) If the death is due to an accident, the benefit is doubled.

(iii) An additional insurance company OCIRP covers the managers (“cadres”).

Temporary disability plan: The insurance companies “AXA” or “OMNIREP” cover all the employees.
After 60 days of consecutive absence, the daily allowance is between 25% and 90% of the annual salary (tranches A, B and C of “Sécurité Sociale”) under deduction of Sécurité Sociale payments.
Permanent disability plan: The insurance company “AXA” covers all the employees.
The benefit is between 45% and 90% of the annual salary (tranches A, B and C of “Sécurité Sociale”) according to the level of permanent disability.

- Germany: Torras Papier GmbH:

Death and disability plan: no such plan.

– Germany: Lecta Deutschland GmbH.
Death and disability plan: the risks of death, permanent and temporary disability are covered with the insurance company AXA. Each employee would receive up to EUR 77 K, EUR 307 K and EUR 153 K respectively.

– 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 10% of their gross salary and TFR (see Note 36.5). For such employees, the company also contributed 1.0% of their gross salary until 31 December 2011. As of 1 January 2012, the company contribution will be 1.2%.
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 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 AXA Cattolica and CNA Belgium. The insurance company AXA Cattolica covers the risks of death only for all remaining employees. The company pays 50% of premiums and the employees paid the other 50%.

– Mexico: Torraspapel Servicios Mexico SRLCV.
Death and disability plan: The insurances companies (Axa and Metlife) cover the employees. The benefit is equivalent to the annual salary of the employee. In case of accident, the benefit is twice the annual salary.

– Morocco: Lecta Maroc Sàrl.
Death and disability plan: the insurance company "Axa Maroc" covers all the employees. The benefit is equivalent to the annual salary of the employees.

– Portugal: Torraspapel Portugal Lda.
Death and disability plan: the insurance company Vitória 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 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 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 base used to calculate 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 and Uranga.

(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 personam") the additional benefit for employees with higher historical rights (i.e. employees working for Torraspapel SA in 1995; the total premium was EUR 487 K for the year 2011).
For the administrative and blue collars of the mills of Leitza and Uranga, the risk of death and disability is covered as follows:

(i) Uranga: from EUR 24 K to EUR 48 K, depending on the kind of contingency.

(ii) Leitza: from EUR 13 K to EUR 26 K, depending on the kind of contingency.

In these cases, the company pays 55% of the premium, the remaining 45% is 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 plan: the insurance company "Aegon Scottish Equitable" covers all the employees. The benefit is equivalent to three times the annual salary for the employees who started to work in the company before December 1999. It is twice the annual salary for the other employees.

– USA: Lecta North America Inc.

Retirement plan: on a voluntary basis, each employee may contribute part of his salary to the insurance company “MetLife”, the company paying the same amount up to 3% of the annual employee salary.

Death plan: the insurance company “American Life Insurance” covers the employees up to USD 50 K or USD 100K.

36.5. Defined *benefit* post-employment plans

– Argentina: no such plan.

– Belgium: no such plan.

– France: Condat SAS 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. The obligation is regulated by the “Convention Collective Nationale des Industries Chimiques” nº3108 (“cadres”), and by the “Convention Collective Nationale de la transformation des papiers et cartons” (“non cadres”). The benefit goes from 0 to 6 months (7.5 months for the managers only following the amendment of the “Convention Collective Nationale des Industries Chimiques” in November 2009) of gross salary depending on the seniority of the employee in the company.

(in EUR K)	2011	2010	2009
Present value			
Opening balance	7,094	5,974	6,517
Current service cost	314	279	265
Interest cost	270	295	271
Actuarial gains and losses	(90)	546	(1,078)
Benefits paid	(192)	0	0
Past service cost	0	0	0
Curtailments	0	0	0
Settlements	0	0	0
Closing balance	7,396	7,094	5,974
Provision			
Present value of the plan	7,396	7,094	5,974
Net actuarial gains and losses not recognized in the balance sheet	0	0	0
Past service cost not yet recognized in the balance sheet	0	0	0
Provision	7,396	7,094	5,974

– France: Condat SAS.

Retirement plan "Progil": pension scheme supplementing the mandatory state (national) or multi-employers plans Sécurité Sociale, Arrco and Agirc (see Note 36.4) 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.

(in EUR K)	2011	2010	2009
Present value			
Opening balance	13,510	8,770	8,391
Current service cost	251	197	187
Interest cost	503	421	467
Contributions by plan participants	0	0	0
Actuarial gains and losses	(580)	4,420	0
Benefits paid	(357)	(298)	(275)
Past service cost	0	0	0
Curtailments	0	0	0
Settlements	0	0	0
Closing balance	13,327	13,510	8,770
Funded	0	0	0
Unfunded	13,327	13,510	8,770
Assets "Eparinter"			
Opening balance	2,195	2,064	1,767
Expected return on plan assets	63	131	297
Contributions by the employer	0	0	0
Contributions by plan participants	0	0	0
Actuarial gains and losses	0	0	0
Benefits paid	0	0	0
Settlements	0	0	0
Closing balance	2,258	2,195	2,064
Provision			
Present value of the plan	13,327	13,510	8,770
Assets	(2,258)	(2,195)	(2,064)
Net actuarial gains and losses not recognized in the balance sheet	0	0	0
Past service cost not yet recognized in the balance sheet	0	0	0
Provision	11,069	11,315	6,706

– France: Condat SAS.

Death and disability plan "Prévoyance" Malakoff (see Note 36.3). 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.

(in EUR K)	2011	2010	2009
Present value			
Opening balance	596	596	620
Current service cost	0	0	(24)
Interest cost	0	0	0
Actuarial gains and losses	0	0	0
Benefits paid	0	0	0
Past service cost	0	0	0
Curtailments	0	0	0
Settlements	0	0	0
Closing balance	596	596	596
Provision			
Present value of the plan	596	596	596
Net actuarial gains and losses not recognized in the balance sheet	0	0	0
Past service cost not yet recognized in the balance sheet	0	0	0
Provision	596	596	596

– France: Torraspapel Malmenayde Sàrl and Nord Papier SA.

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. The obligation is regulated by the "Convention Collective Distribution et Commerce de Gros Papier et Carton" nº802 ("OETAM") and 925 ("cadres"), and by the "Accord National Interprofessionnel des VRP" n°804. In case of voluntary retirement, the benefit goes from 0.2 to 6 monthly salaries depending on the seniority of the employee in the company. If the company makes employees take compulsory retirement, the benefit is increased by 20% to 30%, or from 0.05 to 0.35 months per year of seniority for the sales representatives ("VRP").

(in EUR K)	2011	2010	2009
Present value			
Opening balance	1,151	640	515
Current service cost	88	57	84
Interest cost	43	35	22
Actuarial gains and losses	(28)	340	19
Benefits paid	0	0	0
Past service cost	(82)	80	0
Curtailments	0	0	0
Settlements	0	0	0
Merger	0	0	0
Acquisition of subsidiaries	0	0	0
Variation of percent of consolidation	0	0	0
Exchange adjustments	0	0	0
Closing balance	1,172	1,151	640
Provision			
Present value of the plan	1,172	1,151	640
Net actuarial gains and losses not recognized in the balance sheet	0	0	0
Past service cost not yet recognized in the balance sheet	0	0	0
Provision	1,172	1,151	640

– Germany: Lecta Deutschland GmbH.

Retirement plan: pension scheme supplementing the mandatory state plan (see Note 36.4). The plan benefits to 6 people and is closed to new employees since 1997. Part of this obligation is externalized with two insurance companies, "Landwirtschafliche Versicherung Münster" and "Hamburg Mannheimer".

Reminder: this subsidiary was consolidated as of 1 January 2010 (see Note 3.5).

(in EUR K)	2011	2010
Present value		
Opening balance	1,148	0
Current service cost	38	50
Interest cost	0	49
Contributions by plan participants	0	0
Actuarial gains and losses	0	0
Benefits paid	0	(75)
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Variation of percent of consolidation	0	1,124
Closing balance	1,186	1,148
Funded	0	0
Unfunded	1,186	1,148
Assets "LVM" & "HM"		
Opening balance	860	862
Expected return on plan assets	22	41
Contributions by the employer	0	0
Contributions by plan participants	0	0
Actuarial gains and losses	0	0
Benefits paid	0	(43)
Settlements	0	0
Closing balance	882	860
Provision		
Present value of the plan	1,186	1,148
Assets	(882)	(860)
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	304	288

– Italy: Cartiere del Garda SpA.

Staff leaving indemnity TFR (“Trattamento Fine Rapporto”). See Note 36.4. Since a regulation introduced in 2007, the TFR is no longer a defined benefit plan but has become a defined contribution plan. Nevertheless, the TFR contribution amounts accrued until 31 December 2006 continues to be managed by the Company and thus the related liability continues to be recorded in the financial statements as a long-term liability that has to be accounted for at its present value (subject to actuarial evaluation). The present value of the employee termination indemnity liability has been computed by an independent actuary considering the above-mentioned change in law. The effect as at 1 January 2007, deriving from the change in law, curtailment effect, amounts to EUR 1,015 K and has been recorded as a reduction of the said year personnel costs.

(in EUR K)	2011	2010	2009
Present value			
Opening balance	6,882	6,461	7,973
Current service cost	0	0	0
Interest cost	246	292	348
Actuarial gains and losses	(201)	555	(403)
Benefits paid	(690)	(425)	(1,456)
Past service cost	0	0	0
Curtailments	0	0	0
Settlements	0	0	0
Closing balance	6,237	6,882	6,461
Provision			
Present value of the plan	6,237	6,882	6,461
Net actuarial gains and losses not recognized in the balance sheet	0	0	0
Past service cost not yet recognized in the balance sheet	0	0	0
Provision	6,237	6,882	6,461

– Italy: Torraspapel Italia SrL is not consolidated anymore on 31 December 2011 (see Note 3.5.3).

Staff leaving indemnity TFR (“Trattamento Fine Rapporto”). The change in regulations described for Cartiere del Garda does not apply because Torraspapel Italia has less than 49 employees (there were 8 employees on 31 December 2010).

(in EUR K)	2011	2010	2009
Present value			
Opening balance	243	216	195
Current service cost	31	27	21
Interest cost	0	0	0
Actuarial gains and losses	0	0	0
Benefits paid	0	0	0
Past service cost	0	0	0
Curtailments	0	0	0
Settlements	0	0	0
Merger	0	0	0
Acquisition of subsidiaries	0	0	0
Variation of percent of consolidation	(274)	0	0
Closing balance	0	243	216
Provision			
Present value of the plan	0	243	216
Net actuarial gains and losses not recognized in the balance sheet	0	0	0
Past service cost not yet recognized in the balance sheet	0	0	0
Provision	0	243	216

– Mexico: no such plan.

– Morocco: no such plan.

– Portugal: no such plan.

– 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.

(in EUR K)	2011	2010	2009
Present value			
Opening balance	370	65	0
Current service cost	88	305	65
Interest cost	0	0	0
Actuarial gains and losses	0	0	0
Benefits paid	(370)	0	0
Past service cost	0	0	0
Curtailments	0	0	0
Settlements	0	0	0
Closing balance	88	370	65
Provision			
Present value of the plan	88	370	65
Net actuarial gains and losses not recognized in the balance sheet	0	0	0
Past service cost not yet recognized in the balance sheet	0	0	0
Provision	88	370	65

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.

(in EUR K)	2011	2010	2009
Present value			
Opening balance	97	11	32
Current service cost	39	128	30
Interest cost	0	0	0
Actuarial gains and losses	0	0	0
Benefits paid	(88)	(42)	(51)
Past service cost	0	0	0
Curtailments	0	0	0
Settlements	0	0	0
Merger	0	0	0
Acquisition of subsidiaries	0	0	0
Variation of percent of consolidation	0	0	0
Exchange adjustments	0	0	0
Closing balance	48	97	11
Provision			
Present value of the plan	48	97	11
Net actuarial gains and losses not recognized in the balance sheet	0	0	0
Past service cost not yet recognized in the balance sheet	0	0	0
Provision	48	97	11

– UK: no such plan.

– USA: no such plan.

– Total of defined benefit post-employment plans.

(in EUR K)	2011	2010	2009	2008	2007
Present value					
Opening balance	31,091	22,733	24,243	23,185	25,803
Current service cost	849	1,043	627	453	516
Interest cost	1,063	1,092	1,107	1,006	1,040
Contributions by plan participants	0	0	0	0	0
Actuarial gains and losses	(899)	5,860	(1,462)	800	(147)
Benefits paid	(1,697)	(841)	(1,782)	(1,562)	(1,342)
Past service cost	(82)	80	0	0	0
Curtailments	0	0	0	0	(2,687)
Settlements	0	0	0	0	0
Merger	0	0	0	0	0
Acquisition of subsidiaries	0	0	0	361	0
Variation of percent of consolidation	(274)	1,124	0	0	0
Exchange adjustments	0	0	0	0	0
Closing balance	30,051	31,091	22,733	24,243	23,185
Funded	0	0	0	0	0
Unfunded	30,051	31,091	22,733	24,243	23,185
Assets					
Opening balance	3,055	2,926	1,767	2,193	2,215
Expected return on plan assets	84	172	297	(426)	(22)
Contributions by the employer	0	0	0	0	0
Contributions by plan participants	0	0	0	0	0
Actuarial gains and losses	0	0	0	0	0
Benefits paid	0	(43)	0	0	0
settlements	0	0	0	0	0
Merger	0	0	0	0	0
Acquisition of subsidiaries	0	0	0	0	0
Variation of percent of consolidation	0	0	0	0	0
Exchange adjustments	0	0	0	0	0
Closing balance	3,139	3,055	2,064	1,767	2,193
Provision					
Present value of the plan	30,051	31,091	22,733	24,243	23,185
Assets	(3,139)	(3,055)	(2,064)	(1,767)	(2,193)
Net actuarial gains and losses not recognized in the balance sheet	0	0	0	0	0
Past service cost not yet recognized in the balance sheet	0	0	0	0	0
Provision	26,911	28,036	20,669	22,476	20,992

The principal assumptions used in determining the defined benefit post-employment obligations are as follows:

	2011	2010	2009
Discount rate (varies with the duration of the commitment):			
– IFC Condat	4.00%	3.75%	4.75%
– IFC Lecta Europe	3.75%	3.50%	4.50%
– Progil Condat	4.00%	3.75%	5.25%
– IFC Torraspapel Malmenayde and Nord Papier	4.00%	3.75%	4.75%
– Retirement Lecta Deutschland	5.14%	5.15%	—
– TFR Cartiere del Garda	4.00%	3.75%	4.75%
– TFR Torraspapel Italy	—(4)	NA(1)	NA(1)
Future salary increases:			
– Condat	2.0%	2.0%	2.0 to 2.8%
– Lecta Europe	3.0%	3.0%	3.0%
– Torraspapel Malmenayde and Nord Papier	2.0%	2.0%	2.0%
– Lecta Deutschland	NA(2)	NA(2)	NA(2)
– Cartiere del Garda	NA(3)	NA(3)	NA(3)
– Torraspapel Italy	—(4)	NA(1)	NA(1)

(1) Only the statutory valuation under Italian GAAP was available.

(2) Didn’t apply because the pension was based on the salary of each beneficiary at the age of 42.

(3) Due to the change in TFR regulation, applied as of 2007, the future salaries were subject to monthly social security contributions only.

(4) Torraspapel Italy was not consolidated anymore as at 31 December 2011 (see Note 3.5.3).

36.6. Other long-term benefits

– France: Condat SAS.

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.

(in EUR K)	2011	2010	2009
Provision	1,796	1,835	1,807

– 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 34 K in 2009) indexed to the salary increase;

(ii) the unused part of the cumulated available grant accrued in favor of the employees (EUR 217 K on 31 December 2009).

(in EUR K)	2011	2010	2009
Provision	235	230	217

36.7. Termination benefits

There were no termination benefits in the period 2009-2011.

37. Related party disclosures

37.1. Transactions with non-consolidated companies

(in EUR K)		Sales to related parties	(Purchases) from related parties	Finance (costs) from related parties	Amounts owed by related parties	Amounts owed to related parties
Condat Benelux SA	2009	0	(671)	0	0	143
	2010					
	2011					
Condat UK Ltd	2009	0	(444)	0	0	29
	2010	0	(431)	0	0	9
	2011	0	(19)	0	0	115
Dispap	2009	0	0	(21)	0	2,081
	2010	0	0	(45)	0	2,121
	2011	0	0	(61)	0	2,162
Eurogalicia Forestal SA	2009	0	0	0	0	0
	2010	0	0	0	0	0
	2011	0	0	0	0	0
Garda UK Ltd	2009	0	(548)	0	0	457
	2010	0	(589)	0	0	207
	2011	0	(819)	0	0	0
Lecta Deutschland GmbH	2009	0	(1,566)	0	0	343
	2010					
	2011					
Lecta Services Sprl	2009	0	(707)	0	16	75
	2010	0	(814)	0	0	326
	2011	0	(861)	0	0	35
Promotora del Ulla SA	2009	0	0	0	0	0
	2010	0	0	0	0	0
	2011	0	0	0	0	0
SVL Pilote Sàrl	2009	0	(7,217)	0	0	1,436
	2010	0	(7,224)	0	0	1,473
	2011	0	(7,541)	0	0	1,421
SVS SA	2009	0	(673)	0	0	0
	2010	0	(691)	0	0	36
	2011	0	(676)	0	0	36
SVT SAS	2009	0	(2,168)	0	0	56
	2010	0	(2,605)	0	0	346
	2011	0	(1,981)	0	0	215
Torras Dorna SA	2009	0	0	(5)	0	136
	2010	0	0	(5)	0	141
	2011	0	0	(6)	0	139
Torras Hostench SL	2009	0	0	0	0	0
	2010	0	0	0	0	0
	2011	0	0	0	0	0
Torraspapel Italia SrL	2009					
	2010					
	2011	0	0	0	(3,292)	81

___ Consolidated subsidiaries

These companies are non-consolidated because of their immateriality. They are listed in Note 2.3 under Comments (b) and (c).

In 2010, Lecta Benelux SA and Lecta Deutschland GmbH were included in the consolidation perimeter (see Note 4.3.1).

As at 31 December 2011, Torraspapel Italia SrL was no more consolidated (see Note 3.5.3).

All the transactions with related parties were made on an arm's length basis.

37.2. Key management personnel compensation

During the year ended 31 December 2011, the former and current members of the Board of Directors, including executive officers, received remuneration. This remuneration was charged at an aggregate cost of EUR 2.4 M.

37.3. Other related parties

Nothing to mention.

38. Financial instruments

38.1. Equity derivatives

This is an option on the minority of a consolidated company.

38.1.1. Purchased call option on the shares of *Cogeneración Motril SA*.

Torraspapel SA exercised its call option over 24% of the share capital of Cogeneración Motril SA belonging to SIEMA SA on 26 July 2011. La Energía sold its 10% participation in Cogeneración Motril SA to the other two shareholders on 5 December 2011. Following these transactions, the shareholders of Cogeneración Motril SA as at 31 December 2011 were:

– Torraspapel SA: 81%

– Sociedad Inversora en Energia y Medio Ambiente, SA (SIEMA) 19%

38.2. Derivatives held for trading

These are options on the shares or on the assets of non-consolidated companies.

38.2.1. 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 SAS would acquire up to 100% of the shares.

At 31 December 2011, the minimum exercise price of the option was EUR 1.5 M.

This price was considered as higher or equal to the fair value of the company. Therefore, nothing was disclosed in the Balance sheet.

38.2.2. Purchased call option agreement on the tangible assets of *Périgord Énergies SNC*.

The current shareholders of Périgord Énergies SNC are:

– GDF SUEZ Energie Services SA: 99.8%

– SETHELEC SNC: 0.2%

There is a contract between Périgord Énergies SNC and Condat SAS for the supply of steam (see Note 35.4.1). Three months before the end of this 12-year contract, i.e. on 31 December 2012, Condat SAS will have to take or not the option to purchase 100% of the tangible assets of Périgord Énergies SNC for a fixed price of EUR 6.6 M. A clause specifies that an overhaul of the assets will be performed and billed to Condat SAS before the acquisition.

At 31 December 2011, the total price was considered as higher or equal to the probable fair value of the equipments after the overhaul. Therefore, nothing was disclosed 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 disclosed in the Balance sheet.

38.3. Assignment of trade receivables

From time to time, Lecta Group assigns trade receivables to financial institutions through non-recourse agreements.

Such operations are accounted for in conformity with the accounting policy described in Note 1.37.

– Non-recourse factoring: The corresponding advance is accounted for in the borrowings and disclosed in Note 28.5.

– Non-recourse invoice discounting: The residual commitment computed using the continuous involvement methodology is accounted for in the borrowings and disclosed in Note 28.5.

38.4. Derivatives on foreign currencies

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

At 31 December 2011, ordinary sales and purchases were specifically hedged through:

– Forward agreements on realized sales in foreign currencies: EUR 46.9 M

– Forward agreements on realized purchases in foreign currencies: EUR 5.5 M

The impact of these contracts has been accounted for as fair value hedging, hence recognized in the Income statement (see Note 1.36).

There were no options on future sales in foreign currencies and on future purchases in foreign currencies. Therefore, nothing had to be fair valued through Income statement.

Furthermore, in June 2007, Alto Garda Power SrL entered into a 13-year agreement with Italia General Electric SpA, in order to execute the planned maintenance of the new cogeneration plant for the period 2008 to 2020.

On 20 September 2007, Alto Garda Power entered into several currency forward contracts for the purpose of hedging part of its maintenance costs against any unexpected fluctuation of exchange rate of USD.

As at 31 December 2011, the main characteristics of these instruments were as follows.

Instrument	Notional amount (in K USD)	Maturity date	Exchange rate	Value at 31 Dec 2011 (in EUR K) Intrinsic	Time	Total
Forward exchange transaction....................	10,713	various until 20.12.2014	1.4332	307	107	414
	10,713			307	107	414

The impact of these contracts has been accounted for as cash flow hedge. The intrinsic value, considered as effective, was recognized directly in Equity while the time value was considered as ineffective, and thus recognized in the Income statement (see Note 1.36).

38.5. Hedging derivatives on interest rates

Floating Rate Notes:

On 9 September, 5 October and 27 December 2010, the interest rates of 67% of the Floating Rate Notes were hedged with a Cap indexed to 3 month Euribor for the period from mid- February 2011 to mid-February 2012.

On 11 October, 4 November and 12 December 2011, the interest rates of 70% of the Floating Rate Notes were hedged with a Cap indexed to 3 month Euribor for the period from mid- February 2012 to mid-February 2013.

Alto Garda Power SrL:

On 5 September 2007, the interests rates of 50% of the forecast debt in Alto Garda Power SrL (see Note 28.5) were hedged with a Collar indexed to 6 month Euribor for the period from June 2007 to December 2018.

On 16 March 2010, the interests rates of 25% of the forecast debt were hedged with a Swap to exchange 6 month Euribor variable rate against fixed rate of 2.995% for the period June 2010 to December 2018.

IDAE Sant Joan AIE:

On 23 July 2010, the interest rates of 75% of the forecast debt in IDAE Sant Joan AIE (see Note 28.5) were hedged with a Swap to exchange 1 month Euribor variable rate against fixed rate of 2.14% for the period from June 2011 to March 2016.

The main characteristics of the above instruments are as follows.

(in EUR K) Instrument	Notional amount	Premium paid	Effective date	Termination date	Floor rate	Cap rate	Strike	Value at 31 Dec 2011 Intrinsic	Time	Total
Cap 3M Euribor......................	200,000	200	15/Feb/2010	15/Feb/2011		2.00%		0	0	0
Cap 3M Euribor......................	150,000	138	15/Feb/2010	15/Feb/2011		2.00%		0	0	0
Cap 3M Euribor......................	200,000	80	15/Feb/2011	15/Feb/2012		2.00%		0	0	0
Cap 3M Euribor......................	150,000	67	15/Feb/2011	15/Feb/2012		2.00%		0	0	0
Cap 3M Euribor......................	150,000	67	15/Feb/2011	15/Feb/2012		2.00%		0	0	0
Cap 3M Euribor......................	100,000	60	15/Feb/2012	15/Feb/2013		2.00%		5	0	5
Cap 3M Euribor......................	200,000	92	15/Feb/2012	15/Feb/2013		2.00%		11	0	11
Cap 3M Euribor......................	200,000	52	15/Feb/2012	15/Feb/2013		2.00%		11	0	11
Collar 6M Euribor	Max 27.644		29/Jun/2007	31/Dec/2018	4.05%	5.75%		(1,594)	(71)	(1,666)
Swap 6M Euribor	Max 9,107		30/Jun/2010	31/Dec/2018			2.995%	(126)	(2)	(128)
Swap 1M Euribor	Max 18,750		30/Jun/2011	31/Mar/2016			2.14%	(564)	0	(564)
								(2,257)	(73)	(2,330)

The impact of these agreements has been accounted for as cash flow hedge. The intrinsic value, considered as effective, was recognized directly in Equity while the time value was considered as ineffective, and thus recognized in the Income statement (see Note 1.36).

38.6. Hedging derivatives on energy prices

Lecta Group operations are impacted by the fluctuations of gas and electricity prices.

The biomass cogeneration plant of Zaragoza uses black liquor, a by-product of its pulp production, to supply electricity and steam.

In 2011, Torraspapel Group entered into a Swap agreement for a portion of its sale of electricity produced from biomass. As at 31 December 2011, there was one Swap in place:

Instrument	Notional volume (in MWh)	Fixed price (in EUR/MWh)	Hedged value (in EUR M)	TP group volume as per budget-plan (in MWh)	Hedged portion	Period	Value as at 31 December 2011 (in EUR K) Intrinsic	Time	Total
Sale of electricity									
Swap..	82,500	82,500.00	6,806.3	102,328.00	81%	1 July 2011 to 30 June 2012	123	0	123
	82,500	82,500.00	6,806.3	102,328	81%		123	0	123
						Total	**123**	**0**	**123**

The impact of this agreement has been accounted for as cash flow hedge. The intrinsic value, considered as effective, was recognized directly in Equity while the time value was considered as ineffective, and thus recognized in the Income statement

38.7. Fair value of financial instruments

Fair value hierarchy

Lecta Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2011, Lecta Group held the following financial instruments:

(in EUR K)		At 31 December 2011 Carrying amount	At 31 December 2011 Fair value	At 31 December 2010 Carrying amount	At 31 December 2010 Fair value	At 31 December 2009 Carrying amount	At 31 December 2009 Fair value
				ASSETS			
Available-for-sale financial investments	Level 3	5,222	5,222	3,285	3,285	3,607	3,607
Trade receivables	Level 2	249,461	249,461	256,939	256,939	243,334	243,334
Prepayments	Level 2	1,417	1,417	1,731	1,731	1,636	1,636
Loans	Level 2	45	45	0	0	0	0
Capital receivables	Level 2	(1,000)	(1,000)	(1,000)	(1,000)	0	0
Shareholders receivables	Level 2	0	0	0	0	0	0
Dividends receivables	Level 2	0	0	0	0	0	0
Options on non-consolidated companies	Level 3	0	0	0	0	0	0
Currency hedging	Level 2	414	414	244	244	0	0
Interest rate hedging	Level 2	27	27	106	106	141	141
Energy price hedging	Level 2	123	123	0	0	0	0
Miscellaneous other receivables	Level 2	0	0	0	0	0	0
Cash and cash equivalents	Level 1	361,647	361,647	310,062	310,062	214,176	214,176
				LIABILITIES			
Interest-bearing borrowings FRN Secured	Level 1	596,548	549,311	594,040	553,796	591,536	490,314
Interest-bearing borrowings FRN Unsecured	Level 1	119,350	108,973	142,230	129,847	146,630	116,139
Interest-bearing borrowings except FRN	Level 1	71,013	71,013	57,624	57,624	64,730	64,730
Bank overdrafts	Level 2	7,178	7,178	5,776	5,776	4,021	4,021
Trade payables	Level 2	361,912	361,912	361,788	361,788	291,564	291,564
Capital payables	Level 2	15,663	15,663	7,483	7,483	12,212	12,212
Shareholders payables	Level 2	0	0	0	0	0	0
Dividends payables	Level 2	0	0	0	0	0	0
Options on Minorities	Level 3	0	0	0	0	0	0
Options on non-consolidated companies	Level 3	0	0	0	0	0	0
Currency hedging	Level 2	0	0	(1)	(1)	45	45
Interest rate hedging	Level 2	2,358	2,358	2,138	2,138	1,777	1,777
Energy price hedging	Level 2	0	0	0	0	0	0
Miscellaneous other payables	Level 2	161	161	161	161	3,302	3,302

Level 1:

The fair value of FRN was based on ex-coupon quotations. It should be considered with caution considering that the High Yield Bonds market has low liquidity.

Level 2:

– For the hedging instruments, the inputs that have a significant effect on their fair value were observable.

– For the other items, of which Trade receivables and Trade payables, no valuation techniques had to be applied, as they were all short-term.

39. Financial risk management objectives and policies

39.1. Customer credit risk

Lecta Group strictly monitors the customer credit risk. Lecta's ten largest customers account for circa 27% of sales. Credit insurance covers a large part of the Trade receivables.

(in EUR K)	31 Dec 2011	31 Dec 2010	31 Dec 2009
Gross amount of Trade receivables	258,058	265,738	335,879
Impairment	(8,597)	(8,798)	(3,169)
Trade receivables as per Balance sheet	249,461	256,939	332,710
Provision for litigation	0	0	0
Trade receivables net of provision for litigation,	249,461	256,939	332,710
of which not past due	240,836	245,095	300,954
of which past due:	8,625	11,844	31,756
Amount covered by a credit insurance	7,276	9,824	25,038
Amount of recoverable VAT	305	559	1,330
Amount eligible to credit risk,	**1,045**	**1,462**	**5,388**
past due since less than one month	892	1,303	3,553
past due since more than one month but no later than three months	153	89	1,493
past due since more than three months but no later than one year	0	66	342
past due since more than one year but no later than five years	0	1	0
past due since more than five years	0	2	0

39.2. Liquidity risk

Since the Refinancing that took place on 13 February 2007 (see Note 3.1), the liquidity risk can be considered as remote.

39.3. Future undiscounted contractual payments

(in EUR K)	31 Dec 2011	31 Dec 2010	31 Dec 2009
Financial liabilities as per Balance sheet	1,174,182	1,171,238	1,115,817
Future interest, post Balance Sheet date	10,971	98,271	115,352
Reversal of non-cash liabilities (IFRS adjustments)	7,160	9,380	12,307
Adjusted financial liabilities	1,192,313	1,278,889	1,243,476
Due no later than one month	222,979	111,494	116,803
Due later than one month and no later than three months	134,026	229,843	194,944
Due later than three months and no later than one year	42,082	70,928	40,064
Due later than one year and no later than five years	773,741	836,592	858,013
Due later than five years	19,485	30,033	33,652
Undiscounted cash flows	1,192,313	1,278,889	1,243,476

39.4. Market risk

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

To reduce their impacts:

- Lecta Group customer base is highly diversified in terms of geography and channels of sales.
- Lecta Group produces part of its needs of pulp, the main raw material used in the production of paper. It also produces part of its energy requirement.
- Lecta Group signed multi-year contracts of pulp and some other raw materials supply.
- Lecta Group signed multi-year contracts of energy supply.

The table below illustrates how a change in selected factors (on the assumption that other factors are neutral) related to Lecta Group's business may affect financial performances. Based on actual figures of 2011:

	Changes	Estimated effect on Lecta Group EBITDA (in EUR M)
Paper prices	+/–10 EUR/T	+/–16.6
Pulp prices	+/–10 EUR/T	–/+6.1
Volume produced and sold	+/–10 KT	+/–2.8

39.5. Currency risk on transactions

Lecta Group's EBITDA is exposed to the fluctuations of non-euro currencies on future sales and purchases.

Favorable (unfavorable) impacts on EBITDA of a decrease of 0.01 of exchange rate [e.g. for USD/EUR from 1.39 (average in 2011) to 1.38, or for GBP/EUR from 0.87 (average in 2011) to 0.86], all other things being equal, based on actual figures of 2011, are:

Currency	EUR M
USD	−1.3
GBP	+1.5

Lecta Group covers the fluctuations of non-euro currencies, mainly USD and GBP, according to the following rules (see Note 38.4):

– Balance sheet approach for trade receivables and payables: on a regular basis, the actual sales and purchases denominated in non-euro currencies are covered through forward agreements with fixed expiry dates consistent with those of the hedged items.

Since 2007, it includes a long-term maintenance contract of Alto Garda Power denominated in USD.

– 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.

39.6. Interest rate risk

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

Unfavorable impact on profit before tax of an increase of 1% (100 basis points) of 3 month Euribor [e.g. from 1.393% (average in 2011) to 2.393%], all other things being equal, based on actual figures of 2011, is:

Interest rate	EUR M
3M Euribor	−4.7

Lecta Group hedges part of its Borrowings in order to reduce the impact of interest rate fluctuations (see Note 38.5). Lecta Group's counterparts are leading financial institutions that have a credit rating equal to or better than A-1 short-term or A long-term ratings (or equivalent).

39.7. Currency risk on investments

Lecta Group has no significant investments in the non-euro zone.

39.8. Currency risk on Borrowings

The borrowings of Lecta Group are essentially denominated in euro.

39.9. 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.

40. Events after the Balance sheet date

Torraspapel Italia Srl was a participation of Cartiere del Garda SpA as at 31 December 2011 (see Notes 2.3 and 3.5.3). It was merged into Cartiere del Garda SpA on 1 January 2012.

On 9 March 2012, Lecta SA formalized, pending approval by the European Commission, the acquisition of Italian paper merchant Polyedra, now belonging to PaperlinX group, for an enterprise value of EUR 45 M.

Lecta Group has an extensive and proven experience in the distribution business through its merchant's activities in Spain, France, Portugal and Argentina. With the acquisition of Polyedra, Lecta Group reinforces its position as the leading manufacturer and distributor in Southern Europe.

Polyedra, one of the leading paper merchant in the Italian market, has a prestigious image in all market segments and a national coverage achieving a turnover of approximate EUR 260 M.

A complementary agreement for the sale of the land in Algeciras was signed on 22 March 2012 against a second down payment of EUR 0.5 M. The purchase price remains unchanged at EUR 13.5 M. The closing of the sale, the balance of EUR 12.0 M to be cashed, and the capital gain of EUR 12.1 M to be recognized, are expected in May 2012 (see Notes 3.6 and 26).

LECTA S.A.
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2012
UNDER IFRS

GENERAL INFORMATION

Lecta Group is engaged in the production and sale of Coated Woodfree and specialty papers. Lecta Group has production sites in France, Italy and Spain and sells all around the world. It employs circa 3,800 people.

The parent company of Lecta Group is Lecta SA, which is a limited company incorporated and domiciled in the Grand Duchy of Luxembourg. The address of its registered office is:

LECTA S.A.
19-21, boulevard Prince Henri
L-1724 LUXEMBOURG

The unaudited interim condensed financial statements of Lecta Group at 31 March 2012 were approved for issue on 29 May 2012.

All the amounts in the present report are in thousands of euros (EUR K or K€) unless otherwise stated.

Consolidated income statement

Lecta Group
(in EUR K)

	Notes	Jan to Mar 2012		Jan to Mar 2011	
			%		%
Revenue	(5)	403,229	100	418,545	100
Changes in inventories of finished goods and work in process		(9,580)	(2)	(10,854)	(3)
Raw materials and consumables used		(176,793)	(44)	(197,476)	(47)
Labor costs		(54,049)	(13)	(54,255)	(13)
Other operating costs except unusual items		(119,142)	(30)	(110,744)	(26)
EBITDA		**43,666**	**11**	**45,216**	**11**
Depreciation		(17,898)	(4)	(17,593)	(4)
Amortization		(354)	(0)	(346)	(0)
Unusual items	(6)	(731)	(0)	(126)	(0)
Profit (loss) from operations		**24,683**	**6**	**27,152**	**6**
Financial income		1,822	0	1,563	0
Financial expense		(14,717)	(4)	(13,839)	(3)
Share of results in associates		0	0	0	0
Profit (loss) before tax		**11,788**	**3**	**14,876**	**4**
Income tax	(7)	(2,914)	(1)	(4,945)	(1)
Profit (loss) after tax		**8,874**	**2**	**9,930**	**2**
Attributable to:					
Equity holders of the parent		7,969	2	8,719	2
Minority interest		904	0	1,212	0

The accompanying Notes are an integral part of these Consolidated financial statements.

Consolidated statement of comprehensive income

Lecta Group
(in EUR K)

	Notes	Jan to Mar 2012	Jan to Mar 2011
Profit (loss) for the period		**8,874**	**9,930**
Available-for-sale investments	(10)	0	0
Income tax		0	0
		0	0
Cash flow hedging	(10)	(26)	80
Income tax		37	153
		11	233
Actuarial gains (losses) on defined benefits plans:		0	0
Income tax		0	(7)
		0	(7)
Foreign currency translation		(234)	(503)
Other comprehensive income (loss) for the period, net of tax		**(222)**	**(277)**
Total comprehensive income for the period, net of tax		**8,651**	**9,653**

The accompanying Notes are an integral part of these Consolidated financial statements.

Consolidated statement of financial position

Lecta Group
(in EUR K)

	Notes	31 Mar 2012	31 Dec 2011	31 Mar 2011
ASSETS				
Property, plant and equipment	(11)	595,971	605,288	613,749
Investment properties	(11)	540	540	3,106
Goodwill		183,431	183,431	183,431
Other intangible assets		5,730	5,938	5,262
Investment in associates		0	0	0
Available-for-sale financial investments		3,220	5,222	3,285
Biological assets		272	270	278
Deferred income tax assets		63,646	65,982	72,664
Non-current income tax receivable		0	0	1,811
Other non-current receivables		1,212	1,143	3,303
Non-current assets		**854,022**	**867,815**	**886,889**
Income tax receivable		4,297	3,783	257
Inventories		173,867	180,550	183,667
Trade receivables		263,202	249,461	287,762
Prepayments		921	1,417	3,062
Other current receivables		3,901	1,614	191
Cash & cash equivalents		357,042	361,647	323,308
Current assets		**803,230**	**798,473**	**798,248**
Non-current assets held for sale	(11 bis)	**1,408**	**1,408**	**0**
TOTAL ASSETS		**1,658,661**	**1,667,697**	**1,685,137**
EQUITY & LIABILITIES				
Paid-in capital		1,446	1,446	1,446
Share premium		136,669	136,669	136,669
Net incomes (expenses) recognized directly through Equity		(5,113)	(5,115)	(5,539)
Foreign currency translation		(3,204)	(2,970)	(3,315)
Accumulated net profits (losses)		269,745	261,776	248,917
Equity holders of the parent		**399,542**	**391,804**	**378,178**
Minority interest		**11,768**	**10,856**	**17,273**
TOTAL EQUITY		**411,309**	**402,661**	**395,451**
Interest-bearing borrowings	(12)	779,947	778,987	787,446
Non-current grants		14,452	15,271	15,168
Non-current provisions		32,806	33,052	33,751
Deferred income tax liabilities		35,690	37,316	43,415
Non-current income tax payable		285	285	0
Other non-current payables		0	875	0
Non-current liabilities		**863,181**	**865,788**	**879,780**
Current portion of interest-bearing borrowings	(12)	8,458	7,924	9,615
Bank overdrafts		6,255	7,178	6,955
Current grants		1,333	1,041	2,018
Current provisions		1,459	1,324	3,450
Income tax payable		3,155	2,563	3,541
Trade payables		348,902	361,912	370,271
Other payables		14,609	17,306	14,055
Current liabilities		**384,171**	**399,248**	**409,906**
TOTAL LIABILITIES		**1,247,352**	**1,265,036**	**1,289,686**
TOTAL EQUITY AND LIABILITIES		**1,658,661**	**1,667,697**	**1,685,137**

The accompanying Notes are an integral part of these Consolidated financial statements.

Consolidated cash flow statement Year to Date

Lecta Group
(in EUR K)

	Notes	Jan to Mar 2012	Jan to Mar 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
EBITDA		43,666	45,216
Inventories decrease (increase)		6,683	9,204
Trade receivable decrease (increase)		(8,376)	(30,823)
Prepayments decrease (increase)		496	(1,332)
Trade payables increase (decrease)		(16,400)	8,484
Working Capital decrease (increase)		(17,596)	(14,467)
Provisions increase (decrease)		(381)	(268)
GHG emission rights decrease (increase)		0	(11)
Consumption of Biological assets		0	12
Proceeds (payments) related to unusual items		(584)	(361)
Income tax paid		(2,054)	(308)
Net cash flow (used in) / from operating activities		**23,051**	**29,814**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of Property, plant and equipment		502	1,012
Purchase of property, plant and equipment		(12,947)	(8,861)
Proceeds from disposal of Investment properties		0	0
Purchase of Investment properties		0	0
Receipt of Grants		(0)	0
Purchase of subsidiary, net of cash acquired		1,024	0
Disposal of subsidiary, net of cash sold		0	0
Purchase of other assets		(3,157)	(10)
Proceeds from disposal of other assets		0	0
Dividends from associates		0	0
Dividends received from Available-for-sale financial investments		0	0
Net cash flow (used in) / from investing activities		**(14,578)**	**(7,858)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity dividends paid		0	0
Dividends paid to minority interest		0	0
Share capital increase (redemption)		0	0
Interest paid		(11,878)	(11,306)
Issue costs of Borrowings		(17)	(11)
Proceeds from Borrowings	(12)	1,031	5,385
Repayment of Borrowings	(12)	(845)	(3,305)
Loans repaid (granted)		0	0
Payment of finance lease liabilities		(220)	(164)
Net cash flow (used in) / from financing activities		**(11,930)**	**(9,401)**
Net increase (decrease) in Cash & cash equivalents net of Bank overdrafts		(3,457)	12,555
Net foreign exchange difference		(226)	(488)
Cash & cash equivalents net of Bank overdrafts at 1 January		354,469	304,287
Cash & cash equivalents net of Bank overdrafts at 31 March		**350,786**	**316,353**
Of which Cash & cash equivalents		357,042	323,308
Of which Bank overdrafts		(6,255)	(6,955)

The accompanying Notes are an integral part of these Consolidated financial statements.

Consolidated statement of changes in equity

Lecta Group

(in EUR K)

	Paid-in capital	Share premium	Available-for-sale investments reserve	Cash flow hedging reserve	Actuarial gains (losses) on defined benefits plans reserve	Foreign currency translation	Accumulated net profits (losses)	**Total Equity holders of the parent**	**Total Minority Interest**	**TOTAL EQUITY**
AT 1 JANUARY 2011	**1,446**	**136,669**	**98**	**(752)**	**(5,018)**	**(2,811)**	**240,199**	**369,829**	**15,969**	**385,798**
Profit for the period							8,719	8,719	1,212	9,930
Other comprehensive income (loss)			0	140	(7)	(503)		(370)	93	(277)
Total comprehensive income of the period			**0**	**140**	**(7)**	**(503)**	**8,719**	**8,349**	**1,304**	**9,653**
Options on Minority interests										
Fair value decrease (increase)									0	0
Exercise of the options									0	0
Entries in the perimeter						0	0	0	0	0
Variation of percentages of consolidation						0	0	0	0	0
Share capital increase (redemption) in subsidiaries by (to) Minorities									0	0
Dividends to Minority interests									0	0
AT 31 MARCH 2011	**1,446**	**136,669**	**98**	**(612)**	**(5,025)**	**(3,315)**	**248,917**	**378,178**	**17,273**	**395,451**
AT 1 JANUARY 2012	**1,446**	**136,669**	**136**	**(896)**	**(4,356)**	**(2,970)**	**261,776**	**391,804**	**10,856**	**402,661**
Profit for the period							7,969	7,969	904	8,874
Other comprehensive income (loss)			0	4	0	(234)		(229)	7	(222)
Total comprehensive income of the period			**0**	**4**	**0**	**(234)**	**7,969**	**7,740**	**911**	**8,651**
Options on Minority interests										
Fair value decrease (increase)									0	0
Exercise of the options									0	0
Entries in the perimeter						0	0	0	0	0
Variation of percentages of consolidation				0		0	0	0	0	0
Share capital increase (redemption) in subsidiaries by (to) Minorities									0	0
Reclassification	0	0			(2)	0	0	(2)	0	(2)
Dividends to Minority interests									0	0
AT 31 MARCH 2012	**1,446**	**136,669**	**136**	**(891)**	**(4,358)**	**(3,204)**	**269,745**	**399,542**	**11,768**	**411,309**

The accompanying Notes are an integral part of these Consolidated financial statements.

SELECTED EXPLANATORY NOTES

1. Basis of preparation and accounting policies

1.01. Basis of preparation

The interim condensed consolidated financial statements of Lecta Group for the three months ended 31 March 2012 have been prepared in accordance with IAS 34 Interim Financial Reporting.

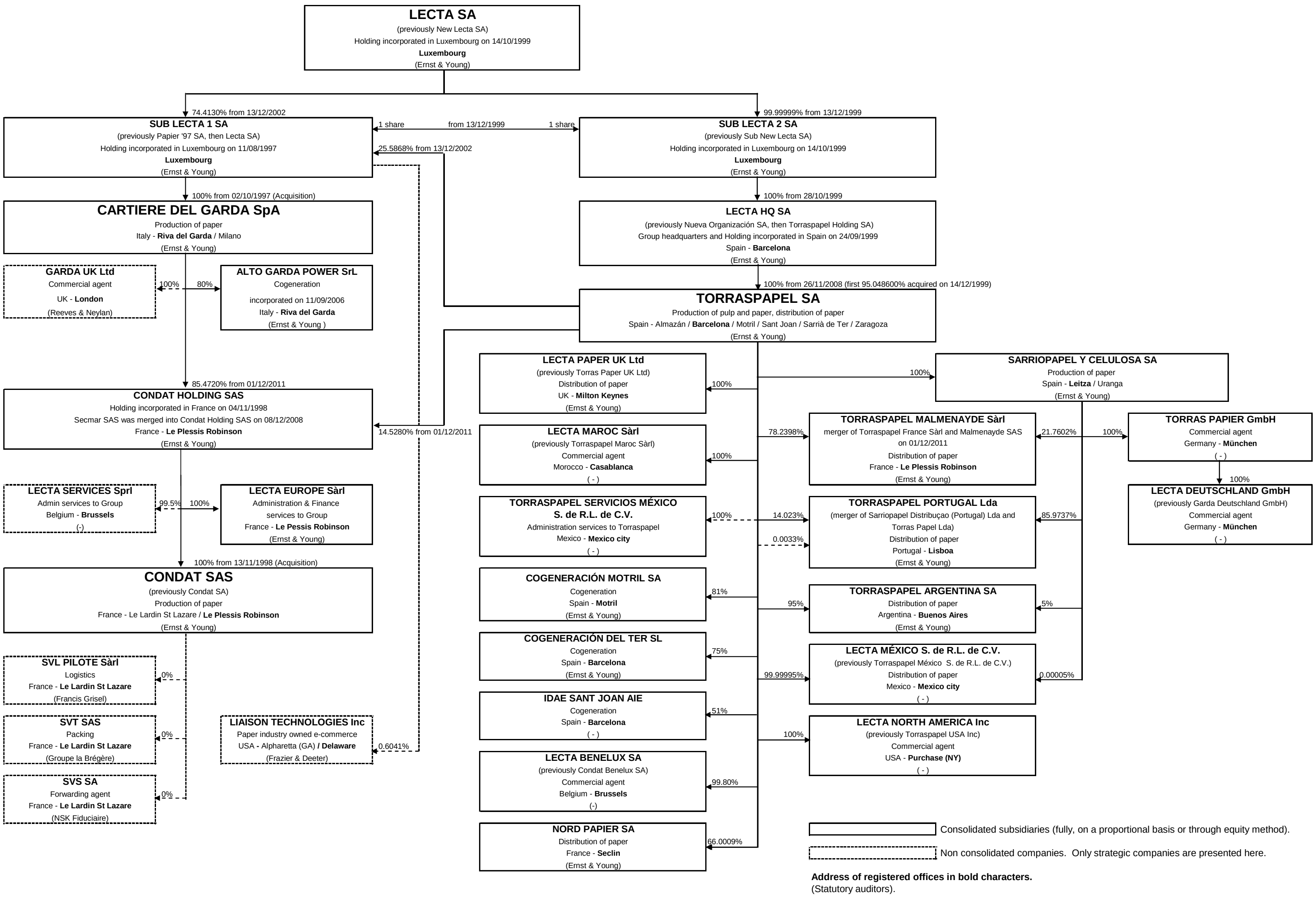
The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2011.

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 2011. The amendment to IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements-, effective from 1 January 2012, does not affect the interim group's financial statements.

2. Lecta Group as at 31 March 2012

2.1. Organization Chart



2.2. Consolidated subsidiaries

Subsidiaries	Activity	Country of incorporation	Interest	Control	Consol. method
Alto Garda Power SrL	Cogeneration	Italy	80%	80%	Full
Cartiere del Garda SpA (merger of Cartiere del Garda SpA and Torraspapel Italia SrL)	Production of woodfree coated paper	Italy	100%	100%	Full
Cogeneración del Ter SL	Cogeneration	Spain	75%	75%	Full
Cogeneración Motril SA	Cogeneration	Spain	81%	81%	Full
Condat Holding SAS (previously Condat Holding SA; absorbed Secmar SAS)	Holding	France	100%	100%	Full
Condat SAS (previously Condat SA)	Production of woodfree coated paper	France	100%	100%	Full
IDAE Sant Joan AIE	Cogeneration	Spain	51%	51%	Full
Lecta Benelux SA (previously Condat Benelux SA)	Commercial agent	Belgium	99.8%	99.8%	Full
Lecta Deutschland GmbH (previously Garda Deutschland GmbH)	Commercial agent	Germany	100%	100%	Full
Lecta Europe Sàrl	Administration & Finance services to Group	France	100%	100%	Full
Lecta HQ SA (previously Nueva Organización SA, then Torraspapel Holding SA)	Group headquarters and Holding	Spain	100%	100%	Full
Lecta Maroc Sàrl (previously Torraspapel Maroc Sàrl)	Commercial agent	Morocco	100%	100%	Full
Lecta México S. de R.L. de C.V. (previously Torraspapel México S. de R.L. de C.V.)	Distribution of paper	Mexico	100%	100%	Full
Lecta North America Inc (previously Torraspapel USA Inc)	Commercial agent	USA	100%	100%	Full
Lecta Paper UK Ltd (previously Torras Paper UK Ltd)	Distribution of paper	UK	100%	100%	Full
Nord Papier SA	Distribution of paper	France	66.0009%	66.0009%	Full
Sarriopapel y Celulosa SA	Production of paper	Spain	100%	100%	Full
Sub Lecta 1 SA (previously Papier '97 SA, then Lecta SA)	Holding	Luxembourg	100%	100%	Full
Sub Lecta 2 SA (previously Sub New Lecta SA)	Holding	Luxembourg	100%	100%	Full
Torras Papier GmbH	Commercial agent	Germany	100%	100%	Full
Torraspapel Argentina SA	Distribution of paper	Argentina	100%	100%	Full
Torraspapel Malmenayde Sàrl (merger of Torraspapel France Sàrl and Malmenayde SAS)	Distribution of paper	France	100%	100%	Full
Torraspapel Portugal Lda (merger of Sarriopapel Distribuiçao (Portugal) Lda and Torras Papel Lda)	Distribution of paper	Portugal	100%	100%	Full
Torraspapel Servicios México S. de R.L. de C.V.	Provider of administration services	Mexico	100%	100%	Full
Torraspapel SA	Production of pulp and paper, distribution of paper	Spain	100%	100%	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 SAS was set up by Cartiere del Garda SpA and incorporated in France on 4 November 1998.

On 13 November 1998, Condat Holding SAS acquired Condat SAS, a French producer of coated woodfree paper, from Jefferson Smurfit Group.

Lecta Europe Sàrl, in charge of administration and finance for the Group was set up by Condat Holding SAS and incorporated in France on 30 November 1998.

Sub Lecta 2 SA was incorporated in Luxembourg on 14 October 1999.

Lecta HQ SA (previously called 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, Lecta HQ SA acquired 95.05% 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. Due to the presence of minority interest in Torraspapel SA, this acquisition resulted in minority interest 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.

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 local utility controlled by the City of Riva del Garda. This company's purpose is to own and operate a cogeneration plant and provide steam and electricity to its shareholders and the market.

Cogeneración del Ter SL is a cogeneration plant located in Sarrià del Ter (Spain). It is 70% owned by Torraspapel SA and 30% by La Energía SA, a subsidiary of energy services Gas Natural Group. It was consolidated from 1 July 2007.

On 11 December 2007, IDAE Sant Joan AIE was incorporated in Spain. It is 51% owned by Torraspapel SA and 49% by Instituto para la Diversificación y Ahorro de la Energía (IDAE) the Spanish Institute for Energy Diversification and Saving. This company's purpose is to own and operate a cogeneration plant and provide steam and electricity to Torraspapel SA and the market.

On 1 January 2008, Lecta North America Inc, the 100% owned commercial agent in the North America for Lecta Group, was included in the consolidation perimeter.

On 1 January 2008, Dispap SA, a paper distributor in Spain having no more operating activity, was excluded from the consolidation perimeter.

On 6 May 2008, Torraspapel SA acquired 100% of Secmar SAS. Secmar SAS is a French company holding 100% of Malmenayde SAS and 66% of Nord Papier SA, two French paper merchants.

On 3 November 2008, Torraspapel SA contributed Secmar SAS to Condat Holding SAS and received in return a 23.17% interest in that company.

On 26 November 2008, Lecta HQ SA acquired the remaining 4.95% minority interest in Torraspapel SA following the exercise of a put option negotiated in December 1999, at the time of the acquisition of Torraspapel SA.

On 8 December 2008, Secmar SAS was merged into Condat Holding SAS. Malmenayde SAS and Nord Papier SA are now direct subsidiaries of Condat Holding SAS.

On 18 December 2009, Torraspapel SA acquired an additional 5% in Cogeneración del Ter SL and now holds 75%.

On 1 January 2010, Lecta Deutschland GmbH, the 100% owned commercial agent in Germany for Lecta Group products, was included in the consolidation perimeter.

On 1 January 2010, Lecta Benelux SA, the 100% owned commercial agent in Benelux for Condat products, was included in the consolidation perimeter.

On 26 July 2011, Torraspapel SA acquired 24% additional equity in Cogeneración Motril SA and increased its participation to 75%.

On 1 Dec 2011, Malmenayde SAS was merged into Torraspapel France Sàrl, and the resulting entity was named Torraspapel Malmenayde Sàrl.

On 5 December 2011, Torraspapel SA acquired 6% additional equity in Cogeneración Motril SA and increased its participation to 81%.

On 1 January 2012, Torraspapel Italia SrL was merged into Cartiere del Garda SpA.

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*	*0.39%*	*0.39%*	*(a)*
Condat UK Ltd	*In liquidation*	*UK*	*100%*	*100%*	*(b)*
Consorzio Nazionale Imballaggi Scarl	*Recovery & Recycling*	*Italy*	*0.0046%*	*0.0046%*	*(a)*
Dispap SA	*No operating activity*	*Spain*	*100%*	*100%*	*(b)*
Eurogalicia Forestal SA	*In liquidation*	*Spain*	*76.84%*	*76.84%*	*(b)*
Formazione Assindustria Trento Scarl	*In liquidation*	*Italy*	*1.7%*	*1.7%*	*(a)*
Garda UK Ltd	Commercial agent	UK	100%	100%	(b)
Gas Intensive Scarl	*Purchase of methane by Italian industries*	*Italy*	*0.52%*	*0.52%*	*(a)*
Lecta Services Sprl	Admin services to Group	Belgium	99.5%	99.5%	(b)
Liaison Technologies Inc (previously Liaison Technologies LLC)	Paper industry owned e-commerce platform	USA	0.6041%	0.6041%	(a) (d)
Promotora del Ulla SA	*No operating activity*	*Spain*	*45.2%*	*45.2%*	*(b)*
SVL Pilote Sàrl	Logistics	France	0%	0%	(c)
SVS Sàrl	Forwarding agent	France	0%	0%	(c)
SVT SAS	Packing	France	0%	0%	(c)
Torras Dorna SA	*No operating activity*	*Spain*	*100%*	*100%*	*(b)*
Torras Hostench SL	*No operating activity*	*Spain*	*100%*	*100%*	*(b)*

In italic: Non-strategic companies.

Other companies are considered as strategic, even if they are not consolidated because of the following reasons.

Reasons for not consolidating 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. Nevertheless, they are not consolidated because of their immateriality. SVL Pilote Sàrl, SVS Sàrl and SVT SAS are part of the same organization and work almost 100% for Condat SAS.

Other comments

(d) Expresso Paper Platform BV was a Dutch joint venture constituted in 2001 by the major producers and merchants of woodfree coated paper in Europe. Its purpose was to develop and operate an e-commerce transactions platform.

On 10 May 2005, the assets of Expresso were transferred to Liaison Technologies Inc, against a 25% shareholding in this company.

Liaison is the US leading e-commerce transactions platform for the paper industry.
On 31 August 2005, the shareholding of Expresso in Liaison was distributed to Expresso shareholders in proportion to their investment.

Expresso was liquidated in 2007.

3. Significant events

3.1. Projects and plans

Lecta has Board authorization to explore projects aimed at (i) the simplification of the Group structure from a corporate and tax standpoint, (ii) the optimization of the operating organization, (iii) the strengthening of its merchanting operations, and (iv) the identification of exit and refinancing opportunities (see Note 18).

3.2. Sales of non-industrial properties

A preliminary agreement for the sale of land in Algeciras for a total amount of EUR 13.5 M was signed in December 2011 against a first down payment of EUR 1 M.

A complementary agreement was signed on 22 March 2012 against a second down payment of EUR 0.5 M.

3.3. Acquisition of Italian paper merchant

On 9 March 2012, Lecta SA formalized, pending approval by the European Commission, the acquisition of Italian paper merchant Polyedra, now belonging to PaperlinX group, for an enterprise value of EUR 45 M.

Lecta Group has an extensive and proven experience in the distribution business through its merchant's activities in Spain, France, Portugal and Argentina. With the acquisition of Polyedra, Lecta Group reinforces its position as the leading manufacturer and distributor in Southern Europe.

Polyedra, with a turnover of approximately EUR 260 M, is one of the leading paper merchants in Italy. It enjoys a prestigious image in all market segments.

3.4. Change in the consolidation perimeter

3.4.1. Torraspapel Italia SrL

Torraspapel Italia SrL was a participation of Cartiere del Garda SpA as at 31 December 2011. It was merged into Cartiere del Garda SpA on 1 January 2012.

ASSETS	
Property, plant and equipment	12
Non-current assets	**12**
Trade receivables	5,532
Cash & cash equivalents	1,024
Current assets	**6,556**
TOTAL ASSETS	**6,568**
EQUITY & LIABILITIES	
Paid-in capital	50
Share premium	98
Accumulated net profits (losses)	1,854
Equity holders of the parent	**2,002**
Minority interest	**0**
TOTAL EQUITY	**2,002**
Non-current income tax payable	64
Non-current liabilities	**64**
Current portion of interest-bearing borrowings	772
Current provisions	274
Trade payables	95
Other payables	3,360
Current liabilities	**4,502**
TOTAL LIABILITIES	**4,565**
TOTAL EQUITY AND LIABILITIES	**6,568**

4. Information by Operating Segment

Lecta Group applied IFRS 8 "Operating Segments" as of 1 January 2009. The Chief Operating Decision Makers analyze the group activity through three lines of products and services, within a unique operating segment, "production and sale of paper".

Products and services are:

– Coated Woodfree: Manufacturing of fine paper. The majority is sold to third parties.

– Specialties: Manufacturing of specialty papers. The majority is sold to third parties.

– Other activities: Purchased products, Holdings and Headquarters.

Sales between business activities are made at market price.

4.1. Information about profit or loss

The following table presents revenue and profit information of the Group's products and services for the three months ended 31 March 2012 and 31 March 2011:

(in EUR K)

Products & Services	Revenue - external		Revenue - internal		EBITDA	
	31 Mar 2012	31 Mar 2011	31 Mar 2012	31 Mar 2011	31 Mar 2012	31 Mar 2011
Coated Woodfree	296,558	299,098	56,633	48,871	34,915	35,975
Specialties	77,737	74,691	4,621	6,130	7,527	6,919
Other activities	28,933	44,755	997	1,474	1,130	2,864
Eliminations(1)			(62,251)	(56,475)	93	(541)
Total	403,229	418,545	0	0	43,666	45,216

(1) Inter-segment revenues and margins are eliminated on consolidation.

4.2. Information about geographical areas

The following table presents revenue from external customers of the Group's products and services for the three months ended 31 March 2012 and 31 March 2011:

(in EUR K)

Geographical location of customers	Revenue -external	
	31 Mar 2012	31 Mar 2011
Luxembourg	8	138
Spain	96,470	96,860
France	78,763	92,023
Italy	48,681	52,365
Germany	34,858	30,991
UK	29,876	32,663
North America	16,192	16,223
Other countries	98,383	97,283
Total	403,229	418,545

The following table presents non-current assets of the Group's products and services as at 31 March 2012 and 31 December 2011:

(in EUR K)

Geographical location of assets	Non-current assets 31 Mar 2012	31 Dec 2011
Luxembourg	0	0
Italy	129,575	132,237
France	118,326	122,195
Spain	354,612	357,605
Total	602,513	612,037

For products and services reporting, definitions are as follows.

– Revenue is the Revenue in the Income statement.

– EBITDA is the EBITDA in the Income statement.

There is no significant non-cash expense within the EBITDA.

– Non-current assets is the sum of Property, plant and equipment, Investment properties, Other intangible assets and Biological assets in the Balance sheet.

Following items are not included: Goodwill, Investment in associates, Available-for-sale financial investments, Deferred income tax assets, Non-current income tax receivable, Other non-current receivables and Non-current assets held for sale.

5. Revenue

(in EUR K)	January to March 2012	2011
Sales of paper	367,660	392,100
Sales of energy	35,570	26,445
Revenue	403,229	418,545

(in metric tonnes)	January to March 2012	2011
Volume of paper sold to third parties	429,529	440,877

(in MWh)	January to March 2012	2011
Volume of energy sold to third parties	335,446	303,875

6. Unusual items

(in EUR K) Profit (Loss) on:	January to March 2012	2011
Property, plant and equipment	2	(22)
Investment properties	0	0
Goodwill	0	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 cash flow hedging derivatives	(153)	221
Organization efficiency program	(585)	(282)
Other unusual incomes	(1)	0
Other unusual charges	6	(43)
Income / (Expense)	(731)	(126)

The Organization efficiency program is a body of several plans, initiated in 2007, aimed at improving the group's competitiveness. The profits (charges) for the three months of the year were as follows.

– In 2012: (585) K€.

– In 2011: (282) K€.

7. Income tax in the income statement

(in EUR K)	January to March 2012	2011
Current tax	(2,163)	(2,639)
Deferred tax	(751)	(2,307)
Income / (Expense)	(2,914)	(4,945)

The deferred tax charge of (751) K€ booked in 2012 was the result of:

– (1,997) K€ of net deferred tax charge on tax losses, used against 2012 taxable profits;

– 1,246 K€ of deferred tax profit on temporary differences.

The deferred tax charge of (2,307) K€ booked in 2011 was the result of:

– (3,151) K€ of net deferred tax charge on tax losses, used against 2011 taxable profits;

– 844 K€ of deferred tax profit on temporary differences.

8. Earnings per share

	January to March 2012	2011
Profit (loss) after tax attributable to the equity holders of the parent (in EUR K)		
Income statement	7,969	8,719
Pro-forma interest on warrants	0	0
Total diluted	7,969	8,719
Weighted number of shares		
Basic shares	560,366	560,366
Warrants	7,246	7,246
Total	567,612	567,612
Earnings per share (in EUR)		
Basic	14.2	15.6
Diluted	14.0	15.4

"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.

9. Dividends paid and proposed

No dividend was paid nor proposed.

10. Components of other comprehensive income

(in EUR K)	January to March 2012	2011
Cash flow hedges:		
Fair value gains (losses)	(190)	(130)
Transferred to Income statement	164	210
	(26)	**80**
Available-for-sale investments:		
Fair value gains (losses)	0	0
Transferred to Income statement	0	0
	0	**0**

Cash flow hedge is used 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 are foreign currency, interest rate and energy price hedging instruments (forward, option, cap, floor, collar, swap…). 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 incomes (expenses) recognized directly through Equity" against "Other receivables" or "Other payables". It is removed from Equity when the hedged item affects the Income statement. The ineffective portion of gain or loss is immediately recognized in the line "Unusual items" of the Income statement.

During the three month period ended 31 March 2012, the Fair value losses of (190) K€ included (126) K€ for the foreign currency hedging, (144) K€ for the interest rate hedging and 81 K€ for the energy hedging.

The amount of real interest rate hedging payable of 164 K€ was transferred to Income statement.

11. Property, plant and equipment and Investment properties

During the three month period ended 31 March 2012, Lecta Group acquired Property, plant and equipment with a cost of 9.1 M€ compared to 8.3 M€ in the same period of 2011.

As at 31 March 2012, Investment properties consisted of land in Amorebieta. As at 31 March 2011, they consisted of plots of land in Amorebieta, Algeciras (see Note 11 bis) and Riva del Garda (sold in December 2011).

11 bis. Non-current assets held for sale

Non-current assets held for sale consisted in the land in Algeciras (see Note 3.2).

12. Interest-bearing borrowings

During the three month period ended 31 March 2012, the proceeds net of repayment from borrowings was 0.2 M€.

13. Capital commitments

As at 31 March 2012, Lecta Group had firm commitments in relation with orders of Property, plant and equipment net of advances to suppliers of 21.1 M€.

These commitments were allocated as follows:

2.3 M€ in Italy

1.2 M€ in France

17.6 M€ in Spain, mainly in relation with the increase in thermal and self-adhesive production capacity

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21.1 M€

14. Related party disclosures

14.1. Transactions with non-consolidated companies

(in EUR K)		January to March			31 December 2011 / 31 March 2012	
		Sales to related parties	(Purchases) from related parties	Finance (costs) from related parties	Amounts owed by related parties	Amounts owed to related parties
Condat UK Ltd	2011	0	(17)	0	0	115
	2012	0	0	0	0	105
Dispap SA	2011	0	0	(13)	0	2,162
	2012	0	0	(13)	0	2,185
Eurogalicia Forestal SA	2011	0	0	0	0	0
	2012	0	0	0	0	0
Garda UK Ltd	2011	0	(141)	0	0	0
	2012	0	(179)	0	0	383
Lecta Services Sprl	2011	0	(206)	0	0	35
	2012	0	(206)	0	0	69
Promotora del Ulla SA	2011	0	0	0	0	0
	2012	0	0	0	0	0
SVL Pilote Sàrl	2011	0	(1,891)	0	0	1,421
	2012	0	(1,749)	0	0	1,383
SVS SA	2011	0	(142)	0	0	36
	2012	0	(169)	0	0	36
SVT SAS	2011	0	(604)	0	0	215
	2012	0	(454)	0	0	286
Torras Dorna SA	2011	0	0	(1)	0	139
	2012	0	0	0	0	144
Torras Hostench SL	2011	0	0	0	0	0
	2012	0	0	0	0	0

15. Hedging derivatives on foreign currencies

In June 2007, Alto Garda Power SrL entered into a 13-year agreement with Italia General Electric SpA, in order to execute the planned maintenance of the new cogeneration plant for the period 2008 to 2020.

On 20 September 2007, Alto Garda Power entered into several currency forward contracts for the purpose of hedging part of its maintenance costs against any unexpected fluctuation of exchange rate of USD.

As at 31 March 2012, the main characteristics of these instruments were as follows

Instrument	Notional amount (in K USD)	Maturity date	Exchange rate
Forward exchange transaction	4,454	various until 20.12.2014	1.4332
	4,454		

The impact of these contracts has been accounted for as cash flow hedge. The intrinsic value, considered as effective, was recognized directly in Equity while the time value was considered as ineffective, and thus recognized in the Income statement.

16. Hedging derivatives on interest rates

Floating Rate Notes:
On 11 October, 4 November and 12 December 2011, the interest rates of 70% of the Floating Rate Notes were hedged with a Cap indexed to 3 month Euribor for the period from mid- February 2012 to mid-February 2013.

Alto Garda Power SrL:
On 5 September 2007, the interests rates of 50% of the forecast debt in Alto Garda Power SrL were hedged with a Collar indexed to 6 month Euribor for the period from June 2007 to December 2018.

On 16 March 2010, the interests rates of 25% of the forecast debt were hedged with a Swap to exchange 6 month Euribor variable rate against fixed rate of 2.995% for the period June 2010 to December 2018.

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

The main characteristics of the above instruments are as follows.

(in EUR K)

Instrument	Notional amount	Premium paid	Effective date	Termination date	Floor rate	Cap rate	Strike
Cap 3M Euribor	100,000	60	15/Feb/2012	15/Feb/2013		2.00%	
Cap 3M Euribor	200,000	92	15/Feb/2012	15/Feb/2013		2.00%	
Cap 3M Euribor	200,000	52	15/Feb/2012	15/Feb/2013		2.00%	
Collar 6M Euribor	Max 27.644		29/Jun/2007	31/Dec/2018	4.05%	5.75%	
Swap 6M Euribor	Max 9,107		30/Jun/2010	31/Dec/2018			2.995%
Swap 1M Euribor	Max 18,750		30/Jun/2011	31/Mar/2016			2.14%

The impact of these agreements has been accounted for as cash flow hedge. The intrinsic value, considered as effective, was recognized directly in Equity while the time value was considered as ineffective, and thus recognized in the Income statement.

17. Hedging derivatives on energy prices

Lecta Group operations are impacted by the fluctuations of gas and electricity prices.

The biomass cogeneration plant of Zaragoza uses black liquor, a by-product of its pulp production, to supply electricity and steam.

In 2011, Torraspapel Group entered into a Swap agreement for a portion of its sale of electricity produced from biomass. As at 31 March 2012, there was one Swap in place:

Instrument	Notional volume (in MWh)	Fixed price (in EUR/MWh)	Hedged value (in EUR M)	TP group volume as per budget-plan (in MWh)	Hedged portion	Period
Sale of electricity Swap	82,500	53.75	4.4	102,328	81%	1 July 2011 to 30 June 2012
	82,500	53.75	4.4	102,328	81%	

The impact of this agreement has been accounted for as cash flow hedge. The intrinsic value, considered as effective, was recognized directly in Equity while the time value was considered as ineffective, and thus recognized in the Income statement.

18. Events after the balance sheet date

On 11 May 2012, Lecta Group successfully completed its offering of EUR 590 M new notes:

– EUR 390 M of floating rate senior secured notes due 2018, bearing an interest rate of 3 month Euribor + 5.5%,

– EUR 200 M of fixed rate senior secured notes due 2019, bearing an interest rate of 8.875%,

and its new EUR 80 M Revolving Credit Facility due 2018. The new notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market.

The net proceeds from the issuance of these new notes, combined with cash on balance sheet, has been used to refinance the existing EUR 717.7 M senior secured and unsecured Floating Rate Notes ("FRN") due 2014, and to pay fees and costs related to the transaction.

The difference between the carrying amount of the FRN (EUR 712.8 M) extinguished and the consideration paid (EUR 717.7 M), will be charged as a Financial expense in the income statement. This difference (EUR 4.9 M) consists in the balance of the former FRN issue costs not yet amortized.

The transaction cost in relation with the issuance of the new notes, estimated to be EUR 19 M, will be capitalized as Issue costs and amortized as Financial expense until the maturity of the new notes.

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€200,000,000 $8\frac{7}{8}\%$ Senior Secured Notes Due 2019

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