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

€225,000,000 Floating Rate Senior Secured Notes due 2022
€375,000,000 6½% Senior Secured Notes due 2023

LECTA

Lecta S.A. (the "Issuer") is offering €225,000,000 aggregate principal amount of its Floating Rate Senior Secured Notes due 2022 (the "Floating Rate Senior Secured Notes") and €375,000,000 aggregate principal amount of its 6½% Senior Secured Notes due 2023 (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 is issuing 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 €390,000,000 Floating Rate Senior Secured Notes due 2018 pursuant to an exchange offer (the "Exchange Offer"), which is expected to settle on the Issue Date. 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 €600,000,000. Of the €225,000,000 aggregate principal amount of Floating Rate Senior Secured Notes being offered by the Issuer, an aggregate principal amount of €100,001,000 will be issued pursuant to the Exchange Offer while an aggregate principal amount of €124,999,000 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. Completion of the Offerings is not conditional upon completion of the Exchange Offer.

Interest on the Floating Rate Senior Secured Notes will be equal to three-month EURIBOR (subject to a floor of 0%) plus 637.5 basis points, reset quarterly, and will be paid quarterly in arrears on February 1, May 1, August 1 and November 1 of each year, beginning on November 1, 2016. Interest on the Fixed Rate Senior Secured Notes will be paid semi-annually in arrears on February 1 and August 1 of each year, beginning on February 1, 2017.

The Issuer may redeem the Floating Rate Senior Secured Notes in whole or in part at any time on or after August 1, 2017 at the redemption prices specified herein. Prior to August 1, 2017, 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 August 1, 2019 at the redemption prices specified herein. Prior to August 1, 2019, 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 August 1, 2019, 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 "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. However, a change of control will not be deemed to have occurred if a certain net leverage ratio is not exceeded in connection with such an event.

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—Credit enhancement—Security."

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. This Offering Memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus securities dated July 10, 2005, as amended.

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." Delivery of the Notes was made on July 27, 2016.

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

The date of this Offering Memorandum is August 3, 2016.

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"), 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.

We cannot guarantee that the application we have made to the Official List of the Luxembourg Stock Exchange for the Notes to be listed and admitted to trading on the Luxembourg Stock Exchange's Euro MTF market will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this admission to trading.

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 AG, LONDON BRANCH (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 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 Offerings have 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 or distributed to persons in Spain except in accordance with the requirements of the Spanish Securities Market Law (*Real Decreto Legislativo 4/2015, de 23 de octubre por el que se aprueba el texto refundido de la Ley 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. Important factors that could cause those differences include, but are not limited to:

- difficulty to accurately forecast customer demand;
- industry conditions, including cyclicality in the prices of our products and the raw materials used to make them, competition and production capacity;
- global economic conditions and political events;
- the United Kingdom's recent referendum on membership in the European Union and the results of implementing that referendum;
- changing customer preferences or the development of new technologies;
- substitution towards digital media and changes in consumer preferences;
- the highly competitive nature of our industry;
- our reliance on a limited number of customer accounts for a significant amount of our revenue;
- our ability to generate sufficient cash to satisfy our commitments and fund our capital expenditures;
- risks related to fluctuations in foreign currency exchange rates and interest rates;
- risks related to current and future acquisitions;
- our ability to realize cost reductions and efficiency improvements;
- the cost of compliance with environmental health and safety and other laws and regulations;
- changes in energy regulation;
- costs and liability associated with hazardous substances at certain of our facilities;
- effects of climate change;
- the possibility of major disruptions in production at our facilities, including risks associated with our labor relations;
- changes in regulation of pension liabilities and other employment obligations;
- the supervision of public administrative authorities;
- our limited insurance coverage;
- a fire or other accident at our facilities;
- certifications by industry standard-setting bodies;
- our ability to retain key employees;

- other risks and uncertainties inherent to our business and to general local and global economic conditions;
- the consequences of our substantial indebtedness;
- risks related to the Collateral;
- risks related to our structure; and
- other factors discussed under "Risk Factors", "Limitations on Validity and Enforceability of the Guarantees and the Security Interests" and elsewhere in this Offering Memorandum.

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 and the European Thermal Paper 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 agent, the transfer agents and the registrar;
- "Collateral" has the definition set forth under "Description of the Notes—Credit enhancement—Security" and as described in Annex A hereto;
- "CVC" refers to CVC Capital Partners;
- "CWF" refers to 2-side coated woodfree paper;
- "Dispap" refers to Dispap S.A., a currently dormant Spanish entity within the Group, to be renamed Torraspapel Distribución S.A. in the event that Torraspapel transfers its paper distribution business in Spain to Dispap S.A. in connection with the Permitted Reorganization.

Should Torraspapel S.A. transfer the business, we have agreed that, within 15 days after such transfer is effective, Dispap S.A. will execute supplemental indentures and become a Guarantor, as well as provide security interests in certain of its assets as part of the Collateral;

- "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;
- "Eurozone" refers to the member states of the European Union participating in the European Monetary Union;
- "Existing Credit Facility," refers to our existing revolving credit facility described in "Description of Other Indebtedness—The Existing Credit Facilities" which will be cancelled in connection with the Refinancing;
- "Existing Fixed Rate Notes" refers to our €200,000,000 8⅞% Senior Secured Notes due 2019;
- "Existing Floating Rate Notes" refers to our €390,000,000 Floating Rate Senior Secured Notes due 2018;
- "Existing Indebtedness" refers to our Existing Credit Facilities and our Existing Notes;
- "Existing Notes" refers to our Existing Floating Rate Notes and our Existing Fixed Rate Notes, which are expected to be refinanced through a combination of Exchange Notes issued as part of the Exchange Offer, cash raised through the offering of the Notes and cash on balance sheet;
- "Fixed Rate Senior Secured Notes" refers to the €375,000,000 6½% Senior Secured Notes due 2023 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";
- "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 €225,000,000 Floating Rate Senior Secured Notes due 2022 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;
- "Garda" refers to Cartiere del Garda S.p.A., which will provide a Guarantee with respect to the Notes on the Issue Date;
- "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 S.A., Cartiere del Garda S.p.A., Condat Holding S.A.S., Condat S.A.S., Torraspapel S.A. and Polyedra S.p.A. and any other person 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 loans as described under "Description of the Notes—Credit enhancement";
- "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 20 Rue de la Poste, L-2346, Luxembourg and registered with the Register of Trade and Companies of Luxembourg under number B 72.198;
- "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 €65,000,000, which includes an uncommitted accordion feature that would enable the facility to be increased by up to €15.0 million, 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;
- "Permitted Reorganization" means the transfer by Torraspapel S.A. of its distribution business to Dispap S.A. substantially as described in the "Description of the Notes" in this Offering Memorandum;
- "Polyedra" refers to Polyedra S.p.A., which will provide a Guarantee on the Issue Date with respect to the Notes;
- "Refinancing" refers to the transactions described under "Summary—The Transactions and Use of Proceeds—The Refinancing";
- "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;
- "Specialties" refers to self-adhesive, metalized, 1-side coated, thermal, carbonless, cast coated and UWF paper.
- "Sub Lecta S.A." refers to Sub Lecta S.A., a public limited liability company (société anonyme) duly incorporated and validly existing under the laws of Luxembourg, having its registered office at 20 Rue de la Poste, L-2346, Luxembourg and registered with the Luxembourg Trade and Companies Register under number B72.206;
- "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 (i) audited consolidated financial information of the Issuer as of and for the years ended December 31, 2013, December 31, 2014 and December 31, 2015 and accompanying notes, prepared in accordance with IFRS-EU (the "Audited Consolidated Financial Information"); and (ii) interim condensed consolidated financial information of the Issuer as of and for the three months ended March 31, 2016 and the comparative period as of and for the three months ended March 31, 2015 and accompanying notes, prepared in accordance with IFRS-EU (the "Interim Condensed 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 Audited Consolidated Financial Statements or the Interim Condensed Consolidated Financial Information 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.

We have included in this Offering Memorandum non-GAAP financial measures called EBITDA and Adjusted EBITDA. We define "EBITDA" as earnings before depreciation, amortization, non-recurring 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 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.

We are not presenting EBITDA and Adjusted EBITDA as measures of our results of operations. We believe that the presentation of EBITDA and Adjusted EBITDA enhances an investor's understanding of our operating performance and our ability to service our debt. In addition, we believe EBITDA and Adjusted EBITDA are measures commonly used by investors. EBITDA and Adjusted EBITDA are not measurements of financial performance under U.S. GAAP and should not be considered as an alternative to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with GAAP. In addition, EBITDA, Adjusted EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA and Adjusted EBITDA as reported by us to EBITDA and Adjusted EBITDA of other companies. EBITDA as presented here differs from the definition of "Consolidated EBITDA" contained in the Indenture. EBITDA and Adjusted EBITDA have important limitations as analytical tools, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under U.S. GAAP. For example, EBITDA-based measures:

- do not reflect our cash expenditures or future requirements for capital expenditures;
- do not reflect changes in, or cash requirements for, our working capital needs;
- do not reflect the interest expense or cash requirements necessary to service interest or principal payments on our debt;
- do not reflect any cash income taxes that we may be required to pay;
- are not adjusted for all non-cash income or expense items that are reflected in our consolidated income statement; and

- do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our IFRS-EU results and using EBITDA and Adjusted EBITDA only supplementally to evaluate our performance. You are encouraged to evaluate each of the adjustments reflected in our presentation of EBITDA and Adjusted EBITDA and whether you consider each to be appropriate. See "Summary—Summary Consolidated Financial Information and Other Data," "Selected Consolidated Financial Information and Other Data," "Operating and Financial Review and Prospects" and our Consolidated Financial Statements and the related notes included elsewhere in this Offering Memorandum.

This Offering Memorandum also includes the unaudited condensed consolidated financial information as of and for the twelve months ended March 31, 2016 for the Issuer. Our financial information as of and for the twelve months ended March 31, 2016 was derived by aggregating without adjustments the relevant results of the year ended December 31, 2015 and the three months ended March 31, 2016 and subtracting the relevant results of the three months ended March 31, 2015. Our financial information as of and for the twelve months ended March 31, 2016 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date. The unaudited condensed consolidated financial information for the twelve months ended March 31, 2016 presented herein is not required by or presented in accordance with IFRS or any other generally accepted accounting principles.

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 July 22, 2016 was $1.0967 per €1.00.

	High	Low	Average	Period End
	(U.S. dollars per €1.00)			
Year				
2011	1.4874	1.2925	1.3924	1.2960
2012	1.3463	1.2053	1.2858	1.3197
2013	1.3804	1.2772	1.3283	1.3789
2014	1.3925	1.2100	1.3283	1.2100
2015	1.2010	1.0492	1.1096	1.0866
Month				
January 2016	1.0951	1.0746	1.0859	1.0843
February 2016	1.1330	1.0875	1.1099	1.0875
March 2016	1.1381	1.0853	1.1135	1.1381
April 2016	1.1440	1.1223	1.1344	1.1440
May 2016	1.1527	1.1134	1.1306	1.1139
June 2016	1.1399	1.1038	1.1238	1.1073
July 2016 (through July 22)	1.1148	1.0967	1.1067	1.0967

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

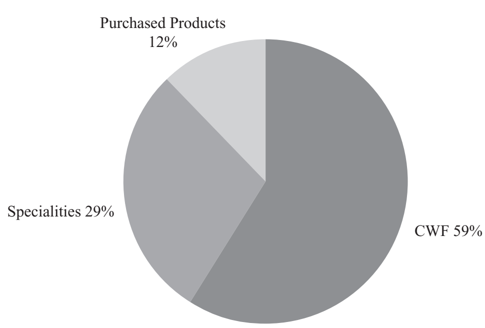
We are one of the leading European manufacturers and distributors of specialty papers for labels and flexible packaging, premium coated paper for wide format advertising, high quality publishing and commercial printing, along with other high value-added paper products. We have an annual production capacity of 258,000 metric tons of labels and flexible packaging and 231,000 metric tons of UWF and base paper. We are also the largest CWF manufacturer in Southern Europe, with an annual production capacity of 1,135,000 metric tons in 2015. We own and operate a 234,000 metric ton pulp mill in Spain, which provides approximately 30% of our overall pulp requirements. We have ten paper machines in seven mills located at various sites in Italy, France and Spain. In the twelve months ended March 31, 2016, our mills produced an aggregate of 298,000 metric tons of specialty papers and UWF and 1,142,000 metric tons of CWF.

In addition, we operate a substantial paper distribution business that we have built organically and through the acquisitions of Malmenayde in France in 2008 and Polyedra in Italy in 2012. In the twelve months ended March 31, 2016, we distributed 535,000 metric tons of paper, of which 134,000 metric tons were produced by third parties. We plan to expand our distribution business with selected and opportunistic bolt-on acquisitions to expand our presence in other countries.

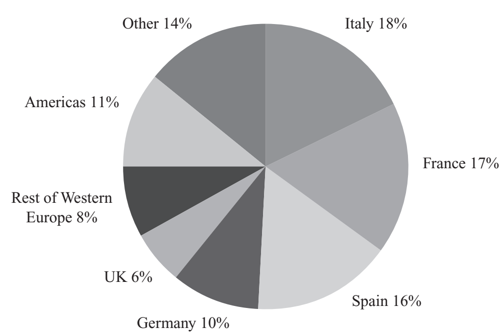
For CWF, we rank first in terms of market share in France and Spain, and second in Italy, the principal markets for our products, which accounted for 17%, 13% and 16%, respectively, of our paper deliveries by volume in 2015. We also market our CWF elsewhere in Europe, including Germany (13%), the United Kingdom (8%) and other Western European countries (9%), Eastern Europe (4%), and, to a lesser extent, outside of Europe. Our mills are located in close proximity to the key commercial markets in Western Europe. These markets account for approximately 70% of demand for CWF in Europe and approximately 75% of our total sales in 2015.

During the twelve months ended March 31, 2016, our revenue (consisting of sales of paper and energy) were €1,474.3 million. During the same period we had Adjusted EBITDA of €119.6 million and an Adjusted EBITDA margin of 8.1%.

Twelve months ended March 31, 2016 revenue by product (value)



Twelve months ended March 31, 2016 paper sales by country (volume)(1)



(1) Based on actual paper volume shipped.

Source: Company information

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.

We have a high-quality asset base, which achieves superior operating performance. Between 1999 and 2015, we invested approximately €1.0 billion 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 production activities and reduction in greenhouse-gas emissions, and currently benefit from six co-generation plants with total installed capacity of 271 MW.

Our Strengths

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

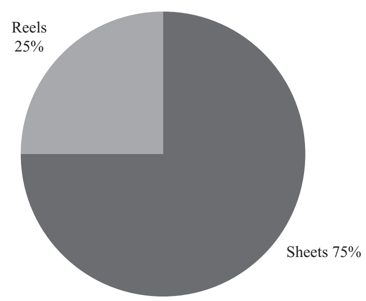
Focus on Specialties and Other Higher Margin Products with Growing Demand. We are successfully shifting our product mix, thanks to the significant investments we have made towards increasing capacity in higher margin products, such as value added specialty papers as well as sheeted CWF and CWF in premium grades and heavier weights, and are focusing our marketing and distribution efforts on customers who require these products.

In specialty papers, the focus of our investments has been on shifting our product mix toward self-adhesive (e.g., labels and flexible packaging), metalized (e.g., labels for beer and spirit bottles), 1-side coated (e.g., premium shopping bags) and thermal (e.g., point-of-sale receipts) papers, all of which have been experiencing, and which we expect will continue to experience, growing demand due to the diversified range of day-to-day commercial applications of these papers. We have been successful in growing our sales in these key focus products at above market rates in 2015. We are particularly focused on wet-strength labels, top-coated thermal labels, betting applications and travel and admissions tickets. In addition, we have significant experience in homologation of new self-adhesive, metalized and 1-side coated products. Our know-how of coating technologies and base papers production position us well to develop new products for labelling and flexible packaging and provide a strong platform for expanding our product offerings into new industries. Our close proximity to European commercial printing markets, labels and flexible packaging customers and dedication to customer service enable us to shift our product mix in response to growth trends.

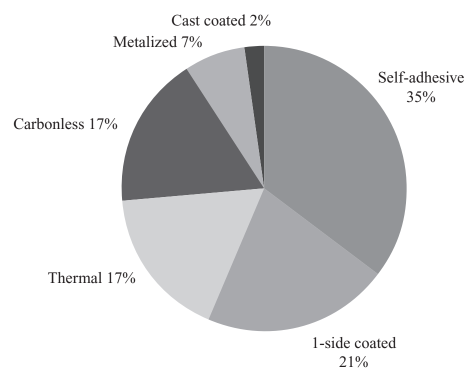
From 2013 through 2015, we increased our deliveries of self-adhesive, metalized, 1-side coated and thermal papers by 27%.

We believe that our CWF product mix is more heavily weighted towards higher margin sheets as compared to our competitors. The charts below show our focus on sheeted paper versus reels and the breakdown of our specialty paper production.

CWF sheets vs. reels 2015 sales breakdown (volume)



Specialty sales breakdown 2015 (volume)



We are pursuing increased sales to our existing customers as well as to new customers, in particular printers, publishers and paper distributors. We seek to drive product performance improvements in the CWF segment by developing new products that meet the needs of our customers.

Strong Market Positions in the Markets in which We Operate. We are the market leader for CWF in our target markets in Spain, France and Portugal, number two in Italy, and enjoy strong positions in some of the key markets for CWF outside Southern Europe, including Germany and the United Kingdom. The following table sets forth our market share, based on volume shipped, in our principal markets for CWF in 2015, and demonstrates our leadership positions in these principal markets.

	% of CWF volume shipped	Market share
Country		
France	17%	31%
Italy	16%	34%
Spain	13%	41%
Germany	13%	10%
United Kingdom	8%	13%
Portugal	2%	53%
Other Western Europe	7%	9%
Total Western Europe	**75%**	**18%**
Eastern Europe	4%	7%
Total Europe	**79%**	**17%**

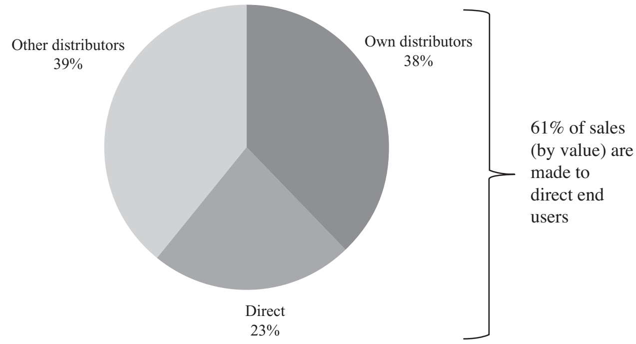
Source: Euro-Graph, Company information

The majority of our products are sold under the Lecta trademark and their own local product brand names (Creator, Garda Cartiere and Condat), which we believe have strong 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.

Customer Connectivity via Our Owned Distribution Platform. In addition to our production activities, we operate a paper distribution business serving over 20,000 customers, distributing both our own CWF and specialty papers and those produced by third parties. 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 logistics costs in 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 distribution group is a leader in Southern Europe, with the leading distribution market position in Spain and the second highest positions in France, Italy and Portugal. Overall, we believe we are the sixth largest European paper distribution group with sales volume of 535,000 metric tons for the twelve months ended March 31, 2016, including 134,000 metric tons of third party products. We currently sell our products through our distribution business in France, Italy Spain and Portugal. 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. In addition, our distribution business decreases concentration risk, with our top 10 customers in 2015 representing approximately 20% of our revenue. Our distribution business also enables us to reduce delivery time and increase our flexibility in adapting to customer needs. Our distribution 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.

2015 sales by channel (value)



Optimal Location of Mills, Proximity to Customers and Flexibility and Variety in Production. Our CWF and specialty paper mills are located in close proximity to our key commercial markets in Europe (France, Italy, Spain, Germany, the UK and Portugal) as well as our key customers. These CWF markets accounted for approximately 71% of demand in Europe and accounted for approximately 68% of our total deliveries in volume in 2015. We delivered approximately 67% of our specialty papers in Europe in 2015. The strategic location of our mills allows us to keep logistics costs down, which generally account for a substantial portion of delivered costs in our industry. Our main CWF competitors in Europe with mills in Nordic countries are located much further away from our customers and therefore incur higher logistics 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 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 cost advantage over most of our competitors.

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

Owned Energy Assets Providing Supply Security. We own and operate five co-generation plants and benefit from a sixth plant at Condat, with a total installed capacity of 271MW. We generate more electricity than we consume through our co-generation plants that produce electrical and thermal energy fueled by natural gas or biomass, thereby helping to reduce greenhouse-gas emissions and raising energy efficiency.

Supply Chain Integration. Our integration in each stage of production provides us with full visibility of the entirety of our supply chain. Our ability to source approximately 30% of our own pulp and source approximately 76% of our base paper from our mills reduces earnings volatility and increases our manufacturing flexibility with respect to CWF and specialty papers. We are able to leverage our increasing base paper integration to generate higher profit margins.

As a result of such supply chain integration, 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 with full control of the production chain and thereby add value to each stage. We are integrated upstream in energy and pulp production (partially), as well as downstream via our distribution business. We believe this provides us with a marked competitive advantage over other industry participants.

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 2015, totaling approximately €1.0 billion 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. We intend to continue increasing our capacity production in specialty papers. We reduced overall labor costs by 7% between 2013 and 2015, primarily as a result of an overall reduction in headcount by approximately 14%. Our CWF machines are, we believe, among the most efficient in Europe and such efficiency, combined with low logistics and converting costs, provides us with a cost advantage in our key markets.

Our concerted effort to produce at low-cost is underpinned by the many cost-reduction initiatives we have successfully implemented since 2013. We harmonized the bonus scheme across the Group. At our Italian mill, we converted part of the fixed labor costs into a variable cost linked to the performance of the company. Our Italian and French distribution businesses have been restructured to outsource the transportation activity and centralize management and administrative activities. Similarly, in Spain, we have centralized the Group's financial activities and outsourced non-core activities at one of our mills. We have also embarked on a continuing plan to renegotiate labor agreements with unions to align incentives towards improved company performance.

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, management, finance 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 continue to grow in specialty papers, increase our offering of higher margin products, build on our position as the leading CWF producer in Southern Europe, improve EBITDA and cash flow and increase the company value. The key elements of our strategy are as follows:

Continue to Increase Production of Specialties and Other Higher Margin Products with Growing Demand. We intend to continue focusing on increasing the production of specialty paper products and distribution of higher grade, heavier weight and sheeted CWF products, which generate higher margins. In addition, we intend to continue focusing on increasing the share of certain specialty paper products in our product mix, notably self-adhesive, metalized, 1-side coated and thermal papers, which have all experienced, and we expect will continue to experience, growing demand, and which we have been successful in growing our sales at above market rates in 2015. Our know-how of coating technologies and base papers production positions us well to develop new products for labelling and flexible packaging, in order to best exploit new market opportunities.

Maintain Low-Cost Production and Achieve Further Operating Efficiencies. We believe we are a low-cost producer of CWF largely due to our past capital investment projects and capacity rationalization, which have improved the efficiency of our machines. From 2013 through 2015, we and the other European CWF producers experienced an improvement in operating ratio (ratio of CWF deliveries over CWF production capacity) from 86% in 2013 to 94% in 2015. 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 six co-generation plants with a total installed capacity of 271MW, contributing to reducing our energy costs through the sale of excess electricity.

Focus on Our Customers. We continue to focus on our core target markets of France, Italy, Spain, Germany, the UK and Portugal where we enjoy brand awareness and cost advantage over our competitors. 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, and we will continue to carefully evaluate acquisitions opportunities in the distribution area that may arise from time to time.

Disciplined Investment in Key Focus Areas. We intend to continue to evaluate opportunities to optimize our asset base, with a focus on existing areas with strong potential growth, including value added specialties as well as sheeted CWF and CWF in higher grades and heavier weights. As we have done in the past, we will continue to seek out opportunities to make disciplined investment in organic growth areas, such as machinery and marketing campaigns, which we expect to result in improved margins and returns. In addition, we are initiating an upgrade of our IT systems, which we expect to complete over the next three years.

Continue to Respect the Environment. We intend to continue focusing on the sustainability of our production and comply with the highest environmental standards. We have improved and will seek to continue improving our environmental performance by reducing our CO_2 emissions, water use, energy consumption and sludge sent to disposal sites. We believe that our products and practices comply with the highest social and environmental standards in the market and all our mills have met the strictest audit standards, and carry ISO 14001 and EMAS Environmental Management certifications and ISO 50001 energy management certification guaranteeing transparent and responsible environmental performance. All of our wood and pulp purchases are sourced from sustainably-managed forests and certified under the PEFC (Programme for the Endorsement of Forest Certification) and FSC (Forest Stewardship Council) chain of custody standards. We also intend to continue publishing environmental reports and providing information on the sources of raw materials used in our products.

Industry Trends and Outlook

Specialty Papers

Specialty paper markets are typically characterized by value added products and higher margins. According to various industry analysts, it is expected that European demand for the type of specialty papers we produce is increasing in numerous applications and will experience moderate to strong annual growth rates from 2016 through 2018 (other than carbonless paper for which a decline is expected over the same period) due to structural growth drivers, such as new consumption habits and legislation (for example, in the food industry, requiring larger labels or relabeling of existing products). To respond to increasing demand in specialty papers, we are successfully shifting our product mix toward these paper grades, which enjoy healthy and growing markets. Our specialty paper sales by value increased from 19% of our revenue in 2011 to 27% in 2015.

CWF

Reduction of Capacity

In the past decade, the European CWF 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. In response to challenging conditions, CWF industry participants, including Lecta, closed almost 4.1 million metric tons of production capacity between 2006 and 2015, representing approximately 41% of the total European capacity in 2006, with Lecta alone accounting for approximately 350,000 metric tons of reduced capacity.

Demand for CWF

In recent years, the growth of the commercial printing and advertising sectors in Europe has been continuously challenged due to the emergence of digital media. Total CWF volume deliveries in Europe in 2015 decreased by 2% compared to 2014, with this decrease affecting all Western European countries. According to EMGE, demand for CWF in Europe is expected to decrease at a CAGR of 1.9% from 2015 through 2020.

At the same time, the European CWF industry was also negatively affected by CWF capacity expansions in Asia, which had the adverse effect of reducing Asian demand for both reels and sheeted products produced in Europe. In the other direction, exports from China to Western Europe accounted for 2% of CWF demand in 2015, 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 imports in May 2011. Such duties were expected to expire in May 2016. On February 12, 2016, however, five EU CWF producers, including Lecta, filed a request with the European Commission for review of these duties. On May 13, 2016, the European Commission issued a notice of initiation of an expiry review. The anti-subsidy duties and the anti-dumping duties will continue to apply pending the outcome of the review, which is expected to be completed within 15 months of the publication of the notice.

UWF Paper

The UWF paper market is regarded as a more mature sector and is expected to experience general decline in demand from 2016 through 2018 due to the impact of the digital alternatives. However, we expect global demand to be supported by a resilient publication market.

Recent Developments

Based on an analysis of our preliminary monthly financial accounts for the two months ended May 31, 2016, we estimate that our revenue was between €235 million and €240 million, which is slightly lower by approximately 1% to 3% than our revenue for the corresponding period in 2015, and that our EBITDA was between €22.5 million and €23.5 million, which is higher by approximately 15% to 21% than our EBITDA for the corresponding period in 2015. In addition, we estimate that our loss after tax generated in the two months ended May 31, 2016 was between €(1) million and €0 million, which is better than our loss after tax for the corresponding period in 2015.

The estimated increase in EBITDA for the two months ended May 31, 2016 is primarily due to an improvement in margin on variable costs and lower fixed costs.

The above information is based on our management's review of our preliminary results and estimates, which have not been audited or reviewed by any audit firm, and is not intended to be a comprehensive statement of our financial or operational results for the two months ended May 31, 2016. Our preliminary results are based on a number of assumptions and judgments, and as a result, reflect a certain level of uncertainty and remain subject to change. The estimated results described above may change in connection with the preparation of our second quarter accounts and our normal end-of-quarter review process. Our preliminary results for the two months ended May 31, 2016 may not be indicative of our results for the three months ended June 30, 2016 or any other period. As such, you should not place undue reliance on them. See "Information Regarding Forward-Looking Statements" and "Risk Factors" for a more complete discussion of certain of the factors that could affect our future performance and results of operations.

The Transactions and Use of Proceeds

The Offerings and the Exchange Offer will settle 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 cash proceeds of the Offerings, along with cash currently held by the Issuer, will be used to satisfy and discharge the Existing Notes (to the extent not validly tendered and accepted in the Exchange Offer) on the Issue Date and to pay certain fees and expenses in connection with the transactions. See "Use of Proceeds."

The Refinancing

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

The Issuer offered eligible holders of its existing €390,000,000 aggregate principal amount Existing Floating Rate Notes to exchange any and all validly tendered and accepted outstanding Existing Floating Rate Notes (ISIN: XS0780141999/Common Code: 078014199) for its Floating Rate Senior Secured Notes upon the terms and conditions set forth in an exchange offer memorandum dated July 18, 2016 (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 €600,000,000, with €124,999,000 aggregate principal amount of Floating Rate Senior Secured Notes being issued for cash consideration in the Offering of the Floating Rate Senior Secured Notes, €100,001,000 aggregate principal amount of Exchange Notes being issued pursuant to the

Exchange Offer and €375,000,000 aggregate principal amount of Fixed Rate Senior Secured Notes being issued in the Offerings. The completion of the Offerings described herein is not contingent upon completion of the Exchange Offer.

The Exchange Offer commenced on July 18, 2016 and expired at 12:00 p.m. London (UK) local time on July 22, 2016 (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. On July 22, 2016, the Issuer announced that €124,354,000 in outstanding principal amount of the Existing Floating Rate Notes had been validly tendered for exchange pursuant to the Exchange Offer.

The price at which the Floating Rate Senior Secured Notes offered hereby will be issued is referred to as the "New Issue Price." On July 22, 2016, the Issuer announced that it was accepting an aggregate principal amount €99,018,000 of validly offered Existing Floating Rate Notes in the Exchange Offer on a *pro rata* basis, and determined the New Issue Price to be 99%. The Exchange Notes and the Floating Rate Senior Secured Notes offered hereby for cash consideration will both be issued under the Floating Rate Senior Secured Notes Indenture, will have identical terms and conditions and will be part of the same series of notes. The Exchange Notes and the Floating Rate Senior Secured Notes offered hereby will be guaranteed by the same subsidiaries of the Issuer and secured by first-ranking security interests, on an equal and ratable basis, in the Collateral.

Any holder of the Existing Floating Rate Notes 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 will receive 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 Existing Floating Rate Notes 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%, by the New Issue Price (the "Exchange Ratio") and after relevant adjustments for acceptances on a *pro rata* basis.

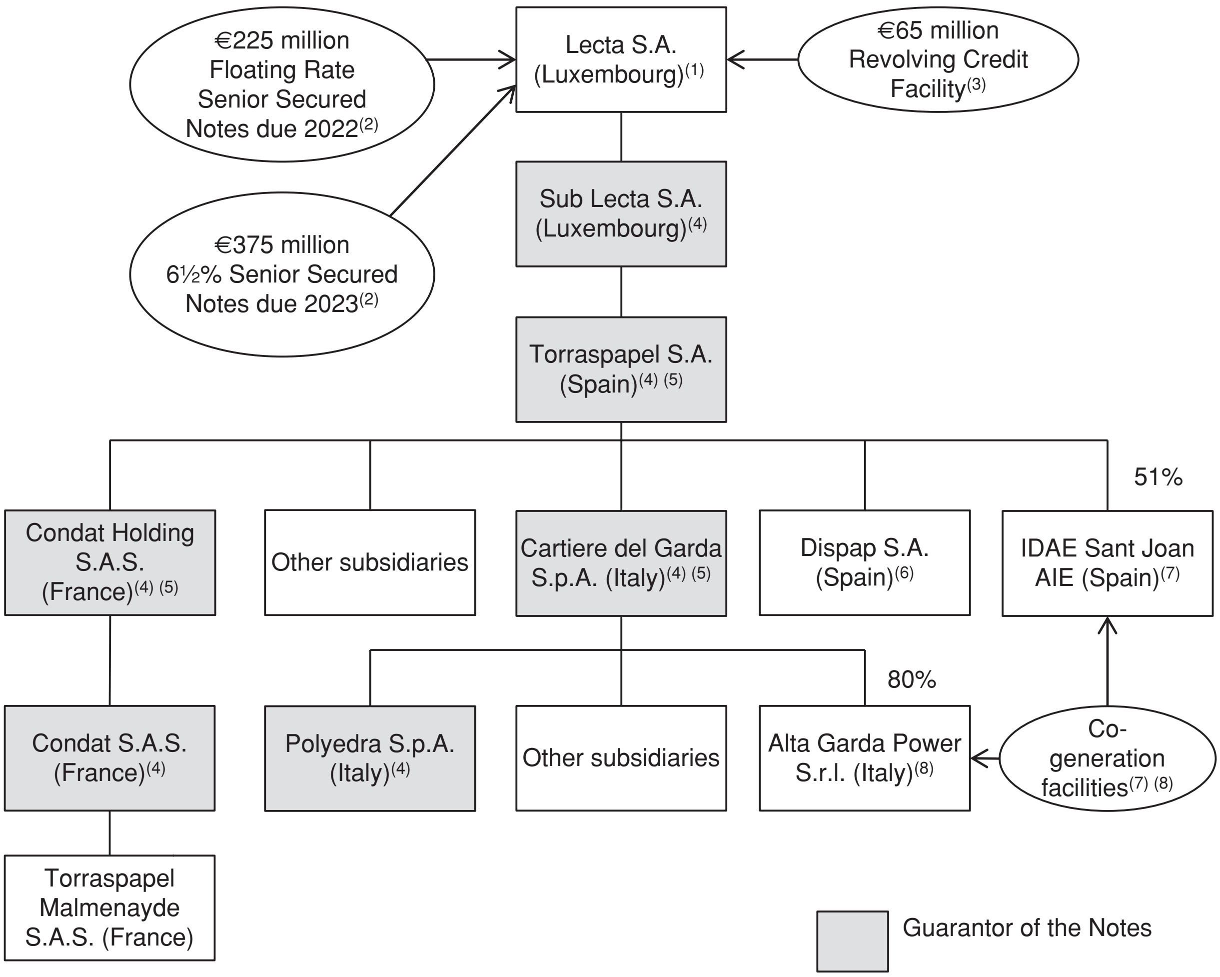
On the settlement date of the Exchange Offer, accrued and unpaid interest up to, but not including, such settlement date, on the Existing Floating Rate Notes accepted by the Issuer in the Exchange Offer will be paid in cash. It is expected that the Offerings will close concurrently with the settlement of the Exchange Offer on July 27, 2016.

The New Revolving Credit Facility

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

Summary Structure

The following chart sets forth the corporate and financing structure of the Issuer and its subsidiaries, after giving effect to the Offerings, the use of proceeds therefrom and the transactions related thereto (including the transfer by Garda to Torraspapel S.A. of the entire share capital of Condat Holding S.A.S. and the Permitted Reorganization expected to occur after the Issue Date) described in this Offering Memorandum. 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 €600 million, comprising €225 million Floating Rate Senior Secured Notes and €375 million 6½% Senior Secured Notes. Of the €225 million Floating Rate Senior Secured Notes being issued, an aggregate principal amount of €100,001,000 will be issued pursuant to the Exchange Offer while an aggregate principal amount of €124,999,000 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 €65.0 million of borrowings and will include an uncommitted accordion feature that would enable the facility to be increased by up to €15.0 million. The Issuer does not intend to draw any amount under the New Revolving Credit Facility on 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 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 "Risk Factors—Risks Related to the Notes and Our Structure—The Guarantees are significantly limited by applicable laws and are subject to certain limitations or defenses," "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—Credit enhancement—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 twelve months ended March 31, 2016, as reported in the respective stand-alone financial statements of the Guarantors, was €90.6 million. This represented 80% of the Issuer's consolidated EBITDA for the same period.

(5) As of the date of this Offering Memorandum, Condat Holding S.A.S. is a wholly-owned subsidiary of Garda. On or about the Issue Date, Garda will transfer its shareholding in Condat Holding S.A.S. to Torraspapel S.A.

(6) Torraspapel S.A. intends to transfer its distribution business to a currently dormant Spanish entity within the Group, Dispap S.A., which will then be renamed. Should Torraspapel S.A. transfer the business, we have agreed that, within 15 days after such transfer is effective, Dispap S.A. will execute supplemental indentures and become a Guarantor, as well as provide security interest over certain of its assets to become part of the Collateral.

(7) The IDAE Sant Joan co-generation plant is funded through a non-recourse revolving credit facility with a cap declining progressively since June 30, 2012 until its maturity date at September 30, 2018. The facility was amended in September 2015 and, as of March 31, 2016, the cap was €11.0 million and principal and accrued interest under the facility was €10.0 million. See "Description of other Indebtedness—Existing Co-generation Financings."

(8) The Alto Garda Power S.r.l. co-generation plant is funded through (i) an interest-bearing cash advance in the form of declared but unpaid dividends owed to its shareholders in an amount of €4.0 million as of March 31, 2016 and (ii) non-recourse project financing, comprising a base facility of €56 million and a stand-by facility and working capital facility, each of €5.0 million. As of March 31, 2016, the principal and accrued interest under the dividend cash advance was €4.5 million. Payments on the base and stand-by facilities are made 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 March 31, 2016, the principal amount drawn and accrued interest under the Alto Garda Power S.r.l. facilities was €18.7 million. See "Description of other Indebtedness—Existing Co-generation Financings."

Permitted Reorganization

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

- Torraspapel S.A. will transfer its distribution business in Spain to Dispap S.A. (which may be renamed Torraspapel Distribución S.A.);
- Dispap S.A. will execute supplemental indentures and become a Guarantor of the Notes;
- Torraspapel S.A. will enter into a pledge agreement in favor of the Security Trustee with respect to the entire issued share capital of Dispap S.A., which will form part of the Collateral;
- Sub Lecta S.A. will enter into pledges or assignments in favor of the Security Trustee with respect to certain receivables payable by Dispap S.A., which will form part of the Collateral; and
- Dispap S.A. will enter into pledges or assignments in favor of the Security Trustee with respect to certain receivables and bank accounts, which will form part of the Collateral.

While we currently intend to transfer the distribution business of Torraspapel S.A. to Dispap S.A., there is no obligation to do so. 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."

Should Torraspapel S.A. transfer the business, we have agreed that, within 15 days after such transfer is effective, Dispap S.A. will execute supplemental indentures and become a Guarantor, as well as provide security interest in certain of its assets as part of the Collateral.

Our Controlling Shareholder

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

CVC Capital Partners is one of the world's leading private equity and investment advisory firms. Founded in 1981, CVC today has a network of 24 offices and over 300 employees throughout the U.S., Europe, Asia, and South America. To date, CVC has secured commitments of over US$79 billion in funds from a diverse and loyal investor base, completing over 300 investments in a wide range of industries and countries across the globe, with an aggregate transaction value of over US$120 billion.

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	€225,000,000 aggregate principal amount of Floating Rate Senior Secured Notes due 2022 (the "Floating Rate Senior Secured Notes").
	€375,000,000 aggregate principal amount of 6½% Senior Secured Notes due 2023, (the "Fixed Rate Senior Secured Notes" and, together with the Floating Rate Senior Secured Notes, the "Notes").
	The combined aggregate principal amount of (A) the 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 €600,000,000. The Issuer will issue an aggregate principal amount of €100,001,000 of Exchange Notes pursuant to the Exchange Offer while an aggregate principal amount of €124,999,000 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 or about July 27, 2016.
Maturity Date	The Floating Rate Senior Secured Notes will mature on August 1, 2022.
	The Fixed Rate Senior Secured Notes will mature on August 1, 2023.
Interest Rates and Payment Dates	The interest rate on the Floating Rate Senior Secured Notes will be equal to the three-month EURIBOR (subject to a floor of 0%) plus a spread of 637.5 basis points, reset quarterly. Interest will be paid on each February 1, May 1, August 1 and November 1, beginning on November 1, 2016.
	The interest rate on the Fixed Rate Senior Secured Notes will be 6½% payable semi-annually in arrears on February 1 and August 1 of each year, beginning on February 1, 2017.
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 secured by security interests in the Collateral in favor of the Security Trustee over certain of the Issuer's assets, including shares in certain subsidiaries, but not all assets and no real property;
- 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 S.A.;
- Cartiere del Garda S.p.A.;
- Torraspapel S.A.;
- Condat Holding S.A.S;
- Condat S.A.S.; and
- Polyedra S.p.A.

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 twelve months ended March 31, 2016, as reported in the respective stand-alone financial statements of the Guarantors, was €90.6 million. This represented 80% of the Issuer's consolidated EBITDA for the same period.

Should the Company transfer the distribution business of Torraspapel S.A. to Dispap S.A. in connection with the Permitted Reorganization, we have agreed that the renamed Dispap S.A. will guarantee the Notes within 15 days after such transfer is effective. See "Description of the Notes—Credit enhancement—Post-Closing Actions."

As of March 31, 2016, indebtedness of non-Guarantor subsidiaries included the financing arrangements of (i) Alto Garda Power S.r.L.: an interest-bearing cash advance in the form of declared but unpaid dividends owed to its shareholders in an amount of €4.0 million as of March 31, 2016 (principal and accrued interest as of March 31, 2016: €4.5 million) and certain facilities in an aggregate committed amount of up to €66 million (principal and accrued interest as of March 31, 2016: €18.7 million); and (ii) IDAE Sant Joan: a €11 million revolving credit facility (with a cap declining until maturity of the facility on September 30, 2018) (principal and accrued interest as of March 31, 2016: €10.0 million).

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—The Guarantees are significantly limited by applicable laws and are subject to certain limitations or defenses" 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; • be structurally subordinated to all liabilities (including trade payables), disqualified stock and preferred stock of such Guarantor's subsidiaries that do not guarantee the Notes; and • be effectively subordinated to any existing and future debt of such Guarantor 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 (other than the Guarantee to be provided by Polyedra S.p.A.) 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 S.A., its bank account 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. 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.

Should the Company transfer the distribution business of Torraspapel S.A. to Dispap S.A. in connection with the Permitted Reorganization, we have agreed that, within 15 days after such transfer is effective, Dispap S.A. will provide certain security interests in certain of its assets as part of the Collateral. See "Description of the Notes—Credit enhancement—Post-Closing Actions" and Annex A hereto for a description of the Collateral.

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."

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 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 (as defined therein) 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 August 1, 2017, 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 August 1, 2017, at the redemption prices specified herein.

Prior to August 1, 2019, 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 August 1, 2019, 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 106.500% 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 August 1, 2019 at the redemption prices specified herein.

See "Description of the Notes—Optional Redemption."

Additional Amounts; Tax Redemption . . . . All payments in respect of the Notes or the Guarantees 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 of a relevant jurisdiction, subject to certain exceptions, we or the relevant Guarantor 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, 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. However, a change of control will be deemed not to have occurred if our ratio of net debt as of the most recent balance sheet date to EBITDA over the most recently completed four fiscal quarters remains above a certain level *pro forma* for the transaction.

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.
Additional Notes	The Issuer may issue Additional Notes as described under "Description of the Notes." These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the applicable series of original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the Additional Notes may be considered to have original issue discount which may adversely affect the market value of the applicable series of original Notes if the Additional Notes are not otherwise distinguishable from the applicable series of original Notes. See "Tax Considerations—Certain U.S. Federal Income Tax Consequences."
Concurrent Exchange Offer	On July 18, 2016, the Issuer announced an offer to exchange (the "Exchange Offer"), any and all of its outstanding Floating Rate Senior Secured Notes due 2018 (the "Existing Floating Rate Notes") for an aggregate principal amount of Floating Rate Senior Secured Notes due 2022 (the "Exchange Notes") to be determined in accordance with 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 for cash consideration hereby. The Exchange Offer expired at 12 pm London (UK) time on July 22, 2016 and the Issuer announced on the same day that it had accepted €99,018,000 in aggregate principal amount of its Existing Floating Rate Notes and, after application of the Exchange Ratio, would be issuing an aggregate principal amount of €100,001,000 of its Floating Rate Senior Secured Notes pursuant to the Exchange Offer. The Exchange Offer and the Offerings are expected to settle 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. 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 for cash consideration in the Offerings and Exchange Notes issued in the Exchange Offer. Completion of the Offerings is not contingent upon the completion of 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, Paying Agent and Calculation Agent	Deutsche Bank AG, London Branch.
Luxembourg Transfer 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 the 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, apart from Schedule 11 (*Information Undertakings and Incurrence Covenants*) and Schedule 12 (*Events of Default*) of the New Revolving Credit Facility which will be governed by the laws of the State of New York. 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, 2013, December 31, 2014 and December 31, 2015 is extracted or derived from the Audited Consolidated Financial Information. Our summary historical consolidated financial information as of and for the three months ended March 31, 2016 is extracted or derived from the Interim Condensed Consolidated Financial Information. Our financial information as of and for the twelve months ended March 31, 2016 was derived by aggregating without adjustments the relevant results of the year ended December 31, 2015 and the three months ended March 31, 2016 and subtracting the relevant results of the three months ended March 31, 2015. Our financial information as of and for the twelve months ended March 31, 2016 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date.

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 discharge of the indentures with respect to the Existing Notes 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 as of and for the twelve months ended March 31, 2016 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) April 1, 2015 for purposes of the calculation of net cash interest expense on debt and (ii) March 31, 2016 for the purposes of the calculation of net debt. The unaudited consolidated *pro forma* financial information of the Issuer as of and for the twelve months ended March 31, 2016 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 Offerings. 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.

The Audited Consolidated Financial Information and the Interim Condensed Consolidated Financial Information 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,			Three months ended March 31,		Twelve months ended March 31,
	2013	2014	2015	2015	2016	2016
	(in millions of euro, except volumes)					
Income Statement Data:						
Volume sold (in thousands of metric tons)	1,654.9	1,601.7	1,565.2	394.8	380.6	1,550.9
Revenue[1]	1,585.0	1,490.8	1,491.1	376.1	359.2	1,474.3
Changes in inventories of finished goods and work in process	(14.2)	(8.5)	(0.2)	(4.7)	8.4	12.9
Raw materials and consumables used	(780.5)	(735.0)	(753.1)	(184.1)	(188.7)	(757.8)
Labor costs	(207.3)	(203.4)	(193.4)	(48.2)	(47.8)	(193.1)
Other operating costs except non-recurring items	(492.7)	(443.6)	(434.7)	(110.6)	(99.2)	(423.3)
EBITDA[2]	90.2	100.3	109.6	28.5	31.9	113.1
Depreciation	(67.3)	(58.1)	(56.1)	(14.0)	(13.6)	(55.6)
Amortization	(2.2)	(1.3)	(0.3)	(0.2)	0.0	(0.2)
Non-recurring items[3]	(50.4)[4]	(11.5)[5]	(3.1)[6]	(1.2)[7]	(2.1)[8]	(3.9)
Profit (loss) from operations	(29.7)	29.4	50.2	13.1	16.2	53.3
Finance costs[9]	(68.1)	(68.3)	(67.8)	(16.7)	(16.8)	(67.9)
Profit (loss) before tax	(97.7)	(38.8)	(17.6)	(3.6)	(0.5)	(14.6)
Income tax	(15.6)	(27.8)	(3.6)	(1.1)	1.0	(1.5)
Profit (loss) after tax from continuing operations	(113.4)	(66.6)	(21.2)	(4.7)	0.4	(16.0)
Profit (loss) after tax from discontinued operations	1.0	0.0	0.0	0.0	0.0	0.0
Profit (loss) after tax	(112.3)	(66.6)	(21.2)	(4.7)	0.4	(16.0)
Attributable to:						
Equity holders of the parent	(112.7)	(66.1)	(22.9)	(5.0)	0.3	(17.6)
Non-controlling interests	0.3	(0.5)	1.7	0.3	0.1	1.6

	As of December 31,			As of March 31,	
	2013	2014	2015	2015	2016
	(in millions of euro)				
Statement of Financial Position:					
Cash and cash equivalents	191.9	158.4	148.7	134.0	136.7
Total assets	1,363.6	1,284.2	1,260.9	1,273.1	1,247.5
Total debt[10]	647.4	642.1	639.9	649.4	643.9
Total net debt[11]	455.6	483.7	491.2	515.4	507.3
Equity holders of the parent	209.2	143.6	121.4	139.0	121.1
Non-controlling interests	9.8	8.4	10.8	8.7	10.9
Total equity	219.0	152.1	132.2	147.7	132.0

	As of and for the year ended December 31,			As of and for the three months ended March 31,		As of and for the twelve months ended March 31,
	2013	2014	2015	2015	2016	2016
	(in millions of euro, except ratios)					
Cash Flow Data:						
Net cash flow (used in)/from operating activities	137.0	89.1	90.7	4.6	12.1	98.1
Net cash flow (used in)/from investing activities	(39.9)	(47.4)	(29.6)	(19.7)	(12.7)	(22.6)
Net cash flow (used in)/from financing activities	(73.1)	(73.9)	(67.3)	(8.5)	(11.3)	(70.2)
Net increase (decrease) in cash and cash equivalents(12)	24.0	(32.2)	(6.2)	(23.5)	(12.0)	5.3
Other Data:						
EBITDA(2)	90.2	100.3	109.6	28.5	31.9	113.1
EBITDA margin(2)(13)	5.7%	6.7%	7.4%	7.6%	8.9%	7.7%
Adjusted EBITDA(2)(14)	90.2	100.3	116.1	28.5	31.9	119.6
Adjusted EBITDA margin(2)(15)	5.7%	6.7%	7.8%	7.6%	8.9%	8.1%
Capital expenditures cash outflow(16)	44.1	55.7	45.3	18.2	11.5	38.5
Total net debt(11)	455.6	483.7	491.2	515.4	507.3	507.3
Total net debt(11) to Adjusted EBITDA(2)	5.0x	4.8x	4.2x	—	—	4.2x
Pro forma cash and cash equivalents(17)	—	—	—	—	—	109.5
Pro forma net debt(18)	—	—	—	—	—	530.5
Pro forma net debt(18) to Adjusted EBITDA	—	—	—	—	—	4.4x
Pro forma net cash interest expense on debt(19)	—	—	—	—	—	48.4
Adjusted EBITDA(2) to *pro forma* net cash interest expense on debt(19)	—	—	—	—	—	2.5x
Selected Operating Data						
Metric tons produced per employee(20)	424.5	454.7	490.2	117.1	127.2	500.4

(1) Revenue consists of sales of paper (including paper produced by third parties and sold through our distribution business) and energy.

(2) We define EBITDA as earnings before depreciation, amortization, non-recurring 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) Non-recurring items include profits and losses on disposals or impairments of investments in associates, available-for-sale financial assets, and certain long-lived assets, of which goodwill, costs of restructuring and material reorganization, acquisition costs relating to business combinations and profit following immediate recognition of negative goodwill.

(4) Non-recurring items for the year ended December 31, 2013 include, among others, (i) a charge of €30.0 million on property, land and equipment (resulting mostly from (a) an impairment charge of €24.7 million on tangible assets used at our mill and co-generation plant in Sarrià de Ter, and (b) an impairment charge of €4.2 million on tangible assets used at our co-generation plant in Motril, partially offset by a €4.6 million reduction of the impairment charge on Condat tangible assets used at production line No. 6, closed in July 2013), and (ii) a charge of €16.9 million relating to organization efficiency program costs (incurred mainly in connection with the restructuring of the activities of Torraspapel S.A., Condat S.A.S. and Polyedra S.p.A.).

(5) Non-recurring items for the year ended December 31, 2014 include, among others, a charge of €14.1 million relating to organization efficiency program costs (incurred mainly in connection with the restructuring of the activities of Torraspapel S.A., Condat Holding S.A.S. and Condat S.A.S.), partially offset by a gain of €3.9 million on property, land and equipment (resulting mostly from a gain of €4.2 million on the reversal of the impairment of tangible assets used at our co-generation plant in Motril, partially offset by an impairment charge of €0.6 million on tangible assets at our Sarrià de Ter plant).

(6) Non-recurring items for the year ended December 31, 2015 include, among others, a charge of €9.0 million relating to organization efficiency program costs (incurred mainly in connection with the restructuring of the activities of Torraspapel S.A., Condat Holding S.A.S. and Condat S.A.S.), partially offset by a gain of €5.9 million on property, land and

equipment (resulting mostly from a gain of €7.4 million on the sale of land and unused machinery at our Sarrià de Ter plant, closed in October 2014, partially offset by the installation of a new gas turbine at our Italian co-generation plant for a cost of €1.9 million).

(7) Non-recurring items for the three months ended March 31, 2015 include, among others, a charge of €1.0 million relating to organization efficiency program costs (incurred mainly in connection with the restructuring of the activities of Torraspapel S.A.) and a charge of €0.2 million relating to property, plant and equipment.

(8) Non-recurring items for the three months ended March 31, 2016 consist of a charge of €2.1 million relating to organization efficiency program costs (incurred mainly in connection with the restructuring of the activities of Torraspapel S.A. and Condat S.A.S.).

(9) Finance costs include interest on the Existing Notes, rate hedging derivatives, amortization of issue costs on borrowings and other finance-related expenses.

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

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

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

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

(14) We define Adjusted EBITDA as EBITDA excluding the financial impact of the bankruptcy of three subsidiaries of one of our major customers, which amounted to approximately €6.5 million for the year ended December 31, 2015 and included a write off of receivables and logistics costs. EBITDA for the years ended December 31, 2013 and 2014 and for the three months ended March 31, 2015 and 2016 has not been adjusted.

(15) Adjusted EBITDA margin, presented as a percentage, is calculated by dividing Adjusted EBITDA by revenue.

(16) 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.

(17) *Pro forma* cash and cash equivalents is derived by giving effect to the Refinancing as described under "—The Transactions and Use of Proceeds—The Refinancing" as if it had occurred as of March 31, 2016.

(18) *Pro forma* net debt is derived by giving effect to the Refinancing as described under "—The Transactions and Use of Proceeds—The Refinancing" as if it had occurred as of March 31, 2016 and excludes €14.0 million of estimated aggregate transaction costs related to the Refinancing to be capitalized and amortized. Actual transaction costs may vary.

(19) *Pro forma* net cash interest expense on debt reflects the estimated cash interest expense net of interest income that would have been payable during the twelve months ended March 31, 2016, 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 the €600,000,000 aggregate principal amount of Notes, split between the €225,000,000 Floating Rate Senior Secured Notes issued at a price of 99% and carrying an interest rate of 3-month EURIBOR (subject to a floor of 0%) plus 637.5 basis points and the €375,000,000 6½% Fixed Rate Senior Secured Notes issued at par.

(20) Metric tons produced 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

Customer demand is difficult to forecast accurately and, as a result, we may be unable to match production of our specialty products with customer demand.

We make planning and spending decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimates of product demand and customer requirements. Our specialty products are typically purchased pursuant to individual purchase orders. While our customers may provide us with their demand forecasts, they are typically not contractually committed to buy any quantity of products beyond firm purchase orders. Furthermore, many of our customers may increase, decrease, cancel or delay purchase orders already in place without significant penalty. The short-term nature of commitments by our customers and the possibility of unexpected changes in demand for their products reduce our ability to accurately estimate future customer requirements. On occasion, customers may require rapid increases in production, which can strain our resources, cause our manufacturing to be negatively impacted by materials shortages, necessitate more onerous procurement commitments and reduce our gross margin. We may not have sufficient capacity at any given time to meet the volume demands of our customers, or one or more of our suppliers may not have sufficient capacity at any given time to meet our volume demands. If any of our major customers decrease, stop or delay purchasing our products for any reason, we will likely have excess manufacturing capacity or inventory and it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We operate in a cyclical industry, in which product prices and raw material costs are volatile, and periods of low product prices or high raw material costs negatively affect our profitability and cash flows.

The markets for our products and raw materials are commodity markets to a significant extent and 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 we pay 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, do not hedge against fluctuations in the price of pulp and have limited ability to pass through pulp price increases to our customers. World pulp prices have been considerably volatile in recent years as a result of periodic supply/demand imbalances in the pulp and paper industries and are subject to significant fluctuations over short periods of time depending on a number of factors, including global demand for pulp products, global pulp production capacity and inventories, strategies adopted by major pulp producers, and the availability of substitutes for various pulp products. All of these factors are beyond our control. Price fluctuations occur not only from year to year but also within a given year as a result of global and regional economic conditions, capacity constraints, facility openings and closures, and the supply of and demand for both raw materials and finished products, among other factors. For example, between 2011 and 2013, the price of pulp remained generally stable, which was attributable in large part to an increased demand for pulp combined with limited increases in production capacity during this period due to delays in greenfield projects in the pulp industry and closures and/or conversions of existing pulp mills. However, the price of pulp decreased in early 2014 due to weakness in demand before stabilizing during the third quarter of 2014. During the last quarter of 2014 and 2015, prices began increasing again as a result of low customer inventories and increased demand for pulp. In late 2015 prices began to decrease due to ongoing pulp capacity increases, particularly in Latin America, and lower demand. Pulp prices have continued decreasing in the first and second quarters of 2016. 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, results of operations and cash flows.

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

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.

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. From 2012 to 2014, the demand for specialty papers in Europe displayed overall slight growth, with relatively strong growth rates in labelling and flexible packaging, pressure-sensitive label, metallized, release base and self-adhesive paper products. In 2015, however, there were modest reductions in overall demand in Europe, partly because of the weak performance of woodfree paper products due to the structural decline in demand for these products. The slow recovery of the global economy 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. Financial markets and the supply of credit may continue to be negatively impacted by ongoing fears surrounding the sovereign debts and/or fiscal deficits of several countries in Europe, the possibility of further downgrading of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the overall stability of the euro and the sustainability of the euro as a single currency given the diverse economic and political circumstances in individual Member States. 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.

In addition, past or future political events in Europe could cause further economic uncertainty in Europe and globally. Our main market, Spain, is experiencing a period of political uncertainty. Following the 2015 general elections, no party secured an absolute majority, resulting in a fragmented parliament. A second general election was held on June 26, 2016 and no party has been able to secure an absolute majority and to install a government. In September 2015, a coalition of political parties called *Junts per Si* won the most seats in the Catalan regional parliament. This development may lead to greater calls for the secession of Catalonia. Although the constitutionality of the secession movement is not clear, political uncertainty could result, which could adversely affect the Spanish economy and our business. In the three months ended March 31, 2016 and the year ended December 31, 2015, our paper sales in Spain represented 16% and 15%, respectively, of our paper sales by volume. The occurrence of any of these events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The United Kingdom's recent referendum on membership in the European Union and the results of implementing that referendum may adversely impact our business, financial condition, results of operations and cash flows.

In a non-binding referendum on the United Kingdom's membership in the European Union on June 23, 2016, a majority of the United Kingdom's electorate voted for the United Kingdom's withdrawal from the European Union. If the outcome of the referendum eventually results in the exit of the United Kingdom from the European Union ("Brexit"), a process of negotiation would determine the future terms of the United Kingdom's relationship with the European Union. The UK government has not, as of the date of this Offering Memorandum, indicated a timeline for taking any legal acts necessary to effectuate Brexit. We cannot assure you when, if ever, the UK government will begin the withdrawal process and, if and when it does, how long such process would take. Relevant European Union law suggests that any negotiation could last up to two years before withdrawal takes effect.

The result of the referendum has caused and is likely in the future to cause volatility in the financial markets. Such volatility may affect prevailing interest rates, which in turn may affect our business operations by increasing our cost of servicing our borrowings subject to variable interest rates (including the New Revolving Credit Facility and the Floating Rate Senior Secured Notes) and increasing the cost of refinancing of our existing borrowings. See "—We are exposed to interest rate risks as certain of our borrowings bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow." Such volatility may also adversely affect our ability to refinance our existing indebtedness when due on commercially acceptable terms or at all. See "—Risks Related to the Notes and Our Structure—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." The result of the referendum may in the future cause certain adverse effects on European economic conditions and may have adverse effects on levels of economic activity in the states in which we operate, including, but not limited to, adverse effects on investment in advertising and other activities which foster demand for our products. See "—Global economic conditions and political events could adversely affect our business, results of operations and financial condition."

Depending on the terms of Brexit, if any, the United Kingdom could also lose access to the single EU market and to the global trade deals negotiated by the European Union on behalf of its members. A decline in trade could also affect the attractiveness of the United Kingdom as a global investment center and, as a result, could have a detrimental impact on the level of investment in the United Kingdom and ultimately on UK economic growth. The uncertainty concerning the timing and terms of Brexit could also have a negative impact on the growth of the UK economy and cause greater volatility in the pound sterling. New or modified trading arrangements between the United Kingdom and other countries may have a material adverse effect on our export volumes to the United Kingdom. Any of the foregoing factors may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Changes in economic conditions, consumer preferences or new technologies will continue to 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.

We have made significant investments in order to shift our product mix towards higher margin products, such as value-added specialty papers and are focusing our marketing and distribution efforts on customers who require these products based on industry analysis and company information that indicates that demand for these products, unlike demand in the broader CWF industry, will increase over the medium term due to the diversified range of day-to-day commercial applications of these papers. We cannot assure you that such demand increases will occur or will occur to the extent necessary for our strategy to succeed. To the extent that demand does not increase to the extent we forecast, this could materially and adversely impact our business, financial condition, results of operations and cash flows.

Substitution towards digital media and changes in consumer preferences has adversely affected, and will continue to adversely affect, demand for our graphic paper products.

Graphic paper demand in Europe and North America has been in decline since 2009. While some of the decline can be attributed to weak economic conditions, increased substitution for digital media has been, and will continue to be, a significant driver of this trend. Over the last ten to fifteen years, the pulp and paper industry has encountered a growing transformation in consumer preferences. During this time, readership and circulation of newspapers and magazines has been declining, accessibility to, and use of, the Internet has increased and mobile devices, including digital tablets, have become commonplace. As a result, digital alternatives to many traditional paper applications, including print publishing and advertising, and the storage, duplication, transmission and consumption of written information more generally, are now readily available. We expect competition from digital media to continue to adversely affect demand for graphic paper products across the industry, leading to oversupply, declining revenues from paper businesses and reductions in high cost paper manufacturing capacity to balance declining demand. 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 are responding by cutting costs and maintaining operating rates to maximize the significant cash generation potential of these businesses, while simultaneously shifting our product mix towards expanding our offering of specialty papers.

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 until 2013 as producers in China were selling in our markets at less than fair value and have been subsidized by their governments, which is beyond our control. In 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 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 since 2013. Such duties were to expire in May 2016. On February 12, 2016, however, five EU CWF producers, including Lecta, filed a request with the European Commission for review of these duties. On May 13, 2016, the European Commission issued a notice of initiation of an expiry review. The anti-subsidy duties and the anti-dumping duites will continue to apply pending the outcome of the review, which is expected to be completed within 15 months of the publication of the notice. Should the European Commission decide not to extend the application of these duties, it is not possible to predict whether affected producers will increase their sales volume in our markets. The anti-dumping duties for imports into North America were due to expire in October 2015 but have remained in place while under review by the U.S. International Trade Commission. A determination by the U.S. International Trade Commission that injury is unlikely to occur to U.S. producers and workers as a result of coated paper imports into the United States from China and Indonesia could lead to the existing duties being revoked by the U.S. Department of Commerce with retroactive effect to October 2015. In January 2016, the U.S. International Trade Commission voted to conduct a full review in light of the interest shown by local U.S. industry. A determination is not expected until late 2016. In the absence of such duties, it is likely that Chinese exporters will again increase their CWF exports into our core markets, which could reduce our market share. Further, increased competition, including a decrease in import duties in accordance with the terms of free trade agreements, could cause us to lose market share, increase expenditures or reduce pricing, any of which 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, including our ability to develop specialty papers in line with demand;
- 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, results of operations and cash flows.

A limited number of customers account for a significant portion of our revenue and adverse changes to economic or market conditions could have a negative impact on our significant customers.

We sell a significant portion of our products to a limited number of major customers that represent a substantial portion of our revenue. In the year ended December 31, 2015, our 10 largest customers accounted for approximately 20% of our total net sales. See "Business—Customers." In addition, some of our largest paper distributors and printer customers have been negatively affected by the ongoing economic turmoil and their credit profiles have deteriorated over time. Such changes cannot be predicted and their impacts may be severe. For example, a disruption in the ability of our significant customers to access liquidity could cause serious disruptions or an overall deterioration of their businesses, which could lead to a significant reduction in their future orders of our products and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on our results of operations and financial position. For example, EBITDA in the year ended December 31, 2015 was affected by the bankruptcy of three subsidiaries of one of our major customers, which, despite the protective measures put in place, amounted to approximately €6.5 million and included a write off of receivables and logistics costs. Similarly, sustained adverse changes in market conditions for our significant customers' products, such as lower demand or prices or increased competition, could also reduce future orders of our products and have a material adverse effect on our business, financial condition, results of operations and cash flows.

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.

Our business requires significant ongoing capital expenditures.

We incur significant 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 €45.3 million for the year ended December 31, 2015 and €38.5 million for the twelve months ended March 31, 2016. 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 €25 million and €35 million. We will undertake any additional, non-maintenance capital expenditure only where we believe such capital expenditure would be accretive to our EBITDA. For example, we are initiating an upgrade of our IT systems, which we expect to complete over the next three years. We expect to incur capital expenditures of approximately €16 million in respect of this project over such period.

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.

We are exposed to the transaction and translation effect of currency risk, particularly with respect to the purchases of pulp denominated in U.S. dollars.

We are exposed to fluctuations in foreign currency exchange rates, in particular to fluctuations in the value of the U.S. dollar and the euro. While the majority of our sales are made in the European market, the cost of our pulp purchases is affected by the U.S. dollar/euro exchange rate since the benchmark pulp sale price on the international market is in U.S. dollars per ton. See "Operating and Financial Review and Prospects—Factors Affecting Our Results of Operation—Effect of Currency Fluctuations." Insofar as our cost structure is mainly in euros, changes in the U.S. dollar/euro exchange rate can have a significant adverse effect on our earnings. The reference currency of our consolidated financial statements is the euro and we are therefore exposed to both transactional- and translational-related exchange risks. For example, our U.S. dollar-denominated purchases of pulp may fluctuate due to the appreciation or depreciation of the euro against the U.S. dollar, which could impact our revenue, whereas our cost structure, which is principally denominated in euro, would not change proportionally.

In addition, the value of our pulp inventory and cash balances in U.S. dollars when translated into euro for purposes of the preparation of our consolidated financial statements may affect our balance sheet and the reporting of our working capital, including our reported net debt. See "Operating and Financial Review and Prospects—Factors Affecting Our Results of Operation—Effect of Currency Fluctuations."

We are exposed to interest rate risks as certain of our borrowings bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow.

Our borrowings under the New Revolving Credit Facility and interest payable on the Floating Rate Senior Secured Notes will bear interest at periodic rates equal to in respect of the New Revolving Credit Facility, LIBOR or, in relation to any borrowing in Euro, EURIBOR and in respect of the Floating Rate Senior Secured Notes, EURIBOR, both adjusted periodically, plus a certain spread. We will also be subject to paying periodic commitment fees in connection with the New Revolving Credit Facility. In addition, we may procure additional indebtedness at floating rates in the future. The applicable interest rates could rise significantly in the future, thereby increasing our interest expenses associated with these obligations, reducing cash flow available for capital expenditures and hindering our ability to make payments on the Notes. Although we may hedge the interest rates with respect to the New Revolving Credit Facility, we are under no obligation to do so under the Floating Rate Senior Secured Notes Indenture and we may not be able to obtain such hedges, or replace such hedges on terms that are acceptable to us, and any such hedge may not be fully effective, which would expose us to interest rate risk.

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 distribution 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.

We may experience unforeseen difficulties, delays or costs in successfully implementing our business strategy, including cost cutting initiatives, reductions in capital expenditures, the raising of capital from asset disposals and achieving previously announced targets, and any such actions may not yield the anticipated benefits and could also result in Lecta incurring greater costs than anticipated.

The successful implementation of our business strategy depends upon a variety of factors, including a number of factors that are outside of our control. We have announced a number of initiatives intended to, among other things, reduce recurring costs through labor force reductions, as well as undertaken certain efficiency measures intended to reduce waste and raw material use and improve plant productivity. In 2014 and 2015, we spent €35 million and €10.8 million, respectively, for cost reduction and productivity improvement. These initiatives are not yet complete and the implementation of cost cutting measures and disposals are inherently subject to various risks, including unforeseen additional costs, technical complications, labor unrest, an inability to find willing buyers for planned disposals and/or our ability to sell such assets at book value. We can provide no assurance that we will reach these goals, and our strategy may evolve to suit changed circumstances, actual savings achieved and our ability to make capital expenditures in support of such initiatives. In addition, even if implemented, such measures may turn out to be less effective than anticipated, become effective later than anticipated or not be effective at all and could result in Lecta incurring greater costs than anticipated. Any of these outcomes, individually or in combination, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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 is effective in the countries in which our mills operate, requires progressively greater reductions of carbon dioxide and other greenhouse-gas emissions during its third phase of regulation from 2013 to 2020 by requiring regulated installations to surrender allowances to competent authorities to account for their emissions, which allowances they must purchase in auctions. 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, our facilities have been licensed under the EU the Industrial Emissions Directive, and conditions imposed by authorities as part of this licensing scheme, or the licensing scheme under its successor, are likely to 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 is required to procure wood and pulp from sustainably managed forests through a number of certification schemes such as the EU Timber Regulation. 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 business, financial condition, results of operations and 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, financial condition, results of operations and cash flows.

Regulatory changes have affected our business historically and any future changes may have an adverse effect on our energy activities.

Each of the Spanish, French and Italian energy sectors is subject to extensive regulation. This applies to both conventional and renewable energy sources. We are especially vulnerable to changes to existing regulations affecting our electricity generating activities, which may have a material adverse effect on our business.

For example, in June 2014, the Spanish government approved a regulatory framework for the electricity generating activities from renewable energy sources, cogeneration and waste (the "Regulatory Framework"). This framework sets out a remuneration scheme for existing renewable, co-generation and waste generation facilities, which applies to our operations. The Regulatory Framework provides for regulated levels of remuneration that the government has fixed for our electricity production over three- to six-year periods. The first three-year period and the six-year period end on December 31, 2016 and December 31, 2019, respectively. While the government may alter the rate of investment return applicable to the most proximate future period, it may not alter the initial investment value or the regulatory useful life of the investment.

As a result of the implementation of the Regulatory Framework through Royal Decree Law 9/2013 to ensure financial stability of the electricity sector, Law 24/2013 on the Electricity Sector, Royal Decree 413/2014, Ministerial Order IET/1045/2014 and Ministerial Order IET 1344/2015, we may be vulnerable to several operational risks, including the following:

- the Regulatory Framework creates uncertainty over whether the government may introduce a less favorable remuneration structure applicable to the most proximate future period, which may affect our ability to make adequate provisions for future operations;
- our operating costs may exceed those assumed by the government in its calculation of the amount of remuneration payable under the Regulatory Framework, in which case the Regulatory Framework would not provide for a reimbursement of the additional costs incurred by us;
- we could fail to meet the requisite minimum number of hours of operation per year that the Regulatory Framework sets out, which may reduce or eliminate our revenue for the relevant year; and/or
- we could be forced to participate in financing any temporary imbalance or deficit that is not offset through tolls and charges in an amount of up to 2% of the estimated regulated income for the year and proportionally to the remuneration obtained. While we could claim a credit for the financed amount within a five-year period, the obligation to finance any temporary imbalance could adversely affect our financial position.

In addition to the Regulatory Framework, electricity producers are required to pay a transmission and distribution system access fee. In 2011, the government fixed this fee at €0.50 per MWh delivered to the network. While the fee has remained unchanged to date, any decision by the government to raise the fee could adversely affect our revenue. Such annual output caps, as well as other regulatory provisions, have thus had an adverse effect on the revenue of our business historically, and may prevent us from fully realizing the benefits of increases in our generation capacity and/or increases in the market price for electricity in the future.

Unexpected cogeneration regulatory changes in Spain adversely impacted our results of operations. For example, excluding the impact of the Spanish regulatory changes and applying 2012 conditions, our EBITDA would have been €24 million and €33 million higher in 2013 and 2014, respectively.

Current regulatory requirements in the energy sector could continue to have a material adverse effect on our business, financial condition, results of operations and cash flows. Furthermore, unexpected regulatory changes may occur in the future resulting in similar detrimental effects.

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, results of operations and cash flows.

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, results of operations and cash flows.

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. 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.

Changes in local regulations in relation to defined benefit post-employment plans and other employment obligations may adversely affect our labor costs.

We operate defined contribution pension plans and defined benefit pension plans for our employees. Our long-term employee benefit provisions include, among others, obligations under statutory pension plans and voluntary plans. Our long-term employee benefit provisions amounted to €25.8 million as of March 31, 2016.

The cost of defined benefit pension plans and other post-employment benefits is determined using actuarial valuations. Actuarial valuations involve making assumptions about discount rates, expected rates of return on plan assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. If actual results, especially discount rates, expected rates of return on assets or mortality rates were to differ from our assumptions, our pension obligations could be higher than expected and we could incur actuarial gains and losses. Changes in all assumptions or under-performance of plan assets could also adversely affect our business, financial condition, results of operations and cash flows.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. We recognize all actuarial gains and losses in equity and deferred taxes in the period in which they occur.

Other costs are recognized in the income statement. Past services cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the amended benefits become vested. Differences between estimated and actual returns on plan assets can require us to record additional expenses. If invested pension plan assets perform negatively or below assumptions, we would incur actuarial losses and we could have to revise our assumptions. Future declines in the value of plan assets or lower-than expected returns may require us to make additional current cash payments to pension plans or non-cash charges to our income statement. Moreover, local funding rules might require us to provide for additional contributions to avoid underfunding. Significantly increased contribution obligations could adversely affect 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, as well as to extensive regulation of our business and its impact on the environment, including with respect to carbon dioxide emissions. Such laws and regulations require licenses, permits and other approvals to be obtained in connection with the operation of our business. We are also required to purchase carbon dioxide emission credits commensurate with our emissions, the price of which may significantly increase. We started making payments for carbon dioxide emissions in the summer of 2015. In 2015, we paid approximately €1 million for carbon dioxide emission credits. The regulatory framework to which we are subject imposes significant actual, day-to-day compliance burdens, costs and risks on us. Non-compliance with such regulations could result in the revocation of permits, sanctions, fines or even criminal penalties. Compliance with regulatory requirements may result in substantial costs to our operations that may not be recovered. In addition, we cannot predict the timing or form of any future regulatory or law enforcement initiatives. Changes in existing energy, environmental and administrative laws and regulations may materially and adversely affect our business, products, services, margins and investments. Further, such changes in laws and regulations could increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and even criminal penalties.

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.

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 and we may not 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, our insurance policies are subject to review by our insurers. If the level of premiums were to increase in the future, we might not be able to maintain insurance coverage comparable to those that are currently in effect at comparable cost, or at all. If we were unable to pass any increase in insurance premiums on to our customers, such additional costs could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Furthermore, we generally obtain trade credit insurance with respect to a large part of our trade receivables. Although we generally extend trade credit only where such insurance is available, we in certain cases will extend such trade credit where insurance cannot be obtained or cannot be obtained in sufficient amounts. We cannot assure you that our efforts to insure our trade credit receivables will be effective to prevent losses in the event of our counterparties' financial distress and that any such financial distress will not result in reductions or cancellations or our existing policies. Any such trade credit losses may be substantial and would negatively affect our results of operation and financial position.

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.

We rely on certifications by industry standard-setting bodies.

We obtain and seek to adhere to certain certifications because we seek to conduct our activities with respect to the environment and because certain of our customers have required us to obtain such internationally recognized certifications for our products, or we comply on a voluntary basis because we believe that it confers advantages on sellers who are so certified. We incur significant costs and expenses to comply with and maintain our certifications, including assessments on a regular basis, annual monitoring and implementation of record-keeping requirements. If we fail to maintain any of our certifications, our business may be harmed because our customers that require or encourage such certifications may cease buying products from us, which in turn could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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.

Risks Related to the Notes and Our Structure

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. Such Collateral also secures the New Revolving Credit Facility Agreement and certain hedging obligations and may in the future secure certain additional indebtedness permitted to be incurred under the Indentures, including **Pari Passu** ***Debt. The value of the Collateral 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." The Collateral may also secure additional debt to the extent permitted by the terms of the Indentures and the Revolving Credit Facility. Your rights to the Collateral may be diluted by any increase in the first-priority debt secured by the Collateral or a reduction of the Collateral securing the Notes. 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 (as defined below).

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.

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 March 31, 2016 and as adjusted to give effect to the Refinancing, Lecta S.A. and its subsidiaries would have had €640.1 million of indebtedness, of which €600.0 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.

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. Our operational subsidiaries in Spain, France and Italy are party to confirming agreements pursuant to which banks pay our suppliers on delivery of products and we in turn pay banks at the agreed date. In addition, certain subsidiaries are party to financing arrangements that will become due and need to be refinanced or repaid prior to maturity of the Notes, including Alto Garda Power S.r.L. (€18.7 million outstanding as of March 31, 2016; matures December 31, 2020) and IDAE Sant Joan AIE (€10.0 million outstanding as of March 31, 2016; matures September 30, 2018). The termination of any of these agreements could adversely affect our ability to satisfy our working capital and other liquidity needs, and in turn could have a material effect on our business, financial condition, results of operations and cash flows. 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.

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 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 dated no more than 2 months before the board of directors' resolution 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 Sub Lecta S.A. or the Issuer in making certain payments or delay Sub Lecta S.A. 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 require to distribute only the profits legally available, which consist of (i) the profits for the financial period less the losses brought forward, less (ii) the sums to be placed in reserve pursuant to French law or the articles of association of the French company, plus (iii) any retained earnings. Regarding the reserve, each of our French subsidiaries has, pursuant to French law, to retain at least 5% of its benefits in a legal reserve (*réserve légale*) until the reserve reaches at least one-tenth of such company's share capital; 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.

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 March 31, 2016, we had total assets of €1,247.5 million and total debt of €643.9 million. In the twelve months ended March 31, 2016, Lecta S.A. and the Guarantors had aggregate unconsolidated EBITDA of €90.6 million. This represented 80% of the Issuer's consolidated EBITDA for the same period. 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, revenue and net income in the future. As of March 31, 2016, our non-Guarantor subsidiaries had €33.4 million of indebtedness. In addition, any non-guarantor subsidiaries may incur debt under the Indentures, in certain circumstances, and any such debt would be structurally senior relative to claims of the holders of the Notes.

As of March 31, 2016, indebtedness of non-Guarantor subsidiaries included the financing arrangements of Alto Garda Power S.r.L. (i) an interest-bearing cash advance in the form of declared but unpaid dividends owed to its shareholders in an amount of €4.0 million as of March 31, 2016 (principal and accrued interest as of March 31, 2016: €4.5 million) and certain facilities in an aggregate committed amount of up to €66 million (principal and accrued interest as of March 31, 2016: €18.7 million); and (ii) IDAE Sant Joan with respect to a €11 million revolving credit facility (with a cap declining until maturity of the facility on September 30, 2018) (principal and accrued interest as of March 31, 2016: €10.0 million).

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.

We may under certain circumstances secure our debt with security interests in assets other than the Collateral and the claims of holders of the Notes will be effectively subordinated to the rights of any such future secured creditors to the extent of the value of the non-Collateral assets securing such debt.

The Notes and the Guarantees will be secured by the Collateral but the Indentures will allow the Issuer and its Restricted Subsidiaries to incur "Permitted Liens" securing certain debt without providing a similar security interest with respect to the Notes and the Guarantees. Permitted Liens include those securing, among other things, hedging obligations incurred in the ordinary course of business, debt of a newly-acquired subsidiary existing at the time of the acquisition, capital leases, recourse factoring, and debt incurred under the "Credit Facility" Permitted Debt provision. See "Description of the Notes—Certain covenants—Limitation on Debt." Such secured debt will be effectively senior to the Notes and the Guarantees to the extent of the value of the assets that secure such debt. Specifically, the financing arrangements with respect to the Alto Garda Power S.r.L. co-generation plant are secured with liens over the shares and assets of Alto Garda Power S.r.L., which assets do not form part of the Collateral. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, administration, reorganization or other insolvency or bankruptcy proceeding, the proceeds from the sale of assets securing any such secured debt will be available to pay obligations on the Notes only after all such secured indebtedness has been paid in full. As a result, holders of the Notes may receive less, ratably, than holders of such secured indebtedness.

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 "Super Senior Liabilities"). 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 Super Senior Liabilities 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 Super Senior Liabilities are greater than the proceeds realized. Any proceeds from an enforcement sale of the Collateral by any creditor will, after all Super Senior Liabilities 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 holders of the Notes 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. If any of the lenders under the New Revolving Credit Facility, the holders of the Notes or the creditors of future debt ("*Pari Passu* Debt") equal in ranking to the Notes and with equal-ranking security interests in the same Collateral and whose representative accedes as a party to the Intercreditor Agreement (the "*Pari Passu* Holders") wishes to instruct the Security Trustee to take enforcement action with respect to the Collateral, the party or parties wishing to provide such instructions must consult among one another and the Security Trustee for 30 days (or such period as agreed among them) with a view to coordinating the enforcement instructions. In the event of conflicting instructions, the parties providing or entitled to provide instructions must consult for a further 15 days (or such period as agreed among them) with a view to resolving the conflict. The Security Trustee will take enforcement action with respect to the Collateral only if so instructed by the holders of the Notes/*Pari Passu* Holders, unless either no such liabilities remain outstanding or six months have elapsed since any of the lenders under the New Revolving Credit Facility, the holders of the Notes or *Pari Passu* Holders took enforcement action with respect to an event of default under the applicable agreement, in which case the instructions of the lenders under the New Revolving Credit Facility shall prevail. No such consultation periods shall be required if the Collateral has become enforceable due to insolvency proceedings or if the delay entailed by the consultation period would impair the ability of the Security Trustee to enforce the Collateral or impair the realization of proceeds from such enforcement.

In the event of conflicting instructions from the holders of the Notes and the *Pari Passu* Holders, then either the instructions of the holders of the Notes will prevail if the outstanding amount of the Notes is equal to or greater than the outstanding amount of the *Pari Passu* Debt, or the instructions of the *Pari Passu* Holders will prevail if the outstanding amount of the *Pari Passu* Debt is equal to or greater than the outstanding amount of the Notes. The instructions of the holders of the Notes will in any event prevail if the outstanding amount of the *Pari Passu* Debt is less than €50 million.

For additional details regarding the ability of holders of the Notes to enforce, see "Description of Other Indebtedness—Intercreditor Agreement."

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.

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.

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

The Collateral securing the Notes and the Guarantees 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. In addition, the enforceability of Italian law-governed security interest granted in favor of the creditor of a parallel debt is uncertain and has not been tested before the Italian courts and, accordingly, the Italian law governed security interest does not secure the "parallel debt obligations". 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, liquidation or other analogous proceedings, the pledges 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."

There are circumstances other than repayment of the Notes under which the Guarantees of a Guarantor will terminate and release automatically without your consent or the consent of the Trustee.

Under various circumstances, the Guarantees of a Guarantor will terminate and release, including, without limitation, upon:

- a sale or other disposition (including by way of consolidation or merger) of capital stock of the relevant Guarantor or of a parent thereof (other than the Issuer), such that such Guarantor ceases to be a "Restricted Subsidiary" (as defined in the Indentures), or the sale or disposition of all or substantially all the assets of the relevant Guarantor, in each case in a transaction otherwise permitted by the Indentures;
- the designation in accordance with the Indentures of the relevant Guarantor as an "Unrestricted Subsidiary" (as defined in the Indentures);
- defeasance or discharge of the Notes, as provided in the Indentures;
- as described under the caption "Description of the Notes—Amendments and Waivers"; or
- in connection with certain enforcement actions taken by the creditors under the Intercreditor Agreement.

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 certain circumstances, including in order to issue additional Notes pursuant to the Indentures. In such circumstances, 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."

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 €65.0 million and includes an uncommitted accordion feature that would enable the facility to be increased by up to €15.0 million. We do not currently expect to draw any amount under the New Revolving Credit Facility as of the Issue Date. 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.

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.

We expect that the maximum principal amount of Guarantees to be provided by certain of the Guarantors on the Issue Date will be determined based on the valuation of the Guarantor, and will be no less than the following amounts: Garda: €32.0 million; Condat Holding S.A.S.: €23.8 million; Condat S.A.S.: €23.8 million; Torraspapel S.A.: €588.2 million; and Polyedra S.p.A.: €3.0 million.

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.

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.

You may face foreign exchange risks by investing in the Notes, which risk may be increased if the euro no longer exists or if the Notes are otherwise redenominated as a result of member states leaving the Eurozone.

The Notes will be denominated and payable in euro. If investors measure their investment returns by reference to a currency other than euro an investment in the Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which the investor measures the return on his or her investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which an investor measures the return on his or her investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to the investor when the return on the Notes are translated into the currency by reference to which such investor measures the return on their investments. Investments in the Notes denominated in a currency other that U.S. dollars by United States investors may also have important tax consequences as a result of foreign exchange gains or losses. See "Tax Considerations—Certain U.S. Federal Income Tax Consequences".

Despite the measures taken by countries in the Eurozone to alleviate credit risk, 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 Eurozone member states. These and other concerns could lead to the reintroduction of individual currencies in one or more Eurozone 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. The official exchange rate at which the Notes may be redenominated may not accurately reflect their value in euro. These potential developments, or market perceptions concerning these developments and related issues, could adversely affect the value of 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 our Consolidated Net Leverage Ratio is above a certain threshold.

Upon the occurrence of certain change of control events 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.

The change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership, or may involve affiliates of or investors in funds managed by our principal shareholder. In addition, 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 our ratio of net debt as of the most recent balance sheet date to EBITDA over the most recently completed four fiscal quarters is above a certain threshold *pro forma* for the change of control transaction. See "Description of the Notes—Change of Control"; "Description of the Notes—Certain Definitions—Change of Control" and "Description of the Notes—Certain Definitions—Permitted Holders."

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, substantially 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.

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. 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 19% 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 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.

We may incur additional tax liabilities as a result of our operations in the various countries in which we conduct business.

We may be exposed to unforeseen additional taxes that are identified through future tax audits or other review actions of the relevant tax authorities, which could lead to an increase in our tax obligations. This may result from either a tax payment being levied directly on us or indirectly where we become liable as a secondary obligor for a primary obligor's failure to pay (for example, an employee's failure to pay). Tax authorities in Luxembourg, France, Italy, Spain and other European jurisdictions are routinely challenging corporate transactions, including financings such as the issue of the Notes. Any future tax audit may require us to pay additional taxes (including any accrued interest and penalties).

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until Notes in definitive registered form ("*Definitive Registered Notes*") are issued in exchange for book-entry interests (which may occur only in very limited circumstances), owners of book-entry interests will not be considered owners or holders of Notes. The common depositary (or its nominee) for Euroclear and Clearstream will be the sole registered holder of the Global Notes. Payments of principal, interest and other amounts owing on or in respect of the relevant Global Notes representing the Notes will be made to Deutsche Bank AG, London Branch, as paying agent, which will make payments to the common depositary, who will then make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the Global Notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, none of the Issuer, the Guarantors, the Trustee or the Paying Agent will have any responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest in the Notes, you must rely on the procedures of Euroclear and Clearstream and, if you are not a participant in Euroclear and/or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a Holder of the Notes under the Indentures.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters or on a timely basis.

Similarly, upon the occurrence of an event of default under the Indentures, unless and until the relevant Definitive Registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. We cannot assure you that the procedures to be implemented through Euroclear and Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

USE OF PROCEEDS

The gross proceeds from the Offerings will be €600.0 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 €225.0 million and (ii) the Fixed Rate Senior Secured Notes of €375.0 million.

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

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 satisfying and discharging the Existing Notes 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)	600.0	Refinancing of Existing Notes(2)	599.3
Cash on balance sheet(3)	27.1	Transaction costs(4)	27.8
Total sources	627.1	**Total uses**	627.1

(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, €225,000,000 principal amount of Floating Rate Senior Secured Notes are being issued (at an issue price of 99%) and €375,000,000 principal amount of Fixed Rate Senior Secured Notes are being issued. The impact of the issue price of 99% in respect of the €225,000,000 Floating Rate Senior Secured Notes on the gross proceeds of the Offerings has been reflected under transaction costs.

(2) Includes (i) the issuance of Exchange Notes in an amount of €100,001,000 to eligible holders of our Existing Floating Rate Notes pursuant to the Exchange Offer and deposit of the cash proceeds from the Notes offered hereby to repay €390.0 million of principal amount of our Existing Floating Rate Notes and (ii) €200.0 million to repay the principal amount of our Existing Fixed Rate Notes, plus (iii) aggregate accrued interest of €9.3 million (interest accrued on our Existing Floating Rate Notes from February 15, 2016 to March 31, 2016 and interest accrued on our Existing Fixed Rate Notes from November 15, 2015 to March 31, 2016).

(3) Cash on balance sheet to be used to pay for certain transactions costs associated with the Refinancing, including accrued interest on the Existing Notes.

(4) Represent certain estimated fees and expenses associated with the Refinancing: (i) €14.0 million to be amortized and capitalized over the life of the Notes and the New Revolving Credit Facility and (ii) €13.8 million to be expensed as incurred: (a) a redemption premium of €8.9 million in connection with the redemption of our Existing Fixed Rate Notes, (b) interest for a period of 30 days from the Issue Date and up to, but not including, the redemption date in connection with the redemption of our Existing Fixed Rate Notes and our Existing Floating Rate Notes in an amount of €2.6 million due to the holders of our Existing Fixed Rate Notes and the holders of our Existing Floating Rate Notes who do not participate in the Exchange Offer and (c) certain transaction costs. Actual fees and expenses may vary.

On or about the Issue Date, the Issuer will enter into the New Revolving Credit Facility, which provides for utilizations up to a maximum principal amount of €65.0 million and includes an uncommitted accordion feature that would enable the facility to be increased by up to €15.0 million. The Issuer does not intend to draw any amount under the New Revolving Credit Facility on the Issue Date. See "Description of Other Indebtedness—New Revolving Credit Facility."

CAPITALIZATION

The following table sets forth our cash and consolidated capitalization as of March 31, 2016 (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 March 31, 2016	
	Actual	**As Adjusted**
	(in millions of euro)	
Cash and cash equivalents(1)	136.7	109.5
Debt:		
Other existing debt(2)	54.1	54.1
New Revolving Credit Facility(3)	—	—
Existing Notes(4)	589.9	—
Floating Rate Senior Secured Notes offered hereby(5)	—	225.0
Fixed Rate Senior Secured Notes offered hereby	—	375.0
Transaction costs(6)	—	(14.0)
Total debt	643.9	640.1
Total net debt(7)	507.3	530.5
Total shareholders' equity	121.1	104.9
Total capitalization	765.1	744.9

(1) As adjusted cash and cash equivalents reflects our actual cash and cash equivalents as of March 31, 2016 less cash used to pay (i) accrued interest on our Existing Fixed Rate Notes and our Existing Floating Rate Notes up to, but not including, the Issue Date, with respect to such notes accepted in the Exchange Offer, (ii) interest for a period of 30 days from the Issue Date and up to, but not including, the redemption date with respect to our Existing Floating Rate Notes not accepted in the Exchange Offer and our Existing Fixed Rate Notes, (iii) a redemption premium of €8.9 million with respect to our Existing Fixed Rate Notes, and (iv) as well as certain transaction costs.

(2) Consists of existing debt primarily related to our co-generation plants in Italy and Spain (€28.7 million) (see "Description of Other Indebtedness—Existing Co-generation Financings"), bank overdrafts (€15.9 million), lease obligations (€1.3 million), loans from the Ministry of industry (€9.5 million) in Torraspapel S.A.

(3) On or about the Issue Date, the Issuer will enter into the New Revolving Credit Facility, which provides for utilizations up to a maximum principal amount of €65.0 million and includes an uncommitted accordion feature that would enable the facility to be increased by up to €15.0 million. We do not expect to draw any amount under the New Revolving Credit Facility on the Issue Date. See "Description of Other Indebtedness—New Revolving Credit Facility."

(4) Includes €590.0 million of aggregate principal amount of our Existing Notes, plus €9.3 million of aggregate accrued interest, less €9.4 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) €225,000,000 aggregate principal amount of the Floating Rate Senior Secured Notes offered hereby and pursuant to the Exchange Offer.

(6) Represents certain estimated fees and expenses associated with the Refinancing to be capitalized and amortized over the life of the Notes and the New Revolving Credit Facility including an issue discount price on the Floating Rate Senior Secured Notes of 1%. Actual fees and expenses may vary.

(7) We define total debt as interest-bearing borrowings plus the current portion of interest-bearing borrowings, bank overdrafts and loans and interest rate hedging (receivables) payables. Total net debt represents total debt less cash and cash equivalents.

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 selected historical consolidated financial information. Our selected historical consolidated financial information as of and for the years ended December 31, 2013, December 31, 2014 and December 31, 2015 is extracted or derived from the Audited Consolidated Financial Information. Our selected historical consolidated financial information as of and for the three months ended March 31, 2016 is extracted or derived from the Interim Condensed Consolidated Financial Information. Our financial information as of and for the twelve months ended March 31, 2016 was derived by aggregating without adjustments the relevant results of the year ended December 31, 2015 and the three months ended March 31, 2016 and subtracting the relevant results of the three months ended March 31, 2015. Our financial information as of and for the twelve months ended March 31, 2016 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date.

The Audited Consolidated Financial Information have been presented in euro and prepared in accordance with IFRS-EU. The Interim Condensed Consolidated Financial Information 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,			Three months ended March 31,		Twelve months ended March 31,
	2013	2014	2015	2015	2016	2016
	(in millions of euro, except volumes)					
Income Statement Data:						
Volume sold (in thousands of metric tons)	1,654.9	1,601.7	1,565.2	394.8	380.6	1,550.9
Revenue(1)	1,585.0	1,490.8	1,491.1	376.1	359.2	1,474.3
Changes in inventories of finished goods and work in process	(14.2)	(8.5)	(0.2)	(4.7)	8.4	12.9
Raw materials and consumables used	(780.5)	(735.0)	(753.1)	(184.1)	(188.7)	(757.8)
Labor costs	(207.3)	(203.4)	(193.4)	(48.2)	(47.8)	(193.1)
Other operating costs except non-recurring items	(492.7)	(443.6)	(434.7)	(110.6)	(99.2)	(423.3)
EBITDA(2)	90.2	100.3	109.6	28.5	31.9	113.1
Depreciation	(67.3)	(58.1)	(56.1)	(14.0)	(13.6)	(55.6)
Amortization	(2.2)	(1.3)	(0.3)	(0.2)	0.0	(0.2)
Non-recurring items(3)	(50.4)	(11.5)	(3.1)	(1.2)	(2.1)	(3.9)
Profit (loss) from operations	**(29.7)**	**29.4**	**50.2**	**13.1**	**16.2**	**53.3**
Finance costs(4)	(68.1)	(68.3)	(67.8)	(16.7)	(16.8)	(67.9)
Profit (loss) before tax	**(97.7)**	**(38.8)**	**(17.6)**	**(3.6)**	**(0.5)**	**(14.6)**
Income tax	(15.6)	(27.8)	(3.6)	(1.1)	1.0	(1.5)
Profit (loss) after tax from continuing operations	**(113.4)**	**(66.6)**	**(21.2)**	**(4.7)**	**0.4**	**(16.0)**
Profit (loss) after tax from discontinued operations	1.0	0.0	0.0	0.0	0.0	0.0
Profit (loss) after tax	**(112.3)**	**(66.6)**	**(21.2)**	**(4.7)**	**0.4**	**(16.0)**
Attributable to:						
Equity holders of the parent	(112.7)	(66.1)	(22.9)	(5.0)	0.3	(17.6)
Non-controlling interests	0.3	(0.5)	1.7	0.3	0.1	1.6

	As of December 31,			As of March 31,	
	2013	2014	2015	2015	2016
	(in millions of euro)				
Balance Sheet Data:					
Cash and cash equivalents	191.9	158.4	148.7	134.0	136.7
Total assets	1,363.6	1,284.2	1,260.9	1,273.1	1,247.5
Total debt(5)	647.4	642.1	639.9	649.4	643.9
Total net debt(6)	455.6	483.7	491.2	515.4	507.3
Equity holders of the parent	209.2	143.6	121.4	139.0	121.1
Non-controlling interests	9.8	8.4	10.8	8.7	10.9
Total equity	**219.0**	**152.1**	**132.2**	**147.7**	**132.0**

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2013	2014	2015	2015	2016	2016
	(in millions of euro)					
Cash Flow Data:						
Net cash flow (used in)/from operating activities	137.0	89.1	90.7	4.6	12.1	98.1
Net cash flow (used in)/from investing activities	(39.9)	(47.4)	(29.6)	(19.7)	(12.7)	(22.6)
Net cash flow (used in)/from financing activities	(73.1)	(73.9)	(67.3)	(8.5)	(11.3)	(70.2)
Net increase (decrease) in cash and cash equivalents(7)	24.0	(32.2)	(6.2)	(23.5)	(12.0)	5.3

(1) Revenue consists of sales of paper (including paper produced by third parties and sold through our distribution business) and energy.

(2) We define EBITDA as earnings before depreciation, amortization, non-recurring 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) Non-recurring items include profits and losses on disposals or impairments of investments in associates, available-for-sale financial assets, and certain long-lived assets, of which goodwill, costs of restructuring and material reorganization, acquisition costs relating to business combinations and profit following immediate recognition of negative goodwill.

(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 and and loans and interest rate hedging (receivables) payables.

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

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

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, 2013, 2014 and 2015 and for the three months ended March 31, 2015 and 2016 in accordance with IFRS-EU. The discussion contained herein is based on the Audited Consolidated Financial Information and the Interim Condensed Consolidated Financial Information.

Overview

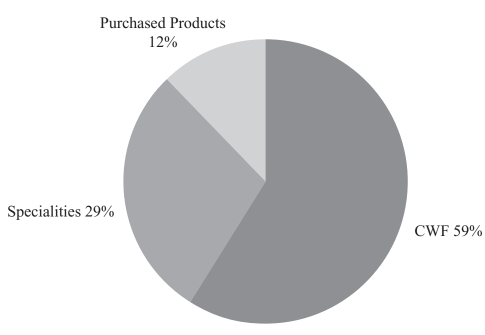
We are one of the leading European manufacturers and distributors of specialty papers for labels and flexible packaging, premium coated paper for wide format advertising, high quality publishing and commercial printing, along with other high value-added paper products. We have an annual production capacity of 258,000 metric tons of labels and flexible packaging and 231,000 metric tons of UWF and base paper. We are also the largest CWF manufacturer in Southern Europe, with an annual production capacity of 1,135,000 metric tons in 2015. We own and operate a 234,000 metric ton pulp mill in Spain, which provides approximately 30% of our overall pulp requirements. We have ten paper machines in seven mills located at various sites in Italy, France and Spain. In the twelve months ended March 31, 2016, our mills produced an aggregate of 298,000 metric tons of specialty papers and UWF and 1,142,000 metric tons of CWF.

In addition, we operate a substantial paper distribution business that we have built organically and through the acquisitions of Malmenayde in France in 2008 and Polyedra in Italy in 2012. In the twelve months ended March 31, 2016, we distributed 535,000 metric tons of paper, of which 134,000 metric tons were produced by third parties. We plan to expand our distribution business with selected and opportunistic bolt-on acquisitions to expand our presence in other countries.

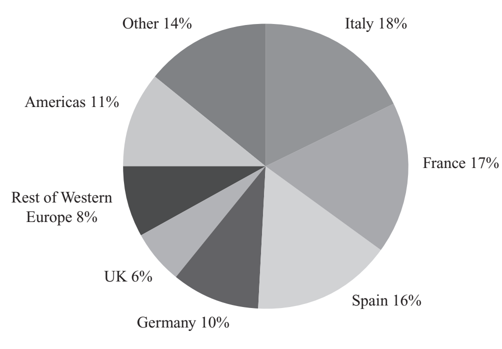
For CWF, we rank first in terms of market share in France and Spain, and second in Italy, the principal markets for our products, which accounted for 17%, 13% and 16%, respectively, of our paper deliveries by volume in 2015. We also market our CWF elsewhere in Europe, including Germany (13%), the United Kingdom (8%) and other Western European countries (9%), Eastern Europe (4%), and, to a lesser extent, outside of Europe. Our mills are located in close proximity to the key commercial markets in Western Europe. These markets account for approximately 70% of demand for CWF in Europe and approximately 75% of our total sales in 2015.

During the twelve months ended March 31, 2016, our revenue (consisting of sales of paper and energy) were €1,474.3 million. During the same period we had Adjusted EBITDA of €119.6 million and an Adjusted EBITDA margin of 8.1%.

Twelve months ended March 31, 2016 revenue by product (value)



Twelve months ended March 31, 2016 paper sales by country (volume)[(1)]



(1) Based on actual paper volume shipped.

Source: Company information

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.

We have a high-quality asset base, which achieves superior operating performance. Between 1999 and 2015, we invested approximately €1.0 billion 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 production activities and reduction in greenhouse-gas emissions, and currently benefit from six co-generation plants with total installed capacity of 271 MW.

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 2015, the European deliveries declined by 2.0% to 5.3 million metric tons compared to 5.4 million metric tons in 2014 and were stable compared to 2013 with European deliveries amounting 5.3 million metric tons in 2013, according to Euro-Graph. Demand for CWF fell by 2.3% in 2015, according to Euro-Graph. Germany, the UK, France, Italy and Spain are the main markets, accounting for 70% of deliveries in Europe. We estimate that the global demand for CWF industry was approximately 24 million metric tons in 2015.

As a result of these challenging market conditions in the past decade, significant capacity has been closed in Europe. Between 2006 and 2015, capacity for 4.1 million metric tons has been closed, with Lecta alone accounting for approximately 350,000 metric tons of the reduced capacity.

In 2014 and 2015, plant closures and restructurings were announced by European paper producers. Scheufelen, one of our competitors, announced the closure of one of its two production lines at its Oberlenningen mill in Germany in December 2014, reducing CWF production capacity by 160,000 metric tons per year. Sappi, another one of our competitors, announced the closure of its Nijmegen mill in the Netherlands in January 2015, reducing CWF production capacity by 240,000 metric tons per year. Arjowiggins, another of our competitors, announced the closure of its Wizernes mill in France in June 2015, reducing CWF production capacity by 140,000 metric tons per year. These closures, totaling approximately 540,000 metric tons per year of capacity, represent approximately 7% of the total Western European CWF production capacity in 2014. In addition, there have been a number of announcements of progressive capacity reductions, such as those in Metsa Husum (Sweden).

We estimate that five producers of CWF (Sappi (24%), UPM (18%), Lecta (17%), Stora Enso (16%) and Burgo (12%)) currently account for approximately 87% of the European CWF 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. We purchase 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. The price of crude oil impacts oil-based raw materials and transportation costs. During the period under review, the price of crude oil has been highly volatile. Moreover, we have a limited ability to pass through pulp price increases to our customers. In addition, changes in Spanish energy legislation in 2013 and 2014 had a significant impact on our results of operations. For more information, see "Risk Factors—Risks Related to Our Business—Regulatory changes have affected our business historically and any future changes may have an adverse effect on our electricity generating activities."

For internal reporting purposes we account for revenue 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.

We reduced overall labor costs by 7% between 2013 and 2015, primarily as a result of an overall reduction in headcount by approximately 14%. 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, logistics and distribution costs while allowing the Group to achieve market growth by adapting to market evolution and 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. In 2013, we closed Condat's production line n°6 in France (which had a CWF production capacity of 130,000 metric tons) and in January 2014, we closed the Berrobi-Uranga mill (which had a paper production capacity of 27,000 metric tons) and the Sarrià de Ter mill and its co-generation plant (which had a paper production capacity of 65,000 metric tons and 25 MW of power, respectively). Moreover, Lecta converted 60,000 metric tons of CWF capacity in Motril and Zaragoza toward the production of 1-side coated and base paper.
- *Optimization of our activities:* In 2013, we outsourced the transportation activity of our distributor in France in order to turn fixed costs into variable costs and closed three distribution warehouses in Italy. In 2014, we further restructured our distribution business with the closure of one warehouse in France. In 2015, we outsourced the non-core activities of the Sant Joan mill.
- *Optimization of sales organization:* This included the full integration of Garda, Condat and Torraspapel and the centralization and merger of sales offices.
- *Resource efficiency at operational sites:* We reuse the paper waste generated during the production process in our mills.
- *Implementation of performance based compensation:* To reduce labor costs, we introduced partial variable salaries indexed to performance of the company at Cartiere del Garda. Further group-wide alignment of employee incentives and reduction in fixed labor costs was achieved by linking bonuses to EBITDA.

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 structurally net buyers of U.S. dollars. As such, all other things being equal, a weakening of the U.S. dollar by 1% should have a positive impact on our EBITDA of €1.6 million. 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.

Impact of Changes in Energy Legislation

Changes in energy regulation affects the prices at which we can buy and sell energy, and thereby reducing our revenue or increasing our costs derived from such sales or purchases. In 2013 and 2014, the change in Spanish energy legislation significantly impacted our results of operations. Excluding the impact of the Spanish regulatory changes and applying 2012 conditions, our EBITDA would have been €24 million and €33 million higher in 2013 and 2014, respectively.

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.

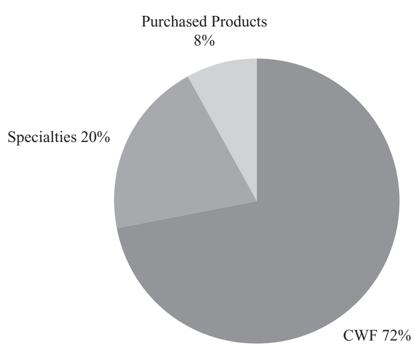
Results of Operations

Three Months Ended March 31, 2016 Compared to Three Months Ended March 31, 2015

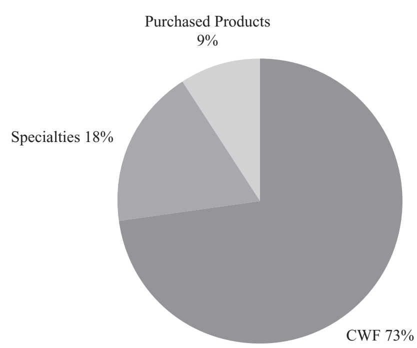
Breakdown of Revenue

The chart below shows the breakdown by product type of consolidated volumes of 380.6 and 394.8 metric tons of paper sold to third parties for the three months ended March 31, 2016 and 2015, respectively, and the breakdown by product type of our revenue of €359.2 million and €376.1 million for the three months ended March 31, 2016 and 2015, respectively. The chart does not take into account the revenue 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 revenue.

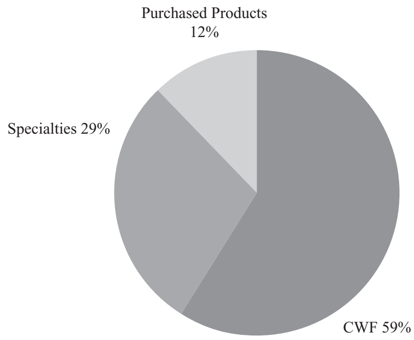
Three Months Ended March 31, 2016 paper sales by product (volume)



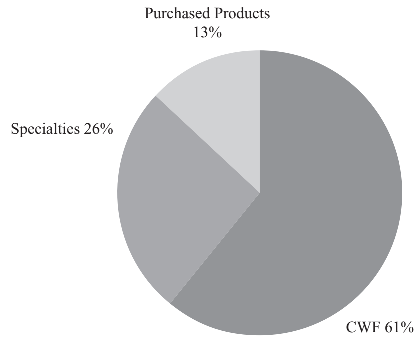
Three Months Ended March 31, 2015 paper sales by product (volume)



Three Months Ended March 31, 2016
revenue by product (value)



Three Months Ended March 31, 2015
revenue by product (value)



The following table sets forth our income statement line items in absolute numbers, as a percentage of revenue for the three months ended March 31, 2015 and 2016 and the percentage change period over period:

	Three Months Ended March 31,					
	2015	%	2016	%	Change	% change
	(in millions of euro, except percentages or unless otherwise indicated)					
Volume of paper sold (in thousands of metric tons)	394.8		380.6		−14.3	−3.6%
Revenue	376.1	100.0	359.2	100.0	−16.9	−4.5%
Change in inventories of finished goods and work in process	(4.7)	(1.2)	8.4	2.3	+13.1	—
Raw materials and consumables used	(184.1)	(48.9)	(188.7)	(52.5)	−4.7	+2.5%
Labor costs	(48.2)	(12.8)	(47.8)	(13.3)	+0.4	−0.8%
Other operating costs except non-recurring items	(110.6)	(29.4)	(99.2)	(27.6)	+11.5	−10.4%
EBITDA	**28.5**	**7.6**	**31.9**	**8.9**	**+3.4**	**+12.0%**
Depreciation	(14.0)	(3.7)	(13.6)	(3.8)	+0.4	−3.0%
Amortization	(0.2)	(0.0)	(0.0)	(0.0)	+0.1	−71.5%
Non-recurring items	(1.2)	(0.3)	(2.1)	(0.6)	−0.8	−66.5%
Profit (loss) from operations	**13.1**	**3.5**	**16.2**	**4.5**	**+3.1**	**+23.8%**
Finance costs	(16.7)	(4.4)	(16.8)	(4.7)	−0.1	−0.5%
Profit (loss) before tax	**(3.6)**	**(1.0)**	**(0.5)**	**(0.2)**	**+3.0**	**−84.7%**
Income tax	(1.1)	(0.3)	1.0	0.3	+2.1	−185.7%
Profit (loss) after tax from continuing operations	**(4.7)**	**(1.3)**	**0.4**	**0.1**	**+5.2**	**−109.1%**
Profit (loss) after tax from discontinued operations	0.0	0.0	0.0	0.0	0.0	—
Profit (loss) after tax	**(4.7)**	**(1.3)**	**0.4**	**0.1**	**+5.2**	**−109.1%**

Revenue

The following table presents our revenue by product line for the three months ended March 31, 2015 and 2016:

Products and Services

	Three Months Ended March 31,	
	2015	**2016**
	(in millions of euro)	
CWF	228.4	212.8
Specialties	100.2	104.1
Purchased products	47.5	42.3
Total	**376.1**	**359.2**

For the three months ended March 31, 2015, we had revenue of €376.1 million, versus €359.2 million in the three months ended March 31, 2016, a decrease of €16.9 million. Such decrease resulted from lower sales volumes of CWF, specialty papers and trading goods of €9.9 million, or 3%, from €353.5 million in the three months ended March 31, 2015 to €343.7 million in the three months ended March 31, 2016. This was partially offset by an increase in average net sales price of €8/t, or 1%, from €895/t in the three months ended March 31, 2015 to €903/t in the three months ended March 31, 2016.

Energy sales decreased by €7 million, or 31%, from €22.5 million in the three months ended March 31, 2015 to €15.5 million in the three months ended March 31, 2016. Such decrease resulted from a decrease in average net sales price of €28/MWh, or 34%, from €83/MWh in the three months ended March 31, 2015 to €55€/MWh in the three months ended March 31, 2016 but was partially offset by higher sales volumes of 11,800 MWh, or 4%, from 270,489 MWh in the three months ended March 31, 2015 to 282,309 MWh in the three months ended March 31, 2016. Energy sales are allocated between CWF and specialty papers depending on whether the energy was produced at a co-generation facility connected to a mill principally producing CWF or specialty papers.

The following table presents revenue by geographical location from external customers of our products and services for the three months ended March 31, 2015 and March 31, 2016:

Geographical Location

	Three Months Ended March 31,	
	2015	**2016**
	(in millions of euro)	
Europe	316.0	296.2
Americas	39.7	39.8
Rest of the world	20.4	23.2
Total	**376.1**	**359.2**

Raw Materials and Consumables Used

The costs of raw materials and consumables used increased by €4.7 million, or 3%, from €184.1 million in the three months ended March 31, 2015 to €188.7 million in the three months ended March 31, 2016. As a percentage of revenue, such costs increased from 48.9% in the three months ended March 31, 2015 to 52.5% in the three months ended March 31, 2016. The absolute increase was mainly attributable to higher purchased volumes and an increase in the average purchase price of pulp of €21/t from the three months ended March 31, 2015 to the three months ended March 31, 2016.

Labor Costs

Labor costs decreased by €0.4 million, or 1%, from €48.2 million in the three months ended March 31, 2015 to €47.8 million in the three months ended March 31, 2016, and, as a percentage of revenue, they increased from 12.8% in the three months ended March 31, 2015 to 13.3% in the three months ended March 31, 2016. The headcount decreased by 80 employees from 3,395 employees in the three months ended March 31, 2015 to 3,315 employees in the three months ended March 31, 2016.

Other Operating Costs Except Non-Recurring Items

Other operating costs except non-recurring items decreased by €11.5 million, or 10%, from €110.6 million in the three months ended March 31, 2015 to €99.2 million in the three months ended March 31, 2016, and, as a percentage of revenue, they decreased from 29.4% in the three months ended March 31, 2015 to 27.6% in the three months ended March 31, 2016. The absolute decrease was mainly due to lower energy, distribution and overhead costs, partially offset by an increase in packaging materials, outsourcing, selling variable, maintenance and production consumables costs.

EBITDA

EBITDA increased by €3.4 million, or 12%, from €28.5 million in the three months ended March 31, 2015 to €31.9 million in the three months ended March 31, 2016. This increase was attributable to lower net energy, distribution, labor and overhead costs, as a result of higher unit gross margin but was partially offset by lower sales volumes of paper and higher costs of packaging materials, outsourcing, selling variable, maintenance and production consumables costs.

Depreciation and Amortization

Depreciation and amortization decreased by €0.5 million, or 4%, from €14.1 million in the three months ended March 31, 2015 to €13.6 million in the three months ended March 31, 2016.

Non-Recurring Items

In the three months ended March 31, 2015 and March 31, 2016 we recorded non-recurring charges of €1.2 million and €2.1 million, respectively. These charges were due to the organization efficiency program.

Finance Costs

Finance costs increased by €0.1 million, or 1%, from €16.7 million in the three months ended March 31, 2015 to €16.8 million in the three months ended March 31, 2016.

Income Tax

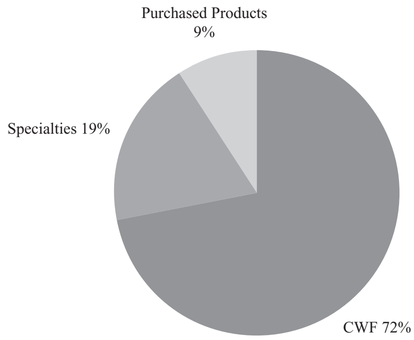
In the three months ended March 31, 2016, we recorded an income tax charge of €1.0 million, compared to an income tax charge of €1.1 million in the three months ended March 31, 2015.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

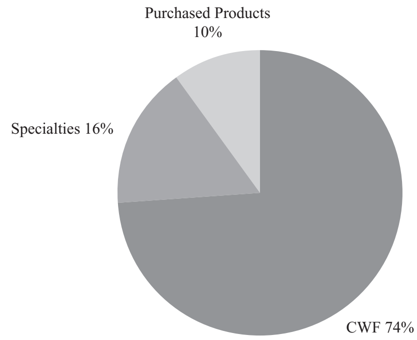
Breakdown of Revenue

The chart below shows the breakdown by product type of consolidated volumes of 1,565.2 and 1,601.7 metric tons of paper sold to third parties for the years ended December 31, 2015 and 2014, respectively, and the breakdown by product type of our revenue of €1,491.1 million and €1,490.8 million for the years ended December 31, 2015 and 2014, respectively. The chart does not take into account the revenue 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 revenue.

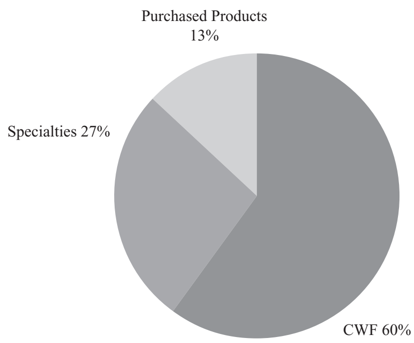
Year ended December 31, 2015
paper sales by product (volume)



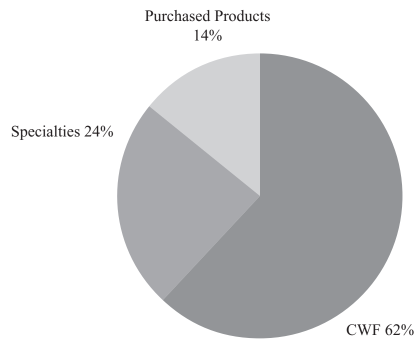
Year ended December 31, 2014
paper sales by product (volume)



Year ended December 31, 2015
revenue by product (value)



Year ended December 31, 2014
revenue by product (value)



The following table sets forth our income statement line items in absolute numbers, as a percentage of revenue for the years ended December 31, 2014 and 2015 and the percentage change period over period:

	Year Ended December 31,					
	2014	**%**	**2015**	**%**	**Change**	**% change**
	(in millions of euro, except percentages or unless otherwise indicated)					
Volume of paper sold (in thousands of metric tons)	1,601.7		1,565.2		−36.5	−2.3%
Revenue	1,490.8	100.0	1,491.1	100.0	+0.3	0.0%
Change in inventories of finished goods and work in progress	(8.5)	(0.6)	(0.2)	(0)	+8.3	−97.5%
Raw materials and consumables used	(735.0)	(49.3)	(753.1)	(50.5)	−18.1	+2.5%
Labor costs	(203.4)	(13.6)	(193.4)	(13.0)	+9.9	−4.9%
Other operating costs except non-recurring items	(443.6)	(29.8)	(434.7)	(29.2)	+8.9	−2.0%
EBITDA	**100.3**	**6.7**	**109.6**	**7.4**	**+9.3**	**+9.3%**
Depreciation	(58.1)	(3.9)	(56.1)	(3.8)	+2.1	−3.6%
Amortization	(1.3)	(0.1)	(0.3)	(0)	+1.0	−77.6%
Non-recurring items	(11.5)	(0.8)	(3.1)	(0.2)	+8.4	−73.1%
Profit (loss) from operations	29.4	2.0	50.2	3.4	+20.8	**+70.7%**
Finance costs	(68.3)	(4.6)	(67.8)	(4.5)	+0.4	−0.6%
Profit (loss) before tax	**(38.8)**	**(2.6)**	**(17.6)**	**(1.2)**	**+21.2**	−54.6%
Income tax	(27.8)	(1.9)	(3.6)	(0.2)	+24.2	−87.1%
Profit (loss) after tax from continuing operations	**(66.6)**	**(4.5)**	**(21.2)**	**(1.4)**	**+45.4**	**−68.2%**
Profit (loss) after tax from discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0%
Profit (loss) after tax	**(66.6)**	**(4.5)**	**(21.2)**	**(1.4)**	**+45.4**	**−68.2%**

Revenue

The following table presents our revenue by product line for the years ended December 31, 2014 and 2015:

Products and Services

	Year ended December 31,	
	2014	**2015**
	(in millions of euro)	
CWF	926.3	899.0
Specialties	367.4	408.0
Purchased products	197.2	184.2
Total	**1,490.8**	**1,491.1**

For the year ended December 31, 2015, we had revenue of €1,491.1 million, versus €1,490.8 million in the year ended December 31, 2014, an increase of €0.3 million. Such increase resulted from an increase in average net sales price of 24€/t, or 2.8%, from 872€/t in the year ended December 31, 2014 to 896€/t in the year ended December 31, 2015 but was partially offset by lower sales volumes of 36,543 metric tons, or 2.3%, from 1,601,737 metric tons in the year ended December 31, 2014 to 1,565,194 metric tons in the year ended December 31, 2015.

Energy sales decreased by €6.3 million, or 6.7%, from €94.8 million in the year ended December 31, 2014 to €88.5 million in the year ended December 31, 2015. Such decrease resulted from lower sales volumes of 70,285 MWh, or 6.1%, from 1,159,352 MWh in the year ended December 31, 2014 to 1,089,067 MWh in the year ended December 31, 2015, and a decrease in average net sales price of 1€/MWh, or 1.2%, from €82/MWh in the year ended December 31, 2014 to 81€/MWh in the year ended December 31, 2015. Energy sales are allocated between CWF and specialty papers depending on whether the energy was produced at a co-generation facility connected to a mill principally producing CWF or specialty papers.

The following table presents revenue by geographical location from external customers of our products and services for the years ended December 31, 2014 and 2015:

Geographical Location

	Year ended December 31,	
	2014	**2015**
	(in millions of euro)	
Europe	1,258.0	1,229.8
Americas	150.4	164.8
Rest of the world	82.4	96.6
Total	**1,490.8**	**1,491.1**

Raw Materials and Consumables Used

The costs of raw materials and consumables used increased by €18.1 million, or 2.5%, from €735.0 million in the year ended December 31, 2014 to €753.1 million in the year ended December 31, 2015. As a percentage of revenue, such costs increased from 49.3% in the year ended December 31, 2014 to 50.5% in the year ended December 31, 2015. Although lower volumes raw materials and consumables were purchased, the absolute increase was attributable to an increase in the average purchase price of pulp of €84/t from the year ended December 31, 2014 to in the year ended December 31, 2015.

Labor Costs

Labor costs decreased by €10.0 million, or 4.9%, from €203.4 million in the year ended December 31, 2014 to €193.4 million in the year ended December 31, 2015, and, as a percentage of revenue, they decreased from 13.6% in the year ended December 31, 2014 to 13.0% in the year ended December 31, 2015. The absolute decrease was primarily attributable to a decrease in the average headcount of 287 employees from 3,650 employees in the year ended December 31, 2014 to 3,363 employees in the year ended December 31, 2015.

Other Operating Costs Except Non-Recurring Items

Other operating costs except non-recurring items decreased by €8.9 million, or 2.0%, from €443.6 million in the year ended December 31, 2014 to €434.7 million in the year ended December 31, 2015, and, as a percentage of revenue, they decreased from 29.8% in the year ended December 31, 2014 to 29.2% in the year ended December 31, 2015. The absolute decrease was mainly due to lower energy, packaging materials, variable selling and production consumables costs, partially offset by higher outsourcing, distribution, maintenance and overhead costs.

EBITDA

EBITDA increased by €9.3 million, or 9.3%, from €100.3 million in the year ended December 31, 2014 to €109.6 million in the year ended December 31, 2015. This increase was attributable to lower net energy costs, costs of packaging materials, sales, variable, labor and production consumables, offset by lower sales of paper in volume, higher outsourcing, distribution, maintenance and overheads costs, leading to a lower unit gross margin. EBITDA in the year ended December 31, 2015 was adversely affected by the bankruptcy of three subsidiaries of one of our major customers during 2015, the impact of which management, taking into account the protective measures put in place, estimated at €6.5 million.

Depreciation and Amortization

Depreciation and amortization decreased by €3.1 million, or 5.2%, from €59.4 million in the year ended December 31, 2014 to €56.3 million in the year ended December 31, 2015.

Non-Recurring Items

In the year ended December 31, 2015, we recorded a non-recurring charge of €3.1 million. This was due to a €9.0 million organization efficiency program charge, partially offset by a capital gain of €5.9 million on the sale of tangible assets.

In the year ended December 31, 2014, we recorded a non-recurring charge of €11.5 million attributable to restructuring cash costs of €14.1 million, partially offset by a reversal of tangible assets impairment of €3.9 million.

Finance Costs

Finance costs decreased by €0.5 million, or 0.6%, from €68.3 million in the year ended December 31, 2014 to €67.8 million in the year ended December 31, 2015.

Income Tax

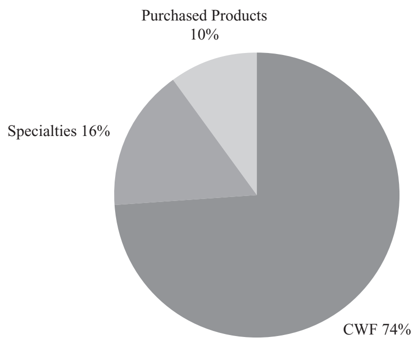
In the year ended December 31, 2015, we recorded an income tax charge of €3.6 million, compared to €27.8 million in the year ended December 31, 2014.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

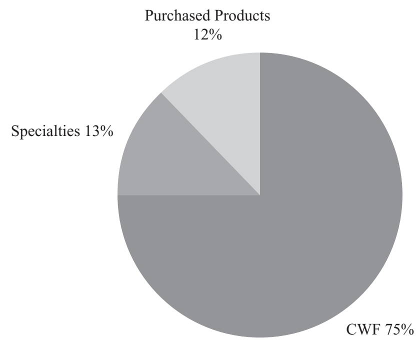
Breakdown of Revenue

The chart below shows the breakdown by product type of consolidated volumes of 1,601.7 and 1,654.9 metric tons of paper sold to third parties for the years ended December 31, 2014 and 2013, respectively, and the breakdown by product type of our revenue of €1,490.8 million and €1,585.0 million for the years ended December 31, 2014 and 2013, respectively. The chart does not take into account the revenue 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 revenue.

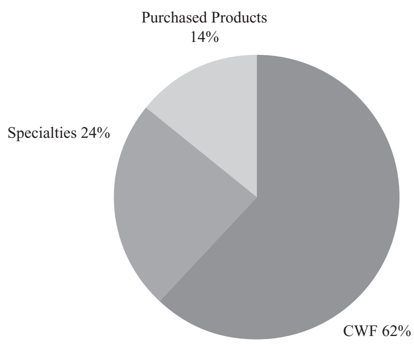
**Year ended December 31, 2014
paper sales by product (volume)**



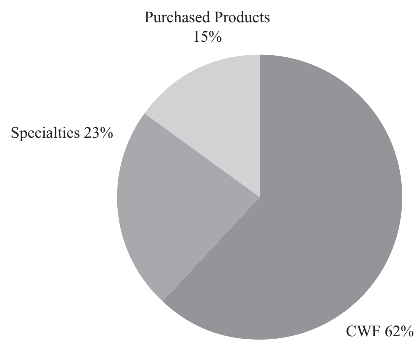
**Year ended December 31, 2013
paper sales by product (volume)**



**Year ended December 31, 2014
revenue by product (value)**



**Year ended December 31, 2013
revenue by product (value)**



The following table sets forth our income statement line items in absolute numbers, as a percentage of revenue for the years ended December 31, 2013 and 2014 and the percentage change period over period:

	Year Ended December 31,					
	2013	%	2014	%	Change	% change
	(in millions of euro, except percentages or unless otherwise indicated)					
Volume of paper sold (in thousands of metric tons)	**1,654.9**		**1,601.7**		**−53.1**	**−3.2%**
Revenue	**1,585.0**	**100.0**	**1,490.8**	**100.0**	**−94.2**	**−5.9%**
Change in inventories of finished goods and work in process	(14.2)	(0.9)	(8.5)	(0.6)	+5.8	−40.5%
Raw materials and consumables used	(780.5)	(49.2)	(735.0)	(49.3)	+45.5	−5.8%
Labor costs	(207.3)	(13.1)	(203.4)	(13.6)	+3.9	−1.9%
Other operating costs except non-recurring items	(492.7)	(31.1)	(443.6)	(29.8)	+49.1	−10.0%
EBITDA	**90.2**	**5.7**	**100.3**	**6.7**	**+10.1**	**+11.2%**
Depreciation	(67.3)	(4.2)	(58.1)	(3.9)	+9.2	−13.6%
Amortization	(2.2)	(0.1)	(1.3)	(0.1)	+0.9	−40.9%
Non-recurring items	(50.4)	(3.2)	(11.5)	(0.8)	+39.0	−77.3%
Profit from operations	**(29.7)**	**(1.9)**	**29.4**	**2.0**	**+59.1**	**−199.1%**
Finance costs	(68.1)	(4.3)	(68.3)	(4.6)	−0.2	+0.3%
Profit before tax	**(97.7)**	**(6.2)**	**(38.8)**	**(2.6)**	**+58.9**	**−60.3%**
Income tax	(15.6)	(1.0)	(27.8)	(1.9)	−12.1	+77.4%
Profit (loss) after tax from continuing operations	**(113.4)**	**(7.1)**	**(66.6)**	**(4.5)**	**+46.8**	**−41.3%**
Profit (loss) after tax from discontinued operations	1.0	0.1	0.0	0.0	−1.0	−100.0%
Profit after tax	**(112.3)**	**(7.1)**	**(66.6)**	**(4.5)**	**+45.7**	**−40.7%**

Revenue

The following table presents our revenue by product line for the years ended December 31, 2013 and 2014:

Products and Services

	Year ended December 31,	
	2013	2014
	(in millions of euro)	
CWF	1,010.4	926.3
Specialties	341.4	367.4
Other activities	233.2	197.2
Total	**1,585.0**	**1,490.8**

For the year ended December 31, 2014, we had revenue of €1,490.8 million, versus €1,585.0 million in the year ended December 31, 2013, a decrease of €94.2 million, or 6%. This decrease was primarily attributable to a decrease of €69.9 million, or 5%, in sales of CWF, Specialties and Trading goods, from €1,465.8 million in the year ended December 31, 2013 to €1,395.9 million in the year ended December 31, 2014. Such decrease resulted from lower sales volumes of 53,149 metric tons, or 3%, from 1,654,886 metric tons in the year ended December 31, 2013 to 1,601,737 metric tons in the year ended December 31, 2014, and a decrease in average net sales price of 14€/t, or 2%, from 886€/t in the year ended December 31, 2013 to 872€/t in the year ended December 31, 2014.

The decrease in product sales described above was also attributable to a decrease in sales of energy of €24.3 million, or 20%, from €119.1 million in the year ended December 31, 2013 to €94.8 million in the year ended December 31, 2014. Such decrease resulted from lower sales volumes of 96,093 MWh, or 8%, from 1,255,445 MWh in the year ended December 31, 2013 to 1,159,352 MWh in the year ended December 31, 2014, combined with lower average net sales price of 13€/MWh, or 14%, from 95€/MWh in the year ended December 31, 2013 to 82€/MWh in the year ended December 31, 2014. Energy sales are allocated between CWF and specialty papers depending on whether the energy was produced at a co-generation facility connected to a mill principally producing CWF or specialty papers.

The following table presents revenue by geographical location from external customers of our products and services for the years ended December 31, 2013 and 2014:

Geographical Location

	Year ended December 31,	
	2013	**2014**
	(in millions of euro)	
Europe	1,325.4	1,258.0
Americas	168.2	150.4
Rest of the world	91.3	82.4
Total	**1,585.0**	**1,490.8**

Raw Materials and Consumables Used

The costs of raw materials and consumables used decreased by €45.5 million, or 6%, from €780.5 million in the year ended December 31, 2013 to €735.0 million in the year ended December 31, 2014. As a percentage of revenue, such costs remained largely stable at 49.2% in the year ended December 31, 2013 and 49.3% in the year ended December 31, 2014. The absolute decrease was attributable to lower purchased volumes, and a decrease in the average consumption price of pulp of 31€/t from the year ended December 31, 2013 to the year ended December 31, 2014.

Labor Costs

Labor costs decreased by €3.9 million, or 2%, from €207.3 million in the year ended December 31, 2013 to €203.4 million in the year ended December 31, 2014, but, as a percentage of revenue, they increased from 13.1% in the year ended December 31, 2013 to 13.6% in the year ended December 31, 2014. The absolute decrease was primarily attributable to a decrease in the average headcount of 281 employees from 3,931 employees in the year December 31, 2013 to 3,650 employees in the year December 31, 2014, partially offset by a one-off reduction for the provision for defined benefit post-employment plans of €9.5 million booked in September 2013, following the termination of the Progil pension regime to active employees and the reduction of the provision for Retirement plan IFC, both in Condat S.A.S.

Other Operating Costs Excluding Non-Recurring Items

Other operating costs except non-recurring items decreased by €49.1 million, or 10%, from €492.7 million in the year ended December 31, 2013 to €443.6 million in the year ended December 31, 2014, and, as a percentage of revenue, they decreased from 31.1% in the year ended December 31, 2013 to 29.8% in the year ended December 31, 2014. The absolute decrease was mainly due to lower costs of energy, packaging materials, outsourcing, distribution, variable selling, maintenance, production consumables and overhead costs in 2014 compared to 2013.

EBITDA

EBITDA increased by €10.1 million, or 11.2%, from €90.2 million in the year ended December 31, 2013 to €100.3 million in the year ended December 31, 2014. This increase was attributable to lower costs of packaging materials, outsourcing, distribution, variable selling, labor, maintenance, production consumables and administration overheads, offset by lower sales of paper in volume and higher net energy costs, in a context of lower unit gross margin. During 2013, we benefitted from a one-off reduction of €9.5 million in labor costs (resulting from the termination of the Progil pension regime to active employees and the reduction of the provision for Retirement plan IFC, both in Condat S.A.S.) in the year ended December 31, 2013.

Depreciation and Amortization

Depreciation and amortization decreased by €10.1 million, or 15%, from €69.5 million in the year ended December 31, 2013 compared to €59.4 million in the year ended December 31, 2014. This decrease was mainly attributable to the closure of Condat S.A.S.'s production line 6 in July 2013 and of the Berrobi / Uranga and Sarrià de Ter plants in 2014.

Non-Recurring Items

In the year ended December 31, 2014, we recorded a non-recurring charge of €11.5 million attributable to restructuring cash costs of €14.1 million, partially offset by a reversal of tangible assets impairment of €3.9 million.

In the year ended December 31, 2013, we recorded non-recurring charge of €50.4 million, related to a tangible assets impairment of €30.0 million, restructuring cash costs of €16.9 million and a €2.5 million capital loss resulting from the sale of Torraspapel Argentina SA.

Finance Costs

Finance costs were relatively stable at €68.1 million in the year ended December 31, 2013 and €68.3 million in the year ended December 31, 2014 but, as a percentage of revenue, they increased from 4.3% in the year ended December 31, 2013 to 4.6% in the year ended December 31, 2014.

Income Tax

In the year ended December 31, 2014, we recorded an income tax charge of €27.8 million, compared to €15.6 million in the year ended December 31, 2013.

Liquidity and Capital Resources

Liquidity

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

Cash Flow

Three Months Ended March 31, 2016 Compared to Three Months Ended March 31, 2015

Our cash flows for the three months ended March 31, 2015 and 2016 were as follows:

	Three Months Ended March 31,		
	2015	**2016**	**Change**
	(in millions of euro)		
Cash flows from (used in) operating activities			
EBITDA	28.5	31.9	+3.4
Inventories	(1.9)	(7.1)	−5.2
Trade receivables	(9.8)	8.1	+17.8
Prepayments	(0.8)	0.3	+1.1
Trade payables	(8.8)	(17.3)	−8.5
Working capital	(21.3)	(16.1)	+5.2
Provisions	(0.0)	0.6	+0.6
Greenhouse gas emission rights	0.0	(2.5)	−2.5
Proceeds (payments) related to non-recurring items	(2.2)	(1.4)	+0.8
Income tax paid	(0.3)	(0.4)	−0.1
Profit (loss) after tax from discontinued operations	0.0	0.0	0.0
Net cash flow (used in)/from operating activities	**4.6**	**12.1**	**+7.4**
Cash flows from (used in) investing activities			
Proceeds from disposal of property, plant and equipment	0.0	0.8	+0.8
Purchase of property, plant and equipment	(18.2)	(11.4)	+6.8
Receipt of grants	(1.5)	(2.2)	−0.6
Purchase of other assets	0.0	0.0	0.0
Proceeds from disposal of other assets	0.0	0.0	0.0
Net cash flow (used in)/from investing activities	**(19.7)**	**(12.7)**	**+7.0**
Cash flows from (used in) financing activities			
Interest paid	(11.0)	(11.2)	−0.1
Issue costs of borrowings	0.0	0.0	0.0
Proceeds from borrowings	13.1	10.0	−3.1
Repayment of borrowings	(10.5)	(10.0)	+0.5
Payments of finance lease liabilities	(0.1)	(0.1)	0.0
Net cash flow (used in)/from financing activities	**(8.5)**	**(11.3)**	**−2.9**
Net increase (decrease) in cash and cash equivalents net of banks overdrafts	(23.5)	(12.0)	+11.5
Net foreign exchange difference	0.1	0.3	+0.2
Cash and cash equivalents net of bank overdrafts at January 1	138.8	132.5	−6.3
Cash and cash equivalents net of bank overdrafts at period end	**115.4**	**120.8**	**+5.4**
Of which cash and cash equivalents	134.0	136.7	+2.6
Of which bank overdrafts	(18.7)	(15.9)	+2.8

During the three months ended March 31, 2016, our cash and cash equivalents decreased by €12.1 million, or 8%, from €148.7 million at January 1, 2016 to €136.7 million at March 31, 2016. Our principal uses of cash during the three months ended March 31, 2016 were purchases of property, plant and equipment of €11.4 million, interest payments of €11.2 million payments related to CO_2 emission rights of €4.2 million and payments related to non-recurring items of €1.4 million.

During the three months ended March 31, 2016, our cash flows from operating activities were €12.1 million, €7.4 million more than our cash flows from operating activities during the three months ended March 31, 2015. Our principal sources and uses of cash in operating activities were:

- EBITDA of €31.9 million;
- a decrease in working capital of €16.1 million, mainly due to increases in inventories (€7.1 million), decrease in trade receivables (€8.1 million), prepayments (€0.3 million) and trade payables (€17.3 million);

- provisions of €0.6 million;
- expected payments related to CO_2 emission rights of €2.5 million;
- payments related to non-recurring items of €1.4 million in relation to organization efficiency program costs; and
- income tax paid of €0.4 million, of which €0.2 million was related to the CICE tax credit in France (a corporate income tax credit for certain labor costs in France) in order to offset the deduction of that same amount from our labor costs for the three months ended March 31, 2016 as the CICE tax credit had not been collected as at 31 March 2016.

During the three months ended March 31, 2016, our cash flows used in investing activities were €12.7 million, €7.0 million less than our cash flows used in investing activities during the three months ended March 31, 2015. Our principal uses of cash for investing activities were:

- purchases of property, plant and equipment of €11.4 million;
- proceeds from disposal of property, plant and equipment of €0.8 million; and
- receipt of grant of €2.2 million in relation to white and green certificates in order to neutralize the profit booked in "Other operating costs except non-recurring items" above EBITDA, as the cash was not collected as at March 31, 2016.

During the three months ended March 31, 2016, our cash flows used in financing activities were €11.3 million, €2.9 million more than our cash flows used in financing activities during the three months ended March 31, 2015. Our principal use of cash in financing were interest payments of €11.2 million.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Our cash flows for the years ended December 31, 2014 and 2015 were as follows:

	Year ended December 31,		
	2014	2015	Change
	(in millions of euro)		
Cash flows from (used in) operating activities			
EBITDA	100.3	109.6	+9.3
Inventories	15.8	(3.4)	−19.2
Trade receivables	3.7	(3.6)	−7.3
Prepayments	0.4	0.3	−0.1
Trade payables	(4.6)	8.6	+13.2
Working capital	15.4	1.9	−13.4
Provisions	(1.0)	0.5	+1.6
Greenhouse gas emission rights	0.8	(1.0)	−1.8
Proceeds (payments) related to non-recurring items	(18.3)	(8.9)	+9.5
Income tax paid	(8.0)	(11.6)	−3.6
Profit (loss) after tax from discontinued operations	0.0	0.0	0.0
Net cash flow (used in)/from operating activities	**89.1**	**90.7**	**+1.5**
Cash flows from (used in) investing activities			
Proceeds from disposal of property, plant and equipment	0.4	12.6	+12.2
Purchase of property, plant and equipment	(55.1)	(44.6)	+10.5
Receipt of grants	7.0	2.4	−4.5
Disposal of subsidiary, net of cash sold	(0.2)	0.0	+0.2
Purchase of other assets	0.0	0.0	0.0
Proceeds from disposal of other assets	0.4	0.1	−0.3
Dividends received from available-for-sale financial investments	0.1	0.0	−0.1
Net cash flow (used in)/from investing activities	**(47.4)**	**(29.6)**	**+17.8**
Cash flows from (used in) financing activities			
Dividends paid to non-controlling interest	(0.9)	0.0	+0.9
Interest paid	(64.0)	(63.7)	+0.4
Issue costs of borrowings	(0.4)	(0.1)	+0.3
Proceeds from borrowings	34.2	84.4	50.2
Repayment of borrowings	(42.0)	(87.3)	+45.3
Payments of finance lease liabilities	(0.8)	(0.6)	+0.2
Net cash flow (used in)/from financing activities	**(73.9)**	**(67.3)**	**+6.6**
Net increase (decrease) in cash and cash equivalents net of banks overdrafts	(32.2)	(6.2)	+26.0
Net foreign exchange difference	0.0	(0.1)	+0.0
Cash and cash equivalents net of bank overdrafts at January 1	171.0	138.8	−32.3
Cash and cash equivalents net of bank overdrafts at period end	**138.8**	**132.5**	**−6.3**
Of which cash and cash equivalents	158.4	148.7	−9.7
Of which bank overdrafts	(19.6)	(16.2)	+3.4

During the year ended December 31, 2015, our cash and cash equivalents decreased by €9.7 million, or 6.1%, from €158.4 million at December 31, 2014 to €148.7 million at December 31, 2015. Our principal uses of cash during the year ended December 31, 2015 were purchases of property, plant and equipment of €44.6 million and interest payments of €63.7 million.

During the year ended December 31, 2015, our cash flows from operating activities were €90.7 million, €1.5 million more than during the year ended December 31, 2014. Our principal sources and uses of cash in operating activities were:

- EBITDA of €109.6 million;

- a decrease in working capital of €1.9 million, mainly due to increases in inventories (€3.4 million), trade receivables (€3.6 million) and trade payables (€8.6 million);
- payments related to CO_2 emission rights of €1.0 million;
- payments related to non-recurring items of €8.9 million in relation to organization efficiency program costs; and
- income tax paid of €11.6 million.

During the year ended December 31, 2015, our cash flows used in investing activities were €29.6 million, €17.8 million less than our cash flows used in investing activities during the year ended December 31, 2014. Our principal use of cash for investing activities was:

- purchases of property, plant and equipment of €44.6 million;
- proceeds from the disposal of property, plant and equipment of €12.6 million in relation to the sale of land at our Sarrià de Ter and Uranga-Berrobi plants; and
- receipt of grants for €2.4 million in relation to white and green certificates, and improvement of machinery.

During the year ended December 31, 2015, our cash flows used in financing activities were €67.3 million, €6.6 million less than our cash flows used in financing activities during the year ended December 31, 2014.

Our principal uses of cash in financing were:

- interest paid of €63.7 million;
- the repayment of borrowings net of proceeds from borrowings of €2.9 million; and
- payment of finance lease liabilities of €0.6 million.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Our cash flows for the years ended December 31, 2013 and 2014 were as follows:

	Year ended December 31,		
	2013	2014	Change
	(in millions of euro)		
EBITDA	90.2	100.3	+10.1
Inventories	6.8	15.8	+9.0
Trade receivables	72.7	3.7	−69.0
Prepayments	1.3	0.4	−1.0
Trade payables	(12.2)	(4.6)	+7.6
Working capital	68.7	15.4	−53.3
Provisions	(12.3)	(1.0)	+11.3
Greenhouse gas emission rights	(0.3)	0.8	+1.2
Proceeds (payments) related to non-recurring items	(9.1)	(18.3)	−9.2
Income tax paid	(1.2)	(8.0)	−6.8
Profit (loss) after tax from discontinued operations	1.0	(0.0)	−1.0
Net cash flow (used in)/from operating activities	**137.0**	**89.1**	**−47.9**
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(43.5)	(55.1)	−11.6
Proceeds from disposal of property, plant and equipment	0.0	0.4	+0.4
Receipt of grants	(5.0)	7.0	+12.0
Disposal of subsidiary, net of cash sold	8.0	(0.2)	−8.3
Purchase of other assets	(0.1)	0.0	+0.1
Proceeds from disposal of other assets	0.5	0.4	−0.1
Dividends received from available-for-sale financial investments	0.2	0.1	0.0
Net cash flow (used in)/from investing activities	**(39.9)**	**(47.4)**	**−7.5**
Cash flows from (used in) financing activities			
Dividends paid to non-controlling interest	(2.6)	(0.9)	+1.8
Interest paid	(64.4)	(64.0)	+0.3
Issue costs of borrowings	(1.1)	(0.4)	+0.7
Proceeds from borrowings	63.8	34.2	−29.6
Repayment of borrowings	(67.7)	(42.0)	+25.7
Payments of finance lease liabilities	(1.1)	(0.8)	+0.3
Net cash flow (used in)/from financing activities	**(73.1)**	**(73.9)**	**−0.8**
Net increase (decrease) in cash and cash equivalents net of banks overdrafts	24.0	(32.2)	−56.2
Net foreign exchange difference	(0.1)	0.0	0.0
Cash and cash equivalents net of bank overdrafts at January 1	147.1	171.0	+23.9
Cash and cash equivalents net of bank overdrafts at period end	**171.0**	**138.8**	**32.3**
Of which cash and cash equivalents	191.9	158.4	−33.5
Of which bank overdrafts	(20.8)	(19.6)	+1.2

During the year ended December 31, 2014, our cash and cash equivalents decreased by €33.5 million, or 17%, from €191.9 million at December 31, 2013 to €158.4 million at December 31, 2014. Our principal uses of cash during the year ended December 31, 2014 were payments related to non-recurring items of €18.3 million, income tax payments of €8.0 million, purchases of property, plant and equipment of €55.1 million, interest payments of €64.0 million and repayment of borrowings net of proceeds from borrowings of €7.8 million.

During the year ended December 31, 2014, our cash flows from operating activities were €89.1 million, €47.9 million less than during the year ended December 31, 2013. Our principal sources and uses of cash in operating activities were:

- EBITDA of €100.3 million;

- a decrease in working capital of €15.4 million mainly due to a decrease in inventories of €15.8 million, in trade receivables of €3.7 million and in prepayments of €0.4 million, partially offset by a reduction in trade payables of €4.6 million;
- payments related to non-recurring items of €18.3 million, primarily relating to organization efficiency program costs; and
- income tax paid of €8.0 million.

During the year ended December 31, 2014, our cash flows used in investing activities were €47.4 million, €7.5 million less than our cash flows used in investing activities during the year ended December 31, 2013. Our principal use of cash in investing was purchases of property, plant and equipment of €55.1 million. It was partly offset by the receipt of grants in an amount of €7.0 million.

During the year ended December 31, 2014, our cash flows used in financing activities were €73.9 million, €0.8 million more than our cash flows used in financing activities during the year ended December 31, 2013. Our principal uses of cash in financing were:

- dividends paid to non-controlling interests of €0.9 million;
- interest paid of €64.0 million;
- the repayment of borrowings net of proceeds from borrowings of €7.8 million; and
- payment of finance leases liabilities of €0.8 million.

Capital Resources

Our total capital resources consist of total equity and non-current interest-bearing borrowings. As of March 31, 2016, total equity amounted to €132.0 million and non-current interest-bearing borrowings as of March 31, 2016 to €608.0 million, compared to €147.7 million and €613.8 million, respectively, as of March 31, 2015. In addition, current interest-bearing borrowings amounted to €20.0 million as of March 31, 2016, compared to €16.8 million as of March 31, 2015.

Capital Expenditures and Investments

In the three months ended March 31, 2016, capital expenditures were €11.5 million, primarily related to major paper machine repairs, cost reduction and productivity improvement, maintenance, information technology, environment and safety, and a decrease in capital payables.

In 2015, capital expenditures were €45.3 million, and included €8.3 million for major paper machine repairs, €10.8 million for cost reduction and productivity improvement, €19.3 million for maintenance, €4.3 million for information technology, €2.9 million for environment and safety, and an increase in capital payables of €0.3 million.

In 2014, capital expenditures were €55.7 million, and included €6.7 million for major paper machine repairs, €34.9 million for cost reduction and productivity improvement, €13.8 million for maintenance, €1.6 million for information technology, €4.2 million for environment and safety, and a decrease in capital payables of €5.6 million.

In 2013, capital expenditures were €44.1 million, and included €16.0 million for cost reduction and productivity improvement, €15.4 million for maintenance, €1.5 million for information technology, €10.0 million for environment and safety, and a decrease in capital payables of €1.3 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 €25 million and €35 million. We will undertake any additional, non-maintenance capital expenditure only where we believe such capital expenditure would be accretive to our EBITDA. For example, we are initiating an upgrade of our IT systems, which we expect to complete over the next three years. We expect to incur capital expenditures of approximately €16 million in respect of this project over such period.

Contractual Obligations

The following table summarizes our contractual obligations and principal payments as of March 31, 2016 on a *pro forma* basis for the Refinancing 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	0.2	0.2	0.0
Notes	600.0	0.0	600.0
Other debt	37.1	3.9	33.1
Debt on assigned receivables	0.1	0.1	0.0
Capital lease obligations	1.3	0.6	0.8
Bank overdrafts	15.9	15.9	0.0
Interest rate hedging	0.1	0.1	0.0
Other IFRS-EU adjustments	(14.5)	(2.4)	(12.2)
Total debt	**640.1**	**18.3**	**621.7**
Operating leases[1]	20.1	5.5	14.6
Total contractual obligations[2]	**660.1**	**23.8**	**636.3**

(1) Our operating leases consist of commercial leases of office buildings, warehouses and small fittings (such as copy machines). We enter into operating leases where we conclude that it is not in our best interests to purchase these assets.

(2) 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 €25.8 million as of March 31, 2016, compared to €26.9 million as of March 31, 2015.

Capital Commitments

As of March 31, 2016, we had firm commitments due to purchase orders of property, plant and equipment net of advances to suppliers of €12.8 million. These commitments consisted of €3.5 million in Italy for the renewal of the press section in paper machine No. 2; €0.4 million in France; and €8.9 million in Spain, mainly in relation to the increase in our specialty papers production capacity and the renewal of the central server.

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, revenue 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 March 31, 2016:

	Value as of March 31, 2016
	(in millions of euro)
Forward agreements on realized sales in foreign currencies	26.4
Forward agreements on realized purchases in foreign currencies	7.9
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 −0.02% to 0.98%), based on actual figures in 2015, would have resulted in an unfavorable impact on profit before tax of approximately €3.2 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 March 31, 2016, we have hedged €300.0 million of our Floating Rate Senior Secured Notes due 2018 using interest rate caps. See Note 16 to our interim condensed consolidated financial statements included in this Offering Memorandum.

Commodity Risk

We currently do not hedge against the fluctuations of raw material and energy prices. 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."

CO_2 Emission Rights Risk

Our CO_2 emissions exceed the amount of CO_2 emission rights granted for free. We cover this deficit with the stock of emission rights available at the end of the prior period and with the purchase of emission rights from third parties. The price of CO_2 emission rights is subject to market fluctuations, and we currently do not hold any derivatives to hedge against fluctuations in the purchase price of emission rights. As of December 31, 2015, we estimate that a price increase of €1 per ton of CO_2 emission rights would unfavorably affect our EBITDA by €0.4 million.

Customer Credit Risk

We monitor the risk that we will not be able to collect our trade receivables and purchase credit insurance with respect to a large part of our trade receivables.

	Year ended December 31,	
	2014	2015
	(in millions of euro)	
Gross amount of trade receivables	266.5	272.8
Impairment	(21.4)	(23.8)
Trade receivables as per balance sheet	245.0	249.0
Of which not past due	229.0	223.8
Of which past due	16.1	25.2
Covered by credit insurance	12.0	21.1
Recoverable VAT	0.9	0.7
Eligible to credit risk	**3.3**	**3.4**
Less than a month past due	2.4	2.9
More than a month but less than three months past due	0.7	0.5
More than three months but less than a year past due	0.1	0.0
More than a year past due	0.0	0.0

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 and specialty papers (on which we have a growing focus). 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.

Specialty Papers

Specialty paper markets are typically characterized by value added products and high margins. These markets are served by a relatively small number of competitors, who compete on the basis of brand, quality and service.

The specialty papers business encompasses a wide range of products aimed at more diverse markets and smaller volume applications than CWF. The following is an overview of the principal types of specialty papers that we produce:

Self-Adhesive. Self-adhesive paper has a self-adhesive coating on one side and a surface suitable for printing on the other. Self-adhesive paper is used primarily for printing labels for a broad range of resilient, consumer facing end-uses, including food, beverage, pharmaceuticals and cosmetics.

Increased use of labels is being driven by new consumption habits and regulatory changes such as food safety and legislation requiring larger labels and relabeling of existing products, the rise of pre-cooked and pre-labelled meals at supermarkets, and the increase of variable information labels driven by Internet purchases. According to FINAT, demand for self-adhesive paper in Europe grew at a CAGR of 3.3% from 2010 to 2015. According to Alexander Watson Associates (AWA), the CAGR 2014-2019 in Europe of the pressure-sensitive label market is estimated to be around 2.6%.

The European self-adhesive paper market is relatively consolidated, with a small number of competitors representing a significant portion of production capacity. We estimate that, in 2015, the top five European producers of self-adhesive paper accounted for approximately 79% of European self-adhesive paper production capacity, with Lecta having the sixth largest capacity.

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.

Demand for metalized paper is strongly linked to beer and tobacco demand. While tobacco consumption is decreasing in developed countries, opportunities exist in developing countries as well as in the substitution of aluminum foil. Expectations are positive for continued growth in beer demand, with metalized paper being used to differentiate premium and super premium brands from mainstream brands. In addition, the share of metalized papers in flexible and FMCG packaging is currently limited and is an opportunity for growth.

We estimate that, in 2015, the top five European producers of metalized paper accounted for approximately 76% of European metalized paper production, with Lecta having the third largest capacity.

1-side coated. 1-side coated is a wood free or recycled content paper with a pigmented coating on one side, designed primarily for conventional printing or digital printing where the paper typically takes no role in image formation.

The largest end-use application for 1-side coated in Europe is flexible packaging (in the form of bags, pouches, sachets and specialty envelopes) accounting for approximately 34% of demand in 2014, according to AWA. Flexible packaging demand is expected to continue to grow, driven by changing life styles with a focus on speed and convenience which means more ready-made and pre-prepared food.

Relative to other specialty paper products, the production of 1-side coated in Europe is a more fragmented market. We estimate that the top five European producers of 1-side coated account for approximately 51% of European 1-side coated production capacity, with Lecta having the fourth largest capacity.

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.).

The evolution of thermal paper demand has historically been positive, driven both by (i) economic growth, which affects the level of use and activity in existing printing applications, and (ii) identification of new applications for the unique benefits of thermal technology. According to the European Thermal Paper Association statistics, the deliveries of thermal paper grew in Europe at a CAGR of approximately 3% from 2010 through 2015.

We estimate that, in 2015, the top five European producers of thermal paper accounted for approximately 89% of European thermal paper production capacity, with Lecta having the fifth largest capacity.

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.

Demand for carbonless paper continues to be challenged by the ongoing shift from paper to digital forms. Laves Chemie estimate that European demand for carbonless paper declined by a CAGR of approximately 9% between 2012 and 2014, while global demand fell by a CAGR of approximately 2% over the same period.

We estimate that, in 2015, the top five European producers of carbonless paper accounted for approximately 93% of European carbonless paper production capacity, with Lecta having the second largest capacity.

Cast-coated. Cast-coated paper is high gloss paper typically used for prestige wet-glue labels, self-adhesive labels and wet-strength self-adhesive labels or prestige packaging.

We estimate that, in 2015, the top five European producers of cast-coated paper accounted for over 95% of European cast-coated paper production capacity, with Lecta having the fourth largest capacity.

UWF. UWF paper is a wood free fine paper manufactured with chemical pulp, with good strength, high brightness and is not coated. It provides a non-glare surface suitable for reading and writing, and therefore used for digital printing such as with high speed ink jet. The largest end-use applications are printing books, teaching materials, magazines, notebooks and color pictures. According to EMGE, due to the digital trend and the fact that the UWF paper market is relatively mature, demand is expected to decrease progressively. The European industry is atomized and experienced overcapacity. In recent years, there has been a considerable reduction in production capacity and therefore we believe the market is better balanced. According to Euro-Graph, European deliveries have been relatively stable in recent years: in 2015, European deliveries amounted to €6.2 million metric tons, compared to 6.3 million metric tons in 2014 and 6.1 million metric tons in 2014.

CWF

CWF is made from chemical pulp and is coated on 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 are a function of its weight and surface properties. Wood fiber comprises about 60% of each sheet of CWF 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.

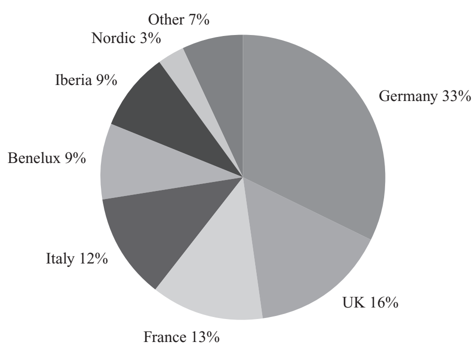
CWF is generally used for commercial printing, magazines, brochures, annual reports, advertising materials, direct mail, inserts, flyers, supplements and art books because of its strength, printability and brightness. Because CWF is used where high reprographic quality is required, it typically serves higher-end uses and therefore commands a higher price compared to other types of non-specialty paper. In addition, since the manufacture of CWF requires a complex and demanding production process, its pricing has been less volatile relative to lower-quality paper grades.

CWF is the highest value-added, mass-produced product in the paper industry. In 2015, approximately 7.2 million metric tons of CWF was manufactured in Western Europe, and approximately 23.9 million metric tons were produced worldwide. Traditionally European producers have exported significant volumes of CWF, primarily to North America. In 2015, CWF exports from Western Europe amounted to approximately 1.4 million metric tons.

In 2015, Western European CWF demand declined by 3% to 4.8 million metric tons according to EMGE, while Western European CWF deliveries (demand plus net exports) fell by 2% to 6.6 million metric tons. Germany, the UK, France, Italy and Spain are the main markets, accounting for 70% of demand in Europe. We estimate that the global demand for CWF was approximately 23.9 million metric tons in 2015.

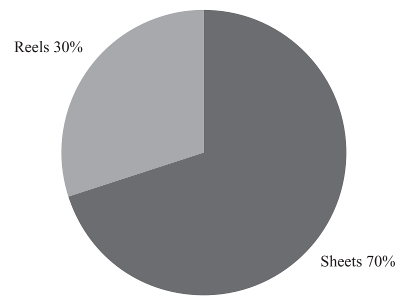
The majority of demand for CWF in Europe is for more value added products, specifically paper that has been converted to sheets. As a result, most paper produced by paper mills needs to be converted to sheets, and in general this conversion takes place following specific customer orders. EMGE estimate that demand for sheets in 2015 represents 70% of Western European CWF demand. In 2015, sheets represented approximately 75% of our CWF production.

Western European CWF demand by country (in 2015 volume)



Source: EMGE

Western European CWF demand: sheets vs reels (in 2015 volume)



Source: Company information

In common with other grades of graphic papers, European CWF producers have reduced production capacity via plant shutdowns or conversions over the past decade. In 2014 and 2015, further plant closures and restructurings were announced by European paper producers. Scheufelen, one of our competitors, announced the closure of one of its two production lines at its Oberlenningen mill in Germany in December 2014, reducing CWF production capacity by 160,000 metric tons per year. Sappi, another one of our competitors, announced the closure of its Nijmegen mill in the Netherlands in January 2015, reducing CWF production capacity by 240,000 metric tons per year. Arjowiggins, another of our competitors, announced the closure of its Wizernes mill in France in June 2015, reducing CWF production capacity by 140,000 metric tons per year. These closures, totaling approximately 540,000 metric tons per year of capacity in aggregate, represent approximately 7% of the total Western European CWF production capacity in 2014. In addition, there have been a number of announcements of progressive capacity reductions, such as those in Metsa Husum (Sweden).

Capacity reductions have improved the supply/demand balance within the European CWF market, with operating rates in European CWF mills of 94% in 2015 according to EMGE. The market is expected to remain tightly balanced in the short term as a consequence of the recent closures outlined above, with operating rates expected to remain above 90% according to EMGE.

We estimate that five producers of CWF (Sappi (24%), UPM (18%), Lecta (17%), Stora Enso (16%) and Burgo (12%)) currently account for approximately 87% of the European CWF 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, or converting capacity towards specialty production to better reflect market demand dynamics.

Prior to 2011, rapid economic growth and government incentives spurred investment in the pulp and paper industry in China, driving a considerable increase in Chinese paper and board as well as CWF production capacity. This allowed China to change from a net importer to a net exporter of

CWF, exporting mainly to Asian markets and to the United States, but also to some extent Europe. In 2011, both the United States and the European Union imposed import duties and tariffs on certain coated paper products. As a result of these duties and tariffs, imports of CWF into North America and Europe from Asia, particularly China, declined. In the case of Europe, anti-subsidy duties as high as 12% and anti-dumping duties of up to 35.1% were imposed on Chinese CWF imports such duties were to expire in May 2016. On February 12, 2016, however, five EU CWF producers, including Lecta, filed a request with the European Commission for review of these duties. On May 13, 2016, the European Commission issued a notice of initiation of an expiry review. The anti-subsidy duties and the anti-dumping duties will continue to apply pending the outcome of the review, which is expected to be completed within 15 months of the publication of the notice. The anti-dumping duties for imports into North America were due to expire in October 2015 but have remained in place while under review by the U.S. International Trade Commission. A determination by the U.S. International Trade Commission that injury is unlikely to occur to U.S. producers and workers as a result of coated paper imports into the United States from China and Indonesia could lead to the existing duties being revoked by the U.S. Department of Commerce with retroactive effect to October 2015. In January 2016, the U.S. International Trade Commission voted to conduct a full review in light of the interest shown by local U.S. industry. A determination is not expected until late 2016.

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, 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 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. 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.

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.

In the past few years, CWF prices in Western Europe have remained relatively stable, while pulp prices, as measured by the price of bleached kraft pulp, were also largely stable during 2012 to 2014, contributing to a steady spread over this period. In 2015, pulp prices increased, causing a tightening of the spread between the two.

Late 2015 and early 2016 were characterized by falling oil prices which resulted in a decrease in costs for oil-based raw materials, as well as energy. These lower energy prices, combined with ongoing pulp capacity increases, particularly in Latin America, are expected to exert downward pressure on pulp prices in the near to mid-term.

China is expected to face several years of transitional challenges and the outlook for 2016 and 2017 is a gentle decline in demand for paper in general. China's imports of raw materials are also on a downward trend, contributing to the fall in oil and commodity prices as well.

Distribution

CWF 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 assume credit risks associated with sales. As CWF is extensively used by small businesses, commercial printers and offices, paper distributors are a particularly important sales channel for CWF.

In 2015, we made 61% of our sales (by value) direct to end users.

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, like Lecta, 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 through maritime or river transport. 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 competitors are other large paper producers in Europe, including Burgo Group, Sappi, Stora Enso and UPM-Kymmene.

BUSINESS

Our Company

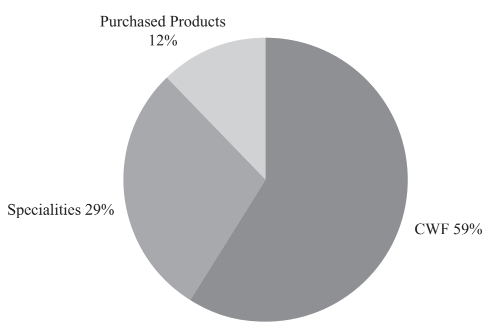
We are one of the leading European manufacturers and distributors of specialty papers for labels and flexible packaging, premium coated paper for wide format advertising, high quality publishing and commercial printing, along with other high value-added paper products. We have an annual production capacity of 258,000 metric tons of labels and flexible packaging and 231,000 metric tons of UWF and base paper. We are also the largest CWF manufacturer in Southern Europe, with an annual production capacity of 1,135,000 metric tons in 2015. We own and operate a 234,000 metric ton pulp mill in Spain, which provides approximately 30% of our overall pulp requirements. We have ten paper machines in seven mills located at various sites in Italy, France and Spain. In the twelve months ended March 31, 2016, our mills produced an aggregate of 298,000 metric tons of specialty papers and UWF and 1,142,000 metric tons of CWF.

In addition, we operate a substantial paper distribution business that we have built organically and through the acquisitions of Malmenayde in France in 2008 and Polyedra in Italy in 2012. In the twelve months ended March 31, 2016, we distributed 535,000 metric tons of paper, of which 134,000 metric tons were produced by third parties. We plan to expand our distribution business with selected and opportunistic bolt-on acquisitions to expand our presence in other countries.

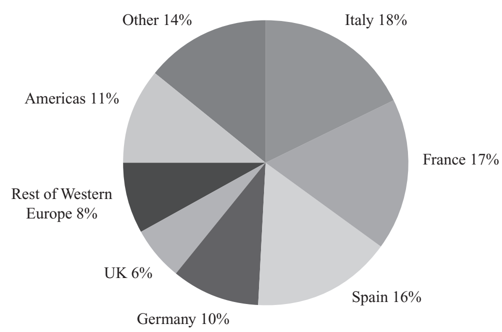
For CWF, we rank first in terms of market share in France and Spain, and second in Italy, the principal markets for our products, which accounted for 17%, 13% and 16%, respectively, of our paper deliveries by volume in 2015. We also market our CWF elsewhere in Europe, including Germany (13%), the United Kingdom (8%) and other Western European countries (9%), Eastern Europe (4%), and, to a lesser extent, outside of Europe. Our mills are located in close proximity to the key commercial markets in Western Europe. These markets account for approximately 70% of demand for CWF in Europe and approximately 75% of our total sales in 2015.

During the twelve months ended March 31, 2016, our revenue (consisting of sales of paper and energy) were €1,474.3 million. During the same period we had Adjusted EBITDA of €119.6 million and an Adjusted EBITDA margin of 8.1%.

Twelve months ended March 31, 2016 revenue by product (value)



Twelve months ended March 31, 2016 paper sales by country (volume)(1)



(1) Based on actual paper volume shipped.

Source: Company information

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.

We have a high-quality asset base, which achieves superior operating performance. Between 1999 and 2015, we invested approximately €1.0 billion 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 production activities and reduction in greenhouse-gas emissions, and currently benefit from six co-generation plants with total installed capacity of 271 MW.

Our Strengths

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

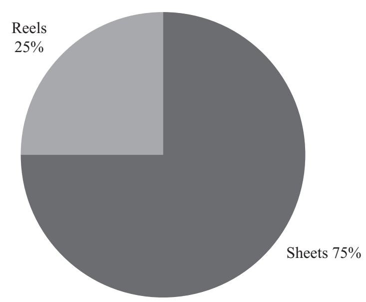
Focus on Specialties and Other Higher Margin Products with Growing Demand. We are successfully shifting our product mix, thanks to the significant investments we have made towards increasing capacity in higher margin products, such as value added specialty papers as well as sheeted CWF and CWF in premium grades and heavier weights, and are focusing our marketing and distribution efforts on customers who require these products.

In specialty papers, the focus of our investments has been on shifting our product mix toward self-adhesive (e.g., labels and flexible packaging), metalized (e.g., labels for beer and spirit bottles), 1-side coated (e.g., premium shopping bags) and thermal (e.g., point-of-sale receipts) papers, all of which have been experiencing, and which we expect will continue to experience, growing demand due to the diversified range of day-to-day commercial applications of these papers. We have been successful in growing our sales in these key focus products at above market rates in 2015. We are particularly focused on wet-strength labels, top-coated thermal labels, betting applications and travel and admissions tickets. In addition, we have significant experience in homologation of new self-adhesive, metalized and 1-side coated products. Our know-how of coating technologies and base papers production position us well to develop new products for labelling and flexible packaging and provide a strong platform for expanding our product offerings into new industries. Our close proximity to European commercial printing markets, labels and flexible packaging customers and dedication to customer service enable us to shift our product mix in response to growth trends.

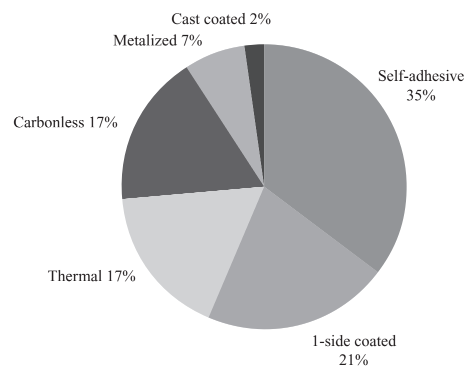
From 2013 through 2015, we increased our deliveries of self-adhesive, metalized, 1-side coated and thermal papers by 27%.

We believe that our CWF product mix is more heavily weighted towards higher margin sheets as compared to our competitors. The charts below show our focus on sheeted paper versus reels and the breakdown of our specialty paper production.

CWF sheets vs. reels 2015 sales breakdown (volume)



Specialty sales breakdown 2015 (volume)



We are pursuing increased sales to our existing customers as well as to new customers, in particular printers, publishers and paper distributors. We seek to drive product performance improvements in the CWF segment by developing new products that meet the needs of our customers.

Strong Market Positions in the Markets in which We Operate. We are the market leader for CWF in our target markets in Spain, France and Portugal, number two in Italy, and enjoy strong positions in some of the key markets for CWF outside Southern Europe, including Germany and the United

Kingdom. The following table sets forth our market share, based on volume shipped, in our principal markets for CWF in 2015, and demonstrates our leadership positions in these principal markets.

	% of CWF volume shipped	Market share
Country		
France	17%	31%
Italy	16%	34%
Spain	13%	41%
Germany	13%	10%
United Kingdom	8%	13%
Portugal	2%	53%
Other Western Europe	7%	9%
Total Western Europe	**75%**	**18%**
Eastern Europe	4%	7%
Total Europe	**79%**	**17%**

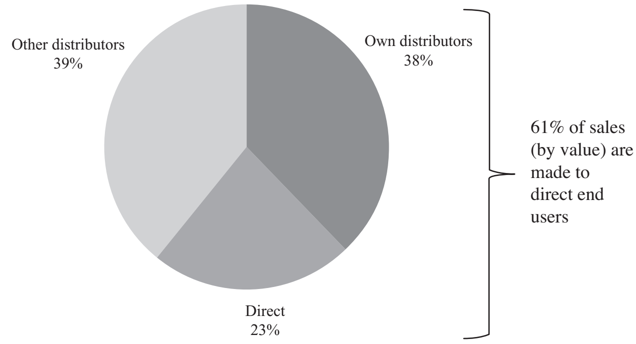
Source: Euro-Graph, Company information

The majority of our products are sold under the Lecta trademark and their own local product brand names (Creator, Garda Cartiere and Condat), which we believe have strong 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.

Customer Connectivity via Our Owned Distribution Platform. In addition to our production activities, we operate a paper distribution business serving over 20,000 customers, distributing both our own CWF and specialty papers and those produced by third parties. 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 logistics costs in 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 distribution group is a leader in Southern Europe, with the leading distribution market position in Spain and the second highest positions in France, Italy and Portugal. Overall, we believe we are the sixth largest European paper distribution group with sales volume of 535,000 metric tons for the twelve months ended March 31, 2016, including 134,000 metric tons of third party products. We currently sell our products through our distribution business in France, Italy Spain and Portugal. 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. In addition, our distribution business decreases concentration risk, with our top 10 customers in 2015 representing approximately 20% of our revenue. Our distribution business also enables us to reduce delivery time and increase our flexibility in adapting to customer needs. Our distribution 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.

2015 sales by channel (value)



Optimal Location of Mills, Proximity to Customers and Flexibility and Variety in Production. Our CWF and specialty paper mills are located in close proximity to our key commercial markets in Europe (France, Italy, Spain, Germany, the UK and Portugal) as well as our key customers. These CWF markets accounted for approximately 71% of demand in Europe and accounted for approximately 68% of our total deliveries in volume in 2015. We delivered approximately 67% of our specialty papers in Europe in 2015. The strategic location of our mills allows us to keep logistics costs down, which generally account for a substantial portion of delivered costs in our industry. Our main CWF competitors in Europe with mills in Nordic countries are located much further away from our customers and therefore incur higher logistics 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 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 cost advantage over most of our competitors.

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

Owned Energy Assets Providing Supply Security. We own and operate five co-generation plants and benefit from a sixth plant at Condat, with a total installed capacity of 271MW. We generate more electricity than we consume through our co-generation plants that produce electrical and thermal energy fueled by natural gas or biomass, thereby helping to reduce greenhouse-gas emissions and raising energy efficiency.

Supply Chain Integration. Our integration in each stage of production provides us with full visibility of the entirety of our supply chain. Our ability to source approximately 30% of our own pulp and source approximately 76% of our base paper from our mills reduces earnings volatility and increases our manufacturing flexibility with respect to CWF and specialty papers. We are able to leverage our increasing base paper integration to generate higher profit margins.

As a result of such supply chain integration, 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 with full control of the production chain and thereby add value to each stage. We are integrated upstream in energy and pulp production (partially), as well as downstream via our distribution business. We believe this provides us with a marked competitive advantage over other industry participants.

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 2015, totaling approximately €1.0 billion 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. We intend to continue increasing our capacity production in specialty papers. We reduced overall labor costs by 7% between 2013 and 2015, primarily as a result of an overall reduction in headcount by approximately 14%. Our CWF machines are, we believe, among the most efficient in Europe and such efficiency, combined with low logistics and converting costs, provides us with a cost advantage in our key markets.

Our concerted effort to produce at low-cost is underpinned by the many cost-reduction initiatives we have successfully implemented since 2013. We harmonized the bonus scheme across the Group. At our Italian mill, we converted part of the fixed labor costs into a variable cost linked to the performance of the company. Our Italian and French distribution businesses have been restructured to outsource the transportation activity and centralize management and administrative activities. Similarly, in Spain, we have centralized the Group's financial activities and outsourced non-core activities at one of our mills. We have also embarked on a continuing plan to renegotiate labor agreements with unions to align incentives towards improved company performance.

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, management, finance 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 continue to grow in specialty papers, increase our offering of higher margin products, build on our position as the leading CWF producer in Southern Europe, improve EBITDA and cash flow and increase the company value. The key elements of our strategy are as follows:

Continue to Increase Production of Specialties and Other Higher Margin Products with Growing Demand. We intend to continue focusing on increasing the production of specialty paper products and distribution of higher grade, heavier weight and sheeted CWF products, which generate higher margins. In addition, we intend to continue focusing on increasing the share of certain specialty paper products in our product mix, notably self-adhesive, metalized, 1-side coated and thermal papers, which have all experienced, and we expect will continue to experience, growing demand, and which we have been successful in growing our sales at above market rates in 2015. Our know-how of coating technologies and base papers production positions us well to develop new products for labelling and flexible packaging, in order to best exploit new market opportunities.

Maintain Low-Cost Production and Achieve Further Operating Efficiencies. We believe we are a low-cost producer of CWF largely due to our past capital investment projects and capacity rationalization, which have improved the efficiency of our machines. From 2013 through 2015, we and the other European CWF producers experienced an improvement in operating ratio (ratio of CWF deliveries over CWF production capacity) from 86% in 2013 to 94% in 2015. 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 six co-generation plants with a total installed capacity of 271MW, contributing to reducing our energy costs through the sale of excess electricity.

Focus on Our Customers. We continue to focus on our core target markets of France, Italy, Spain, Germany, the UK and Portugal where we enjoy brand awareness and cost advantage over our competitors. 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, and we will continue to carefully evaluate acquisitions opportunities in the distribution area that may arise from time to time.

Disciplined Investment in Key Focus Areas. We intend to continue to evaluate opportunities to optimize our asset base, with a focus on existing areas with strong potential growth, including value added specialties as well as sheeted CWF and CWF in higher grades and heavier weights. As we have done in the past, we will continue to seek out opportunities to make disciplined investment in organic growth areas, such as machinery and marketing campaigns, which we expect to result in improved margins and returns. In addition, we are initiating an upgrade of our IT systems, which we expect to complete over the next three years.

Continue to Respect the Environment. We intend to continue focusing on the sustainability of our production and comply with the highest environmental standards. We have improved and will seek to continue improving our environmental performance by reducing our CO_2 emissions, water use, energy consumption and sludge sent to disposal sites. We believe that our products and practices comply with the highest social and environmental standards in the market and all our mills have met the strictest audit standards, and carry ISO 14001 and EMAS Environmental Management certifications and ISO 50001 energy management certification guaranteeing transparent and responsible environmental performance. All of our wood and pulp purchases are sourced from sustainably-managed forests and certified under the PEFC (Programme for the Endorsement of Forest Certification) and FSC (Forest Stewardship Council) chain of custody standards. We also intend to continue publishing environmental reports and providing information on the sources of raw materials used in our products.

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 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 manufacturing group and adding value by realizing synergies and growing the three businesses as a group.

In July 2012, we acquired Polyedra, the second largest paper distributor in Italy.

In September 2012, Condat Holding SAS acquired the remaining interest in Nord Papier SA to fully own Nord Papier SA. Nord Papier SA merged with Torraspapel Malmenayde SAS in June 2015.

In December 2013, Torraspapel S.A. and Sarriopapel y Celulosa SA sold 100% of their participation in the Argentinean paper distributor Torraspapel Argentina SA.

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.

In February 2016, we started implementing a new organizational structure with the creation of three business units: Specialty Papers, Distribution and Fine Paper. This new organizational approach is part of a broader project for change across the Group that includes streamlining processes, upgrading IT systems, optimizing functions and overall cultural transformation.

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 and specialty papers (on which we have a growing focus).

Specialty papers are made from both chemical and mechanical pulp and like CWF 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 self-adhesive, metalized, 1-side coated, thermal, carbonless cast-coated and uncoated papers. We are successfully shifting our product mix toward 1-side coated, thermal, metalized and self-adhesive papers, which have healthy and stable markets.

CWF is made from chemical pulp and is coated on both sides with minerals and chemicals to increase the brightness and smoothness of the paper, allowing for higher-quality printing. CWF is generally used for commercial printing, magazines, brochures, annual reports, advertising materials and art books because of its strength, printability and brightness. Because CWF 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 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 premium-grade, heavier weight and sheeted CWF products, which generate higher margins.

In addition, we engage in other activities consisting of the resale of purchased products, which amounted to 133,646 metric tons in the twelve months ended March 31, 2016 and the sale of energy, which amounted to 1,100,887 MWh in the twelve months ended March 31, 2016.

Customers

We have a diversified customer base. Our customers for CWF 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 specialty papers and CWF sales in Europe are conducted through distributors. Accordingly, we believe that maintaining and further developing our relationships with distributors is an important strategic objective. We may also seek opportunities to further develop our own distribution, beyond our current distribution business.

We sell our products to a large number of customers, over 20,000 in 2015, and we benefit from numerous long-standing relationships with many of our most significant customers. In the year ended December 31, 2015, our top 10 customers represented approximately 20% of our revenue.

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, the United States, Canada and Mexico.

We tailor our sales and marketing activities to serve different categories of customers. We sell our products primarily through our distribution business, directly to printers and publishers and to distributors.

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 warehouses in Spain, Portugal, France and Italy to service our customers in these countries. 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 seven factories and ten paper machines that comprise our specialty paper and CWF manufacturing operations. We manufacture or convert specialty papers at four factories in Spain and we manufacture CWF at five factories located in Italy, France and Spain on seven CWF machines and a variety of converting, coating and finishing machines. We believe that our manufacturing facilities are in excellent operating condition and are suited for the purposes for which they are being used.

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 logistics 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 purchased only one second hand machine since 1997, installed in Zaragoza in 2014 with a production capacity of 141,000 metric tons of base paper and UWF. Furthermore, we have invested significant amounts to upgrade our 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 products. All of our CWF machines are of medium-width, between three and five meters wide. Our CWF 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 specialty papers and CWF in Europe is for sheeted paper, we convert approximately 75% 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)
Italy			
Riva del Garda	Production of CWF	360	49
France			
Le Lardin Saint Lazare	Production of CWF	450	99(1)
Spain			
Almazán	Conversion of base paper to self-adhesive paper	88	0
Leitza	Conversion of base paper to carbonless, metalized, thermal and cast-coated papers	118	7
Motril	Production of CWF	210	48
St. Joan les Fonts	Production of CWF and base paper	141	25
Zaragoza	Production of CWF, base paper, and pulp	483	43

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

Italy

We acquired Garda, a paper-manufacturing business established in 1956, from Bertelsmann in October 1997. Today, Garda operates the largest single paper production site in Italy and has an annual CWF production capacity of 360,000 metric tons.

We replaced the co-generation facility we previously operated in Riva del Garda with a plant that we constructed, together with Alto Garda Servizi Teleriscaldamento S.p.A., the city-owned utility company. The facility was completed in December 2008. It produces both steam and electricity for the mill, and sells hot water to the local municipality. In 2015 we substituted the gas turbine with a new, upgraded model with higher energy efficiency and environmental performance. 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. In July 2013, we closed Condat's production line number 6 (which had a CWF production capacity of 130,000 metric tons). Today, Condat has an annual CWF production capacity of 450,000 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 January 2014, we closed the Berrobi/Uranga paper mill in Spain (which had a base paper production capacity of 27,000 metric tons).

In October and December 2014, we closed the Sarrià de Ter plant (which had a base paper and UWF production capacity of 65,000 metric tons) and the Cogeneración del Ter SL plant (which had a production capacity of 25MW) in Spain.

In February 2015, as part of our organization efficiency program we decided to outsource the non-core activities of the Sant Joan mill.

Torraspapel has an annual CWF production capacity of 325,000 metric tons, a specialty paper production capacity of 258,000 metric tons, an UWF and base paper production capacity of 231,000 metric tons and a pulp production capacity of 234,000 metric tons.

Our Pulp Mill. Pulp is the primary raw material used in the production of our specialty papers and CWF. 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 making operations. The pulp mill produces 30% of the chemical pulp we need to make our CWF and specialty papers across all of our mills. The pulp mill has an annual production capacity of 234,000 metric tons.

Paper Distribution

We act as a paper distributor in Spain, Portugal, France and Italy. In the twelve months ended March 31, 2016, our paper distribution business sold 535,000 metric tons of specialty papers and CWF. 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 to a large number of small-to-medium-sized printers, publishers and communication agencies. 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 in each of Spain, France, Italy and Portugal. We also operate an online platform with over 10,000 registered customers. 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, base paper, 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, 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 234,000 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 and specialties 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 21% of our revenue in the twelve months ended March 31, 2016. 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, and 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 twelve months ended March 31, 2016, the purchase of minerals and chemicals represented approximately 14% of our revenue. 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. 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, although latex used in paper production is a concentrated industry, 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 twelve months ended March 31, 2016, energy costs were equivalent to approximately 11% of our revenue. Our energy policy is to secure supplies of gas, steam and electricity that are reliable, cost-effective and environmentally responsible.

All of our mills have energy management systems in place that are presently certified to the 50001 Standard of the International Organization for standardization guaranteeing efficient and responsible energy performance.

We operate co-generation energy plants at six of our 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 energy requirements from its own co-generation plant. In 2007, we invested in a 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 four co-generation plants at Leitza, Motril, Zaragoza and Sant Joan that collectively produce enough steam to meet those mills' annual needs. These plants sell all of the electricity they produce, which more than compensates for the electricity purchased by the Torraspapel mills.

In France, since the end of the mandatory purchase regime in March 2013, Condat's steam needs are produced from traditional boilers.

In Italy, we replaced the co-generation facility we previously operated in Riva del Garda with a plant that we constructed, together with Alto Garda Servizi, the city-owned utility company. The facility was completed in December 2008. It produces both steam and electricity for the mill, and sells hot water to the local municipality. In 2015 we substituted the gas turbine with a new, upgraded model with higher energy efficiency and environmental performance. Garda has 80% ownership of the plant, with Alto Garda Servizi Teleriscaldamento S.p.A. owning the remaining 20%.

In Spain, we closed the Cogeneración del Ter SL plant (which had a power of 25MW) in December 2014.

We meet our gas requirements mostly through contracts with local gas suppliers. Gas prices in Southern Europe are regulated and historically we have rarely hedged our gas costs. We may enter into arrangements in order to hedge the margin between gas purchase prices and electricity sale prices. 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 electricity and steam, 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 4% of our revenue in the twelve months ended March 31, 2016. We purchase the majority of our wood 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.

We continue to reduce our use of fresh water per metric ton of paper produced and to increasingly rely on water we recycle internally. To improve the quality of the water we discharge into the environment, we have equipped our mills with water treatment plants to remove suspended solids 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

Historically, we have not experienced seasonality in any material way. However, certain of our specialty products, such as metalized labels, exhibit a degree of seasonality. If we are successful in increasing the contribution of our specialty products to our consolidated results, we may begin to experience seasonality on a consolidated basis.

Intellectual Property and Research and Development

We seek to protect our intellectual property rights. We own the registered trademarks for our products and brands. 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, 2015, we spent €2.5 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 operations and that is comparable to the insurance coverage maintained by other companies operating in the paper manufacturing industry. We currently carry property damage, business interruption, 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 replacement value. We 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, 2015, the total amount we paid for insurance premiums in relation to Group policies was €10.3 million.

We believe that prevention, protection and employee training are key means of defending against loss from workplace incidents. In 2015, we spent €0.5 million on various loss prevention initiatives. We also have a project which aims to extend Highly Protected Risk standard certification to all of our main mills, which may result in lower insurance premiums.

Employees

As of March 31, 2016, we had a total of 3,315 employees as computed on a full-time equivalent basis. We reduced overall labor costs by 7% between 2013 and 2015, primarily as a result of an overall reduction in headcount by approximately 14%. 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 2015, we spent €2.9 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, now replaced by the Industrial Emissions (Directive 2010/75/EU) (the "IED"), the Emissions Trading Scheme and laws related to the Environmental Liability Directive.

IPPC and IED

The IPPC Directive (96/61/EC, 2008/1/EC), issued in 1996, required each Member State to unify its environmental licensing regime relating to emissions of air, soil and water. The IPPC Directive contained several key policies, including the requirement that all emission and pollution control measures be based on the best available techniques. The IPPC Directive was recast, along with six other directives, in the IED, which in turn, has been implemented in the environmental permitting legislation in France, Italy and Spain. All of our facilities have been licensed under the IPPC, now IED, licensing regime.

The IED (Directive 2010/75/EU) regulates air emissions and water discharges and defines permit requirements and best available techniques ("BAT") for pollution control. A BAT reference document for our industry was published in 2014.

Emissions Trading

The Emissions Trading System (Directive 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 limited 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."

We are required to purchase the vast majority of allowances to account for emissions at our mills, which allowances are sold at auctions. 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. We expect the requirements of the Emissions Trading System to become increasingly more stringent and therefore expect to incur additional capital expenditures or other measures (such as purchasing allowances) to comply with existing or anticipated greenhouse gas emissions limits.

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.

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. See "Risk Factors—Risks Related to Our Business—We may face high costs for compliance with environmental, health and safety laws and regulations, which would reduce profit margins and earnings."

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.

The 2014 Spanish Regulatory Framework

The regulatory framework passed in June 2014 through Royal Decree Law 9/2013, Law 24/2013 on the Electricity Sector, Royal Decree 413/2014, Ministerial Order IET/1045/2014 and Ministerial Order IET 1344/2015, sets out a remuneration scheme for existing renewable, co-generation and waste generation facilities to ensure financial stability of the electricity sector. The Regulatory Framework provides for regulated levels of remuneration that the government has fixed for our electricity production over three- to six-year periods. In addition to the Regulatory Framework, electricity producers are required to pay a transmission and distribution system access fee. In 2011, the government fixed this fee at €0.50 per MWh delivered to the network. Due to these regulations our ability to make adequate provisions for future operations may be compromised, and we may fail to meet the requirements in terms of operating costs, minimum number of hours of operation and meeting the payments for the estimated regulated income. See "Risk Factors—Risks Related to Our Business—Regulatory changes have affected our business historically and any future changes may have an adverse effect on our energy generating activities."

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 therefore require our suppliers to provide written evidence that they comply with their REACH obligations. We also registered some intermediate substances in our pulp production processes under REACH in November 2010. We do not use substances classified as substances of very high concern under REACH. We require our suppliers to provide evidence that they do not use substances of very high concern. We continually review and monitor our compliance with REACH.

EU Timber Regulation

The EU Timber Regulation (995/2010/EU), which came into force on March 3, 2013, requires that only timber and timber products (among which pulp and paper) produced in accordance with the legislation of the timber-producing country enter the European market.

The EU Timber Regulation prohibits trade of illegally harvested timber or products derived from such timber in the European market. To that end, the EU Timber Regulation requires operators who place timber products on the EU market for the first time to exercise "due diligence," to provide detailed information on the supply chain of timber products and evidence of compliance with applicable law. Moreover, to facilitate the traceability of timber products, traders in the supply chain have an obligation to keep records of their suppliers and customers.

We buy wood, pulp and paper products mainly within the European Union but also a small quantity outside the European Union. In order to comply with the EU Timber Regulation, we require our suppliers located in the European Union to provide evidence that they have conducted due diligence to comply with the traceability obligation. We require our suppliers located outside the European Union to provide all necessary information for us and a certification company to conduct due diligence. We also require our suppliers to confirm that they comply with the EU Timber Regulation. We keep records of our suppliers and customers for at least five years in accordance with the EU Timber Regulation.

Other Forestry and Wood and Pulp Procurement Measures

Our procurement of wood and pulp strives to balance the economic, environmental and social aspects of sustainability. The European paper industry is required 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. All of our wood and pulp purchases are certified under the PEFC (Programme for the Endorsement of Forest Certification) and FSC (Forest Stewardship Council) chain of custody standards.

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. We have obtained OHSAS 18001 certificated occupational health and safety standards certification in all of our mills.

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, results of operations or cash flows 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	64	Chairman of the Board
Eduardo Querol	57	Chief Executive Officer
Andrea Minguzzi	62	Vice President of Finance
Emanuela Brero	45	Director
Pierre Denis	49	Director
Giorgio De Palma	41	Director
Martine Gerber	50	Director
Yann Hilpert	42	Director
Stella Le Cras	50	Director
Bruce Hardy McLain	63	Director
Thomas Morana	33	Director
François Pfister	54	Director
Delphine Tempé	45	Director

Executive Officers

Name	Age	Position
Santiago Ramírez	64	Executive Chairman
Eduardo Querol	57	Chief Executive Officer
Andrea Minguzzi	62	Vice President of Finance

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 more than 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 of Finance of Lecta S.A., a position he has held since 1998, and has also served on the Board of Directors of Lecta S.A. since 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 MSc degree in nuclear engineering from the Università Politecnico di Milano and an MSc degree in industrial engineering from the École Centrale de Paris.

Martine Gerber was appointed to the Board of Directors of Lecta S.A. in May 2015. Ms. Gerber is a partner in the corporate practice of Dentons Luxembourg, heading both the Real Estate and Restructuring and Insolvency and Bankruptcy teams, and is a member of the Council of INSOL Europe. She previously worked as a partner for Deloitte & Touche in their legal department in London and Luxembourg. Ms. Gerber graduated from the Université de Nancy II (France) with a masters degree in notarial law, and obtained post-graduate degrees in French corporate and tax law as well as in financial and business management from the Université de Strasbourg, France.

Yann Hilpert was appointed to the Board of Directors of Lecta S.A. on April 25, 2012. Mr. Hilpert is a partner in the Banking & Finance practice of Dentons 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.

François Pfister was appointed to the Board of Directors of Lecta S.A. in May 2015. He is also a founding partner and Practice Partner of Ogier's Luxembourg office. Mr. Pfister previously worked with KPMG, Svenska Handelsbanken, RTL group, Fidelity Investments and OPF Partners. He is a member of the Monterey Funds Club, the Luxembourg Private Equity Association and several working groups in the Luxembourg Fund Association. Mr. Pfister graduated with degrees in law, economy, finance and political science from Université de Strasbourg, France.

Delphine Tempé was appointed to the Board of Directors of Lecta S.A. in November 2011. Ms. Tempé is a partner of Dentons 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 LL.M. from the University of Durham, UK.

Share Ownership

Our management in aggregate owns 11.9% of the voting shares and 8.5% of the total shares in Lecta S.A.

Remuneration

During the year ended December 31, 2015, the former and current members of our Board of Directors, including our executive officers, received aggregate remuneration of €1.8 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 II L.P., Capital Ventures Nominees Limited and CCIEL LLC (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 March 31, 2016, 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	8.65%	15.39%	10.56%
Midocean Capital Investors Offshore L.P.	8.86%	11.01%	9.47%
Intermediate Capital Investors[(2)]	11.01%	0.60%	8.06%
Management	11.85%	0.03%	8.50%
HSBC Bank Plc	1.46%	0.08%	1.07%
UniCredit Bank AG	1.25%	—	0.89%
NIBC Bank N.V.	0.23%	0.01%	0.17%
The Northwestern Mutual Life Insurance Company	0.19%	—	0.13%
Damor Investments Ltd	0.06%	0.02%	0.05%

(1) The CVC Investors include CCIEL LLC, Capital Ventures Nominees Limited and CVC European Equity II Limited.

(2) 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.

Dentons Luxembourg

Dentons Luxembourg *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. Dentons Luxembourg 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, Yann Hilpert and Martine Gerber, partners of Dentons Luxembourg *Avocats à la Cour*, have been members of the board of directors of the Issuer since November 2011, April 2012 and May 2015, 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

On May 11, 2012, the Issuer issued Floating Rate Senior Unsecured Notes due 2018 and Senior Secured Notes due 2019, 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 an interest-bearing cash advance in the form of declared but unpaid dividends owed to its shareholders in an amount of €4 million as of March 31, 2016 and non-recourse project financing, comprising a base facility of €56 million and a stand-by facility and working capital facility, each of €5.0 million. As of March 31, 2016, the principal and accrued interest under the dividend cash advance was €4.5 million. Payments on the base and stand-by facilities are made 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 March 31, 2016, the principal amount drawn and accrued interest under the Alto Garda Power S.r.l. facilities was €18.7 million.

The IDAE Sant Joan co-generation plant is funded through a non-recourse revolving credit facility with a cap progressively declining since June 30, 2012, until its maturity date at September 30, 2018. As of March 31, 2016, the cap of the facility was €11.0 million and principal and accrued interest was €10.0 million.

Existing Assignment of Trade Receivables

In 2000, 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 March 31, 2016, the invoice discounting arrangement amounted to €17.0 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 March 31, 2016, this second facility amounted to €7.7 million.

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.

On May 28, 2013, Torraspapel Malmenayde S.A.S. entered into an assignment of trade receivables on a non-recourse basis with BNP Paribas Factor. The agreement was subsequently amended on October 11, 2013 and November 20, 2014. The agreement is governed by French law and covers the sale of any of the euro-denominated receivables of Torraspapel Malmenayde S.A.S., subject to the terms of the agreement and applicable law. The agreement is for an indefinite term and is terminable at will by either party subject to a three-month notice period. As of March 31, 2016, the balance of receivables sold under this arrangement amounted to €8.2 million.

On April 27, 2016, Torraspapel S.A. entered into an assignment of trade receivables on a non-recourse basis with BNP Paribas Factor S.A. The agreement was subsequently amended on May 17, 2016 and June 30, 2016. The agreement is governed by Spanish law and covers the sale of any of the euro-denominated receivables of Torraspapel S.A., subject to the terms of the agreement and applicable law. The agreement is for an indefinite term and is terminable at will by either party subject to a three-month notice period.

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, Credit Suisse International, Deutsche Bank AG, London Branch (as Arrangers), BBVA and UniCredit S.p.A., and Deutsche Bank AG, London Branch (as Facility Agent, original Issuing Bank and Security Trustee). The New Revolving Credit Facility provides for a €65.0 million committed revolving credit facility and includes an uncommitted accordion feature that would enable the facility to be increased by up to €15.0 million. In the event that the €65.0 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 4.00% per annum 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 4.00% and 3.25%. The lower margin will be applicable if our ratio of Net Debt to EBITDA is less than 3.5:1 while the higher margin will be applicable if our ratio of Net Debt to EBITDA is greater than or equal to 4.5:1.

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 €295.0 million) the commitments under the RCF Agreement are also cancelled *pro rata*. The RCF Agreement does not contain any financial maintenance covenants.

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 not less than 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 between, among others: (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 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 €225 million Floating Rate Senior Secured Notes due 2022 (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 issued on the Issue Date will be denominated in euro and bear interest with reference to EURIBOR (subject to a 0% floor) 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 €225 million.

Lecta S.A. will issue €375 million 6½% Senior Secured Notes due 2023 (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 issued on the Issue Date 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 €375 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, defines your rights as Holders. You may request 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 and the rules of the Luxembourg Stock Exchange so require, may inspect copies of such documents at the office of the Registrar in Luxembourg. The Indentures will not be qualified under and will not incorporate by reference or be subject to any provisions of the U.S. Trust Indenture Act of 1939, as amended.

The Holder of a Note will be treated as the owner of the Note for all purposes. Only the Holder will have rights under the Indentures.

Brief description of the Notes

The Notes:

- will be senior secured obligations of the Company;
- will rank at least *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 €375 million. The Fixed Rate Notes will mature on August 1, 2023. The Company will issue the Floating Rate Notes in an initial aggregate principal amount of €225 million. The Floating Rate Notes will mature on August 1, 2022. 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 unless otherwise specified 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.

Fixed Rate Notes

Interest on the Fixed Rate Notes will accrue at the rate of 6½% per annum. Interest on the Fixed Rate Notes will be payable semi-annually in arrears on each Fixed Rate Interest Payment Date commencing February 1, 2017 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 February 1 and August 1 in each year from and including February 1, 2017. 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 January 15 and July 15.

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 (subject to a zero floor) plus 637.5 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 November 1, 2016 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 Company will request the principal London, Frankfurt, Paris, Milan or Madrid office of each of four major banks in the Euro-zone inter-bank market, as selected by the Company, 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 Company will request each of three major banks in London, Frankfurt, Paris, Milan or Madrid, as selected by the Company, 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. In the event the Issuer requests quotations or rates as described above, it will provide an Officer's Certificate to the Calculation Agent setting forth in reasonable detail the results of such requests as soon as reasonably possible after 11:00 a.m., Brussels time, on the Determination Date. Notwithstanding the foregoing, if for any Interest Period the rate determined based on the procedure specified in this paragraph is less than 0%, EURIBOR shall mean 0% for purposes of determining the Applicable Rate for such 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 1, May 1, August 1 and November 1 in each year from and including November 1, 2016. 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 January 15, April 15, July 15 and October 15.

"*Interest Period*" means each successive period commencing on, and including, a Floating Rate Interest Payment Date and ending on, but excluding, the next succeeding Floating Rate Interest Payment Date, with the exception that the first Interest Period will commence on, and include, the Issue Date and end on, but exclude, November 1, 2016 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 (TARGET2) 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) 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 the Interest Amount, 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, to the extent required by the Luxembourg Stock Exchange, the Company will inform Holders thereof through the relevant clearing systems and will make such determination available during normal business hours at the offices of the Registrar 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 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

The Fixed Rate Notes will not be redeemable at the option of the Company prior to August , 2019, except as described herein and in "—Optional tax redemption."

Optional Redemption prior to August 1, 2019 upon Public Equity Offering

At any time prior to August 1, 2019, upon not less than 10 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 106.500% 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 August 1, 2019

At any time prior to August 1, 2019, upon not less than 10 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 August 1, 2019

On and after August 1, 2019, 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 10 nor more than 60 days' notice delivered to each Holder in accordance with the provisions set forth under "—Selection and notice of redemption," 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 August 1 of the years set forth below:

Year	Redemption Price
2019	103.250%
2020	101.625%
2021 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

The Floating Rate Notes will not be redeemable at the option of the Company prior to August 1, 2017, except as described herein and in "—Optional tax redemption."

Optional Redemption prior to August 1, 2017

At any time prior to August 1, 2017, upon not less than 10 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 August 1, 2017

On and after August 1, 2017, 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 10 nor more than 60 days' notice delivered to each Holder in accordance with the provisions set forth under "—Selection and notice of redemption," 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 August 1 of the years set forth below:

Year	Redemption Price
2017	101.0%
2018 and thereafter	100.0%

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 of any series of Notes is to be redeemed at any time, the Principal Paying Agent or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which that series of Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, on a *pro rata* basis by use of a pool factor; *provided*, *however*, that no Definitive Registered Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. Neither the Principal Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

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 and the provisions set forth under "—Satisfaction and Discharge," Notes called for redemption become due on the date fixed for redemption. If the Company elects to redeem the Notes or portions thereof and requests the Trustee to distribute to the Holders of the Notes any amounts deposited in trust (which, for the avoidance of doubt, will include accrued and unpaid interest to the date fixed for redemption) prior to the date fixed for redemption in accordance with the provisions set forth under "—Satisfaction and Discharge," the applicable redemption notice will state that Holders of the Notes will receive such amounts deposited in trust prior to the date fixed for redemption and mention the payment date. 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.

Any redemption and notice of redemption of Notes may, at the Company's discretion, be subject to the satisfaction of one or more conditions precedent (including, without limitation, the Incurrence of Debt the proceeds of which will be used to redeem the Notes). In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, at the Company's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; *provided* that in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs.

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 and the rules of the Luxembourg Stock Exchange so require, the Company will provide a copy of all notices to the Luxembourg Stock Exchange.

Neither the Trustee, the Paying Agent 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 incorporated 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 engaged in business for tax purposes or 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 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 after such withholding or deduction (including any such deduction or withholding from such Additional Amounts) will equal the amount that would have been 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 Guarantee; (2) any estate, inheritance, gift, sales, transfer, personal property tax or similar Tax; (3) any withholding or deduction in respect of the Notes or any Guarantee (a) 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 (b) 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 or beneficial owner 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 (to the extent such Holder or beneficial owner is legally eligible to do so), 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, except if not reasonably available to the Holder and/or the beneficial owner for a reason different than its nationality, tax residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder and/or beneficial owner; *provided* that, in this case, other reasonable certification, documentation, information or other evidence is provided concerning the nationality, tax residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder and/or beneficial owner of such Notes; (7) any Taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any regulations promulgated thereunder, any official interpretations thereof, any intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing, any similar law or regulation adopted pursuant to such intergovernmental agreement or any agreements entered into pursuant to Section 1471(b)(1) of the Code; (8) any Taxes levied under Luxembourg Law of 23 December 2005 introducing a final withholding tax on certain savings interest payments, as amended; or (9) 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 (8) 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 and the Paying Agent 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 Paying Agent to pay such Additional Amounts on the payment date. The Trustee and the Paying Agent 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 or this Description of the Notes 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, issue, registration 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 that occurs after the initial sale by the Initial Purchaser), or the receipt of any payments with respect thereto (limited, solely in the case of Taxes attributable to the receipt of any payments with respect thereto, to any such Taxes imposed in a Relevant Tax Jurisdiction that are not excluded under clauses (1) through (4) and (6) through (7) of the second paragraph of this "*Additional Amounts*" section above, or any combination thereof) 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, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Payor is then organized, incorporated, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under or with respect to the Notes or any Guarantee is made, and any political subdivision or taxing authority or agency thereof or therein having the power to tax.

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 10 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 and all Additional Amounts (if any) then due and that will become due on or before such date as a result of the redemption or otherwise (subject to the right of holders of record on the relevant record date to receive interest due on the Floating Interest Payment Date or Fixed Rate Interest Payment Date, as applicable), 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 (but in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Company or another Guarantor without the obligation to pay 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 has not been publicly announced before and which becomes effective on or after the Issue Date (or, if the Relevant Taxing Jurisdiction was not a Relevant Taxing Jurisdiction on the Issue Date, the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction under the Indentures) 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 (i) 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 and (ii) unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

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 (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Company or another Guarantor without the obligation to pay Additional Amounts) and (ii) an opinion in form and substance reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) 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 evidence 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, with respect to a Change in Tax Laws that is publicly announced and becomes effective after the time such successor Person becomes a party to the applicable 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, and to the extent the rules of the Luxembourg Stock Exchange so require, the Company will provide a copy of any such notice to the Luxembourg Stock Exchange. Notices of redemption will be given in accordance with the provisions set forth under "*—Selection and notice of redemption*."

Credit enhancement

Overview

Credit enhancement for the Notes will include on or about the Issue Date:

- the Guarantees to be granted by Sub Lecta S.A. (a Luxembourg *société anonyme*), Cartiere del Garda S.p.A. (an Italian corporation), Condat Holding S.A.S. (a French *société par actions simplifiée*), Condat S.A.S. (a French *société par actions simplifiée*), Torraspapel S.A. (a Spanish *sociedad anónima*) and Polyedra S.p.A. (an Italian corporation); and
- the pledge or assignment in favor of the Security Trustee of the Intercompany Loans held by the Company and a pledge of the shares in Sub Lecta S.A. held by the Company, in addition to a pledge or assignment in favor of the Security Trustee by Subsidiaries of the Company and by the Company with respect to other Collateral.

Each Guarantee (other than the Guarantee to be provided by Polyedra S.p.A.) 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 Company and the Guarantors without giving effect to any eliminations that would arise upon consolidation of the Company and its Subsidiaries) for the twelve months ended March 31, 2016, as reported in the respective stand-alone financial statements of the Guarantors, was €90.6 million. This represented 80% of the Company's consolidated EBITDA for the same period. See "Risk Factors—Risks Related to the Notes and Our Structure—The Guarantees are significantly limited by applicable laws and are subject to certain limitations or defences."

Through a series of intercompany loans and by means of certain intra-group transactions, the Company and certain of its Subsidiaries intend to amend, modify and/or replace the existing intercompany proceeds loans relating to the Existing Notes as well as enter into a new fixed rate intercompany loan (the "Intercompany Loans"). See "—Intercompany Loans" and "—Certain covenants—Modification of the Intercompany 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

As of the date of this Offering Memorandum, Condat Holding S.A.S. is a wholly-owned subsidiary of Cartiere del Garda S.p.A. On or about the Issue Date, Cartiere del Garda S.p.A. will transfer its shareholding in Condat Holding S.A.S. to Torraspapel S.A. Torraspapel S.A. will enter into a pledge agreement in favor of the Security Trustee with respect to the entire issued share capital of Condat Holding S.A.S., which shall form part of the Collateral.

Torraspapel S.A. intends to transfer its distribution business to a Spanish entity within the Group, its direct Subsidiary Dispap S.A. (the "Permitted Reorganization"). Should Torraspapel S.A. transfer this business, we have agreed that, within 15 calendar days of such transfer, Dispap S.A. (currently a dormant Subsidiary with no operations) will provide a Guarantee with respect to the Notes and both Dispap S.A. and Torraspapel S.A. will provide security interests in certain assets that will form part of the Collateral. More specifically:

- Dispap S.A. shall execute supplemental indentures and become a Guarantor of the Notes;
- Torraspapel S.A. will enter into a pledge agreement in favor of the Security Trustee with respect to the entire issued share capital of Dispap S.A., which shall form part of the Collateral;
- Sub Lecta S.A. will enter into pledges or assignments in favor of the Security Trustee with respect to certain receivables payable by Dispap S.A., which shall form part of the Collateral; and
- Dispap S.A. will enter into pledges or assignments in favor of the Security Trustee with respect to certain receivables and bank accounts, which shall form part of the Collateral.

While the Company currently intends to transfer the distribution business of Torraspapel S.A. to Dispap S.A., there is no obligation to do so.

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 at least *pari passu* in right of payment with any 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 (other than the Guarantee to be provided by Polyedra S.p.A.), 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. We expect that the maximum principal amounts of the Guarantees to be provided by certain of the Guarantors on the Issue Date will be limited based on the valuation of the Guarantor, and will be no less than the following amounts: Sub Lecta S.A.: aggregate principal amount of the Notes; Cartiere del Garda S.p.A.: €32.0 million; Condat Holding S.A.S.: €23.8 million; Condat S.A.S.: €23.8 million; Torraspapel S.A.: €588.2 million; and Polyedra S.p.A.: €3.0 million. To the extent Dispap S.A. provides a Guarantee subsequent to the Issue Date, we expect that the maximum aggregate principal amount of such Guarantee would be approximately €30 million, but there is no assurance that this Guarantee will be provided or that it will be up to such maximum amount. See "Risk Factors—Risks Related to the Notes and Our Structure—The Guarantees are significantly limited by applicable laws and are subject to certain limitations or defences" and Annex A hereto. 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 Intercompany Loans and certain intra-group transactions, (i) the Company intends to amend, supplement, modify and/or replace the existing intercompany proceeds loans to Sub Lecta S.A. relating to the Existing Notes, (ii) in turn, Sub Lecta S.A. intends to amend, supplement, modify and/or replace the existing intercompany proceeds loans to Torraspapel S.A. relating to the Existing Notes, (iii) in turn, Torraspapel S.A. intends to amend, modify and/or replace the existing intercompany proceeds loans to Condat Holding S.A.S. relating to the Existing Notes, and (iv) in turn, Condat Holding S.A.S. intends to amend, modify and/or replace the existing intercompany proceeds loans to Condat S.A.S. relating to the Existing Notes. As a result of these changes, following the Offerings the Company will have made Intercompany Loans to Sub Lecta S.A., which will have made Intercompany Loans to Torraspapel S.A., which will have made an Intercompany Loan to Condat Holding S.A.S. and capital injections into Cartiere del Garda S.p.A. and Polyedra S.p.A. The Company's rights under 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 S.A., Torraspapel S.A. and Condat Holding S.A.S. would provide the Trustee with senior claims on behalf of the Holders of the Notes for payment directly against those Subsidiaries who received such loans. If the Permitted Reorganization takes place then up to €5 million of the Intercompany Loans from Sub Lecta S.A. to Torraspapel S.A. will be novated to Dispap S.A.

Interest will accrue on the Intercompany Loans at rates at least equal to the interest rates payable on the Fixed Rate Notes and the Floating Rate 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 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 New 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 New 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 Guarantor 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) as described under "—Amendments and waivers;"

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

(x) as described under "—Certain covenants—Impairment of security interests;" 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 reasonably 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 reasonable 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, subject to the terms hereof, each Holder will have the right to require the Company to repurchase all or part (equal to €100,000 aggregate principal amount and integral multiples of €1,000 in excess thereof) of such Holder's Notes 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"), 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 of the Change of Control (the "Change of Control Offer") 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. No later than 30 days after the occurrence of such Change of Control, or, at the Company's option, at any time prior to the occurrence of such Change of Control following the public announcement thereof or if a definitive agreement is in place for the 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. On the Change of Control Purchase Date, the Company will (if the Change of Control occurred) 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 New 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 (1) 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; (2) unconditional notice of redemption has been given pursuant to the Indentures as described under "—Optional redemption" or all conditions to such redemption have been satisfied or waived; or (3) notice of redemption has been given pursuant to the Indentures as described under "—Redemption for changes in taxes," in each case unless and until there is a default in payment of the applicable Redemption Price.

The occurrence of certain of the events which would constitute a Change of Control would require mandatory prepayment of Debt outstanding under the New 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 and Our Structure—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 our Consolidated Net Leverage Ratio is above a certain threshold in connection with the occurrence of a Change of Control event" and "Risk Factors—Risks Related to the Notes and Our Structure—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 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, after giving *Pro forma* effect to such Incurrence, (i) the Consolidated Coverage Ratio as of the date of the Incurrence of such Debt would exceed 2.50 to 1.00; and (ii) to the extent that the Debt is Senior Secured Debt, the Consolidated Senior Secured Net Leverage Ratio as of the date of the Incurrence of such Debt would not exceed 4.00 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 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;

(iv) 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;

(v) 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/Leaseback Transaction, in an aggregate principal amount, not to exceed €5 million at any time outstanding;

(vi) 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;

(vii) 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;

(viii) 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;

(ix) 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;

(x) 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;

(xi) 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;

(xii) 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;

(xiii) 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;

(xiv) 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;

(xv) 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;

(xvi) Debt of the Company or any Restricted Subsidiary not otherwise described in clauses (i) through (xv) above (1) outstanding on the Issue Date and disclosed in the Offering Memorandum *Pro forma* for the issuance of the Notes and the use of proceeds therefrom and (2) any Refinancing Debt Incurred in respect thereof; and

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

provided, *however*, that, for purposes of determining the compliance of any non-euro-denominated Debt Incurred under clauses (ii), (iv), (v), (xiii) or (xiv) 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 (xvii) 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 clause (i) of 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);

provided, that upon a Change of Control, all amounts calculated pursuant to this clause (c) shall be reset to zero and all references to the Issue Date (including references in the definitions of terms used herein) in this clause (c) shall thereafter refer to the date on which such Change of Control occurred.

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 "—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 €50 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, except:

(a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if 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, are secured equally and ratably to such Secured Debt for so long as such Secured Debt is secured by a Lien; and

(b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien arising as a result of clauses (a)(1) or (a)(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 shall ensure that, within 60 days after the audited financial statements of the Company become available for each financial year of the Company beginning with the financial year ended December 31, 2016, any Restricted Subsidiary that after the Issue Date is or becomes a Material Subsidiary (except for any Restricted Subsidiary which was a Material Subsidiary at the Issue Date but was not an initial Guarantor, any Restricted Subsidiary that is already a Guarantor, or any Restricted Subsidiary as to which the Company and the Restricted Subsidiaries do not own, directly or indirectly, greater than 90% of the Capital Stock) will execute and deliver supplemental indentures providing for the Guarantee by such Restricted Subsidiary on the same terms as the Guarantees granted by the other Guarantors hereunder.

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 supplemental indentures providing for Guarantees 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 two paragraphs, 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 New 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 (vi) 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 180 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) below (and *provided* that, with respect to an acquisition, disposition or recapitalization that has occurred less than 75 calendar days prior to the date such report is to be provided, such *Pro forma* information for 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, 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 (a) or (c) (and *provided* that, with respect to an acquisition, disposition or recapitalization that has occurred less than 75 calendar days prior to the date such report is to be provided, such *Pro forma* information for 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 policies; and (iv) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; and

(c) promptly after the occurrence of any material acquisition, disposition or restructuring of the Company and its Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at the Company or change in auditors of the Company or any other material event that the Company or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries, then the quarterly and annual financial information required by (a) and (b) above will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries.

All the financial statements and *Pro forma* financial information shall be prepared in accordance with IFRS on a consistent basis for the periods presented. Except as provided for above, no report need include separate financial statements or information for the Company or Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Offering Memorandum.

For purposes of this covenant, an acquisition or disposition shall be deemed "material" if the business acquired or disposed of would constitute a "significant subsidiary," as provided in Rule 1-02(w) of Regulation S-X, substituting 20% for 10% in the tests therein.

Contemporaneously with the furnishing of each such report discussed above, the Company will also post such report on the Company's website or otherwise provide substantially comparable public availability of such report. In the event that the Company becomes subject to the reporting requirements of Section 13(a) or 15(d) of the U.S. Exchange Act, or elects to comply with such provisions, the Company will, for so long as it continues to file the reports required by Section 13(a) with the SEC, make available to the 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 of 1933, as amended (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 and the rules of that exchange so require.

Delivery of any information, documents or reports to the Trustee pursuant to this "Reports" covenant are for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein, including the Company's compliance with any of its covenants under the Indenture.

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 occurred 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 clause (i) of the first paragraph of the covenant described under "—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 the 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 "—Limitation on Restricted Payments." For purposes of the covenant described under "—Limitation on Restricted Payments," "Investment" will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the company's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets (as conclusively determined by the Board of Directors of the Company in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary. Unless so designated as an Unrestricted Subsidiary, any Person that becomes a Subsidiary of the Company or of any Restricted Subsidiary will be classified as a Restricted Subsidiary. Except as provided in the first sentence of this paragraph, no Restricted Subsidiary may be redesignated as an Unrestricted Subsidiary. Any such designation by the Board of Directors of the Company will be evidenced to the Trustee by the Company by promptly filing with the Trustee a copy of the resolution of such Board of Directors 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 clause (i) of the first paragraph of the covenant described under "—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 the Permitted Reorganization, (ii) the discharge and release of Collateral in accordance with the Indentures or (iii) the Incurrence of Permitted Collateral Liens 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.

(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) Incur Permitted Collateral Liens, (iii) provide for the 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 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 the 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

The Company shall, and shall cause its Subsidiaries to, ensure that, promptly after the transfer by Torraspapel S.A. of its distribution business to Dispap S.A., and in no event later than 15 days thereafter,

(a) Dispap S.A. shall execute supplemental indentures and become a Guarantor of the Notes;

(b) Torraspapel S.A. will enter into a pledge agreement in favor of the Security Trustee with respect to the entire issued share capital of Dispap S.A., which shall form part of the Collateral;

(c) Sub Lecta S.A. will enter into pledges or assignments in favor of the Security Trustee with respect to certain receivables payable by Dispap S.A., which shall form part of the Collateral; and

(d) Dispap S.A. will enter into pledges or assignments in favor of the Security Trustee with respect to certain receivables and bank accounts, which shall form part of the Collateral.

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 will be suspended:

(1) "—Limitation on Debt;"

(2) "—Limitation on Restricted Payments;"

(3) "—Transactions with Affiliates;"

(4) "—Limitation on guarantees of Debt by Restricted Subsidiaries;"

(5) "—Limitation on restrictions on distributions from Restricted Subsidiaries;" and

(6) "—Limitation on sales of assets and Restricted Subsidiary stock."

During any period that the foregoing covenants have been suspended, the Company's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described above under the caption "—Restricted and Unrestricted Subsidiaries."

Notwithstanding the foregoing, if the rating assigned by any such Rating Agency should subsequently decline to below Baa3 or BBB-, as applicable, the foregoing covenants will be reinstituted as of and from the date of such rating decline, and, upon any such event, the Company shall promptly notify the Trustee. Such covenants will not, however, be of any effect with respect to actions properly taken during the period of suspension. Calculations under the reinstated "—Limitation on Restricted Payments" covenant will be made as if the "—Limitation on Restricted Payments" covenant had been in effect since the date of the 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 with respect to Collateral having a Fair Market Value in excess of €5.0 million, at any time, ceases to be in full force and effect and to constitute a valid and perfected Lien with the priority required by such 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 such 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 Security Documents. 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 Security Documents 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 non-payment 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.

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, (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 66⅔% 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 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 (*provided*, that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code), 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 accordance 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 deliver to each Holder in accordance with the provisions set forth under "—Notices" 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 or any Additional 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 and the rules of the Luxembourg Stock Exchange so require, at the offices of the Registrar 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 the 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. If requested by the Company, the Trustee may distribute any amounts deposited in trust to the Holders prior to maturity or the redemption date, as the case may be; *provided, however,* that the Holders shall have received at least five Business Days' notice from the Company of such earlier payment date (which may be included in a notice of redemption); *provided, further* that, for the avoidance of doubt, the Trustee shall not distribute such amounts deposited in trust to Holders prior to the fifth Business Day following the date of publication of any such redemption notice, to the extent applicable. The Trustee shall not be liable to any Person (including, without limitation, any Holder) for making any payments at the request of the Company and the indemnities from the Company and/or Guarantors contained in the Indentures shall extend to any actions of the Trustee taken, and any losses and liabilities incurred by the Trustee (including, without limitation, any claims that may be brought by Holders), in connection with such request. 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 amount of cash in euro or euro-denominated European Government Obligations deposited pursuant to clause (1) will without reinvestment 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 (viii) or (ix) 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 and the rules of that exchange so require) 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 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 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 set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Company and (2) that if the Trustee at any time (a) has or acquires a conflict of interest in its capacity as Trustee that is not eliminated, (b) fails to meet certain eligibility requirements or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Company may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Paying agent and Registrar for the Notes

The Company will maintain a paying agent for the Notes in the City of London. The initial paying agent will be Deutsche Bank AG, London Branch, in London (the "Paying Agent").

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 and its rules so require, Luxembourg. The initial Registrar will be Deutsche Bank Luxembourg, S.A. The initial transfer agents will be Deutsche Bank AG, London Branch, in London and Deutsche Bank Luxembourg, S.A., in Luxembourg. The Registrar and the Transfer Agent in Luxembourg will maintain a register reflecting ownership of certificated securities (the "Definitive Registered 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 and its rules so require, the Company will deliver notice of the change in a paying agent, Registrar or transfer agent on the website of the Luxembourg Stock Exchange at www.bourse.lu. The Company or any of its Restricted Subsidiaries may act as paying agent or Registrar in respect of the Notes.

Consent to jurisdiction and service of process

The Indentures will provide that the Company and each Guarantor will irrevocably appoint Corporation Service Company 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 August 1, 2019 (such Redemption Price being set forth in the table appearing below the caption "Optional redemption—Fixed Rate Notes—Optional redemption on or after August 1, 2019"); *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 August 1, 2019 (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 August 1, 2017 (such Redemption Price being set forth in the table appearing below the caption "Optional redemption—Floating Rate Notes—Optional redemption on or after August 1, 2017); *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 August 1, 2017 (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, the Calculation Agent 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) a 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 Chairman, the 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 August 1, 2019 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 August 1, 2019; *provided* that if the period from such redemption date to August 1, 2019, 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 August 1, 2017 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 August 1, 2017; *provided* that if the period from such redemption date to August 1, 2017, 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 TARGET2 Settlement Day for settlement of payments in euro.

"*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 New 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;

(7) other instruments customarily utilized for high quality investments that can be readily monetized without material risk of loss in the good faith judgment of a responsible financial or accounting officer of the Company or any of its Restricted Subsidiaries; and

(8) 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 the occurrence of any of the following:

(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,

provided that, in each of the foregoing clauses (a) and (b), a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

"*Clearstream*" means Clearstream Banking, société anonyme as currently in effect or any successor clearing agency.

"*Code*" will have the meaning set forth above under "—Additional Amounts."

"*Collateral*" has the meaning ascribed thereto under "—Credit enhancement—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) non-cash 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 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 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 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.

"*Consolidated Net Leverage*" means the sum, without duplication, of, (i) the aggregate outstanding Debt of the Company and its Restricted Subsidiaries on a consolidated basis *less* (ii) the amount of cash and Cash Equivalents on the balance sheet of the Company and its Restricted Subsidiaries on a consolidated basis, in each case determined in accordance with IFRS (other than cash and Cash Equivalents received upon the incurrence of Debt and not immediately or subsequently applied or used for any purpose not prohibited by the Indenture).

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) 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; *provided*, *however*, that for the purposes of calculating EBITDA for such period, if, as of such date of determination:

(1) 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 Net Leverage Ratio is an Asset Disposition, 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;

(2) 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 for such period shall be calculated after giving *Pro forma* effect thereto as if such Investment or acquisition occurred on the first day of such period; and

(3) 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 (1) or (2) if made by the Company or a Restricted Subsidiary during such period, EBITDA 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 the purposes of this definition, (a) whenever *Pro forma* effect is to be given to any transaction or calculation, the *Pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Company and as further contemplated by the definition of *Pro forma* and (b) in determining the amount of Debt outstanding on any date of determination, *Pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Debt subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the determination date as if such transaction had occurred on the first day of the relevant period.

"*Consolidated Senior Secured Net Leverage*" means the sum, without duplication, of (i) the aggregate outstanding Senior Secured Debt of the Company and its Restricted Subsidiaries on a consolidated basis *less* (ii) cash and Cash Equivalents on the balance sheet of the Company and its Restricted Subsidiaries on a consolidated basis, in each case determined in accordance with IFRS (other than cash and Cash Equivalents received upon the incurrence of Debt and not immediately or subsequently applied or used for any purpose not prohibited by the Indenture).

"*Consolidated Senior Secured Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Net Leverage at such date to (y) 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, in each case calculated with such *Pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Net Leverage Ratio, *mutatis mutandis*.

"*Credit Facility*" means one or more debt facilities, instruments or arrangements incurred (including the New 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 New 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, bankers' 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.

"*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 any funds or limited partnerships managed or advised by CVC Capital Partners SICAV-FIS S.A. or any of its Affiliates or direct or indirect Subsidiaries or any investors in such funds or limited partnerships (but excluding, in each case, any portfolio companies in which such funds or limited partnerships hold an investment and excluding CVC Credit Partners LP and its direct or indirect Subsidiaries engaged in the same or a similar business to CVC Credit Partners LP) who are investors in such funds or limited partnerships as at the date of this Offering Memorandum, investing directly or indirectly in the Parent.

"*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.

"*Existing Notes*" means the Company's existing Floating Rate Senior Securred Notes due 2018 and 8⅞ Senior Secured Notes due 2019, each of which were issued pursuant to indentures dated May 11, 2012.

"*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 on the terms set forth in the Fixed Rate Notes Indenture of the Company's obligations under the Fixed Rate Notes and the Fixed Rate Notes Indenture.

"*Fixed Rate Notes Guarantor*" means any person 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 Notes Guarantors as of the Issue Date, Deutsche Trustee Company Limited, as trustee, and the other parties named therein.

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

"*Floating Rate Notes Guarantor*" means any person 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 Floating Rate Notes Guarantors as of the Issue Date, Deutsche Trustee Company Limited, as trustee, and the other parties named therein.

"*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 Guarantees and the Floating Rate Notes Guarantees.

"*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, executed by, 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.

"*Investment*" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender) or other extensions of credit (including by way of guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Debt or other similar instruments issued by such Person. The amount of any Investment in respect of any property or assets other than cash will be its Fair Market Value at the time of such Investment. For purposes of the definition of "Unrestricted Subsidiary," the definition of "Restricted Payment" and the covenant described under "—Certain covenants—Limitation on Restricted Payments," (i) "Investment" shall include the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary equal to an amount (if positive) equal to (x) the Company's "Investment" in such Subsidiary at the time of such redesignation less (y) the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and (ii) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer.

"*Issue Date*" means 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 of its Subsidiaries 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.

"*Material Subsidiary*" means any Restricted Subsidiary that, for the most recently completed fiscal year after the Issue Date, accounts for 5.0% or greater of the EBITDA or total assets of the Company and its Restricted Subsidiaries.

"*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.

"*New 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.

"*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 Collateral Liens*" means Liens on the Collateral:

(i) that are described in one or more of clauses (4), (5), (6), (7), (12), (14), (15), (16), (17), (18), (19), (20), (22), (24), (25) and (26) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Trustee to enforce the Security Interest in the Collateral;

(ii) to secure:

   (A) Debt permitted to be Incurred under the first paragraph of the covenant described under "—Certain covenants—Limitation on Debt;"

   (B) Debt described under clause (i) of the second paragraph of the covenant described under "—Certain covenants—Limitation on Debt;"

   (C) Debt incurred by the Company or a Guarantor that is described under clause (ii) of the second paragraph of the covenant described under "—Certain covenants—Limitation on Debt," which Debt may have super seniority priority status not materially less favorable to the Holders than that accorded to the New Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

(D) Debt incurred by the Company or a Guarantor that is described under clauses (iv) or (v) (other than with respect to Capitalized Lease Obligations) of the second paragraph of the covenant described under "—Certain covenants—Limitation on Debt;"

(E) Debt described under clause (vii) (other than in respect of clause (3)) of the second paragraph of the covenant described under "—Certain covenants—Limitation on Debt," which Debt may have super senior priority status not materially less favorable to the Holders than that accorded to the New Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

(F) Debt incurred by the Company or a Guarantor that is described under clause (xii) of the second paragraph of the covenant described under "—Certain covenants—Limitation on Debt," to the extent such guarantee is in respect of Debt otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

(G) any Refinancing Debt in respect of Debt referred to in the foregoing clauses (A) to (F)); and

(iii) Incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries with respect to obligations that in total do not exceed €5 million at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money or business and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Company's or such Restricted Subsidiary's business;

provided that, in the case of clause (ii) (other than clause (A) thereof), each of the parties with respect to Debt secured by Liens on the Collateral will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement.

"*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 second paragraph of the covenant described 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 €20 million;

(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;

(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; and

(xviii) Investments in the Notes.

"*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) Permitted Collateral Liens;

(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 (viii) 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 (vii) of the covenant entitled "—Certain covenants—Limitation on Debt;"

(9) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;

(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) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes and (b) Liens securing Debt under clause (ii) of the second paragraph of the covenant described under "—Certain covenants—Limitation on Debt" to the extent the Agreed Security Principles (as defined in the New Revolving Credit Facility) would permit such Lien to be granted to such Debt and not to the Notes;

(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 bankers' 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.

"*Permitted Reorganization*" means the transfer by Torraspapel S.A. of its distribution business to Dispap S.A. substantially as described in the "Description of the Notes" of this Offering Memorandum.

"*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 *fonds commun de créances*)), government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution or such Person, over shares of Capital Stock of any other class of such Person.

"*Pro forma*" means, with respect to any calculation made or required to be made pursuant to the terms hereof, a calculation in accordance with Article 11 of Regulation S-X promulgated under the U.S. Securities Act (to the extent applicable), as interpreted in good faith by the Board of Directors of the Company after consultation with the independent certified public accountants of the Company, or otherwise a calculation made in good faith by the Board of Directors of the Company after consultation with the independent certified public accountants of the Company, as the case may be.

"*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 as of the Issue Date.

"*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 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, Debt) 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" (within the meaning of Rule 15c3-1(c)(2)(vi)(F) of the U.S. Securities 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.

"*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."

"*Refinancing*" shall have the meaning assigned to such term in this 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.

"*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.

"*Senior Secured Debt*" means, with respect to any Person as of any date of determination, any Debt for borrowed money that (a) is secured by a first-priority Lien on the Collateral or (b) is Incurred by a Restricted Subsidiary that is not a Guarantor and that, in the case of each of (a) and (b), is Incurred under the first paragraph of the covenant described under "—Certain Covenants—Limitation on Debt" or clauses (i), (ii), (iv), (xiv), (xvi) and (xvii) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Debt" and any Refinancing Debt in respect thereof.

"*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).

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that immediately prior to the occurrence of such event and immediately thereafter and giving *Pro forma* effect thereto, the Consolidated Net Leverage Ratio would have been less than 4.00 : 1. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indentures after the Issue Date.

"*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 Debt, the date specified in the documentation governing such Debt as of the Issue Date as the fixed date on which the payment of principal of such Debt is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such Debt 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

The French Guarantors' registered headquarters are in France and its center of main interest is presumed to be located in France see (—"European Union") and therefore any main insolvency proceedings (within the meaning of the EU Insolvency Regulation) of the French Guarantors would be opened in France unless this presumption is rebutted. Under certain circumstances, French insolvency proceedings may also be opened with respect to companies that are not incorporated in France, mainly if they have their center of main interest or an establishment in France.

French court-administered insolvency proceedings are either safeguard (*sauvegarde*), accelerated safeguard (*sauvegarde accélérée*), accelerated financial safeguard (*sauvegarde financière accélérée*), reorganization or liquidation proceedings (*redressement or liquidation judiciaire*). Confidential court-assisted proceedings also exist to help the debtor restructure its indebtedness in a consensual manner (namely *mandat ad hoc* or *conciliation* proceedings).

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 and the corresponding security interests.

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 articles 1244-1 *et seq.* of the French *Code civil*.

Pursuant to the provisions of these articles, 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 *Code civil* 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 (if the French Guarantor is incorporated under the legal form of a *société anonyme*) 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. Pursuant to the provisions of article L. 611-2-1 of the French *Code de commerce*, the competent civil court (*Tribunal de Grande Instance*) will also be able to exercise the emergency procedure for debtors submitted to its jurisdiction.

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 automatic stay of the proceedings.

Contractual provisions pursuant to which the opening of the court-assisted pre-insolvency proceedings, or a request thereof, change the terms of ongoing contracts (*contrats en cours*) by reducing the rights or increasing the obligations of the debtor shall be null and void, according to article L. 611-16 of the French *Code de commerce*. Furthermore, any clause requiring the debtor, due solely to the appointment of a *mandataire ad hoc* or the opening of a conciliation procedure, to pay the fees of the creditor's counsel in such proceedings, in excess of the proportion fixed by order of the Minister of Justice (currently: 75% of the fees), shall be deemed null and void.

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. The appointment of a *mandataire ad hoc* shall be brought to the attention of the statutory auditors, according to article L. 611-3 of the French *Code de commerce*.

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 *Code civil*. 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 (*exécutoire*); 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. Where the debtor requests such sanction, the content of the agreement must be notified to the employee representatives of the debtor, in accordance with article L. 611-8-1 of the French *Code de commerce*.

The debtor may request the Court to appoint the conciliator to supervise the performance of the agreement (article L. 611-8 III of the French *Code de commerce*).

While the agreement (whether acknowledged or sanctioned) is being implemented, any individual proceedings by creditors with respect to the claims included in the agreement are suspended. Subject to the agreement having been sanctioned, creditors who have 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.

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, in the framework of an asset sale plan (*plan de cession*) whereby the court orders the transfer to the purchaser of the assets, contract, and number of employees mentioned in its bid. The sale price may be significantly lower than the aggregate value of the assets, as the court takes into account the number of jobs preserved by the purchaser, which is a key objective under French insolvency law.

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. It is possible for the court-appointed administrator, the *mandataire judiciaire* or the public prosecutor to also request the conversion of the safeguard proceedings into reorganization proceedings where no safeguard plan can realistically be adopted. 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.

If a judicial liquidation of the debtor is commenced, the court will appoint a liquidator. No maximum time period is provided by law for the duration of the judicial liquidation process. The liquidator is vested with the power to represent the debtor and perform the liquidation operations (mainly liquidate the assets and settle the liabilities, to the extent the proceeds from the liquidated assets are sufficient, in accordance with the creditors' priority order for payment).

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) whose accounts are certified by a statutory auditor (*commissaire aux comptes*) or established by a certified public accountant (*expert comptable*), 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 regardless of the law applicable to those *obligations* (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.

Each member of a creditors committee or of the bondholders' general assembly must, if applicable, inform the court-appointed administrator of the existence of any agreement relating to (i) the exercise of its vote or (ii) the full or total payment of its claim by a third party as well as of any subordination agreement. The court-appointed administrator shall then submit to such person a proposal for the computation of its voting rights in the creditors committee/bondholders' general assembly. In the event of disagreement, the matter may be ruled upon by the president of the commercial court in summary proceedings at the request of the creditor or of the court-appointed administrator.

Creditors whose repayment schedule is not modified by the plan, or for which the plan provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted, do not need to be consulted on the plan or to take part in the vote.

The plan must be approved by each of the two creditors' committees. Each committee must vote on the proposed plan within 20 to 30 days, but no earlier than 15 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 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. Where the debtor's situation has improved and permits, the plan supervising officer (*commissaire à l'exécution du plan*) shall be entitled to request that the court request amendments to the plan in favor of creditors. 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. This consultation of the creditors on an individual basis also takes place if creditors' committees have not been created. 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 safeguard

Pursuant to the French reform of pre-insolvency proceedings and insolvency proceedings on March 12, 2014, a debtor in the course of *conciliation* proceedings may request commencement of accelerated safeguard proceedings. Accelerated safeguard procedure has been designed based on the model of the accelerated financial safeguard procedure discussed below, but unlike the accelerated financial safeguard, it includes non-financial creditors, such as trade creditors.

To be eligible for the accelerated safeguard procedure, the debtor must fulfill the following conditions:

- the debtor must be subject to ongoing *conciliation* proceedings when it applies for the opening of the accelerated safeguard. In this context, the debtor must have prepared a draft safeguard plan to protect its operations in the long run which is likely to be supported and to be adopted by two-thirds of its creditors; and
- the debtor's accounts must:
  - be certified by a statutory auditor (*commissaire aux comptes*) or established by a certified public accountant (*expert comptable*), and the debtor must have either (i) more than 20 employees, (ii) a turnover of more than €3 million (excl. VAT), or (iii) a total balance sheet above €1.5 million; or
  - be consolidated accounts, in accordance with the provisions of article L. 233-16 of the French *Code de commerce*.

The accelerated safeguard procedure can be opened even if the debtor is in cessation of payments (*cessation des paiements*) provided that such cessation of payments did not arise more than 45 days prior to the date of the application for the conciliation (which is a prerequisite to the accelerated safeguard).

The debtor must list the claims of each creditor who participated in the conciliation. This list is certified by (i) the statutory auditor or, where this is not possible, (ii) the accountant of the debtor and must be filed with the court by the debtor. The filing of the list with the court is considered as a claim filing on behalf of creditors if they do not declare their claims themselves. Moreover, the creditors' representative must send to each listed creditor the extract of the list concerning such creditor's claim.

The maximum duration of the accelerated safeguard procedure (i.e. the period between the judgment opening the accelerated safeguard and the judgment adopting the plan) is three months.

Accelerated financial safeguard

Pursuant to the banking and financial regulation law no. 2010-1249 dated 22 October 2010 (as amended by the order of 12 March 2014), 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 (same thresholds as the accelerated safeguard procedure). 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.

Like the accelerated safeguard discussed above, the Accelerated Financial Safeguard procedure is 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 meet the same conditions as for an accelerated safeguard procedure, and the accounts of the debtor must also show that the nature of the debts renders likely the adoption of a plan by financial creditors only.

In general terms, the characteristics listed above in relation to the accelerated safeguard procedure apply to the accelerated financial safeguard procedure unless otherwise expressly indicated in the French *Code of commerce* (such as the duration of the proceedings).

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 or the accelerated 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—however, in any event, accrued interest can no longer be compounded);
- 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—except in case of judicial liquidation) 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 claim filing obligations 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. The court may also order the sale of the business (*plan de cession*) where the reorganization plans presented by the debtor or the creditors are obviously unlikely to allow the reorganization of the business or in the absence of any such plans (article L. 631-22 of the French Commercial Code (*Code de commerce*)).

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 their 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).

It should be pointed out that under specific circumstances, the law provides for a possibility to overcome the shareholders' refusal to increase (and / or decrease) the company's share capital, in the framework of reorganization proceedings, but subject to a number of restrictive conditions.

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, in particular, 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. Pursuant to article L. 632-1 of the French *Code de commerce*, a notarized declaration of exemption of assets from seizure (*déclaration notariée d'insaisissabilité*) made by the debtor is also considered as an automatically void transaction.

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 *Code de commerce*, where safeguard, judicial reorganization or judicial liquidation proceedings have been commenced, creditors may be held liable for the losses suffered as a result of facilities granted to the debtor only if the granting of such facilities was wrongful and evidence is brought either: (i) that a fraud was committed; or (ii) that there was interference of the relevant creditor with the management of the debtor; or (iii) that 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.

Rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under French law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if certain actions required to perfect any of these liens are not taken. In particular, pledges over the securities of French subsidiaries in the form a stock company (*société par actions*) that are governed by French law consist of pledges over a securities account (*compte-titres*) in which the relevant securities are registered. The securities account pledges will be validly established after execution of a statement of pledge (*déclaration de nantissement de compte-titres*) by each relevant security provider in favor of the Trustee and/or the Security Trustee and/or the Agents. Each statement of pledge will have to be registered in the relevant shareholder's account (*compte d'actionnaire*) and shares registry (*registre de mouvement de titres*) of each French subsidiary the securities of which are thus pledged. In France, no lien searches are available for security interests which are not publicly registered, with the result that no assurance can be given on the priority of a security interest if it is not publicly registered.

Limitations on enforcement of security interests and cash amount ("soulte")

Security interests governed by French law may only secure a creditor up to the secured amount that is certain, due and unpaid to it. Pledges over securities (whether in the form of a pledge over securities account or in the form of a pledge over shares (*parts sociales*)) may generally be enforced at the option of the secured creditors either (i) by way of a sale of the pledged securities in a public auction (the proceeds of the sale being paid to the secured creditors) or (ii) by means of a court order by way of judicial foreclosure (*attribution judiciaire*) or (iii) by way of contractual foreclosure (*pacte commissoire*) of the pledged securities to the secured creditors, following which the secured creditors become the legal owner of the pledged securities. If the secured creditors choose to enforce by way of foreclosure (whether a judicial foreclosure (*attribution judiciaire*) or contractual foreclosure (*pacte commissoire*)), the secured liabilities would be deemed extinguished up to the value of the foreclosed securities. Such value is determined either by a court-appointed expert in the context of a judicial attribution or by a pre-contractually agreed expert in the context of a contractual foreclosure. If the value of the Collateral exceeds the amount of secured debt, the secured creditor will be required to pay the pledgor a cash amount (*soulte*) equal to the difference between the value of the securities as so determined 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 on-sale of the Collateral.

If the value of such securities is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such securities, and consequently the remaining amount owed to such creditors will be unsecured in that respect.

Limitations on Enforcement of Guarantees

Notwithstanding anything to the contrary in a guarantee provided by a company incorporated under the laws of France (each, a "**French Guarantor**"), 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 *Code de commerce* and/or would constitute a "misuse of corporate assets or powers" within the meaning of articles L. 242-6, L. 241-3 or L. 244-1 of the French *Code de commerce* and/or would constitute a prohibited guarantee under article L. 223-11, *al.* 4 of the French *Code de commerce* or any other law or regulations having the same effect, as interpreted by French courts and/or would infringe article L. 511-7 of the French *Code monétaire et financier*; and
- the obligations and liabilities of a French Guarantor under its guarantee shall only apply to guarantee (i) the payment obligations of another French Guarantor which is its direct or indirect subsidiary, or (ii) the payment obligations of any other obligor which is not a subsidiary of such French Guarantor, in an amount limited, at any time, to the aggregate of all amounts (if any) directly or indirectly on-lent to such French Guarantor and/or any subsidiary(ies) of such French Guarantor under intercompany loans or similar arrangements and outstanding at the date a payment is to be made by such French Guarantor under its guarantee, it being specified that any payment made by a French Guarantor under this guarantee shall automatically reduce *pro tanto* the outstanding amount of the relevant intercompany loans or similar arrangements due to the parent company by such French Guarantor or its subsidiary(ies).

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 arm's-length basis, the difference between the actual economic benefit and that in a comparable arm's-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 of the claim secured by such security interest 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 beneficial holders of interests in the Notes from time to time will not be parties to the Security Documents. In order to permit the beneficial holders of the Notes to benefit from a secured claim, 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 (the "Parallel Debt") equal to each amount payable by an Obligor under the Indentures and the Intercreditor Agreement (the "Principal Obligations"). 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. The Parallel Debt will at all times be in the same amount and payable at the same time as the Principal Obligations. Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. 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. The holders of the Notes will not be entitled to take enforcement actions in respect of such security interests except through the Security Trustee (even if they are in some instances direct beneficiaries of the security interests in the Collateral).

In France, the highest French judicial court (*Cour de cassation*), in a decision dated September 13, 2011 (n°10-25533, "*Belvédère*" case), recognized the enforceability in France of certain rights (especially the filing of claims in safeguard proceedings) of a security trustee benefiting from a parallel debt governed by New York law. In particular, the French *Cour de cassation* upheld the proof of claim of the legal holders of a parallel debt claim, considering that it did not contravene French international public policy (*ordre public international*) rules. The ruling was made on the basis that the French debtor was not exposed to double payment or artificial liability as a result of the parallel debt mechanism. The court was not asked to generally uphold French security interests securing a parallel debt. 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. 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.

The Trustee has certain assigned duties and rights under the Indenture that become particularly important following Defaults or Events of Default, and acts as trustee in a fiduciary capacity in the best interests of the holders of the Notes. The concept of "trust" has been recognized by the French Tax Code and the French supreme court (*Cour de cassation*), which has held, in the same published decision referred to above (Cass. com. September 13, 2011 n°10-25533 "*Belvédère*" case) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings commenced in France. However, while substantial comfort may be derived from the above, France has not ratified the Hague Convention of July 1, 1985 on the law applicable to trusts and on their recognition, so that the concept of "trust" has not been generally recognized under French law.

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 creditors' representative (*mandataire judiciaire*), the commissioner of the safeguard or recovery plan (*commissaire à l'exécution du plan*), the liquidator (*liquidateur judiciaire*) or by any of the creditors of the relevant debtor who was prejudiced in his/her means of recovery as a consequence of the act. Any such legal act may be declared unenforceable against third parties if: (i) the debtor 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 legal act was performed both the debtor and the counterparty to the transaction knew or should have known that one or more of such debtor's 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. Certain provisions of Italian law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations and have not been tested to date in the Italian courts. In this respect, the most recent reform has been approved by the Italian Government on 23 June 2015 through a law-decree containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law (the "Decree"). The Decree entered into force on 27 June 2015 (the date of its publication in the *Gazzetta Ufficiale*) and has been converted into law by Law No. 132/2015 ("Law 132"). Law 132 entered into force on 21 August 2015 after its publication in the *Gazzetta Ufficiale*.

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 liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claims as well as, in case of the "*Prodi-bis*" procedure or "*Marzano*" procedure, to maintain employment. These competing aims have often been balanced by selling businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, and a focus on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency occurs when a debtor is no longer able to regularly meet its obligations as they become due. This must be a permanent, and not a temporary, status of insolvency in order for a court to hold that a company is insolvent.

In cases where a company is in distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

In addition, the following forms of debt restructuring and bankruptcy are available under Italian law for companies in a state of crisis and for insolvent companies.

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 on restructuring plans (*piani di risanamento attestati*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed by the debtor has to verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company.

The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, subject to certain conditions (i) are not subject to clawback action and (ii) are exempted from certain potentially applicable criminal sanctions. Neither ratification by the court nor publication in the companies' register are needed (although publication in the companies' register is possible upon a debtor's request and would allow for certain tax benefits) and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

Debt Restructuring Agreements with Creditors (accordi di ristrutturazione dei debiti) Pursuant to Article 182-bis of the Italian Bankruptcy Law

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 appointed by the debtor must assess the truthfulness of the business data provided by the company and declare that the agreement is feasible and, particularly, that it ensures that the debts of the non-participating creditors can be fully satisfied within the following time frames: (i) 120 days from the date of ratification of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as at the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court; and (ii) 120 days from the date on which the relevant debts fall due, in case of receivables which are not yet due and payable to the non-participating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a state of crisis (i.e., facing distress which does not yet amount to insolvency) can initiate this process and request the court's sanctioning (*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 and cannot obtain any security interest (unless agreed) in relation to pre-existing debts. Such moratorium can be requested, pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law, by the debtor from the court pending negotiations with creditors (prior to the abovementioned publication of the agreement), subject to the fulfilment of certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation, sets the date for a hearing within 30 days of the publication and orders the company to supply the relevant documentation in relation to the moratorium to the creditors. In such hearing, the court assesses whether the conditions for granting the moratorium are in place and, if they are, orders that no interim relief or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which the restructuring agreement has to be filed. The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium.

The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, inter alia, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party and may contain, refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

Creditors and other interested parties 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.

Pursuant to the new Article 182-quinquies of the Italian Bankruptcy Law, the court, pending the sanctioning (*omologazione*) of the agreement pursuant to Article 182-bis, paragraph 1, or after the filing of the instance pursuant to Article 182-bis, paragraph 6, or a petition for a *concordato preventivo*, also pursuant to Article 161, paragraph 6, may authorize the debtor (i) to incur in new indebtedness pre-deductible pursuant to Article 111 of the Italian Bankruptcy Law, provided that the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), declares the aim of the new financial indebtedness results in a better satisfaction of the creditors, and (ii) to pay debts deriving from the supply of services or goods, already payable and due, provided that the expert declares that such payment is essential for the keeping of company's activities and to ensure the best satisfaction for all creditors.

Furthermore, Law 132 introduced a new paragraph to Article 182 quinquies which provides that debtors can apply—without the need of an expert's certification—to the court to seek urgent court authorization to enter into "interim financing" agreements pre-deductible pursuant to Article 111 of the Italian Bankruptcy Law and also to continue to use existing "*linee di credito autoliquidanti*" (trade receivables credit lines). To that end, the new financings and credit lines must be functional to meet urgent needs of the business' activities and the debtor's application must state what use will be made of the new financings. In addition, the debtor must state that it is otherwise unable to obtain alternative financing and that, without these new financings, the business would suffer an imminent and irremediable prejudice. Further to the debtor's application, the court must decide within the following ten days, after having heard (if considered necessary) the opinion of the main creditors.

The "new" debt restructuring agreement with banks and financial intermediaries under Article 182-septies of the Italian Bankruptcy Law

Law 132 has introduced a specific type of debt restructuring agreement for businesses whose debts are predominantly (at least 50% of the total amount) owed to banks and financial intermediaries. Other creditors' (not banks or financial intermediaries) rights remain unaffected and debts to such creditors must be paid in full. Essentially, a specific regime has been established that means that even financial creditors who, although entitled to participate in negotiations, have chosen not to take part in the agreement, can be bound by the contents of a restructuring agreement, thus overcoming the need for unanimity requested by credit institutions in negotiations of financial manoeuvres. The purpose is to prevent banks with modest credits from effectively having the power to block restructuring operations involving more exposed bank creditors, resulting in the failure of the overall restructuring and the opening of a procedure. Financial creditors who did not participate in the agreement may oppose to it (within 30 days of receipt of the application).

Court-Supervised Pre-Bankruptcy Composition with Creditors (concordato preventivo)

A company which is insolvent or in a situation of crisis, but has not been declared insolvent by the court, has the option to make a composition proposal to 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 composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenues (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor company can file a petition with the court for a *concordato preventivo* (together with, *inter alia*, the proposed agreement and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business data provided by the company).

As amended by Law 132, a *concordato preventivo* proposal must now provide for the repayment of at least 20% of unsecured credits, although such limit does not apply if the *concordato* proposal relates to a "*concordato* with business continuity" (*concordato con continuità aziendale*) and, therefore, is applicable only when the *concordato* is of liquidatory nature. Law 132 extends the timing requested for the homologation of *concordato preventivo* procedures, which shall occur within 9 months from the filing of the request by the company.

The petition for *concordato preventivo* is then published by the debtor in the companies' register. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement and interim relief actions by the creditors (whose debt became due before the sanctioning of the *concordato preventivo* by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Pre-existing creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the companies' register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring of debts and the satisfaction of creditors' claims (including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal (iii) the division of creditors into classes and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so-called *concordato in bianco*, pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law). The debtor company may file such petition along with (i) its financial statements from the latest three financial years and, pursuant to the recent Italian Law Decree No. 69/2013 as converted into law No. 98/2013 ("Law Decree 69/2013"), (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension. In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182-*bis* of the Italian Bankruptcy Law). Pursuant to Law Decree 69/2013, the court, if it accepts such preliminary petition, may (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (*e.g.* concealment of part of assets, omission to report one or more claims, declaration of non-existent liabilities or commission of other fraudulent acts), shall report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo* and (ii) set forth reporting and information duties of the company during the above mentioned period.

The debtor company may not file such pre-application if it had already done so in the previous two years without having followed by the admission to the *concordato preventivo*. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (relating also to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company shall file, on a monthly basis, the company's financial position, which is published, the following day, in the companies' register. Non-compliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, *ex officio*, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may (i) carry out acts pertaining to its ordinary activity and (ii) seek the court's authorization to carry out acts pertaining to its extraordinary activity, to the extent they are urgent. Claims arising from acts lawfully carried out by the distressed company are treated as super senior (so-called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the clawback action provided under Article 67 of the Italian Bankruptcy Law. Law No. 9/2014 specified that the super-seniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that (i) the debtor's company's business continues to be run by the debtor's company as a going concern, or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenues which are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert shall also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented.

Furthermore, the going concern-based arrangements with creditors can provide for, *inter alia*, the winding-up of those assets which are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its board of directors, but is supervised by the appointed judicial officers and judge (who shall authorize all transactions that exceed the ordinary course of business).

The *concordato preventivo* is voted on at a creditors' meeting and must be approved by the favorable vote of: (a) the creditors representing the majority of the receivables admitted to vote and, in the event that the plan provides for more classes of creditors also, (b) the majority of the classes. Creditors who have not voted will be deemed to approve the *concordato preventivo* proposal if they fail to notify their objection via telegraph, fax, mail or e-mail to such proposal within 20 days from the closure of the minutes of that creditors' meeting. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if (i) the majority of classes has approved it, and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an opposition is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, by the court may nonetheless approve the *concordato preventivo* if it deems that the relevant creditor's claim is likely to be satisfied no less than would otherwise be the case.

In the context of a *concordato preventivo* Law 132 introduces new provisions with the aim of having a more effective restructuring even through the direct involvement of creditors. This amendment includes an offer to transfer the business or any going concern or specific assets, and with respect to which the commissioner believes the offer is not in the best interest of the creditors, there is now the possibility to open a competitive auction and to present competing bids (*offerte concorrenti*). Moreover, creditors representing at least ten percent of the debt may present alternative creditors' composition proposals to those of the debtor (*proposte concorrenti*), if the debtor's proposal does not provide for payment of at least 40% (or 30% in relation to composition with creditors with the continuity of the going concern under Article 186-b is of the Italian Bankruptcy Law) of the unsecured receivables and such payment threshold is certified by the report issued by an independent expert in relation to the debtor's proposal.

After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Bankruptcy (fallimento)

A request to declare a debtor company bankrupt and to commence bankruptcy proceedings (*fallimento*) and the judicial liquidation of the debtor company's assets can be filed by the debtor company itself, any of its 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 to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met (*i.e.*, the company has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, gross revenues (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years and has total indebtedness in excess of €0.5 million). On 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 enforce 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 receiver 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 company and the management of its assets pass from the debtor company to the bankruptcy receiver (*curatore fallimentare*);
- any act of the debtor company done after a declaration of bankruptcy (including payments made) is ineffective against the creditors;
- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors; and
- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over. Although the general rule is that the bankruptcy receiver is allowed to either continue or terminate contracts where some or all of the obligations have not been performed by both parties, certain contracts are subject to specific rules expressly provided for by the 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 any one of the creditors, but is responsible for the liquidation of the assets of the debtor for the satisfaction of the creditors as a whole. 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. In this respect, Law 132 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requisite applicable to the liquidation procedure, which means that, the timing for the liquidation of a debtor may be shortened. The Italian Bankruptcy Law provides for a priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of Italian law (and, as a consequence, it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by applicable law).

Bankruptcy Composition with Creditors (concordato fallimentare)

A bankruptcy proceeding can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The proposal can be filed, by one or more creditors or third parties, from the declaration of bankruptcy. By contrast, the debtor or its subsidiaries are only permitted to file such proposal after one year following such declaration, but within two years following the decree giving effectiveness to the liabilities account (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the *concordato fallimentare* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal.

The proposal may provide for the division of creditors into classes (thereby proposing different treatment among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, also by a majority (by value) of the claims in a majority of the classes). Final court ratification is also required.

Statutory Priorities

The statutory priority given to creditors under the Italian Bankruptcy Law may be different from that established in the United States, the United Kingdom and certain other EU jurisdictions. Neither the debtor nor the court can deviate from the rules of statutory priority by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles (as a consequence it must be noted that priority of payments such as those commonly provided in intercreditor contractual arrangements may not be enforceable against an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). The rules of statutory priority apply irrespective of whether the proceeds are derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "pre-deductible" claims (*i.e.*, claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors including, *inter alia*, a claim whose priority is legally acquired (*i.e.*, repayment of rescue or interim financing, mentioned above), the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priority claims are those of "privileged" creditors (*creditori privilegiati*; a priority in payment in most circumstances, but not exclusively, provided for by law), mortgagees (*creditori ipotecari*), pledgees (*creditori prignoratizi*) and unsecured creditors (*crediti chirografari*).

Avoidance Powers in Insolvency

Under Italian law, there are "clawback" or avoidance provisions that may lead to, *inter alia*, the revocation of payments made or security interests granted by the debtor prior to the declaration of bankruptcy. The key avoidance provisions include, but are not limited to, transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Clawback rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy, compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, depending on the circumstances, the Italian Bankruptcy Law provides for a clawback period of up to either one year or six months in certain circumstances (please note that in the context of extraordinary administration procedures—see below—in relation to certain transactions the clawback period can be extended to five and three years, respectively) and a two-year ineffectiveness period for certain other transactions.

The Italian Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/ court commissioner, as detailed below.

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 debtor in the two-year period prior to the insolvency declaration; and

   ii. under Article 65 of the Italian Bankruptcy Law, payments of debts falling due on the day of the declaration of insolvency or thereafter are deemed ineffective vis-à-vis creditors if made by the debtor in the two-year period prior to the insolvency declaration.

b) *Acts which could be declared ineffective at the request of the bankruptcy receiver/court commissioner*

   i. The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) *vis-à-vis* the bankruptcy as provided for by article 67 of the above referenced Royal Decree and be declared ineffective unless the other party proves that it had no actual or constructive knowledge of the debtor's insolvency:

      I. the onerous transactions entered into in the year preceding the insolvency declaration, where the value of the debt or of the obligations undertaken by the debtor exceeds by 25% the value of the consideration received by and/or promised to the debtor;

II. payments of debts, due and payable, made by the debtor, which were not paid in cash or by other customary means of payment in the year preceding the insolvency declaration;

III. pledges and mortgages granted by the bankrupt entity in the year preceding the insolvency declaration in order to secure pre-existing debts which have not yet fallen due; and

IV. pledges and mortgages, granted by the bankrupt entity in the six months preceding the insolvency declaration, in order to secure debts which had fallen due.

ii. The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) and declared ineffective if the bankruptcy receiver proves that the other party knew that the bankrupt entity was insolvent at the time of the act or transaction:

I. the payments of debts that are immediately due and payable and any onerous transactions entered into or made in the six months preceding the insolvency declaration; and

II. the granting of security interests securing debts (even those of third parties) and made in the six months preceding the insolvency declaration.

iii. The following transactions are exempt from clawback actions:

I. a payment for goods or services made in the ordinary course of business and in accordance with market practice;

II. a remittance on a bank account, provided that it does not reduce the bankrupt entity's debt towards the bank in a material and lasting manner;

III. a 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) or a nonresidential property that is intended as the main seat of the enterprise of the purchaser, on the condition that, as at the date of the insolvency declaration, such activity is actually exercised or the investments for the start of such activity have been carried out;

IV. transactions entered into, payments made and security interests granted with respect to the bankrupt entity's goods, provided that they concern the implementation of a *piano di risanamento attestato* (see "*—Out-Of-Court Reorganization Plans (Piani di risanamento) Pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law*" above);

V. a transaction entered into, payment made or security interest granted to implement a *concordato preventivo* (see Court-Supervised Pre-bankruptcy Composition with Creditors (*concordato preventivo*)) or an *accordo di ristrutturazione dei debiti* under Article 182-*bis* of the Italian Bankruptcy Law (see Debt Restructuring Agreements with Creditors (*accordi di ristrutturazione dei debiti*) and transactions entered into, payments made and security interests granted after the filing of the application for a *concordato preventivo* (see above);

VI. remuneration payments to the bankrupt entity's employees and consultants; and

VII. a payment 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 without effect *vis-à-vis* the acting creditors within the Italian Civil Code ordinary clawback period of five years (*revocatoria ordinaria*). Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions through which the bankrupt entity disposed of its assets to the detriment of such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, that such transaction was fraudulently entered into by the debtor in order to cause detriment of such creditor's rights) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, such third party participated in the fraudulent scheme).

Law 132 also introduced new article 2929 *bis* to Italian Civil Code, providing for a "simplified" claw back action for the creditor in respect of certain type of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors.

In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a court decision clawing back/nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out for no consideration (e.g. gratuitous transfers, or creation of shield instruments such as trusts or the so-called *fondo patrimoniale*—"family trust"). In case of gratuitous transfers, the enforcement action can be carried out by the creditor also against the third party purchaser.

Extraordinary Administration for Large Insolvent Companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)

An extraordinary administration procedure applies under Italian law for large industrial and commercial enterprises (the *Prodi-bis* procedure). The relevant company must be insolvent, but demonstrating 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. Either of the creditors, the debtor, a court or the public prosecutor may make a petition to commence an extraordinary administration procedure. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

There are two main phases—a "judicial phase" and an "administrative phase."

Judicial Phase

In the judicial 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 up to three judicial receivers (*commissiario giudiziale*) to investigate whether the company has serious prospects for recovery via a business sale or reorganization. The judicial receiver files a report with the court within 30 days, and within 10 days from such filing, the Italian Productive Activities Minister (the "Ministry") may make an opinion on the admission of the company to the extraordinary administration procedure. The court then decides (within 30 days from the filing of the report) whether to admit the company to the procedure or to place it into bankruptcy.

Administrative Phase

Assuming that the company is admitted to the extraordinary administration procedure, the administrative phase begins and an extraordinary commissioner (or commissioners) is appointed by the Ministry. The extraordinary commissioner(s), prepares a plan which 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"). The plan may also include an arrangement with creditors (*e.g.*, a 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 within 30 days from submission by the extraordinary commissioner.

In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry.

The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan, failing which the company is declared bankrupt.

Industrial Restructuring of Large Insolvent Companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

Introduced in 2003, the industrial restructuring of large insolvent companies is also 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 is made together with the filing to the court for the declaration of the insolvency of the debtor.

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 €300.0 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/have 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 certain companies, including, *inter alia*, 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. A compulsory administrative winding-up is a special sort of insolvency proceeding in which 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 on 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). 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 are 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 on creditors of the forced administrative winding-up 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 extraordinary administration proceedings.

Certain Italian Law Considerations in Relation to Guarantees and Security Interests and Certain Other Additional Italian Legal Considerations

Corporate Benefit and Financial Assistance Issues under Italian Law

Under Italian law, the entry into of a transaction (including the creation of a security interest or the granting of a guarantee) by a company must be permitted by the applicable laws and by its by-laws (*statuto sociale*) and is subject to compliance with the rules on corporate benefit and corporate authorization. If a security interest or a guarantee is being provided in the context of an acquisition, group reorganization, refinancing or restructuring, financial assistance issues may also be triggered.

Corporate Benefit

An Italian company entering into a transaction (including granting a security interest or a guarantee) must receive a real and adequate benefit in exchange for it. The concept of a real and adequate benefit is not specifically defined in the applicable legislation and is determined by a factual analysis on a case-by-case basis. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration.

As a general rule, absence of a real and adequate corporate benefit could render the transaction (including granting a security interest or a guarantee) *ultra vires* and potentially affected by conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be the subject matter of challenges and annulment. Civil liabilities also may be imposed on the directors of the company if it is assessed that they did not act in the interest of it and that the acts they carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law. The lack of corporate benefit could also lead to civil liabilities on those companies or persons ultimately exercising control over the Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the transaction (including the security interest or guarantee granted by an Italian company) could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the company.

The above principles on corporate benefit apply equally to upstream/crossstream/downstream security interest or guarantees granted by Italian companies.

In relation to security interests or guarantees, while corporate benefit for a downstream security or guarantee (*i.e.*, a security or a guarantee granted to secure financial obligations of direct or indirect subsidiaries of the relevant grantor) can usually be easily proved, the validity and effectiveness of an upstream or cross-stream security or guarantee (i.e., a security interest or a guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee. The general rule is that the risk assumed by an Italian grantor of security or guarantee must not be disproportionate to the direct or indirect economic benefit to it. In particular, in case of upstream and crossstream security interests or guarantees for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of that group or other economic benefit accruing to the Italian grantor in the context of the overall transaction.

Financial Assistance

Save for specific exceptions, it is unlawful under Italian laws for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company, and any loan, guarantee or security given or granted in breach of these provisions is null and void. Financial assistance to refinance indebtedness incurred by a company to purchase or subscribe for its own shares or quotes or those of its direct or indirect parent company might also be considered as falling within the scope of Italian financial assistance provisions.

Subject to the foregoing, the Guarantees by any Italian Guarantor are subject to certain restrictions or limitations, including, *inter alia*:

- the Guarantees will not secure any amounts the purpose of which is, directly or indirectly, the acquisition or the subscription in any shares in such Italian Guarantor and/or any of its direct and indirect holding companies in the context of the acquisition, in accordance with the provisions of article 2358 and/ or article 2474, as the case may be, of the Italian Civil Code;
- the Guarantees will be in any case limited to, and will not exceed, the amount of any intercompany loans, or other financial support in any form, advanced to such Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359, paragraph 1, numbers 1 and/or 2, of the Italian Civil Code) by any member of the Group on or after the Issue Date using the proceeds of, respectively, the Floating Rate Senior Secured Notes and the Secured Notes; and
- the Guarantees will be limited to a specific maximum amount, pursuant to article 1938 of the Italian Civil Code.

Certain Limitations on Enforcement

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it or by way of a parallel debt obligation could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during a certain legally specified period (the "suspect period"). For a more detailed explanation of the terms, conditions and consequences of clawback actions in an insolvency scenario, see "—*Certain Italian Insolvency Laws*" above.

If challenged successfully, the guarantee or the security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest or guarantee is voided, holders of the Notes could lose the benefit of the security interest or guarantee and may not be able to recover any amounts under the related security documents.

In addition, under Italian law, in certain circumstances also in the ordinary course of business, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, security, agreement and any other act by which it disposes of any of its assets, in order to seek a clawback action (*azione revocatoria ordinaria*) pursuant to Article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, security, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian court could revoke the said guarantee, security, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

- that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently for the purpose of prejudicing the satisfaction of the claim or credit;
- that, in the case of non-gratuitous act, the third party involved was aware of said prejudice and, if that act was done prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

Furthermore, under fraudulent conveyance and other provisions of Italian law, a court could void or invalidate all or a portion of the obligations of a guarantor under the relevant guarantee and, if payment had already been made under that guarantee, require the recipients of that payment to return the payment to the relevant guarantor, if the court found that, *inter alia*:

- the relevant guarantor gave such guarantee with actual intent to hinder, delay or defraud its current or future creditors or with a desire to prefer some creditors over others, or when the beneficiary of the guarantee was aware that the relevant guarantor was insolvent when it gave the relevant guarantee;
- the relevant guarantor did not receive fair consideration or reasonably equivalent value for its guarantee or the relevant guarantor was insolvent at the time the guarantee was given;
- the relevant guarantee was held to exceed the corporate objects of the relevant guarantor or not to be in the best interest or for the corporate benefit of the relevant guarantor; or
- the guarantor giving such guarantee was aware, or should have been aware, that the transaction was to the detriment of the creditors.

If a court decided either that a guarantee was a fraudulent conveyance and voided such guarantee, or held it unenforceable for any other reason, the beneficiary of the guarantee may cease to have any claim with respect to the relevant guarantor. The same would also apply to any security interest.

Certain Considerations in Relation to Security Interests

Parallel Debt

It is uncertain and untested in the Italian courts whether, under Italian law, a security interest can be created and perfected: (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of a "trustee", since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a "trustee" as agent or trustee under security interests granted over Italian assets is uncertain under Italian law.

Given the above and considering that the holders of the Notes are not party to the Italian law governed security documents, there is a risk that an Italian court may determine that the holders of the Notes (in relation to which the relevant perfection formalities acknowledging their status as a secured creditor are not perfected at the time of enforcement) are not secured by the security interests created under the Italian law governed security documents and/or cannot enforce that security interest.

To address the above potential issue, the Intercreditor Agreement provides for the creation of a "parallel debt". Pursuant to the parallel debt claim and subject to the terms of the Intercreditor Agreement and to applicable law, the Security Agent, in its individual capacity acting in its own name and not as agent or representative of the holders of the Notes, shall become the holder of a claim equal to each amount payable by an obligor under the Notes. The security interests in the Notes Collateral governed by Italian law will then secure the parallel debt. However, investors should note that the enforceability of Italian law governed security interests granted in favor of the creditor of a parallel debt has not been tested before the Italian courts and, therefore, it cannot be excluded that the parallel debt will not per se eliminate or mitigate the risk of unenforceability by the holders of the Notes of the Notes Collateral securing the Notes governed by Italian law.

General

The procedures for the enforcement of Italian law security and the timing for obtaining judicial decisions (including in relation to security enforcement) in the Republic of Italy are materially complex and time-consuming, especially given that the Italian courts maintain a significant role in the enforcement process, in comparison to other jurisdictions with which investors may be familiar.

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 Sub Lecta S.A. 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 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 laws applicable to 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 on the day of, but 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 is applicable, 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 serious breach or violation of the Luxembourg Commercial Code or of the Luxembourg laws applicable to 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

Sub Lecta S.A. will guarantee certain obligations under the Notes.

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 be 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 Sub Lecta S.A. 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 Sub Lecta S.A.

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 Sub Lecta S.A. 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 (the so-called "current insolvency" (*insolvencia actual*) or when it expects that it will shortly be unable to do so (the so-called "imminent insolvency" (*insolvencia inminente*). The debtor must seek the court's assistance in order to be declared bankrupt within two months as of the date the debtor knew or should have been aware of its insolvency. A creditor may also apply for a debtor's insolvency if it can prove to the court: (i) a general failure on the part of the debtor to meet its payment obligations; (ii) the existence of attachments on the debtor's assets that will generally affect its business; (iii) a general liquidation by the debtor of its assets in certain circumstances; or (iv) a general failure on the part of the debtor to comply with tax, social security, salary and other employment obligations during the three-month period preceding the insolvency filing. 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 bis may not be rescinded (as explained below).

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 (*créditos concursales*) under insolvency proceedings and debts against the insolvency estate (*créditos contra la masa*). 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 bis, are not considered part of the debtor's general debt and are paid before other debts under insolvency proceedings and at their respective maturities (as this will be further explained).

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 a copy of the documentation that justifies such claims though the insolvency administrator can ask for the original one. Based on the documentation provided by the creditors and documentation held by the debtor, the insolvency administrator draws up a list of acknowledged creditors/claims and classifies them according to the categories established in the Spanish Insolvency Law:

- Creditors benefiting from special privileges, representing security on certain assets (*in rem* sureties). Nevertheless the amount of the special privileged credit will reach the value of the guarantee calculated according to the formula fixed by law. These privileges may entail separate proceedings, although subject to certain restrictions derived from a waiting period that may last up to one year. Secured creditors are bound by the CVA if they have voted in favor of it, and though they might not have voted in favor, they will also be enforced by the CVA if certain creditor majorities are met (labor, public, financial or the others). In the event of liquidation, they are the first to collect payment against the assets on which they are secured. However, the insolvency administrator 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 bis (in the amount not admitted as a debt against the insolvency estate). Secured creditor are bound by the CVA if they have voted in favor of it, and though they might not have voted in favor, they will also be enforced by the CVA if certain creditors majorities are met (labor, public, financial or the others) 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), such as ordinary commercial suppliers, will be paid once the privileged credits have been paid and *pro rata temporis.* This is a residual category.
- 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.

Other claims are not subject to the insolvency proceedings and are therefore neither acknowledged nor classified. These include any claims accrued after the insolvency proceedings (*e.g.*, those entered into in order to continue the business) as well as other claims prescribed by law, even if accrued earlier (*i.e.*, salaries accrued during the last 30 days before the insolvency proceedings are initiated or new money lent within the context of protected refinancing agreements: 50% if lent after October 2016, 100% if lent before 2016). These claims are immediately payable (*créditos contra la masa*), although the Spanish Insolvency Law imposes some restrictions on their enforceability.

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 those who have held the said posts in the two years immediately preceding the declaration of insolvency; 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 they are not paid until ordinary credits are not fully satisfied.

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).

Pre-insolvency moratorium (section 5 bis of the Spanish Insolvency Law)

The debtor is allowed to obtain an additional four-month moratorium upon application to the court, in order to allow the discussion of an advanced proposal for arrangement or a refinancing agreement. The debtor would have to file the application for the declaration of insolvency within the four-month period if it has not reached a restructuring agreement that resolves its insolvency issues.

Court and out-of-court enforcement actions against assets which are necessary to enable the business to continue cannot be pursued by creditors from the time an application for a moratorium is filed with the court. Insolvency filing by creditors would also not be allowed. Creditors involved in a scheme of arrangement would also not be allowed to enforce (against any assets) if at least 51% of the financial creditors have agreed not to do so while the scheme was being negotiated. Apart from that, business would continue as usual after the filing of the application under section 5 bis the Spanish Insolvency Law.

The debtor will not be entitled to apply for any further moratorium within a year of the last moratorium being granted.

The amendments to the Spanish Insolvency Law introduced in 2009, 2011 and 2014 by the Spanish legislator aimed to reduce the risk of claw-back under certain circumstances, thus facilitating certain refinancing agreements between financial entities and companies in distress.

The refinancing agreement will avoid the risk of being subject to a claw-back action if certain conditions are met (Article 71 bis of the Spanish Insolvency Law):

- The refinancing agreement is deemed to be a transaction providing for:
  - a "significant" increase of the available funds, or
  - a novation or write-off of the existing obligations (as a result either of the extension of the term, or the establishment of obligations to replace the existing ones).
- Requirements to be met by such refinancing agreements in order to be outside of the claw-back regime are the following:
  - Formalities: the agreement must be executed in a public instrument enclosing all of the documents that justify the fulfilment of the requirements set out below.
  - Creditors' approval: the agreement must be signed by creditors representing at least three fifths of the debtor's liabilities (including non-financial liabilities, *e.g.*, trade creditors) at the date of the adoption of the refinancing agreement. In cases where refinancing agreements affect a group of companies, this majority needs to be achieved at an individual company level and at a consolidated group level, (intercompany debts are excluded for voting purposes). For the purpose of calculating these majorities, in case of syndicated loans, the approval by 75% of the syndicated creditors (or less if agreed in the syndicated facilities) will be binding for 100% of the syndicated debt.
  - Viability: the agreement must be supported by a viability plan that confirms the debtor's ability to continue the business in the short and medium term.
  - Certificate of auditors: the agreement must include a certificate issued by the auditors of the debtor confirming that the required majority has been duly calculated.

Agreements that do not meet the requirements mentioned above will also be protected if the following conditions are all met: (i) they entail the reduction of the proportion between liabilities and assets; i.e. write-off; (ii) the resulting current assets exceed the resulting short term liabilities; (iii) the resulting securities do not guarantee more than 90% of the resulting liabilities, nor do they entail an increase of the percentage of liabilities secured prior to the agreement; (iv) the resulting interest rate does not exceed in more than 1/3 the former interest rate; and (v) the agreement is executed in a public instrument and includes a detailed explanation of the transaction.

Extended binding effects of the protected refinancing agreements

If judicially sanctioned, certain refinancing agreements will be, not only protected from future claw-back actions (51% majority of financial liabilities would be enough for this purpose), but also will cram down financial creditors who have dissented.

Dissenting unsecured financial creditors, or secured financial creditors with exposures that exceed the value of their security, will be bound by judicially sanctioned agreements as follows:

- If the agreement has been approved by 60% of the financial liabilities of the debtor, the aforementioned creditors will be bound by any debt extensions for up to 5 years and by any agreed conversion of debt into Profit Participating Loans ("PPLs") with a term of less than 5 years.
- If the agreement has been approved by 75% of the financial liabilities of the debtor, the aforementioned creditors will be bound by any debt extensions agreed for up to 10 years,

write-offs and any agreed conversion of debt into PPL up to 10 years, debt to equity swaps and payments in kind of the loans.

Dissenting secured financial creditors will be bound by judicially sanctioned refinancing agreements for the amounts covered by the security as follows:

- If the agreement has been approved by 65% of the financial liabilities of the debtor, the aforementioned creditors will be bound by an extension of the debt for up to 5 years and by any agreed conversion of debt into PPL also with a term not exceeding 5 years.
- If the agreement has been approved by 80% of the financial liabilities of the debtor, the aforementioned creditors will be bound by an extension of the debt up to 10 years, write-offs and any agreed conversion of debt into PPL for up to 10 years, debt to equity swaps and payments in kind of the loans.

For this purpose, the security value will be 90% of the reasonable value of the asset (as defined in the Spanish Insolvency Law) after deducting other liabilities that are preferentially secured by the same asset.

For the calculation of the aforementioned majorities the following should be taken into account:

- Financial liabilities will include any financial claims excluding public, commercial claims and connected party claims.
- In case of syndicated loans, the approval by 75% of the syndicated creditors (or less if agreed so in the syndicating facilities) will entail the approving vote of 100% of the debt.

The protected refinancing agreements are subject to the approval of an insolvency judge. By means of an expedited proceeding, the judge will verify that the above requirements have been met.

Once approved, any affected creditors may file a challenge by way of incidental proceedings, only if they find that the majorities have not been properly calculated or if the refinancing agreement represents a disproportionate sacrifice for the affected creditors.

New money lending

Amendments of 2014 have introduced two preferences for new money, in order to facilitate the obtaining of financing by companies with financial difficulties:

- Financing granted in the context of refinancing in accordance with Article 71 bis of the Spanish Insolvency Law will be split into a claim against the insolvency estate and a claim enjoying a general priority, in the event of subsequent insolvency proceedings.
- Financing in the context of an agreement will be made against the insolvency estate if liquidation arises later (unless it was granted by a connected party).

The amendment of 2014 has enhanced this regime, by providing that until October 2, 2016 financing granted in the context of refinancing in accordance with 71 bis of the Spanish Insolvency Law will be considered a claim against the insolvency estate, even if it was granted by a connected party.

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. However, such moratorium may only be imposed where the assets subject to the guarantee are necessary for the debtor's activity.

Limitations on Enforcement of Guarantees and Security Interests

Under Spanish law, claims may become time-barred (5 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). However, some scholars and practitioners believe that since Catalan law does not expressly provide for the creation of a pledge securing different obligations, it would be possible to create one single pledge securing different obligations without any restriction. To the best of our knowledge, there is no Spanish Supreme Court case law that directly resolves this issue.
- Under Spanish law, pledges are governed by the law where the pledged assets are located (*lex rei 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.
- 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, there is the possibility that only one of the pledges will be valid, and the remaining pledges will be deemed null and void. However, as mentioned above, some scholars and practitioners believe that since Catalan law does not expressly provide for the creation of a pledge securing different obligations, it would be possible to create one single pledge securing different obligations without any restriction. To the best of our knowledge, there is no Spanish Supreme Court case law that directly resolves this issue.

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 Paying Agent.

The 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, the Trustee, the Agents, 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 the law of December 23, 2005, as amended (the "Interest Withholding Tax Law").

By the Interest Withholding Tax Law, effective as of January 1, 2006, Luxembourg introduced a withholding tax of 10% on savings income in the form of interest paid or secured by a Luxembourg paying agent to or for the benefit of beneficial owners, who are individuals, resident in Luxembourg and residual entities (i.e. entities (i) that are not legal persons (whereby certain Swedish and Finnish entities which have legal personality are nevertheless treated as not being a separate legal person for this provision), (ii) whose profits are not taxed under the general arrangements for business taxation; and (iii) which are not (or have not opted to be considered as) a UCITS recognized in accordance with the Council Directive 85/611/EEC, as replaced by the Directive 2009/65/EC of the European Parliament and of the Council, the "Residual Entities") established in other EU Member States or certain dependent and associated territories thereof (to the extent beneficial owners who are individuals resident in Luxembourg have an interest in such entities and, according to the Interest Withholding Tax Law, if the Residual Entity has not opted for information exchange or to be treated as a UCITS). 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 an EU 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 European Council Directive 2003/48/EC of June 3, 2003 on the taxation of savings income in the form of interest payments, as amended and repealed, 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 and the interest falls within the scope of the 10% Levy but the holder has not opted for the application of the 10% Levy or (ii) is or is deemed to be a resident of Luxembourg for tax purposes and the interest has not been received by him in the course of the management of his private wealth or

(iii) 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 Interest Withholding Tax Law is assumed by the Luxembourg paying agent (within the meaning of 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 who are individuals resident in Luxembourg have an interest in such an entity, 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, 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 that, in the situation where the nonresident holder of Notes is a Residual Entity in which beneficial owners who are individuals resident in Luxembourg have an interest, the portion of the gain corresponding to accrued but unpaid interest 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(ies) benefiting 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:

- 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, as amended (ii) investment company in risk capital (SICAR) within the meaning of the law dated June 15, 2004 as amended (except for the Luxembourg minimum annual net wealth tax (EUR 3,120 for companies investing predominantly (i.e. more than 90%) in financial assets and between EUR 535 and EUR 32,100 for other companies)) (iii) securitization entities within the meaning of the law dated March 22, 2004, as amended (except for the Luxembourg minimum annual net wealth tax) and (iv) special investment funds within the meaning of the law of February 13, 2007 as amended; or

- such Note is attributable to an enterprise or part thereof, which is carried on through a permanent establishment, a permanent representative or a fixed place of business in Luxembourg.

With regard to individuals, the Interest Withholding Tax Law 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.

Exchange of Information

Common Reporting Standard

The Organization for Economic Co-operation and Development has developed a new global standard for the automatic exchange of financial information between tax authorities (the "CRS"). Luxembourg is a signatory jurisdiction to the CRS and intends to conduct its first exchange of information with tax authorities of other signatory jurisdictions in September 2017, as regards reportable financial information gathered in relation to fiscal year 2016. The CRS has been implemented in Luxembourg via the law dated 18 December 2015 concerning the automatic exchange of information on financial accounts and tax matters and implementing the EU Directive 2014/107/EU (the "CRS Law"). The regulations may impose obligations on the Issuer and holders of Notes, if the Issuer is considered as a Reporting Financial Institution (e.g. an Investment Entity) under the CRS, so that the latter could be required to conduct due diligence and obtain (among other things) confirmation of the tax residency, tax identification number and CRS classification of holders of Notes in order to fulfil its own legal obligations from 1 January 2016. Further, the holders of Notes have permitted the Issuer to share such information with the relevant taxing authority. It is intended that the Issuer will fully comply with CRS regulations.

Foreign Account Tax Compliance

The Intergovernmental Agreement ("IGA") between the United States and Luxembourg to improve International Tax Compliance and with respect to the United States information reporting provisions commonly known as the Foreign Account Tax Compliance Act ("FATCA") has been ratified by Luxembourg's Parliament and implemented into Luxembourg domestic legislation on 24 July 2015 (the "Luxembourg IGA Legislation").

Under the terms of the IGA, the Issuer is obliged to comply with the provisions of FATCA under the terms of the IGA and under the terms of the Luxembourg IGA Legislation, rather than under the US Treasury Regulations implementing FATCA. Under the IGA, Luxembourg-resident financial institutions that comply with the requirements of the Luxembourg IGA Legislation are treated as compliant with FATCA and, as a result, are not subject to withholding tax under FATCA ("FATCA Withholding"). The Issuer expects that it is considered to be a Luxembourg resident financial institution that needs to comply with the requirements of the Luxembourg IGA Legislation and, as a result of such compliance, the Issuer should not be subject to FATCA Withholding.

While the Issuer itself should not be subject to FATCA Withholding, (a) US holders of Notes who fail to waive rights to prevent the Issuer from complying with its disclosure obligations under the Luxembourg IGA and the Luxembourg IGA Legislation, (b) persons who fail to establish their non-US status, (c) non-US financial institution investors that themselves do not comply with the US Treasury Regulations or an applicable IGA and (d) certain other non-US entities that do not provide certifications or information regarding their US ownership, may be subject to FATCA Withholding on their share of payments made to or from the Issuer.

Additionally, under the Luxembourg IGA, the Issuer may be required to report to the Luxembourg tax authorities certain holdings by and payments made to (a) certain US holders of Notes, (b) certain US controlled foreign entity holders of Notes and (c) non-US financial institution holders of Notes that do not comply with the terms of the US Treasury Regulations or an applicable IGA. Under the Luxembourg IGA, such information is onward reported by the Luxembourg tax authorities to the US Internal Revenue Service.

Holders of Notes should contact their own tax advisers regarding the application of FATCA to their particular circumstances.

Certain U.S. Federal Income Tax Considerations

The following discussion is a general summary of certain 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 capital assets (generally, property held for investment) and that purchases the Notes in the Offerings for cash at their "issue price" (generally, the first price at which a substantial amount of the applicable series of Notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). This summary is based on the Internal Revenue Code of 1986, as amended (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. This summary does not address the Medicare tax on net investment income, other federal tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. If a partnership (including for this purpose any entity or arrangement 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, other non-U.S. 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 Stated Interest

Stated interest paid on the Notes (including a payment of any Additional Amounts and any non-U.S. taxes withheld on such payments of stated interest or Additional Amounts) will be includible in the gross income of 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 method 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 method U.S. holder will not realize foreign currency 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 during an interest accrual period 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, (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 such date is within five business days of the last day of the accrual period. 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.

Foreign Tax Credit

Stated 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 to the extent not previously included in income) and such holder's adjusted tax basis in the Notes. The amount realized generally will 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 disposition. A U.S. holder's adjusted tax basis in the Notes generally will be the cost of such Note to the U.S. holder. The cost of a Note purchased with euro 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 in the following paragraph with respect to foreign currency 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 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 a non-corporate U.S. holder (including an individual) generally are subject to U.S. federal income taxation at preferential rates. 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 (or, in each case, determined on the settlement date, if the Notes are traded on an established securities market and the holder is either a cash basis U.S. holder or an electing accrual basis U.S. holder). In addition, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder may recognize exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, if any, which will be treated as discussed above under "—Payments of Stated Interest". However, a U.S. holder will recognize exchange gain or loss with respect to principal and accrued and unpaid stated 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 foreign currency 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.

Additional Notes

The Issuer may issue Additional Notes as described under "Description of the Notes." These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the applicable series of original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the Additional Notes may be considered to have original issue discount which may adversely affect the market value of the applicable series of original Notes if the Additional Notes are not otherwise distinguishable from the applicable series of original Notes.

Tax Return Disclosure Requirements

A U.S. holder may be required to report receipt or accrual of interest on, or a sale or other disposition of, its Notes on IRS Form 8886 (Reportable Transaction Disclosure Statement) if it recognizes foreign currency 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 (or such higher amount specified in applicable regulations) generally are 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 certain 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

Taxation of Payments under the Guarantees Made by a French Resident Guarantor

In the absence of any judicial precedent or statement of practice issued by the French tax authorities in respect of payments made under a guarantee, we do not express any opinion as to whether the payments made by a French resident Guarantor under the Guarantees are subject to withholding tax in France pursuant to article 182 B of the French tax code, according to which payments made by a person who carries on a business in France to a non-resident person subject to corporate income tax who has no permanent professional installation in France in consideration of services (whatever their nature) rendered or used in France are subject to withholding tax in France.

We however note that: (i) in accordance with one interpretation of French tax law, payments made under a Guarantee are to be treated as a payment in lieu of payments to be made on the Notes by the Issuer and accordingly, the payments to be made by a French resident Guarantor under a Guarantee should be exempt from withholding tax in France to the extent that payments are not made in a non-cooperative jurisdiction within the meaning of article 238-0 A of the French Tax Code nor to a person domiciled or established in a non-cooperative jurisdiction; (ii) in accordance with another interpretation of French tax law, payments made under a Guarantee are to be treated as payments independent from the payments to be made under the Notes and accordingly, and in the absence of any specific provision to the contrary in the French tax code, such payments should be out of the scope from withholding tax in France.

It cannot be ruled out, however, that the French tax authorities or French courts adopt a view other than these two interpretations and consider such payments to be subject to withholding tax in France. An exemption from this withholding tax could be available under double tax treaties entered into by France.

Residents of France for Tax Purposes Holding Notes

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, after an initial withholding at a rate of 24%; plus
  - a general social contribution (*contribution sociale généralisée*) ("CSG") at the rate of 8.2%, 5.1% of which is deductible from taxable income;
  - a social levy (*prélèvement social*) of 4.5%;
  - an additional contribution of 0.3% to the social levy and a solidarity levy (*prélèvement de solidarité*) of 2%; and
  - a social debt repayment contribution (*contribution au remboursement de la dette sociale*) ("CRDS") of 0.5%.

Capital gains. Capital gains on the disposal of securities are subject to personal income tax calculated on a progressive scale, to which is added:

- a CSG at the rate of 8.2%, 5.1% of which is deductible from taxable income;
- a social levy (prélèvement social) of 4.5%;
- an additional contribution of 0.3% to the social levy and a solidarity levy (prélèvement de solidarité) of 2%; 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, 2016, a temporary exceptional contribution is due by corporate income taxpayers realizing an annual turnover exceeding €250,000,000. This exceptional contribution is equal to 10.7% 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 French tax code, 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 French tax code 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, 2016, the 10.7% temporary exceptional contribution, are to be added in accordance with the conditions mentioned above.

Non-Residents of France for Tax Purposes Holding Notes

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, 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 19% 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, withholding 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 23% (though a 19% tax rate will apply to the first €6,000, and a 21% flat rate will apply to the next bracket between €6,001 and €50,000). 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 25%. Should any withholding tax be applied, taxation may be reduced or eliminated upon application of the corresponding provisions.

Other Taxes

Net Wealth Tax

Holders of Notes who are individuals resident for tax purposes in Spain will be subject to net wealth tax in 2016 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.

Other tax considerations

Notes held by Spanish resident holders deposited or managed by non-resident entities are subject to the general obligation to disclose information regarding assets located outside Spain and must file tax form 720 (*Obligación de declaración sobre bienes y derechos situados en el extranjero*).

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 Purchasers, the Trustee, the Transfer Agent and Paying Agent, the Luxembourg Transfer Agent, Registrar and Listing 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 July 22, 2016 with respect to the Notes. Subject to certain conditions contained in the purchase agreement, the Initial Purchasers have agreed to purchase, and the Issuer has agreed to sell, all of the Notes (excluding, for purposes of this section, the Exchange 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 Deutsche Bank AG, London Branch, 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 prices for the Notes are the initial offering prices 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 prices. 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 the Offerings 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 Offerings, an offer or sale of any Notes within the United States by any dealer (whether or not participating in the Offerings) 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.

The Notes are a new issue of securities for which there currently is no market. We have applied, through our listing agent, to list the Notes on the Official List of the Luxembourg Stock Exchange and trade the Notes on the Euro MTF market, however, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchaser without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"). Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "Risk factors—Risks Related to the Notes and Our Structure—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."

Delivery of the Notes will be made against payment therefor on or about the third London business day following the date of pricing of the Notes (such settlement being referred to as "T+3").

In connection with the Offerings, Deutsche Bank AG, London Branch (or persons acting on its behalf) may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by Deutsche Bank AG, London Branch of a greater number of Notes than it is required to purchase in the Offerings.

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 Offerings are in progress.

These activities by Deutsche Bank AG, London Branch (or persons acting on its behalf) may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by Deutsche Bank AG, London Branch at any time and must end no later than the earlier of 30 days after the Issue Date 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 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 Offerings, 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 the Offerings.

UniCredit, acting as an Initial Purchaser in connection with the Offerings, is a shareholder of the Issuer. 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 certain of their affiliates is a lender under our New Revolving Credit Facility that the Issuer will enter into as borrower in connection with the Refinancing, and will receive customary fees for their services in such capacities. Moreover, Deutsche Bank and Credit Suisse are acting as dealer managers in connection with the Exchange Offer. In addition, Deutsche Bank AG, London Branch and certain 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 and as exchange agent in respect of the Exchange Offer. Certain affiliates of each of the Initial Purchasers 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 144A 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, PRIOR TO (X) THE DATE THAT 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, THE GUARANTORS OR ANY SUBSIDIARY THEREOF (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 ("RULE 144A"), 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."

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 Offerings) 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," 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

Luxembourg

The Issuer and Sub Lecta S.A. 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 Sub Lecta S.A. are non-residents of the United States. Furthermore, a substantial portion of the assets of the Issuer and Sub Lecta S.A. 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 Sub Lecta S.A., or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws.

We have been advised by our Luxembourg counsel that the United States and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. According to such counsel, an enforceable judgment for the payment of monies rendered by any U.S. Federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Luxembourg. However, a party who received such favorable judgment in a U.S. court may initiate enforcement proceedings in Luxembourg (*exequatur*) by requesting enforcement of the U.S. judgment by the District Court (*Tribunal d'Arrondissement*) pursuant to Section 678 of the New Luxembourg Code of Civil Procedure. The District Court will authorize the enforcement in Luxembourg of the U.S. judgment if it is satisfied that all of the following conditions are met:

- the U.S. judgment is enforceable (*exécutoire*) in the United States;
- the U.S. court awarding the judgment had jurisdiction to adjudicate the respective matter according to Luxembourg private international law rules and, in particular, that Luxembourg courts had not exclusive jurisdiction over the respective matter;
- the U.S. judgment does not contravene international public policy as understood under the laws of Luxembourg;
- the U.S. court has acted in accordance with its own procedural laws and has applied to the dispute the substantive law which would have been applied by Luxembourg courts;
- the principles of fair trial and due process have been complied with and in particular, the U.S. judgment was granted following proceedings where the counterparty had the opportunity to appear, and if it appeared, to present a defense;
- the U.S. judgment has not been obtained fraudulently; and
- the U.S. judgment is not irreconciliable with another judgment enforceable in Luxembourg in relation to the same dispute or a similar dispute.

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.

Italy

The Guarantors organized under Italian law, Garda and Polyedra, are companies with limited liability. All of their directors and executive officers are non-residents of the United States. In addition, all of their assets and substantially all of the assets of their 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 Garda and Polyedra or their directors and executive officers or to enforce a judgment obtained against them or their directors and executive officers in foreign courts predicated solely upon the civil liability provisions of U.S. securities laws.

We have been advised by our Italian counsel that the recognition and enforcement of a judgment rendered by a U.S. federal or state court in the Republic of Italy is governed by Article 64 of the Private International Law Act (*i.e.*, Law 218 of May 31, 1995) (the "**PIL Act**") (and certain other provisions of the PIL Act). Pursuant to the PIL Act, any judgment issued by a U.S. federal or state court should automatically be recognized in the Republic of Italy provided that the following requirements are met:

- the relevant U.S. federal or state court had appropriate jurisdiction to pass judgment upon the matter (in accordance with the Italian law rules on jurisdiction);
- the defendant had received the summons in accordance with the laws of the state in which the proceedings have taken place, and the defendant had not been deprived of his fundamental right to a defense;
- the parties had appeared in the proceedings in accordance with the local procedural law, or the proceedings were conducted in absentia (*in contumacia*) in accordance with such local procedural law;
- the judgment rendered by the U.S. federal or state court must be final and binding (*passato in giudicato*) according to the law of the state in which it was issued;
- the judgment rendered by the U.S. federal or state court is not in conflict with any earlier final and binding judgment issued by an Italian court;
- there is no pending proceeding before any Italian court in relation to the same subject matter and between the same parties which started prior to the commencement of the proceedings before the relevant U.S. federal or state court; and
- the judgment rendered by the U.S. federal or a state court is not contrary to Italian public policy.

In addition, according to Article 67 of the PIL Act, if a judgment rendered by a U.S. federal or state court is not complied with, its recognition is challenged or it is necessary to enforce such judgment, a proceeding must be instituted in the competent Court of Appeal in the Republic of Italy to that end. The competent Court of Appeal does not consider the merits of the case but reviews exclusively the existence of all the requirements set out above (including requiring that the judgment rendered by the U.S. federal or state court is not contrary to public policy in Italy).

Spain

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.

France

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 the 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*) having jurisdiction. 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):

- the judgment concerned is enforceable in the United States;
- 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), the French courts did not have exclusive jurisdiction over the matter and the dispute was sufficiently connected to the jurisdiction in which the original action was brought;
- such U.S. judgment does not contravene substantive or procedural rules of French international public policy (*ordre public international*);
- neither the choice of jurisdiction nor the judgment rendered by the foreign court were tainted by fraud; and
- such U.S. judgment does not conflict with a French judgment or a foreign judgment which has become effective in France, in the same matter, 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 rules of conflict (including the law chosen by the parties to govern their contract) if the application of such law (in the case at hand) is deemed to contravene: (i) mandatory rules (substantive or procedural) of international public order (*ordre public international*) under French law, (ii) French overriding mandatory provisions (*lois de police*), (iii) overriding mandatory provisions (substantive or procedural) of the laws of a country in which all other elements relevant to the situation of the relevant agreement or transaction are located, or (iv) where all other elements relevant to the situation of the relevant agreement or transaction are located in one or more member States of the European Union, overriding mandatory provisions (substantive or procedural) of European Union law, as implemented in France and interpreted by French courts.

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). While for a long time, 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, 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, Dentons Luxembourg 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 English, French, Italian, Spanish and Luxembourg law.

INDEPENDENT AUDITOR

Our audited consolidated financial statements as of and for the years ended December 31, 2013, 2014 and 2015 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., 20 Rue de la Poste, L-2346 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 inspected 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, 2013, 2014 and 2015, 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.

We have appointed Deutsche Bank Luxembourg S.A. as Registrar and Luxembourg Listing and Transfer Agent and Deutsche Bank AG, London Branch as Transfer Agent and Paying Agent to make payments on, and transfers of, the Notes. We reserve the right to vary such appointment.

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 XS1458414023 and XS1458413728, 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 XS1458414379 and XS1458413645, respectively. The common codes for the Floating Rate Senior Secured Notes and the Fixed Rate Senior Secured Notes sold pursuant to Regulation S are 145841402 and 145841372, and the common codes for the Floating Rate Senior Secured Notes and the Fixed Rate Senior Secured Notes sold pursuant to Rule 144A are 145841437 and 145841364, 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 20 Rue de la Poste, L-2346, Luxembourg and registered with the Luxembourg Register of Trade and Companies under number B 72.198. The Issuer was incorporated on October 10, 1999. The articles of association of the Issuer were published in the "Recueil du Mémorial" on December 23, 1999. 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.

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 interests 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.

Statute of Limitations

The statute of limitations applicable to payment of interest and repayment of principal under New York law is six years.

Offering Memorandum

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in our financial position since December 31, 2015, 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.

ANNEX A

Senior Secured Floating Rate Notes ("FRNs") and Senior Secured Fixed Rate Notes ("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, 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 Permitted Reorganization, the Issuer is not required to do so. For additional information, see "Summary—Permitted Reorganization," "Description of the Notes," "Risk Factors—Risks Relating to the Notes and Our Structure" and "Limitations on Validity and Enforceability 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 Notes over: **On the Issue Date:** (i) the shares in Sub Lecta S.A. ("**SL**") (governed by Luxembourg law); (ii) Lecta's bank account (governed by Luxembourg law); and (iii) Lecta's intra-group receivables including: (A) the loan of a maximum principal amount of €20.0 million from Lecta to Condat Holding S.A.S. ("**CH**") (governed by French Law), of which €15.0 million will have been advanced; (B) the Senior Secured Fixed Rate Loan (the "**SSFx Loan**") from Lecta to SL and a supplemental Senior Secured Fixed Rate Loan (together with the SSFx Loan the "**SSFx Loans**") (governed by Luxembourg law); and (C) the Senior Secured Floating Rate Loan (the "**SSF Loan**" and, together with the SSFx Loans, the "**SSFx/SSF Loans**") from Lecta to SL (governed by Luxembourg law), (the total of (B) and (C) being the total amount of the 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 S.A. (Luxembourg)	Direct guarantee provided that the maximum amount guaranteed under SL's upstream guarantee of Lecta's obligations under the FRNs is, limited to (i) the amount of the SSF Loan from Lecta to SL plus (ii) the higher of: (A) 90% of SL's *capitaux propres* determined as at the date on which a demand under the guarantee is made; and (B) 90% of SL's *capitaux propres* determined as at the date of the issuance of the FRNs, provided that the amount represented by the preceding clause (ii) shall, without double counting, be reduced by any amount paid by SL under (i) any upstream guarantee obligations of SL under the RCF (including, in relation to the guarantee by SL of those of Lecta's borrowings under the RCF which are not on lent (directly or indirectly) to, or otherwise used for the benefit of, SL or any of its subsidiaries) and (ii) the guarantee with respect to the SNs. The maximum amount guaranteed under the guarantee with respect to the FRNs will therefore be not less than the SSF Loan to SL which will be equal to the full amount of the FRNs. The obligations of SL 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 SL over: **On the Issue Date:** (i) SL's bank accounts (governed by Luxembourg law); (ii) the shares held by SL in Torraspapel S.A. ("**TP**") (governed by Catalan law); and (iii) SL's intra-group receivables including: (A) the SSFx Loans from SL to TP (governed by Catalan law); (B) the SSF Loan from SL to TP (governed by Catalan law) (the total of (A) and (B), following completion of certain steps of the Permitted Reorganization, is expected to be €588.2 million); **After the Issue Date:** If certain steps of the Permitted Reorganization are completed and TP transfers its distribution business to Dispap S.A., security to secure the guarantee obligations of Dispap S.A. over: (C) the SSFx Loans from SL to Dispap S.A. (governed by Catalan law); (D) the SSF Loan from SL to Dispap S.A. (governed by Catalan law). (The total of (C) and (D) is expected to be €5.0 million).	Direct guarantee provided that the maximum amount guaranteed under SL's upstream guarantee of Lecta's obligations under the SNs is limited to (i) the amount of the SSFx Loans from Lecta to SL plus (ii) the higher of: (A) 90% of SL's *capitaux propres* determined as at the date on which a demand under the guarantee is made; and (B) 90% of SL's *capitaux propres* determined as at the date of the issuance of the SNs, provided that the amount represented by the preceding clause (ii) shall, without double counting, be reduced by any amount paid by SL under (i) any upstream guarantee obligations of SL under the RCF (including, in relation to the guarantee by SL of those of Lecta's borrowings under the RCF which are not on lent (directly or indirectly) to, or otherwise used for the benefit of, SL or any of its subsidiaries) and (ii) the guarantee with respect to the FRNs. The maximum amount guaranteed under the guarantee with respect to the SNs will therefore be not less than the SSFx Loans to SL which will be equal to the full amount of the SNs. The obligations of SL under the Indenture shall exclude any amounts the guaranteeing of which would breach the prohibition of financial assistance under applicable Luxembourg law.
3.	Cartiere del Garda S.p.A. ("**CdG**") (Italy)	Direct guarantee provided that the maximum amount guaranteed is limited to €32.0 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) certain trade receivables (not subject to factoring and invoice discounting) and certain insurance proceeds (governed by Italian law); (ii) certain bank accounts where the proceeds of receivables not subject to factoring or invoice discounting are paid in (governed by Italian law); and (iii) a pledge over the shares in Polyedra S.p.A. ("**Polyedra**")	Direct guarantee provided that the maximum amount guaranteed is limited to €32.0 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.

No.	Company	Guarantee with respect to the FRNs	Security with respect to the FRNs and the SNs	Guarantee with respect to the SNs
4.	Condat Holding S.A.S. (France) ("**CH**")	CH will give a direct guarantee limited to the maximum principal amount of the SSF Loan made to it by SL which is assigned to TP less any amount repaid by CH. The aggregate principal amount of the SSF Loan and SSFx Loan is expected to be €23.8 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) the shares of Condat S.A.S. ("**Condat**") (*nantissement de compte*) (governed by French law); (iii) the SSFx Loan from CH to Condat (governed by French law); and (iv) the SSF Loan from CH to Condat governed by French law, (the total of (iii) and (iv) is expected to be €23.8 million).	CH will give a direct guarantee limited to the maximum principal amount of the SSFx Loan made to it by TP less any amount repaid by CH. The aggregate principal amount of the SSF Loan and SSFx Loan is expected to be €23.8 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.
5.	Condat S.A.S. (France)	Condat will give a direct guarantee in the amount of the lower of (i) the SSF Loan made by SL to CH (which is assigned to TP), and (ii) the SSF Loan from CH to Condat, less any amount repaid by Condat. The aggregate principal amount of the SSF Loan and the SSFx Loan made to Condat by CH is expected to be €23.8 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 for obligations of Condat under the direct guarantee to the Security Trustee over: (i) certain bank accounts (*nontissement de solde de compte bancaire*) into which the proceeds of receivables which are not subject to factoring or invoice discounting are paid (governed by French law); (ii) the *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); (iii) pledge of certain receivables which are not subject to non-recourse factoring or invoice discounting (governed by French law); and (iv) the shares of Torraspapel Malmenayde SAS (*nantissement de compte*) (governed by French law).	Condat will give a direct guarantee in the amount of the lower of (i) the SSFx Loan made by SL to CH (which is assigned to TP), and (ii) the SSFx Loan from CH to Condat, less any amount repaid by Condat. The aggregate principal amount of the SSF Loan and the SSFx Loan made to Condat by CH is expected to be €23.8 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.

No.	Company	Guarantee with respect to the FRNs	Security with respect to the FRNs and the SNs	Guarantee with respect to the SNs
6.	Torraspapel S.A. (“**TP**”) (Spain)	Direct guarantee provided that the maximum amount guaranteed is limited to (i) the aggregate principal amount of the SSF Loan from SL to TP plus (ii) an estimated amount of €187.4 million less (iii) any amount repaid by TP to SL under the SSF Loan and used by SL to repay the FRNs. The aggregate principal amount of the SSF Loan and SSFx Loans from SL to TP is expected to be €588.2 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 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 Lecta Paper UK Limited (governed by English law); (ii) 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); (iii) intra-group receivables including: (A) the loan of approximately €75.1 million from TP to Lecta (governed by Luxembourg law); (B) the SSFx Loan from TP to CH (governed by French law); and (C) the SSF Loan from TP to CH (governed by French law), (the total of (B) and (C) is expected to be €23.8 million; (iv) certain of TP’s bank accounts where receivables not subject to factoring or invoice discounting are paid in (governed by Catalan law); (v) a pledge over the shares in CdG (governed by Italian law); and (vi) a pledge over the shares in CH (governed by French law) On or about the Issue Date if certain steps contemplated by the Permitted Reorganization are taken, a pledge over all the shares in CH. **After the Issue Date:** If certain steps contemplated by the Permitted Reorganization are taken, with 15 calendar days after TP transfers its distribution business to TD, a pledge by TP over the shares in Dispap, S.A. (which may be renamed Torraspapel Distribucíon S.A.) (governed by Catalan law).	Direct guarantee provided that the maximum amount guaranteed is limited to (i) the aggregate principal amount of the SSFx Loans from SL to TP plus (ii) an estimated amount of €187.4 million less (iii) any amount repaid by TP to SL under the SSFx Loans and used by SL to repay the SNs. The aggregate principal amount of the SSF Loan and SSFx Loans from SL to TP is expected to be €588.2 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 or the director 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
7.	Dispap S.A. (which may be renamed Torraspapel Distribución S.A.) ("**TD**")	Post-closing if certain steps of the Permitted Reorganization are carried out. Direct guarantee provided that the maximum amount guaranteed is limited to (i) the aggregate principal amount of the SSF Loan from SL to TD (expected to be €3.305 million) plus (ii) an estimated amount of €30.0 million based on the net worth of TD less (iii) any amount repaid by TD to SL under the SSF Loan and used by SL 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	**After the Issue Date:** Post-closing if certain steps of the Permitted Reorganization are carried out. Security to secure the guarantee obligations of TD over, if certain steps contemplated by the Permitted Reorganization are taken, within 15 calendar days after TP transferring its distribution business to TD: (i) all of TD's 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); and (ii) Certain of TD's bank accounts into which receivables not subject to factoring or invoice discounting are paid in: (a) if located in Spain (other than Catalonia), governed by Spanish law; (b) if located in Catalonia, governed by Catalan law.	Post-closing if certain steps of the Permitted Reorganization are carried out. Direct guarantee provided that the maximum amount guaranteed is limited to (i) the aggregate principal amount of the SSFx Loan from SL to TD (expected to be €1.695 million plus (ii) an estimated amount of €30.0 million based on the net worth of TD less (iii) any amount repaid by TD to SL under the SSFx Loan and used by SL 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.
8.	Polyedra S.p.A ("**Polyedra**")	Direct guarantee provided that the maximum aggregate amount guaranteed is limited to €3.0 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.	None.	Direct guarantee provided that the maximum aggregate amount guaranteed is limited to €3.0 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.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

LECTA S.A.

INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

UNDER IFRS

GENERAL INFORMATION

Lecta Group is engaged in the production and sale of Coated Woodfree ("CWF") and Specialty papers. Lecta Group has production sites in France, Italy and Spain and sells all around the world. It employed circa 3,306 FTE people as at 31 March 2016.

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 SA
20, rue de la Poste
L-2346 Luxembourg

A limited review of interim condensed financial statements of Lecta Group has been performed at 31 March 2016. These interim condensed financial statements were approved for issue on 26 April 2016.

All the amounts in the present report are in thousands of euros (EUR K or K€) unless otherwise stated.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

Lecta Group

(in EUR K)

	Notes	Jan to Mar 2016	%	Jan to Mar 2015	%
Revenue	(5)	359,197	100	376,059	100
Changes in inventories of finished goods and work in process		8,435	2	(4,684)	(1)
Raw materials and consumables used		(188,742)	(53)	(184,071)	(49)
Labor costs		(47,799)	(13)	(48,164)	(13)
Other operating costs except non-recurring items		(99,176)	(28)	(110,638)	(29)
EBITDA		**31,915**	**9**	**28,501**	**8**
Depreciation		(13,566)	(4)	(13,990)	(4)
Amortization		(44)	(0)	(154)	(0)
Non recurring items	(6)	(2,058)	(1)	(1,238)	(0)
Profit (loss) from operations		**16,246**	**5**	**13,119**	**3**
Financial income		94	0	248	0
Financial expense		(16,889)	(5)	(16,958)	(5)
Profit (loss) before tax		**(549)**	**(0)**	**(3,591)**	**(1)**
Income tax	(7)	979	0	(1,143)	(0)
Profit (loss) after tax from continuing operations		**430**	**0**	**(4,733)**	**(1)**
Profit (loss) after tax from discontinued operations		0	0	0	0
Profit (loss) after tax		**430**	**0**	**(4,733)**	**(1)**
Attributable to:					
Equity holders of the parent		293	0	(4,992)	(1)
Non-controlling interests		137	0	259	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 2016	Jan to Mar 2015
Profit (loss) for the period		**430**	**(4,733)**
Exchange differences on translation of foreign operations		(340)	467
Net (loss)/gain on cash flow hedges	(10)	45	8
Income tax effect		(10)	(104)
		35	(95)
Net (loss)/gain on available-for-sale financial assets	(10)	(192)	0
Income tax effect		46	0
		(146)	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		***(450)***	***372***
Actuarial gains (losses) on defined benefits plans		0	0
Income tax effect		(291)	6
		(291)	6
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		***(291)***	***6***
Other comprehensive income, net of tax		**(741)**	**378**
Total comprehensive income, net of tax		**(311)**	**(4,355)**
Attributable to:			
Equity holders of the parent		(441)	(4,606)
Non-controlling interests		130	250

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 2016	31 Dec 2015	31 Mar 2015
ASSETS				
Property, plant and equipment	(11)	482,329	486,964	501,630
Investment properties	(11)	2,081	2,081	4,898
Goodwill		118,252	118,252	118,252
Other intangible assets		3,737	1,309	438
Available-for-sale financial investments		140	1,351	1,349
Biological assets		280	277	277
Deferred income tax assets		46,814	45,220	49,786
Other non-current receivables		1,099	1,094	1,113
Non-current assets		**654,732**	**656,547**	**677,742**
Income tax receivable		5,729	5,597	3,976
Inventories		201,124	194,215	192,821
Trade receivables		240,388	248,974	255,184
Prepayments		779	1,042	2,112
Other current receivables		8,078	5,835	7,268
Cash & cash equivalents		136,655	148,717	134,043
Current assets		**592,752**	**604,380**	**595,404**
Non-current assets held for sale	(11)	**0**	**0**	**0**
TOTAL ASSETS		**1,247,484**	**1,260,927**	**1,273,146**
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		(7,262)	(6,867)	(7,868)
Foreign currency translation		(866)	(526)	(324)
Accumulated net profits (losses)		(8,856)	(9,334)	9,116
Equity holders of the parent		**121,131**	**121,387**	**139,037**
Non-controlling interests		**10,904**	**10,774**	**8,683**
TOTAL EQUITY		**132,035**	**132,161**	**147,721**
Interest-bearing borrowings	(12)	608,036	612,861	613,848
Non-current grants		15,376	15,889	15,874
Non-current provisions		36,806	36,049	33,738
Deferred income tax liabilities		17,185	17,765	22,892
Other non-current liabilities		694	680	1,168
Non-current liabilities		**678,097**	**683,244**	**687,520**
Current portion of interest-bearing borrowings	(12)	19,958	10,825	16,760
Bank overdrafts		15,851	16,228	18,671
Current grants		2,989	3,205	3,108
Current provisions		4,269	3,770	5,023
Income tax payable		1,967	806	6,813
Trade payables		374,416	391,869	374,497
Other liabilities		17,902	18,818	13,034
Current liabilities		**437,352**	**445,522**	**437,905**
TOTAL LIABILITIES		**1,115,449**	**1,128,766**	**1,125,425**
TOTAL EQUITY AND LIABILITIES		**1,247,484**	**1,260,927**	**1,273,146**

The accompanying Notes are an integral part of these Consolidated financial statements.

Consolidated cash flow statement

Lecta Group

(in EUR K)

	Notes	Jan to Mar 2016	Jan to Mar 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
EBITDA		31,915	28,501
Inventories decrease (increase)		(7,125)	(1,934)
Trade receivable decrease (increase)		8,056	(9,759)
Prepayments decrease (increase)		262	(812)
Trade payables increase (decrease)		(17,324)	(8,777)
Working Capital decrease (increase)		(16,130)	(21,283)
Provisions increase (decrease)		571	(37)
GHG emission rights decrease (increase)		(2,472)	0
Proceeds (payments) related to non-recurring items		(1,435)	(2,201)
Income tax paid		(361)	(333)
Net cash flow (used in) / from operating activities		**12,087**	**4,647**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of Property, plant and equipment		835	7
Purchase of property, plant and equipment		(11,390)	(18,189)
Receipt of Grants		(2,164)	(1,539)
Purchase of subsidiary, net of cash acquired		0	0
Purchase of other assets		(2)	0
Proceeds from disposal of other assets		4	39
Net cash flow (used in) / from investing activities		**(12,718)**	**(19,681)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(11,192)	(11,047)
Issue costs of Borrowings		(12)	(1)
Proceeds from Borrowings	(12)	10,000	13,142
Repayment of Borrowings	(12)	(10,002)	(10,455)
Payment of finance lease liabilities		(125)	(89)
Net cash flow (used in) / from financing activities		**(11,332)**	**(8,450)**
Net increase (decrease) in Cash & cash equivalents net of Bank overdrafts		(11,962)	(23,484)
Net foreign exchange difference		277	86
Cash & cash equivalents net of Bank overdrafts at 1 January		132,489	138,770
Cash & cash equivalents net of Bank overdrafts at 31 March		**120,804**	**115,372**
Of which Cash & cash equivalents		136,655	134,043
Of which Bank overdrafts		(15,851)	(18,671)

The accompanying Notes are an integral part of these Consolidated financial statements.

Consolidated statement of changes in equity

(in EUR K)

Lecta Group

	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	Non-controlling Interest	TOTAL EQUITY
AT 1 JANUARY 2015	**1,446**	**136,669**	**51**	**(1,060)**	**(6,779)**	**(791)**	**14,108**	**143,643**	**8,433**	**152,076**
Profit for the period			0	0	0	0	(4,992)	(4,992)	259	(4,733)
Other comprehensive income (loss)			0	(87)	6	467	0	387	(9)	378
Total comprehensive income of the period	**0**	**0**	**0**	**(87)**	**6**	**467**	**(4,992)**	**(4,606)**	**250**	**(4,355)**
AT 31 MARCH 2015	**1,446**	**136,669**	**51**	**(1,147)**	**(6,773)**	**(324)**	**9,116**	**139,037**	**8,683**	**147,721**
AT 1 JANUARY 2016	**1,446**	**136,669**	**53**	**(677)**	**(6,244)**	**(526)**	**(9,334)**	**121,387**	**10,774**	**132,161**
Profit for the period			0	0	0	0	293	293	137	430
Other comprehensive income (loss)			(146)	42	(291)	(340)	0	(734)	(7)	(741)
Total comprehensive income of the period	**0**	**0**	**(146)**	**42**	**(291)**	**(340)**	**293**	**(441)**	**130**	**(311)**
Variation of percentages of consolidation (See Note 2.2)							185	185	0	185
AT 31 MARCH 2016	**1,446**	**136,669**	**(92)**	**(635)**	**(6,535)**	**(866)**	**(8,856)**	**121,131**	**10,904**	**132,035**

The accompanying Notes are an integral part of these Consolidated financial statements.

SELECTED EXPLANATORY NOTES

1. Basis of preparation and accounting policies

1.1. Basis of preparation

The interim condensed consolidated financial statements of Lecta Group for the three months ended 31 March 2016 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 2015.

1.2. Significant accounting policies

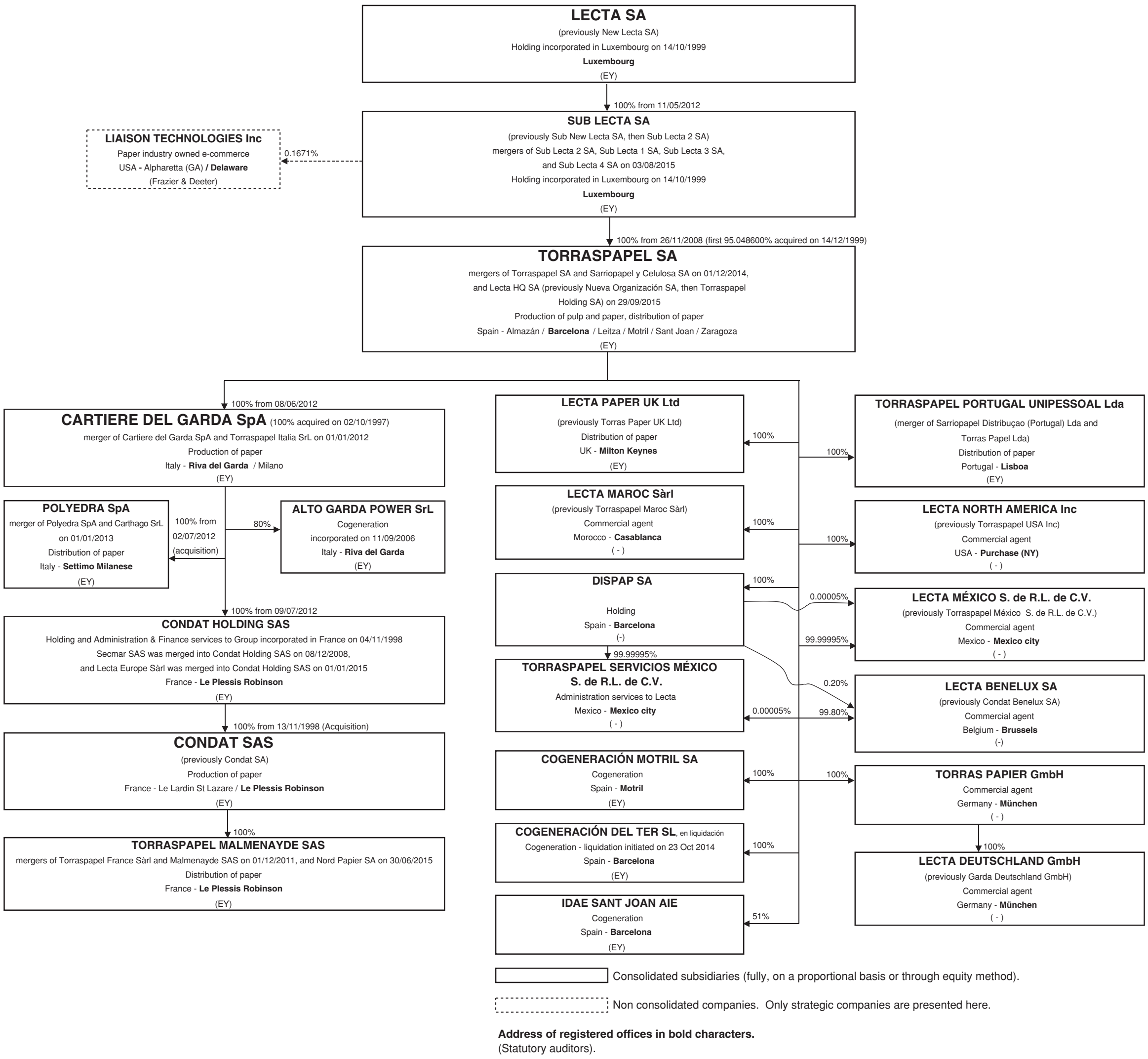
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

The following standards and amendments were effective as of 1 January 2016:

– In December 2013, the IASB issued Annual Improvements to IFRSs 2012-2014 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2012-2014 cycle. The proposed amendments reflect issues discussed by the IASB in the project cycle that began in 2012. These amendments meet the criteria for the annual improvements process set out in the IASB Due Process Handbook. The criteria help in deciding whether a matter relating to the clarification or correction of IFRSs should be addressed using the annual improvements process. The proposed effective date for the amendments is for annual periods beginning on or after 1 January 2016, although the IASB proposes that entities would be permitted to apply them earlier.

2. Lecta Group as at 31 March 2016

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 (absorbed Torraspapel Italia SrL)	Production of woodfree coated paper	Italy	100%	100%	Full
Cogeneración del Ter SL, en liquidación	Cogeneration — liquidation initiated on 23 Oct 2014	Spain	100%	100%	Full
Cogeneración Motril SA	Cogeneration	Spain	100%	100%	Full
Condat Holding SAS (previously Condat Holding SA; absorbed Secmar SAS and Lecta Europe Sàrl)	Holding, Administration & Finance services to Group	France	100%	100%	Full
Condat SAS (previously Condat SA)	Production of woodfree coated paper	France	100%	100%	Full
Dispap SA	Holding	Spain	100%	100%	Full
IDAE Sant Joan AIE	Cogeneration	Spain	51%	51%	Full
Lecta Benelux SA (previously Condat Benelux SA)	Commercial agent	Belgium	100%	100.0%	Full
Lecta Deutschland GmbH (previously Garda Deutschland GmbH)	Commercial agent	Germany	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.)	Commercial agent	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
Polyedra SpA (absorbed Carthago SrL)	Distribution of paper	Italy	100%	100%	Full
Sub Lecta SA (previously Sub New Lecta SA, then Sub Lecta 2 SA; absorbed Sub Lecta 4 SA, Sub Lecta 3 SA, and Sub Lecta 1 SA)	Holding and IP management	Luxembourg	100%	100%	Full
Torras Papier GmbH	Commercial agent	Germany	100%	100%	Full
Torraspapel Malmenayde Sàrl (merger of Torraspapel France Sàrl and Malmenayde SAS, absorbed Nord Papier SA)	Distribution of paper	France	100%	100%	Full
Torraspapel Portugal Unipessoal 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 (absorbed Sarriopapel y Celulosa SA and Lecta HQ 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 non-controlling interests in Torraspapel SA, this acquisition resulted in non-controlling interests in Sub Lecta 1 SA and its subsidiaries.

Torraspapel Servicios México S. de R.L. de C.V. was set up by Dispap SA and incorporated in Mexico on 6 October 2004. It is a provider of administration services to Lecta 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 de Ter (Spain). It was 70% owned by Torraspapel SA and 30% by La Energía SA, a subsidiary of energy services Gas Natural Group when 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 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 was 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 4.95% non-controlling interests in Torraspapel SA following the exercise of a put option, negotiated in December 1999 at the time of the acquisition of Torraspapel SA. It now holds 100% in Torraspapel SA.

On 8 December 2008, Secmar SAS was merged into Condat Holding SAS. Malmenayde SAS and Nord Papier SA became direct subsidiaries of Condat Holding SAS.

On 18 December 2009, Torraspapel SA acquired an additional 5% in Cogeneración del Ter SL. It now holds 75% in Cogeneración del Ter SL.

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 to increase its participation to 75%.

On 1 December 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. It now holds 81% in Cogeneración Motril SA.

On 31 December 2011, Torraspapel Italia SrL, the commercial agent in Italy for Torraspapel products was excluded from the consolidation perimeter. On 1 January 2012, Torraspapel Italia SrL was merged into Cartiere del Garda SpA.

On 26 April 2012, Sub Lecta 3 SA was incorporated in Luxembourg. It is 100% owned by Sub Lecta 1 SA. Its purpose is to be a holding company.

On 2 July 2012, Cartiere del Garda SpA acquired 100% of Polyedra SpA. Polyedra SpA is an Italian paper merchant who in turn holds 100% of Carthago SrL, another Italian paper merchant.

On 25 September 2012, Condat Holding SAS acquired 34% non-controlling interests in Nord Papier SA. It now holds 100% in Nord Papier SA.

On 1 January 2013, Carthago SrL was merged into Polyedra SpA.

On 29 November 2013, Sub Lecta 4 SA was incorporated in Luxembourg. It is 100% owned by Sub Lecta 3 SA. Its purpose is to be a holding company.

On 10 December 2013, Torraspapel SA and Sarriopapel y Celulosa SA sold 100% of their participation in the Argentinean paper distributor Torraspapel Argentina SA.

On 23 October 2014, following the permanent closure of the paper mill located in Sarrià de Ter, the liquidation of Cogeneración del Ter SL was initiated.

On 1 December 2014, Sarriopapel y Celulosa SA was merged into Torraspapel SA. Following this merger, Torraspapel SA directly holds 100% in Torraspapel Portugal Lda and Torras Papier GmbH.

On 1 January 2015, Lecta Europe Sàrl was merged into Condat Holding SAS.

On 30 June 2015, Nord Papier SA was merged into Torraspapel Malmenayde SAS.

On 6 July 2015, the shareholders meeting of Cogeneración Motril SA, decided a share capital decrease to 0€ against losses, immediately followed by a capital increase of 2.6M€. The majority shareholder of 81% (Torraspapel SA) subscribed to the capital increase for an amount of 2.1M€, while the minority shareholders of 19% did not take part to the capital increase. This operation was delivered to the Registry of the Commercial Court ("Registro Mercantil") in October 2015.

On 3 August 2015, Sub Lecta 4 SA, Sub Lecta 3 SA and Sub Lecta 1 SA were merged into Sub Lecta 2 SA and the resulting entity was renamed Sub Lecta SA on 17 August 2015.

On 29 September 2015, Lecta HQ SA was merged into Torraspapel SA (reverse merger).

On 16 November 2015, Torraspapel SA acquired 25% additional equity in Cogeneración del Ter SA, en liquidación (liquidation initiated on 23 October 2014), against 1€ cash payment to increase its participation to 100%.

On 1 January 2016, Dispap SA a holding company having no operating activity was included in the consolidation perimeter (see Notes 2.3 and 3.4).

2.3. Interests in non-consolidated companies

Companies	Activity	Country of incorporation	Interest	Control	Comments
Catalana d'Iniciatives CR SA	*In liquidation*	*Spain*	*0.39%*	*0.39%*	*(a)*
Consorzio Nazionale Imballaggi Scarl	*Recovery & Recycling*	*Italy*	*0.0075%*	*0.0075%*	*(a)*
Ecofolio SAS	*Collection of ecological tax on paper printing*	*France*	*1.81%*	*1.81%*	*(a)*
Gas Intensive Scarl	*Purchase of methane by Italian industries*	*Italy*	*0.52%*	*0.52%*	*(a)*
Liaison Technologies Inc (previously Liaison Technologies LLC)	Paper industry owned e-commerce platform	USA	0.1671%	0.1671%	(a)
Promotora del Ulla SA	*No operating activity*	*Spain*	*45.2%*	*45.2%*	*(b)*
SVL Pilote SAS	Logistics	France	0%	0%	(a)
SVS SAS	Forwarding agent	France	0%	0%	(a)
SVT SAS	Packing	France	0%	0%	(a)

In italic: Non-strategic companies.

Other companies are considered as strategic, even if they are not consolidated because of the following reasons:

(a) Lecta Group has no control and no significant influence in these companies.

(b) This company is not consolidated because of its immateriality.

Other comments

– On 22 January 2015, Polyedra AG was deregistered.

– On 1 January 2016, Dispap SA, classified up to 31 December 2015 as an Interest in non-consolidated companies, was included in the consolidated subsidiaries (See Notes 2.2 and 3.4).

3. Lecta capital structure and Significant events

3.1. Lecta capital structure

On 11 May 2012, Lecta Group successfully refinanced its debt through the issue of EUR 590 M new notes ("2012 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%,

The 2012 notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market.

The 2012 notes documentation contains certain covenants but no financial ratios have to be met on a quarterly or yearly basis.

Lecta simultaneously negotiated a new EUR 80 M committed Revolving Credit Facility due 2018.

Lecta has Board authorization to contemplate liability management transactions, including but not limited to open market purchases. Lecta is currently reviewing alternatives to refinance some or all of its outstanding notes, as part of its continuous strategy to maintain a strong financial profile and to extend the maturity of its indebtedness. There can be no assurance that any such refinancing may occur in the near future.

3.2. 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 specialty papers and merchanting operations, and (iv) the identification of exit opportunities.

3.3. Organization efficiency program

The integration process covers Lecta industrial operations in Italy, France and Spain, as well as the paper merchanting ones in the same countries and, additionally, Portugal.

Within the Organization efficiency program, Lecta planned several cost reduction initiatives.

For the three-month period ended 31 March 2016 the restructuring cash cost associated to Lecta efficiency programs was EUR (2.1) M (see detailed below), reported in the line "Non-recurring items" (see Note 6). After payments, as at 31 March 2016, the remaining provision for restructuring was EUR 8.3 M.

3.3.1. Summary of the cost reduction initiatives since the end of 2012

The cost reduction initiatives included:

- Agreement with Cartiere del Garda employees to reduce labor cost through the conversion of part of fixed into variable salary linked to the performance of the company (February 2013);
- Reorganization of the Paper merchanting structure in Italy, Portugal, and Spain with total headcount reduction of 137 (until March 2013);
- Harmonization of the bonus scheme indexed to EBITDA performance (March 2013), cancellation of pension fund schemes (May 2013) and mill special agreements (July 2013) in Spain;
- Permanent closure of Condat production line n°6 (with a production capacity of 130,000 tons of CWF) with a job position reduction of 139 (June 2013)
- Denunciation of Progil pension regime to active employees in Condat (June 2013); this denunciation led to a one-off reduction of the provision for defined benefit post- employment plans of EUR 8.0 M reported in the line "Labor costs" in September 2013;
- Curtailment of the provision for Retirement plan IFC following the implementation of the restructuring in Condat; the one-off reduction of the provision for defined benefit post-employment plans of EUR 1.5 M was reported in the line "Labor costs" in September 2013, and EUR 0.2 M in December 2013;
- Denunciation of labor side agreements in Condat (December 2013) related to the working time and the structure of the remuneration. Condat's management successfully negotiated with the unions a new set of labor side agreements designed to promote the company performance, and the individual and collective efforts. Additional negotiations in the same area are still in progress.
- Closure of a warehouse in UK with a job reduction position of 4 (September 2013).
- Reorganization of the Paper merchanting structure in Italy and France aiming at centralizing the management and administration activities, adapting the structure to the reduced size of the market, outsourcing the transportation activity, reorganizing the logistic services with the closure of 3 warehouses in December 2013 and 1 in August 2014, associated to a job position reduction of 78 (until August 2014);
- Permanent closure of Berrobi / Uranga paper mill (with a production capacity of 27,000 tons of base paper) (January 2014);
- Sarrià de Ter paper mill (with a production capacity of 65,000 tons of base paper and UWF) and Cogeneración del Ter plant (with a power of 25MW), with a job position reduction of 132 (October 2014);

- Centralization of the group financial and IT activities in Barcelona with a job position reductions of 4 (October 2014) and 1 (March 2016);
- Outsourcing of non-core activities in Sant Joan mill associated with the transfer of 133 job positions (February 2015);
- And a general company-wide organization efficiency program with a job reduction position of 77 (2013-2015);

3.4. Changes in the consolidation perimeter

On 1 January 2016, Dispap SA a holding company with no operating activity was included in the consolidation perimeter (see Notes 2.2 and 2.3). The impacts of these movements can be summarized as follows (in K€).

The “Other non-current receivables” consisted in a loan of EUR 1,147 K to Torraspapel SA.

ASSETS	
Deferred income tax assets	54
Other non-current receivables	1,147
Non-current assets	**1,201**
Income tax receivable	4
Current assets	**4**
TOTAL ASSETS	**1,205**
EQUITY & LIABILITIES	
Paid-in capital	902
Accumulated net profits (losses)	303
Equity holders of the parent	**1,204**
TOTAL EQUITY	**1,204**
Income tax payable	1
Current liabilities	**1**
TOTAL LIABILITIES	**1**
TOTAL EQUITY AND LIABILITIES	**1,205**

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”.

The definition of **products and services** are:

- Coated Woodfree consists in the sale of coated woodfree 2-side paper manufactured by Lecta. The Coated Woodfree is quasi exclusively sold to third parties;
- Specialties consist in the sale of specialty papers manufactured by Lecta. The Specialties are quasi exclusively sold to third parties;
- Purchased Products consist in the sale of products purchased from third parties.

The intra-segment and inter-segment sales 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-month periods ended 31 March 2016 and 31 March 2015. It considers the above definitions:

(in EUR K) Products & Services	Revenue		EBITDA	
	31 Mar 2016	31 Mar 2015	31 Mar 2016	31 Mar 2015
Coated Woodfree	212,771	228,403	19,795	21,111
Specialties	104,075	100,191	9,986	5,280
Purchased products	42,351	47,464	2,135	2,110
Total	359,197	376,059	31,915	28,501

The EBITDA increased by EUR 3,414 K (or 11.9%) for the three-month periods ended 31 March 2016. This variance results from:

- Decrease of EUR (1,316) K in CWF mainly because of lower volume shipped;
- Increase of EUR 4,706 K in Specialties mainly thanks to higher volume shipped, and lower production cost;
- Slight increase of EUR 25 K in Purchased Products, due to higher margin and lower volume shipped.

4.2. Information about geographical areas

The following table presents revenue from external customers of the Group's products and services for the three-month periods ended 31 March 2016 and 31 March 2015:

(in EUR K) Geographical location of customers	Revenue	
	31 Mar 2016	31 Mar 2015
Europe	296,215	316,029
Americas	39,791	39,656
Rest of world	23,191	20,374
Total	359,197	376,059

The following table presents non-current assets of the Group's products and services for the three-month periods ended 31 March 2016 and 31 March 2015:

(in EUR K) Geographical location of assets	Non-current assets	
	31 Mar 2016	31 Mar 2015
Luxembourg	0	0
Italy	94,466	98,982
France	62,521	72,896
Spain	333,135	335,364
Total	490,121	507,242

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 Statement of Financial Position. 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 2016	January to March 2015
Sales of paper	343,671	353,547
Sales of energy	15,526	22,512
Revenue	359,197	376,059

(in metric tonnes)	January to March 2016	January to March 2015
Volume sold of paper	380,578	394,836

(in MWh)	January to March 2016	January to March 2015
Volume sold of energy	282,309	241,665

6. Non-recurring items

(in EUR K) Profit (Loss) on:	2016	2015
Property, plant and equipment	15	(180)
Ineffective portion in the variation of cash flow hedging derivatives	46	21
Organization efficiency program	(2,109)	(1,024)
Other non-recurring items	(11)	(54)
Income / (Expense)	(2,058)	(1,238)

Property, plant and equipment

In 2016 the profit of EUR 15 K consisted in a disposal of some tangible assets as scrap from Zaragoza mill.

In 2015 the charge of EUR (180) K mainly consisted in:

- A loss of EUR (164) K due to the disposal of some tangible assets as scrap from Almazán mill;
- A loss of EUR (21) K due to the disposal of some tangible assets as scrap from Sils warehouse;

Ineffective portion in the variation of cash flow hedging derivatives

This line was the consequence of the introduction of IAS 32 & 39 (see Note 1.36 of Lecta annual report).

Organization efficiency program (see Note 3.3)

The Organization efficiency program is a body of several plans, aimed at improving the group's competitiveness. The charges for the three months of the year were as follows:

- In 2016: EUR (2,109) K
- In 2015: EUR (1,024) K

Other non-recurring items

In 2015 the charge of EUR (54) K mainly consisted in an adjustment of EUR (44) K on the receivable against the acquirer of Torraspapel Argentina SA.

7. Income tax in the income statement

(in EUR K)	January to March 2016	January to March 2015
Current tax	(1,396)	(2,739)
Deferred tax	2,375	1,596
Income / (Expense)	979	(1,143)

The deferred tax profit of EUR 2,375 K booked in 2016 was the result of:

- EUR 831 K of net deferred tax profit on tax losses to be used against future taxable profits;
- EUR 1,544 K of deferred tax profit on temporary differences;

The deferred tax profit of EUR 1,596 K booked in 2015 was the result of:

- EUR (664) K of deferred tax charge on tax losses, used against 2015 taxable profits;
- EUR 410 K of deferred tax profit on tax losses, resulting from additional recognition of tax losses;
- EUR 1,849 K of deferred tax profit on temporary differences;

8. Earnings per share

(in EUR K)	January to March 2016	January to March 2015
Profit (loss) after tax attributable to the equity holders of the parent (in EUR K)		
Income statement	293	(4,992)
Pro-forma interest on warrants	(0)	(0)
Total diluted	293	(4,992)
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	0.5	(8.9)
Diluted	0.5	(8.9)

"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

Components of other comprehensive income

Lecta Group

(in EUR K) Movements of other comprehensive income before tax	January to March 2016	January to March 2015
Cash flow hedges		
Gains/(losses) arising during the year		
Foreign currency forward contracts	0	0
Futures contract	(149)	(225)
Reclassification adjustments for gains/(losses) included in the income statement	193	233
Total effect on other comprehensive income resulting from Cash flow hedges (before tax)	**45**	**8**
Available-for-sale financial assets		
Gains/(losses) arising during the year	(192)	0
Reclassification adjustments for gains included in the income statement	0	0
Total effect on other comprehensive income resulting from revaluation of Available-for-sale financial assets (before tax)	**(192)**	**0**

Tax effect of components of other comprehensive income Cash flow hedges	January to March 2016	January to March 2015
Cash flow hedges		
Gains/(losses) arising during the year		
Foreign currency forward contracts	0	0
Futures contract	42	(34)
Reclassification adjustments for gains/(losses) included in the income statement	(52)	(69)
Total tax effect on other comprehensive income resulting from Cash flow hedges	**(10)**	**(104)**
Available-for-sale financial assets		
Gains/(losses) arising during the year	0	0
Reclassification adjustments for gains included in the income statement	0	0
Total tax effect on other comprehensive income resulting from revaluation of Available-for-sale financial assets	**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 "Non-recurring items" of the Income statement (see Note 6).

During the three-month period ended 31 March 2016, there was a Cash flow hedges effect of EUR 45 K. It consisted of EUR (149) K in relation with the interest rate hedging, and EUR 193 K of real interest rate hedging payable transferred to Income statement.

11. Property, plant and equipment and Investment properties

During the three-month period ended 31 March 2016, Lecta Group acquired Property, plant and equipment with a cost of EUR 10.5 M compared to EUR 12.1 M in the same period of 2015.

As at 31 March 2015, Investment properties of EUR 4,898 K consisted in plots of land in Amorebieta / Carmen (EUR 540 K), Berrobi/Uranga (EUR 486 K) and Sarrià del Ter (EUR 3,871 K).

As at 31 March 2016, Investment properties of EUR 2,081 K consisted in plots of land in Amorebieta / Carmen (EUR 540 K) and Sarrià del Ter (EUR 1,541 K).

12. Interest-bearing borrowings

During the three-month period ended 31 March 2016, the repayment of borrowings net of proceeds from borrowings was EUR 0 M.

13. Capital commitments

As at 31 March 2016, Lecta Group had firm commitments in relation with orders of Property, plant and equipment net of advances to suppliers of EUR 12.8 M.

These commitments were allocated as follows in Euros:

3.5 M in Italy, mainly in relation with the renewal of the press section in the Paper Machine 2.
0.4 M in France
8.9 M in Spain, mainly in relation with the increase in specialty papers production capacity and the renewal of the central server.

EUR 12.8 M

14. Related party disclosures

14.1. Transactions with non-consolidated companies

		January to March			31 December 2015 31 March 2016	
(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
Dispap SA	2015	0	0	(1)	0	1,147
	2016					
Promotora del Ulla SA	2015	0	0	0	0	0
	2016	0	0	0	0	0
SVL Pilote SAS	2015	0	(2,040)	0	0	1,271
	2016	0	(1,054)	0	0	627
SVS SAS	2015	0	(208)	0	0	0
	2016	0	(145)	0	0	26
SVT SAS	2015	0	(699)	0	0	179
	2016	0	(457)	0	0	257

Entity included in the consolidated subsidiaries since 1 January 2016 (see Notes 2.2, 2.3 and 3.4)

15. Hedging derivatives on foreign currencies

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

At 31 March 2016, ordinary sales and purchases were specifically hedged through:

- Forward agreements on realized sales in foreign currencies: EUR 26.4 M
- Forward agreements on realized purchases in foreign currencies: EUR 7.9 M

The impact of these contracts has been accounted for as fair value hedging, hence recognized in the Income statement (see Note 1.36 of Lecta annual report).

At 31 March 2016, 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.

16. Hedging derivatives on interest rates

2012 Floating Rate Notes:

[1] On 3 May 2013, the interest rate of 26% of the Floating rate notes was hedged with a Swap to exchange 3-month Euribor variable rate against fixed rate of 0.385% for the period from mid-August 2013 to mid-February 2016.

[2] On 24 April 2014, the interest rate of 26% of the Floating rate notes was hedged with a Cap indexed to 3-month Euribor for the period from mid-August 2014 to mid-August 2016.

[3] On 3 October 2014, the interest rate of 26% of the Floating rate notes was hedged with a Cap indexed to 3-month Euribor for the period from mid-November 2014 to mid-August 2016.

Alto Garda Power SrL:

[4] On 5 September 2007, the interest rate of 50% of the forecast debt in Alto Garda Power SrL was hedged with a Collar indexed to 6-month Euribor for the period from June 2007 to December 2018.

On 16 March 2010, the interest rate of 25% of the forecast debt was hedged with a Swap to exchange 6-month Euribor variable rate against fixed rate of 2.995% for the period June 2010 to December 2018.

In December 2012, Alto Garda Power SrL voluntarily repaid EUR 12 M of its debt. Following this repayment, the notional amounts of the Collar and the Swap were higher than the debt. Consequently, the Collar and part of the Swap was considered as hedging instruments, while the balance of the Swap was no more considered as hedging instrument.

On 18 December 2013, the Swap to exchange 6-month Euribor variable rate was terminated.

IDAE Sant Joan AIE:

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

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

The main characteristics of the above instruments are as follows:

(in EUR K)

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

The impact of these agreements was accounted for as cash flow hedge.

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

17. Hedging derivatives on energy prices

There were no hedging derivatives on energy price.

18. Events after the Statement of Financial Position date

Nothing to be reported.

LECTA S.A.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

UNDER IFRS

Ernst & Young
Société anonyme
35E, Avenue John F. Kennedy
L-1855 Luxembourg
Tel: +352 42 124 1
www.ey.com/luxembourg
B.P. 780
L-2017 Luxembourg
R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent auditor's report

To the Shareholders of
Lecta S.A.
20, rue de la Poste
L-2346 Luxembourg

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 27 April 2015, we have audited the accompanying consolidated financial statements of Lecta S.A., which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year 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 Directors 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 at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Áine Hearty

Luxembourg, 23 March 2016

GENERAL INFORMATION

Lecta Group is engaged in the production and sale of Coated Woodfree ("CWF") and Specialty papers. Lecta Group has production sites in France, Italy and Spain and sells all around the world. It employed circa 3,329 FTE people as at 31 December 2015.

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 SA
20, rue de la Poste
L-2346 Luxembourg

The consolidated financial statements of Lecta Group for the year ended 31 December 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 23 March 2016. 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 2015	%	Jan to Dec 2014	%
Revenue	(8)	1,491,121	100	1,490,778	100
Changes in inventories of finished goods and work in process		(216)	(0)	(8,484)	(1)
Raw materials and consumables used		(753,108)	(51)	(735,006)	(49)
Labor costs		(193,435)	(13)	(203,378)	(14)
Other operating costs except non-recurring items		(434,726)	(29)	(443,608)	(30)
EBITDA	(1.06)	**109,637**	**7**	**100,303**	**7**
Depreciation	(9)	(56,056)	(4)	(58,148)	(4)
Amortization	(10)	(287)	(0)	(1,282)	(0)
Non recurring items	(11)	(3,084)	(0)	(11,460)	(1)
Profit (loss) from operations		**50,210**	**3**	**29,413**	**2**
Financial income	(12)	901	0	1,651	0
Financial expense	(12)	(68,740)	(5)	(69,903)	(5)
Profit (loss) before tax		**(17,629)**	**(1)**	**(38,839)**	**(3)**
Income tax	(13)	(3,578)	(0)	(27,755)	(2)
Profit (loss) after tax from continuing operations		**(21,207)**	**(1)**	**(66,594)**	**(4)**
Profit (loss) after tax from discontinued operations		0	0	(0)	(0)
Profit (loss) after tax		**(21,207)**	**(1)**	**(66,594)**	**(4)**
Attributable to:					
Equity holders of the parent		(22,894)	(2)	(66,091)	(4)
Non-controlling interests		1,687	0	(503)	(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 Dec 2015	Jan to Dec 2014
Profit (loss) for the period		**(21,207)**	**(66,594)**
Exchange differences on translation of foreign operations		265	367
Net (loss)/gain on cash flow hedges	(24) & (34)	870	(136)
Income tax effect		(380)	(56)
		490	(192)
Net (loss)/gain on available-for-sale financial assets	(19)	2	0
Income tax effect		0	0
		2	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		***757***	***175***
Actuarial gains (losses) on defined benefits plans	(31)	856	557
Income tax effect		(321)	(157)
		535	400
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		***535***	***400***
Other comprehensive income, net of tax		**1,292**	**575**
Total comprehensive income, net of tax		**(19,915)**	**(66,019)**
Attributable to:			
Equity holders of the parent		(21,708)	(65,552)
Non-controlling interests		1,793	(467)

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 2015	31 Dec 2014	31 Dec 2013
ASSETS				
Property, plant and equipment	(16.1)	486,964	504,481	506,439
Investment properties	(16.2)	2,081	4,898	540
Goodwill	(17)	118,252	118,252	118,252
Other intangible assets	(18)	1,309	594	2,780
Available-for-sale financial investments	(19)	1,351	1,349	1,401
Biological assets	(20)	277	277	272
Deferred income tax assets	(32)	45,220	48,545	73,070
Other non-current receivables	(24)	1,094	1,134	1,279
Non-current assets		**656,547**	**679,530**	**704,033**
Income tax receivable	(32)	5,597	3,740	2,467
Inventories	(21)	194,215	190,718	206,412
Trade receivables	(22)	248,974	245,080	248,465
Prepayments	(23)	1,042	1,296	1,651
Other current receivables	(24)	5,835	5,422	8,728
Cash & cash equivalents	(25)	148,717	158,412	191,863
Current assets		**604,380**	**604,668**	**659,586**
Non-current assets held for sale	(26)	**0**	**0**	**0**
TOTAL ASSETS		**1,260,927**	**1,284,198**	**1,363,619**
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)	(6,867)	(7,788)	(7,960)
Foreign currency translation	(27.3)	(526)	(791)	(1,158)
Accumulated net profits (losses)	(27.4)	(9,334)	14,108	80,199
Equity holders of the parent		**121,387**	**143,643**	**209,196**
Non-controlling interests		**10,774**	**8,433**	**9,765**
TOTAL EQUITY	(27)	**132,161**	**152,076**	**218,961**
Interest-bearing borrowings	(28)	612,861	607,413	612,659
Non-current grants	(30)	15,889	16,216	17,517
Non-current provisions	(31)	36,049	33,082	33,853
Deferred income tax liabilities	(32)	17,765	23,151	28,061
Other non-current liabilities	(34)	680	1,158	1,372
Non-current liabilities		**683,244**	**681,020**	**693,462**
Current portion of interest-bearing borrowings	(28)	10,825	15,077	13,956
Bank overdrafts	(29)	16,228	19,642	20,837
Current grants	(30)	3,205	3,234	2,403
Current provisions	(31)	3,770	6,839	10,650
Income tax payable	(32)	806	4,173	2,829
Trade payables	(33)	391,869	383,135	387,326
Other liabilities	(34)	18,818	19,003	13,196
Current liabilities		**445,522**	**451,102**	**451,196**
TOTAL LIABILITIES		**1,128,766**	**1,132,122**	**1,144,658**
TOTAL EQUITY AND LIABILITIES		**1,260,927**	**1,284,198**	**1,363,619**

The accompanying Notes are an integral part of these Consolidated financial statements.

Consolidated cash flow statement

Lecta Group

(in EUR K)

	Jan to Dec 2015	Jan to Dec 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
EBITDA	109,637	100,303
Inventories decrease (increase)	(3,352)	15,846
Trade receivable decrease (increase)	(3,597)	3,722
Prepayments decrease (increase)	257	357
Trade payables increase (decrease)	8,618	(4,552)
Working Capital decrease (increase)	1,926	15,373
Provisions increase (decrease)	518	(1,036)
GHG emission rights decrease (increase)	(998)	844
Proceeds (payments) related to non-recurring items	(8,854)	(18,330)
Income tax paid	(11,560)	(8,007)
Net cash flow (used in) / from operating activities	**90,670**	**89,147**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of Property, plant and equipment	12,574	417
Purchase of property, plant and equipment	(44,622)	(55,131)
Receipt of Grants	2,431	6,973
Disposal of subsidiary, net of cash sold	(48)	(239)
Purchase of other assets	(15)	(7)
Proceeds from disposal of other assets	76	417
Dividends received from Available-for-sale financial investments	0	139
Net cash flow (used in) / from investing activities	**(29,605)**	**(47,432)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to non controlling interest	0	(865)
Interest paid	(63,674)	(64,044)
Issue costs of Borrowings	(88)	(426)
Proceeds from Borrowings	84,363	34,205
Repayment of Borrowings	(87,267)	(42,008)
Payment of finance lease liabilities	(612)	(785)
Net cash flow (used in) / from financing activities	**(67,278)**	**(73,923)**
Net increase (decrease) in Cash & cash equivalents net of Bank overdrafts	(6,212)	(32,209)
Net foreign exchange difference	(68)	(47)
Cash & cash equivalents net of Bank overdrafts at 1 January	138,770	171,026
Cash & cash equivalents net of Bank overdrafts at 31 December	**132,489**	**138,770**
Of which Cash & cash equivalents	148,717	158,412
Of which Bank overdrafts	(16,228)	(19,642)

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	Non-controlling Interest	TOTAL EQUITY
AT 1 JANUARY 2014	**1,446**	**136,669**	**51**	**(832)**	**(7,179)**	**(1,158)**	**80,199**	**209,196**	**9,765**	**218,961**
Profit for the period			0	0	0	0	(66,091)	(66,091)	(503)	(66,594)
Other comprehensive income (loss)			0	(228)	400	367	0	539	36	575
Total comprehensive income of the period	**0**	**0**	**0**	**(228)**	**400**	**367**	**(66,091)**	**(65,552)**	**(467)**	**(66,019)**
Dividends to non-controlling interests									(865)	(865)
AT 31 DECEMBER 2014	**1,446**	**136,669**	**51**	**(1,060)**	**(6,779)**	**(791)**	**14,108**	**143,643**	**8,433**	**152,076**
AT 1 JANUARY 2015	**1,446**	**136,669**	**51**	**(1,060)**	**(6,779)**	**(791)**	**13,560**	**143,095**	**8,981**	**152,076**
Profit for the period			0	0	0	0	(22,894)	(22,894)	1,687	(21,207)
Other comprehensive income (loss)			2	384	535	265	0	1,186	106	1,292
Total comprehensive income of the period	**0**	**0**	**2**	**384**	**535**	**265**	**(22,894)**	**(21,708)**	**1,793**	**(19,915)**
Variation of percentages of consolidation (See Note 2.2)							(548)	(548)	548	(0)
Entries in the perimeter										
Variation of percentages of consolidation				0			(548)	(548)	548	(0)
AT 31 DECEMBER 2015	**1,446**	**136,669**	**53**	**(677)**	**(6,244)**	**(526)**	**(9,334)**	**121,387**	**10,774**	**132,161**

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. applicable as at 1 January 2015. 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.
- 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 data may differ from these assumptions.

1.02. Changes in accounting policies — New accounting standards

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IAS, IFRS and IFRIC interpretations, effective from 1 January 2015:

- IFRIC 21 Levies — IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The group is subject to levies, but the impact of IFRIC 21 is not material.
- In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2011, and that were subsequently included in the Exposure Draft of proposed amendments to IFRSs, Annual Improvements to IFRSs 2011-2013 Cycle. The UE endorsed them on 17 December 2014. The amendments are effective for annual periods beginning on or after 1 January 2015, although entities are permitted to apply them earlier. These amendments have no material impact on the Group.

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 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 Lecta loses control.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

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 "Share of results in associates" 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 equity method.

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, non-recurring 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 paper industry.

Non-recurring 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 of which Goodwill (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 year-end closing date. Exchange differences are taken to the Income statement: Foreign exchange differences for operating business items are recorded in the line "Other operating costs except non-recurring items", and financial items are recorded 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 have such borrowing.

1.08. Foreign currency translations — subsidiaries

The Income statements of the non-euro consolidated subsidiaries are translated into euro at the weighted average exchange rates for the year. Their assets and liabilities are translated into euro at the exchange rate prevailing at the year-end closing date. The exchange differences are taken directly to Equity. On disposal of the entity, the exchange differences accumulated are included in the line "Non-recurring 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, increased where appropriate by terminal environmental reinstatement costs (none in Lecta Group).

When acquired through a business combination, 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:

Land	No depreciation
Road, railways and car parks	20 to 40 years
Buildings	30 to 40 years
Plant and machinery	10 to 20 years
Quality control systems	5 to 10 years
Forklifts	3 to 8 years
Motor vehicles	3 to 7 years
Hardware and office equipment	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 Statement of financial position.

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 non-recurring 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, increased where appropriate by terminal environmental reinstatement costs (none in Lecta Group).

When acquired by Lecta Group through a business combination, 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 estimated useful lives:

Land	No depreciation
Buildings	30 to 40 years

Investment properties in Lecta Group consisted of plots of land in Amorebieta/Carmen mill closed in 2009, and in Sarrià del Ter mill closed in 2014 (see Note 16.2).

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 interests 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 in the line "Non-recurring items" (see Notes 1.06 and 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 "Non-recurring 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 non-controlling 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 recognized at cost. Intangible assets acquired as part of a business combination are recognized 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 definite 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 indefinite 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 recognized when it is probable that the project will generate future economic benefits, and the costs 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
CO_2 emission rights (see Note 1.16)	No amortization
Green & White certificates (see Note 1.17)	No amortization

1.16. CO_2 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 Statement of financial position.

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 non-recurring items".

These rules are implemented separately for each Subsidiary, because National Authorities grant the rights to single companies.

1.17. Green & White 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. Following a change in Italian regulation dated 6 July 2012, the Green certificates are recognized as a non-monetary government grant, which corresponds to GSE (Gestore dei Servizi Energetici) guaranteed price. An additional profit can be recognized in the line "Other operating costs except non-recurring items" of the Income statement upon the sale of Green certificate if the actual sales price is higher than the guaranteed one.

Thanks to its savings in the consumption of natural gas, Alto Garda Power SrL is entitled to a grant of White certificates for a period of ten years starting in January 2012. No obligation is attached to these White 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 White certificates. They are recognized as a non-monetary government grant, which corresponds to GSE (Gestore dei Servizi Energetici) guaranteed price. An additional profit can be recognized in the line "Other operating costs except non-recurring items" of the Income statement upon the sale of Green certificate if the actual sales price is higher than the guaranteed one.

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 the acquisition or issue of the said financial asset.

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 Statement of financial position, 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 "Non-recurring 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 Statement of financial position. Changes in the fair value are entered in the line "Non-recurring 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 of the low ownership. They are reported in the line "Available-for-sale financial investments", in Non-current assets of the Statement of financial position.

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 Statement of financial position.

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 Statement of financial position.

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 "Non-recurring 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 Statement of financial position (see Notes 1.25 and 1.34):
  - 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.

Included in this category are 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 of the Statement of financial position. They are 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 costs to sell. They are not depreciated any more. They are presented separately from the other assets in the Statement of financial position.

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 fair value less costs to sell 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 “Non-recurring 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, maintenance expenses and rents. 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,
- Favorable energy price 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 recognize 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, or Borrowings with off-market interest rates. 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 of the amount of the obligation can be made.

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 Statement of financial position. Payments in arrears are reported in the line "Trade payables" of the Statement of financial position. Any accrual that does not fall due within 12 months beyond Statement of financial position 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 Statement of financial position at the present value of the obligation less the fair value of any plan assets legally separate from the employer.

  Any unrecognized past service costs, is immediately recognized.

  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 Statement of financial position.

– 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 non-recurring items".

  – Costs due to the time value of money: "Financial expense".

1.31. Income tax payable

Income tax payable includes withholding tax.

1.32. Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the Statement of financial position 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 (e.g. accelerated tax depreciation, deductible legal revaluation), 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 Statement of financial position 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 Statement of financial position.

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 and withholding 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,
– Unfavorable energy price hedging,
– Miscellaneous other payables (non-recurring items).

1.35. Options on Minorities of consolidated companies

Options on Minorities of consolidated companies currently held by Lecta 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 “Non-controlling 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 non-controlling 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 non-recurring 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 Statement of financial position 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 “Non-recurring 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 expired.

1.38. Future changes in accounting policies

New amended IAS or interpretations effective as of *1 January 2016*:

– In December 2013, the IASB issued Annual Improvements to IFRSs 2012-2014 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2012-2014 cycle. The proposed amendments reflect issues discussed by the IASB in the project cycle that began in 2012. These amendments meet the criteria for the annual improvements process set out in the IASB Due Process Handbook. The criteria help in deciding whether a matter relating to the clarification or correction of IFRSs should be addressed using the annual improvements process. The proposed effective date for the amendments is for annual periods beginning on or after 1 January 2016, although the IASB proposes that entities would be permitted to apply them earlier.

New amended IAS or interpretations effective as of *1 January 2017*:

– In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments, Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value. IAS 12 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The issued amendments clarify the requirements on recognition of deferred tax assets for unrealized losses to address diversity in practice. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

New amended IAS or interpretations effective as of *1 January 2018*:

– In July 2014, the IASB completed the final element of its comprehensive response to the financial crisis by issuing IFRS 9 Financial Instruments (replacement of IAS 39). The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The new Standard will come into effect on 1 January 2018 with early application permitted.

Lecta Group is evaluating the effects of the above standards applicable as from 1 January 2016, 1 January 2017 and 1 January 2018 and expects that their adoption will have no material impact on the financial statements.

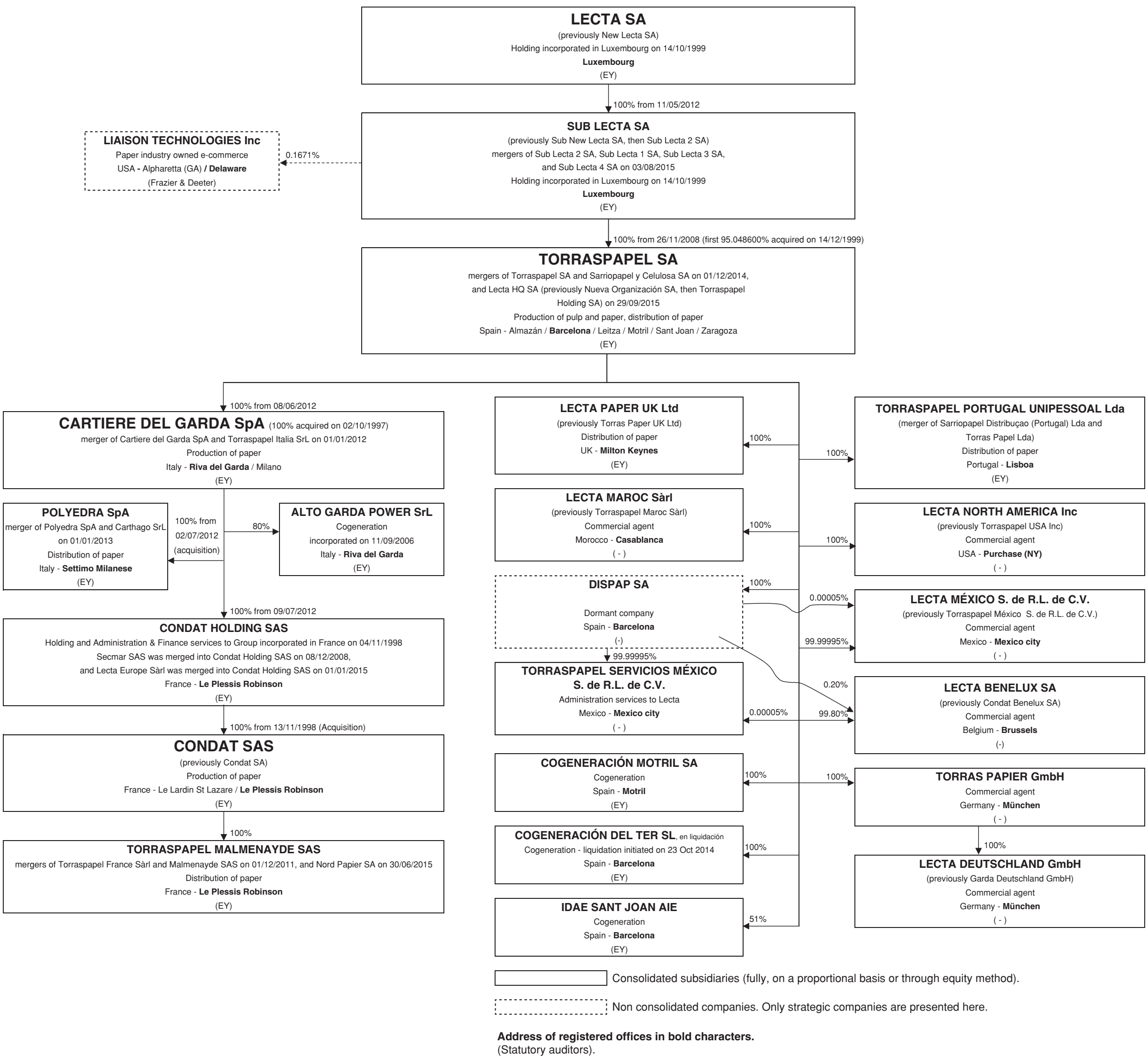
Additionally, Lecta Group started the analysis of IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases" effective for annual periods beginning on or after 1 January 2018 and 1 January 2019, respectively.

– IFRS 15 "Revenue from Contracts with Customers" was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. The new standard is applicable for annual periods beginning on or after 1 January 2018. Lecta Group is in the process of analyzing the impact of this standard on the group.

– IFRS 16 "Leases" was issued in January 2016. It replaces IAS 17 "Leases". The major change introduced by the new Standard is that leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee — the lease customer), treating all leases as finance leases. The new standard is applicable for annual periods beginning on or after 1 January 2019. Lecta Group is in the process of analyzing the impact of this standard on the group.

2. Lecta Group at 31 December 2015

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 (absorbed Torraspapel Italia SrL)	Production of woodfree coated paper	Italy	100%	100%	Full
Cogeneración del Ter SL, en liquidación	Cogeneration — liquidation initiated on 23 Oct 2014	Spain	100%	100%	Full
Cogeneración Motril SA	Cogeneration	Spain	100%	100%	Full
Condat Holding SAS (previously Condat Holding SA; absorbed Secmar SAS and Lecta Europe Sàrl)	Holding, Administration & Finance services to Group	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	100%	100%	Full
Lecta Deutschland GmbH (previously Garda Deutschland GmbH)	Commercial agent	Germany	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.)	Commercial agent	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
Polyedra SpA (absorbed Carthago SrL)	Distribution of paper	Italy	100%	100%	Full
Sub Lecta SA (previously Sub New Lecta SA, then Sub Lecta 2 SA; absorbed Sub Lecta 4 SA, Sub Lecta 3 SA, and Sub Lecta 1 SA)	Holding and IP management	Luxembourg	100%	100%	Full
Torras Papier GmbH	Commercial agent	Germany	100%	100%	Full
Torraspapel Malmenayde Sàrl (merger of Torraspapel France Sàrl and Malmenayde SAS, absorbed Nord Papier SA)	Distribution of paper	France	100%	100%	Full
Torraspapel Portugal Unipessoal 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 (absorbed Sarriopapel y Celulosa SA and Lecta HQ 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 non-controlling interests in Torraspapel SA, this acquisition resulted in non-controlling interests in Sub Lecta 1 SA and its subsidiaries.

Torraspapel Servicios México S. de R.L. de C.V. was set up by Dispap SA and incorporated in Mexico on 6 October 2004. It is a provider of administration services to Lecta 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 de Ter (Spain). It was 70% owned by Torraspapel SA and 30% by La Energía SA, a subsidiary of energy services Gas Natural Group when 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 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 was 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 4.95% non-controlling interests in Torraspapel SA following the exercise of a put option, negotiated in December 1999 at the time of the acquisition of Torraspapel SA. It now holds 100% in Torraspapel SA.

On 8 December 2008, Secmar SAS was merged into Condat Holding SAS. Malmenayde SAS and Nord Papier SA became direct subsidiaries of Condat Holding SAS.

On 18 December 2009, Torraspapel SA acquired an additional 5% in Cogeneración del Ter SL. It now holds 75% in Cogeneración del Ter SL.

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 to increase its participation to 75%.

On 1 December 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. It now holds 81% in Cogeneración Motril SA.

On 31 December 2011, Torraspapel Italia SrL, the commercial agent in Italy for Torraspapel products was excluded from the consolidation perimeter. On 1 January 2012, Torraspapel Italia SrL was merged into Cartiere del Garda SpA.

On 26 April 2012, Sub Lecta 3 SA was incorporated in Luxembourg. It is 100% owned by Sub Lecta 1 SA. Its purpose is to be a holding company.

On 2 July 2012, Cartiere del Garda SpA acquired 100% of Polyedra SpA. Polyedra SpA is an Italian paper merchant who in turn holds 100% of Carthago SrL, another Italian paper merchant.

On 25 September 2012, Condat Holding SAS acquired 34% non-controlling interests in Nord Papier SA. It now holds 100% in Nord Papier SA.

On 1 January 2013, Carthago SrL was merged into Polyedra SpA.

On 29 November 2013, Sub Lecta 4 SA was incorporated in Luxembourg. It is 100% owned by Sub Lecta 3 SA. Its purpose is to be a holding company.

On 10 December 2013, Torraspapel SA and Sarriopapel y Celulosa SA sold 100% of their participation in the Argentinean paper distributor Torraspapel Argentina SA.

On 23 October 2014, following the permanent closure of the paper mill located in Sarrià de Ter, the liquidation of Cogeneración del Ter SL was initiated.

On 1 December 2014, Sarriopapel y Celulosa SA was merged into Torraspapel SA. Following this merger, Torraspapel SA directly holds 100% in Torraspapel Portugal Lda and Torras Papier GmbH.

On 1 January 2015, Lecta Europe Sàrl was merged into Condat Holding SAS.

On 30 June 2015, Nord Papier SA was merged into Torraspapel Malmenayde SAS.

On 6 July 2015, the shareholders meeting of Cogeneración Motril SA, decided a share capital decrease to 0€ against losses, immediately followed by a capital increase of 2.6M€. The majority shareholder of 81% (Torraspapel SA) subscribed to the capital increase for an amount of 2.1M€, while the minority shareholders of 19% did not take part to the capital increase. This operation was delivered to the Registry of the Commercial Court ("Registro Mercantil") in October 2015.

On 3 August 2015, Sub Lecta 4 SA, Sub Lecta 3 SA and Sub Lecta 1 SA were merged into Sub Lecta 2 SA and the resulting entity was renamed Sub Lecta SA on 17 August 2015.

On 29 September 2015, Lecta HQ SA was merged into Torraspapel SA (reverse merger).

On 16 November 2015, Torraspapel SA acquired 25% additional equity in Cogeneración del Ter SA, en liquidación (liquidation initiated on 23 October 2014), against 1€ cash payment to increase its participation to 100%.

2.3. Interests in non-consolidated companies

Companies	Activity	Country of incorporation	Interest	Control	Comments
Catalana d'Iniciatives CR SA	*In liquidation*	*Spain*	*0.39%*	*0.39%*	*(a)*
Consorzio Nazionale Imballaggi Scarl	*Recovery & Recycling*	*Italy*	*0.0075%*	*0.0075%*	*(a)*
Dispap SA	*No operating activity*	*Spain*	*100%*	*100%*	*(b)*
Ecofolio SAS	*Collection of ecological tax on paper printing*	*France*	*1.81%*	*1.81%*	*(a)*
Gas Intensive Scarl	*Purchase of methane by Italian industries*	*Italy*	*0.52%*	*0.52%*	*(a)*
Liaison Technologies Inc (previously Liaison Technologies LLC)	Paper industry owned e-commerce platform	USA	0.1671%	0.1671%	(a)
Promotora del Ulla SA	*No operating activity*	*Spain*	*45.2%*	*45.2%*	*(b)*
SVL Pilote SAS	Logistics	France	0%	0%	(a)
SVS SAS	Forwarding agent	France	0%	0%	(a)
SVT SAS	Packing	France	0%	0%	(a)

In italic: Non-strategic companies.

Other companies are considered as strategic, even if they are not consolidated because of the following reasons:

(a) Lecta Group has no control and no significant influence in these companies.

(b) These companies are not consolidated because of their immateriality.

Other comments

- In April 2012, Garda UK Ltd ceased its activity and was finally deregistered in May 2014.
- In September 2013, Liaison Technologies Inc repurchased some of its own shares.
- In December 2013, Eurogalicia Forestal SA, Torras Dorna SA and Torras Hostench SL liquidations were approved and presented to the Commercial Registry.
- On 14 Oct 2014, Lecta Services Sprl was liquidated.
- On 22 January 2015, Polyedra AG was deregistered.

3. Lecta capital structure and Significant events of 2015

3.1. Lecta capital structure

On 11 May 2012, Lecta Group successfully refinanced its debt through the issue of EUR 590 M new notes ("2012 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%,

The 2012 notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market.

The 2012 notes documentation contains certain covenants but no financial ratios have to be met on a quarterly or yearly basis.

Lecta simultaneously negotiated a new EUR 80 M committed Revolving Credit Facility due 2018.

3.2. 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 specialty papers and merchanting operations, and (iv) the identification of exit opportunities.

3.3. Cap on interest rates

On 23 July 2010, the interest rate of 75% of the forecast debt in IDAE Sant Joan AIE (See Note 28.4) was hedged with a Swap to exchange 1-month Euribor variable rate against fixed rate of 2.14% for the period from June 2011 to March 2016.(See Note 38.5 [Reference 5]).

On 23 December 2015, the interest rate of 70% of the forecast debt in IDAE Sant Joan AIE (See Note 28.4) was hedged with a Cap indexed to 3-month Euribor for the period from June 2016 to September 2018 (See Note 38.5 [Reference 6].

3.4. Organization efficiency program

The integration process covers Lecta industrial operations in Italy, France and Spain, as well as the paper merchanting ones in the same countries and, additionally, Portugal. Within the Organization efficiency program, Lecta planned several cost reduction initiatives.

For the year 2015 the restructuring cash cost associated to Lecta efficiency programs was EUR (9.0) M (see detailed below), reported in the line "Non-recurring items" (see Note 11). After payments, as at 31 December 2015, the remaining provision for restructuring was EUR 7.6 M (see Note 31).

(in EUR K)	Note	Country	2015
Condat and Condat Holding's restructuring	3.4.2	France	(2,897)
Torraspapel's restructuring	3.4.3	Spain	(6,103)
Torraspapel Malmenayde's restructuring	3.4.4	France	(140)
Polyedras's restructuring	3.4.5	Italy	189
			(8,951)

3.4.1. Summary of the cost reduction initiatives since the end of 2012

The cost reduction initiatives included:

- Agreement with Cartiere del Garda employees to reduce labor cost through the conversion of part of fixed into variable salary linked to the performance of the company (February 2013);
- Reorganization of the Paper merchanting structure in Italy, Portugal, and Spain with total headcount reduction of 137 (until March 2013);
- Harmonization of the bonus scheme indexed to EBITDA performance (March 2013), cancellation of pension fund schemes (May 2013) and mill special agreements (July 2013) in Spain;
- Permanent closure of Condat production line n°6 (with a production capacity of 130,000 tons of CWF) with a job position reduction of 139 (June 2013)
- Denunciation of Progil pension regime to active employees in Condat (June 2013); this denunciation led to a one-off reduction of the provision for defined benefit post-employment plans of EUR 8.0 M reported in the line "Labor costs" in September 2013;
- Curtailment of the provision for Retirement plan IFC following the implementation of the restructuring in Condat; the one-off reduction of the provision for defined benefit post-employment plans of EUR 1.5 M was reported in the line "Labor costs" in September 2013, and EUR 0.2 M in December 2013;

  - Denunciation of labor side agreements in Condat (December 2013) related to the working time and the structure of the remuneration. Condat's management successfully negotiated with the unions a new set of labor side agreements designed to promote the company performance, and the individual and collective efforts. Additional negotiations in the same area are still in progress.
- Closure of a warehouse in UK with a job reduction position of 4 (September 2013).
- Reorganization of the Paper merchanting structure in Italy and France aiming at centralizing the management and administration activities, adapting the structure to the reduced size of the market, outsourcing the transportation activity, reorganizing the logistic services with the closure of 3 warehouses in December 2013 and 1 in August 2014, associated to a job position reduction of 78 (until August 2014);
- Permanent closure of Berrobi / Uranga paper mill (with a production capacity of 27,000 tons of base paper) (January 2014);
- Sarrià de Ter paper mill (with a production capacity of 65,000 tons of base paper and UWF) and Cogeneración del Ter plant (with a power of 25MW), with a job position reduction of 132 (October 2014);
- Centralization of the group financial activities in Barcelona with a job position reduction of 4 (October 2014).
- Outsourcing of non-core activities in Sant Joan mill associated with the transfer of 133 job positions (February 2015).
- And a general company-wide organization efficiency program with a job reduction position of 77 (2013-2015).

3.5. Royal decree and Ministerial order applicable to Spanish cogeneration plants

3.5.1. Reversal of impairment of some Cogeneración Motril's assets

As the Royal decree n°413/2014 and the Ministerial order n°IET/1045/2014 affected the future cash flows of Cogeneración Motril SA, Lecta decided to impair its tangible assets and its stock of spare parts, and booked an impairment charge of EUR (4.5) M in December 2013.

As the cogeneration mill continue running for the benefit of the Motril's paper mill, the impairment charge of EUR 4.5 M was reversed in 2014 (see Note 11).

3.5.2. Reversal of impairment of some Cogeneración del Ter's assets and participative loan.

In 2015, a gas turbine of Cogeneración del Ter SL, en liquidación, was sold to Torraspapel SA (Zaragoza's mill) for EUR 0.8 M. Consequently, the 2014 impairment of this asset was reversed (See Note 11).

The disposal of the gas turbine in 2015 together with tax advantages will enable Cogeneración del Ter SL, en liquidación, to repay the participative loan of EUR 1.8 M to Torraspapel SA. Consequently, the 2014 impairment of this loan was reversed.

3.6. Non-recognition of some deferred tax assets

The uncertainties in short-term future profitability, led to the non-recognition of some deferred tax assets (see Notes 13 and 32.3). In 2015, the impact was EUR (6.9) M.

3.7. Net loss on one important Lecta's customers

One of important Lecta's customers placed three of its subsidiaries in administration in April 2015. Taking into account the protective measures taken by Lecta's management, the above EBITDA impact was estimated at EUR (6.5) M.

3.8. Sale of non-industrial properties

In May 2015, Lecta sold the land of the mill in Berrobi/Uranga permanently closed in January 2014 (see Note 3.4) against a cash payment of EUR 0.5 M, leading to the recognition of a pre-tax capital loss of EUR (0.1) M (see Note 11).

In July 2015, Lecta sold some plots of land and unused machinery of Sarrià de Ter mill permanently closed in October 2014 (see Note 3.4) against the payment of EUR 11.0 M, leading to the recognition of a pre-tax capital gain of EUR 7.4 M (see Note 11).

3.9. Substitution of an old gas turbine in Alta Garda Power SrL

The substitution of the old gas turbine in Alta Garda Power SrL with a new one entailed a loss of EUR (1,931) K.

Nevertheless, this decision was taken because the new gas turbine has more functions and more capabilities. In addition, the supplier will offer the maintenance of the Hot Section free of charge, and Alta Garda Power SrL is also expected to receive a tax credit (see Note 11).

4. Significant events of 2014

The present chapter is an extract of the items disclosed in the Annual report of 2014.

4.1. Cap on interest rates

On 3 October 2014, the interest rate of 26% of the Floating rate notes issued in May 2012 was hedged with a Cap indexed to 3-month Euribor for the period from mid-November 2014 to mid-August 2016. This Cap complemented the Swap and other Caps already in place (see Note 38.5).

Instrument	Notional amount	Effective date	Termination date	Cap rate
Cap 3M Euribor	EUR 100 M	15-Nov-2014	15-Aug-2016	2%

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" (see Note 17).

The definition of **products and services** has been updated following the reorganization of Lecta group and the acquisition of Polyedra group:

- Coated Woodfree consists in the sale of fine paper manufactured by Lecta. The Coated Woodfree is quasi exclusively sold to third parties;
- Specialties consist in the sale of specialty papers manufactured by Lecta. The Specialties are quasi exclusively sold to third parties;
- Purchased Products consist in the sale of products purchased from third parties.

The intra-segment and inter-segment sales 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 2014 and 2015. It considers the above updated definitions:

(in EUR K) Products & Services	Revenue 31 Dec 2015	Revenue 31 Dec 2014	EBITDA 31 Dec 2015	EBITDA 31 Dec 2014
Coated Woodfree	898,981	926,267	70,945	76,555
Specialties	407,967	367,352	28,740	17,751
Purchased products	184,173	197,159	9,952	5,997
Total	1,491,121	1,490,778	109,637	100,303

The EBITDA increased by EUR 9,334 K (or 9.3%) in 2015. This variance results from:

- Decrease of EUR (5,610) K in CWF mainly because of lower volume produced and shipped, and the bankruptcy of one important Lecta's customer (see Note 3.7).
- Increase of EUR 10,989 K in Specialties mainly thanks to higher volume produced and shipped, and higher net sales prices.
- Increase of EUR 3,955 K in Purchased Products, mainly thanks to higher spread and lower selling variable cost, partly offset by lower volume shipped,.

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 2014 and 2015:

(in EUR K) Geographical location of customers	Revenue 31 Dec 2015	Revenue 31 Dec 2014
Europe	1,229,801	1,257,965
Americas	164,769	150,416
Rest of world	96,551	82,397
Total	1,491,121	1,490,778

The following table presents non-current assets of the Group's products and services for the years ended 31 December 2014 and 2015:

(in EUR K) Geographical location of assets	Non-current assets 31 Dec 2015	Non-current assets 31 Dec 2014
Luxembourg	0	0
Italy	95,780	101,860
France	65,391	75,288
Spain	329,459	333,101
Total	490,630	510,249

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 Statement of Financial Position.

  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	2015	2014
Lecta SA		
Sub Lecta SA[d]		
(previously Sub New Lecta SA, then Sub Lecta 2 SA, absorbed Sub Lecta 4 SA, Sub Lecta 3 SA, and Sub Lecta 1 SA)		
Cartiere del Garda SpA (absorbed Torraspapel Italia SrL)	502	505
Alto Garda Power SrL		
Polyedra SpA		
(absorbed Carthago SrL).	180	190
Condat Holding SAS[d]		
(previously Condat Holding SA; absorbed Secmar SAS and Lecta Europe Sàrl)	2	2
Condat SAS		
(previously Condat SA)	523	522
Torraspapel Malmenayde Sàrl[c]		
(merger of Torraspapel France Sàrl and Malmenayde SAS, absorbed Nord Papier SA)	115	116
Torraspapel SA[a)(e]		
(absorbed Sarriopapel y Celulosa SA and Lecta HQ SA)	1,930	2,105
Cogeneración del Ter SL, en liquidación		
Cogeneración Motril SA		
IDAE Sant Joan AIE		
Lecta Benelux SA		
(previously Condat Benelux SA)	6	6
Torras Papier GmbH	4	4
Lecta Deutschland GmbH		
(previously Garda Deutschland GmbH)	12	12
Lecta Maroc Sàrl		
(previously Torraspapel Maroc Sàrl)	2	2
Lecta México S. de R.L. de C.V.		
(previously Torraspapel México S. de R.L. de C.V.)	1	1
Torraspapel Servicios México S. de R.L. de C.V.	2	2
Lecta North America Inc		
(previously Torraspapel USA Inc)	13	11
Torraspapel Portugal Unipessoal Lda		
(merger of Sarriopapel Distribuiçao (Portugal) Lda and Torras Papel Lda)	21	27
Lecta Paper UK Ltd		
(previously Torras Paper UK Ltd)	16	17
Total	**3,329**	**3,522**

(a) On 1 December 2014, Sarriopapel y Celulosa SA was merged into Torraspapel SA (see Note 2.2).

(b) On 1 January 2015, Lecta Europe Sàrl was merged into Condat Holding SAS (See Note 2.2)

(c) On 30 June 2015, Nord Papier SA was merged into Torraspapel Malmenayde SAS (See Note 2.2)

(d) On 3 August 2015, Sub Lecta 4 SA, Sub Lecta 3 SA and Sub Lecta 1 SA were merged into Sub Lecta 2 SA and the resulting entity was renamed Sub Lecta SA on 17 August 2015 (See Note 2.2)

(e) On 29 September 2015, Lecta HQ SA was merged into Torraspapel SA (reverse merger) See Note 2.2

7. Research and Development costs

(in EUR K)	2015	2014
Costs	2,498	2,199

All these costs were expensed as incurred, in compliance with the accounting policy (see Note 1.15).

8. Revenue

(in EUR K)	2015	2014
Sales of paper	1,402,617	1,395,940
Sales of energy	88,504	94,838
Revenue	1,491,121	1,490,778

(in metric tonnes)	2015	2014
Volume sold of paper	1,565,194	1,601,737

(in MWh)	2015	2014
Volume sold of energy	1,089,067	1,159,352

9. Depreciation

(in EUR K)	2015	2014
Depreciation of Property, plant and equipment	(59,261)	(62,343)
Amortization of Grants	3,205	4,194
Income / (Expense)	(56,056)	(58,148)

10. Amortization

(in EUR K)	2015	2014
Amortization of Other intangible assets	(287)	(1,282)
Income / (Expense)	(287)	(1,282)

In 2014 and 2015, they mainly consisted in:

– The 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 (645) K in 2014. As at 31 December 2014 both trademarks were fully amortized.

– The customers portfolio of Malmenayde and Nord Papier were amortized straight line over a period of 7 years as of 1 October 2009, with an impact of EUR (285) K in 2014 and EUR (107) K in 2015.

– The rights to connect to the electricity network of the Spanish cogeneration plants were amortized straight line over a period of 10 years, with an impact of EUR (209) K in 2014, and EUR (187) K in 2015.

11. Non-recurring items

(in EUR K) Profit (Loss) on:	2015	2014
Property, plant and equipment	5,931	3,894
Other intangible assets	0	(2)
Available-for-sale financial investments	(27)	(0)
Ineffective portion in the variation of cash flow hedging derivatives	101	36
Organization efficiency program	(8,951)	(14,077)
Other non-recurring items	(139)	(1,311)
Income / (Expense)	(3,084)	(11,460)

Property, plant and equipment

In 2015, the profit of EUR 5,931 K consisted in:

– A profit of EUR 7,391 K thanks to the disposal of some plots of land and unused machinery in Sarrià de Ter, the plant permanently closed in October 2014 (see Notes 3.4, 3.8 and 16.2);

– The reversal of part of the impairment charge of tangible assets of Cogeneración del Ter SL of EUR 818 K (see Notes 3.4 and 3.5.2);

– A profit of EUR 217 K thanks to the disposal of some tangible assets, of which EUR 197 K of scrap from Sarrià de Ter;

– A loss of EUR (128) K due to the sale of a plot of land in Berrobi/Uranga, the plant permanently closed in January 2014 (see Notes 3.4, 3.8 and 16.2).

– The substitution of the old gas turbine in Alta Garda Power SrL with a new one entailed a loss of EUR (1,931) K.

  Nevertheless, this decision was taken because the new gas turbine has better energy efficiency and environmental performance. In addition, the supplier offered the maintenance of the Hot Section free of charge, and Alta Garda Power SrL is also expected to receive a tax credit (see Note 3.9).

– A loss of EUR (435) K due to various impairments of tangible assets;

In 2014, the net profit of EUR 3,894 K mainly consisted in:

– The reversal of the impairment charge of tangible assets of Cogeneración Motril SA of EUR 4,229 K (see Note 3.5.2);

– The reversal of part of the impairment charge of tangible assets of Polyedra SpA of EUR 92 K (see Note 3.4);

– Additional impairment of EUR (576) K on the tangible assets of Sarrià de Ter mill (see Note 3.4).

Available-for-sale financial investments

In 2015, the net charge of EUR (27) K mainly consisted in a reduction in price of EUR (46) K on the disposal of Torraspapel Argentina SA made in December 2013.

In 2014, the net charge of EUR (0) K consisted of:

– A capital gain of EUR 188 K on the liquidation of Lecta Services Sprl (see Note 2.3)

– The proceeds of EUR 51 K from the liquidation of Polyedra AG (see Note 2.3)

– A reduction in price of EUR (239) K on the disposal of Torraspapel Argentina SA.

Ineffective portion in the variation of Rate hedging derivatives

This line was the consequence of the introduction of IAS 32 & 39 (see Note 1.36).

Organization efficiency program (see Note 3.4)

The 2015 and 2014 charges included de(in)creases of provision of EUR 40 K and EUR 2,942 K.

Other non-recurring items

In 2015, they mainly consisted in:

- A charge of EUR (134) K paid to the Social Security in Spain against the final regularization of the 2008 Employment regulation;
- A provision of EUR (276) K following the Social Security Audit in Spain of 2011 to 2015;
- A profit of EUR 311 K thanks to the reversal of the provision booked in 2014 following a tax review of the Spanish entities.

In 2014, they mainly consisted in:

- A charge of EUR (837) K associated to a success fee to be paid to an external advisor to assist Lecta to get an IDAE grant (see Note 30)
- An impairment of Torraspapel Argentina SA receivable of EUR (419) K
- A provision of EUR (322) K following a tax review of the Spanish entities
- A partial reversal of the impairment in Cogeneración Motril SA stock of spare parts for EUR 221 K

12. Financial income (expense)

(in EUR K)	2015	2014
Interest on Floating and Fixed Rate Notes	(39,511)	(40,457)
Interest on rate hedging derivatives	0	0
Amortization of issue costs on borrowings	(3,991)	(4,006)
S/T Floating and Fixed Rate Notes	(43,502)	(44,462)
Externalized pension funds	0	0
Lease obligations	(47)	(42)
Incomes on Loans	0	0
Interest on other long-term borrowings	(1,963)	(2,648)
Interest on rate hedging derivatives	(998)	(873)
Amortization of issue costs on borrowings	0	0
S/T Other long-term borrowings	(2,961)	(3,521)
Trade receivables: discounts on anticipated payments and non-recourse assignment costs	(17,038)	(16,614)
Trade payables: discounts on anticipated payments	164	282
Finance cost in the provisions on employees benefits	(439)	(797)
Capitalization of borrowing costs	0	0
Other financial incomes	737	1,230
Other financial expenses	(4,753)	(4,466)
Dividends	0	139
Income / (Expense)	(67,839)	(68,252)

The lines "Amortization of Issue costs on borrowings" is a consequence of the application of the effective interest rate method (see Note 1.27).

The line "Dividends" included EUR 99 K from Lecta Services and EUR 40 K from Polyedra AG in 2014 and EUR 0 K in 2015.

13. Income tax in the Income statement

13.1. Overview

(in EUR K)	January to December 2015	2014
Current tax	(6,339)	(8,355)
Deferred tax	2,761	(19,401)
Income / (Expense)	(3,578)	(27,755)

The deferred tax profit of EUR 2,761 K booked in 2015 was the result of:

– EUR (1,340) K of net deferred tax charge on tax losses, because of EUR (6,926) K

Non-recognized deferred tax assets (see Note 3.6), and EUR 5,586 K to be used against future taxable profits.

– EUR 4,101 K of deferred tax profit on temporary differences.

The deferred tax charge of EUR (19,401) K booked in 2014 was the result of:

– EUR (6,252) K of net deferred tax charge on tax losses, because of EUR (15,662) K non-recognized deferred tax assets (see Note 3.6) and EUR 9,410 K to be used against future taxable profits.

– EUR (13,149) K of deferred tax charge on temporary differences, mainly due to the tax deductibility postponed to 2014 of the impairment of assets in Torraspapel SA (see Note 3.4).

13.2. Effective income tax rate

(in EUR K)	2015	2014
Profit (loss) before tax	(17,629)	(38,837)
Nominal rate in Luxembourg	29.22%	29.22%
Tax nominal rate	5,151	11,348
Impact of local rates(1):		
In the current year	757	(9)
In the forthcoming years	0	(4,221)
Adjustments on usable tax losses(2):		
Cancellation of tax losses	(6,284)	(15,662)
Other adjustments	2,533	0
Permanent differences on tax bases(3)	(7,112)	(9,882)
Other adjustments(4)	1,596	(9,329)
P&L income tax	(3,578)	(27,755)
Effective tax rate	−20.3%	−71.5%

Year 2015

(1) Impact of local rates:

– The local tax rates in the current year were generally close to the Luxembourg actual nominal tax rate of 29.22%, except in the case of French tax group where the nominal rate was 38%. Applied to the sum of locally computed profit (loss) before tax, positive in 2015, the difference in tax rates generated an impact of EUR 757 K.

(2) Adjustments on usable tax losses:

– Some deferred tax assets on tax losses were not recognized for a total of EUR (6,284) K of which EUR (5,105) K for the French tax group (see Notes 3.6 and 13.1).

– Other adjustments mainly consisted in corrections in Sub Lecta SA, EUR 747 K of 2014 Tax losses, and EUR 1,557 K of 2014 amortization of Lecta trademark.

(3) Permanent differences on tax bases:

- Non-deductible depreciation generated an impact of EUR (41) K
- Thin capitalization rules on Financial expense generated an impact of EUR (7,558) K
- Other definitively non-taxable profits or non-deductible expenses resulted in an impact of EUR 487 K

(4) Other adjustments included:

- 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 4,214 K (see Note 32.3);
- Temporary differences of EUR (2,276) K;

Year 2014

(1) Impact of local rates:

- The local tax rates in the current year were generally close to the Luxembourg actual nominal tax rate of 29.22%. Applied to the sum of locally computed profit (loss) before tax, negative in 2014, the difference in tax rates generated a slight impact of EUR (9) K.
- The local tax rates in the forthcoming years will decrease in Spain, from 30% in 2014, to 28% in 2015 and 25% in 2016. Applied to the deferred tax as at 31 December 2014, it generates an impact of EUR (4,221) K.

(2) Adjustments on usable tax losses:

- Some deferred tax assets on tax losses were not recognized for a total of EUR (15,662) K (see Notes 3.6 and 13.1)

(3) Permanent differences on tax bases:

- Non-deductible depreciation generated an impact of EUR 726 K
- Thin capitalization rules on Financial expense generated an impact of EUR (9,303) K
- Other definitively non-taxable profits or non-deductible expenses resulted in an impact of EUR (1,306) K

(4) Other adjustments included:

- The IRAP ("Imposta Regionale sulle Attivita Produttive") was computed on a larger base than the taxable earnings in Italy, leading to an favorable impact of EUR (290) K (see Note 32.3);
- The deferred tax asset on tax credit related to the sale of a building was derecognized for EUR (6,143) K

14. Earnings per share

(in EUR K)	2015	2014
Profit (loss) after tax attributable to the equity holders of the parent (in EUR K)		
Income statement	(22,894)	(66,091)
Pro-forma interest on warrants	(0)	0
Total diluted	(22,894)	(66,091)
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	(40.9)	(117.9)
Diluted	(40.9)	(117.9)

"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 two 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.

Nota: 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 2014									
Cost	242,192	1,319,273	10,082	93,654	49,881	0	4,116	355	**1,719,553**
Depreciation & Impairment	(107,865)	(1,009,724)	(8,979)	(83,054)	0	(780)	(2,452)	(259)	**(1,213,114)**
Net carrying amount	134,326	309,549	1,103	10,600	49,881	(780)	1,664	96	**506,439**
Additions	(52)	97	8	49	60,588	0	557	0	**61,247**
Depreciation charge	(6,008)	(52,687)	(352)	(2,645)	0	(23)	(568)	(59)	**(62,343)**
Impairment losses charged	(2)	(580)	0	0	0	0	0	0	**(582)**
Impairment losses reversed as profit	33	4,165	0	32	0	0	0	0	**4,229**
Disposals	(135)	(55)	(44)	118	0	0	(53)	0	**(169)**
Reclassification in / (out)	6,554	66,586	1,521	3,353	(82,990)	803	(162)	(7)	**(4,342)**
Exchange adjustments	0	0	0	1	0	0	0	0	**1**
At 31 December 2014									
Cost	251,725	1,278,333	10,308	94,245	27,479	0	4,263	303	**1,666,657**
Depreciation & Impairment	(117,010)	(951,259)	(8,072)	(82,738)	0	0	(2,825)	(272)	**(1,162,176)**
Net carrying amount	134,715	327,074	2,237	11,508	27,479	0	1,438	31	**504,481**
Additions	1	2,328	7	2,485	40,087	0	649	0	**45,557**
Depreciation charge	(4,899)	(50,408)	(256)	(3,339)	0	0	(338)	(20)	**(59,261)**
Impairment losses charged	2	2	0	0	0	0	0	0	**3**
Disposals	(901.98)	(1,849)	(7)	53	0	0	(299)	0	**(3,004)**
Reclassification in / (out)	1,724	38,105	(1,373)	3,592	(42,984)	0	122	0	**(814)**
Exchange adjustments	0	0	0	1	0	0	0	0	**1**
At 31 December 2015									
Cost	239,349	1,303,631	8,375	93,369	24,582	0	3,356	272	**1,672,934**
Depreciation & Impairment	(108,708)	(988,379)	(7,767)	(79,070)	0	0	(1,785)	(261)	**(1,185,971)**
Net carrying amount	130,641	315,252	608	14,299	24,582	0	1,571	11	**486,964**

2015:

The reclassification of EUR (814) K was related to the transfer:

- To "Investment properties" of EUR (279) K for a plot of land A in Sarrià de Ter that is no longer used in the production and sales process (see Note 16.2),
- To "Held for sale" of EUR (546) K for a plot of land B in Sarrià de Ter that is no longer used in the production and sales process (see Note 26),
- From "Other Intangible assets" of EUR 11 K (See Note 18).

2014:

- The impairment losses charge of EUR (582) K was related to the immediate depreciation of the Cogeneración del Ter investment.
- The impairment losses reversed as profit of EUR 4,229 K was related to the reversal of the impairment charge of Cogeneración Motril S.A. assets (see Notes 3.5.2 and 11).
- The reclassification of EUR (4,342) K was related to the transfer to "Investment properties" of EUR (4,357) K for two plots of land that are no longer used in the production and sales process (see Note 16.2), and to the transfer from "Other intangible assets" of EUR 16 K (see Note 18).

(in EUR K)	2015	2014
Major paper machine rebuilds	8,268	6,699
Cost reduction and productivity improvement	10,763	34,931
Maintenance	19,343	13,759
Information technology	4,285	1,606
Environment and safety	2,899	4,253
Total Capex = Additions	**45,557**	**61,247**

2015

Major paper machine rebuilds Capex was allocated as follows:

- EUR 8.3 M in Spain, of which EUR 4.0 M for new varnish machine and EUR 3.5 M for an improvement of the kitchen and EUR 0.8 M for a several improvements as separation, processing of the waste, and storage and control of the products.

Cost reduction and productivity improvement Capex were allocated as follows:

- EUR 1.1 M in Italy, of which EUR 0.9 M for a new sheeter extension.
- EUR 0.6 M in France, of which EUR 0.4 M for sizer gas and EUR 0.1 M for a low pressure boiler.
- EUR 9.1 M in Spain, of which EUR 3,3 M for improvements of the PM7, EUR 2,1 M for a new packaging machine, EUR 1,4 M for a second-hand cutting machine, EUR 0,5 M for installation of auxiliary machinery in Zaragoza, EUR 0,5 M for the relocation of some machinery from Sarrià de Ter plant to Motril plant and EUR 0,5 M for a improvements of the PM6.

Maintenance Capex was allocated as follows:

- EUR 9.5 M in Italy, of which EUR 7.4 M for a new gas turbine and EUR 0.4 M for the overhaul of the cogeneration.
- EUR 1.0 M in France, of which EUR 0.6 M for several maintenance capex of the line 8 and EUR 0.4 M for several maintenance capex of the line 4.
- EUR 6.1 M in Spain, of which EUR 2.0 M for the overhaul of cogeneration plants, EUR 1.0 M for a replacement of a turbine of gas, EUR 0.4 M for the installation of electrical and control auxiliary machinery and EUR 0.4 M for a new packaging machine.

Information Technology Capex was allocated as follows:

- EUR 0.1 M in France
- EUR 4.1 M in Spain, of which EUR 2.2 M for acquisition of SAP licenses and EUR 1.0 M for a renovation of the central computer.

Environment and safety Capex were allocated as follows:

- EUR 0.2 M in Italy
- EUR 0.1 M in France
- EUR 2.5 M in Spain, of which EUR 1.9 M for a several safety actions, EUR 0.2 M for the pre-evaporation and stripping condensation, EUR 0.2 M for the environmental plan, and EUR 0.2 M for the installation of new electro-filters

2014

Major paper machine rebuilds Capex was allocated as follows:

- EUR 6.7 M in Spain, of which EUR 4.1 M for an improvement of the kitchen and EUR 2.5 M for a several improvements as separation, processing of the remnants, and storage and control of the products.

Cost reduction and productivity improvement Capex were allocated as follows:

- EUR 0.3 M in Italy, of which EUR 0.1 M for a new starch cooker and 0.1 M for a rewinder for adhesive papers.
- EUR 2.5 M in France, of which EUR 1.6 M for sizer gas and 0.7 M for a low pressure boiler.
- EUR 32.2 M in Spain, of which EUR 25,5 M for the installation of the second-hand PM7 in Zaragoza, EUR 3.3 M for improvements of the PM6 and EUR 1.5 M for a new cutting in Zaragoza too.

Maintenance Capex was allocated as follows:

- EUR 1.7 M in Italy, of which EUR 1.3 M for the overhaul of the cogeneration plant and the repair of the gas turbine
- EUR 0.5 M in France, of which EUR 0.2 M for a new turbine and spare parts for the Turbair vacuum system of the line 4.
- EUR 9.0 M in Spain, of which a total of EUR 2.0 M for the overhaul of cogeneration plants, EUR 1.8 M for the installation of electrical and control auxiliary machinery, EUR 1.5 M of the first phase of the circuits reform, and EUR 1.4 M to increase the energetic efficiency of the pulp mill in Zaragoza.

Information Technology Capex was allocated as follows:

- EUR 0.2 M in France
- EUR 1.3 M in Spain

Environment and safety Capex were allocated as follows:

- EUR 0.3 M in Italy
- EUR 0.1 M in France
- EUR 3.8 M in Spain, of which EUR 1.5 M for the pre-evaporation and stripping condensation, EUR 0.4 M for the environmental plan, and EUR 0.2 M for the installation of new electro-filters in Zaragoza

16.2. Investment properties

(in EUR K)	Purchased Investment properties	Leased Investment properties	TOTAL
At 1 January 2014			
Cost	540	0	**540**
Depreciation & Impairment	0	0	**0**
Net carrying amount	540	0	**540**
Reclassification in / (out)	4,357	0	**4,357**
At 31 December 2014			
Cost	4,898	0	**4,898**
Depreciation & Impairment	0	0	**0**
Net carrying amount	4,898	0	**4,898**
Disposals	(3,096)	0	**(3,096)**
Reclassification in / (out)	279	0	**279**
At 31 December 2015			
Cost	2,081	0	**2,081**
Depreciation & Impairment	0	0	**0**
Net carrying amount	2,081	0	**2,081**

As at 31 December 2014 and 2015, the details of Purchased Investment properties are as follows:

	At 31 December 2014			
(in EUR K)	Cost	Depreciation & Impairment	Net carrying amount	Fair value
Plot of land in Amorebieta/Carmen	540	0	540	1,294
Plot of land in Berrobi/Uranga	486	0	486	691
Plot of land in Sarrià del Ter	3,871	0	3,871	8,092
Total	**4,898**	**0**	**4,898**	**10,077**

(in EUR K)	At 31 December 2015 Cost	Depreciation & Impairment	Net carrying amount	Fair value
Plot of land in Amorebieta/Carmen	540	0	540	1,254
Plot of land in Sarrià del Ter	1,541	0	1,541	3,242
Total	**2,081**	**0**	**2,081**	**4,496**

– The reclassification of EUR 279 K was related to the transfer from "Property, plant and equipment" for a plot of land A in Sarrià de Ter that is no longer used in the production and sales process (see Note 16.1). Subsequently this plot of land A together with the plot of land B (see Note 26) and some other plots of land in Sarrià de Ter were sold, entailing a total capital gain of EUR 7,391 K (See Note 11).

– The plot of land in Berrobi/Uranga was sold in 2015, entailing a capital loss of EUR (128) K (See Note 11).

17. Goodwill

(in EUR K)	
At 1 January 2014	
Gross amount	190,141
Impairment	(65,179)
Reduction	(6,710)
Net carrying amount	118,252
Reduction of Goodwill (IAS 12 § 68)	65,179
At 31 December 2014	
Gross amount	190,141
Impairment	(65,179)
Reduction	(6,710)
Net carrying amount	118,252
Reduction of Goodwill (IAS 12 § 68)	65,179
At 31 December 2015	
Gross amount	190,141
Impairment	(65,179)
Reduction	(6,710)
Net carrying amount	118,252

Impairment test of Goodwill:

In consideration of the integrated organization of Lecta focused on production and sale of paper only, the volume of intragroup transactions, the interchangeability of products between mills, Lecta considers one cash-generating unit. 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 2016 to 2019 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. Conservative assumptions on the annual growth rate were applied to the cash flow projections beyond 2019. The WACC rate applied to cash flow projections was 9.4% (against 9.7% in 2014).

On 31 December 2015, the impairment test was successfully passed and no impairment was recognized.

A sensitivity analysis showed that:

– An increase of 100 bps of the WACC rate applied to cash flow projections, from 9.4% to 10.4%, everything else being equal, has an unfavorable impact of EUR 83 M. This WACC increase would not result in impairment of the Goodwill.

– A reduction of 10% in EBITDA applied to the period 2016 to 2019 and beyond 2019, everything else being equal, has an unfavorable impact of EUR 69 M. This EBITDA reduction would not result in impairment of the Goodwill.

18. Other intangible assets

(in EUR K)	CO2 emission rights	Other intangible assets	TOTAL
At 1 January 2014			
Gross amount	891	14,259	**15,150**
Amortization & Impairment		(12,370)	**(12,370)**
Net carrying amount	891	1,889	**2,780**
Additions	0	3	**3**
Amortization charge		(1,282)	**(1,282)**
Var.of fair value through Income statement	(844)		**(844)**
Reclassification in / (out)	(47)	(16)	**(63)**
At 31 December 2014			
Gross amount	0	11,530	**11,530**
Amortization & Impairment		(10,936)	**(10,936)**
Net carrying amount	0	594	**594**
Additions	998	14	**1,012**
Amortization charge		(287)	**(287)**
Reclassification in / (out)	0	(11)	**(11)**
At 31 December 2015			
Gross amount	998	11,541	**12,539**
Amortization & Impairment		(11,231)	**(11,231)**
Net carrying amount	998	310	**1,309**

As at 31 December 2015, CO_2 emission rights ("ER") only consisted in purchased CER (Certified Emission Reduction) as the EUA (EU Allowance) were granted for free (see Note 1.16).

The variation of the ER in 2015 is as follows:

(in tonnes) Emissions in 2015	Grants in 2015	Excess/ (Deficit) in 2015	Stock as at 31 Dec 2014	Purchases in 2015	Net position as at 31 Dec 2015
(819,146)	458,850	(360,296)	225,231	120,000	(15,065)

The Net carrying amount of EUR 998 K consisted in the 120,000 tonnes of purchased CER. The associated liability is reported in Provision (see Note 31).

The reclassification of EUR (11) K in "Other intangible assets" was related to the transfer to "Property, plant and equipment" (see Note 16.1).

As at 31 December 2014, ER only consisted in purchased CER (Certified Emission Reduction) as the EUA (EU Allowance) were granted for free (see Note 1.16). These 225,231 tonnes of ER were free of any obligation and had a fair value of EUR 1.7 M.

The reclassification of EUR (63) K was related to the transfer to "Property, plant and equipment" of EUR (16) K (see Note 16.1), and to the transfer to "Provision" of EUR (47) K (see Note 31).

19. Available-for-sale financial investments

(in EUR K)

At 1 January 2014	
Fair value	1,401
Additions	0
In(de)creases of fair value through Equity	0
Impairment profit (charge)	0
Disposals	(52)
At 31 December 2014	
Fair value	1,349
Additions	0
In(de)creases of fair value through Equity	2
Impairment profit (charge)	0
Disposals	0
At 31 December 2015	
Fair value	1,351

2015:

The In(de)creases of fair value through Equity corresponds to EUR (4) K in Promotora del Ulla SA and EUR 6 K in Dispap SA.

2014:

The disposals of EUR (52) K correspond mainly to the liquidation of Polyedra AG (see Note 2.3).

At 31 December 2015, 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 of latest available accounts
Catalana d'Iniciatives CR SA (in liquidation)	0.39%	0	0	(2)	(8)	(15)	31.12.2014
Consorzio Nazionale Imballaggi Scarl	0.0075%	1	26,655	2,421	24,998	33,456	31.12.2014
Dispap SA	100%	1,211	0	1	1,211	0	31.12.2015
Ecofolio SAS	1.81%	0	83,701	0	56	(78,875)	31.12.2014
Gas Intensive Scarl	0.52%	1	197,731	8	3,175	5,877	31.12.2014
Liaison Technologies Inc (previously Liaison Technologies LLC)	0.1671%	64	75,288	(89)	61,546	(3,779)	31.12.2014
Promotora del Ulla SA	45.2%	74	0	(6)	161	(5)	31.12.2014
SVL Pilote SAS	0%	0	6,499	86	383	(564)	31.12.2014
SVS SAS	0%	0	602	(7)	57	(108)	31.12.2014
SVT SAS	0%	0	2,109	84	165	25	31.12.2014
		1,351					

All the above companies are unlisted.

20. Biological assets

(in EUR K)	
At 1 January 2014	
Fair value	272
Changes of fair value	4
Decrease due to harvest	0
At 31 December 2014	
Fair value	277
Changes of fair value	0
Decrease due to harvest	0
At 31 December 2015	
Fair value	277

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 2014							
Cost	46,196	4,048	19,367	79,342	35,299	34,966	**219,218**
Impairment	0	0	0	(1,001)	(1,414)	(10,390)	**(12,806)**
Net carrying amount	46,196	4,048	19,367	78,341	33,885	24,576	**206,412**
Movements	(8,840)	188	638	10,935	(20,364)	(271)	**(17,713)**
Impairment	0	0	0	(28)	93	1,803	**1,867**
Reclassification in / (out)	0	0	0	(4,692)	4,692	0	**(0)**
Exchange adjustments	0	0	0	0	153	0	**153**
At 31 December 2014							
Cost	37,356	4,237	20,005	85,585	19,783	34,695	**201,661**
Impairment	0	0	0	(1,029)	(1,326)	(8,588)	**(10,943)**
Net carrying amount	37,356	4,237	20,005	84,556	18,457	26,108	**190,718**
Movements	4,001	832	(1,298)	(5,012)	5,777	178	**4,478**
Impairment	0	0	0	(306)	114	(934)	**(1,126)**
Exchange adjustments	0	0	0	0	145	0	**145**
At 31 December 2015							
Cost	41,356	5,069	18,706	80,573	25,709	34,874	**206,288**
Impairment	0	0	0	(1,335)	(1,216)	(9,522)	**(12,073)**
Net carrying amount	41,356	5,069	18,706	79,238	24,493	25,352	**194,215**

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.

2015:

– The negative impact in the line "Impairment" of EUR (934) K consisted in an impairment of the spare parts in Condat mill of EUR (626) K, Spanish mills of EUR (255) K and Garda mill of EUR (53) K.

2014:

– The positive impact in the line "Impairment" of EUR 1,803 K consisted in a reversal of the spare parts write-off in Condat mill of EUR 394 K and variations of provision

22. Trade receivables

(in EUR K)	
At 1 January 2014	
Cost	270,918
Impairment	(22,453)
Net carrying amount	248,465
Non-current	0
Current	248,465
Movements	(4,765)
Impairment	1,043
Exchange adjustments	336
At 31 December 2014	
Cost	266,492
Impairment	(21,412)
Net carrying amount	245,080
Non-current	(0)
Current	245,080
Movements	5,993
Impairment	(2,397)
Exchange adjustments	297
At 31 December 2015	
Cost	272,787
Impairment	(23,813)
Net carrying amount	248,974
Non-current	0
Current	248,974

The Financial instruments on Trade receivables are detailed in Note 38.

The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

23. Prepayments

(in EUR K)	
At 1 January 2014	
Cost	1,651
Impairment	0
Net carrying amount	1,651
Non-current	0
Current	1,651
Movements	(357)
Exchange adjustments	2
At 31 December 2014	
Cost	1,296
Impairment	0
Net carrying amount	1,296
Non-current	0
Current	1,296
Movements	(257)
Exchange adjustments	3
At 31 December 2015	
Cost	1,042
Impairment	0
Net carrying amount	1,042
Non-current	0
Current	1,042

This caption included prepayments of insurance premiums, maintenance expenses and rents.

The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

24. Other receivables

(in EUR K)	Deposits and guaranties	Grants receivables	Currency hedging	Interest rate hedging	TOTAL
At 1 January 2014					
Cost or fair value	1,279	8,674	54	(0)	**10,006**
Impairment	0	0	0	0	**0**
Net carrying amount	1,279	8,674	54	(0)	**10,006**
Non-current	1,279	0	0	(0)	**1,279**
Current	0	8,674	54	(0)	**8,728**
Movements	(137)	(3,249)	0	(16)	**(3,401)**
Var.of fair value through Income statement	0	0	(32)	(10)	**(42)**
Increases of fair value through Equity	0	0	0	1	**1**
Decreases of fair value through Equity	0	0	(22)	0	**(22)**
Exchange adjustments	14	0	0	0	**14**
At 31 December 2014					
Cost or fair value	1,156	5,425	0	(25)	**6,556**
Impairment	0	0	0	0	**0**
Net carrying amount	1,156	5,425	0	(25)	**6,556**
Non-current	1,151	0	0	(16)	**1,134**
Current	5	5,425	0	(8)	**5,422**
Movements	(56)	419	0	(16)	**348**
Var.of fair value through Income statement	0	0	0	25	**25**
Decreases of fair value through Equity	0	0	0	(1)	**(1)**
At 31 December 2015					
Cost or fair value	1,100	5,844	0	(16)	**6,929**
Impairment	0	0	0	0	**0**
Net carrying amount	1,100	5,844	0	(16)	**6,929**
Non-current	1,096	0	0	(2)	**1,094**
Current	5	5,844	0	(14)	**5,835**

As at 31 December 2011, Green certificates were accounted for their nominal value (0 EUR) as "Other intangible assets" (see Note 18).

As at 31 December 2012, following a change in Italian regulation dated 6 July 2012, the Green certificates were recognized as "Grants receivables" (see Note 1.17). At that date, there were 39,844 Green certificates free of any obligation, having a fair value of EUR 3,360 K.

As at 31 December 2014, there were 34,117 Green certificates and 34,895 White certificates (see Note 3.7) recognized as "Grants receivables" (see Note 1.17). Free of any obligation, they had a fair value of EUR 6,146 K.

As at 31 December 2015, there were 34,335 Green certificates and 35,283 White certificates (see Note 3.7) recognized as "Grants receivables" (see Note 1.17). Free of any obligation, they had a fair value of EUR 6,201 K.

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.

The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

25. Cash & cash equivalents

(in EUR K)	
At 1 January 2014	191,863
Cash in hand	38
Current accounts	141,879
Deposits	42,882
Certificates of deposits	0
Marketable securities	7,064
Movements	(33,546)
Exchange adjustments	95
At 31 December 2014	158,412
Cash in hand	1,168
Current accounts	136,310
Deposits	8,326
Certificates of deposits	0
Marketable securities	12,609
Movements	(9,901)
Exchange adjustments	207
At 31 December 2015	148,717
Cash in hand	1,933
Current accounts	136,375
Deposits	4,613
Certificates of deposits	0
Marketable securities	5,797

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.

The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

26. Held for sale property

(in EUR K)	
At 1 January 2014	
Cost	0
Depreciation & Impairment	0
Net carrying amount	0
At 31 December 2014	
Cost	0
Depreciation & Impairment	0
Net carrying amount	0
Reclassification in / (out)	546
Disposals	(546)
At 31 December 2015	
Cost	0
Depreciation & Impairment	0
Net carrying amount	0

2015:

The reclassification of EUR 546 K was related to the transfer from "Property, plant and equipment" for a plot of land B in Sarrià de Ter that is no longer used in the production and sales process (see Note 16.1). Subsequently this plot of land together with the plots of land detailed in the Note 16.2 were sold, entailing a total capital gain of EUR 7,391 K (See Note 11).

27. Equity

27.1. Paid-in capital and Share premium

		2015			
		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 of the 19 classes 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 2015, 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 24 April 2018, to increase once or several times the subscribed Share capital within the limits of the authorized Share capital up to an amount of 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 2015, 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 2015	At 31 December 2014	At 1 January 2014
Available-for-sale financial assets, adjustment at fair value (see Note 19)	56	54	54
Cash flow hedging of currencies, effective part of fair value (see Note 38.4)	0	0	22
Cash flow hedging of interest rates, effective part of fair value (see Note 38.5)	(1,140)	(2,009)	(1,895)
Cash flow hedging of energy prices, effective part of fair value (see Note 38.6)	0	0	0
Actuarial gains (losses) on defined benefit plans (see Notes 31 and 36.2)	(9,776)	(10,632)	(11,189)
Deferred tax on the above items (see Note 32.3)	3,840	4,541	4,754
Options on minorities (see Note 38.1)	0	0	0
Total	(7,019)	(8,046)	(8,254)
Group	(6,867)	(7,788)	(7,960)
Non-Controlling interest	(152)	(258)	(294)

27.3. Foreign currency translation

This unrealized loss of EUR (526) K as at 31 December 2015 was the consequence of the consolidation of subsidiaries for which the transactions, assets and liabilities are not recorded in euro (see Note 1.07):

– Lecta North America Inc (USD)

– Lecta Paper UK Ltd (GBP)
– 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 2015	31-Dec 2014	1-Jan 2014
Legal reserve of Lecta SA	145	145	145
Other reserves from Lecta SA	(28,537)	(22,454)	(14,774)
Reserves Group generated by the consolidation process	19,058	36,418	94,829
Total	(9,334)	14,108	80,199

28. Interest-bearing borrowings

28.1. Overview

(in EUR K)	Floating and Fixed Rate Notes	Lease obligations	Other	TOTAL
At 1 January 2014	576,881	1,569	48,166	**626,615**
Non-current	569,951	708	41,999	**612,659**
Current	6,929	861	6,166	**13,956**
Increase of principal	0	18	34,205	**34,223**
Repayment of principal	0	(246)	(42,008)	**(42,254)**
Variation of interests	(192)	0	93	**(99)**
Amortization of issue costs	3,954		52	**4,006**
Exchange adjustments	0	0	1	**1**
At 31 December 2014	580,642	1,341	40,508	**622,491**
Non-current	574,241	573	32,599	**607,413**
Current	6,401	768	7,908	**15,077**
Increase of principal	0	213	84,363	**84,576**
Repayment of principal	0	(177)	(87,267)	**(87,444)**
Variation of interests	(19)	0	91	**73**
Amortization of issue costs	3,954		37	**3,991**
At 31 December 2015	584,577	1,377	37,732	**623,687**
Non-current	578,258	769	33,834	**612,861**
Current	6,319	608	3,898	**10,825**

The borrowings were essentially denominated in Euro.

The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

28.2. Floating and Fixed Rate Notes

On 11 May 2012, Lecta Group refinanced its EUR 798 M old notes ("2007 notes") through the issue of EUR 590 M new notes ("2012 notes") and the use of cash on Statement of financial position.

The 2012 notes and the refinancing operation of May 2012 are fully described in Note 3.1.

The due dates for 2012 Floating rate notes interests are on 15 of February, May, August and November. A large part of the 2012 Floating rate notes was hedged (see Note 38.5).

The due dates for 2012 Fixed rate notes interests are on 15 of May and November.

28.3. Lease obligations

Reconciliation between lease obligation present value and future minimum leases payments is provided in Notes 35.1 and 35.2.

28.4. Other borrowings

At 31 December 2015, Other borrowings were:

– Borrowings with a rate of 0%, granted in the context of environmental friendly installations and innovation. These borrowings were restated to bring out the embedded grant, using the effective interest rate method.

At 31 December 2015, the net amount was EUR 3,027 K.

– Borrowings in Torraspapel SA granted in 2012 and 2013 by public institutions to encourage environmental friendly installations and innovation. Their duration is 10 years. Interest rate is between 3.95% and 4.925%. At 31 December 2015, the net amount was EUR 9,525 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 2015, the principal amount drawn under the above four facilities and accrued interests was EUR 15,034 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 Euribor to 1-year Euribor + 1.5%.

At 31 December 2015, the principal and interest accrued was EUR 10,018 K.

– During the refinancing that took place on 11 May 2012 (see Note 3.1) a committed Multicurrency Revolving Facility agreement was signed for EUR 80 M. Last repayment date is 10 May 2018. The interest rate is Euribor +4.25%.

It remained unused through 31 December 2014. The accrued commitment fees were EUR 123 K.

– Non-recourse factoring advance: EUR 0 K

– Residual commitment in trade receivables assigned to financial institutions through non-recourse invoice discounting: EUR 61 K (see Note 38.3).

– Miscellaneous: EUR 56 K.

29. Bank overdrafts

(in EUR K)	
At 1 January 2014	20,837
Movements	(1,195)
At 31 December 2014	19,642
Movements	(3,414)
At 31 December 2015	16,228

2015:

– The variation of bank overdraft included a reduction of EUR (7,553) K in Polyedra SpA.

2014:

– The variation of bank overdraft is mainly due to a reduction of EUR (1,218) K in Polyedra SpA.

30. Grants

(in EUR K)	
At 1 January 2014	
Net carrying amount	19,919
Non-current	17,517
Current	2,403
Movements	3,724
Amortization (income)	(4,194)
At 31 December 2014	
Net carrying amount	19,449
Non-current	16,216
Current	3,234
Movements	2,850
Amortization (income)	(3,205)
At 31 December 2015	
Net carrying amount	19,094
Non-current	15,889
Current	3,205

The breakdown of Grants net of amortization as at 31 December 2015 was as follows:

– EUR 3,963 K in Alto Garda Power SrL.

– EUR 875 K in Condat SAS.

– EUR 14,256 K in Torraspapel Group.

The breakdown of Grants net of amortization as at 31 December 2014 was as follows:

– EUR 4,846 K in Alto Garda Power SrL.

– EUR 762 K in Condat SAS.

– EUR 13,841 K in Torraspapel Group.

In December 2012, Alto Garda Power SrL collected the whole grant of EUR 9,706 K. This grant has a subsequent condition to be met: Cartiere del Garda SpA has to keep the control of Alto Garda Power SrL until 31 December 2018.

The movements in 2015 of EUR 2,850 K are mainly due to EUR 2,500 K of grant received by Torraspapel SA, in relation with machinery improvement in Almazán mill.

The movements in 2014 of EUR 3,724 K are mainly due to EUR 3,577 K of IDAE grant received by Torraspapel SA, in relation with energy savings investments.

Other grants related to Property, plant and equipment or Borrowings with off-market interest rates 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 2014	28,262	10,563	5,678	**44,503**
Non-current	26,861	2,932	4,060	**33,853**
Current	1,402	7,630	1,618	**10,650**
Additional	475	10,795	3,894	**15,163**
Utilized	(1,304)	(13,471)	(3,372)	**(18,148)**
Unused reversed	0	(266)	(728)	**(994)**
In(de)creases of fair value through Equity	(557)			**(557)**
Reclassification in / (out)	0	0	(47)	**(47)**
At 31 December 2014	26,876	7,621	5,425	**39,921**
Non-current	25,669	2,702	4,711	**33,082**
Current	1,207	4,918	714	**6,839**
Additional	704	4,718	3,616	**9,038**
Utilized	(1,055)	(3,663)	(1,917)	**(6,635)**
Unused reversed	0	(1,095)	(554)	**(1,649)**
In(de)creases of fair value through Equity	(856)			**(856)**
Reclassification in / (out)	0	0	0	**0**
At 31 December 2015	25,669	7,580	6,569	**39,819**
Non-current	24,399	6,843	4,806	**36,049**
Current	1,270	737	1,763	**3,770**

2015:

Provision for Other social commitments was composed of (see Note 36):

(in EUR K)	At 31 December 2015	At 31 December 2014
Cartiere del Garda SpA	5,942	6,786
Polyedra SpA	1,881	2,115
Condat SAS and Condat Holding SAS	15,861	15,867
Torraspapel Malmenayde Sàrl	1,428	1,585
Lecta Deutschland GmbH	419	391
Torraspapel SA	138	132
Total	25,669	26,876

Organization efficiency program is further explained in Note 3.4.

Other operating provisions consisted of:

(in EUR K)	At 31 December 2015	At 31 December 2014
Tax litigations	753	753
Litigations with suppliers, penalties	1,351	1,772
Deficit of CO_2 emission rights	1,234	0
Social security, redundancies, overtime	2,320	1,083
Miscellaneous	911	1,817
Total	6,569	5,425

This Deficit of CO_2 emission rights is partly offset by an associated asset (see Note 18).

32. Income tax in the Statement of financial position

32.1. Overview

(in EUR K)	Income tax receivable	Income tax payable	Deferred tax assets	Deferred tax liablities	TOTAL assets (liabilities)
At 1 January 2014	2,467	2,829	73,070	28,061	**44,647**
Non-current	0	(0)	73,070	28,061	**45,009**
Current	2,467	2,829			**(362)**
Variations through income statement	252	8,607	(24,302)	(4,902)	**(27,755)**
Increases of fair value through Equity			530	0	**530**
Decreases of fair value through Equity			(752)	(9)	**(742)**
Payments	1,021	(6,986)			**8,007**
Reclassification in / (out)	0	(275)	0	0	**275**
Exchange adjustments	0	(1)	0	0	**2**
At 31 December 2014	3,740	4,173	48,545	23,151	**24,963**
Non-current	0	(0)	48,545	23,151	**25,395**
Current	3,740	4,173			**(432)**
Variations through income statement	0	6,339	(2,624)	(5,385)	**(3,578)**
Increases of fair value through Equity			284	0	**284**
Decreases of fair value through Equity			(986)	(0)	**(986)**
Payments	1,858	(9,702)			**11,560**
Exchange adjustments	(1)	(4)	0	0	**3**
At 31 December 2015	5,597	806	45,220	17,765	**32,246**
Non-current	0	(0)	45,220	17,765	**27,455**
Current	5,597	806			**4,791**

As at 31 December 2015, following the acquisitions and mergers described in Note 2.2, the French tax-pooling group consisted in Condat Holding SAS, Condat SAS, and Torraspapel Malmenayde SAS.

The French tax-pooling group ("intégration fiscale", minimum control of 95%) was created by Condat Holding SAS on 1 January 1999, with two subsidiaries, Condat SAS and Lecta Europe Sàrl. Malmenayde SAS joined this tax-pooling group as of 1 January 2008 and left it as at 1 January 2011. Torraspapel Malmenayde Sàrl and Nord Papier SA joined the tax-pooling group as of 1 January 2013.

As at 31 December 2015, following the acquisitions and mergers described in Note 2.2, the Spanish tax-pooling group consisted in Torraspapel SA, Dispap SA, Cogeneración del Ter SA, en liquidación, and Cogeneración Motril SA.

On 1 January 2001, Lecta HQ SA was the parent company of the 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 were Torraspapel SA, Sarriopapel y Celulosa SA, Dispap SA, Cogeneración del Ter SL (since 1 January 2010), and Cogeneración Motril SA (since 1 January 2012).

As at 31 December 2015, following the acquisitions and mergers described in Note 2.2, the Italian tax-pooling group consisted in Cartiere del Garda SpA, Alto Garda Power SrL, and Polyedra SpA.

The Italian tax-pooling group (minimum control of 50.1%) was created by Cartiere del Garda SpA on 1 January 2007 with Alto Garda Power SrL. Since 1 July 2012, there was a second Italian tax-pooling group consisting in Polyedra SpA and Carthago SrL. Polyedra SpA joined the Italian tax-pooling group led by Cartiere del Garda SpA as of 1 January 2013.

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 5,597 K of income tax receivable included EUR 2,966 K in Condat Holding SAS, EUR 48 K in Torraspapel SA, EUR 1,746 K in Cartiere del Garda tax group, and EUR 607 K in Torraspapel Portugal Lda.

It consisted in tax credits or income tax advance payments. Condat Holding SAS can use CICE tax credits against income tax payment or collect them after a cooling off period of three years. Cartiere del Garda SpA can recover IRES advance payment against future IRES payments, while each company of the tax group can recover IRAP advance payment against future IRAP or VAT payments.

The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

32.3. Deferred income tax

The following schedule details the deferred income tax assets and liabilities by nature.

			Variations 2015 through		Variations 2014 through	
(in EUR K)	31 Dec 2015	31 Dec 2014	Income stat.	Equity	Income stat.	Equity
Loss to be carried forward up to 5 years	0	0	0	0	0	0
Loss to be carried forward up to 15 years	0	0	0	0	0	0
Loss to be carried forward up to 18 years	0	0	0	0	(17,413)	0
Loss to be carried forward indefinitely	20,736	22,076	(1,340)	0	11,162	0
S/T Tax losses	20,736	22,076	(1,340)	0	(6,252)	0
Provision for early retirement scheme	642	0	642	0	0	0
Charges for other social commitments	4,978	5,546	(567)	0	(1,925)	0
Non-deductible provisions	5,769	7,567	(1,798)	0	(7,761)	0
Deductible legal revaluation in Italy	0	0	0	0	0	0
Net expenses recognized directly through Equity	3,840	4,541		(702)	0	(222)
Other deferred tax assets	9,254	8,815	439	0	(8,365)	0
S/T Temporary differences	24,484	26,470	(1,284)	(702)	(18,051)	(222)
Deferred tax assets	**45,220**	**48,545**	**(2,624)**	**(702)**	**(24,302)**	**(222)**
Accelerated tax depreciation	6,431	8,081	1,650	0	1,539	0
Tangible assets revaluation at acquisition	1,202	148	(1,054)	0	2,223	0
Deductible legal revaluation in Italy	5,492	8,297	2,804	0	1,471	0
Net incomes recognized directly through Equity	0	0		0	0	9
Other deferred tax liabilities	4,640	6,625	1,984	0	(331)	0
S/T Temporary differences	17,765	23,151	5,385	0	4,902	9
Deferred tax liabilities	**17,765**	**23,151**	**5,385**	**0**	**4,902**	**9**
Net value	27,455	25,395	2,761	(701)	(19,401)	(213)

There is no time limit to use the tax losses in Luxembourg, Spain (it was limited to 18 years until 2014), 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 50% of taxable income exceeding EUR 1 M in France,

– Up to 60% of taxable income exceeding EUR 1 M in Spain,

– 100% of taxable income in Luxembourg.

Sub Lecta SA reported a taxable profit in 2014 and 2015. As at 31 December 2015, the deferred tax asset on losses to be carried forward was EUR 2,327 K.

Management, in view of the plan considered that these tax losses will be used against taxable profits within foreseeable future.

Cartiere del Garda tax group reported taxable profits in 2014 and 2015. As at 31 December 2015, there was no deferred tax asset on losses to be carried forward.

Polyedra tax group reported taxable profits in 2014 and 2015. As at 31 December 2015, there was no deferred tax asset on losses to be carried forward.

Condat Holding tax group reported taxable losses in 2014 and 2015. As at 31 December 2015, the deferred tax asset on losses to be carried forward was EUR 3,771 K.

Management, in view of the plan considered that these tax losses will be used against taxable profits within foreseeable future.

Torraspapel tax group reported taxable loss in 2014 and taxable profit in 2015. As at 31 December 2015, the deferred tax asset on losses to be carried forward was EUR 14,638 K.

Management, in view of the plan considered that the tax losses will be used against taxable profits within foreseeable future.

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 1.0 M for the temporary differences on CVAE as at 31 December 2015.

The Income tax rates used for deferred tax purposes were as follows:

Country	as at 31 Dec 2015	as at 31 Dec 2014
France	33.33% to 38%	33.33% to 38%
Belgium	33.99%	33.99%
Germany	29.65%	32.98%
Italy[(a)]	27.50% to 31.4%	27.50% to 36.8%
Luxembourg	29.22%	29.22%
Mexico	30%	30%
Morocco	30%	30%
Portugal	21%	23%
Spain	25%	25%
UK	20%	21%

(a) Corporate tax in Italy applies to Cartiere del Garda SpA ("CdG"), Alto Garda Power SrL ("AGP") and Polyedra SpA. It consists in IRES and IRAP. IRES rate is 27.5%. Normal IRAP rate is 3.9%. In the region of Trentino Alto Adige in which CdG and AGP are located, IRAP rate was 2.3% in 2014 and 1.8% in 2015 for CdG, 2.8% in 2014 and 2.3% in 2015 for AGP. For Polyedra SpA, the average IRAP rate was 3.9%.

Only IRES tax losses are recoverable. As at 31 December 2014, deferred tax on losses to be carried forward were computed with IRES rate of 27.5%.

As at 31 December 2015, deferred tax on temporary differences were computed with the rate of 29.3% (= 27.5% IRES + 1.8% IRAP) for CdG, 29.8% (= 27.5% IRES + 2.3% IRAP) for AGP, and 31.4% (= 27.5% IRES + 3.9% IRAP) for Polyedra.

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 2015:

(in EUR K)	Indef.	Total
Lecta SA	26,219	26,219
Sub-Total Luxembourg	**26,219**	**26,219**
Polyedra SpA	1,317	1,317
Sub-Total Italy	**1,317**	**1,317**
Condat SAS	50,548	50,548
Sub-Total France	**50,548**	**50,548**
Torraspapel SA	29,446	29,446
Cogeneración Motril SA	1,766	1,766
Sub-Total Spain	**31,212**	**31,212**
Lecta Paper UK Ltd	557	557
Sub-Total United Kingdom	**557**	**557**
Total	**109,853**	**109,853**

These tax-deductible carry forward amounts could lead to a total income tax saving of up to EUR 35.1 M in view of the above-mentioned income tax rates.

33. Trade payables

(in EUR K)	
At 1 January 2014	
Net carrying amount	387,326
Non-current	0
Current	387,326
Movements	(4,552)
Reclassification in / (out)	275
Exchange adjustments	85
At 31 December 2014	
Net carrying amount	383,135
Non-current	0
Current	383,135
Movements	8,618
Exchange adjustments	116
At 31 December 2015	
Net carrying amount	391,869
Non-current	0
Current	391,869

The Financial instruments on Trade payables are detailed in Note 38.

The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

2014:

The reclassification of EUR 275 K was related to the transfer from "Income tax" (see Note 32.1).

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 1 January 2014								
Net carrying amount	12,334	0	0	0	2,223	0	9	**14,567**
Non-current	0	0	0	0	1,372	0	0	**1,372**
Current	12,334	0	0	0	852	0	9	**13,196**
Movements	5,558		0	0	(0)		(1)	**5,557**
Var.of fair value through Income statement			0	0	(78)	0		**(78)**
Increases of fair value through Equity		0		0	1,859	0		**1,859**
Decreases of fair value through Equity		0		0	(1,744)	0		**(1,744)**
At 31 December 2014								
Net carrying amount	17,893	0	0	0	2,260	0	8	**20,161**
Non-current	0	0	0	0	1,158	0	0	**1,158**
Current	17,893	0	0	0	1,101	0	8	**19,003**
Movements	286		0	0	(0)		(2)	**284**
Var.of fair value through Income statement			0	0	(76)	0		**(76)**
Increases of fair value through Equity		0		0	1,014	0		**1,014**
Decreases of fair value through Equity		0		0	(1,885)	0		**(1,885)**
At 31 December 2015								
Net carrying amount	18,179	0	0	0	1,313	0	7	**19,498**
Non-current	0	0	0	0	680	0	0	**680**
Current	18,179	0	0	0	632	0	7	**18,818**

Options on Minorities are detailed in Note 38.1. Their value was nil.

Options on non-consolidated companies are detailed in Note 38.2. Their value was nil.

Currency hedging is detailed in Note 38.4. Its value was nil.

Interest rate hedging is detailed in Note 38.5.

Energy price hedging is detailed in Note 38.6. Its value was nil.

Miscellaneous other payables consisted in issue costs payables on borrowings (see Note 3.1).

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 2015			At 31 December 2014		
(in EUR K)	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
later than one year and not later than five years	769	557	1,326	573	226	799
not later than one year	608	86	694	768	144	912
Total	**1,377**	**643**	**2,020**	**1,341**	**370**	**1,711**

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 Non-recurring items" of Income statement (see Note 1.12).

(in EUR K)	2015	2014
Future minimum payments		
later than five years	4,832	0
later than one year and not later than five years	9,777	11,785
not later than one year	5,462	6,675
Total future minimum payments	**20,071**	**18,459**
Expense of the year	**8,018**	**7,530**

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.

35.3. Capital commitments

At 31 December 2015, Lecta Group had firm commitments due to purchase orders of Property, plant and equipment net of advances to suppliers of EUR 12.5 M.

The breakdown of these commitments was:

– EUR 0.2 M in Italy, of which EUR 0.2 M for Cartiere del Garda.

– EUR 0.3 M in France, of which EUR 0.1 M for a gas heated devices for coating color drying and other services on line 8 and EUR 0.1 M for a facility management Global mill fire systems.

– EUR 12.0 M in Spain, of which EUR 1.6 M for the mill of Zaragoza, EUR 8.0 M for the mill of Leitza and EUR 1.6 M in information technology.

35.4. Other contracts

35.4.1. Condat SAS contract with Périgord Énergies SNC

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 (see Note 38.2.2). For a period of twelve years ending on 30 March 2013, Condat SAS was 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).

A new contract was signed on 17 January 2014. It took effect retroactively from April 2013. Condat SAS has to communicate on a yearly basis the volume of gas to be purchased by Périgord Énergies SNC for the supply of steam needed by Condat's production of paper. To supply the steam, Périgord Énergies SNC operates the standard boilers of Condat SAS or its cogeneration. 80% of the profit made by Périgord Énergies SNC on the sale to the market of the electricity produced by the cogeneration (one of the two cogeneration-lines as from the 1 May 2014) is transferred to Condat SAS. If the actual volume of gas purchased is outside an agreed range, Condat SAS is committed to pay the penalties due to the gas supplier. Condat SAS is also committed to pay the fixed expenses of Périgord Énergies SNC to operate and maintain the standard boilers of Condat SAS, as well as the non-depreciated part of the capital expenditures agreed by the two parties.

In 2015, Condat SAS paid a total of EUR 16.9 M to Périgord Énergies SNC for the supply of steam, the operating and maintenance expenses.

35.4.2. Alto Garda Power SrL contract with Alto Garda Servizi Teleriscaldamento SpA

With effect from September 2008, Alto Garda Servizi Teleriscaldamento SpA, 20% shareholder of Alto Garda Power SrL, is committed to buy from the latter:

– A minimum quantity of 27.99 GWh of steam per year at an estimated price of 26.0 EUR/MWh; and

– A minimum quantity of 10.8 GWh of electricity per year at an estimated price of 68 EUR/MWh

The estimated yearly revenue is EUR 1.4 M.

35.4.3. Lecta annual commitments

Lecta negotiates annual commitments to purchase volumes of raw materials and energy in order to benefit from favorable conditions. When there is a "take or pay" clause Lecta has the possibility to resell the non-consumed volumes at market price less a fee to the suppliers.

35.5. Guarantees issued

35.5.1. By Lecta

Guarantees in favor of Lecta's RCF lenders and 2012 note holders.

Lecta SA and certain of its subsidiaries guarantee the payment of amounts due under the RCF (multicurrency revolving facility agreement) and the 2012 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 2012 notes.

	Principal due as at 31 December 2015 (in EUR M)
RCF	—
Secured Floating Rate Notes	390
Secured Fixed Rate Notes	200

35.5.2. By Alto Garda Power SrL

Assets of Alto Garda Power SrL have been pledged to guarantee its banks exposure up to EUR 95.0 M.

35.5.3. By Condat Holding SAS

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 14.3 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)	2015	2014
Short-term employees benefits	(185,029)	(192,073)
Defined contributions post-employment plans	(7,949)	(10,441)
Defined benefit post-employment plans	(427)	(873)
Other long-term benefits	(30)	9
Termination benefits	0	0
Labor costs	(193,435)	(203,378)
Short-term employees benefits	0	0
Defined contributions post-employment plans	(433)	(467)
Defined benefit post-employment plans	0	0
Other long-term benefits	0	0
Termination benefits	0	0
Other operating costs except unusual items	(433)	(467)
Short-term employees benefits	0	0
Defined contributions post-employment plans	0	0
Defined benefit post-employment plans	(413)	(742)
Other long-term benefits	(20)	(55)
Termination benefits	0	0
Finance costs	(433)	(797)

36.2. Amounts recognized directly through Equity

(in EUR K)	2015	2014
Short-term employees benefits	0	0
Defined contributions post-employment plans	0	0
Defined benefit post-employment plans	803	557
Other long-term benefits	53	0
Termination benefits	0	0
Actuaries gains and losses	856	557

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.

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 "Papiers cartons" 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).

– "Ace Assistance" and "Axa 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 2.2% of gross salaries to Works Council (0.20% of operating costs and 2% 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 two 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") in Cartiere del Garda SpA.

For blue collars the first 3 days are paid 100% by the company, from the 4^{th} to 20^{st} day the cost is paid 50% by the company and 50% by INPS, from the 21^{st} day the cost is paid 33.34% by the company and 66.66% by INPS. For white collars and managers 100% of the cost is paid by the company.

In Polyedra SpA sick leave cost is paid 100% (for the first 3 days), from the 4^{th} to 20^{th} day the cost is paid 50% by the company and 50% by INPS, from the 21^{st} day the cost is paid 33.34% by the company and 66.66% by INPS for blue collars and white collars, for the managers 100% is paid by the company.

– Canteen: companies are committed for a contribution of 60% of the cost or 5.68€ for every day actually worked for more than 6 hours. For Polyedra it applies for days with more than 4 worked hours.
– Profit sharing—company commitment: a new Profit sharing scheme was agreed on 16 November 2010, replacing the old one that was suspended in 2009. This agreement finished in 2012. It was agreed to extend it for an additional period of 2 years until 2014. Discussions for agreement renewal are ongoing. It is based on Cartiere del Garda and AGPower group EBITDA, number of claims and days of sickness, accident—safety evolution (frequency / severity rate). Medical care for the managers and their families is covered by insurance (FASI + UniSalute, or FASDAC + QUAS).

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 Sécurité 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.

The legal requirements are paid to "Tesorería General de la Seguridad Social". The company pays a complement until 100% of the salary depending on the type of disease and the level of absenteeism in the workplace.

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

– 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

– 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 Condat Holding SAS.

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 SAS

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+ Art. 36”).

Temporary disability plan:

The insurance companies “AXA” or “OMNIREP” cover all the employees.

After 60 days or 90 days of consecutive absence, the daily allowance is between 75% 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: the risks of death, permanent and temporary disability are covered with the insurance company Provinzial. Each employee would receive up to EUR 55 K, EUR 165 K and EUR 55 K respectively.

– 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

Pension plan "Fondo Integrativo Laborfonds" for workers and salaried: the supplementary pension is in accordance with the collective labor agreement CCNL ("Contratti Collettivi Nazionali di Lavoro"—Paper). The employees can voluntarily join the externalized pension fund "Laborfonds" managed at Regional level (Trentino Alto Adige) contributing 1% to 10% of their gross salary and TFR (see Note 36.5). For such employees, the company is obliged to contribute 1.2% of their gross salary (from 01.01.2012)

Retirement plan "Previndai": the supplementary pension for managers is in accordance with CCNL Dirigenti Industria. 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 accident are covered for managers in accordance with CCNL, for middle managers in accordance with CCNL and company agreement. The insurance companies are MetLife Europe Limited and AXIS Ins. The insurance company MetLife Europe Limited and AXIS Ins. covers the risks only of death for all remaining employees. The company pays 50% of premiums and the employees pay the other 50%.

– Italy: Polyedra SpA

Pens. Plan "Fondo Integrativo Fonte": for workers and salaried the supplementary pension is in accordance with the collective labor agreement CCNL ("Contratti Collettivi Nazionali di Lavoro"—Commerce). The employees can voluntarily join the pension fund "Fonte" contributing 0.55% max of their gross salary and TFR. For such employees, the company is obliged to contribute 1.55% of their gross salary.

Retirement plan "Negri": the supplementary pension for managers is in accordance with CCNL Dirigenti Commercio. The managers contribute part or total of their TFR max 1% of their gross salary. The company also contributes 1.95% of the gross salary.

– Mexico: Torraspapel Servicios México S. de R.L. de C.V. and Lecta México S de R.L. de C.V.

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 mill of Leitza 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.

On 20 May 2013 the company denounced the plan and stopped its contribution. A court ruling has been given in favor of the company. On 23 Oct 2015 the Supreme Court confirmed the sentence of the court, confirming the correct performance of the Company.

BBVA covers the liabilities prior to 2001.

Death and disability plan: Vida Caixa covers all the.

i) For employees under economic conditions of the "Convenio Colectivo Estatal de Pastas, Papel, y Cartón" this benefit is EUR 15 K, and EUR 30 K in case of accident. The premium is shared between the company (60%) and the employees (40%).

ii) For the administrative and blue collars of the mill of Leitza, the risk of death and disability is covered as follows: from EUR 13 K to EUR 26 K, depending on the kind of contingency. In this case, the premium is shared between the company (55%) and the employees (45%).

iii) For the other employees, this benefit is equivalent to the annual salary. In case of accident, the benefit is twice the annual salary.

iv) 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 257K for the year 2015).

– United Kingdom: Lecta Paper UK 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

– Belgium: no such plan.

– France: Condat SAS and Condat Holding SAS.

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" n°3108 ("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.

The Organization efficiency program caused a curtailment of EUR 1.5 M in 2013.

(in EUR K)	2015	2014
PRESENT VALUE		
Opening balance	8,520	7,929
Current service cost	359	347
Interest cost	147	245
Actuarial gains and losses	(294)	155
Benefits paid	(18)	(86)
Past service cost	0	0
Curtailments	0	(70)
Settlements	0	0
Merger	0	0
Acquisition of subsidiaries	0	0
Variation of percent of consolidation	0	0
Exchange adjustments	0	0
Closing balance	8,713	8,520
PROVISION		
Present value of the plan	8,713	8,520
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	8,713	8,520

– 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.

Since 30 September 2013, the plan is closed to active employees and remains open to retired people only. This denunciation caused a curtailment of EUR 8.0 M in 2013.

(in EUR K)	2015	2014
PRESENT VALUE		
Opening balance	7,605	9,288
Current service cost	0	0
Interest cost	148	279
Contributions by plan participants	0	0
Actuarial gains and losses	(82)	(1,533)
Benefits paid	(423)	(429)
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Closing balance	7,248	7,605
Funded	0	0
Unfunded	7,248	7,605
ASSETS "EPARINTER"		
Opening balance	2,649	2,491
Expected return on plan assets	51	75
Contributions by the employer	0	0
Contributions by plan participants	0	0
Actuarial gains and losses	(252)	83
Benefits paid	0	0
settlements	0	0
Closing balance	2,448	2,649
PROVISION		
Present value of the plan	7,248	7,605
Assets	(2,448)	(2,649)
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	4,800	4,956

– France: Condat SAS.

Death and disability plan "Prévoyance" Malakoff (see Note 36.4). In case of anticipated termination of the agreement with the insurer, the company would bear the unfunded obligation related to social commitments created prior to 1990.

(in EUR K)	2015	2014
PRESENT VALUE		
Opening balance	588	604
Current service cost	(17)	(16)
Interest cost	0	0
Actuarial gains and losses	0	0
Benefits paid	0	0
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Closing balance	571	588
PROVISION		
Present value of the plan	571	588
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	571	588

– 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" n°802 ("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)	2015	2014
PRESENT VALUE		
Opening balance	1,585	1,455
Current service cost	104	98
Interest cost	30	47
Actuarial gains and losses	(239)	142
Benefits paid	(33)	(112)
Past service cost	0	0
Curtailments	(19)	(45)
Settlements	0	0
Closing balance	1,428	1,585
PROVISION		
Present value of the plan	1,428	1,585
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	1,428	1,585

– 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".

(in EUR K)	2015	2014
PRESENT VALUE		
Opening balance	1,215	1,224
Current service cost	(9)	(35)
Interest cost	0	0
Contributions by plan participants	0	0
Actuarial gains and losses	0	0
Benefits paid	29	26
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Closing balance	1,234	1,215
Funded	0	0
Unfunded	1,234	1,215
ASSETS "LVM" & "HM"		
Opening balance	824	859
Expected return on plan assets	0	0
Contributions by the employer	0	0
Contributions by plan participants	0	0
Actuarial gains and losses	0	0
Benefits paid	(9)	(35)
Settlements	0	0
Closing balance	815	824
PROVISION		
Present value of the plan	1,234	1,215
Assets	(815)	(824)
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	419	391

– 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)	2015	2014
PRESENT VALUE		
Opening balance	6,786	6,287
Current service cost	0	0
Interest cost	117	184
Actuarial gains and losses	(388)	605
Benefits paid	(572)	(291)
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Merger	0	0
Closing balance	5,942	6,786
PROVISION		
Present value of the plan	5,942	6,786
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	5,942	6,786

- Italy: Polyedra SpA is consolidated since 1 July 2012.

  Staff leaving indemnity TFR ("Trattamento Fine Rapporto").

  The change in regulations described for Cartiere del Garda SpA also applies to Polyedra SpA.

(in EUR K)	2015	2014
PRESENT VALUE		
Opening balance	2,115	2,627
Current service cost	0	558
Interest cost	22	62
Actuarial gains and losses	(52)	157
Benefits paid	(205)	(1,289)
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Merger	0	0
Acquisition of subsidiaries	0	0
Variation of percent of consolidation	0	0
Closing balance	1,881	2,115
PROVISION		
Present value of the plan	1,881	2,115
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	1,881	2,115

- 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)	2015	2014
PRESENT VALUE		
Opening balance	(0)	88
Current service cost	0	0
Interest cost	0	0
Actuarial gains and losses	0	0
Benefits paid	0	(88)
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Closing balance	(0)	(0)
PROVISION		
Present value of the plan	(0)	(0)
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	(0)	(0)

The pensions for the retired people of Torraspapel SA were externalized with BBVA and VidaCaixa 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.

- UK: no such plan.
- USA: no such plan.
- Total of defined benefit post-employment plans.

(in EUR K)	2015	2014
PRESENT VALUE		
Opening balance	28,413	29,501
Current service cost	437	952
Interest cost	464	817
Contributions by plan participants	0	0
Actuarial gains and losses	(1,055)	(474)
Benefits paid	(1,222)	(2,269)
Past service cost	0	0
Curtailments	(19)	(115)
Settlements	0	0
Merger	0	0
Acquisition of subsidiaries	0	0
Variation of percent of consolidation	0	0
Exchange adjustments	0	0
Closing balance	27,017	28,413
Funded	0	0
Unfunded	27,017	28,413
ASSETS		
Opening balance	3,473	3,350
Expected return on plan assets	51	75
Contributions by the employer	0	0
Contributions by plan participants	0	0
Actuarial gains and losses	(252)	83
Benefits paid	(9)	(35)
settlements	0	0
Merger	0	0
Acquisition of subsidiaries	0	0
Variation of percent of consolidation	0	0
Exchange adjustments	0	0
Closing balance	3,263	3,473
PROVISION		
Present value of the plan	27,017	28,413
Assets	(3,263)	(3,473)
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	23,754	24,940

The principal assumptions used in determining the defined benefit post-employment obligations are as follows:

	2015	2014
Discount rate (varies with the duration of the commitment):		
— IFC Condat SAS	2.10%	1.80%
— IFC Condat Holding SAS	1.30%	1.00%
— Progil Condat SAS	2.20%	2.00%
— IFC Torraspapel Malmenayde SAS	2.10%	1.80%
— Retirement Lecta Deutschland GmbH	3.89%	4.53%
— TFR Cartiere del Garda SpA	2.10%	1.80%
— TFR Polyedra SpA	1.30%	1.10%
Future salary increases:		
— Condat SAS	2.0%	2.0%
— Condat Holding SAS	2.0%	2.0%
— Torraspapel Malmenayde SAS	2.0%	2.0%
— Lecta Deutschland GmbH	NA(1)	NA(1)
— Cartiere del Garda SpA	NA(2)	NA(2)
— Polyedra SpA	NA(2)	NA(2)

(1) Didn't apply because the pension was based on the salary of each beneficiary at the age of 42.

(2) Due to the change in TFR regulation, applied as of 2007, the future salaries were subject to monthly social security contributions only.

A quantitative sensitivity analysis for the discount rate as at 31 December 2015 is shown below:

	Discount rate	
(in EUR M)	**−0.50%**	**+0.50%**
Impact on the net defined benefit post-employment obligation	+1.3	−1.2

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)	2015	2014
Provision	1,777	1,803

– 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.

On 1 August 2013 the company denounced the plan and stopped its contribution (EUR 32 K in 2013). The company's commitment is limited to the unused part of the cumulated available contributions accrued in favor of the employees.

(in EUR K)	2015	2014
Provision	138	132

36.7. Termination benefits

The termination benefits are part of the "Organization efficiency program" (see Notes 3.4, 11 and 31). They included:

– Italy: Polyedra SpA.

"Mobilità 2": This termination plan was opened until 15 September 2014, date on which 50 employees had left the company with Mobilità and 3 employees were incentivized to leave from the Company and the termination of the contract of 2 agents was managed.

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
Dispap SA	2014	0	0	(6)	0	1,145
	2015	0	0	(3)	0	1,147
Lecta Services Sprl	2014	0	(142)	0	208	0
	2015					
Promotora del Ulla SA	2014	0	0	0	0	0
	2015	0	0	0	0	0
SVL Pilote SAS	2014	0	(6,446)	0	0	1,602
	2015	0	(6,191)	0	0	1,271
SVS SAS	2014	0	(581)	0	0	26
	2015	0	(145)	0	0	0
SVT SAS	2014	0	(1,943)	0	0	205
	2015	0	(1,859)	0	0	179

These companies were non-consolidated because of absence of control or immateriality (see Note 2.3)

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 2015, the members of the Board of Directors, including executive officers, received remuneration. This remuneration was charged at an aggregate cost of EUR 1.8 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. Sold put and Purchased call option on the shares of *IDAE Sant Joan AIE*

IDAE Sant Joan AIE owns the cogeneration plant located in Sant Joan. Torraspapel SA (51%) and IDAE (49%) currently hold IDAE Sant Joan AIE. According to the partnership agreement signed in December 2007 between Torraspapel SA and IDAE (Spanish Public Entity), IDAE shall remain as a partner in IDAE Sant Joan AIE until it recovers its investment plus a remuneration of 3-month Euribor + 4%.

Once the first five years as of start-off of the cogeneration plant (August 2011) have elapsed, Torraspapel SA may also request the assignment of IDAE's share participation in IDAE Sant Joan AIE. For that purpose, Torraspapel SA would have to pay IDAE an amount equal to its investment plus the referred remuneration once deducted any amounts already reimbursed to IDAE by any means.

In both cases, assignment is only possible if:

– All loans granted to IDAE Sant Joan AIE by any third parties have been previously repaid.

– Or the relevant creditors specifically waive all claims against IDAE.

There was no premium paid at inception. The fair value of the purchased call option cannot be reliably measured.

38.2. Derivatives held for trading

These are options on the shares or 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 2015 , 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 Statement of financial position.

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 was 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 had to take the option to purchase 100% of the tangible assets of Périgord Énergies SNC or not. By means of a letter dated 21 December 2012, Condat SAS undertook to sign a new contract for the supply of steam for an additional period up to 31 December 2016 but decided not to purchase the tangible assets. The new contract was signed on 17 January 2014. It grants Condat SAS an option to purchase 100% of the tangible assets for a total price of EUR 5 M as at 31 December 2016, or for their Net Booked Value in case of early termination.

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.

- Factoring: The corresponding advance is accounted for in the borrowings and disclosed in Note 28.4. There was none as at 31 December 2015.
- Non-recourse invoice discounting and factoring: The residual commitment computed using the continuous involvement methodology is accounted for in the borrowings and disclosed in Note 28.4. The face value of these discounted invoices was EUR 40.5 M as at 31 December 2015.
- Non-recourse assignment: In such case, there is no residual commitment.

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 2015, ordinary sales and purchases were specifically hedged through:

— Forward agreements on realized sales in foreign currencies:	EUR 37.4 M
— Forward agreements on realized purchases in foreign currencies:	EUR 11.8 M

The impact of these contracts has been accounted for as fair value hedging, hence recognized in the Income statement (see Note 1.36).

At 31 December 2015, 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. As the payments of this agreement had to be made in USD, on 20 September 2007, Alto Garda Power SrL 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 until 20 December 2014. 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

2012 Floating Rate Notes:

[1] On 3 May 2013, the interest rate of 26% of the Floating rate notes was hedged with a Swap to exchange 3-month Euribor variable rate against fixed rate of 0.385% for the period from mid-August 2013 to mid-February 2016.

[2] On 24 April 2014, the interest rate of 26% of the Floating rate notes was hedged with a Cap indexed to 3-month Euribor for the period from mid-August 2014 to mid-August 2016.

[3] On 3 October 2014, the interest rate of 26% of the Floating rate notes was hedged with a Cap indexed to 3-month Euribor for the period from mid-November 2014 to mid-August 2016.

Alto Garda Power SrL:

[4] On 5 September 2007, the interest rate of 50% of the forecast debt in Alto Garda Power SrL was hedged with a Collar indexed to 6-month Euribor for the period from June 2007 to December 2018.

On 16 March 2010, the interest rate of 25% of the forecast debt was hedged with a Swap to exchange 6-month Euribor variable rate against fixed rate of 2.995% for the period June 2010 to December 2018.

In December 2012, Alto Garda Power SrL voluntarily repaid EUR 12 M of its debt. Following this repayment, the notional amounts of the Collar and the Swap were higher than the debt. Consequently, the Collar and part of the Swap was considered as hedging instruments, while the balance of the Swap was no more considered as hedging instrument.

On 18 December 2013, the Swap to exchange 6-month Euribor variable rate was terminated.

IDAE Sant Joan AIE:

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

[6] On 23 December 2015, the interest rate of 70% of the forecast debt in IDAE Sant Joan AIE (See Note 28.4) was hedged with a Cap indexed to 3-month Euribor for the period from June 2016 to September 2018. This Cap took effect 3 months after the termination of the prior interest rates hedge of the forecast debt in IDAE Sant Joan AIE (See [5]).

The main characteristics of the above instruments are as follows.

	(in EUR K) Instrument	Notional amount	Premium paid	Effective date	Termination date	Floor rate	Cap rate	Strike	Value at 31 Dec 2015 Intrinsic	Time	Total
[1]	Swap 3M Euribor . .	100,000		15/Aug/2013	15/Feb/2016			0.385%	− 119	− 60	− 179
[2]	Cap 3M Euribor . . .	100,000	45	15/Aug/2014	15/Aug/2016		2.00%		0	0	0
[3]	Cap 3M Euribor . . .	100,000	5	15/Nov/2014	15/Aug/2016		2.00%		0	0	0
[4]	Collar 6M Euribor . .	Max 27.644		29/Jun/2007	31/Dec/2018	4.05%	5.75%		− 1,014	− 150	− 1,164
[5]	Swap 1M Euribor . .	Max 18,750		30/Jun/2011	31/Mar/2016			2.14%	− 22	0	− 22
[6]	Cap 3M Euribor . . .	Max 8,000	20	30/Jun/2016	28/Sep/2018		0.00%		16	0	16
									− 1,139	− 210	− 1,349

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

For the cash flow hedge, the intrinsic value, considered as effective, was recognized directly in Equity while the time value was considered as ineffective, and thus recognized in the Income statement. For the fair value hedge, any gain or loss from re-measuring the hedging instrument at fair value is recognized in the Income statement (see Note 1.36).

38.6. Hedging derivatives on energy prices

There was no hedging derivatives on energy price.

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

The fair value of 2012 notes was based on ex-coupon quotations. It should be considered with caution as the High Yield Bonds market has low liquidity.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

– 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.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

It applies to Available-for-sale financial investments (see Note 19). The fair value consists in the historical cost less eventual impairment.

As at 31 December 2015, Lecta Group held the following financial instruments:

(in EUR K)		At 31 December 2015		At 31 December 2014	
		Carrying amount	Fair value	Carrying amount	Fair value
ASSETS					
Available-for-sale financial investments	Level 3	1,351	1,351	1,349	1,349
Trade receivables	Level 2	248,974	248,974	245,080	245,080
Prepayments	Level 2	1,042	1,042	1,296	1,296
Loans	Level 2	(0)	(0)	(0)	(0)
Capital receivables	Level 2	0	0	0	0
Shareholders receivables	Level 2	0	0	0	0
Dividends receivables	Level 2	0	0	0	0
Options on non-consolidated companies	Level 3	0	0	0	0
Currency hedging	Level 2	0	0	0	0
Interest rate hedging	Level 2	(16)	(16)	(25)	(25)
Energy price hedging	Level 2	0	0	0	0
Miscellaneous other receivables	Level 2	(0)	(0)	(0)	(0)
Cash and cash equivalents	Level 1	148,717	148,717	158,412	158,412
LIABILITIES					
Interest-bearing borrowings Floating rate senior secured notes (notes 2012)	Level 1	372,550	358,728	372,531	350,594
Interest-bearing borrowings Fixed rate senior secured notes (notes 2012)	Level 1	191,648	201,648	191,648	181,898
Interest-bearing borrowings except notes 2012	Level 1	39,109	39,109	41,848	41,848
Bank overdrafts	Level 2	16,228	16,228	19,642	19,642
Trade payables	Level 2	391,869	391,869	383,135	383,135
Capital payables	Level 2	18,179	18,179	17,893	17,893
Shareholders payables	Level 2	0	0	0	0
Dividends payables	Level 2	0	0	0	0
Options on Minorities	Level 3	0	0	0	0
Options on non-consolidated companies	Level 3	0	0	0	0
Currency hedging	Level 2	0	0	0	0
Interest rate hedging	Level 2	1,313	1,313	2,260	2,260
Energy price hedging	Level 2	0	0	0	0
Miscellaneous other payables	Level 2	7	7	8	8

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 20% of sales. Credit insurance covers a large part of the Trade receivables.

(in EUR K)	31 Dec 2015	31 Dec 2014
Gross amount of Trade receivables	272,787	266,492
Impairment	(23,813)	(21,412)
Trade receivables as per Balance sheet	248,974	245,080
of which not past due	223,781	228,985
of which past due:	25,193	16,095
Amount covered by a credit insurance	21,113	11,985
Amount of recoverable VAT	659	857
Amount eligible to credit risk,	**3,421**	**3,253**
past due since less than one month	2,929	2,431
past due since more than one month but no later than three months	480	724
past due since more than three months but no later than one year	12	98
past due since more than one year but no later than five years	0	0
past due since more than five years	0	0

39.2. Liquidity risk

Since the Refinancing of 11 May 2012 (see Note 3.1), the liquidity risk can be considered as remote.

39.3. Future undiscounted contractual payments

(in EUR K)	31 Dec 2015	31 Dec 2014
Financial liabilities as per Balance sheet	1,051,282	1,045,429
Future interest, post Balance Sheet date	108,158	107,866
Reversal of non-cash liabilities (IFRS adjustments)	10,950	15,029
Adjusted financial liabilities	1,170,390	1,168,324
Due no later than one month	315,793	320,018
Due later than one month and no later than three months	89,628	100,013
Due later than three months and no later than one year	68,158	52,178
Due later than one year and no later than five years	692,111	682,475
Due later than five years	4,699	13,640
Undiscounted cash flows	1,170,390	1,168,324

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 and base paper, the main raw material used in the production of Coated Woodfree and Specialties. It also produces part of its energy requirement.
- Lecta Group signed multi-year contracts of pulp or other raw materials supply.
- Lecta Group signed multi-year contracts of energy supply.

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 2015:

(in EUR M)	Changes	Estimated effect on Lecta Group EBITDA (in EUR M)
Paper prices	+/− 10 EUR/T	+/− 15.7
Pulp prices	+/− 10 EUR/T	−/+ 5.4
Volume produced and sold	+/− 10 KT	+/− 2.4

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 1.09 (average in 2015) to 1.08, or for GBP/EUR from 0.73 (average in 2015) to 0.72], all other things being equal, based on actual figures of 2015, are:

Currency	EUR M
USD	−1.6
GBP	+0.7

Lecta Group covers the fluctuations of non-euro currencies, mainly USD and GBP, according to the following rules (see Note 38.4):

– Statement of financial position 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 incomes 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 −0.02% (average in 2015) to 0.98%], all other things being equal, based on actual figures of 2015, is:

Interest rate	EUR M
3M Euribor	−3.2

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 had credit ratings equal to or better than A-2 short-term or BBB long-term ratings (or equivalent) when the hedging instruments were traded.

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.

39.10. CO_2 emission rights

Lecta Group emits more CO_2 than the CO_2 emissions rights (“ER”) granted for free. This deficit is covered with the stock of ER available at the end of the prior period, and the purchases of ER from third parties. The purchase price of ER is exposed to market fluctuations.

Unfavorable impact on Lecta Group EBITDA of a price increase of ER of 1€ per tonne, all other things being equal, is EUR −0.4 M.

Lecta Group did not acquire any derivative to cover the purchase price fluctuation of ER.

40. Events after the Statement of financial position date

In June 2015, Alto Garda Power SrL entered into a 14-year agreement with General Electric for the maintenance of a new gas turbine (see Note 3.9). As the payments of this agreement have to be made in USD, in February and March 2016, Alto Garda Power SrL entered into several currency forward contracts for the purpose of hedging the payments against any unexpected fluctuation of exchange rate of USD until December 2017.

LECTA S.A.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

UNDER IFRS

Ernst & Young
Société anonyme

7, rue Gabriel Lippmann
Parc d'Activité Syrdall 2
L-5365 Munsbach

Tel : +352 42 124 1

www.ey.com/luxembourg

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Building a better working world

Independent auditor's report

To the Shareholders of
Lecta S.A.
20, rue de la Poste
L-2346 Luxembourg

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 25 April 2014, we have audited the accompanying consolidated financial statements of Lecta S.A., which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year 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 Directors 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 "réviseurd'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 "réviseurd'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 internalcontrol. 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 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Áine Hearty

Luxembourg, 31 March 2015

GENERAL INFORMATION

Lecta Group is engaged in the production and sale of Coated Woodfree ("CWF") and Specialty papers. Lecta Group has production sites in France, Italy and Spain and sells all around the world. It employs circa 3,500 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 SA
20, rue de la Poste
L-2346 Luxembourg

The consolidated financial statements of Lecta Group for the year ended 31 December 2014 were authorized for issue in accordance with a resolution of the Board of Directors on 31 March 2015. 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 2014	%	Jan to Dec 2013	%
Revenue	(8)	1,490,778	100	1,584,951	100
Changes in inventories of finished goods and work in process		(8,484)	(1)	(14,249)	(1)
Raw materials and consumables used		(735,006)	(49)	(780,479)	(49)
Labor costs		(203,378)	(14)	(207,254)	(13)
Other operating costs except non-recurring items		(443,608)	(30)	(492,748)	(31)
EBITDA	(1.06)	**100,303**	**7**	**90,221**	**6**
Depreciation	(9)	(58,148)	(4)	(67,325)	(4)
Amortization	(10)	(1,282)	(0)	(2,169)	(0)
Non recurring items	(11)	(11,460)	(1)	(50,412)	(3)
Profit (loss) from operations		**29,413**	**2**	**(29,685)**	**(2)**
Financial income	(12)	1,651	0	3,002	0
Financial expense	(12)	(69,903)	(5)	(71,056)	(4)
Profit (loss) before tax		**(38,839)**	**(3)**	**(97,740)**	**(6)**
Income tax	(13)	(27,755)	(2)	(15,643)	(1)
Profit (loss) after tax from continuing operations		**(66,594)**	**(4)**	**(113,382)**	**(7)**
Profit (loss) after tax from discontinued operations		(0)	(0)	1,042	0
Profit (loss) after tax		**(66,594)**	**(4)**	**(112,340)**	**(7)**
Attributable to:					
Equity holders of the parent		(66,091)	(4)	(112,686)	(7)
Non-controlling interests		(503)	(0)	346	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 Dec 2014	Jan to Dec 2013
Profit (loss) for the period		**(66,594)**	**(112,340)**
Exchange differences on translation of foreign operations		367	2,057
Net (loss)/gain on cash flow hedges	(24) & (34)	(136)	1,597
Income tax effect		(56)	(628)
		(192)	969
Net (loss)/gain on available-for-sale financial assets	(19)	0	(29)
Income tax effect		0	20
		0	(9)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		***175***	***3,017***
Actuarial gains (losses) on defined benefits plans	(31)	557	693
Income tax effect		(157)	(142)
		400	552
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		***400***	***552***
Other comprehensive income, net of tax		**575**	**3,568**
Total comprehensive income, net of tax		**(66,019)**	**(108,772)**
Attributable to:			
Equity holders of the parent		(65,552)	(109,372)
Non-controlling interests		(467)	600

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 2014	31 Dec 2013	31 Dec 2012
ASSETS				
Property, plant and equipment	(16.1)	504,481	506,439	568,229
Investment properties	(16.2)	4,898	540	540
Goodwill	(17)	118,252	118,252	118,252
Other intangible assets	(18)	594	2,780	4,606
Available-for-sale financial investments	(19)	1,349	1,401	1,932
Biological assets	(20)	277	272	273
Deferred income tax assets	(32)	48,545	73,070	91,455
Other non-current receivables	(24)	1,134	1,279	1,229
Non-current assets		**679,530**	**704,033**	**786,517**
Income tax receivable	(32)	3,740	2,467	6,558
Inventories	(21)	190,718	206,412	214,342
Trade receivables	(22)	245,080	248,465	325,839
Prepayments	(23)	1,296	1,651	2,973
Other current receivables	(24)	5,422	8,728	3,568
Cash & cash equivalents	(25)	158,412	191,863	178,265
Current assets		**604,668**	**659,586**	**731,545**
Non-current assets held for sale	(26)	**0**	**0**	**0**
TOTAL ASSETS		**1,284,198**	**1,363,619**	**1,518,063**
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)	(7,788)	(7,960)	(9,140)
Foreign currency translation	(27.3)	(791)	(1,158)	(3,542)
Accumulated net profits (losses)	(27.4)	14,108	80,199	193,212
Equity holders of the parent		**143,643**	**209,196**	**318,645**
Non-controlling interests		**8,433**	**9,765**	**11,793**
TOTAL EQUITY	(27)	**152,076**	**218,961**	**330,438**
Interest-bearing borrowings	(28)	607,413	612,659	614,871
Non-current grants	(30)	16,216	17,517	21,251
Non-current provisions	(31)	33,082	33,853	46,012
Deferred income tax liabilities	(32)	23,151	28,061	35,838
Non-current income tax payable	(32)	0	0	400
Other non-current payables	(34)	1,158	1,372	3,156
Non-current liabilities		**681,020**	**693,462**	**721,528**
Current portion of interest-bearing borrowings	(28)	15,077	13,956	12,063
Bank overdrafts	(29)	19,642	20,837	31,170
Current grants	(30)	3,234	2,403	1,332
Current provisions	(31)	6,839	10,650	2,104
Income tax payable	(32)	4,173	2,829	2,137
Trade payables	(33)	383,135	387,326	401,689
Other payables	(34)	19,003	13,196	15,601
Current liabilities		**451,102**	**451,196**	**466,097**
TOTAL LIABILITIES		**1,132,122**	**1,144,658**	**1,187,625**
TOTAL EQUITY AND LIABILITIES		**1,284,198**	**1,363,619**	**1,518,062**

The accompanying Notes are an integral part of these Consolidated financial statements.

Consolidated cash flow statement

Lecta Group

(in EUR K)

	Jan to Dec 2014	Jan to Dec 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
EBITDA	100,303	90,221
Inventories decrease (increase)	15,846	6,824
Trade receivable decrease (increase)	3,722	72,724
Prepayments decrease (increase)	357	1,323
Trade payables increase (decrease)	(4,552)	(12,177)
Working Capital decrease (increase)	15,373	68,693
Provisions increase (decrease)	(1,036)	(12,293)
GHG emission rights decrease (increase)	844	(346)
Proceeds (payments) related to non-recurring items	(18,330)	(9,132)
Income tax paid	(8,007)	(1,162)
Profit (loss) after tax from discontinued operations	(0)	1,042
Net cash flow (used in) / from operating activities	**89,147**	**137,023**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of Property, plant and equipment	417	30
Purchase of property, plant and equipment	(55,131)	(43,493)
Receipt of Grants	6,973	(5,031)
Disposal of subsidiary, net of cash sold	(239)	8,049
Purchase of other assets	(7)	(104)
Proceeds from disposal of other assets	417	473
Dividends received from Available-for-sale financial investments	139	186
Net cash flow (used in) / from investing activities	**(47,432)**	**(39,890)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to non controlling interest	(865)	(2,628)
Interest paid	(64,044)	(64,370)
Issue costs of Borrowings	(426)	(1,118)
Proceeds from Borrowings	34,205	63,773
Repayment of Borrowings	(42,008)	(67,688)
Payment of finance lease liabilities	(785)	(1,089)
Net cash flow (used in) / from financing activities	**(73,923)**	**(73,120)**
Net increase (decrease) in Cash & cash equivalents net of Bank overdrafts	(32,209)	24,014
Net foreign exchange difference	(47)	(83)
Cash & cash equivalents net of Bank overdrafts at 1 January	171,026	147,095
Cash & cash equivalents net of Bank overdrafts at 31 December	**138,770**	**171,026**
Of which Cash & cash equivalents	158,412	191,863
Of which Bank overdrafts	(19,642)	(20,837)

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 Non-controlling Interests	TOTAL EQUITY
AT 1 JANUARY 2013	**1,446**	**136,669**	**98**	**(1,572)**	**(7,665)**	**(3,542)**	**193,212**	**318,645**	**11,793**	**330,438**
Profit for the period							(112,686)	(112,686)	346	(112,340)
Other comprehensive income (loss)			(9)	715	552	2,057		3,314	254	3,568
Total comprehensive income of the period			**(9)**	**715**	**552**	**2,057**	**(112,686)**	**(109,372)**	**600**	**(108,772)**
Reclassification (to be defined)	0	0	(37)	25	(66)	327	(327)	(77)	0	(77)
Dividends to non controlling interests									(2,628)	(2,628)
AT 31 DECEMBER 2013	**1,446**	**136,669**	**51**	**(832)**	**(7,179)**	**(1,158)**	**80,199**	**209,196**	**9,765**	**218,961**
Profit for the period							(66,091)	(66,091)	(503)	(66,594)
Other comprehensive income (loss)			0	(228)	400	367		539	36	575
Total comprehensive income of the period			**0**	**(228)**	**400**	**367**	**(66,091)**	**(65,552)**	**(467)**	**(66,019)**
Dividends to non-controlling interests									(865)	(865)
AT 31 DECEMBER 2014	**1,446**	**136,669**	**51**	**(1,060)**	**(6,779)**	**(791)**	**14,108**	**143,643**	**8,433**	**152,076**

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. applicable as at 1 January 2014. 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.
- 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 for the following new and amended IAS, IFRS and IFRIC interpretations, effective from 1 January 2014:

- Amendments to IAS 32 — Offsetting Financial Assets and Financial Liabilities

  These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no material impact to the Group.

- Amendments to IAS 36 — Recoverable amount disclosure for non-financial assets

  These amendments remove the unintended consequence of IFRS 13 "Fair value measurement" on the disclosures required under IAS 36 "Impairment of assets". In addition these amendments require disclosure of the recoverable amounts for the assets or cash generating units (CGUs) for which an impairment loss has been recognized or reversed during the period. The amendment affects presentation only and has no impact on the Group's financial position or performance.

- Amendments to IAS 39 — Novation of Derivatives and Continuation of Hedge accounting

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no material impact to the Group.

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.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

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 "Share of results in associates" 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 equity method.

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, non-recurring 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 paper industry.

Non-recurring 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 of which Goodwill (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 year-end closing date. Exchange differences are taken to the Income statement: Foreign exchange differences for operating business items are recorded in the line "Other operating costs except non-recurring items", and financial items are recorded 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 have such borrowing.

1.08. Foreign currency translations — subsidiaries

The Income statements of the non-euro consolidated subsidiaries are translated into euro at the weighted average exchange rates for the year. Their assets and liabilities are translated into euro at the exchange rate prevailing at the year-end closing date. The exchange differences are taken directly to Equity. On disposal of the entity, the exchange differences accumulated are included in the line "Non-recurring 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, increased where appropriate by terminal environmental reinstatement costs (none in Lecta Group).

When acquired through a business combination, 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:

Land	No depreciation
Road, railways and car parks	20 to 40 years
Buildings	30 to 40 years
Plant and machinery	10 to 20 years
Quality control systems	5 to 10 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 Statement of financial position.

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 non-recurring 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, increased where appropriate by terminal environmental reinstatement costs (none in Lecta Group).

When acquired by Lecta Group through a business combination, 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 estimated useful lives:

Land	No depreciation
Buildings	30 to 40 years

Investment properties in Lecta Group consisted of plots of land in Amorebieta mill, closed in 2009, a plot of land in Uranga mill and a plot of land in Sarrià del Ter mill closed in 2014 (see Note 16.2).

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 interests 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 in the line "Non-recurring items" (see Notes 1.06 and 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 "Non-recurring 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 non-controlling 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 recognized at cost. Intangible assets acquired as part of a business combination are recognized 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 definite 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 indefinite 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 recognized when it is probable that the project will generate future economic benefits, and the costs 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 & White 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 CO2 (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 CO2 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 CO2 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 Statement of financial position.

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 non-recurring items".

These rules are implemented separately for each Subsidiary, because National Authorities grant the rights to single companies.

1.17. Green & White 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. Following a change in Italian regulation dated 6 July 2012, the Green certificates are recognized as a non-monetary government grant, which corresponds to GSE (Gestore dei Servizi Energetici) guaranteed price. An additional profit can be recognized in the line "Other operating costs except non-recurring items" of the Income statement upon the sale of Green certificate if the actual sales price is higher than the guaranteed one.

Thanks to its savings in the consumption of natural gas, Alto Garda Power SrL is entitled to a grant of White certificates for a period of ten years starting in January 2012. No obligation is attached to these White 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 White certificates. They are are recognized as a non-monetary government grant, which corresponds to GSE (Gestore dei Servizi Energetici) guaranteed price. An additional profit can be recognized in the line "Other operating costs except non-recurring items" of the Income statement upon the sale of Green certificate if the actual sales price is higher than the guaranteed one (see Note 3.7).

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 the acquisition or issue of the said financial asset.

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 Statement of financial position, 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 "Non-recurring 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 Statement of financial position. Changes in the fair value are entered in the line "Non-recurring 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 of the low ownership. They are reported in the line "Available-for-sale financial investments", in Non-current assets of the Statement of financial position.

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 Statement of financial position.

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 Statement of financial position.

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 "Non-recurring 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 Statement of financial position (see Notes 1.25 and 1.34):
    – 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.

Included in this category are 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 of the Statement of financial position. They are 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 costs to sell. They are not depreciated any more. They are presented separately from the other assets in the Statement of financial position.

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 fair value less costs to sell 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 "Non-recurring 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, maintenance expenses and rents. 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,
- Favorable energy price 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 recognize 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, or Borrowings with off-market interest rates. 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 of the amount of the obligation can be made.

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 Statement of financial position. Payments in arrears are reported in the line "Trade payables" of the Statement of financial position. Any accrual that does not fall due within 12 months beyond Statement of financial position 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 Statement of financial position at the present value of the obligation less the fair value of any plan assets legally separate from the employer.

  Any unrecognized past service costs, is immediately recognized.

  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 Statement of financial position.
- 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 non-recurring items".
  - Costs due to the time value of money: "Financial expense".

1.31. Income tax payable

Income tax payable includes withholding tax.

1.32. Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the Statement of financial position 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 (e.g. accelerated tax depreciation, deductible legal revaluation), 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 Statement of financial position 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 Statement of financial position.

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 and withholding 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,
- Unfavorable energy price hedging,
- Miscellaneous other payables (non-recurring 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 "Non-controlling 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 non-controlling interest s 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 non-recurring 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 Statement of financial position 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 "Non-recurring 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 expired.

1.38. Future changes in accounting policies

New amended IAS or interpretations effective as of 1 January 2015:

- IFRIC 21 Levies — IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The group is subject to some levies but the impact is zero at year-end.
- IAS 19 Defined benefit plans — Employee Contributions (Amendments to IAS 19). The pronouncement amends IAS 19 Employee Benefits (2011) to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognized as a reduction in the service cost in the period in which the related service is rendered.
- In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2011, and that were subsequently included in the Exposure Draft of proposed amendments to IFRSs, Annual Improvements to IFRSs 2011-2013 Cycle. The UE endorsed them on 17 December 2014. The amendments are effective for annual periods beginning on or after 1 January 2015, although entities are permitted to apply them earlier

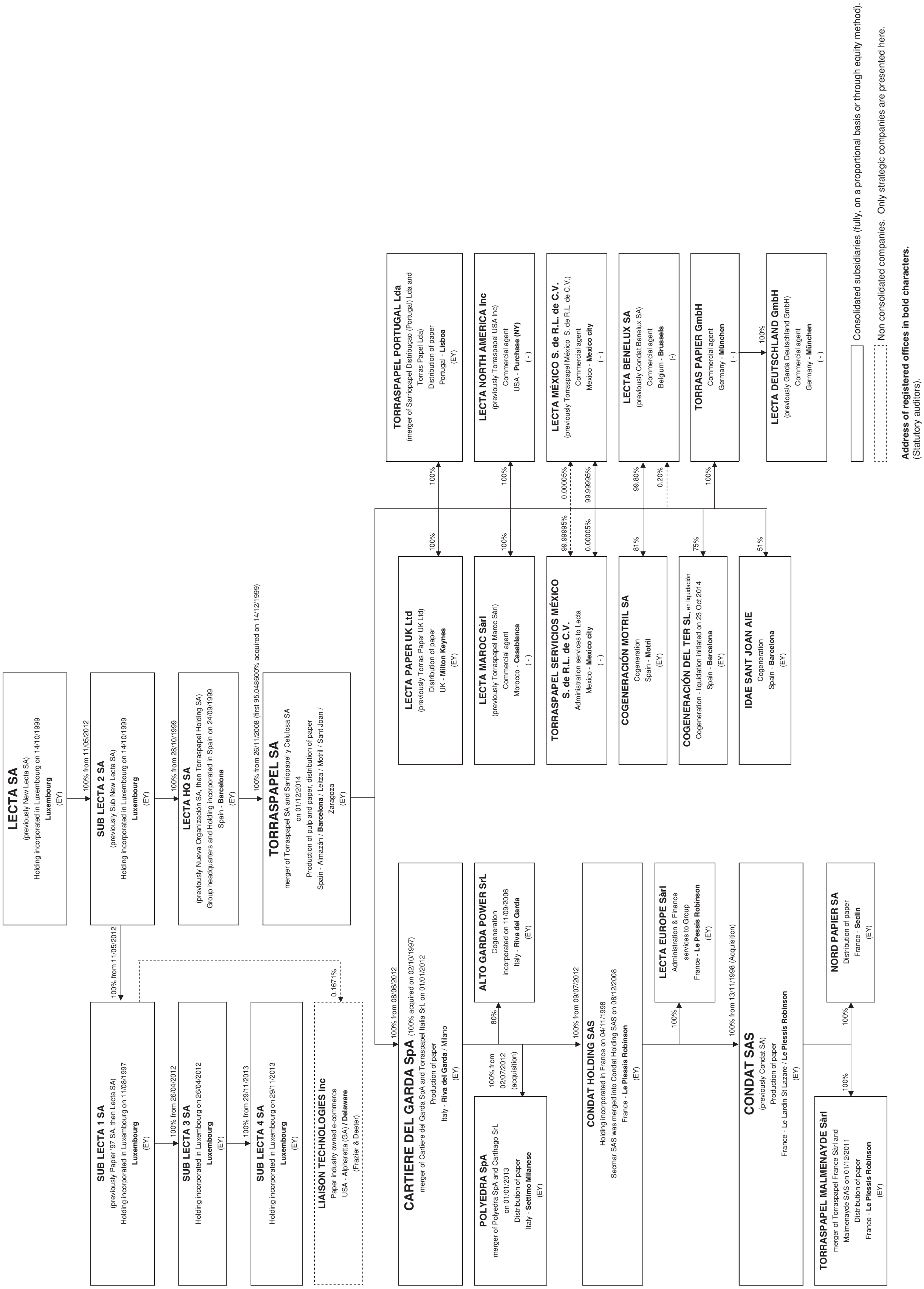
New amended IAS or interpretations effective as of 1 January 2016:

– In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The UE endorsed them on 17 December 2014. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs, Annual Improvements to IFRSs 2010-2012 Cycle. The amendments are effective for annual periods beginning on or after 1 February 2015, although entities are permitted to apply them earlier.

Lecta Group is evaluating the effects of the above standards applicable as from 1 January 2015 and 1 January 2016 and expects that their adoption will have no material impact on the financial statements

2. Lecta Group at 31 December 2014

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, en liquidación	Cogeneration — liquidation initiated on 23 Oct 2014	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	100%	100.0%	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.)	Commercial agent	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	100%	100%	Full
Polyedra SpA (merger of Polyedra SpA and Carthago SrL)	Distribution of paper	Italy	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
Sub Lecta 3 SA	Holding	Luxembourg	100%	100%	Full
Sub Lecta 4 SA	Holding	Luxembourg	100%	100%	Full
Torras Papier GmbH	Commercial agent	Germany	100%	100%	Full
Torraspapel Malmenayde Sàrl (merger of Torraspapel France Sàrl and Malmenayde SAS)	Distribution of paper	France	100%	100%	Full

Subsidiaries	Activity	Country of incorporation	Interest	Control	Consol. method
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 (merger of Torraspapel SA and Sarriopapel y Celulosa 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 non-controlling interests in Torraspapel SA, this acquisition resulted in non-controlling interests in Sub Lecta 1 SA and its subsidiaries.

Torraspapel Servicios México S. de R.L. de C.V. was set up by Dispap SA and incorporated in Mexico on 6 October 2004. It is a provider of administration services to Lecta 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 de Ter (Spain). It was 70% owned by Torraspapel SA and 30% by La Energía SA, a subsidiary of energy services Gas Natural Group when 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 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 was 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 4.95% non-controlling interests in Torraspapel SA following the exercise of a put option, negotiated in December 1999 at the time of the acquisition of Torraspapel SA. It now holds 100% in Torraspapel SA.

On 8 December 2008, Secmar SAS was merged into Condat Holding SAS. Malmenayde SAS and Nord Papier SA became direct subsidiaries of Condat Holding SAS.

On 18 December 2009, Torraspapel SA acquired an additional 5% in Cogeneración del Ter SL. It now holds 75% in Cogeneración del Ter SL.

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 December 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. It now holds 81% in Cogeneración Motril SA.

On 31 December 2011, Torraspapel Italia SrL, the commercial agent in Italy for Torraspapel products was excluded from the consolidation perimeter. On 1 January 2012, Torraspapel Italia SrL was merged into Cartiere del Garda SpA.

On 26 April 2012, Sub Lecta 3 SA was incorporated in Luxembourg. It is 100% owned by Sub Lecta 1 SA. Its purpose is to be a holding company.

On 2 July 2012, Cartiere del Garda SpA acquired 100% of Polyedra SpA. Polyedra SpA is an Italian paper merchant who in turn holds 100% of Carthago SrL, another Italian paper merchant.

On 25 September 2012, Condat Holding SAS acquired 34% non-controlling interests in Nord Papier SA. It now holds 100% in Nord Papier SA.

On 1 January 2013, Carthago SrL was merged into Polyedra SpA.

On 29 November 2013, Sub Lecta 4 SA was incorporated in Luxembourg. It is 100% owned by Sub Lecta 3 SA. Its purpose is to be a holding company.

On 10 December 2013, Torraspapel SA and Sarriopapel y Celulosa SA sold 100% of their participation in the Argentinean paper distributor Torraspapel Argentina SA (see Note 4.4.1).

On 23 October 2014, following the permanent closure of the paper mill located in Sarrià de Ter, the liquidation of Cogeneración del Ter SL was initiated (see Note 3.4.3).

On 1 December 2014, Sarriopapel y Celulosa SA was merged into Torraspapel SA. Following this merger, Torraspapel SA directly holds 100% in Torraspapel Portugal Lda and Torras Papier GmbH.

2.3. Interests in non-consolidated companies

Companies	Activity	Country of incorporation	Interest	Control	Comments
Catalana d'Iniciatives CR SA	*In liquidation*	*Spain*	*0.39%*	*0.39%*	*(a)*
Consorzio Nazionale Imballaggi Scarl	*Recovery & Recycling*	*Italy*	*0.0075%*	*0.0075%*	*(a)*
Dispap SA	*No operating activity*	*Spain*	*100%*	*100%*	*(b)*
Ecofolio SAS	*Collection of ecological tax on paper printing*	*France*	*1.81%*	*1.81%*	*(a)*
Gas Intensive Scarl	*Purchase of methane by Italian industries*	*Italy*	*0.52%*	*0.52%*	*(a)*
Liaison Technologies Inc (previously Liaison Technologies LLC)	Paper industry owned e-commerce platform	USA	0.1671%	0.1671%	(a)(d)
Polyedra AG	*In liquidation*	*Switzerland*	*100%*	*100%*	*(b)*
Promotora del Ulla SA	*No operating activity*	*Spain*	*45.2%*	*45.2%*	*(b)*
SVL Pilote SAS	Logistics	France	0%	0%	(a)
SVS SAS	Forwarding agent	France	0%	0%	(a)
SVT SAS	Packing	France	0%	0%	(a)

In italic: Non-strategic companies.

Other companies are considered as strategic, even if they are not consolidated because of the following reasons:

(a) Lecta Group has no control and no significant influence in these companies.

(b) These companies are not consolidated because of their immateriality.

Other comments

– In April 2012, Garda UK Ltd ceased its activity and was finally deregistered in May 2014.

– In September 2013, Liaison Technologies Inc repurchased some of its own shares (see Notes 11 and 19).

– In December 2013, Eurogalicia Forestal SA, Torras Dorna SA and Torras Hostench SL liquidations were approved and presented to the Commercial Registry.

– On 14 Oct 2014, Lecta Services Sprl was liquidated.

3. Lecta capital structure and Significant events of 2014

3.1. Lecta capital structure

On 11 May 2012, Lecta Group successfully refinanced its debt through the issue of EUR 590 M new notes ("2012 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%,

The 2012 notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market.

The 2012 notes documentation contains certain covenants but no financial ratios have to be met on a quarterly basis.

In addition, Lecta negotiated a new EUR 80 M committed Revolving Credit Facility due 2018.

3.2. 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 specialty papers and merchanting operations, and (iv) the identification of exit opportunities.

3.3. Cap on interest rates

On 3 October 2014, the interest rate of 26% of the Floating rate notes issued in May 2012 was hedged with a Cap indexed to 3-month Euribor for the period from mid-November 2014 to mid-August 2016. This Cap complements to the Swap and other Caps already in place (see Note 38.5).

Instrument	Notional amount	Effective date	Termination date	Cap rate
Cap 3M Euribor	EUR 100 M	15-Nov-2014	15-Aug-2016	2%

3.4. Organization efficiency program

The integration process covers Lecta industrial operations in Italy, France and Spain, as well as the paper merchanting ones in the same countries and, additionally, Portugal.

Within the Organization efficiency program, Lecta planned several cost reduction initiatives. The program launched at the end of 2012 aims at EUR 42 M fixed costs savings per year of which EUR 29 M were obtained in 2014. Total restructuring cash cost over the period 2012-2015 is estimated at EUR (31) M.

For the year 2014 the restructuring cash cost associated to Lecta efficiency programs was EUR (14.1) M, reported in the line "Non-recurring items" (see Note 11). After payments, as at 31 December 2014, the remaining provision for restructuring was EUR 7.6 M (see Note 31).

3.4.1. Summary of the cost reduction initiatives since the end of 2012

The cost reduction initiatives included:

- Agreement with Cartiere del Garda employees to reduce labor cost through the conversion of part of fixed into variable salary linked to the performance of the company (February 2013);
- Reorganization of the Paper merchanting structure in Italy, Portugal, and Spain with total headcount reduction of 137 (until March 2013);
- Harmonization of the bonus scheme indexed to EBITDA performance (March 2013), cancellation of pension fund schemes (May 2013) and mill special agreements (July 2013) in Spain;
- Permanent closure of Condat production line n°6 (with a production capacity of 130,000 tons of CWF) with a job position reduction of 139 (June 2013)
- Denunciation of Progil pension regime to active employees in Condat (June 2013); this denunciation led to a one-off reduction of the provision for defined benefit post-employment plans of EUR 8.0 M reported in the line "Labor costs" in September 2013;
- Curtailment of the provision for Retirement plan IFC following the implementation of the restructuring in Condat; the one-off reduction of the provision for defined benefit post-employment plans of EUR 1.5 M was reported in the line "Labor costs" in September 2013, and EUR 0.2 M in December 2013;
- Denunciation of labor side agreements in Condat (December 2013) related to the working time and the structure of the remuneration. Condat's management is negotiating with the unions a new set of labor side agreements designed to promote the company performance, and the individual and collective efforts.
- Reorganization of the Paper merchanting structure in Italy and France aiming at centralizing the management and administration activities, adapting the structure to the reduced size of the market, outsourcing the transportation activity, reorganizing the logistic services with the closure of 3 warehouses in December 2013 and 1 in August 2014, associated to a job position reduction of 78 (until August 2014);
- Permanent closure of Berrobi / Uranga paper mill (with a production capacity of 27,000 tons of base paper) (January 2014);

– Sarrià de Ter paper mill (with a production capacity of 65,000 tons of base paper and UWF) and Cogeneración del Ter plant (with a power of 25MW), with a job position reduction of 132 (October 2014);
– Centralization of the group financial activities in Barcelona with a job position reduction of 4 (October 2014).

3.4.2. Condat's restructuring (France)

The Management of Condat SAS presented on 22 March 2013 to its Works Council a comprehensive restructuring plan aiming at the permanent closure of the production line n°6 (with a production capacity of 130,000 tons of CWF). The negotiations were successfully completed in June 2013 and the implementation of the restructuring plan started with the permanent closure of the production line n°6 on 1 July 2013. The restructuring plan entailed a job position reduction of 139.

An impairment of the Line 6 tangible assets of EUR (12.0) M was recorded in December 2012 in the line "Non-recurring items". It was complemented by an impairment of the Line 6 spare parts of EUR (0.7) M in June 2013. Then, the transfer of Line 6 standard components to the stock of spare parts and an adjustment of the initial impairment partly offset the impairment charge by EUR 5.3 M in December 2013. The impairment charge of Line 6 spare parts was reduced by EUR 0.4 M in December 2014. The total net impairment charge over the period amounted to EUR (7.0) M (see Note 11).

A provision for restructuring of EUR (11.0) M was also booked in the line "Non-recurring items" in March 2013 (see Note 11).

3.4.3. Torraspapel's restructuring (Spain)

In the context of the reallocation of its production capacities, in 2013 Lecta decided to install a second-hand Paper Machine n°7 in its Zaragoza mill. PM7 is producing base paper to be converted into specialty papers by Leitza plant. The investment aims at maximizing the use of pulp produced on the site, thus reducing drying and transportation costs of pulp to other mills.

This decision led to the permanent closure of Berrobi / Uranga mill (with a production capacity of 27,000 tons of base paper) at the end of January 2014.

An Impairment of Berrobi / Uranga tangible assets of EUR (4.7) M was recorded in June 2013, complemented by EUR (0.5) M in December 2013. The total impairment charge of EUR (5.2) M was reported in the line "Non-recurring items" (see Note 11).

This decision also led the Management of Torraspapel SA to present on 30 April 2014 to the Works Council an economic and technical report about the lack of competitiveness of the activities in Sarrià de Ter paper mill (with a production capacity of 65,000 tons of base paper and UWF) and Cogeneración del Ter plant (with a power of 25MW). The negotiations about the restructuring plan of Sarrià were successfully completed in June 2014, and the paper production definitely ended on 3 October 2014. The plan entailed a job position reduction of 132.

An impairment of the tangible assets and spare parts of the site in Sarrià de Ter, amounting to EUR (24.7) M, was reported in the line "Non-recurring items" in December 2013 (see Note 11).

The total restructuring cost of EUR (13.9) M was reported in the line "Non-recurring items" (see Note 11).

3.4.4. Torraspapel Malmenayde and Nord Papier's restructuring (France)

The Management of Torraspapel Malmenayde Sàrl presented on 28 June 2013 to its Works Council a comprehensive restructuring plan aiming the outsourcing of Torraspapel Malmenayde transportation activity. The negotiations were successfully completed in October 2013 and the implementation of the restructuring started in November 2013. The restructuring plan entailed a job position reduction of 17.

A provision for restructuring of EUR (0.8) M was reported in the line "Non-recurring items" in June 2013. The unused provision of EUR 0.1 M was released in December 2013 (see Note 11).

The Management of Torraspapel Malmenayde Sàrl presented on 23 June 2014 to its Works Council a comprehensive restructuring plan aiming the reorganization of the warehousing and logistics services of the company and Nord Papier SA. The negotiations were successfully completed in July 2014 and the implementation of the restructuring was initiated in August 2014. The restructuring plan entailed the closure of the warehouse in Seclin and a job position reduction of 8.

A restructuring cost of EUR (0.5) M was reported in the line "Non-recurring items", and spread over the period August to November 2014 (see Note 11).

3.4.5. Polyedra's restructuring (Italy)

Polyedra's restructuring consists in two plans: Mobilità 1 (ended in 2013) and Mobilità 2 (ended in 2014).

An unused provision of EUR 0.4 M in relation with Mobilità 1 initiated prior to Polyedra's acquisition was released in September 2013 in the line "Non-recurring items" (see Note 11).

The Management of Polyedra presented on 20 June 2013 to its Trade Unions a comprehensive restructuring plan aiming the centralization of the management and administration activities in Milano, the adaptation of the structure to the reduced size of the Italian market, and some reorganization in the logistic services.

The plan was opened until 15 September 2014, date on which 50 employees had left the company with Mobilità 2, 3 were incentivized to leave the company, and 2 agent contracts were terminated. The warehouses in Firenze, Torino and Genova were closed in December 2013.

In June 2013, a provision for restructuring of EUR (3.0) M and an impairment in tangible asset of EUR (0.15) M were reported in the line "Non-recurring items". In December 2014, the unused provision of EUR 0.5 M was released, and the impairment charge was reduced by EUR 0.09 M (see Note 11).

3.5. Royal decree and Ministerial order applicable to Spanish cogeneration plants

3.5.1. Reduction in Revenue of energy

The Royal decree n°413/2014 and the Ministerial order n°IET/1045/2014,were published on 10 and 20 June 2014. They cover the retribution to be perceived by the Spanish cogeneration plants when selling electricity to the grid.

For the period from 14 July to 31 December 2013, Lecta considered a provisional reduction in "Sales of energy" of EUR (4.4) M in December 2013. As the actual reduction was ultimately limited to EUR (3.2) M, a favorable variance of EUR 1.2 M was booked, EUR 0.9 M in June 2014 and EUR 0.3 M in September 2014 (see Note 8).

From January to September 2014, Lecta considered a provisional reduction in "Sales of energy" of circa EUR (1.0) M per month, totaling EUR (8.7) M for the 9-month period ending on 30 September 2014. As at 31 December 2014 there is no more uncertainty regarding the sale of energy by the Spanish cogeneration plants (see Note 8).

3.5.2. Reversal of impairment of some Cogeneración Motril's assets

As the draft Royal decree affected the future cash flows of Cogeneración Motril SA, Lecta decided to impair its tangible assets and its stock of spare parts, and booked an impairment charge of EUR (4.5) M in December 2013.

As the cogeneration mill will continue running for the benefit of the Motril's paper mill, the impairment charge of EUR 4.5 M was reversed (see Note 11) and the depreciation cost of EUR (0.6) M was booked (see Note 9) in December 2014.

3.6. Non-recognition of some deferred tax assets

The uncertainties in short-term future profitability, led to the non-recognition of some deferred tax assets (see Notes 13 and 32.3). In 2014, the impact was EUR (4.2) M in Condat Holding tax group (France), and EUR (9.3) M in Lecta HQ tax group (Spain).

3.7. White certificates

Thanks to its high efficiency, Alto Garda Power SrL is entitled to a grant of White certificates for a period of ten years starting in January 2012. No obligation is attached to these White certificates.

For the 2-year period 2012-2013, the White certificates granted to Alto Garda Power SrL generated a profit of EUR 5.3 M reported in the line "Other operating costs except non-recurring items" in December 2013.

Thanks to an actual sales price higher than the guaranteed one considered in December 2013, the sale of 2012-2013 White certificates generated an additional profit of EUR 1.9 M in 2014. Accordingly profits of EUR 1.2 M in March and EUR 0.7 M in October were reported in the line "Other operating costs except non-recurring items".

4. Significant events of 2013

The present chapter is an extract of the items disclosed in the Annual report of 2013.

4.1. Renewal of the Board authorization to increase the share capital

The Extraordinary general meeting of 25 April 2013 renewed the authorization granted to the Board of Directors to increase, for an additional period of five years the subscribed share capital of Lecta within the limits of the authorized capital of the company.

On 31 December 2013, 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 24 April 2018, to increase once or several times the subscribed Share capital within the limits of the authorized Share capital up to an amount of 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 2013, 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.

4.2. Swap on interest rates

On 3 May 2013, the interest rate of 26% of the Floating rate notes issued in May 2012 was hedged with a Swap to exchange 3-month Euribor variable rate against fixed rate of 0.385% for the period from mid-August 2013 to mid-February 2016. This Swap complements the Caps already in place (see Note 38.5).

Instrument	Notional amount	Effective date	Termination date	Strike
Swap 3M Euribor	EUR 100 M	15-Aug-2013	15-Feb-2016	0.385%

4.3. Non-recognition of some deferred tax assets

The uncertainties in short-term future profitability, led to the non-recognition of some deferred tax assets (see Notes 13 and 32.3). In 2013, the impact was EUR (9.8) M in Condat Holding tax group (France), and EUR (12.9) M in Lecta HQ tax group (Spain).

4.4. Change in the consolidation perimeter

4.4.1. Sale of Argentinean paper distributor Torraspapel Argentina SA

Lecta considered the sale of its Argentinean distributor Torraspapel Argentina SA in view of political and regulatory uncertainties, obstacles to the repatriation of profits, growing difficulties to obtain import licenses, and risk of devaluation of the local currency (ARS).

The sale to the Tecnomax group of Uruguay was finalized on 10 December 2013, as well as the signing of a long-term supply agreement for CWF and specialty papers.

The details of assets and liabilities of Torraspapel Argentina SA at transfer date were as follows (in EUR K):

ASSETS	
Property, plant and equipment	113
Other non-current receivables	20
Non-current assets	**133**
Income tax receivable	471
Inventories	4,189
Trade receivables	3,651
Prepayments	(3)
Cash & cash equivalents	531
Current assets	**8,840**
TOTAL ASSETS	**8,973**
EQUITY & LIABILITIES	
Pad-in capital	1,692
Share premium	1,302
Foreign currency translation	(3,802)
Accumulated net profits (losses)	5,701
Equity holders of the parent	**4,893**
TOTAL EQUITY	**4,893**
Bank overdrafts	2,347
Income tax payable	533
Trade payables	1,201
Current liabilities	**4,080**
TOTAL LIABILITIES	**4,080**
TOTAL EQUITY AND LIABILITIES	**8,973**

The sale enabled Lecta to cash EUR 6.2 M for the shares in Torraspapel Argentina SA and to reduce its interest-bearing debt net of cash by EUR 1.8 M. Lecta reported a capital loss of EUR (2.5) M because of the recognition of EUR (3.8) M of unrealized Foreign currency translation associated to Torraspapel Argentina SA (see Note 11).

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" (see Note 17).

The definition of **products and services** has been updated following the reorganization of Lecta group and the acquisition of Polyedra group:

- Coated Woodfree consists in the sale of fine paper manufactured by Lecta. The Coated Woodfree is quasi exclusively sold to third parties;
- Specialties consist in the sale of specialty papers manufactured by Lecta. The Specialties are quasi exclusively sold to third parties;

– Other activities consist in the sale of products purchased from third parties, the activities of holding companies and headquarters.

The intra-segment and inter-segment sales 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 2013 and 2014. It considers the above updated definitions:

(in EUR K) Products & Services	Revenue		EBITDA	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Coated Woodfree	926,267	1,010,404	76,555	66,089
Specialties	367,352	341,359	17,751	18,080
Other activities	197,159	233,188	5,997	6,052
Total	1,490,778	1,584,951	100,303	90,221

The EBITDA of the Group's products and services have been restated for the last and current years to better reflect production capacity allocation. The EBITDA contribution of the pulp produced by the Group is allocated to Coated Woodfree and Specialties in view of their respective consumption:

EBITDA (in EUR K) Products & Services	2013				
	1Q	2Q	3Q	4Q	Total
Coated Woodfree	18,161	12,483	19,348	16,097	66,089
Specialties	6,132	7,536	2,417	1,995	18,080
Other activities	1,471	1,643	820	2,119	6,052
Total	25,764	21,662	22,585	20,211	90,221

EBITDA (in EUR K) Products & Services	2014				
	1Q	2Q	3Q	4Q	Total
Coated Woodfree	19,694	16,259	17,447	23,155	76,555
Specialties	6,057	5,986	3,683	2,024	17,751
Other activities	693	1,065	2,063	2,177	5,997
Total	26,444	23,310	23,193	27,356	100,303

The EBITDA of Coated Woodfree benefitted from the denunciation of pension regimes in the 3rd quarter of 2013.

The EBITDA of Specialties benefits from higher sales in volume in the first two quarters of each year. In the 4th quarter of 2013, it was impacted by the full provisional application of a draft decree applicable to Spanish cogeneration plants for the period mid-July to December 2013 (see Note 3.5.1). In the 4th quarter of 2014, it was affected by the closure of Sarrià de Ter mill and the start-up of the second-hand paper machine n°7 in Zaragoza (see Note 3.4.3).

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 2013 and 2014:

(in EUR K) Geographical location of customers	Revenue 31 Dec 2014	 31 Dec 2013
Luxembourg	3	27
Italy	287,152	316,310
Spain	285,877	306,356
France	248,374	264,040
UK	118,491	104,678
Germany	114,221	125,236
North America	86,202	82,425
Other countries	350,459	385,879
Total	1,490,778	1,584,951

The following table presents non-current assets of the Group's products and services for the years ended 31 December 2013 and 2014:

(in EUR K) Geographical location of assets	Non-current assets 31 Dec 2014	 31 Dec 2013
Luxembourg	0	0
Italy	101,860	114,891
France	75,288	87,551
Spain	333,101	307,590
Total	510,249	510,032

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	2014	2013
Lecta SA	0	0
Sub Lecta 1 SA	0	0
(previously Papier '97 SA, then Lecta SA)		
Sub Lecta 2 SA	0	0
(previously Sub New Lecta SA)		
Sub Lecta 3 SA	0	0
Sub Lecta 4 SA[a]	0	0
Cartiere del Garda SpA	505	505
Alto Garda Power SrL	0	0
Polyedra SpA	190	256
(merger of Polyedra SpA and Carthago SrL)		
Condat Holding SAS	0	0
(previously Condat Holding SA; absorbed Secmar SAS)		
Condat SAS	522	557
(previously Condat SA)		
Lecta Europe Sàrl	2	7
Torraspapel Malmenayde Sàrl	112	115
(merger of Torraspapel France Sàrl and Malmenayde SAS)		
Nord Papier SA	4	13
Lecta HQ SA	1	1
(previously Nueva Organización SA, then Torraspapel Holding SA)		
Torraspapel SA[b]	2,104	2,214
(merger of Torraspapel SA and Sarriopapel y Celulosa SA)		
Cogeneración del Ter SL, en liquidación	0	0
Cogeneración Motril SA	0	0
IDAE Sant Joan AIE	0	0
Lecta Benelux SA	6	6
(previously Condat Benelux SA)		
Torras Papier GmbH	4	3
Lecta Deutschland GmbH	12	14
(previously Garda Deutschland GmbH)		
Lecta Maroc Sàrl	2	2
(previously Torraspapel Maroc Sàrl)		
Lecta México S. de R.L. de C.V.	1	1
(previously Torraspapel México S. de R.L. de C.V.)		
Torraspapel Servicios México S. de R.L. de C.V.	2	2
Lecta North America Inc	11	10
(previously Torraspapel USA Inc)		
Torraspapel Portugal Lda	27	27
(merger of Sarriopapel Distribuiçao (Portugal) Lda and Torras Papel Lda)		
Lecta Paper UK Ltd	17	19
(previously Torras Paper UK Ltd)		
Total	**3,522**	**3,752**

(a) Company consolidated for the first time in 2013 (see Note 2.2)

(b) Merger implemented in December 2014 (see Note 2.2).

7. Research and Development costs

(in EUR K)	2014	2013
Costs	2,199	2,143

All these costs were expensed as incurred, in compliance with the accounting policy (see Note 1.15).

8. Revenue

(in EUR K)	2014	2013
Sales of paper	1,395,940	1,465,811
Sales of energy	94,838	119,140
Revenue	1,490,778	1,584,951

(in metric tonnes)	2014	2013
Volume sold of paper	1,601,737	1,654,886

(in MWh)	2014	2013
Volume sold of energy	1,159,352	1,255,445

A Royal decree and Ministerial order apply to the Spanish cogeneration plants selling electricity to the grid (see Note 3.5).

The "Volume sold of energy" reported in 2013 has been updated:

(in MWh)	1st Quarter 2013	2nd Quarter 2013	3rd Quarter 2013	4th Quarter 2013	January to December 2013
Updated data	334,899	313,073	292,638	314,835	1,255,445
Data reported last year	319,691	294,641	278,224	300,516	1,193,072
In(de)crease	15,208	18,432	14,414	14,319	62,373

9. Depreciation

(in EUR K)	2014	2013
Depreciation of Property, plant and equipment	(62,343)	(70,271)
Amortization of Grants	4,194	2,946
Income / (Expense)	(58,148)	(67,325)

10. Amortization

(in EUR K)	2014	2013
Amortization of Other intangible assets	(1,282)	(2,169)
Income / (Expense)	(1,282)	(2,169)

The 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 (860) K per year in 2013 and EUR (645) K per year in 2014. As at 31 December 2014 both trademarks were fully amortized.

The customers portfolio of Malmenayde and Nord Papier were amortized straight line over a period of 7 years as of 1 October 2009, with an impact of EUR (429) K per year in 2013 and EUR (285) K in 2014.

The rights to connect to the electricity network of the Spanish cogeneration plants were amortized straight line over a period of 10 years, with an impact of EUR (205) K in 2013, and EUR (209) K in 2014.

11. Non-recurring items

(in EUR K) Profit (Loss) on:	2014	2013
Property, plant and equipment	3,894	(29,958)
Investment properties	0	0
Goodwill	0	0
Other intangible assets	(2)	0
Available-for-sale financial investments	(0)	(24)
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	36	(159)
Organization efficiency program	(14,077)	(16,946)
Other non-recurring items	(1,311)	(3,325)
Income / (Expense)	(11,460)	(50,412)

Property, plant and equipment

In 2014, the net profit of EUR 3.894 K mainly consisted in:

– The reversal of the impairment charge of tangible assets of Cogeneración Motril of EUR 4,229 K (see Note 3.5.2)

– Additional impairment of EUR (576) K on the tangible assets of Sarrià de Ter mill (see Note 3.4.3)

– The reversal of part of the impairment charge of tangible assets of Polyedra of EUR 92 K (see Note 3.4.5)

In 2013, the net charge of EUR (29,958) K consisted in:

– The reduction of the impairment of EUR 4,610 K on Condat's production line n°6 tangible assets (see below and Note 3.4.2)

– The impairment of EUR (5,241) K on Berrobi / Uranga's tangible assets (see Note 3.4.3)

– The impairment of EUR (24,706) K on the tangible assets of Sarrià de Ter mill and Cogeneración del Ter (see Note 3.4.3)

– The impairment of EUR (153) K on Polyedra's tangible assets (see Note 3.4.5)

– The impairment of EUR (4,229) K on the tangible assets of Cogeneración Motril (see Note 3.5.2)

– The balance of EUR (239) K consisted in write-off of EUR (255) K of industrial assets mainly in Italy and movements of provision of EUR 16 K

Available-for-sale financial investments

In 2014, the net charge of EUR (0) K consisted of:

– A capital gain of EUR 188 K on the liquidation of Lecta Services Sprl (see Note 2.3)

– The proceeds of EUR 51 K from the liquidation of Polyedra AG (see Note 2.3)

– A reduction in price of EUR (239) K on the disposal of Torraspapel Argentina SA (see Note 4.4.1).

In 2013, the net charge of EUR (24) K consisted of:

– A profit of EUR 233 K in relation with the repurchase of its own shares by Liaison Technologies Inc (see Note 2.3)

- A profit of EUR 33 K in relation with the liquidation of Torras Dorna SA and Torras Hostench SL (see Note 2.3)
- A charge of EUR (328) K of which the impairment of Garda UK Ltd shares (see Note 19).

Ineffective portion in the variation of Rate hedging derivatives

This line was the consequence of the introduction of IAS 32 & 39 (see Note 1.36).

Organization efficiency program (see Note 3.4)

The 2014 and 2013 charges included de(in)creases of provision of EUR 2,942 K and EUR (8,679) K.

Other non-recurring items

In 2014, they mainly consisted in:

- A charge of EUR (837) K associated to a success fee to be paid to an external advisor to assist Lecta to get a grant issued by IDAE (see Note 30)
- An impairment of Torraspapel Argentina SA receivable of EUR (419) K
- A charge of EUR (322) K following a tax review of the Spanish entities
- A partial reversal of the impairment in Cogeneración Motril SA stock of spare parts for EUR 221 K

In 2013, they mainly consisted in:

- A capital loss of EUR (2,462) K and fees of EUR (80) K in relation with the sale of Torraspapel Argentina SA (see Note 4.4.1)
- The impairment of stock of spare parts in Cogeneración Motril SA for EUR (237) K (see Note 3.4.3)
- A charge of EUR (165) K for the renegotiation of the rental agreement for the offices in Barcelona
- A charge of EUR (116) K associated to the termination of Lecta UK Ltd office and rental agreements
- A charge of EUR (153) K for the rental of the unused railway connection between Condat's mill and SVL warehouse

12. Financial income (expense)

(in EUR K)	2014	2013
Interest on Floating and Fixed Rate Notes	(40,457)	(40,350)
Interest on rate hedging derivatives	0	0
Amortization of issue costs on borrowings	(4,006)	(3,954)
S/T Floating and Fixed Rate Notes	(44,462)	(44,304)
Externalized pension funds	0	0
Lease obligations	(42)	(42)
Incomes on Loans	0	0
Interest on other long-term borrowings	(2,648)	(3,041)
Interest on rate hedging derivatives	(873)	(1,300)
Amortization of issue costs on borrowings	0	(72)
S/T Other long-term borrowings	(3,521)	(4,413)
Trade receivables: discounts on anticipated payments and non-recourse assignment costs	(16,614)	(17,021)
Trade payables: discounts on anticipated payments	282	785
Finance cost in the provisions on employees benefits	(797)	(954)
Capitalization of borrowing costs	0	0
Other financial incomes	1,230	2,030
Other financial expenses	(4,466)	(4,322)
Dividends	139	186
Income / (Expense)	(68,252)	(68,055)

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 "Dividends" included EUR 99 K from Lecta Services and EUR 40 K from Polyedra AG in 2014 and EUR 186 K from Garda UK Ltd in 2013 (see Note 2.3).

13. Income tax in the Income statement

13.1. Overview

(in EUR K)	2014	2013
Current tax	(8,355)	(6,621)
Deferred tax	(19,401)	(9,021)
Income / (Expense)	(27,755)	(15,643)

The deferred tax charge of EUR (19,401) K booked in 2014 was the result of:

– EUR (6,252) K of net deferred tax charge on tax losses, because of EUR (15,662) K non-recognized deferred tax assets (see Note 3.6) and EUR 9,410 K to be used against future taxable profits.

– EUR (13,149) K of deferred tax charge on temporary differences, mainly due to the tax deductibility postponed to 2014 of the impairment of assets in Torraspapel SA (see Note 3.4.3).

The deferred tax charge of EUR (9,021) K booked in 2013 was the result of:

– EUR (22,338) K of net deferred tax charge on tax losses, because of EUR (22,670) K non-recognized deferred tax assets (see Note 4.3) and EUR 332 K to be used against future taxable profits.

– EUR 13,317 K of deferred tax profit on temporary differences, mainly due to the non-tax deductible impairment of assets in Torraspapel SA (see Note 3.4.3).

13.2. Effective income tax rate

(in EUR K)	2014	2013
Profit (loss) before tax	(38,837)	(97,740)
Nominal rate in Luxembourg	29.22%	29.22%
Tax nominal rate	11,348	28,559
Impact of local rates[(1)]:		
In the current year	(9)	2,055
In the forthcoming years	(4,221)	0
Adjustments on usable tax losses[(2)]:		
Cancellation of tax losses	(15,662)	(21,900)
Other adjustments	0	(3,086)
Permanent differences on tax bases[(3)]	(9,882)	(13,598)
Other adjustments[(4)]	(9,329)	(7,673)
P&L income tax	(27,755)	(15,643)
Effective tax rate	−71.5%	−16.0%

Year 2014

(1) Impact of local rates:

- The local tax rates in the current year were generally close to the Luxembourg actual nominal tax rate of 29.22%. Applied to the sum of locally computed profit (loss) before tax, negative in 2014, the difference in tax rates generated a slight impact of EUR (9) K.
- The local tax rates in the forthcoming years will decrease in Spain, from 30% in 2014, to 28% in 2015 and 25% in 2016. Applied to the deferred tax as at 31 December 2014, it generates an impact of EUR (4,221) K.

(2) Adjustments on usable tax losses:

- Some deferred tax assets on tax losses were not recognized for a total of EUR (15,662) K (see Notes 3.6 and 13.1)

(3) Permanent differences on tax bases:

- Non-deductible depreciation generated an impact of EUR 726 K
- Thin capitalization rules on Financial expense generated an impact of EUR (9,303) K
- Other definitively non-taxable profits or non-deductible expenses resulted in an impact of EUR (1,306) K

(4) Other adjustments included:

- The IRAP ("Imposta Regionale sulle Attivita Produttive") was computed on a larger base than the taxable earnings in Italy, leading to an favorable impact of EUR (290) 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 (862) K (see Note 32.3);
- The deferred tax asset on tax credit related to the sale of a building was derecognized for EUR (6,143) K.

Year 2013

(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, negative in 2013, the difference in tax rates generated a favorable impact of EUR 1,745 K;

– The change in tax rates from 2012 to 2013 had an impact of EUR 310 K.

(2) Adjustments on usable tax losses:

– Some deferred tax assets on tax losses were not recognized for a total of EUR (21,900) K (see Notes 4.3 and 13.1);

– There were some adjustments on tax losses for a total of EUR (3,086) K.

(3) Permanent differences on tax bases:

– Non-deductible depreciations costs for a total of EUR (1,407) K;

– Non-deductible impairment of some assets for a total of EUR (2,439) K;

– Thin capitalization rules on Financial expense generated an unfavorable impact of EUR (10,111) K;

– Other definitively non-taxable profits resulted in a favorable impact of EUR 359 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 favorable impact of EUR 3,034 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 (353) K (see Note 32.3);

– The transfer of assets within Lecta group generated a taxable capital gain, eliminated in the consolidation, while the use of tax losses was not. This led to an unfavorable adjustment of EUR (8,230) K;

– The sale of Torraspapel Argentina SA (see Note 4.4.1) led to the recognition of EUR (3,802) K unrealized Foreign currency translation. This led to an unfavorable impact of EUR (1,138)°K;

– Some miscellaneous adjustments generated a net unfavorable impact of EUR (986) K.

14. Earnings per share

(in EUR K)	2014	2013
Profit (loss) after tax attributable to the equity holders of the parent (in EUR K)		
Income statement	(66,091)	(112,686)
Pro-forma interest on warrants	0	0
Total diluted	(66,091)	(112,686)
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	(117.9)	(201.1)
Diluted	(117.9)	(201.1)

"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 two 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.

Nota: 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 2013									
Cost	242,246	1,316,132	10,858	95,760	32,362	0	3,823	566	**1,701,749**
Depreciation & Impairment	(101,418)	(935,053)	(9,500)	(84,883)	0	(642)	(2,023)	0	**(1,133,519)**
Net carrying amount	140,829	381,079	1,358	10,877	32,362	(642)	1,801	566	**568,229**
Additions	0	1,109	3	190	40,919	0	621	0	**42,842**
Depreciation charge	(6,438)	(60,187)	(389)	(2,472)	0	(138)	(577)	(70)	**(70,271)**
Impairment losses charged	(33)	(33,675)	0	(32)	0	0	0	0	**(33,740)**
Impairment losses reversed as profit	7	4,236	0	(0)	0	0	0	0	**4,243**
Disposals	(5)	(47)	40	(388)	0	0	(90)	(1)	**(491)**
Reclassification in / (out)	(33)	17,034	108	2,554	(23,400)	0	(91)	(399)	**(4,227)**
Variation of percent of consolidation	0	0	(11)	(102)	0	0	0	0	**(113)**
Exchange adjustments	0	0	(5)	(27)	0	0	0	0	**(33)**
At 31 December 2013									
Cost	242,192	1,319,273	10,082	93,654	49,881	0	4,116	355	**1,719,553**
Depreciation & Impairment	(107,865)	(1,009,724)	(8,979)	(83,054)	0	(780)	(2,452)	(259)	**(1,213,114)**
Net carrying amount	134,326	309,549	1,103	10,600	49,881	(780)	1,664	96	**506,439**
Additions	(52)	97	8	49	60,588	0	557	0	**61,247**
Depreciation charge	(6,008)	(52,687)	(352)	(2,645)	0	(23)	(568)	(59)	**(62,343)**
Impairment losses charged	(2)	(580)	0	0	0	0	0	0	**(582)**
Impairment losses reversed as profit	33	4,165	0	32	0	0	0	0	**4,229**
Disposals	(135)	(55)	(44)	118	0	0	(53)	0	**(169)**
Reclassification in / (out)	6,554	66,586	1,521	3,353	(82,990)	803	(162)	(7)	**(4,342)**
Exchange adjustments	0	0	0	1	0	0	0	0	**1**
At 31 December 2014									
Cost	251,725	1,278,333	10,308	94,245	27,479	0	4,263	303	**1,666,657**
Depreciation & Impairment	(117,010)	(951,259)	(8,072)	(82,738)	0	0	(2,825)	(272)	**(1,162,176)**
Net carrying amount	134,715	327,074	2,237	11,508	27,479	0	1,438	31	**504,481**

2014:

- The impairment losses charge of EUR (582) K was related to the immediate depreciation of the Cogeneración del Ter investment.
- The impairment losses reversed as profit of EUR 4,229 K was related to the reversal of the impairment charge of Cogeneración Motril S.A. assets (see Notes 3.5.2 and 11).
- The reclassification of EUR (4,342) K was related to the transfer to "Investment properties" of EUR (4,357) K for two plots of land that are no longer used in the production and sales process (see Note 16.2), and to the transfer from "Other intangible assets" of EUR 16 K (see Note 18).

2013:

- The impairment charge net of profit of EUR (29,496) K was related to the Organization efficiency program (see Note 3.4) and the impairment of some Cogeneración Motril's assets (see Note 3.5.2).

- The reclassification of EUR (4,227) K was related to the transfer of Condat's line 6 standard components to the stock of spare parts (see Note 3.4.2).
- The decrease in "Variation of percentage of consolidation" was due to the sale of Torraspapel Argentina SA (see Note 4.4.1)
- The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

(in EUR K)	2014	2013
Major paper machine rebuilds	6,699	1,187
Cost reduction and productivity improvement	34,931	14,764
Maintenance	13,759	15,380
Information technology	1,606	1,531
Environment and safety	4,253	9,979
Total Capex = Additions	**61,247**	**42,842**

2014

Major paper machine rebuilds Capex was allocated as follows:

- EUR 6.7 M in Spain, of which EUR 4.1 M for an improvement of the kitchen and EUR 2.5 M for a several improvements as separation, processing of the remnants, and storage and control of the products.

Cost reduction and productivity improvement Capex were allocated as follows:

- EUR 0.3 M in Italy, of which EUR 0.1 M for a new starch cooker and 0.1 M for a rewinder for adhesive papers.
- EUR 2.5 M in France, of which EUR 1.6 M for sizer gas and 0.7 M for a low pressure boiler.
- EUR 32.2 M in Spain, of which EUR 25,5 M for the installation of the second-hand PM7 in Zaragoza (see Note 3.4.3), EUR 3.3 M for improvements of the PM6 and EUR 1.5 M for a new cutting in Zaragoza too.

Maintenance Capex was allocated as follows:

- EUR 1.7 M in Italy, of which EUR 1.3 M for the overhaul of the cogeneration plant and the repair of the gas turbine
- EUR 0.5 M in France, of which EUR 0.2 M for a new turbine and spare parts for turbair vacuum of the line 4.
- EUR 9.0 M in Spain, of which a total of EUR 2.0 M for the overhaul of cogeneration plants, EUR 1.8 M for the installation of electrical and control auxiliary machinery, EUR 1.5 M of the first phase of the circuits reform, and EUR 1.4 M to increase the energetic efficiency of the pulp mill in Zaragoza.

Information Technology Capex was allocated as follows:

- EUR 0.2 M in France
- EUR 1.3 M in Spain

Environment and safety Capex were allocated as follows:

- EUR 0.3 M in Italy
- EUR 0.1 M in France
- EUR 3.8 M in Spain, of which EUR 1.5 M for the pre-evaporation and stripping condensation, EUR 0.4 M for the environmental plan, and EUR 0.2 M for the installation of new electro-filters in Zaragoza

2013

Cost reduction and productivity improvement Capex were allocated as follows:

- EUR 1.6 M in Italy, of which EUR 0.6 M for a new guillotine dedicated to big size paper, EUR 0.5 M for the converting of self-adhesive paper, EUR 0.4 M for the installation of a warm water buffer tank in AGP, and EUR 0.1 M for the second phase of the electric interruptibility
- EUR 0.8 M in France
- EUR 10.3 M in Spain for the installation of the second-hand PM7 in Zaragoza (see Note 3.4.3), and EUR 0.9 M to increase the production capacity of some specialty papers

Maintenance Capex was allocated as follows:

- EUR 2.0 M in Italy, of which EUR 1.4 M for the overhaul of the cogeneration plant and the repair of the gas turbine
- EUR 3.3 M in France, of which EUR 0.6 M for an upgrade of the line 8 DCS and EUR 0.4 M for an improvement of the kitchen
- EUR 10.0 M in Spain, of which a total of EUR 1.9 M for the overhaul of cogeneration plants, and EUR 1.3 M to increase the energetic efficiency of the pulp mill in Zaragoza.

Information Technology Capex was allocated as follows:

- EUR 0.1 M in France
- EUR 1.4 M in Spain

Environment and safety Capex were allocated as follows:

- EUR 0.9 M in Italy
- EUR 0.4 M in France
- EUR 8.7 M in Spain, of which EUR 2.9 M for the pre-evaporation and stripping condensation, EUR 2.7 M for the environmental plan, and EUR 0.6 M for the installation of new electro-filters in Zaragoza

The Reclassifications were as follows:

- EUR (23.4) M of Work in progress came into service
- EUR (0.1) M of forklifts were transferred from Leased to Purchased motor vehicles.

16.2. Investment properties

(in EUR K)	Purchased Investment properties	Leased Investment properties	TOTAL
At 1 January 2013			
Cost	540	0	**540**
Depreciation & Impairment	0	0	**0**
Net carrying amount	540	0	**540**
Reclassification in / (out)	0	0	**0**
At 31 December 2013			
Cost	540	0	**540**
Depreciation & Impairment	0	0	**0**
Net carrying amount	540	0	**540**
Reclassification in / (out)	4,357	0	**4,357**
At 31 December 2014			
Cost	4,898	0	**4,898**
Depreciation & Impairment	0	0	**0**
Net carrying amount	4,898	0	**4,898**

As at 31 December 2013 and 2014 the details of Purchased Investment properties are as follows:

	At 31 December 2013			
(in EUR K)	Cost	Depreciation & Impairment	Net carrying amount	Fair value
Plot of land in Amorebieta/Carmen	540	0	540	1,300
Total	**540**	**0**	**540**	**1,300**

	At 31 December 2014			
(in EUR K)	Cost	Depreciation & Impairment	Net carrying amount	Fair value
Plot of land in Amorebieta/Carmen	540	0	540	1,294
Plot of land in Berrobi/Uranga	486	0	486	691
Plot of land in Sarrià del Ter	3,871	0	3,871	8,092
Total	**4,898**	**0**	**4,898**	**10,077**

Two plots of land have been reclassified in 2014 from "Property, plant and equipment" to "Investment properties" as they are no longer used in the production and sales process. The plants of Berrobi / Uranga and Sarrià del Ter were closed in 2014 (see Notes 3.4.3 and 16.1)

17. Goodwill

(in EUR K)	
At 1 January 2013	
Gross amount	190,141
Impairment	(65,179)
Reduction	(6,710)
Net carrying amount	118,252
Reduction of Goodwill (IAS 12 § 68)	65,179
At 31 December 2013	
Gross amount	190,141
Impairment	(65,179)
Reduction	(6,710)
Net carrying amount	118,252
Reduction of Goodwill (IAS 12 § 68)	65,179
At 31 December 2014	
Gross amount	190,141
Impairment	65,179
Reduction	(137,068)
Net carrying amount	118,252

Impairment test of Goodwill:

In consideration of the integrated organization of Lecta focused on production and sale of paper only, the volume of intragroup transactions, the interchangeability of products between mills, Lecta considers one cash-generating unit. 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 2015 to 2018 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. Conservative assumptions on the annual growth rate were applied to the cash flow projections beyond 2017. The WACC rate applied to cash flow projections was 9.7%.

On 31 December 2014, the impairment test was successfully passed and no impairment was recognized.

A sensitivity analysis showed that:

- An increase of 100 bps of the WACC rate applied to cash flow projections, from 9.7% to 10.7%, everything else being equal, has an unfavorable impact of EUR 69 M. It would result in impairment of the Goodwill.
- A reduction of 10% in EBITDA applied to the period 2015 to 2018 and beyond 2018, everything else being equal, has an unfavorable impact of EUR 63 M. It would not result in impairment of the Goodwill.

18. Other intangible assets

(in EUR K)	CO2 emission rights	Other intangible assets	TOTAL
At 1 January 2013			
Gross amount	545	14,286	**14,831**
Amortization & Impairment		(10,225)	**(10,225)**
Net carrying amount	545	4,061	**4,606**
Additions	52	(3)	**49**
Amortization charge		(2,169)	**(2,169)**
Var.of fair value through Income statement	295		**295**
At 31 December 2013			
Gross amount	891	14,259	**15,150**
Amortization & Impairment		(12,370)	**(12,370)**
Net carrying amount	891	1,889	**2,780**
Additions	0	3	**3**
Amortization charge		(1,282)	**(1,282)**
Var.of fair value through Income statement	(844)		**(844)**
Reclassification in / (out)	(47)	(16)	**(63)**
At 31 December 2014			
Gross amount	0	11,530	**11,530**
Amortization & Impairment		(10,936)	**(10,936)**
Net carrying amount	0	594	**594**

As at 31 December 2014, CO2 (or GHG) emission rights only consisted in purchased CER (Certified Emission Reduction) as the EUA (EU Allowance) were granted for free (see Note 1.16). As at 31 December 2014 there were 227,942 tonnes of CO2 emission rights free of any obligation having a fair value of EUR 1.7 M.

The reclassification of EUR (63) K was related to the transfer to "Property, plant and equipment" of EUR (16) K (see Note 16.1), and to the transfer to "Provision" of EUR (47) K (see Note 31).

As at 31 December 2013, CO2 (or GHG) emission rights only consisted in purchased CER (Certified Emission Reduction) as the EUA (EU Allowance) were granted for free (see Note 1.16). As at 31 December 2013 there were 701,580 tonnes of CO2 emission rights free of any obligation having a fair value of EUR 3.4 M.

Other intangible assets consisted of:

- Trademarks Malmenayde and Nord Papier, fully amortized as at 31 December 2014 (see Note 10)
- Costumers portfolio of Malmenayde and Nord Papier
- Rights to connect to the electricity network for the Spanish cogeneration plants
- Development costs (see Note 7).

19. Available-for-sale financial investments

(in EUR K)	
At 1 January 2013	
Fair value	1,932
Additions	32
In(de)creases of fair value through Equity	(29)
Impairment profit (charge)	(328)
Disposals	(207)
At 31 December 2013	
Fair value	1,401
Disposals	(52)
At 31 December 2014	
Fair value	1,349

2014:

The disposals of EUR (52) K correspond mainly to the liquidation of Polyedra AG (see Note 2.3).

2013:

– EUR 32 K in the line "Additions" consisted in a capital increase in the non-consolidated company Polyedra AG prior to its liquidation (see Note 2.3).

– EUR (29) K in the line "In(de)crease of fair value through equity" was the adjustment in fair value of non-consolidated financial assets, of which EUR (26) K with the liquidation of Torras Dorna SA and Torras Hostench SL and EUR 9 K with Dispap SA (see Notes 2.3 and 11).

– EUR (328) K in the line "Impairment profit (charge)" was related to the impairment in Garda UK Ltd (see Notes 2.3 and 11).

– EUR (207) K in the line "Disposals" consisted of EUR (68) K in relation with Liaison Technologies Inc repurchase of its own shares in September, EUR (124) K and EUR (15) K for Torras Dorna SA and Torras Hostench SL liquidation (see Notes 2.3 and 11).

At 31 December 2014, 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 of latest available accounts
Catalana d'Iniciatives CR SA	0.39%	0	1	(22,838)	(6,250)	15,226	31.12.2013
Consorzio Nazionale Imballaggi Scarl	0.0075%	1	19,217	(324)	22,344	31,405	31.12.2013
Dispap SA	100%	1,204	0	(5)	1,210	0	31.12.2014
Ecofolio SAS	1.81%	0	77,860	0	56	(75,701)	31.12.2013
Gas Intensive Scarl	0.52%	1	203,241	4	3,162	6,864	31.12.2013
Liaison Technologies Inc (previously Liaison Technologies LLC)	0.1671%	64	60,352	1,616	28,001	10,975	31.12.2013
Promotora del Ulla SA	45.2%	79	0	(5)	166	(70)	31.12.2013
SVL Pilote SAS	0%	0	7,173	44	297	(588)	31.12.2013
SVS SAS	0%	0	621	(18)	64	(174)	31.12.2013
SVT SAS	0%	0	1,808	(15)	81	38	31.12.2013
		1,349					

All the above companies are unlisted.

20. Biological assets

(in EUR K)	
At 1 January 2013	
Fair value	273
Changes of fair value	(1)
Decrease due to harvest	0
At 31 December 2013	
Fair value	272
Changes of fair value	4
Decrease due to harvest	0
At 31 December 2014	
Fair value	277

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 2013							
Cost	40,537	3,199	21,931	87,115	41,897	30,440	**225,119**
Impairment	0	0	0	(1,182)	(2,053)	(7,543)	**(10,777)**
Net carrying amount	40,537	3,199	21,931	85,934	39,844	22,898	**214,342**
Movements	5,659	849	(2,564)	(7,773)	(1,257)	298	**(4,788)**
Impairment	0	0	0	180	632	(2,848)	**(2,036)**
Reclassification in / (out)	0	0	0	0	0	4,227	**4,227**
Variation of percent of consolidation	0	0	0	0	(4,189)	0	**(4,189)**
Exchange adjustments	0	0	0	0	(1,144)	0	**(1,144)**
At 31 December 2013							
Cost	46,196	4,048	19,367	79,342	35,299	34,966	**219,218**
Impairment	0	0	0	(1,001)	(1,414)	(10,390)	**(12,806)**
Net carrying amount	46,196	4,048	19,367	78,341	33,885	24,576	**206,412**
Movements	(8,840)	188	638	10,935	(20,364)	(271)	**(17,713)**
Impairment	0	0	0	(28)	93	1,803	**1,867**
Reclassification in / (out)	0	0	0	(4,692)	4,692	0	**(0)**
Exchange adjustments	0	0	0	0	153	0	**153**
At 31 December 2014							
Cost	37,356	4,237	20,005	85,585	19,783	34,695	**201,661**
Impairment	0	0	0	(1,029)	(1,326)	(8,588)	**(10,943)**
Net carrying amount	37,356	4,237	20,005	84,556	18,457	26,108	**190,718**

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.

2014:

– The positive impact in the line "Impairment" of EUR 1,803 K consisted in a reversal of the spare parts write-off in Condat mill of EUR 394 K (see Note 3.4.2) and variations of provision.

2013:

– The "Impairment" of spare parts was mainly due to the permanent closure of Berrobi / Uranga plant, the impairment of Sarrià de Ter plants (see Notes 3.4.3) and of some assets in Cogeneración Motril (see Note 3.5.2).

– The "Reclassification" of EUR 4,227 K was due to the transfer of Condat Line 6 standard components from Property, plant and equipment to the stock of spare parts (see Notes 3.4.2 and 16.1).

– The "Variation of percentage of consolidation" of EUR (4,189) K was due to the sale of Torraspapel Argentina SA (see Note 4.4.1).

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

22. Trade receivables

(in EUR K)	
At 1 January 2013	
Cost	350,015
Impairment	(24,176)
Net carrying amount	325,839
Non-current	0
Current	325,839
Movements	(74,410)
Impairment	1,686
Variation of percent of consolidation	(3,651)
Exchange adjustments	(999)
At 31 December 2013	
Cost	270,918
Impairment	(22,453)
Net carrying amount	248,465
Non-current	0
Current	248,465
Movements	(4,765)
Impairment	1,043
Reclassification in / (out)	0
Variation of percent of consolidation	0
Exchange adjustments	336
At 31 December 2014	
Cost	266,492
Impairment	(21,412)
Net carrying amount	245,080
Non-current	0
Current	245,080

The Financial instruments on Trade receivables are detailed in Note 38.

2014:

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

2013:

– The "Variation of percentage of consolidation" of EUR (3,651) K was due to the sale of Torraspapel Argentina SA (see Note 4.4.1).

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

23. Prepayments

(in EUR K)	
At 1 January 2013	
Cost	2,973
Impairment	0
Net carrying amount	2,973
Non-current	0
Current	2,973
Movements	(1,323)
Variation of percent of consolidation	3
Exchange adjustments	(3)
At 31 December 2013	
Cost	1,651
Impairment	0
Net carrying amount	1,651
Non-current	0
Current	1,651
Movements	(357)
Exchange adjustments	2
At 31 December 2014	
Cost	1,296
Impairment	0
Net carrying amount	1,296
Non-current	0
Current	1,296

This caption included prepayments of insurance premiums, maintenance expenses and rents.

2014:

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

2013:

– The "Variation of percentage of consolidation" of EUR 3 K was due to the sale of Torraspapel Argentina SA (see Note 4.4.1).

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

24. Other receivables

(in EUR K)	Deposits and guaranties	Grants receivables	Currency hedging	Interest rate hedging	TOTAL
At 1 January 2013					
Cost or fair value	1,229	3,360	209	(1)	**4,797**
Impairment	0	0			**0**
Net carrying amount	1,229	3,360	209	(1)	**4,797**
Non-current	1,229	0	0	0	**1,229**
Current	0	3,360	209	(1)	**3,568**
Movements	76	5,313	0	(29)	**5,361**
Var.of fair value through Income statement			(22)	30	**8**
Increases of fair value through Equity			0	0	**0**
Decreases of fair value through Equity			(133)	(0)	**(133)**
Variation of percent of consolidation	(20)	0	0	0	**(20)**
Exchange adjustments	(7)	0	0	0	**(7)**
At 31 December 2013					
Cost or fair value	1,279	8,674	54	(0)	**10,006**
Impairment	0	0			**0**
Net carrying amount	1,279	8,674	54	(0)	**10,006**
Non-current	1,279	0	0	(0)	**1,279**
Current	0	8,674	54	(0)	**8,728**
Movements	(137)	(3,249)	0	(16)	**(3,401)**
Var.of fair value through Income statement			(32)	(10)	**(42)**
Increases of fair value through Equity			0	1	**1**
Decreases of fair value through Equity			(22)	0	**(22)**
Exchange adjustments	14	0	0	0	**14**
At 31 December 2014					
Cost or fair value	1,156	5,425	0	(25)	**6,556**
Impairment	0	0			**0**
Net carrying amount	1,156	5,425	0	(25)	**6,556**
Non-current	1,151	0	0	(16)	**1,134**
Current	5	5,425	0	(8)	**5,422**

As at 31 December 2011, Green certificates were accounted for their nominal value (0 EUR) as “Other intangible assets” (see Note 18).

As at 31 December 2012, following a change in Italian regulation dated 6 July 2012, the Green certificates were recognized as “Grants receivables” (see Note 1.17). At that date, there were 39,844 Green certificates free of any obligation, having a fair value of EUR 3,360 K.

As at 31 December 2013, there were 39,767 Green certificates and 35,272 White certificates (see Note 3.7) recognized as “Grants receivables” (see Note 1.17). Free of any obligation, they had a fair value of EUR 8,674 K.

As at 31 December 2014, there were 34,117 Green certificates and 34,895 White certificates (see Note 3.7) recognized as “Grants receivables” (see Note 1.17). Free of any obligation, they had a fair value of EUR 6,146 K.

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.

2014:

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

2013:

– The "Variation of percentage of consolidation" was due to the sale of Torraspapel Argentina SA (see Note 4.4.1).

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

25. Cash & cash equivalents

(in EUR K)	
At 1 January 2013	178,265
Cash in hand	114
Current accounts	106,787
Deposits	53,825
Certificates of deposits	0
Marketable securities	17,539
Movements	8,760
Variation of percent of consolidation	4,927
Exchange adjustments	(89)
At 31 December 2013	191,863
Cash in hand	38
Current accounts	141,879
Deposits	42,882
Certificates of deposits	0
Marketable securities	7,064
Movements	(33,546)
Exchange adjustments	95
At 31 December 2014	158,412
Cash in hand	1,168
Current accounts	136,310
Deposits	8,326
Certificates of deposits	0
Marketable securities	12,609

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.

2014:

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

2013:

– The "Variation of percentage of consolidation" of EUR 4,927 K was due to the sale of Torraspapel Argentina SA (see Note 4.4.1): EUR 6,233 K for the sale of shares net of EUR (776) K of withholding tax paid in Argentina, less EUR 531 K of cash in the company before disposal.

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

26. Held for sale property

(in EUR K)	
At 1 January 2013	
Cost	0
Depreciation & Impairment	0
Net carrying amount	0
At 31 December 2013	
Cost	0
Depreciation & Impairment	0
Net carrying amount	0
Reclassification in / (out)	0
Disposals	0
At 31 December 2014	
Cost	0
Depreciation & Impairment	0
Net carrying amount	0

There was no held for sale property.

27. Equity

27.1. Paid-in capital and Share premium

Paid-in capital at 31 December 2014
Lecta SA

		2014			
		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 of the 19 classes 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 2014, 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 24 April 2018, to increase once or several times the subscribed Share capital within the limits of the authorized Share capital up to an amount of 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 2014, 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 (see Note 4.1).

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 2014	At 31 December 2013	At 1 January 2013
Available-for-sale financial assets, adjustment at fair value (see Note 19)	54	54	83
Cash flow hedging of currencies, effective part of fair value (see Note 38.4)	0	22	155
Cash flow hedging of interest rates,effective part of fair value (see Note 38.5)	(2,009)	(1,895)	(3,624)
Cash flow hedging of energy prices, effective part of fair value (see Note 38.6)	0	0	0
Actuarial gains (losses) on defined benefit plans (see Notes 31 and 36.2)	(10,632)	(11,189)	(11,882)
Deferred tax on the above items (see Note 32.3)	4,541	4,754	5,581
Options on minorities (see Note 38.1)	0	0	0
Total	(8,046)	(8,254)	(9,688)
Group	(7,788)	(7,960)	(9,140)
Minority	(258)	(294)	(548)

27.3. Foreign currency translation

This unrealized loss of EUR (791) K as at 31 December 2014 was the consequence of the consolidation of subsidiaries for which the transactions, assets and liabilities are not recorded in euro (see Note 1.07):

- Lecta North America Inc (USD)
- Lecta Paper UK Ltd (GBP)
- 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 2014	31-Dec 2013	1-Jan 2013
Legal reserve of Lecta SA	145	145	145
Other reserves from Lecta SA	(22,454)	(14,774)	(6,452)
Reserves Group generated by the consolidation process	36,418	94,829	199,520
Total	14,108	80,199	193,212

28. Interest-bearing borrowings

28.1. Overview

(in EUR K)	Floating and Fixed Rate Notes	Lease obligations	Other	TOTAL
At 1 January 2013	572,914	2,037	51,984	**626,935**
Non-current	565,673	1,185	48,014	**614,871**
Current	7,241	852	3,970	**12,063**
Increase of principal	0	535	63,773	**64,308**
Repayment of principal	0	(1,003)	(67,688)	**(68,691)**
Variation of interests	13	0	40	**53**
Amortization of issue costs	3,954		72	**4,026**
Exchange adjustments	0	(0)	(16)	**(16)**
At 31 December 2013	576,881	1,569	48,166	**626,615**
Non-current	569,951	708	41,999	**612,659**
Current	6,929	861	6,166	**13,956**
Increase of principal	0	18	34,205	**34,223**
Repayment of principal	0	(246)	(42,008)	**(42,254)**
Variation of interests	(192)	0	93	**(99)**
Amortization of issue costs	3,954		52	**4,006**
Exchange adjustments	0	0	1	**1**
At 31 December 2014	580,642	1,341	40,508	**622,491**
Non-current	574,241	573	32,599	**607,413**
Current	6,401	768	7,908	**15,077**

The borrowings were essentially denominated in Euro.

2014 and 2013:

- The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

28.2. Floating and Fixed Rate Notes

On 11 May 2012, Lecta Group refinanced its EUR 798 M old notes ("2007 notes") through the issue of EUR 590 M new notes ("2012 notes") and the use of cash on Statement of financial position.

The 2012 notes and the refinancing operation of May 2012 are fully described in Note 3.1.

The due dates for 2012 Floating rate notes interests are on 15 of February, May, August and November. A large part of the 2012 Floating rate notes was hedged (see Note 38.5).

The due dates for 2012 Fixed rate notes interests are on 15 of May and November.

28.3. Lease obligations

Reconciliation between lease obligation present value and future minimum leases payments is provided in Notes 35.1 and 35.2.

28.4. Other borrowings

At 31 December 2014, Other borrowings were:

- Borrowings with a rate of 0%, granted in the context of environmental friendly installations and innovation. These borrowings were restated to bring out the embedded grant, using the effective interest rate method.

  At 31 December 2014, the net amount was EUR 2,848 K.

- Borrowings in Torraspapel SA granted in 2012 and 2013 by public institutions to encourage environmental friendly installations and innovation. Their duration is 10 years. Interest rate is between 3.95% and 4.925%. At 31 December 2014, the net amount was EUR 9,612 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 2014, the principal amount drawn under the above four facilities and accrued interests was EUR 17,679 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 2014, the principal and interest accrued was EUR 10,023 K.
- During the refinancing that took place on 11 May 2012 (see Note 3.1) a committed Multicurrency Revolving Facility agreement was signed for EUR 80 M. Last repayment date is 10 May 2018. The interest rate is Euribor +4.25%.

  It remained unused through 31 December 2014. The accrued commitment fees were EUR 185 K.
- Non-recourse factoring advance: EUR 0 K
- Residual commitment in trade receivables assigned to financial institutions through non-recourse invoice discounting: EUR 64 K.
- Miscellaneous: EUR 97 K.

29. Bank overdrafts

(in EUR K)	
At 1 January 2013	31,170
Effect of adopting IAS 32 & 39	0
Movements	(7,831)
Variation of percent of consolidation	(2,347)
Exchange adjustments	(156)
At 31 December 2013	20,837
Movements	(1,195)
At 31 December 2014	19,642

2014:

- The variation of bank overdraft is mainly due to a reduction of EUR 1,218 K in Polyedra SpA.

2013:

– The "Variation of percentage of consolidation" of EUR (2,347) K was due to the sale of Torraspapel Argentina SA (see Note 4.4.1).

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

30. Grants

(in EUR K)	
At 1 January 2013	
Net carrying amount	22,583
Non-current	21,251
Current	1,332
Movements	282
Amortization (income)	(2,946)
At 31 December 2013	
Net carrying amount	19,919
Non-current	17,517
Current	2,403
Movements	3,724
Amortization (income)	(4,194)
At 31 December 2014	
Net carrying amount	19,449
Non-current	16,216
Current	3,234

The breakdown of Grants net of amortization as at 31 December 2014 was as follows:

– EUR 4,846 K in Alto Garda Power SrL.

– EUR 762 K in Condat SAS.

– EUR 13,841 K in Torraspapel Group.

The breakdown of Grants net of amortization as at 31 December 2013 was as follows:

– EUR 5,730 K in Alto Garda Power SrL.

– EUR 814 K in Condat SAS.

– EUR 13,376 K in Torraspapel Group.

The amount of movements in 2014 of EUR 3,724 K is mainly due to the grant received from IDAE for Torraspapel SA by EUR 3,577 K.This grant was issued for investments for energetic savings.

In December 2012, Alto Garda Power SrL collected the whole grant of EUR 9,706 K. This grant has a subsequent condition to be met: Cartiere del Garda SpA has to keep the control of Alto Garda Power SrL until 31 December 2018.

Other grants related to Property, plant and equipment or Borrowings with off-market interest rates 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 2013	38,424	2,053	7,637	**48,115**
Non-current	37,146	2,053	6,812	**46,012**
Current	1,279	0	825	**2,104**
Additional	1,915	14,035	1,162	**17,112**
Utilized	(1,984)	(5,356)	(3,251)	**(10,591)**
Unused reversed	(9,351)	0	(88)	**(9,439)**
In(de)creases of fair value through Equity	(693)			**(693)**
Reclassification in / (out)	(49)	(169)	218	**0**
At 31 December 2013	28,262	10,563	5,678	**44,503**
Non-current	26,861	2,932	4,060	**33,853**
Current	1,402	7,630	1,618	**10,650**
Additional	475	10,795	3,894	**15,163**
Utilized	(1,304)	(13,471)	(3,372)	**(18,148)**
Unused reversed	0	(266)	(728)	**(994)**
In(de)creases of fair value through Equity	(557)			**(557)**
Reclassification in / (out)	0	0	(47)	**(47)**
At 31 December 2014	26,876	7,621	5,425	**39,921**
Non-current	25,669	2,702	4,711	**33,082**
Current	1,207	4,918	714	**6,839**

2014:

Provision for Other social commitments was composed of (see Note 36):

(in EUR K)	At 31 December 2014
Cartiere del Garda SpA	6,785
Polyedra SpA	2,115
Condat SAS	15,488
Lecta Europe Sàrl	379
Torraspapel Malmenayde Sàrl	1,585
Torraspapel SA and its subsidiaries	523
Total	26,876

Organization efficiency program is introduced in Note 3.4.

Other operating provisions consisted of:

(in EUR K)	At 31 December 2014
Tax litigations	753
Litigations with suppliers, penalties	1,772
Social security, redundancies, overtime	1,083
Miscellaneous	1,817
Total	5,425

The reclassification of EUR (47) K was related to the transfer from "Other intangible assets" (see Note 18).

2013:

- The "Unused reversed" of EUR (9,439) K included a curtailment of EUR (9,647) K in relation with the denunciation of Progil pension regime to active employees in Condat (see Notes 3.4.1, 36.5 and 36.6) and Condat's restructuring (see Notes 3.4.1, 3.4.2 and 36.5).

32. Income tax in the Statement of financial position

32.1. Overview

(in EUR K)	Income tax receivable	Income tax payable	Deferred tax assets	Deferred tax liablities	TOTAL assets (liabilities)
At 1 January 2013	6,558	2,537	91,455	35,838	**59,639**
Non-current	0	400	91,455	35,838	**55,217**
Current	6,558	2,137			**4,421**
Variations through income statement	12	6,634	(15,810)	(6,789)	**(15,643)**
Increases of fair value through Equity			669	0	**669**
Decreases of fair value through Equity			(1,474)	(514)	**(960)**
Payments	(4,196)	(5,758)			**1,562**
Reclassification in / (out)	760	0	(1,771)	(474)	**(537)**
Variation of percent of consolidation	(471)	(533)	0	0	**61**
Exchange adjustments	(196)	(51)	0	0	**(145)**
At 31 December 2013	2,467	2,829	73,070	28,061	**44,647**
Non-current	0	(0)	73,070	28,061	**45,009**
Current	2,467	2,829			**(362)**
Variations through income statement	252	8,607	(24,302)	(4,902)	**(27,755)**
Increases of fair value through Equity			530	0	**530**
Decreases of fair value through Equity			(752)	(9)	**(742)**
Payments	1,021	(6,986)			**8,007**
Reclassification in / (out)	0	(275)	0	0	**275**
Exchange adjustments	0	(1)	0	0	**2**
At 31 December 2014	3,740	4,173	48,545	23,151	**24,963**
Non-current	0	(0)	48,545	23,151	**25,395**
Current	3,740	4,173			**(432)**

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. Torraspapel Malmenayde Sàrl and Nord Papier SA joined the tax-pooling group led by Condat Holding SAS as of 1 January 2013.

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 (merged into Torraspapel SA on 1 December 2014), Dispap SA and Cogeneración Motril SA (since 1 January 2012).

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 July

2012, there was a second Italian tax-pooling group consisting in Polyedra SpA and Carthago SrL. Polyedra SpA joined the Italian tax-pooling group led by Cartiere del Garda SpA as of 1 January 2013.

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).

The reclassification of EUR (275) K of Income tax payable was related to the transfer of EUR (275) K to "Trade payables" (see Note 33).

32.2. Income tax receivable and payable

EUR 3,740 K of income tax receivable included EUR 2.090 K in Condat Holding SAS, EUR 873 K in Lecta HQ SA, EUR 463 K in Cartiere del Garda tax group and EUR 234 K in Torraspapel Portugal Lda.

It consisted in a balance of income tax advance payments. Cartiere del Garda SpA can recover IRES advance payment against future IRES payments, while each company of the tax group can recover IRAP advance payment against future IRAP or VAT payments.

The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

32.3. Deferred income tax

The following schedule details the deferred income tax assets and liabilities by nature.

(in EUR K)	31 Dec 2014	31 Dec 2013	Variations 2014 through Income stat.	Variations 2014 through Equity	Reclassification in / (out)[(a)] 2013	Variations 2013 through Income stat.	Variations 2013 through Equity
Loss to be carried forward up to 5 years	0	0	0	0	0	0	0
Loss to be carried forward up to 15 years	0	0	0	0	0	0	0
Loss to be carried forward up to 18 years	0	17,413	(17,413)	0	(760)	(12,055)	0
Loss to be carried forward indefinitely	22,076	10,914	11,162	0	0	(9,516)	0
S/T Tax losses	22,076	28,328	(6,252)	0	(760)	(21,571)	0
Provision for early retirement scheme	0	0	0	0	0	0	0
Charges for other social commitments	5,546	7,471	(1,925)	0	0	(4,616)	0
Non-deductible provisions	7,567	15,328	(7,761)	0	0	11,931	0
Net expenses recognized directly through Equity	4,541	4,763		(222)	(62)		(804)
Other deferred tax assets	8,815	17,180	(8,365)	0	0	(2,503)	0
S/T Temporary differences	26,470	44,742	(18,051)	(222)	(62)	4,812	(804)
Deferred tax assets	**48,545**	**73,070**	**(24,302)**	**(222)**	**(822)**	**(16,759)**	**(804)**
Accelerated tax depreciation	8,081	9,619	1,539	0	0	2,106	0
Tangible assets revaluation at acquisition	148	2,371	2,223	0	0	1,839	0
Deductible legal revaluation in Italy	8,297	9,768	1,471	0	0	2,311	0
Net incomes recognized directly through Equity	0	9		9	16		55
Other deferred tax liabilities	6,625	6,294	(331)	0	0	1,482	0
S/T Temporary differences	23,151	28,061	4,902	9	16	7,738	55
Deferred tax liabilities	**23,151**	**28,061**	**4,902**	**9**	**16**	**7,738**	**55**
Net value	25,395	45,009	(19,401)	(213)	(838)	(9,021)	(749)

(a) The reclassification of EUR (760) K consisted in a correction of 2012 at the level of Lecta HQ tax group.

There is no limit in Luxembourg, Spain (it was limited to 18 years until 2014), 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 50% of taxable income exceeding EUR 1 M in France,
- Up to 25% of taxable income for large companies in Spain,
- 100% of taxable income in Luxembourg.

Sub Lecta 2 SA reported a taxable profit in 2013 and 2014. As at 31 December 2014, the deferred tax asset on losses to be carried forward was EUR 1,469 K, to be used indefinitely.

Management, in view of the plan considered that these tax losses will be used against taxable profits within a foreseeable future.

Cartiere del Garda tax group reported taxable profits in 2013 and 2014. As at 31 December 2014, there was no deferred tax asset on losses to be carried forward.

Polyedra tax group reported taxable profits in 2014. As at 31 December 2014, there was no deferred tax asset on losses to be carried forward.

Condat Holding tax group reported taxable losses in 2013 and 2014. Torraspapel Malmenayde Sàrl and Nord Papier SA reported taxable profit in 2012. As at 31 December 2014, the deferred tax asset on losses to be carried forward was EUR 5,782 K, to be used indefinitely.

Management, in view of the plan considered that these tax losses will be used against taxable profits within a foreseeable future.

Lecta HQ tax group reported taxable losses in 2013 and 2014. As at 31 December 2014, the deferred tax asset on losses to be carried forward was EUR 14,825 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.

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 0.8 M for the temporary differences on CVAE as at 31 December 2014.

The Income tax rates used for Deferred tax purposes were as follows:

Country	as at 31 Dec 2014	as at 31 Dec 2013
France	33.33% to 38%	33.33% to 38%
Belgium	33.99%	33.99%
Germany	32.98%	32.98%
Italy(b)	27.50% to 36.8%	27.50% to 37.44%
Luxembourg	29.22%	29.22%
Mexico	30%	30%
Morocco	30%	30%
Portugal	23%	25%
Spain	30%	30%
UK	28%	23.25%

(b) Corporate tax in Italy applies to Cartiere del Garda SpA (“CdG”), Alto Garda Power SrL (“AGP”) and Polyedra SpA. 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%. It was 10.5% in 2012 and 2013, In 2014 is 6.5%. Normal IRAP rate is 3.9%. In the region of Trentino Alto Adige in which CdG and AGP are located, IRAP rate was 2.98% in 2012 and 2.78% in 2013, in 2014 is 2,3% for CdG and 2,8% for AGP. For Polyedra SpA, the average IRAP rate is 3.9%.

Only IRES tax losses are recoverable, while “Robin tax” and IRAP ones are not. As at 31 December 2014, deferred tax on losses to be carried forward were computed with IRES rate of 27.5%.

As at 31 December 2014, deferred tax on temporary differences were computed with the rate of 29,8% (= 27.5% IRES + 2.3% IRAP) for CdG, 36.8% (= 27.5% IRES + 6.5% “Robin tax” + 2.8% IRAP) for AGP, and 31.4% (= 27.5% IRES + 3.9% IRAP) for Polyedra.

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 2014:

(in EUR K)	Indef.	Total
Lecta SA	21,541	21,541
Sub Lecta 1 SA	34	34
Sub Lecta 3 SA	62	62
Sub-Total Luxembourg	**21,637**	**21,637**
Polyedra SpA	4,348	4,348
Sub-Total Italy	**4,348**	**4,348**
Condat SAS	46,597	46,597
Sub-Total France	**46,597**	**46,597**
Lecta HQ SA	19,372	19,372
Torraspapel SA	71,000	71,000
Cogeneración Motril SA	1,362	1,362
Cogeneración Del Ter SL	2,675	2,675
Sub-Total Spain	**94,409**	**94,409**
Torras Papier GmbH	180	180
Sub-Total Germany	**180**	**180**
Total	**167,171**	**167,171**

These tax-deductible carry forward amounts could lead to a total income tax saving of up to EUR 48.9 M in view of the above-mentioned income tax rates.

33. Trade payables

(in EUR K)	
At 1 January 2013	
Net carrying amount	401,689
Non-current	(0)
Current	401,689
Movements	(12,177)
Variation of percent of consolidation	(1,201)
Exchange adjustments	(985)
At 31 December 2013	
Net carrying amount	387,326
Non-current	0
Current	387,326
Movements	(4,552)
Reclassification in / (out)	275
Exchange adjustments	85
At 31 December 2014	
Net carrying amount	383,135
Non-current	0
Current	383,135

The Financial instruments on Trade payables are detailed in Note 38.

2014:

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

– The reclassification of EUR 275 K was related to the transfer from "Income tax" (see Note 32.1).

2013:

– The "Variation of percentage of consolidation" of EUR (1,201) K was due to the sale of Torraspapel Argentina SA (see Note 4.4.1).

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

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 1 January 2013								
Net carrying amount	13,607	0	0	0	4,002	0	1,149	**18,757**
Non-current	0	0	0	0	3,156	0	0	**3,156**
Current	13,607	0	0	0	846	0	1,149	**15,601**
Movements	(1,272)		0	0	(216)		(1,139)	**(2,628)**
Var.of fair value through Income statement			0	0	166	0		**166**
Increases of fair value through Equity		0		0	1,563	0		**1,563**
Decreases of fair value through Equity		0		0	(3,292)	0		**(3,292)**
At 31 December 2013								
Net carrying amount	12,334	0	0	0	2,223	0	9	**14,567**
Non-current	0	0	0	0	1,372	0	0	**1,372**
Current	12,334	0	0	0	852	0	9	**13,196**
Movements	5,558		0	0	(0)		(1)	**5,557**
Var.of fair value through Income statement			0	0	(78)	0		**(78)**
Increases of fair value through Equity		0		0	1,859	0		**1,859**
Decreases of fair value through Equity		0		0	(1,744)	0		**(1,744)**
At 31 December 2014								
Net carrying amount	17,893	0	0	0	2,260	0	8	**20,161**
Non-current	0	0	0	0	1,158	0	0	**1,158**
Current	17,893	0	0	0	1,101	0	8	**19,003**

Options on Minorities are detailed in Note 38.1. Their value was null.

Options on non-consolidated companies are detailed in Note 38.2. Their value was null.

Currency hedging is detailed in Note 38.4. Its value was null.

Interest rate hedging is detailed in Note 38.5.

Energy price hedging is detailed in Note 38.6. Its value was null.

Miscellaneous other payables consisted in issue costs payables on borrowings (see Note 3.1).

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 2014			At 31 December 2013		
(in EUR K)	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
later than one year and not later than five years	573	226	799	708	280	988
not later than one year	768	144	912	861	(140)	721
Total	**1,341**	**370**	**1,711**	**1,569**	**140**	**1,709**

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 Non-recurring items" of Income statement (see Note 1.12).

(in EUR K)	2014	2013
Future minimum payments		
later than five years	0	0
later than one year and not later than five years	11,785	15,777
not later than one year	6,675	7,386
Total future minimum payments	**18,459**	**23,163**
Expense of the year	**7,530**	**9,009**

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 2014, Lecta Group had firm commitments due to purchase orders of Property, plant and equipment net of advances to suppliers of EUR 12.7 M.

The breakdown of these commitments was:

- EUR 0.4 M in Italy, of which EUR 0.3 M for Cartiere del Garda.
- EUR 0.7 M in France, of which EUR 0.3 M for a gas heated devices for coating color drying on line 8 and EUR 0.1 M for a drive main computer upgrade on line 8.
- EUR 11.6 M in Spain, of which EUR 6.1 M for the mill of Zaragoza, EUR 3.9 M for the mill of Leitza and EUR 0.6 M in information technology.

35.4. Other contracts

35.4.1. Condat SAS contract with Périgord Énergies SNC

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 (see Note 38.2.2). For a period of twelve years ending on 30 March 2013, Condat SAS was 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).

A new contract was signed on 17 January 2014. It took effect retroactively from April 2013. Condat SAS has to communicate on a yearly basis the volume of gas to be purchased by Périgord Énergies SNC for the supply of steam needed by Condat's production of paper. To supply the steam, Périgord Énergies SNC operates the standard boilers of Condat SAS or its cogeneration. 80% of the profit made by Périgord Énergies SNC on the sale to the market of the electricity produced by the cogeneration is transferred to Condat SAS. If the actual volume of gas purchased is outside an agreed range, Condat SAS is committed to pay the penalties due to the gas supplier. Condat SAS is also committed to pay the fixed expenses of Périgord Énergies SNC to operate and maintain the standard boilers of Condat SAS, as well as the non-depreciated part of the capital expenditures agreed by the two parties.

In 2014, Condat SAS paid a total of EUR 22.1 M to Périgord Énergies SNC for the supply of steam, the operating and maintenance expenses.

35.4.2. Alto Garda Power SrL contract with Alto Garda Servizi Teleriscaldamento SpA

With effect from September 2008, Alto Garda Servizi Teleriscaldamento SpA, 20% shareholder of Alto Garda Power SrL, is committed to buy from the latter:

- A minimum quantity of 27.99 GWh of steam per year at an estimated price of 26.0 EUR/MWh; and
- A minimum quantity of 10.8 GWh of electricity per year at an estimated price of 68 EUR/MWh

The estimated yearly revenue is EUR 1.4 M.

35.4.3. Lecta annual commitments

Lecta negotiates annual commitments to purchase volumes of raw materials and energy in order to benefit from favorable conditions. When there is a "take or pay" clause Lecta has the possibility to resell the non-consumed volumes at market price less a fee to the suppliers.

35.5. Guarantees issued

35.5.1. By Lecta

Guarantees in favor of Lecta's RCF lenders and 2012 note holders.

Lecta SA and certain of its subsidiaries guarantee the payment of amounts due under the RCF (multicurrency revolving facility agreement) and the 2012 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 2012 notes.

	Principal due as at 31 December 2014 (in EUR M)
RCF	—
Secured Floating Rate Notes	390
Secured Fixed Rate Notes	200

35.5.2. By Alto Garda Power SrL

Assets of Alto Garda Power SrL have been pledged to guarantee its banks exposure up to EUR 95.0 M.

35.5.3. By Condat Holding SAS

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 26.1 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)	2014	2013
Short-term employees benefits	(192,073)	(203,452)
Defined contributions post-employment plans	(10,440)	(12,102)
Defined benefit post-employment plans	(873)	8,244
Other long-term benefits	9	56
Termination benefits	0	0
Labor costs	(203,378)	(207,254)
Short-term employees benefits	0	0
Defined contributions post-employment plans	(467)	(697)
Defined benefit post-employment plans	0	3
Other long-term benefits	0	0
Termination benefits	0	0
Other operating costs except unusual items	(467)	(694)
Short-term employees benefits	0	0
Defined contributions post-employment plans	0	0
Defined benefit post-employment plans	(742)	(825)
Other long-term benefits	(55)	(129)
Termination benefits	0	0
Finance costs	(797)	(954)

36.2. Amounts recognized directly through Equity

(in EUR K)	2014	2013
Short-term employees benefits	0	0
Defined contributions post-employment plans	0	0
Defined benefit post-employment plans	557	693
Other long-term benefits	0	0
Termination benefits	0	0
Actuaries gains and losses	557	693

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.

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).

– "Ace Assistance" and "Axa 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") in Cartiere del Garda SpA.

For blue collars the first 3 days are paid 100% by the company, from the 4th to 20st day the cost is paid 50% by the company and 50% by INPS, from the 21st day the cost is paid 33.34% by the company and 66.66% by INPS. For white collars and managers 100% of the cost is paid by the company.

In Polyedra SpA sick leave cost is paid 100% (for the first 3 days), from the 4th to 20st day the cost is paid 50% by the company and 50% by INPS, from the 21st day the cost is paid 33.34% by the company and 66.66% by INPS for blue collars and white collars, for the managers 100% is paid by the company.

- Canteen: companies are committed for a contribution of 60% of the cost or 5.29€ for every day actually worked for more than 6 hours. For Polyedra applies for more than 4 hrs worked.
- Profit sharing—company commitment: a new Profit sharing scheme was agreed on 16 November 2010, replacing the old one that was suspended in 2009. This agreement finished the year 2012 and it was agreed to extend it for another additional 2 years to 2014. It is based on Cartiere del Garda and AGPower group EBITDA, number of claims and days of sickness, accident—safety evolution (frequency / severity rate). Medical care for the managers and their families is covered by insurance (FASI + UniSalute; or FASDAC + QUAS).

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.

  The legal requirements are paid to "Tesorería General de la Seguridad Social". The company pays a complement until 100% of the salary depending on the type of disease and the level of absenteeism in the workplace.

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

- 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

– 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+ Art. 36”).

Temporary disability plan:

The insurance companies “AXA” or “OMNIREP” cover all the employees.

After 60 days or 90 days of consecutive absence, the daily allowance is between 75% 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

  Pension plan "Fondo Integrativo Laborfonds" for workers and salaried: the supplementary pension is in accordance with the collective labor agreement CCNL ("Contratti Collettivi Nazionali di Lavoro"—Paper). The employees can voluntarily join the externalized pension fund "Laborfonds" managed at Regional level (Trentino Alto Adige) contributing 1% to 10% of their gross salary and TFR (see Note 36.5). For such employees, the company is obliged to contribute 1.2% of their gross salary (from 01.01.2012)

  Retirement plan "Previndai": the supplementary pension for managers is in accordance with CCNL Dirigenti Industria. 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 accident are covered for managers in accordance with CCNL, for middle managers in accordance with CCNL and company agreement. The insurance companies are Metlife Europe Limited and AXIS Ins. The insurance company Metlife Europe Limited and AXIS Ins. covers the risks only of death for all remaining employees. The company pays 50% of premiums and the employees pay the other 50%.

– Italy: Polyedra SpA

  Pens. Plan "Fondo Integrativo Fonte": for workers and salaried the supplementary pension is in accordance with the collective labor agreement CCNL ("Contratti Collettivi Nazionali di Lavoro"—Commerce). The employees can voluntarily join the pension fund "Fonte" contributing 0.55% max of their gross salary and TFR. For such employees, the company is obliged to contribute 1.55% of their gross salary.

  Retirement plan "Negri": the supplementary pension for managers is in accordance with CCNL Dirigenti Commercio. The managers contribute part or total of their TFR max 1% of their gross salary. The company also contributes 1.95% of the gross salary.

– Mexico: Torraspapel Servicios México S de RL de CV and Lecta México S de RL de CV

  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 mill of Leitza 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.

On 20 May 2013 the company denounced the plan and stopped its contribution. A court ruling has been given in favor of the company. This judgment is under appeal to the Supreme Court.

BBVA covers the liabilities prior to 2001.

According to a collective agreement only applicable to the mill of Berrobi / 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. No employees in Berrobi/Uranga since 01.02.2014.

Death and disability plan: Vida Caixa covers all the employees except the administrative & blue collars of Leitza Mill.

i) For employees under economic conditions of the "Convenio Colectivo Estatal de Pastas, Papel, y Cartón" this benefit is EUR 15 K, and EUR 30 K in case of accident. The premium is shared between the company (60%) and the employees (40%).

ii) For the administrative and blue collars of the mill of Leitza, the risk of death and disability is covered as follows: from EUR 13 K to EUR 26 K, depending on the kind of contingency. In this case, the premium is shared between the company (55%) and the employees (45%).

iii) For the other employees, this benefit is equivalent to the annual salary. In case of accident, the benefit is twice the annual salary.

iv) 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 280 K for the year 2014).

– United Kingdom: Lecta Paper UK 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

– 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" n°3108 ("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.

The Organization efficiency program caused a curtailment of EUR 1.5 M in 2013 (see Note 3.4.1).

(in EUR K)	2014	2013
PRESENT VALUE		
Opening balance	7,929	9,188
Current service cost	347	374
Interest cost	245	264
Actuarial gains and losses	155	(361)
Benefits paid	(86)	(30)
Past service cost	0	0
Curtailments	(69)	(1,506)
Settlements	0	0
Closing balance	8,520	7,929
PROVISION		
Present value of the plan	8,520	7,929
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	8,520	7,929

– 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.

Since 30 September 2013, the plan is closed to active employees and remains open to retired people only. This denunciation caused a curtailment of EUR 8.0 M in 2013 (see Note 3.4.1).

(in EUR K)	2014	2013
PRESENT VALUE		
Opening balance	9,288	17,022
Current service cost	0	180
Interest cost	279	393
Contributions by plan participants	0	0
Actuarial gains and losses	(1,533)	13
Benefits paid	(429)	(369)
Past service cost	0	0
Curtailments	0	(7,951)
Settlements	0	0
Closing balance	7,605	9,288
Funded	0	0
Unfunded	7,605	9,288
ASSETS "EPARINTER"		
Opening balance	2,491	2,384
Expected return on plan assets	75	72
Contributions by the employer	0	0
Contributions by plan participants	0	0
Actuarial gains and losses	83	35
Benefits paid	0	0
settlements	0	0
Closing balance	2,649	2,491
PROVISION		
Present value of the plan	7,605	9,288
Assets	(2,649)	(2,491)
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	4,956	6,797

– France: Condat SAS.

Death and disability plan "Prévoyance" Malakoff (see Note 36.4). In case of anticipated termination of the agreement with the insurer, the company would bear the unfunded obligation related to social commitments created prior to 1990.

(in EUR K)	2014	2013
PRESENT VALUE		
Opening balance	604	611
Current service cost	(16)	(7)
Interest cost	0	0
Actuarial gains and losses	0	0
Benefits paid	0	0
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Closing balance	588	604
PROVISION		
Present value of the plan	588	604
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	588	604

– 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)	2014	2013
PRESENT VALUE		
Opening balance	1,455	1,431
Current service cost	98	103
Interest cost	47	46
Actuarial gains and losses	142	40
Benefits paid	(112)	(80)
Past service cost	0	0
Curtailments	(45)	(85)
Settlements	0	0
Closing balance	1,585	1,455
PROVISION		
Present value of the plan	1,585	1,455
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	1,585	1,455

– 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".

(in EUR K)	2014	2013
PRESENT VALUE		
Opening balance	1,224	1,303
Current service cost	(35)	(26)
Interest cost	0	0
Contributions by plan participants	0	0
Actuarial gains and losses	0	0
Benefits paid	26	(54)
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Closing balance	1,215	1,224
Funded	0	0
Unfunded	1,215	1,224
ASSETS "LVM" & "HM"		
Opening balance	859	882
Expected return on plan assets	0	0
Contributions by the employer	0	0
Contributions by plan participants	0	0
Actuarial gains and losses	0	0
Benefits paid	(35)	(23)
Settlements	0	0
Closing balance	824	859
PROVISION		
Present value of the plan	1,215	1,224
Assets	(824)	(859)
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
	0	0
Provision	391	365

– 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)	2014	2013
PRESENT VALUE		
Opening balance	6,287	6,790
Current service cost	0	0
Interest cost	184	194
Actuarial gains and losses	605	(51)
Benefits paid	(291)	(646)
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Merger	0	0
Closing balance	6,786	6,287
PROVISION		
Present value of the plan	6,786	6,287
Net actuarial gains and losses not recognized in the balance sheet	0	0
Past service cost not yet recognized in the balance sheet	0	0
Provision	6,786	6,287

– Italy: Polyedra SpA is consolidated since 1 July 2012.

Staff leaving indemnity TFR ("Trattamento Fine Rapporto").

The change in regulations described for Cartiere del Garda SpA also applies to Polyedra SpA.

(in EUR K)	2014	2013
PRESENT VALUE		
Opening balance	2,627	3,120
Current service cost	558	648
Interest cost	62	0
Actuarial gains and losses	157	(300)
Benefits paid	(1,289)	(841)
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Merger	0	0
Acquisition of subsidiaries	0	0
Variation of percent of consolidation	0	0
Closing balance	2,115	2,627
PROVISION		
Present value of the plan	2,115	2,627
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	2,115	2,627

– 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)	2014	2013
PRESENT VALUE		
Opening balance	88	0
Current service cost	0	0
Interest cost	0	0
Actuarial gains and losses	0	0
Benefits paid	(88)	88
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Closing balance	(0)	88
PROVISION		
Present value of the plan	(0)	88
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	(0)	88

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)	2014	2013
PRESENT VALUE		
Opening balance	0	49
Current service cost	0	0
Interest cost	0	0
Actuarial gains and losses	0	0
Benefits paid	0	(49)
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Closing balance	0	0
PROVISION		
Present value of the plan	0	0
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	0	0

- UK: no such plan.
- USA: no such plan.
- Total of defined benefit post-employment plans.

(in EUR K)	2014	2013
PRESENT VALUE		
Opening balance	29,501	39,514
Current service cost	952	1,272
Interest cost	816	897
Contributions by plan participants	0	0
Actuarial gains and losses	(474)	(658)
Benefits paid	(2,269)	(1,982)
Past service cost	0	0
Curtailments	(113)	(9,542)
Settlements	0	0
Merger	0	0
Acquisition of subsidiaries	0	0
Variation of percent of consolidation	0	0
Exchange adjustments	0	0
Closing balance	28,413	29,501
Funded	0	0
Unfunded	28,413	29,501
ASSETS		
Opening balance	3,350	3,265
Expected return on plan assets	75	72
Contributions by the employer	0	0
Contributions by plan participants	0	0
Actuarial gains and losses	83	35
Benefits paid	(35)	(23)
settlements	0	0
Merger	0	0
Acquisition of subsidiaries	0	0
Variation of percent of consolidation	0	0
Exchange adjustments	0	0
Closing balance	3,473	3,350
PROVISION		
Present value of the plan	28,413	29,501
Assets	(3,473)	(3,350)
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	24,941	26,152

The principal assumptions used in determining the defined benefit post-employment obligations are as follows:

	2014	2013
Discount rate (varies with the duration of the commitment):		
— IFC Condat SAS	1.80%	3.00%
— IFC Lecta Europe Sàrl	1.00%	2.00%
— Progil Condat SAS	2.00%	3.00%
— IFC Torraspapel Malmenayde Sàrl and Nord Papier SA	1.80%	3.00%
— Retirement Lecta Deutschland GmbH	4.53%	4.89%
— TFR Cartiere del Garda SpA	1.80%	3.00%
— TFR Polyedra SpA	1.10%	2.75%
Future salary increases:		
— Condat SAS	2.0%	2.0%
— Lecta Europe Sàrl	2.0%	2.0%
— Torraspapel Malmenayde Sàrl and Nord Papier SA	2.0%	2.0%
— Lecta Deutschland GmbH	NA(1)	NA(1)
— Cartiere del Garda SpA	NA(2)	NA(2)
— Polyedra SpA	NA(2)	NA(2)

(1) Didn't apply because the pension was based on the salary of each beneficiary at the age of 42.

(2) Due to the change in TFR regulation, applied as of 2007, the future salaries were subject to monthly social security contributions only.

A quantitative sensitivity analysis for the discount rate as at 31 December 2014 is shown below:

	Discount rate	
(in EUR M)	−0.5%	+0.5%
Impact on the net defined benefit post-employment obligation	+1.4	−1.4

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)	2014	2013
Provision	1,803	1,924

– 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.

On 1 August 2013 the company denounced the plan and stopped its contribution (EUR 32 K in 2013). The company's commitment is limited to the unused part of the cumulated available contributions accrued in favor of the employees.

(in EUR K)	2014	2013
Provision	132	187

36.7. Termination benefits

The termination benefits are part of the "Organization efficiency program" (see Notes 3.4, 11 and 31). They included:

– Italy: Polyedra SpA.

"Mobilità 1": this termination plan was opened until 31 March 2013, date on which 107 employees had left the company.

"Mobilità 2": This termination plan was opened until 15 September 2014, date on which 50 employees had left the company with Mobilità and 3 employees were incentivized to leave from the Company and the termination of the contract of 2 agents was managed.

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
Dispap SA	2013	0	0	(11)	0	1,140
	2014	0	0	(6)	0	1,145
Garda UK Ltd	2013	0	0	0	0	0
	2014	0	0	0	0	0
Lecta Services Sprl	2013	0	(617)	0	208	0
	2014	0	(142)	0	208	0
Polyedra AG	2013					
	2014					
Promotora del Ulla SA	2013	0	0	0	0	0
	2014	0	0	0	0	0
SVL Pilote SAS	2013	0	(7,129)	0	0	1,350
	2014	0	(6,446)	0	0	1,602
SVS SAS	2013	0	(589)	0	0	30
	2014	0	(581)	0	0	26
SVT SAS	2013	0	(1,677)	0	0	165
	2014	0	(1,943)	0	0	205

These companies were non-consolidated because of absence of control or immateriality (see Note 2.3)

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 2014, the members of the Board of Directors, including executive officers, received remuneration. This remuneration was charged at an aggregate cost of EUR 1.5 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. Sold put and Purchased call option on the shares of *IDAE Sant Joan AIE*

IDAE Sant Joan AIE owns the cogeneration plant located in Sant Joan. Torraspapel SA (51%) and IDAE (49%) currently hold IDAE Sant Joan AIE. According to the partnership agreement signed in December 2007 between Torraspapel SA and IDAE (Spanish Public Entity), IDAE shall remain as a partner in IDAE Sant Joan AIE until it recovers its investment plus a remuneration of 3-month Euribor + 4%.

Once the first five years as of start-off of the cogeneration plant (August 2011) have elapsed, Torraspapel SA may also request the assignment of IDAE's share participation in IDAE Sant Joan AIE. For that purpose, Torraspapel SA would have to pay IDAE an amount equal to its investment plus the referred remuneration once deducted any amounts already reimbursed to IDAE by any means.

In both cases, assignment is only possible if:

– All loans granted to of IDAE Sant Joan AIE by any third parties have been previously repaid

– Or the relevant creditors specifically waive all claims against IDAE.

There was no premium paid at inception. The fair value of the purchased call option cannot be reliably measured.

38.2. Derivatives held for trading

These are options on the shares or 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 2014, 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 Statement of financial position.

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 was 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 had to take the option to purchase 100% of the tangible assets of Périgord Énergies SNC or not. By means of a letter dated 21 December 2012, Condat SAS undertook to sign a new contract for the supply of steam for an additional period up to 31 December 2016 but decided not to purchase the tangible assets. The new contract was signed on 17 January 2014. It grants Condat SAS an option to purchase 100% of the tangible assets for a total price of EUR 5 M as at 31 December 2016, or for their Net Booked Value in case of early termination.

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.

– Factoring: The corresponding advance is accounted for in the borrowings and disclosed in Note 28.4. There was none as at 31 December 2014.

– Non-recourse invoice discounting and factoring: The residual commitment computed using the continuous involvement methodology is accounted for in the borrowings and disclosed in Note 28.4. The face value of these discounted invoices was EUR 37.5 M as at 31 December 2014.

– Non-recourse assignment: In such case, there is no residual commitment.

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 2014, ordinary sales and purchases were specifically hedged through:

— Forward agreements on realized sales in foreign currencies:	EUR 51.9 M
— Forward agreements on realized purchases in foreign currencies:	EUR 8.8 M

The impact of these contracts has been accounted for as fair value hedging, hence recognized in the Income statement (see Note 1.36).

At 31 December 2014, 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. As the payments of this agreement had to be made in USD, on 20 September 2007, Alto Garda Power SrL 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 until 20 December 2014. 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

2012 Floating rate notes:

On 28 June and 6 July 2012, the interest rate of 51% of the Floating rate notes issued in May 2012 (see Note 3.1) was hedged with Caps indexed to 3-month Euribor for the period from mid-August 2012 to mid-August 2014.

On 3 May 2013, the interest rate of 26% of the Floating rate notes was hedged with a Swap to exchange 3-month Euribor variable rate against fixed rate of 0.385% for the period from mid-August 2013 to mid-February 2016.

On 24 April 2014, the interest rate of 26% of the Floating rate notes was hedged with a Cap indexed to 3-month Euribor for the period from mid-August 2014 to mid-August 2016.

On 3 October 2014, the interest rate of 26% of the Floating rate notes was hedged with a Cap indexed to 3-month Euribor for the period from mid-November 2014 to mid-August 2016.

Alto Garda Power SrL:

On 5 September 2007, the interests rates of 50% of the forecast debt in Alto Garda Power SrL (see Note 28.4) 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.

In December 2012, Alto Garda Power SrL voluntarily repaid EUR 12 M of its debt. Following this repayment, the notional amounts of the Collar and the Swap were higher than the debt. Consequently, the Collar and part of the Swap were considered as hedging instruments, while the balance of the Swap was no more considered as hedging instrument.

On 18 December 2013, the Swap to exchange 6-month Euribor variable rate was terminated.

IDAE Sant Joan AIE:

On 23 July 2010, the interest rates of 75% of the forecast debt in IDAE Sant Joan AIE (see Note 28.4) 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 2014 Intrinsic	Time	Total
Cap 3M Euribor	100,000	45	15/Aug/2014	15/Aug/2016		2.00%		1	0	1
Cap 3M Euribor	100,000	5	15/Nov/2014	15/Aug/2016		2.00%		1	0	1
Swap 3M Euribor	100,000		15/Aug/2013	15/Feb/2016			0.385%	(402)	(50)	(451)
Collar 6M Euribor	Max 27.644		29/Jun/2007	31/Dec/2018	4.05%	5.75%		(1,458)	(226)	(1,684)
Swap 1M Euribor	Max 18,750		30/Jun/2011	31/Mar/2016			2.14%	(151)	0	(151)
								(2,009)	(276)	(2,284)

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

For the cash flow hedge, the intrinsic value, considered as effective, was recognized directly in Equity while the time value was considered as ineffective, and thus recognized in the Income statement. For the fair value hedge, any gain or loss from re-measuring the hedging instrument at fair value is recognized in the Income statement (see Note 1.36).

38.6. Hedging derivatives on energy prices

There was no hedging derivatives on energy price.

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

The fair value of 2012 notes was based on ex-coupon quotations. It should be considered with caution as the High Yield Bonds market has low liquidity.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

- 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.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

It applies to Available-for-sale financial investments (see Note 19). The fair value consists in the historical cost less eventual impairment.

As at 31 December 2014, Lecta Group held the following financial instruments:

(in EUR K)		At 31 December 2014 Carrying amount	At 31 December 2014 Fair value	At 31 December 2013 Carrying amount	At 31 December 2013 Fair value
ASSETS					
Available-for-sale financial investments	Level 3	1,349	1,349	1,401	1,401
Trade receivables	Level 2	245,080	245,080	248,465	248,465
Prepayments	Level 2	1,296	1,296	1,651	1,651
Loans	Level 2	(0)	(0)	0	0
Capital receivables	Level 2	0	0	0	0
Shareholders receivables	Level 2	0	0	0	0
Dividends receivables	Level 2	0	0	0	0
Options on non-consolidated companies	Level 3	0	0	0	0
Currency hedging	Level 2	0	0	54	54
Interest rate hedging	Level 2	(25)	(25)	(0)	(0)
Energy price hedging	Level 2	0	0	0	0
Miscellaneous other receivables	Level 2	(0)	(0)	0	0
Cash and cash equivalents	Level 1	158,412	158,412	191,863	191,863
LIABILITIES					
Interest-bearing borrowings Floating rate senior secured notes (notes 2012)	Level 1	372,531	358,709	378,162	356,224
Interest-bearing borrowings Fixed rate senior secured notes (notes 2012)	Level 1	191,648	201,648	196,184	186,434
Interest-bearing borrowings except notes 2012	Level 1	41,848	41,848	49,734	49,734
Bank overdrafts	Level 2	19,642	19,642	20,837	20,837
Trade payables	Level 2	383,135	383,135	387,326	387,326
Capital payables	Level 2	17,893	17,893	12,334	12,334
Shareholders payables	Level 2	0	0	0	0
Dividends payables	Level 2	0	0	0	0
Options on Minorities	Level 3	0	0	0	0
Options on non-consolidated companies	Level 3	0	0	0	0
Currency hedging	Level 2	0	0	0	0
Interest rate hedging	Level 2	2,260	2,260	2,223	2,223
Energy price hedging	Level 2	0	0	0	0
Miscellaneous other payables	Level 2	8	8	9	9

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 30% of sales. Credit insurance covers a large part of the Trade receivables.

(in EUR K)	31 Dec 2014	31 Dec 2013
Gross amount of Trade receivables	266,492	270,918
Impairment	(21,412)	(22,453)
Trade receivables as per Balance sheet	245,080	248,465
of which not past due	228,985	227,322
of which past due:	16,095	21,143
Amount covered by a credit insurance	11,985	13,543
Amount of recoverable VAT	857	1,506
Amount eligible to credit risk,	**3,253**	**6,094**
past due since less than one month	2,431	3,680
past due since more than one month but no later than three months	724	1,407
past due since more than three months but no later than one year	98	1,007
past due since more than one year but no later than five years	0	0
past due since more than five years	0	0

39.2. Liquidity risk

Since the Refinancing of 11 May 2012 (see Note 3.1), the liquidity risk can be considered as remote.

39.3. Future undiscounted contractual payments

(in EUR K)	31 Dec 2014	31 Dec 2013
Financial liabilities as per Balance sheet	1,045,429	1,049,345
Future interest, post Balance Sheet date	190,951	193,110
Reversal of non-cash liabilities (IFRS adjustments)	15,029	19,133
Adjusted financial liabilities	1,251,409	1,261,588
Due no later than one month	320,018	249,973
Due later than one month and no later than three months	100,206	120,866
Due later than three months and no later than one year	52,834	97,304
Due later than one year and no later than five years	177,208	192,049
Due later than five years	601,141	601,396
Undiscounted cash flows	1,251,409	1,261,588

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 or 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 2014:

	Changes	Estimated effect on Lecta Group EBITDA (in EUR M)
Paper prices	+/−10 EUR/T	+/−16.0
Pulp prices	+/−10 EUR/T	−/+5.4
Volume produced and sold	+/−10 KT	+/−2.3

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 1.33 (average in 2014) to 1.32, or for GBP/EUR from 0.81 (average in 2014) to 0.80], all other things being equal, based on actual figures of 2014, are:

Currency	EUR M
USD	−1.4
GBP	+0.9

Lecta Group covers the fluctuations of non-euro currencies, mainly USD and GBP, according to the following rules (see Note 38.4):

– Statement of financial position 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 incomes 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 0.210% (average in 2014) to 1.210%], all other things being equal, based on actual figures of 2014, is:

Interest rate	EUR M
3M Euribor	−3.0

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-2 short-term or BBB 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 Statement of financial position date

40.1. Lecta Europe Sàrl merger into Condat Holding SAS

Lecta Europe Sàrl was a fully owned subsidiary of Condat Holding SAS, as at 31 December 2014. It was merged into Condat Holding SAS on 1 January 2015.

40.2. Nord Papier SA merger into Torraspapel Malmenayde Sàrl

Torraspapel Malmenayde Sàrl and Nord Papier SA are both paper merchants operating on the French market, fully owned subsidiaries of Condat SAS. The Management presented in February 2015 to the Works Councils a comprehensive restructuring plan aiming at the merger of Nord Papier SA into Torraspapel Malmenayde Sàrl. The implementation of the restructuring, subject to the Works Councils opinions, is planned in June 2015. It entails the closure of the offices in Seclin and a job position reduction of 2.

40.3. Financial difficulties of one of important Lecta's customers

One of important Lecta's customers has communicated that it is meeting financial difficulties. Taking into account the protective measures in Lecta's hands, the risk is estimated between EUR 5 M and EUR 10 M. The Management took all available measures to protect Lecta's interests.

LECTA S.A.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

UNDER IFRS

Building a better
working world

Ernst & Young
Société anonyme

7, rue Gabriel Lippmann
Parc d'Activité Syrdall 2
L-5365 Munsbach

Tel : +352 42 124 1

www.ey.com/luxembourg

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent auditor's report

To the Shareholders of
Lecta S.A.
20, rue de la Poste
L-2346 Luxembourg

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 25 April 2013, we have audited the accompanying consolidated financial statements of Lecta S.A., which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year 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 Directors 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 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Áine HEARTY

Luxembourg, 31 March 2014

GENERAL INFORMATION

Lecta Group is engaged in the production and sale of Coated Woodfree ("CWF") and Specialty papers. Lecta Group has production sites in France, Italy and Spain and sells all around the world. It employs 3,752 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 SA
20, rue de la Poste
L-2346 Luxembourg

The consolidated financial statements of Lecta Group for the year ended 31 December 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 28 March 2014. 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)

		Jan to Dec 2013		Jan to Dec 2012	
	Notes		%		%
Revenue	(8)	1,584,951	100	1,624,123	100
Changes in inventories of finished goods and work in process		(14,249)	(1)	4,051	0
Raw materials and consumables used		(780,479)	(49)	(772,393)	(48)
Labor costs		(207,254)	(13)	(225,799)	(14)
Other operating costs except non-recurring items		(492,748)	(31)	(491,268)	(30)
EBITDA	(1.06)	90,221	6	138,713	9
Depreciation	(9)	(67,325)	(4)	(71,313)	(4)
Amortization	(10)	(2,169)	(0)	(1,593)	(0)
Non recurring items	(11)	(50,412)	(3)	(78,615)	(5)
Profit (loss) from operations		(29,685)	(2)	(12,808)	(1)
Financial income	(12)	3,002	0	6,432	0
Financial expense	(12)	(71,056)	(4)	(75,086)	(5)
Profit (loss) before tax		(97,740)	(6)	(81,462)	(5)
Income tax	(13)	(15,643)	(1)	17,565	1
Profit (loss) after tax from continuing operations		(113,382)	(7)	(63,897)	(4)
Profit (loss) after tax from discontinued operations		1,042	0	(167)	(0)
Profit (loss) after tax		(112,340)	(7)	(64,065)	(4)
Attributable to:					
Equity holders of the parent		(112,686)	(7)	(68,237)	(4)
Non-controlling interests		346	0	4,172	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 Dec 2013	Jan to Dec 2012
Profit (loss) for the period		**(112,340)**	**(64,065)**
Exchange differences on translation of foreign operations		2,057	(670)
Net (loss)/gain on cash flow hedges	(24) & (34)	1,597	(1,642)
Income tax effect		(628)	806
		969	(837)
Net (loss)/gain on available-for-sale financial assets	(19)	(29)	(56)
Income tax effect		20	18
		(9)	(38)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		***3,017***	***(1,545)***
Actuarial gains (losses) on defined benefits plans	(31)	693	(5,168)
Income tax effect		(142)	1,859
		552	(3,309)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		***552***	***(3,309)***
Other comprehensive income, net of tax		**3,568**	**(4,854)**
Total comprehensive income, net of tax		**(108,772)**	**(68,919)**
Attributable to:			
Equity holders of the parent		(109,372)	(72,931)
Non-controlling interests		600	4,012

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 2013	31 Dec 2012	31 Dec 2011
ASSETS				
Property, plant and equipment	(16.1)	506,439	568,229	605,288
Investment properties	(16.2)	540	540	540
Goodwill	(17)	118,252	118,252	183,431
Other intangible assets	(18)	2,780	4,606	5,938
Available-for-sale financial investments	(19)	1,401	1,932	5,222
Biological assets	(20)	272	273	270
Deferred income tax assets	(32)	73,070	91,455	65,982
Other non-current receivables	(24)	1,279	1,229	1,143
Non-current assets		**704,033**	**786,517**	**867,815**
Income tax receivable	(32)	2,467	6,558	3,783
Inventories	(21)	206,412	214,342	180,550
Trade receivables	(22)	248,465	325,839	249,461
Prepayments	(23)	1,651	2,973	1,417
Other current receivables	(24)	8,728	3,568	1,614
Cash & cash equivalents	(25)	191,863	178,265	361,647
Current assets		**659,586**	**731,545**	**798,473**
Non-current assets held for sale	(26)	**0**	**0**	**1,408**
TOTAL ASSETS		**1,363,619**	**1,518,063**	**1,667,697**
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)	(7,960)	(9,140)	(5,115)
Foreign currency translation	(27.3)	(1,158)	(3,542)	(2,970)
Accumulated net profits (losses)	(27.4)	80,199	193,212	261,776
Equity holders of the parent		**209,196**	**318,645**	**391,804**
Non-controlling interests		**9,765**	**11,793**	**10,856**
TOTAL EQUITY	(27)	**218,961**	**330,438**	**402,661**
Interest-bearing borrowings	(28)	612,659	614,871	778,987
Non-current grants	(30)	17,517	21,251	15,271
Non-current provisions	(31)	33,853	46,012	33,052
Deferred income tax liabilities	(32)	28,061	35,838	37,316
Non-current income tax payable	(32)	0	400	285
Other non-current payables	(34)	1,372	3,156	875
Non-current liabilities		**693,462**	**721,528**	**865,788**
Current portion of interest-bearing borrowings	(28)	13,956	12,063	7,924
Bank overdrafts	(29)	20,837	31,170	7,178
Current grants	(30)	2,403	1,332	1,041
Current provisions	(31)	10,650	2,104	1,324
Income tax payable	(32)	2,829	2,137	2,563
Trade payables	(33)	387,326	401,689	361,912
Other payables	(34)	13,196	15,601	17,306
Current liabilities		**451,196**	**466,097**	**399,248**
TOTAL LIABILITIES		**1,144,658**	**1,187,625**	**1,265,036**
TOTAL EQUITY AND LIABILITIES		**1,363,619**	**1,518,063**	**1,667,697**

The accompanying Notes are an integral part of these Consolidated financial statements.

Consolidated cash flow statement

Lecta Group

(in EUR K)

	Jan to Dec 2013	Jan to Dec 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
EBITDA	90,221	138,713
Inventories decrease (increase)	6,824	(9,842)
Trade receivable decrease (increase)	72,724	13,457
Prepayments decrease (increase)	1,323	(763)
Trade payables increase (decrease)	(12,177)	(27,737)
Working Capital decrease (increase)	68,693	(24,884)
Provisions increase (decrease)	(12,293)	315
GHG emission rights decrease (increase)	(346)	(483)
Proceeds (payments) related to non-recurring items	(9,132)	(7,643)
Income tax paid	(1,162)	(6,831)
Profit (loss) after tax from discontinued operations	1,042	(167)
Net cash flow (used in) / from operating activities	137,023	99,019
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of Property, plant and equipment	30	10,947
Purchase of property, plant and equipment	(43,493)	(48,702)
Receipt of Grants	(5,031)	7,026
Purchase of subsidiary, net of cash acquired	0	(43,251)
Disposal of subsidiary, net of cash sold	8,049	0
Purchase of other assets	(104)	(1,769)
Proceeds from disposal of other assets	473	18
Dividends received from Available-for-sale financial investments	186	1,510
Net cash flow (used in) / from investing activities	(39,890)	(74,222)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to non controlling interest	(2,628)	(1,403)
Interest paid	(64,370)	(58,788)
Issue costs of Borrowings	(1,118)	(24,980)
Proceeds from Borrowings	63,773	618,003
Repayment of Borrowings	(67,688)	(763,355)
Payment of finance lease liabilities	(1,089)	(989)
Net cash flow (used in) / from financing activities	(73,120)	(231,512)
Net increase (decrease) in Cash & cash equivalents net of Bank overdrafts	24,014	(206,714)
Net foreign exchange difference	(83)	(660)
Cash & cash equivalents net of Bank overdrafts at 1 January	147,095	354,469
Cash & cash equivalents net of Bank overdrafts at 31 December	171,026	147,095
Of which Cash & cash equivalents	191,863	178,265
Of which Bank overdrafts	(20,837)	(31,170)

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 Non-controlling Interests	TOTAL EQUITY
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							(68,237)	(68,237)	4,172	(64,065)
Other comprehensive income (loss)			(38)	(677)	(3,309)	(670)		(4,695)	(160)	(4,854)
Total comprehensive income of the period			**(38)**	**(677)**	**(3,309)**	**(670)**	**(68,237)**	**(72,931)**	**4,012**	**(68,919)**
Variation of percentages of consolidation			0	0	0	0	(228)	(228)	(1,673)	(1,901)
Share capital increase (redemption) in Lecta SA	0	0						0		0
Share capital increase (redemption) in subsidiaries by (to) Minorities									0	0
Reclassification (to be defined)	0	0				99	(99)	0	0	0
Dividends to non controlling interest s									(1,403)	(1,403)
AT 31 DECEMBER 2012	**1,446**	**136,669**	**98**	**(1,572)**	**(7,665)**	**(3,542)**	**193,212**	**318,645**	**11,793**	**330,438**
Profit for the period							(112,686)	(112,686)	346	(112,340)
Other comprehensive income (loss)			(9)	715	552	2,057		3,314	254	3,568
Total comprehensive income of the period			**(9)**	**715**	**552**	**2,057**	**(112,686)**	**(109,372)**	**600**	**(108,772)**
Variation of percentages of consolidation			0	0	0	0	(0)	(0)	0	(0)
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	(37)	25	(66)	327	(327)	(77)	0	(77)
Dividends to non-controlling interests									(2,628)	(2,628)
AT 31 DECEMBER 2013	**1,446**	**136,669**	**51**	**(832)**	**(7,179)**	**(1,158)**	**80,199**	**209,196**	**9,765**	**218,961**

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. applicable as at 1 January 2013. 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.

– 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 2013. When their adoption is deemed to have an impact on the financial statements of Lecta Group, such impact is described below.

– IAS 1 Presentation of Items of Other Comprehensive Income — Amendments to IAS 1:

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that can be reclassified (or 'recycled') to profit or loss at a future point in time are presented separately from items that will never be reclassified.

The amendment affects presentation only and has no impact on the Group's financial position or performance.

– IAS 19 Employee Benefits (Revised)

The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The more significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses has been removed. As revised, amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income . All other changes in the net defined benefit asset (liability), including actuarial gains and losses, are recognized in OCI with no subsequent recycling to profit or loss.

- Expected returns on plan assets are no longer recognized in profit or loss. Expected returns are replaced by recording interest income in profit or loss, which is calculated using the discount rate used to measure the pension obligation.
- The new disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.
- Termination benefits are recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
- The distinction between short-term and other long-term employee benefits is based on the expected timing of settlement rather than the employee's entitlement to the benefits.

The amendment represents a significant further step in reporting gains and losses outside of profit or loss, with no subsequent recycling. Actuarial gains and losses are excluded permanently from profit or loss.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, 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.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate 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 addresses 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 requires 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.

IFRS 11 Joint Arrangements.

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10.

IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

- Joint operation — an arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognize all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.

- Joint venture — an arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities. Many of the disclosure requirements of IFRS 12 were previously included in IAS 27, IAS 31, and IAS 28, while others are new. The new disclosures will assist users to make their own assessment of the financial impact of management's conclusion regarding consolidation.

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. IFRS 13 defines fair value as an exit price. It is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value as used in IFRS 2 Share-based Payments and IAS 17 Leases is excluded from the scope of IFRS 13.

Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

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 "Share of results in associates" 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 equity method.

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, non recurring 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 paper industry.

Non-recurring 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 of which Goodwill (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 year-end closing date. Exchange differences are taken to the Income statement: Foreign exchange differences for operating business items are recorded in the line "Other operating costs except non-recurring items ", and financial items are recorded 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 have such borrowing.

1.08. Foreign currency translations — subsidiaries

The Income statements of the non-euro consolidated subsidiaries are translated into euro at the weighted average exchange rates for the year. Their assets and liabilities are translated into euro at the exchange rate prevailing at the year-end closing date. The exchange differences are taken directly to Equity. On disposal of the entity, the exchange differences accumulated are included in the line "Non recurring 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, increased where appropriate by terminal environmental reinstatement costs (none in Lecta Group).

When acquired through a business combination, 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:

Land	No depreciation
Road, railways and car parks	20 to 40 years
Buildings	30 to 40 years
Plant and machinery	10 to 20 years
Quality control systems	5 to 10 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 Statement of financial position .

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 non recurring 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, increased where appropriate by terminal environmental reinstatement costs (none in Lecta Group).

When acquired by Lecta Group through a business combination, 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 estimated useful lives:

Land	No depreciation
Buildings	30 to 40 years

Investment properties in Lecta Group consisted of plots of land in Amorebieta mill, closed in 2009 (see Note 16.2).

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 interests 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 in the line "Non-recurring items" (see Notes 1.06 and 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 "Non recurring 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 non controlling 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 recognized at cost. Intangible assets acquired as part of a business combination are recognized 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 definite 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 indefinite 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 recognized when it is probable that the project will generate future economic benefits, and the costs 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
CO_2 emission rights (see Note 1.16)	No amortization
Green & White 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 CO2 (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 CO2 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 CO2 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 Statement of financial position .

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 non recurring items".

These rules are implemented separately for each Subsidiary, because National Authorities grant the rights to single companies.

1.17. Green & White 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. Following a change in Italian regulation dated 6 July 2012, the Green certificates are recognized as a non-monetary government grant, which corresponds to GSE (Gestore dei Servizi Energetici) guaranteed price (see Note 4.6).

Thanks to its savings in the consumption of natural gas, Alto Garda Power SrL is entitled to a grant of White certificates for a period of ten years starting in January 2012. No obligation is attached to these White 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 White certificates. They are are recognized as a non-monetary government grant, which corresponds to GSE (Gestore dei Servizi Energetici) guaranteed price (see Note 3.9).

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 the acquisition or issue of the said financial asset.

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 Statement of financial position , 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 "Non recurring 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 Statement of financial position . Changes in the fair value are entered in the line "Non recurring 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 of the low ownership. They are reported in the line "Available-for-sale financial investments", in Non-current assets of the Statement of financial position .

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 Statement of financial position .

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 Statement of financial position .

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 "Non recurring 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 Statement of financial position (see Notes 1.25 and 1.34):
  - 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.

Included in this category are 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 of the Statement of financial position . They are 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 costs to sell. They are not depreciated any more. They are presented separately from the other assets in the Statement of financial position .

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 fair value less costs to sell 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 "Non recurring 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, maintenance expenses and rents. 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,
- Favorable energy price 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 recognize 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, or Borrowings with off-market interest rates. 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 of the amount of the obligation can be made.

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 Statement of financial position . Payments in arrears are reported in the line "Trade payables" of the Statement of financial position . Any accrual that does not fall due within 12 months beyond Statement of financial position 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 Statement of financial position at the present value of the obligation less the fair value of any plan assets legally separate from the employer. Any unrecognized past service costs, is immediately recognized. 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 Statement of financial position .

– 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 non recurring items ".

  – Costs due to the time value of money: "Financial expense".

1.31. Income tax payable

Income tax payable includes withholding tax.

1.32. Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the Statement of financial position 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 (e.g. accelerated tax depreciation, deductible legal revaluation), 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 Statement of financial position 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 Statement of financial position .

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 and withholding 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,
– Unfavorable energy price hedging,
– Miscellaneous other payables (non recurring 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 “Non controlling 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 non controlling interest s 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 non recurring 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 Statement of financial position 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 "Non recurring 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 expired.

1.38. Future changes in accounting policies

New amended IAS interpretations not yet effective:

– Amendments to IAS 32 — Offsetting Financial Assets and Financial Liabilities

  These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

– Amendments to IAS 36 — Recoverable amount disclosure for non financial assets

  The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment. These are effective for annual periods beginning on or after 1 January 2014.

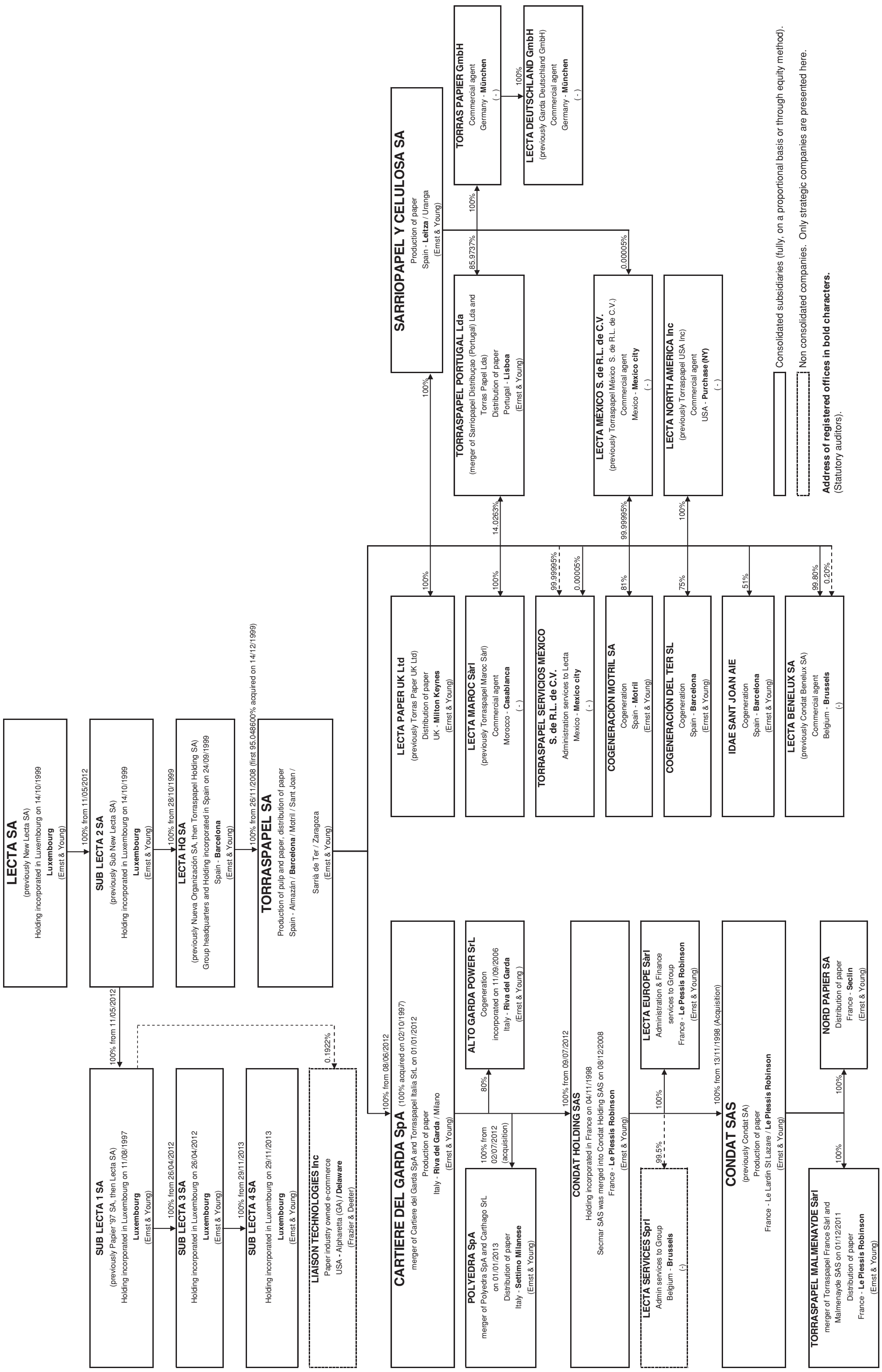
– Amendments to IAS 39 — Novation of Derivatives and Continuation of Hedge accounting

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014.

Lecta Group is evaluating the effects of the above standards applicable as from 1 January 2014 and expects that their adoption will have no impact on the financial statements.

2. Lecta Group at 31 December 2013

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	100.0%	100.0%	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.)	Commercial agent	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	100%	100%	Full
Polyedra SpA (merger of Polyedra SpA and Carthago SrL)	Distribution of paper	Italy	100%	100%	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
Sub Lecta 3 SA	Holding	Luxembourg	100%	100%	Full
Sub Lecta 4 SA	Holding	Luxembourg	100%	100%	Full
Torras Papier GmbH	Commercial agent	Germany	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 non-controlling interests in Torraspapel SA, this acquisition resulted in non-controlling interests in Sub Lecta 1 SA and its subsidiaries.

Torraspapel Servicios México S. de R.L. de C.V. was set up by Dispap SA and incorporated in Mexico on 6 October 2004. It is a provider of administration services to Lecta 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 de Ter (Spain). It was 70% owned by Torraspapel SA and 30% by La Energía SA, a subsidiary of energy services Gas Natural Group when 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 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 was 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 4.95% non-controlling interests in Torraspapel SA following the exercise of a put option, negotiated in December 1999 at the time of the acquisition of Torraspapel SA. It now holds 100% in Torraspapel SA.

On 8 December 2008, Secmar SAS was merged into Condat Holding SAS. Malmenayde SAS and Nord Papier SA became direct subsidiaries of Condat Holding SAS.

On 18 December 2009, Torraspapel SA acquired an additional 5% in Cogeneración del Ter SL. It now holds 75% in Cogeneración del Ter SL.

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 December 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. It now holds 81% in Cogeneración Motril SA.

On 31 December 2011, Torraspapel Italia SrL, the commercial agent in Italy for Torraspapel products was excluded from the consolidation perimeter. On 1 January 2012, Torraspapel Italia SrL was merged into Cartiere del Garda SpA (see Note 4.5.1).

On 26 April 2012, Sub Lecta 3 SA was incorporated in Luxembourg. It is 100% owned by Sub Lecta 1 SA. Its purpose is to be a holding company.

On 2 July 2012, Cartiere del Garda SpA acquired 100% of Polyedra SpA. Polyedra SpA is an Italian paper merchant who in turn holds 100% of Carthago SrL, another Italian paper merchant (see Note 4.5.2).

On 25 September 2012, Condat Holding SAS acquired 34% non-controlling interests in Nord Papier SA. It now holds 100% in Nord Papier SA (see Note 4.5.3).

On 1 January 2013, Carthago SrL was merged into Polyedra SpA (see Note 3.8.1).

On 29 November 2013, Sub Lecta 4 SA was incorporated in Luxembourg. It is 100% owned by Sub Lecta 3 SA. Its purpose is to be a holding company.

On 10 December 2013, Torraspapel SA and Sarriopapel y Celulosa SA sold 100% of their participation in the Argentinean paper distributor Torraspapel Argentina SA.

2.3. Interests in non-consolidated companies

Companies	Activity	Country of incorporation	Interest	Control	Comments
Catalana d'Iniciatives CR SA	*In liquidation*	*Spain*	*0.39%*	*0.39%*	*(a)*
Consorzio Nazionale Imballaggi Scarl	*Recovery & Recycling*	*Italy*	*0.0075%*	*0.0075%*	*(a)*
Dispap SA	*No operating activity*	*Spain*	*100%*	*100%*	*(b)*
Garda UK Ltd	*No operating activity*	*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	0.1922%	0.1922%	(a) (d)
Polyedra AG	*In liquidation*	*Switzerland*	*100%*	*100%*	*(b)*
Promotora del Ulla SA	*No operating activity*	*Spain*	*45.2%*	*45.2%*	*(b)*
SVL Pilote SAS	Logistics	France	0%	0%	(a)
SVS SAS	Forwarding agent	France	0%	0%	(a)
SVT SAS	Packing	France	0%	0%	(a)

In italic: Non-strategic companies.

Other companies are considered as strategic, even if they are not consolidated because of the following reasons:

(a) Lecta Group has no control and no significant influence in these companies.

(b) These companies are not consolidated because of their immateriality.

Other comments

(c) 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.

- On 31 December 2009, Condat North America Inc was dissolved.
- On 1 January 2012, Torraspapel Italia SrL was merged into Cartiere del Garda SpA (see Notes 2.2 and 4.5.1).
- Since April 2012, the activity of Garda UK Ltd has been transferred to Lecta Paper UK Ltd.
- On 24 May 2012, Condat UK Ltd was wound up.
- In December 2012, Formazione Assindustria Trento Scarl was liquidated.
- In September 2013, Liaison Technologies Inc repurchased some of its own shares (see Notes 11 and 19).
- In December 2013, Eurogalicia Forestal SA, Torras Dorna SA and Torras Hostench SL liquidations were approved and presented to the Commercial Registry.

3. Lecta capital structure and Significant events of 2013

3.1. Lecta capital structure

On 11 May 2012, Lecta Group successfully refinanced its debt through the issue of EUR 590 M new notes ("2012 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%,

The 2012 notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market.

The 2012 notes documentation contains certain covenants but no financial ratios have to be met on a quarterly basis.

In addition, Lecta negotiated a new EUR 80 M committed Revolving Credit Facility due 2018.

The net proceeds from the issuance of these 2012 notes, combined with cash on Statement of financial position, have been used to refinance the existing EUR 717.7 M senior secured and unsecured Floating Rate Notes ("2007 notes") due 2014, and to pay fees and costs related to the transaction.

The difference between the carrying amount of the 2007 notes (EUR 712.8 M) extinguished and the consideration paid (EUR 717.7 M), was charged as a Financial expense in the income statement. This difference of EUR 4.9 M consisted in the balance of the former 2007 notes issue costs not yet amortized.

The transaction cost in relation with the issuance of the 2012 notes of EUR 24.8 M, were capitalized as Issue costs and are amortized as Financial expense until the maturity of the 2012 notes.

3.2. 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 specialty papers and merchanting operations, and (iv) the identification of exit opportunities.

3.3. Renewal of the Board authorization to increase the share capital

The Extraordinary general meeting of 25 April 2013 renewed the authorization granted to the Board of Directors to increase, for an additional period of five years the subscribed share capital of Lecta within the limits of the authorized capital of the company.

On 31 December 2013, 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 24 April 2018, to increase once or several times the subscribed Share capital within the limits of the authorized Share capital up to an amount of 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 2013, 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.

3.4. Swap on interest rates

On 3 May 2013, the interest rate of 26% of the Floating rate notes issued in May 2012 was hedged with a Swap to exchange 3-month Euribor variable rate against fixed rate of 0.385% for the period from mid-August 2013 to mid-February 2016. This Swap complements the Caps already in place (see Note 38.5).

Instrument	Notional amount	Effective date	Termination date	Strike
Swap 3M Euribor	EUR 100 M	15-Aug-2013	15-Feb-2016	0.385%

3.5. Organization efficiency program

The integration process covers Lecta industrial operations in Italy, France and Spain, as well as the paper merchanting ones in the same countries and Portugal.

Within the Organization efficiency program, Lecta planned several cost reduction initiatives. The program aims at EUR 38 M fixed costs savings per year of which EUR 15 M were obtained in 2013. The estimate of restructuring cash cost is EUR (41) M.

For the year 2013, the total restructuring cost associated to Lecta efficiency program was EUR (16.9) M, reported in the line "Non recurring items" (see Note 11). After payments, as at 31 December 2013, the remaining provision for restructuring was EUR 10.6 M (see Note 31).

3.5.1. Condat's restructuring (France)

The Management of Condat SAS presented on 22 March 2013 to its Works Council a comprehensive restructuring plan aiming the permanent closure of the production line n°6 (with a production capacity of 130,000 tons of CWF). The negotiations were successfully completed in June 2013 and the implementation of the restructuring plan started with the permanent closure of the production line n°6 on 1 July 2013. The restructuring plan entails a job position reduction of 139.

An impairment of the Line 6 tangible assets of EUR (12.0) M was recorded in December 2012 in the line "Non-recurring items". It was complemented by an impairment of the Line 6 spare parts of EUR (0.7) M in June 2013. The transfer of Line 6 standard components to the stock of spare parts and an adjustment of the initial impairment partly offset the impairment charge by EUR 5.3 M in December 2013. The total net impairment charge amounts to EUR (7.4) M (see Note 11).

A provision for restructuring of EUR (11.0) M was also booked in the line "Non recurring items" in March 2013 (see Note 11).

3.5.2. Torraspapel and Sarriopapel y Celulosa's restructuring (Spain)

In the context of the reallocation of its production capacities, in 2013 Lecta decided to install a second-hand Paper Machine n°7 in its Zaragoza mill. PM7 will produce base paper to be converted into specialty papers by Leitza plant. The investment aims at maximizing the use of pulp produced on the site, thus reducing drying and transportation costs of pulp to other mills.

This decision led to the permanent closure of Berrobi / Uranga mill (with a production capacity of 27,000 tons of base paper) at the end of January 2014.

An Impairment of Berrobi / Uranga tangible assets of EUR (4.7) M was recorded in June 2013, complemented by EUR (0.5) M in December 2013. The total impairment charge of EUR (5.2) M was reported in the line "Non-recurring items" (see Notes 11 and 40).

Probably, this decision will result in the need to reconsider the role of Sarrià de Ter paper mill (with a production capacity of 65,000 tons of base paper and UWF) and Cogeneración del Ter cogeneration plant (with a power of 25MW). An impairment of their tangible assets and spare parts of EUR (24.7) M was reported in the line "Non-recurring items" in December 2013 (see Notes 11 and 40).

3.5.3. Torraspapel Malmenayde's restructuring (France)

The Management of Torraspapel Malmenayde Sàrl presented on 28 June 2013 to its Works Council a comprehensive restructuring plan aiming the outsourcing of Torraspapel Malmenayde transportation activity. The negotiations were successfully completed in October 2013 and the implementation of the restructuring started in November 2013. The restructuring plan entails a job position reduction of 17.

A provision for restructuring of EUR (0.8) M was reported in the line "Non-recurring items" in June 2013 (see Note 11).

3.5.4. Polyedra's restructuring (Italy)

The Management of Polyedra presented on 20 June 2013 to its Trade Unions a comprehensive restructuring plan aiming the centralization of the management and administration activities in Milano, the adaptation of the structure to the reduced size of the Italian market, and some reorganization in the logistic services with the closure of 3 warehouses in 2013.

The plan provides for the voluntary redundancy of a maximum of 58 employees until 15 September 2014 (see Note 36.7).

In June 2013, a provision for restructuring of EUR (3.0) M and an impairment in tangible asset of EUR (0.15) M were reported in the line "Non-recurring items" (see Note 11).

An unused provision of EUR 0.4 M in relation with a restructuring initiated prior to Polyedra's acquisition was released in September 2013 in the line "Non-recurring items" (see Note 11).

3.5.5. Other cost reduction initiatives

Other cost reduction initiatives include:

- Agreement with Cartiere del Garda employees to reduce labor cost through the conversion of part of fixed into variable salary linked to the performance of the company (February 2013);
- Reorganization of the Paper merchanting structure with headcount reductions of −8 FTE in Portugal (November-December 2012), −22 FTE in Spain (March 2013), and −107 FTE in Italy (until March 2013);
- Bonus scheme indexed to EBITDA performance (March 2013);
- Denunciation of Progil pension regime to active employees in Condat (June 2013); this denunciation led to a one-off reduction of the provision for defined benefit post- employment plans of EUR 8.0 M reported in the line "Labor costs" in September 2013;
- Curtailment of the provision for Retirement plan IFC following the implementation of the restructuring in Condat (see Note 3.5.1); the one-off reduction of the provision for defined benefit post- employment plans of EUR 1.5 M was reported in the line "Labor costs" in September 2013;
- Denunciation of labor side agreements in Condat (December 2013) related to the working time and the structure of the remuneration. Condat's management plans to negotiate with the unions a new set of labor side agreements designed to promote the company performance, and the individual and collective efforts. The denounced side agreements will cease to have effect on 1 March 2015.
- Cancellation of pension fund schemes in Spain (May 2013);
- Cancellation of mill special agreements in Spain (July 2013).

3.6. Draft decree applicable to Spanish cogeneration plants

The current draft decree applies to the Spanish cogeneration plants selling electricity to the grid. Lecta considered two consequences in its accounts as at 31 December 2013:

3.6.1. Provisional reduction in Revenue of energy

The current draft decree applies retroactively as of 14 July 2013. Lecta considered a provisional reduction in "Sales of energy" of EUR (4.4) M for the 5.5-month period ending on 31 December 2013 (see Note 8).

3.6.2. Impairment of some Cogeneración Motril's assets

The current draft decree affects the future cash flows of Cogeneración Motril SA in such a way that Lecta decided to impair its intangible and tangible assets, as well as its stock of spare parts. An impairment charge of EUR (5.1) M was recorded in December 2013 (see Note 11).

3.7. Non-recognition of some deferred tax assets

The uncertainties in short-term future profitability, led to the non-recognition of some deferred tax assets (see Notes 13 and 32.3). In 2013, the impact was EUR (9.8) M in Condat Holding tax group (France), and EUR (12.9) M in Lecta HQ tax group (Spain).

3.8. Change in the consolidation perimeter

3.8.1. Merger of Carthago SrL into Polyedra SpA

Carthago SrL was a fully owned subsidiary of Polyedra SpA as at 31 December 2012. It was merged into Polyedra SpA on 1 January 2013.

3.8.2. Sale of Argentinean paper distributor Torraspapel Argentina SA

Lecta considered the sale of its Argentinean distributor Torraspapel Argentina SA in view of political and regulatory uncertainties, obstacles to the repatriation of profits, growing difficulties to obtain import licenses, and risk of devaluation of the local currency (ARS).

The sale to the Tecnomax group of Uruguay was finalized on 10 December 2013, as well as the signing of a long-term supply agreement for CWF and specialty papers.

The details of assets and liabilities of Torraspapel Argentina SA at transfer date were as follows (in EUR K):

ASSETS	
Property, plant and equipment	113
Other non-current receivables	20
Non-current assets	**133**
Income tax receivable	471
Inventories	4,189
Trade receivables	3,651
Prepayments	(3)
Cash & cash equivalents	531
Current assets	**8,840**
TOTAL ASSETS	**8,973**
EQUITY & LIABILITIES	
Pad-in capital	1,692
Share premium	1,302
Foreign currency translation	(3,802)
Accumulated net profits (losses)	5,701
Equity holders of the parent	**4,893**
TOTAL EQUITY	**4,893**
Bank overdrafts	2,347
Income tax payable	533
Trade payables	1,201
Current liabilities	**4,080**
TOTAL LIABILITIES	**4,080**
TOTAL EQUITY AND LIABILITIES	**8,973**

The sale enabled Lecta to cash EUR 6.2 M for the shares in Torraspapel Argentina SA and to reduce its interest-bearing debt net of cash by EUR 1.8 M. Lecta reported a capital loss of EUR (2.5) M because of the recognition of EUR (3.8) M of unrealized Foreign currency translation associated to Torraspapel Argentina SA (see Note 11).

3.9. White certificates

Thanks to its high efficiency, Alto Garda Power SrL is entitled to a grant of White certificates for a period of ten years starting in January 2012. No obligation is attached to these White certificates.

For the 2-year period 2012-2013, the White certificates granted to Alto Garda Power SrL generated a profit of EUR 5.3 M reported in the line "Other operating costs except non-recurring items" in December 2013.

4. Significant events of 2012

The present chapter is an extract of the items disclosed in the Annual report of 2012.

4.1. Organization efficiency program

For the year 2012, the total restructuring cost associated to Lecta efficiency program was EUR 8.3 M, reported in the line "Non-recurring items" (see Note 11). After payments, as at 31 December 2012, the remaining provision for restructuring was EUR 2.1 M (see Note 31).

4.2. Impairment of Goodwill

On 31 December 2012, the impairment test led to the recognition of an impairment charge on Goodwill of EUR (65.2) M reported in the line "Non recurring items" (see Notes 11 and 17).

4.3. Property, plant and equipment

4.3.1. Sale of non-industrial properties

A plot of land in Algeciras was sold for a total amount of EUR 13.5 M. A first down payment of EUR 1.0 M was cashed in December 2011, a second down payment of EUR 0.5 M in March 2012, and the balance of EUR 12.0 M in May 2012. Capital gain of EUR 10.4 M was booked in the line "Non-recurring items" (see Note 11).

4.4. Non-recognition of some deferred tax assets

The uncertainties in short-term future profitability, led to the non-recognition of some deferred tax assets (see Notes 13 and 32.3). In 2012, the impact was EUR (1.8) M in Condat Holding tax group (France).

4.5. Change in the consolidation perimeter

4.5.1. Merger of Torraspapel Italia SrL into Cartiere del Garda SpA

Torraspapel Italia SrL was a non-consolidated participation of Cartiere del Garda SpA as at 31 December 2011. It was merged into Cartiere del Garda SpA on 1 January 2012.

The details of assets and liabilities of Torraspapel Italia SrL at merger date were as follows (in EUR K):

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**

4.5.2. Acquisition of Italian paper merchant Polyedra group

Polyedra group, with a turnover of approximately EUR 260 M, was one of the leading paper merchants in Italy. It enjoyed a prestigious image in all market segments, and belonged to PaperlinX.

Lecta 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 group, Lecta reinforced its position as the leading manufacturer and distributor in Southern Europe.

On 2 July 2012, Lecta acquired the shares in Polyedra SpA. The cost of acquisition was EUR 20.3 M. The purchase price allocation was performed on the acquisition balance as at 30 June 2012, and as the part of equity purchased also amounted to EUR 20.3 M, no Goodwill was considered. The measurement period was closed with the publication of 30 June 2013 accounts without any change.

At acquisition date, Interest-bearing borrowings net of Cash & cash equivalents were EUR 22.1 M.

The fees and expenses in relation with this acquisition amounted to EUR (1.8) M. They were reported in the line "Non-recurring items" (see Note 11).

The details of assets and liabilities at acquisition date were as follows (in EUR K):

	Polyedra group
ASSETS	
Property, plant and equipment	2,472
Other intangible assets	22
Deferred income tax assets	2,370
Other non-current receivables	40
Non-current assets	**4,905**
Income tax receivable	863
Inventories	23,950
Trade receivables	84,634
Prepayments	793
Cash & cash equivalents	1,429
Current assets	**111,668**
TOTAL ASSETS	**116,573**
EQUITY & LIABILITIES	
Paid-in capital	17,000
Accumulated net profits (losses)	3,295
Equity holders of the parent	**20,295**
Minority interest	**0**
TOTAL EQUITY	**20,295**
Non-current provisions	8,171
Deferred income tax liabilities	1
Non-current liabilities	**8,171**
Bank overdrafts	23,508
Income tax payable	469
Trade payables	64,130
Current liabilities	**88,107**
TOTAL LIABILITIES	**96,278**
TOTAL EQUITY AND LIABILITIES	**116,573**

Following the decision to exit from the office supplies business unit of Polyedra group, this activity was isolated in the Consolidated income statement line “Profit (loss) after tax from discontinued operations” as of 1 July 2012. Its impact was EUR (167) K as at 31 December 2012.

4.5.3. Acquisition of non controlling interests in Nord Papier SA

On 23 July 2012, the minority shareholders in Nord Papier SA agreed to sell their 34% participation to Condat Holding SAS against a payment of EUR 1.9 M.

The transfer of ownership to Condat Holding SAS was done on 25 September 2012. With this acquisition, Nord Papier SA is fully owned by Lecta. As of 1 January 2013, Nord Papier SA joined the French tax group led by Condat Holding SAS.

4.6. 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.

This change in estimate generated a profit of EUR 2.5 M reported in the line “Other operating costs except non-recurring items” in 2012.

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" (see Note 17).

The definition of **products and services** has been updated following the reorganization of Lecta group and the acquisition of Polyedra group:

– Coated Woodfree consists in the sale of fine paper manufactured by Lecta. The Coated Woodfree is quasi exclusively sold to third parties;

– Specialties consist in the sale of specialty papers manufactured by Lecta. The Specialties are quasi exclusively sold to third parties;

– Other activities consist in the sale of products purchased from third parties, the activities of holding companies and headquarters.

The intra-segment and inter-segment sales 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 2012 and 2013. It considers the above updated definitions:

(in EUR K)	Revenue		EBITDA	
Products & Services	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Coated Woodfree	1,010,404	1,116,434	71,128	111,401
Specialties	341,359	328,124	14,268	22,212
Other activities	233,188	179,565	4,616	4,969
Intra-group margins			208	131
Total	1,584,951	1,624,123	90,221	138,713

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 2012 and 2013:

(in EUR K)	Revenue	
Geographical location of customers	31 Dec 2013	31 Dec 2012
Luxembourg	27	92
Italy	316,310	261,945
Spain	306,356	346,439
France	264,040	284,719
Germany	125,236	132,261
UK	104,678	123,806
North America	82,425	73,526
Other countries	385,879	401,336
Total	1,584,951	1,624,123

Polyedra group was consolidated as of 1 July 2012. Its customers are essentially located in Italy.

The following table presents non-current assets of the Group's products and services for the years ended 31 December 2012 and 2013:

(in EUR K) Geographical location of assets	Non-current assets	
	31 Dec 2013	31 Dec 2012
Luxembourg	0	0
Italy	114,891	126,679
France	87,551	99,387
Spain	307,589	347,583
Total	510,032	573,648

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	2013	2012
Lecta SA	0	0
Sub Lecta 1 SA (previously Papier '97 SA, then Lecta SA)	0	0
Sub Lecta 2 SA (previously Sub New Lecta SA)	0	0
Sub Lecta 3 SA	0	0
Sub Lecta 4 SA[(a)]	0	—
Cartiere del Garda SpA	505	504
Alto Garda Power SrL	0	0
Polyedra SpA (merger of Polyedra SpA and Carthago SrL)	256	303
Condat Holding SAS (previously Condat Holding SA; absorbed Secmar SAS)	0	0
Condat SAS (previously Condat SA)	557	689
Lecta Europe Sàrl	7	7
Torraspapel Malmenayde Sàrl (merger of Torraspapel France Sàrl and Malmenayde SAS)	115	138
Nord Papier SA	13	13
Lecta HQ SA (previously Nueva Organización SA, then Torraspapel Holding SA)	1	1
Torraspapel SA	1,809	1,865
Sarriopapel y Celulosa SA	405	450
Cogeneración del Ter SL	0	0
Cogeneración Motril SA	0	0
IDAE Sant Joan AIE	0	0
Torraspapel Argentina SA[(b)]	—	27
Lecta Benelux SA (previously Condat Benelux SA)	6	6
Torras Papier GmbH	14	2
Lecta Deutschland GmbH (previously Garda Deutschland GmbH)	3	15
Lecta Maroc Sàrl (previously Torraspapel Maroc Sàrl)	2	2
Lecta México S. de R.L. de C.V. (previously Torraspapel México S. de R.L. de C.V.)	1	1
Torraspapel Servicios México S. de R.L. de C.V.	2	2
Lecta North America Inc (previously Torraspapel USA Inc)	10	10
Torraspapel Portugal Lda (merger of Sarriopapel Distribuiçao (Portugal) Lda and Torras Papel Lda)	27	27
Lecta Paper UK Ltd (previously Torras Paper UK Ltd)	19	22
Total	**3,752**	**4,084**

(a) Company consolidated for the first time in 2013 (see Note 2.2)

(b) Company sold in 2013 (see Note 2.2)

7. Research and Development costs

(in EUR K)	2013	2012
Costs	2,143	2,289

All these costs were expensed as incurred, in compliance with the accounting policy (see Note 1.15).

8. Revenue

(in EUR K)	2013	2012
Sales of paper	1,465,811	1,485,146
Sales of energy	119,140	138,977
Revenue	1,584,951	1,624,123

The current draft decree applicable to Spanish cogeneration plants retroactively as of 14 July 2013 led Lecta to consider a provisional reduction in "Sales of energy" of EUR (4.4) M for the 5.5-month period ending on 31 December 2013 (see Note 3.6.1).

(in metric tonnes)	2013	2012
Volume sold of paper	1,654,886	1,693,676

(in MWh)	2013	2012
Volume sold of energy	1,193,072	1,299,765

9. Depreciation

(in EUR K)	2013	2012
Depreciation of Property, plant and equipment	(70,271)	(73,488)
Amortization of Grants	2,946	2,175
Income / (Expense)	(67,325)	(71,313)

10. Amortization

(in EUR K)	2013	2012
Amortization of Other intangible assets	(2,169)	(1,593)
Income / (Expense)	(2,169)	(1,593)

The 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 (860) K per year in 2012 and 2013.

The costumers portfolio of Malmenayde and Nord Papier were amortized straight line over a period of 7 years as of 1 October 2009, with an impact of EUR (427) K per year in 2012 and 2013.

The rights to connect to the electricity network of the Spanish cogeneration plants were amortized straight line over a period of 10 years, with an impact of EUR (227) K in 2012, and EUR (205) K in 2013. The right to connect of Cogeneración Motril SA was impaired in December 2013 with an impact of EUR (677) K (see Note 3.6.2).

11. Non-recurring items

(in EUR K)	2013	2012
Profit (Loss) on:		
Property, plant and equipment	(29,958)	(3,030)
Investment properties	0	0
Goodwill	0	(65,179)
Other intangible assets	0	0
Available-for-sale financial investments	(24)	(2,999)
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	(159)	48
Organization efficiency program	(16,946)	(8,310)
Other non-recurring items	(3,325)	855
Income / (Expense)	(50,412)	(78,615)

Property, plant and equipment

In 2013, the net charge of EUR (29,958) K consisted in:

– The reduction of the impairment of EUR 4,610 K on Condat's production line n°6 tangible assets (see below and Note 3.5.1)

– The impairment of EUR (5,241) K on Berrobi / Uranga's tangible assets (see Note 3.5.2)

– The impairment of EUR (24,706) K on the tangible assets of Sarrià de Ter mill and Cogeneración del Ter (see Note 3.5.2)

– The impairment of EUR (153) K on Polyedra's tangible assets (see Note 3.5.4)

– The impairment of EUR (4,229) K on the tangible assets of Cogeneración Motril (see Note 3.6.2)

– The balance of EUR (239) K consisted in write-off of EUR (255) K of industrial assets mainly in Italy and movements of provision of EUR 16 K

In 2012, the net charge of EUR (3,030) K consisted in:

– The net profit of EUR 10,425 K on the disposal of a plot of land in Algeciras (see Note 4.3.1)

– The impairment of EUR (12,000) K on Condat's production line n°6 tangible assets (see Note 3.5.1)

– The write-off of EUR (1,483) K of industrial assets mainly in Spain and movements of provision of EUR 28 K

Goodwill

An impairment of EUR (65,179) K was booked in 2012 (see Note 4.2).

Available-for-sale financial investments

In 2013, the net charge of EUR (24) K consisted of:

– A profit of EUR 233 K in relation with the repurchase of its own shares by Liaison Technologies Inc (see Note 2.3)

– A profit of EUR 33 K in relation with the liquidation of Torras Dorna SA and Torras Hostench SL (see Note 2.3)

– A charge of EUR (328) K of which the impairment of Garda UK Ltd shares (see Note 19).

In 2012, the net charge of EUR (2,999) K consisted of:

- Expenses of EUR (1,768) K in relation with the acquisition of Polyedra group (see Note 4.5.2), of which an impairment of EUR (10) K on the non-consolidated company Polyedra AG (see Note 2.3)
- Impairment of EUR (1,050) K on the participation of Dispap SA, an non-consolidated company with no operating activity (see Note 2.3), following the collection of EUR 1,097 K of dividends
- Charge of EUR (179) K in relation with the winding up of Condat UK Ltd (see Note 2.3)
- Charge of EUR (2) K in relation with the liquidation of Formazione Assindustria Trento Scarl (see Note 2.3)

Ineffective portion in the variation of Rate hedging derivatives

This line was the consequence of the introduction of IAS 32 & 39 (see Note 1.36).

Organization efficiency program (see Note 3.5)

The 2013 and 2012 charges included de(in)creases of provision of EUR (8,679) K and EUR 188 K.

Other non-recurring items

In 2013, they mainly consisted in:

- A capital loss of EUR (2,462) K and fees of EUR (80) K in relation with the sale of Torraspapel Argentina SA (see Note 3.8.2)
- The impairment of stock of spare parts in Cogeneración Motril SA for EUR (237) K (see Note 3.6.2)
- A charge of EUR (165) K for the renegotiation of the rental agreement for the offices in Barcelona
- A charge of EUR (116) K associated to the termination of Lecta UK Ltd office and rental agreements
- A charge of EUR (153) K for the rental of the unused railway connection Between Condat's mill and SVL warehouse

In 2012, they mainly consisted in:

- EUR 1,000 K for the reversal of a 2011 accrual in relation with the acquisition of Polyedra group, that partly offset the above "Available-for-sale financial investments" charge of EUR (1,768) K;
- An accrual of EUR (199) K for the liquidation of Polyedra AG (see Note 2.3);
- Condat UK Ltd liquidation proceeds of EUR 166 K, that partly offset the above "Available-for-sale financial investments" charge of EUR (179) K

12. Financial income (expense)

(in EUR K)	2013	2012
Interest on Floating and Fixed Rate Notes	(40,350)	(38,702)
Interest on rate hedging derivatives	0	0
Amortization of issue costs on borrowings	(3,954)	(8,343)
S/T Floating and Fixed Rate Notes	(44,304)	(47,045)
Externalized pension funds	0	0
Lease obligations	(42)	(18)
Incomes on Loans	0	0
Interest on other long-term borrowings	(3,041)	(3,814)
Interest on rate hedging derivatives	(1,300)	(1,260)
Amortization of issue costs on borrowings	(72)	(193)
S/T Other long-term borrowings	(4,413)	(5,268)
Trade receivables: discounts on anticipated payments and non-recourse assignment costs	(17,021)	(17,306)
Trade payables: discounts on anticipated payments	785	696
Finance cost in the provisions on employees benefits	(954)	(1,095)
Capitalization of borrowing costs	0	0
Other financial incomes	2,030	4,226
Other financial expenses	(4,322)	(4,354)
Dividends	186	1,510
Income / (Expense)	(68,055)	(68,654)

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 "Dividends" included EUR 186 K from Garda UK Ltd in 2013, and EUR 1,097 K from Dispap SA and EUR 412 K from Garda UK Ltd in 2012 (see Note 2.3).

13. Income tax in the Income statement

13.1. Overview

(in EUR K)	2013	2012
Current tax	(6,621)	(4,334)
Deferred tax	(9,021)	21,899
Income / (Expense)	(15,643)	17,565

The deferred tax charge of EUR (9,021) K booked in 2013 was the result of:

- EUR (22,338) K of net deferred tax charge on tax losses, because of EUR (22,670) K impairment (see Note 3.7) and EUR 332 K to be used against future taxable profits.
- EUR 13,317 K of deferred tax profit on temporary differences.

The deferred tax profit of EUR 21,899 K booked in 2012 was the result of:

- EUR 13,404 K of net deferred tax profit on tax losses, to be used against future taxable profits.
- EUR 8,495 K of deferred tax profit on temporary differences.

13.2. Effective income tax rate

(in EUR K)	2013	2012
Profit (loss) before tax	(97,740)	(81,462)
Nominal rate in Luxembourg	29.2%	29.2%
Tax at nominal rate	28,559	23,803
Impact of local rates(1)	2,055	6,358
Adjustments on usable tax losses(2):		
— Cancellation of tax losses	(21,900)	0
— Recognition of tax losses	0	1,749
— Other adjustments	(3,086)	1,185
Permanent differences on tax bases(3)	(13,598)	(14,601)
Other adjustments(4)	(7,673)	(929)
P&L income tax	(15,643)	17,565
Effective tax rate	−16.0%	21.6%

Year 2013

(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, negative in 2013, the difference in tax rates generated a favorable impact of EUR 1,745 K;
- The change in tax rates from 2012 to 2013 had an impact of EUR 310 K.

(2) Adjustments on usable tax losses:

- Some deferred tax assets on tax losses were impaired for a total of EUR (21,900) K (see Notes 3.7 and 13.1);
- There were some adjustments on tax losses for a total of EUR (3,086) K.

(3) Permanent differences on tax bases:

- Non-deductible depreciations costs for a total of EUR (1,407) K;
- Non-deductible impairment of some assets for a total of EUR (2,439) K;
- Thin capitalization rules on Financial expense generated an unfavorable impact of EUR (10,111) K;
- Other definitively non-taxable profits resulted in a favorable impact of EUR 359 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 favorable impact of EUR 3,034 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 (353) K (see Note 32.3);
- The transfer of assets within Lecta group generated a taxable capital gain, eliminated in the consolidation, while the use of tax losses was not. This led to an unfavorable adjustment of EUR (8,230) K;
- The sale of Torraspapel Argentina SA (see Note 3.8.2) led to the recognition of EUR (3,802) K unrealized Foreign currency translation. This led to an unfavorable impact of EUR (1,138)°K;
- Some miscellaneous adjustments generated a net unfavorable impact of EUR (986) K.

Year 2012

(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, negative in 2012, the difference in tax rates generated a favorable impact of EUR 5,912 K.
- The change in tax rates from 2011 to 2012 had an impact of EUR 446 K.

(2) Adjustments on usable tax losses:

- Some deferred tax assets on tax losses were recognized for the first time on 31 December 2012: EUR 1,749 K.
- There were some adjustments on tax losses for a total of EUR 1,185 K.

(3) Permanent differences on tax bases:

- Non deductible impairment of goodwill was EUR (23,530)K (see Note 4.2)
- Impairment of shares booked in prior years and considered non-deductible, became deductible in 2012 leading to a favorable impact of EUR 12,351 K
- Thin capitalization rules on Financial expense generated an unfavorable impact of EUR (5,953) K.
- Use of non-capitalized tax credits to neutralize the payment of 2012 corporate tax by Lecta HQ tax group generated a favorable impact of EUR 1,159 K.
- Other definitively non-taxable profits resulted in a favorable impact of EUR 1,372 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 (589) 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 (640) K (see Note 32.3).
- The impact of acquisition of Polyedra group (see Note 4.5.2) was EUR 338 K
- Some miscellaneous adjustments generated a net unfavorable impact of EUR (38) K.

14. Earnings per share

(in EUR K)	2013	2012
Profit (loss) after tax attributable to the equity holders of the parent (in EUR K)		
Income statement	(112,686)	(68,237)
Pro-forma interest on warrants	0	0
Total diluted	(112,686)	(68,237)
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	(201.1)	(121.8)
Diluted	(201.1)	(121.8)

"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 two 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.

Nota: 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 2012									
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**
Additions	0	55	2	407	46,181	0	578	57	**47,281**
Depreciation charge	(6,533)	(62,714)	(445)	(3,027)	0	(138)	(631)	0	**(73,488)**
Impairment losses charged	0	(12,000)	0	0	0	0	0	0	**(12,000)**
Impairment losses reversed as profit	11	17	0	0	0	0	0	0	**28**
Disposals	(248)	(1,276)	28	42	0	0	(143)	0	**(1,597)**
Reclassification in / (out)	10,056	32,705	531	4,014	(45,565)	(1,380)	(101)	(18)	**243**
Merger	0	0	0	(18)	0	0	30	0	**12**
Acquisition of subsidiaries	0	1,420	119	933	0	0	0	0	**2,472**
Exchange adjustments	0	0	(0)	(11)	0	0	0	0	**(11)**
At 31 December 2012									
Cost	242,246	1,316,132	10,858	95,760	32,362	0	3,823	566	**1,701,749**
Depreciation & Impairment	(101,418)	(935,053)	(9,500)	(84,883)	0	(642)	(2,023)	0	**(1,133,519)**
Net carrying amount	140,829	381,079	1,358	10,877	32,362	(642)	1,801	566	**568,229**
Additions	0	1,109	3	190	40,919	0	621	0	**42,842**
Depreciation charge	(6,438)	(60,187)	(389)	(2,472)	0	(138)	(577)	(70)	**(70,271)**
Impairment losses charged	(33)	(33,675)	0	(32)	0	0	0	0	**(33,740)**
Impairment losses reversed as profit	7	4,236	0	(0)	0	0	0	0	**4,243**
Disposals	(5)	(47)	40	(388)	0	0	(90)	(1)	**(491)**
Reclassification in / (out)	(33)	17,034	108	2,554	(23,400)	0	(91)	(399)	**(4,227)**
Variation of percent of consolidation	0	0	(11)	(102)	0	0	0	0	**(113)**
Exchange adjustments	0	0	(5)	(27)	0	0	0	0	**(33)**
At 31 December 2013									
Cost	242,192	1,319,273	10,082	93,654	49,881	0	4,116	355	**1,719,553**
Depreciation & Impairment	(107,865)	(1,009,724)	(8,979)	(83,054)	0	(780)	(2,452)	(259)	**(1,213,114)**
Net carrying amount	134,326	309,549	1,103	10,600	49,881	(780)	1,664	96	**506,439**

2013:

- The impairment charge net of profit of EUR (29,496) K was related to the Organization efficiency program (see Note 3.5) and the impairment of some Cogeneración Motril's assets (see Note 3.6.2).
- The reclassification of EUR (4,227) K was related to the transfer of Condat's line 6 standard components to the stock of spare parts (see Note 3.5.1).
- The decrease in "Variation of percentage of consolidation" was due to the sale of Torraspapel Argentina SA (see Note 3.8.2)
- The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

2012:

- The impairment in machinery of EUR (12,000) K was related to the line 6 in Condat SAS (see Note 3.5.1)
- The increase in "Acquisition of subsidiaries" of EUR 2,472 K was due to the first consolidation of Polyedra group (see Note 4.5.2).
- The increase in "Merger" of EUR 12 K was due to the merger of Torraspapel Italia SrL into Cartiere del Garda SpA (see Note 4.5.1).

(in EUR K)	2013	2012
Major paper machine rebuilds	1,187	9,224
Cost reduction and productivity improvement	14,764	9,416
Maintenance	15,380	15,154
Information technology	1,531	2,672
Environment and safety	9,979	10,815
Total Capex = Additions	**42,842**	**47,281**

2013

Cost reduction and productivity improvement Capex were allocated as follows:

- EUR 1.6 M in Italy, of which EUR 0.6 M for a new guillotine dedicated to big size paper, EUR 0.5 M for the converting of self-adhesive paper, EUR 0.4 M for the installation of a warm water buffer tank in AGP, and EUR 0.1 M for the second phase of the electric interruptibility
- EUR 0.8 M in France
- EUR 10.3 M in Spain for the installation of the second-hand PM7 in Zaragoza (see Note 3.5.2), and EUR 0.9 M to increase the production capacity of some specialty papers

Maintenance Capex was allocated as follows:

- EUR 2.0 M in Italy, of which EUR 1.4 M for the overhaul of the cogeneration plant and the repair of the gas turbine
- EUR 3.3 M in France, of which EUR 0.6 M for an upgrade of the line 8 DCS and EUR 0.4 M for an improvement of the kitchen
- EUR 10.0 M in Spain, of which a total of EUR 1.9 M for the overhaul of cogeneration plants, and EUR 1.3 M to increase the energetic efficiency of the pulp mill in Zaragoza.

Information Technology Capex was allocated as follows:

- EUR 0.1 M in France
- EUR 1.4 M in Spain

Environment and safety Capex were allocated as follows:

– EUR 0.9 M in Italy

– EUR 0.4 M in France

– EUR 8.7 M in Spain, of which EUR 2.9 M for the pre-evaporation and stripping condensation, EUR 2.7 M for the environmental plan, and EUR 0.6 M for the installation of new electro-filters in Zaragoza

The Reclassifications were as follows:

– EUR (23.4) M of Work in progress came into service

– EUR (0.1) M of forklifts were transferred from Leased to Purchased motor vehicles.

2012

Major paper machine rebuild mainly consisted in:

– EUR 8.0 M to increase the production capacity of self-adhesive paper in Almazán

– EUR 0.9 M to increase the production capacity of metalized paper in Leitza

Cost reduction and productivity improvement Capex were allocated as follows:

– EUR 3.7 M in Italy, of which EUR 2.3 M for the converting of self-adhesive paper, and EUR 0.8 M for the installation of new hot air drying system

– EUR 0.4 M in France

– EUR 5.3 M in Spain, of which, EUR 1.5M in glassine paper in Sarrià, EUR 1.1 M invested in the cogeneration plant in Sant Joan, and EUR 0.8M in acrylic adhesive dosage system in Almazán

Maintenance Capex was allocated as follows:

– EUR 2.9 M in Italy, of which EUR 0.9 M for the overhaul of the cogeneration plant, and EUR 0.2 M for the replacement of a reduction gear box in the gas turbine

– EUR 1.7 M in France, of which EUR 0.3 M for a partial upgrade of the line 8 DCS

– EUR 10.1 M in Spain, of which a total of EUR 4.8 M for the overhauls of the cogeneration plants in Cogeneration Motril, Sarrià de Ter and Zaragoza; and EUR 0.5 M to increase the energetic efficiency pulp mill in Zaragoza.

Information Technology Capex was allocated as follows:

– EUR 0.1 M in France

– EUR 0.2 M in Italy

– EUR 2.0 M in Spain

Environment and safety Capex were allocated as follows:

– EUR 1.7 M in Italy, of which EUR 0.6 M for the acquisition of a plot of land

– EUR 0.6 M in France

– EUR 8.5 M in Spain, of which EUR 4.4 M for the installation of new electro-filters in Zaragoza, and prevention-protection investments following insurer recommendations.

The Reclassifications were as follows:

– EUR (45.6) M of Work in progress came into service

– EUR (0.1) M of forklifts were transferred from Leased to Purchased motor vehicles.

16.2. *Investment properties*

(in EUR K)	Purchased Investment properties	Leased Investment properties	TOTAL
At 1 January 2012			
Cost	540	0	**540**
Depreciation & Impairment	0	0	**0**
Net carrying amount	540	0	**540**
Reclassification in / (out)	0	0	**0**
At 31 December 2012			
Cost	540	0	**540**
Depreciation & Impairment	0	0	**0**
Net carrying amount	540	0	**540**
Reclassification in / (out)	0	0	**0**
At 31 December 2013			
Cost	540	0	**540**
Depreciation & Impairment	0	0	**0**
Net carrying amount	540	0	**540**

As at 31 December 2012 and 2013, Investment properties of EUR 540 K only consisted in a plot of land in Amorebieta / Carmen.

This land in Amorebieta had an estimated fair value of EUR 1.7 M as at 31 December 2012 and EUR 1.3 M as at 31 December 2013.

17. Goodwill

(in EUR K)	
At 1 January 2012	
Gross amount	190,141
Impairment	0
Reduction	(6,710)
Net carrying amount	183,431
Reduction of Goodwill (IAS 12 § 68)	(65,179)
At 31 December 2012	
Gross amount	190,141
Impairment	(65,179)
Reduction	(6,710)
Net carrying amount	118,252
Reduction of Goodwill (IAS 12 § 68)	(65,179)
At 31 December 2013	
Gross amount	190,141
Impairment	(65,179)
Reduction	(6,710)
Net carrying amount	118,252

Impairment test of Goodwill:

In consideration of the integrated organization of Lecta focused on production and sale of paper only, the volume of intragroup transactions, the interchangeability of products between mills, Lecta considers one cash-generating unit. 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 2014 to 2017 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. Conservative assumptions on the annual growth rate were applied to the cash flow projections beyond 2017. The WACC rate applied to cash flow projections was 9.2%.

On 31 December 2012, the impairment test led to the recognition of an impairment of EUR (65.2) M (see Notes 4.2 and 11).

A sensitivity analysis showed that:

- An increase of 100 bps of the WACC rate applied to cash flow projections, from 9.2% to 10.2%, everything else being equal, had an unfavorable impact of EUR 84 M.
- A decrease of 10% of the EBITDA applied to the period 2013 to 2016 and beyond 2016, everything else being equal, had an unfavorable impact of EUR 81 M.

On 31 December 2013, the impairment test was successfully passed and no impairment was recognized.

A sensitivity analysis showed that:

- An increase of 100 bps of the WACC rate applied to cash flow projections, from 9.2% to 10.2%, everything else being equal, has an unfavorable impact of EUR 72 M.
- A decrease of 10% of the EBITDA applied to the period 2014 to 2017 and beyond 2017, everything else being equal, has an unfavorable impact of EUR 49 M.

18. Other intangible assets

(in EUR K)	CO2 emission rights	Other intangible assets	TOTAL
At 1 January 2012			
Gross amount	61	14,394	**14,455**
Amortization & Impairment		(8,517)	**(8,517)**
Net carrying amount	61	5,877	**5,938**
Additions	0	(2)	**(2)**
Amortization charge		(1,593)	**(1,593)**
Var.of fair value through Income statement	483		**483**
Disposals	0	0	**0**
Reclassification in / (out)	0	(243)	**(243)**
Acquisition of subsidiaries	0	22	**22**
At 31 December 2012			
Gross amount	545	14,286	**14,831**
Amortization & Impairment		(10,225)	**(10,225)**
Net carrying amount	545	4,061	**4,606**
Additions	52	(3)	**49**
Amortization charge		(2,169)	**(2,169)**
Impairment losses charged		0	**0**
Impairment losses reversed as profit		0	**0**
Var.of fair value through Income statement	295		**295**
Disposals	0	0	**0**
Reclassification in / (out)	0	0	**0**
Variation of percent of consolidation	0	0	**0**
At 31 December 2013			
Gross amount	891	14,259	**15,150**
Amortization & Impairment		(12,370)	**(12,370)**
Net carrying amount	891	1,889	**2,780**

As at 31 December 2013, CO2 (or GHG) emission rights only consisted in purchased CER (Certified Emission Reduction) as the EUA (EU Allowance) were granted for free (see Note 1.16). As at 31 December 2013 there were 701,580 tonnes of CO2 emission rights free of any obligation having a fair value of EUR 3.4 M.

As at 31 December 2012, CO2 emission rights only consisted in purchased CER (Certified Emission Reduction) as the EUA (EU Allowance) were granted for free (see Note 1.16). As at 31 December 2012 there were 876,515 tonnes of CO2 emission rights free of any obligation having a fair value of EUR 3.7 M.

Other intangible assets consisted of:

- Trademarks Malmenayde and Nord Papier
- Costumers portfolio of Malmenayde and Nord Papier
- Rights to connect to the electricity network for the Spanish cogeneration plants
- Development costs (see Note 7).

19. Available-for-sale financial investments

(in EUR K)	
At 1 January 2012	
Fair value	5,222
Additions	9
In(de)creases of fair value through Equity	(56)
Impairment profit (charge)	(1,060)
Disposals	(181)
Merger	(2,002)
At 31 December 2012	
Fair value	1,932
Additions	32
In(de)creases of fair value through Equity	(29)
Impairment profit (charge)	(328)
Disposals	(207)
At 31 December 2013	
Fair value	1,401

2013:

- EUR 32 K in the line "Additions" consisted in a capital increase in the non-consolidated company Polyedra AG prior to its liquidation (see Note 2.3).
- EUR (29) K in the line "In(de)crease of fair value through equity" was the adjustment in fair value of non-consolidated financial assets, of which EUR (26) K with the liquidation of Torras Dorna SA and Torras Hostench SL and EUR 9 K with Dispap SA (see Notes 2.3 and 11).
- EUR (328) K in the line "Impairment profit (charge)" was related to the impairment in Garda UK Ltd (see Notes 2.3 and 11).
- EUR (207) K in the line "Disposals" consisted of EUR (68) K in relation with Liaison Technologies Inc repurchase of its own shares in September, EUR (124) K and EUR (15) K for Torras Dorna SA and Torras Hostench SL liquidation (see Notes 2.3 and 11).

2012:

- EUR 9 K in the line "Additions" consisted in the non consolidated company Polyedra AG (see Note 2.3).
- EUR (56) K in the line "In(de)crease of fair value through equity" was the adjustment in fair value of non-consolidated financial assets, of which EUR 62 K in relation with Liaison Technologies Inc, and EUR (118) K with Catalana d'Iniciatives CR SA (see Note 2.3).
- EUR (1,060) K in the line "Impairment profit (charge)" was related to impairments of EUR (1,050) K in Dispap SA and EUR (10) K in Polyedra AG (see Notes 2.3 and 11).
- EUR (181) K in the line "Disposals" consisted of EUR (179) K for the winding up of Condat UK Ltd and EUR (2) K for the liquidation of Formazione Assindustria Trento (see Notes 2.3 and 11).
- EUR (2,002) K in the line "Merger" was related to the merger of Torraspapel Italia SrL into Cartiere del Garda SpA (see Note 4.5.1).

At 31 December 2013, 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 of latest available accounts
Catalana d'Iniciatives CR SA	0.39%	0	0	(28,691)	1,606	17,329	31.12.2012
Consorzio Nazionale Imballaggi Scarl	0.0075%	1	22,751	80	22,524	29,046	31.12.2012
Dispap SA	100%	1,204	0	(9)	1,204	0	31.12.2013
Garda UK Ltd	100%	0	0	0	0	0	31.12.2013
Gas Intensive Scarl	0.52%	1	125,010	886	3,195	7,400	31.12.2012
Lecta Services Sprl	99.5%	20	617	34	203	(816)	31.12.2013
Liaison Technologies Inc (previously Liaison Technologies LLC)	0.192%	64	57,636	(242)	54,855	(17,664)	31.12.2012
Polyedra AG	100%	32	0	(4)	128	86	31.12.2013
Promotora del Ulla SA	45.2%	77	0	(6)	177	(5)	31.12.2012
SVL Pilote SAS	0%	0	7,205	95	298	(347)	31.12.2012
SVS SAS	0%	0	646	4	82	(19)	31.12.2012
SVT SAS	0%	0	1,818	(47)	96	2	31.12.2012
		1,399					

All the above companies are unlisted.

20. Biological assets

(in EUR K)	
At 1 January 2012	
Fair value	270
Changes of fair value	3
Decrease due to harvest	0
At 31 December 2012	
Fair value	273
Changes of fair value	(1)
Decrease due to harvest	0
At 31 December 2013	
Fair value	272

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 2012							
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
Movements	3,640	118	2,417	7,368	(4,739)	1,182	9,986
Impairment	0	0	0	(62)	362	(444)	(144)
Reclassification in / (out)	0	0	0	0	0	0	0
Acquisition of subsidiaries	0	0	0	0	23,950	0	23,950
At 31 December 2012							
Cost	40,537	3,199	21,931	87,115	41,897	30,440	225,119
Impairment	0	0	0	(1,182)	(2,053)	(7,543)	(10,777)
Net carrying amount	40,537	3,199	21,931	85,934	39,844	22,898	214,342
Movements	5,659	849	(2,564)	(7,773)	(1,257)	298	(4,788)
Impairment	0	0	0	180	632	(2,848)	(2,036)
Reclassification in / (out)	0	0	0	0	0	4,227	4,227
Variation of percent of consolidation	0	0	0	0	(4,189)	0	(4,189)
Exchange adjustments	0	0	0	0	(1,144)	0	(1,144)
At 31 December 2013							
Cost	46,196	4,048	19,367	79,342	35,299	34,966	219,218
Impairment	0	0	0	(1,001)	(1,414)	(10,390)	(12,806)
Net carrying amount	46,196	4,048	19,367	78,341	33,885	24,576	206,412

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.

2013:

– The "Impairment" of spare parts was mainly due to the permanent closure of Berrobi / Uranga plant, the impairment of Sarrià de Ter plants (see Notes 3.5.2 and 40) and of some assets in Cogeneración Motril (see Note 3.6.2).

– The "Reclassification" of EUR 4,227 K was due to the transfer of Condat Line 6 standard components from Property, plant and equipment to the stock of spare parts (see Notes 3.5.1 and 16.1).

– The "Variation of percentage of consolidation" of EUR (4,189) K was due to the sale of Torraspapel Argentina SA (see Note 3.8.2).

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

2012:

– The "Acquisition of subsidiaries" of EUR 23,950 K was due to the first consolidation of Polyedra group (see Note 4.5.2).

22. Trade receivables

(in EUR K)	
At 1 January 2012	
Cost	258,058
Impairment	(8,597)
Net carrying amount	249,461
Non-current	0
Current	249,461
Movements	(15,048)
Impairment	1,591
Reclassification in / (out)	(331)
Merger	5,532
Acquisition of subsidiaries	84,634
At 31 December 2012	
Cost	350,015
Impairment	(24,176)
Net carrying amount	325,839
Non-current	0
Current	325,839
Movements	(74,410)
Impairment	1,686
Reclassification in / (out)	0
Variation of percent of consolidation	(3,651)
Exchange adjustments	(999)
At 31 December 2013	
Cost	270,918
Impairment	(22,453)
Net carrying amount	248,465
Non-current	0
Current	248,465

The Financial instruments on Trade receivables are detailed in Note 38.

2013:

– The "Variation of percentage of consolidation" of EUR (3,651) K was due to the sale of Torraspapel Argentina SA (see Note 3.8.2).

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

2012:

– The "Merger" of EUR 5,532 K was due to the merger of Torraspapel Italia SrL into Cartiere del Garda SpA (see Note 4.5.1).

– The "Acquisition of subsidiaries" of EUR 84,634 K was due to the first consolidation of Polyedra group (see Note 4.5.2).

23. Prepayments

(in EUR K)	
At 1 January 2012	
Cost	1,417
Impairment	0
Net carrying amount	1,417
Non-current	0
Current	1,417
Movements	763
Acquisition of subsidiaries	793
At 31 December 2012	
Cost	2,973
Impairment	0
Net carrying amount	2,973
Non-current	0
Current	2,973
Movements	(1,323)
Variation of percent of consolidation	3
Exchange adjustments	(3)
At 31 December 2013	
Cost	1,651
Impairment	0
Net carrying amount	1,651
Non-current	0
Current	1,651

This caption included prepayments of insurance premiums, maintenance expenses and rents.

2013:

– The “Variation of percentage of consolidation” of EUR 3 K was due to the sale of Torraspapel Argentina SA (see Note 3.8.2).

– The variation of Opening balance when applying the year-end exchange rate is isolated in “Exchange adjustments”

2012:

– The “Acquisition of subsidiaries” of EUR 793 K was due to the first consolidation of Polyedra group (see Note 4.5.2).

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 2012										
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
Movements	(45)	(18)	1,419	1,000	0	0	(172)		0	2,185
Var.of fair value through Income statement					0	(53)	170	0		117
Increases of fair value through Equity						0	(6)	(123)		(129)
Decreases of fair value through Equity						(152)	(21)	0		(174)
Acquisition of subsidiaries	0	40	0	0	0	0	0	0	0	40
Exchange adjustments	0	0	0	0	0	0	0	0	0	0
At 31 December 2012										
Cost or fair value	0	1,229	3,360	0	0	209	(1)	0	0	4,797
Impairment	0	0	0	0					0	0
Net carrying amount	0	1,229	3,360	0	0	209	(1)	0	0	4,797
Non-current	0	1,229	0	0	0	0	0	0	0	1,229
Current	0	0	3,360	0	0	209	(1)	0	0	3,568
Movements	0	76	5,313	0	0	0	(29)		0	5,361
Var.of fair value through Income statement					0	(22)	30	0		8
Increases of fair value through Equity						0	0	0		0
Decreases of fair value through Equity						(133)	(0)	0		(133)
Variation of percent of consolidation	0	(20)	0	0	0	0	0	0	0	(20)
Exchange adjustments	0	(7)	0	0	0	0	0	0	0	(7)
At 31 December 2013										
Cost or fair value	0	1,279	8,674	0	0	54	(0)	0	0	10,006
Impairment	0	0	0	0					0	0
Net carrying amount	0	1,279	8,674	0	0	54	(0)	0	0	10,006
Non-current	0	1,279	0	0	0	0	0	0	0	1,279
Current	0	0	8,674	0	0	54	(0)	0	0	8,728

As at 31 December 2011, Green certificates were accounted for their nominal value (0 EUR) as “Other intangible assets” (see Note 18).

As at 31 December 2012, following a change in Italian regulation dated 6 July 2012, the Green certificates were recognized as “Grants receivables” (see Note 1.17). At that date, there were 39,844 Green certificates free of any obligation, having a fair value of EUR 3,360 K.

As at 31 December 2013, there were 39,767 Green certificates and 35,272 White certificates (see Note 3.9) recognized as “Grants receivables” (see Note 1.17). Free of any obligation, they had a fair value of EUR 8,674 K.

As at 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 closed in May 2012 (see Note 4.3.1).

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.

2013:

- The “Variation of percentage of consolidation” was due to the sale of Torraspapel Argentina SA (see Note 3.8.2).
- The variation of Opening balance when applying the year-end exchange rate is isolated in “Exchange adjustments”

2012:

- The "Acquisition of subsidiaries" of EUR 40 K was due to the first consolidation of Polyedra group (see Note 4.5.2).

25. Cash & cash equivalents

(in EUR K)	
At 1 January 2012	361,647
Cash in hand	90
Current accounts	180,298
Deposits	4,174
Certificates of deposits	0
Marketable securities	177,085
Movements	(185,834)
Merger	1,024
Acquisition of subsidiaries	1,429
At 31 December 2012	178,265
Cash in hand	114
Current accounts	106,787
Deposits	53,825
Certificates of deposits	0
Marketable securities	17,539
Movements	8,760
Variation of percent of consolidation	4,927
Exchange adjustments	(89)
At 31 December 2013	191,863
Cash in hand	38
Current accounts	141,879
Deposits	42,882
Certificates of deposits	0
Marketable securities	7,064

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.

2013:

- The "Variation of percentage of consolidation" of EUR 4,927 K was due to the sale of Torraspapel Argentina SA (see Note 3.8.2): EUR 6,233 K for the sale of shares net of EUR (776) K of withholding tax paid in Argentina, less EUR 531 K of cash in the company before disposal.
- The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

2012:

- The "Merger" of EUR 1,024 K was due to the merger of Torraspapel Italia SrL into Cartiere del Garda SpA (see Note 4.5.1).
- The "Acquisition of subsidiaries" of EUR 1,429 K was due to the first consolidation of Polyedra group (see Note 4.5.2).

26. Held for sale property

(in EUR K)	
At 1 January 2012	
Cost	1,408
Depreciation & Impairment	0
Net carrying amount	1,408
At 31 December 2012	
Cost	0
Depreciation & Impairment	0
Net carrying amount	0
Reclassification in / (out)	0
Disposals	0
At 31 December 2013	
Cost	0
Depreciation & Impairment	0
Net carrying amount	0

On 31 December 2011, the net carrying amount of Held for sale property consisted in the land in Algeciras, sold in May 2012 (see Note 4.3.1).

27. Equity

27.1. Paid-in capital and Share premium

Paid-in capital at 31 December 2013

Lecta SA

		2013			
		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 of the 19 classes 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 2013, 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 24 April 2018, to increase once or several times the subscribed Share capital within the limits of the authorized Share capital up to an amount of 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 2013, 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 2013	At 31 December 2012	At 1 January 2012
Available-for-sale financial assets, adjustment at fair value (see Note 19)	54	83	139
Cash flow hedging of currencies, effective part of fair value (see Note 38.4)	22	155	307
Cash flow hedging of interest rates, effective part of fair value (see Note 38.5)	(1,895)	(3,624)	(2,257)
Cash flow hedging of energy prices, effective part of fair value (see Note 38.6)	0	0	123
Actuarial gains (losses) on defined benefit plans (see Notes 31 and 36.2)	(11,189)	(11,882)	(6,714)
Deferred tax on the above items (see Note 32.3)	4,754	5,581	2,899
Options on minorities (see Note 38.1)	0	0	0
Total	(8,254)	(9,688)	(5,504)
Group	(7,960)	(9,140)	(5,115)
Minority	(294)	(548)	(388)

27.3. Foreign currency translation

This unrealized loss of EUR (1,158) K as at 31 December 2013 was the consequence of the consolidation of subsidiaries for which the transactions, assets and liabilities are not recorded in euro (see Note 1.07):

- Lecta North America Inc (USD)
- Lecta Paper UK Ltd (GBP)
- 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)

The reserve of EUR (3,542) K as at 31 December 2012 also included Torraspapel Argentina SA (ARS).

27.4. Accumulated net profit (losses)

The breakdown of this reserve was as follows:

(in EUR K)	31-Dec 2013	31-Dec 2012	1-Jan 2012
Legal reserve of Lecta SA	145	145	145
Other reserves from Lecta SA	(14,774)	(6,452)	19,911
Reserves Group generated by the consolidation process	94,829	199,520	241,720
Total	80,199	193,212	261,776

28. Interest-bearing borrowings

28.1. Overview

(in EUR K)	Floating and Fixed Rate Notes	Lease obligations	Other	TOTAL
At 1 January 2012	715,898	2,379	68,634	**786,911**
Non-current	713,122	1,632	64,232	**778,987**
Current	2,776	747	4,401	**7,924**
Increase of principal	565,331	407	28,003	**593,741**
Repayment of principal	(717,780)	(760)	(45,694)	**(764,235)**
Variation of interests	1,122	0	87	**1,209**
Amortization of issue costs	8,343		193	**8,536**
Merger	0	11	761	**772**
At 31 December 2012	572,914	2,037	51,984	**626,935**
Non-current	565,673	1,185	48,014	**614,871**
Current	7,241	852	3,970	**12,063**
Increase of principal	0	535	63,773	**64,308**
Repayment of principal	0	(1,003)	(67,688)	**(68,691)**
Variation of interests	13	0	40	**53**
Amortization of issue costs	3,954		72	**4,026**
Exchange adjustments	0	(0)	(16)	**(16)**
At 31 December 2013	576,881	1,569	48,166	**626,615**
Non-current	569,951	708	41,999	**612,659**
Current	6,929	861	6,166	**13,956**

The borrowings were essentially denominated in Euro.

2013:

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

2012:

– The "amortization of issue costs" of EUR 8,536 K included EUR 4.9M in relation with the former 2007 notes. This balance was fully amortized in May 2012 with the issuance of the new 2012 notes (see Note 3.1).

– The "Merger" of EUR 772 K was due to the merger of Torraspapel Italia SrL into Cartiere del Garda SpA (see Note 4.5.1).

28.2. Floating and Fixed Rate Notes

On 11 May 2012, Lecta Group refinanced its EUR 798 M old notes ("2007 notes") through the issue of EUR 590 M new notes ("2012 notes") and the use of cash on Statement of financial position .

The 2012 notes and the refinancing operation of May 2012 are fully described in Note 3.1.

The due dates for 2012 Floating rate notes interests are on 15 of February, May, August and November. A large part of the 2012 Floating rate notes was hedged (see Note 38.5).

The due dates for 2012 Fixed rate notes interests are on 15 of May and November.

28.3. Lease obligations

Reconciliation between lease obligation present value and future minimum leases payments is provided in Notes 35.1 and 35.2.

28.4. Other borrowings

At 31 December 2013, Other borrowings were:

– Borrowings with a rate of 0%, granted in the context of environmental friendly installations and innovation. These borrowings were restated to bring out the embedded grant, using the effective interest rate method.

  At 31 December 2013, the net amount was EUR 2,246 K.

– Borrowings in Torraspapel SA and Sarriopapel y Celulosa SA granted in 2012 and 2013 by public institutions to encourage environmental friendly installations and innovation. Their duration is 10 years. Interest rate is between 3.95% and 4.925%. At 31 December 2013, the net amount was EUR 9,617 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 2013, the principal amount drawn under the above four facilities and accrued interests was EUR 21,098 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 2013, the principal and interest accrued was EUR 14,038 K.

– During the refinancing that took place on 11 May 2012 (see Note 3.1) a committed Multicurrency Revolving Facility agreement was signed for EUR 80 M. Last repayment date is 10 May 2018. The interest rate is Euribor +4.25%.

  It remained unused through 31 December 2013. The accrued commitment fees were EUR 185 K.

– Non-recourse factoring advance: EUR 0 K

– Residual commitment in trade receivables assigned to financial institutions through non-recourse invoice discounting: EUR 64 K.

– Miscellaneous: EUR 1,111 K.

29. Bank overdrafts

(in EUR K)	
At 1 January 2012	7,178
Movements	485
Acquisition of subsidiaries	23,508
At 31 December 2012	31,170
Movements	(7,831)
Variation of percent of consolidation	(2,347)
Exchange adjustments	(156)
At 31 December 2013	20,837

2013:

– The "Variation of percentage of consolidation" of EUR (2,347) K was due to the sale of Torraspapel Argentina SA (see Note 3.8.2).

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

2012:

– The "Acquisition of subsidiaries" of EUR 23,508 K was due to the first consolidation of Polyedra group (see Note 4.5.2).

30. Grants

(in EUR K)	
At 1 January 2012	
Net carrying amount	16,313
Non-current	15,271
Current	1,041
Movements	8,445
Amortization (income)	(2,175)
At 31 December 2012	
Net carrying amount	22,583
Non-current	21,251
Current	1,332
Movements	282
Amortization (income)	(2,946)
At 31 December 2013	
Net carrying amount	19,919
Non-current	17,517
Current	2,403

The breakdown of Grants net of amortization as at 31 December 2013 was as follows:

– EUR 5,730 K in Alto Garda Power SrL.

– EUR 814 K in Condat SAS.

– EUR 13,376 K in Torraspapel Group.

In December 2012, Alto Garda Power SrL collected the whole grant of EUR 9,706 K. This grant has a subsequent condition to be met: Cartiere del Garda SpA has to keep the control of Alto Garda Power SrL until 31 December 2018.

Other grants related to Property, plant and equipment or Borrowings with off-market interest rates 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 2012	28,942	166	5,268	34,376
Non-current	27,863	165	5,024	33,052
Current	1,079	1	244	1,324
Additional	2,962	0	1,267	4,229
Utilized	(1,484)	(188)	(1,257)	(2,929)
Unused reversed	0	0	(1,174)	(1,174)
In(de)creases of fair value through Equity	5,168			5,168
Reclassification in / (out)	(516)	(162)	678	(0)
Merger	274	0	0	274
Acquisition of subsidiaries	3,078	2,238	2,855	8,171
At 31 December 2012	38,424	2,053	7,637	48,115
Non-current	37,146	2,053	6,812	46,012
Current	1,279	0	825	2,104
Additional	1,915	14,035	1,162	17,112
Utilized	(1,984)	(5,356)	(3,251)	(10,591)
Unused reversed	(9,351)	0	(88)	(9,439)
In(de)creases of fair value through Equity	(693)			(693)
Reclassification in / (out)	(49)	(169)	218	(0)
At 31 December 2013	28,262	10,563	5,678	44,503
Non-current	26,861	2,932	4,060	33,853
Current	1,402	7,630	1,618	10,650

2013:

– The "Unused reversed" of EUR (9,647) K included a curtailment of EUR (9,457) K in relation with the denunciation of Progil pension regime to active employees in Condat (see Notes 3.5.5 and 36.5) and Condat's restructuring (see Notes 3.5.1, 3.5.5 and 36.5).

2012:

– The "Merger" of EUR 274K was due to the merger of Torraspapel Italia SrL into Cartiere del Garda SpA (see Note 4.5.1).

– The "Acquisition of subsidiaries" of EUR 8,171 K was due to the first consolidation of Polyedra group (see Note 4.5.2).

Provision for Other social commitments was composed of (see Note 36):

– Cartiere del Garda SpA	EUR 6,287 K
– Polyedra SpA	2,627
– Condat SAS	16,856
– Lecta Europe Sàrl	398
– Torraspapel Malmenayde Sàrl	1,455
– Torraspapel SA and its subsidiaries	639
	EUR 28,262 K

Organization efficiency program is introduced in Note 3.5.

Other operating provisions consisted of:

– Tax litigations	EUR 2,186 K
– Litigations with suppliers, penalties	1,804
– Social security, redundancies, overtime	709
– Deficit in CO_2 (or GHG) emission rights (covered by purchased CO_2 emission rights, see Note 18)	898
– Miscellaneous	82
	EUR 5,678 K

32. Income tax in the Statement of financial position

32.1. Overview

(in EUR K)	Income tax receivable	Income tax payable	Deferred tax assets	Deferred tax liablities	TOTAL assets (liabilities)
At 1 January 2012	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
Variations through income statement	3,286	7,620	20,495	(1,404)	17,565
Increases of fair value through Equity			3,148	(35)	3,183
Decreases of fair value through Equity			(540)	(39)	(501)
Payments	(1,469)	(8,300)			6,831
Reclassification in / (out)	95	(164)	0	0	259
Merger	0	64	0	0	(64)
Acquisition of subsidiaries	863	469	2,370	1	2,764
At 31 December 2012	6,558	2,537	91,455	35,838	59,639
Non-current	0	400	91,455	35,838	55,217
Current	6,558	2,137			4,421
Variations through income statement	12	6,634	(15,810)	(6,789)	(15,643)
Increases of fair value through Equity			669	0	669
Decreases of fair value through Equity			(1,474)	(514)	(960)
Payments	(4,196)	(5,759)			1,562
Reclassification in / (out)	760	0	(1,771)	(474)	(537)
Variation of percent of consolidation	(471)	(533)	(0)	0	61
Exchange adjustments	(196)	(51)	0	0	(145)
At 31 December 2013	2,467	2,829	73,070	28,061	44,647
Non-current	0	0	73,070	28,061	45,009
Current	2,467	2,829			(362)

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. Torraspapel Malmenayde Sàrl and Nord Papier SA joined the tax pooling group led by Condat Holding SAS as of 1 January 2013.

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, Dispap SA and Cogeneración Motril SA (since 1 January 2012).

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 July 2012, there was a second Italian tax-pooling group consisting in Polyedra SpA and Carthago SrL (see Note 4.5.2). Polyedra SpA joined the Italian tax pooling group led by Cartiere del Garda SpA as of 1 January 2013.

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 2,467 K of income tax receivable included EUR 969 K in Condat Holding SAS, EUR 1,000 K in Lecta HQ SA, and EUR 252 K in Cartiere del Garda tax group.

It consisted in a balance of income tax advance payments. Cartiere del Garda SpA can recover IRES advance payment against future IRES payments, while each company of the tax group can recover IRAP advance payment against future IRAP or VAT payments.

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

32.3. Deferred income tax

The following schedule details the deferred income tax assets and liabilities by nature.

(in EUR K)	31 Dec 2013	31 Dec 2012	Reclassification in / (out)[(a)] 2013	Variations 2013 through Income stat.	Equity	Variation of perimeter 2012	Variations 2012 through Income stat.	Equity
Loss to be carried forward up to 5 years	0	0	0	0	0	0	0	0
Loss to be carried forward up to 15 years	0	0	0	0	0	0	(18,375)	0
Loss to be carried forward up to 18 years	17,413	30,228	(760)	(12,055)	0	0	30,228	0
Loss to be carried forward indefinitely	10,914	20,430	0	(9,516)	0	0	1,554	0
S/T Tax losses	28,328	50,659	(760)	(21,571)	0	0	13,407	0
Provision for early retirement scheme	0	0	0	0	0	0	0	0
Charges for other social commitments	7,471	12,087	0	(4,616)	0	0	(696)	0
Non-deductible provisions	15,328	3,397	0	11,931	0	0	(741)	0
Net expenses recognized directly through Equity	4,763	5,629	(62)		(804)			2,608
Other deferred tax assets	17,180	19,683	(0)	(2,503)	0	2,370	8,525	0
S/T Temporary differences	44,742	40,797	(62)	4,812	(804)	2,370	7,088	2,608
Deferred tax assets	**73,070**	**91,455**	**(822)**	**(16,759)**	**(804)**	**2,370**	**20,495**	**2,608**
Accelerated tax depreciation	9,619	11,726	0	2,106	0	0	1,448	0
Tangible assets revaluation at acquisition	2,371	4,210	0	1,839	0	0	1,279	0
Deductible legal revaluation in Italy	9,768	12,079	0	2,311	0	0	808	0
Net incomes recognized directly through Equity	9	48	16		55			75
Other deferred tax liabilities	6,294	7,775	0	1,482	0	1	(2,131)	0
S/T Temporary differences	28,061	35,838	16	7,738	55	1	1,404	75
Deferred tax liabilities	**28,061**	**35,838**	**16**	**7,738**	**55**	**1**	**1,404**	**75**
Net value	45,009	55,617	(838)	(9,021)	(749)	2,370	21,899	2,683

(a) The reclassification of EUR (760) K consisted in a correction of 2012 at the level of Lecta HQ tax group.

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 50% of taxable income exceeding EUR 1 M in France,
– Up to 25% for large companies and until 2014 in Spain.
– 100% of taxable income in Luxembourg.

Sub Lecta 2 SA reported a taxable profit in 2012 and 2013. As at 31 December 2013, the deferred tax asset on losses to be carried forward was EUR 1,706 K, to be used indefinitely.

Management, in view of the plan considered that these tax losses will be used against taxable profits within a foreseeable future.

Cartiere del Garda tax group reported taxable profits in 2012 and 2013. As at 31 December 2013, there was no deferred tax asset on losses to be carried forward.

Polyedra tax group reported a taxable profit in 2H2012. As at 31 December 2012 and 2013, the deferred tax asset on losses to be carried forward was EUR 190 K, to be used indefinitely by Polyedra SpA.

Management, in view of the plan considered that these tax losses will be used against taxable profits within a foreseeable future.

Condat Holding tax group reported taxable losses in 2012 and 2013. Torraspapel Malmenayde Sàrl and Nord Papier SA reported taxable profits in 2012. As at 31 December 2013, the deferred tax asset on losses to be carried forward was EUR 9,018 K, to be used indefinitely.

Management, in view of the plan considered that these tax losses will be used against taxable profits within a foreseeable future.

Lecta HQ tax group reported taxable losses in 2012 and 2013. As at 31 December 2013, the deferred tax asset on losses to be carried forward was EUR 17,423 K to be used before 31 December of:

2014	2015	2016	2017	2018	Until 2025	Total
0	546	3,248	677	1,761	11,181	17,423

Management, in view of the plan considered that the tax losses will be used against taxable profits within a foreseeable future, and 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 0.7 M for the temporary differences on CVAE as at 31 December 2013.

The Income tax rates used for Deferred tax purposes were as follows:

Country	as at 31 Dec 2013	as at 31 Dec 2012
Argentina	35%	35%
France	33.33% to 38%	33.33% to 36.10%
Belgium	33.99%	32.99%
Germany	32.98%	32.98%
Italy[(b)]	27.50% to 37.44%	27.50% to 37.44%
Luxembourg	29.22%	29.22%
Mexico	30%	30%
Morocco	30%	27.30%
Portugal	25%	25%
Spain	30%	30%
UK	23.25%	24.50%

(b) Corporate tax in Italy applies to Cartiere del Garda SpA ("CdG"), Alto Garda Power SrL ("AGP") and Polyedra SpA. 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%. It was 10.5% in 2012 and 2013. Normal IRAP rate is 3.44%. In the region of Trentino Alto Adige in which CdG and AGP are located, IRAP rate was 2.98% in 2012 and 2.78% in 2013. For Polyedra SpA, the average IRAP rate is 3.98%.

Only IRES tax losses are recoverable, while "Robin tax" and IRAP ones are not. As at 31 December 2013, deferred tax on losses to be carried forward were computed with IRES rate of 27.5%.

As at 31 December 2013, deferred tax on temporary differences were computed with the rate of 30.28% (= 27.5% IRES + 2.78% IRAP) for CdG, 37.44% (= 27.5% IRES + 6.5% "Robin tax" + 3.44% IRAP) for AGP, and 31.48% (= 27.5% IRES + 3.98% IRAP) for Polyedra.

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 2013:

(in EUR K)	2014	2015	2026	2027	Indef.	Total
Lecta SA	0	0	0	0	13,897	13,897
Sub Lecta 3 SA	0	0	0	0	30	30
Sub-Total Luxembourg	**0**	**0**	**0**	**0**	**13,927**	**13,927**
Polyedra SpA	0	0	0	0	3,654	3,654
Sub-Total Italy	**0**	**0**	**0**	**0**	**3,654**	**3,654**
Condat SAS	0	0	0	0	35,684	35,684
Sub-Total France	**0**	**0**	**0**	**0**	**35,684**	**35,684**
Lecta HQ SA	1,359	18,013	0	0	0	19,372
Torraspapel SA	0	0	10,348	32,652	0	43,000
Sub-Total Spain	**1,359**	**18,013**	**10,348**	**32,652**	**0**	**62,372**
Torras Papier GmbH	0	0	0	0	855	855
Sub-Total Germany	**0**	**0**	**0**	**0**	**855**	**855**
Total	**1,359**	**18,013**	**10,348**	**32,652**	**54,120**	**116,492**

These tax-deductible carry forward amounts could lead to a total income tax saving of up to EUR 37.6 M in view of the above-mentioned income tax rates.

33. Trade payables

(in EUR K)	
At 1 January 2012	
Net carrying amount	361,912
Non-current	0
Current	361,912
Movements	(24,448)
Merger	95
Acquisition of subsidiaries	64,130
At 31 December 2012	
Net carrying amount	401,689
Non-current	0
Current	401,689
Movements	(12,177)
Variation of percent of consolidation	(1,201)
Exchange adjustments	(985)
At 31 December 2013	
Net carrying amount	387,326
Non-current	0
Current	387,326

The Financial instruments on Trade payables are detailed in Note 38.

2013:

– The "Variation of percentage of consolidation" of EUR (1,201) K was due to the sale of Torraspapel Argentina SA (see Note 3.8.2).

– The variation of Opening balance when applying the year-end exchange rate is isolated in "Exchange adjustments"

2012:

– The "Acquisition of subsidiaries" of EUR 64,130 K was due to the first consolidation of Polyedra group (see Note 4.5.2).

– The "Merger" of EUR 95K was due to the merger of Torraspapel Italia SrL into Cartiere del Garda SpA (see Note 4.5.1).

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 1 January 2012								
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**
Movements	(2,056)		0	0	236		(2,373)	**(4,192)**
Var.of fair value through Income statement			0	0	69	0		**69**
Increases of fair value through Equity		0		0	3,060	(0)		**3,060**
Decreases of fair value through Equity		0		0	(1,720)	0		**(1,720)**
Variation of percent of consolidation	0	0	0	0	0	0	3,360	**3,360**
At 31 December 2012								
Net carrying amount	13,607	0	0	0	4,002	0	1,149	**18,757**
Non-current	0	0	0	0	3,156	0	0	**3,156**
Current	13,607	0	0	0	846	0	1,149	**15,601**
Movements	(1,272)		0	0	(216)		(1,139)	**(2,628)**
Var.of fair value through Income statement			0	0	166	0		**166**
Increases of fair value through Equity		0		0	1,563	0		**1,563**
Decreases of fair value through Equity		0		0	(3,292)	0		**(3,292)**
At 31 December 2013								
Net carrying amount	12,334	0	0	0	2,223	0	9	**14,567**
Non-current	0	0	0	0	1,372	0	(0)	**1,372**
Current	12,334	0	0	0	852	0	9	**13,196**

Options on Minorities are detailed in Note 38.1. Their value was null.

Options on non-consolidated companies are detailed in Note 38.2. Their value was null.

Currency hedging is detailed in Note 38.4. Its value was null.

Interest rate hedging is detailed in Note 38.5.

Energy price hedging is detailed in Note 38.6. Its value was null.

Miscellaneous other payables consisted in issue costs payables on borrowings (see Note 3.1).

2012:

– The "Merger" of EUR 3,360 K was due to the merger of Torraspapel Italia SrL into Cartiere del Garda SpA (see Note 4.5.1).

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 2013			At 31 December 2012		
(in EUR K)	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
later than one year and not later than five years	708	280	988	1,185	76	1,261
not later than one year	861	(140)	721	852	(68)	785
Total	1,569	140	1,709	2,037	9	2,045

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 Non recurring items" of Income statement (see Note 1.12).

(in EUR K)	2013	2012
Future minimum payments		
later than five years	0	416
later than one year and not later than five years	15,777	19,173
not later than one year	7,386	8,984
Total future minimum payments	**23,163**	**28,573**
Expense of the year	**9,009**	**3,975**

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 2013, Lecta Group had firm commitments due to purchase orders of Property, plant and equipment net of advances to suppliers of EUR 21.8 M.

The breakdown of these commitments was:

- EUR 0.4 M in Italy, of which EUR 0.3 M for Cartiere del Garda.
- EUR 1.0 M in France, of which EUR 0.4 M for an energy efficient low pressure boiler and EUR 0.1 M for a cross direction control unit on line 4.
- EUR 20.5 M in Spain, of which EUR 17.7 M for the mill of Zaragoza, EUR 0.6 M in information technology, and EUR 1.0 M for the production of specialty papers

35.4. Other contracts

35.4.1. Condat SAS contract with Périgord Énergies SNC

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 (see Note 38.2.2). For a period of twelve years ending on 30 March 2013, Condat SAS was 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).

A new contract was signed on 17 January 2014. It took effect retroactively from April 2013. Condat SAS has to communicate on a yearly basis the volume of gas to be purchased by Périgord Énergies SNC for the supply of steam needed by Condat's production of paper. To supply the steam, Périgord Énergies SNC operates the standard boilers of Condat SAS or its cogeneration. 80% of the profit made by Périgord Énergies SNC on the sale to the market of the electricity produced by the cogeneration is transferred to Condat SAS. If the actual volume of gas purchased is outside an agreed range, Condat SAS is committed to pay the penalties due to the gas supplier. Condat SAS is also committed to pay the fixed expenses of Périgord Énergies SNC to operate and maintain the standard boilers of Condat SAS, as well as the non-depreciated part of the capital expenditures agreed by the two parties.

In 2013, Condat SAS paid a total of EUR 18.6 M to Périgord Énergies SNC for the supply of steam, the operating and maintenance expenses.

35.4.2. Alto Garda Power SrL contract with Alto Garda Servizi Teleriscaldamento SpA

With effect from September 2008, Alto Garda Servizi Teleriscaldamento SpA, 20% shareholder of Alto Garda Power SrL, is committed to buy from the latter:

– A minimum quantity of 27.99 GWh of steam per year at an estimated price of 26.0 EUR/MWh; and

– A minimum quantity of 10.8 GWh of electricity per year at an estimated price of 68 EUR/MWh

The estimated yearly revenue is EUR 1.4 M.

35.4.3. Lecta annual commitments

Lecta negotiates annual commitments to purchase volumes of raw materials and energy in order to benefit from favorable conditions. When there is a "take or pay" clause Lecta has the possibility to resell the non-consumed volumes at market price less a fee to the suppliers.

35.5. Guarantees issued

35.5.1. By Lecta

Guarantees in favor of Lecta's RCF lenders and 2012 note holders.

Lecta SA and certain of its subsidiaries guarantee the payment of amounts due under the RCF (multicurrency revolving facility agreement) and the 2012 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 2012 notes.

	Principal due as at 31 December 2013 (in EUR M)
RCF	—
Secured Floating Rate Notes	390
Secured Fixed Rate Notes	200

35.5.2. By Alto Garda Power SrL

Assets of Alto Garda Power SrL have been pledged to guarantee its banks exposure up to EUR 95.0 M.

35.5.3. By Condat Holding SAS

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 89 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)	2013	2012
Short-term employees benefits	(203,452)	(213,560)
Defined contributions post-employment plans	(12,102)	(11,066)
Defined benefit post-employment plans	8,244	(1,048)
Other long-term benefits	56	(126)
Termination benefits	0	0
Labor costs	(207,254)	(225,799)
Short-term employees benefits	0	0
Defined contributions post-employment plans	(697)	(470)
Defined benefit post-employment plans	3	(239)
Other long-term benefits	0	0
Termination benefits	0	0
Other operating costs except unusual items	(694)	(709)
Short-term employees benefits	0	0
Defined contributions post-employment plans	0	0
Defined benefit post-employment plans	(825)	(1,025)
Other long-term benefits	(129)	(70)
Termination benefits	0	0
Finance costs	(954)	(1,095)

36.2. Amounts recognized directly through Equity

(in EUR K)	2013	2012
Short-term employees benefits	0	0
Defined contributions post-employment plans	0	0
Defined benefit post-employment plans	693	(5,168)
Other long-term benefits	0	0
Termination benefits	0	0
Actuaries gains and losses	693	(5,168)

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.

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).
- "Ace Assistance" and "Axa 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") in Cartiere del Garda SpA: 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. In Polyedra SpA sick leave cost is paid from 100% (for the first two days) to 33.34% (as of the twenty-first day) / from 0% to 66.66% by the company / INPS for the blue and white collars and 100% by the company for the managers.

- Canteen: companies are committed for a contribution of 70% of the cost or 5.29€ for every day actually worked for more than 6 hours.
- 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; or FASDAC + Cattolica previdenza). 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.

  The legal requirements are paid to "Tesorería General de la Seguridad Social". The company pays a complement until 100% of the salary depending on the type of disease and the level of absenteeism in the workplace.

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

- 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

- 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%.

– Italy: Polyedra SpA

No such plan.

– Mexico: Torraspapel Servicios México S de RL de CV and Lecta México S de RL de CV

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 Berrobi / 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.

On 20 May 2013 the company denounced the plan and stopped its contribution. A court ruling has been given in favor of the company. This judgment is under appeal to the Supreme Court.

BBVA covers the liabilities prior to 2001.

According to a collective agreement only applicable to the mill of Berrobi / 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 Berrobi / Uranga.

i) For employees under economic conditions of the "Convenio Colectivo Estatal de Pastas, Papel, y Cartón" this benefit is EUR 15 K, and EUR 30 K in case of accident. The premium is shared between the company (60%) and the employees (40%).

ii) For the other employees, this benefit is equivalent to the annual salary. In case of accident, the benefit is twice the annual salary.

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 416 K for the year 2013).

For the administrative and blue collars of the mills of Leitza and Berrobi / Uranga, the risk of death and disability is covered as follows:

i) Berrobi / Uranga: from EUR 25 K to EUR 51 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: Lecta Paper UK 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

– 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" n°3108 ("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.

The Organization efficiency program caused a curtailment of EUR 1.5 M in 2013 (see Note 3.5.5).

(in EUR K)	2013	2012
PRESENT VALUE		
Opening balance	9,188	7,396
Current service cost	374	322
Interest cost	264	308
Actuarial gains and losses	(361)	1,206
Benefits paid	(30)	(44)
Past service cost	0	0
Curtailments	(1,506)	0
Settlements	0	0
Closing balance	7,929	9,188
PROVISION		
Present value of the plan	7,929	9,188
Net actuarial gains and losses not recognized in the balance sheet	0	0
Past service cost not yet recognized in the balance sheet	0	0
Provision	7,929	9,188

– 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.

Since 30 September 2013, the plan is closed to active employees and remains open to retired people only. This denunciation caused a curtailment of EUR 8.0 M in 2013 (see Note 3.5.5).

(in EUR K)	2013	2012
PRESENT VALUE		
Opening balance	17,022	13,327
Current service cost	180	247
Interest cost	393	543
Contributions by plan participants	0	0
Actuarial gains and losses	13	3,272
Benefits paid	(369)	(367)
Past service cost	0	0
Curtailments	(7,951)	0
Settlements	0	0
Closing balance	9,288	17,022
Funded	0	0
Unfunded	9,288	17,022
ASSETS "EPARINTER"		
Opening balance	2,384	2,258
Expected return on plan assets	72	126
Contributions by the employer	0	0
Contributions by plan participants	0	0
Actuarial gains and losses	35	0
Benefits paid	0	0
settlements	0	0
Exchange adjustments	0	0
Closing balance	2,491	2,384
PROVISION		
Present value of the plan	9,288	17,022
Assets	(2,491)	(2,384)
Net actuarial gains and losses not recognized in the balance sheet	0	0
Past service cost not yet recognized in the balance sheet	0	0
Provision	6,797	14,638

– France: Condat SAS.

Death and disability plan "Prévoyance" Malakoff (see Note 36.4). In case of anticipated termination of the agreement with the insurer, the company would bear the unfunded obligation related to social commitments created prior to 1990.

(in EUR K)	2013	2012
PRESENT VALUE		
Opening balance	611	596
Current service cost	(7)	15
Interest cost	0	0
Actuarial gains and losses	0	0
Benefits paid	0	0
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Closing balance	604	611
PROVISION		
Present value of the plan	604	611
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	604	611

– 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" n°802 ("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)	2013	2012
PRESENT VALUE		
Opening balance	1,431	1,172
Current service cost	103	77
Interest cost	46	50
Actuarial gains and losses	40	132
Benefits paid	(80)	0
Past service cost	0	0
Curtailments	(85)	0
Settlements	0	0
Closing balance	1,455	1,431
PROVISION		
Present value of the plan	1,455	1,431
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	1,455	1,431

– 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".

(in EUR K)	2013	2012
PRESENT VALUE		
Opening balance	1,303	1,186
Current service cost	(26)	117
Interest cost	0	0
Contributions by plan participants	0	0
Actuarial gains and losses	0	0
Benefits paid	(54)	0
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Closing balance	1,224	1,303
Funded	0	0
Unfunded	1,224	1,303
ASSETS "LVM" & "HM"		
Opening balance	882	882
Expected return on plan assets	0	0
Contributions by the employer	0	0
Contributions by plan participants	0	0
Actuarial gains and losses	0	0
Benefits paid	(23)	0
Settlements	0	0
Closing balance	859	882
PROVISION		
Present value of the plan	1,224	1,303
Assets	(859)	(882)
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
	0	0
Provision	365	421

– 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)	2013	2012
PRESENT VALUE		
Opening balance	6,790	6,237
Current service cost	0	0
Interest cost	194	250
Actuarial gains and losses	(51)	558
Benefits paid	(646)	(529)
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Merger	0	274
Closing balance	6,287	6,790
PROVISION		
Present value of the plan	6,287	6,790
Net actuarial gains and losses not recognized in the balance sheet	0	0
Past service cost not yet recognized in the balance sheet	0	0
Provision	6,287	6,790

– Italy: Polyedra SpA is consolidated since 1 July 2012 (see Note 4.5.2).

Staff leaving indemnity TFR ("Trattamento Fine Rapporto").

The change in regulations described for Cartiere del Garda SpA also applies to Polyedra SpA.

(in EUR K)	2013	2012
PRESENT VALUE		
Opening balance	3,120	0
Current service cost	648	387
Interest cost	0	0
Actuarial gains and losses	(300)	0
Benefits paid	(841)	(345)
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Merger	0	0
Acquisition of subsidiaries	0	3,078
Variation of percent of consolidation	0	0
Closing balance	2,627	3,120
PROVISION		
Present value of the plan	2,627	3,120
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	2,627	3,120

– 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)	2013	2012
PRESENT VALUE		
Opening balance	0	88
Current service cost	0	0
Interest cost	0	0
Actuarial gains and losses	0	0
Benefits paid	88	(88)
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Closing balance	88	0
PROVISION		
Present value of the plan	88	0
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	88	0

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)	2013	2012
PRESENT VALUE		
Opening balance	49	48
Current service cost	0	122
Interest cost	0	0
Actuarial gains and losses	0	0
Benefits paid	(49)	(121)
Past service cost	0	0
Curtailments	0	0
Settlements	0	0
Closing balance	0	49
PROVISION		
Present value of the plan	0	49
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	0	49

– UK: no such plan.

– USA: no such plan.

– Total of defined benefit post-employment plans.

(in EUR K)	2013	2012
PRESENT VALUE		
Opening balance	39,514	30,051
Current service cost	1,272	1,287
Interest cost	897	1,151
Contributions by plan participants	0	0
Actuarial gains and losses	(658)	5,168
Benefits paid	(1,982)	(1,495)
Past service cost	0	0
Curtailments	(9,542)	0
Settlements	0	0
Merger	0	274
Acquisition of subsidiaries	0	3,078
Variation of percent of consolidation	0	0
Exchange adjustments	0	0
Closing balance	29,502	39,514
Funded	0	0
Unfunded	29,502	39,514
ASSETS		
Opening balance	3,265	3,139
Expected return on plan assets	72	126
Contributions by the employer	0	0
Contributions by plan participants	0	0
Actuarial gains and losses	35	0
Benefits paid	(23)	0
settlements	0	0
Merger	0	0
Acquisition of subsidiaries	0	0
Variation of percent of consolidation	0	0
Exchange adjustments	0	0
Closing balance	3,350	3,265
PROVISION		
Present value of the plan	29,502	39,514
Assets	(3,350)	(3,265)
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	26,152	36,249

The principal assumptions used in determining the defined benefit post-employment obligations are as follows:

	2013	2012
Discount rate (varies with the duration of the commitment):		
— IFC Condat SAS	3.00%	3.00%
— IFC Lecta Europe Sàrl	2.00%	2.75%
— Progil Condat SAS	3.00%	3.00%
— IFC Torraspapel Malmenayde Sàrl and Nord Papier SA	3.00%	3.00%
— Retirement Lecta Deutschland GmbH	4.89%	5.04%
— TFR Cartiere del Garda SpA	3.00%	3.00%
— TFR Polyedra SpA	2.75%	2.75%
Future salary increases:		
— Condat SAS	2.0%	2.0%
— Lecta Europe Sàrl	2.0%	3.0%
— Torraspapel Malmenayde Sàrl and Nord Papier SA	2.0%	2.0%
— Lecta Deutschland GmbH	NA(1)	NA(1)
— Cartiere del Garda SpA	NA(2)	NA(2)
— Polyedra SpA	NA(2)	NA(2)

(1) Didn't apply because the pension was based on the salary of each beneficiary at the age of 42.

(2) Due to the change in TFR regulation, applied as of 2007, the future salaries were subject to monthly social security contributions only.

A quantitative sensitivity analysis for the discount rate as at 31 December 2013 is shown below:

	Discount rate	
(in EUR M)	**−0.5%**	**+0.5%**
Impact on the net defined benefit post-employment obligation	+1.5	−1.4

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)	2013	2012
Provision	1,924	1,942

– 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.

On 1 August 2013 the company denounced the plan and stopped its contribution (EUR 32 K in 2013). The company's commitment is limited to the unused part of the cumulated available contributions accrued in favor of the employees.

(in EUR K)	2013	2012
Provision	187	233

36.7. Termination benefits

The termination benefits are part of the "Organization efficiency program" (see Notes 3.5.4, 11 and 31). They included:

– Italy: Polyedra SpA.

"Mobilità 1": this termination plan was opened until 31 March 2013, date on which 107 employees had left the company.

"Mobilità 2": an agreement for a new reorganization project of the company was signed with the unions in December 2013. The project provides for the voluntary redundancy of a maximum of 58 employees until 15 September 2014. It also includes recourse to short time working financed by C.I.G.S. (Cassa Integrazione Guadagni Straordinaria) for a period limited to 11 months and for a maximum of 72 people.

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
Dispap SA	2012	0	0	(49)	0	2,229
	2013	0	0	(11)	0	1,140
Garda UK Ltd	2012	0	(215)	0	0	40
	2013	0	0	0	0	0
Lecta Services Sprl	2012	0	(1,582)	0	0	757
	2013	0	(617)	0	208	0
Polyedra AG	2012	70	(125)	0	70	487
	2013					
Promotora del Ulla SA	2012	0	0	0	0	0
	2013	0	0	0	0	0
SVL Pilote SAS	2012	0	(7,070)	0	0	1,415
	2013	0	(7,129)	0	0	1,350
SVS SAS	2012	0	(641)	0	0	30
	2013	0	(589)	0	0	30
SVT SAS	2012	0	(1,730)	0	0	133
	2013	0	(1,677)	0	0	165
Torras Dorna SA	2012	0	0	(6)	0	150
	2013					
Torras Hostench SL	2012	0	0	0	0	0
	2013					

Part of Lecta consolidation perimeter
Liquidated non-consolidated companies

These companies were non-consolidated because of absence of control or immateriality (see Note 2.3)

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 2013, the members of the Board of Directors, including executive officers, received remuneration. This remuneration was charged at an aggregate cost of EUR 1.4 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. Sold put and Purchased call option on the shares of *IDAE Sant Joan AIE*

IDAE Sant Joan AIE owns the cogeneration plant located in Sant Joan. Torraspapel SA (51%) and IDAE (49%) currently hold IDAE Sant Joan AIE. According to the partnership agreement signed in December 2007 between Torraspapel SA and IDAE (Spanish Public Entity), IDAE shall remain as a partner in IDAE Sant Joan AIE until it recovers its investment plus a remuneration of 3-month Euribor + 4%.

Once the first five years as of start-off of the cogeneration plant (August 2011) have elapsed, Torraspapel SA may also request the assignment of IDAE's share participation in IDAE Sant Joan AIE. For that purpose, Torraspapel SA would have to pay IDAE an amount equal to its investment plus the referred remuneration once deducted any amounts already reimbursed to IDAE by any means.

In both cases, assignment is only possible if:

- All loans granted to of IDAE Sant Joan AIE by any third parties have been previously repaid
- Or the relevant creditors specifically waive all claims against IDAE.

There was no premium paid at inception. The fair value of the purchased call option cannot be reliably measured.

38.2. Derivatives held for trading

These are options on the shares or 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 2013, 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 Statement of financial position .

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 was 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 had to take the option to purchase 100% of the tangible assets of Périgord Énergies SNC or not. By means of a letter dated 21 December 2012, Condat SAS undertook to sign a new contract for the supply of steam for an additional period up to 31 December 2016 but decided not to purchase the tangible assets. The new contract was signed on 17 January 2014. It grants Condat SAS an option to purchase 100% of the tangible assets for a total price of EUR 5 M as at 31 December 2016, or for their Net Booked Value in case of early termination.

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.

- Factoring: The corresponding advance is accounted for in the borrowings and disclosed in Note 28.4. There was none as at 31 December 2013.

– Non-recourse invoice discounting and factoring: The residual commitment computed using the continuous involvement methodology is accounted for in the borrowings and disclosed in Note 28.4. The face value of these discounted invoices was EUR 41.7 M as at 31 December 2013.

– Non-recourse assignment: In such case, there is no residual commitment.

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 2013, ordinary sales and purchases were specifically hedged through:

– Forward agreements on realized sales in foreign currencies:	EUR 28.6 M
– Forward agreements on realized purchases in foreign currencies:	EUR 13.6 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 2013, the main characteristics of these instruments were as follows.

Instrument	Notional amount (in K USD)	Maturity date	Exchange rate	Value at 31 Dec 2013 (in EUR K)		
				Intrinsic	Time	Total
Forward exchange transaction	1,699	various until 20.12.2014	1.4332	22	32	54
	1,699			22	32	54

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

2012 Floating rate notes:

On 28 June and 6 July 2012, the interest rates of 51% of the 2012 Floating rate notes (see Note 3.1) were hedged with Caps indexed to 3-month Euribor for the period from mid- August 2012 to mid-August 2014.

Alto Garda Power SrL:

On 5 September 2007, the interests rates of 50% of the forecast debt in Alto Garda Power SrL (see Note 28.4) 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.

In December 2012, Alto Garda Power SrL voluntarily repaid EUR 12 M of its debt. Following this repayment, the notional amounts of the Collar and the Swap were higher than the debt. Consequently, the Collar and part of the Swap were considered as hedging instruments, while the balance of the Swap was no more considered as hedging instrument.

On 18 December 2013, the Swap to exchange 6 month Euribor variable rate was terminated.

IDAE Sant Joan AIE:

On 23 July 2010, the interest rates of 75% of the forecast debt in IDAE Sant Joan AIE (see Note 28.4) 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 2013 Intrinsic	Time	Total
Cap 3M Euribor	100,000	78	15/Aug/2012	15/Aug/2014		2.00%		0	0	0
Cap 3M Euribor	100,000	46	15/Aug/2012	15/Aug/2014		2.00%		0	0	0
Swap 3M Euribor . . .	100,000		15/Aug/2013	15/Feb/2016			0.385%	(0)	(22)	(22)
Collar 6M Euribor . .	Max 27.644		29/Jun/2007	31/Dec/2018	4.05%	5.75%		(1,563)	(304)	(1,867)
Swap 1M Euribor . . .	Max 18,750		30/Jun/2011	31/Mar/2016			2.14%	(332)	0	(332)
								(1,895)	(326)	(2,221)

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

For the cash flow hedge, the intrinsic value, considered as effective, was recognized directly in Equity while the time value was considered as ineffective, and thus recognized in the Income statement. For the fair value hedge, any gain or loss from re-measuring the hedging instrument at fair value is recognized in the Income statement (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 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	Value as at 31 December 2012 (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	0	1	1
	82,500	82,500.00	6,806.3	102,328	81%		0	1	1
						Total	**0**	**1**	**1**

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

As at 31 December 2013, there were no hedging derivatives on energy price in place.

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 2013, Lecta Group held the following financial instruments:

		At 31 December 2013		At 31 December 2012	
(in EUR K)		Carrying amount	Fair value	Carrying amount	Fair value
ASSETS					
Available-for-sale financial investments	Level 3	1,401	1,401	1,932	1,932
Trade receivables	Level 2	248,465	248,465	325,839	325,839
Prepayments	Level 2	1,651	1,651	2,973	2,973
Loans	Level 2	0	0	0	0
Capital receivables	Level 2	0	0	0	0
Shareholders receivables	Level 2	0	0	0	0
Dividends receivables	Level 2	0	0	0	0
Options on non-consolidated companies	Level 3	0	0	0	0
Currency hedging	Level 2	54	54	209	209
Interest rate hedging	Level 2	(0)	(0)	(1)	(1)
Energy price hedging	Level 2	0	0	0	0
Miscellaneous other receivables	Level 2	0	0	0	0
Cash and cash equivalents	Level 1	191,863	191,863	178,265	178,265
LIABILITIES					
Interest-bearing borrowings Floating rate senior secured notes (notes 2012)	Level 1	378,162	356,224	377,093	379,043
Interest-bearing borrowings Fixed rate senior secured notes (notes 2012)	Level 1	196,184	186,434	195,821	213,821
Interest-bearing borrowings except notes 2012	Level 1	49,734	49,734	54,021	54,021
Bank overdrafts	Level 2	20,837	20,837	31,170	31,170
Trade payables	Level 2	387,326	387,326	401,689	401,689
Capital payables	Level 2	12,334	12,334	13,607	13,607
Shareholders payables	Level 2	0	0	0	0
Dividends payables	Level 2	0	0	0	0
Options on Minorities	Level 3	0	0	0	0
Options on non-consolidated companies	Level 3	0	0	0	0
Currency hedging	Level 2	0	0	0	0
Interest rate hedging	Level 2	2,223	2,223	4,002	4,002
Energy price hedging	Level 2	0	0	0	0
Miscellaneous other payables	Level 2	9	9	1,149	1,149

Level 1:

The fair value of 2012 notes was based on ex-coupon quotations. It should be considered with caution as 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.

Level 3:

It applies to Available-for-sale financial investments (see Note 19).

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 30% of sales. Credit insurance covers a large part of the Trade receivables.

(in EUR K)	31 Dec 2013	31 Dec 2012
Gross amount of Trade receivables	270,918	350,015
Impairment	(22,453)	(24,176)
Trade receivables as per Balance sheet	248,465	325,839
of which not past due	227,322	242,858
of which past due:	21,143	82,981
Amount covered by a credit insurance	13,543	11,924
Amount of recoverable VAT	1,506	11,816
Amount eligible to credit risk,	**6,094**	**59,241**
past due since less than one month	3,680	46,178
past due since more than one month but no later than three months	1,407	11,410
past due since more than three months but no later than one year	1,007	1,427
past due since more than one year but no later than five years	0	226
past due since more than five years	0	0

The decrease in Amount eligible to credit risk is due to the reduction of trade credit insurer guarantees.

39.2. Liquidity risk

Since the Refinancing of 11 May 2012 (see Note 3.1), the liquidity risk can be considered as remote.

39.3. Future undiscounted contractual payments

(in EUR K)	31 Dec 2013	31 Dec 2012
Financial liabilities as per Balance sheet	1,049,345	1,078,551
Future interest, post Balance Sheet date	193,110	235,775
Reversal of non-cash liabilities (IFRS adjustments)	19,133	23,274
Adjusted financial liabilities	1,261,588	1,337,600
Due no later than one month	249,973	204,560
Due later than one month and no later than three months	120,866	209,768
Due later than three months and no later than one year	97,304	81,407
Due later than one year and no later than five years	192,049	206,168
Due later than five years	601,396	635,697
Undiscounted cash flows	1,261,588	1,337,600

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 2013:

	Changes	Estimated effect on Lecta Group EBITDA (in EUR M)
Paper prices	+/−10 EUR/T	+/−16.5
Pulp prices	+/−10 EUR/T	−/+6.1
Volume produced and sold	+/−10 KT	+/−2.3

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 1.33 (average in 2013) to 1.32, or for GBP/EUR from 0.85 (average in 2013) to 0.84], all other things being equal, based on actual figures of 2013, are:

Currency	EUR M
USD	−1.0
GBP	+1.1

Lecta Group covers the fluctuations of non-euro currencies, mainly USD and GBP, according to the following rules (see Note 38.4):

- Statement of financial position 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 incomes 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 0.220% (average in 2013) to 1.220%], all other things being equal, based on actual figures of 2013, is:

Interest rate	EUR M
3M Euribor	–2.9

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-2 short-term or BBB 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 Statement of financial position date

In the context of the reallocation of its production capacities, in 2013 Lecta decided to install a second-hand Paper Machine n°7 in its Zaragoza mill to produce base paper to be converted into specialty papers by Leitza plant. The investment aims at maximizing the use of pulp produced on the site, thus reducing drying and transportation costs of pulp to other mills.

This decision entailed the permanent closure of Berrobi / Uranga mill (with a production capacity of 27,000 tons of base paper) at the end of January 2014 (see Note 3.5.2 and 11). A provision for restructuring of EUR 0.8 M was booked in the line "Non recurring items" in February 2014.

Probably, this decision will result in the need to reconsider the role of Sarrià de Ter paper mill (with a production capacity of 65,000 tons of base paper and UWF) and Cogeneración del Ter cogeneration plant (with a power of 25MW) (see Notes 3.5.2 and 11).

REGISTERED OFFICE OF THE ISSUER

Lecta S.A.
20 Rue de la Poste
L-2346 Luxembourg
Grand Duchy of Luxembourg

LEGAL ADVISORS TO THE ISSUER AND GUARANTORS

as to United States and English law:

Shearman & Sterling (London) LLP
9 Appold Street
London EC2A 2AP
United Kingdom

as to French law:

Shearman & Sterling LLP
7, rue Jacques Bingen
75017 Paris
France

as to Italian law:

KStudio Associato
Corso Vittorio Emanuele II, 48
10123 Turin
Italy

as to Spanish law:

Garrigues, Abogados y Asesores Tributarios
Avenida Diagonal 654
08034 Barcelona
Spain

as to Luxembourg law:

Dentons Luxembourg
Atrium Vitrum Building
33, rue du Puits Romain
Bertrange, L-8070 Luxembourg
Grand Duchy of Luxembourg

as to Italian Taxation law:

Vasapolli & Associati
Piazza Carlo Emanuele II, 13
10123 Turin
Italy

LEGAL ADVISORS TO THE INITIAL PURCHASERS

as to United States law:

Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

as to French law:

Clifford Chance
1, rue d'Astorg
75008 Paris
France

as to Italian law:

Clifford Chance
Piazzetta M. Bossi, 3
20121 Milan
Italy

as to Spanish law:

Clifford Chance
Av. Diagonal 682
08034 Barcelona
Spain

as to English law:

Clifford Chance
10 Upper Bank Street
London E14 5JJ
United Kingdom

as to Luxembourg law:

Clifford Chance
10 boulevard G.D. Charlotte
L-1011 Luxembourg
Grand Duchy of Luxembourg

INDEPENDENT AUDITORS

Ernst & Young S.A.
35E avenue John F. Kennedy
L-1855 Luxembourg
Grand Duchy of Luxembourg

FLOATING RATE SENIOR SECURED NOTES TRUSTEE AND FIXED RATE SENIOR SECURED NOTES TRUSTEE

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

TRANSFER AGENT, PAYING AGENT, CALCULATION AGENT AND SECURITY TRUSTEE

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

REGISTRAR AND LUXEMBOURG LISTING AND TRANSFER AGENT

Deutsche Bank Luxembourg S.A.
2, boulevard Konrad Adenauer
L-1115 Luxembourg

LEGAL ADVISORS TO THE TRUSTEE

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

We have not authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in this Offering Memorandum. You must not rely on unauthorized information or representations.

This Offering Memorandum does not offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities.

The information in this Offering Memorandum is current only as of the date on the cover page, and may change after that date. For any time after the date of this Offering Memorandum, we do not represent that our affairs are the same as described or that the information in this Offering Memorandum is correct—nor do we imply those things by delivering this Offering Memorandum or selling securities to you.

TABLE OF CONTENTS

OFFERING MEMORANDUM

€225,000,000 Floating Rate Senior Secured Notes due 2022

€375,000,000 6½% Senior Secured Notes due 2023

LECTA

Joint Bookrunners

Deutsche Bank **Credit Suisse** **Banco Bilbao Vizcaya Argentaria, S.A.** **UniCredit Bank**

August 3, 2016