

# Q3

Reno De Medici



## Interim Management Report

09.30.2013

**NET REVENUES: €353.9 MILLION**

(COMPARED TO €348.8 MILLION AS AT SEPTEMBER 30, 2012)

**GROSS OPERATING PROFIT (EBITDA): €24.8 MILLION**

(COMPARED TO €19.5 MILLION AS AT SEPTEMBER 30, 2012)

**OPERATING PROFIT (EBIT): PROFIT OF €6.4 MILLION**

(COMPARED TO A LOSS OF €0.3 MILLION AS AT SEPTEMBER 30, 2012)

**NET PROFIT (LOSS) FOR THE PERIOD: PROFIT OF €0.4 MILLION**

(COMPARED TO A LOSS OF €7.0 MILLION AS AT SEPTEMBER 30, 2012)

**NET FINANCIAL DEBT: €85.1 MILLION**

(€86.3 MILLION AS AT DECEMBER 31, 2012)

Reno De Medici S.p.A.  
Via Durini 16/18, Milan  
Share capital €185,122,487.06  
Tax code and VAT number 00883670150

## INDEX

BOARD OF DIRECTORS AND AUDITORS.....	2
GROUP OPERATING COMPANIES AS OF SEPTEMBER 30, 2013.....	2
DIRECTORS' REPORT ON OPERATIONS.....	4
CONSOLIDATED RESULTS.....	6
KEY EVENTS.....	7
OUTLOOK.....	7
CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2013.....	8
NOTES .....	12
ACCOUNTING PRINCIPLES.....	12
STATEMENT OF THE EXECUTIVE RESPONSIBLE FOR THE PREPARATION OF THE COMPANY'S FINANCIAL REPORTS PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE 58/1998 (CONSOLIDATED FINANCIAL ACT) .....	14

## BOARD OF DIRECTORS AND AUDITORS

### Board of Directors

Robert Hall	Chairman
Giuseppe Garofano	Deputy Chairman
Ignazio Capuano	CEO
Giulio Antonello	Director
Sergio Garribba	Director
Laurent Lemaire	Director
Vincenzo Nicastro	Director
Carlo Peretti	Director

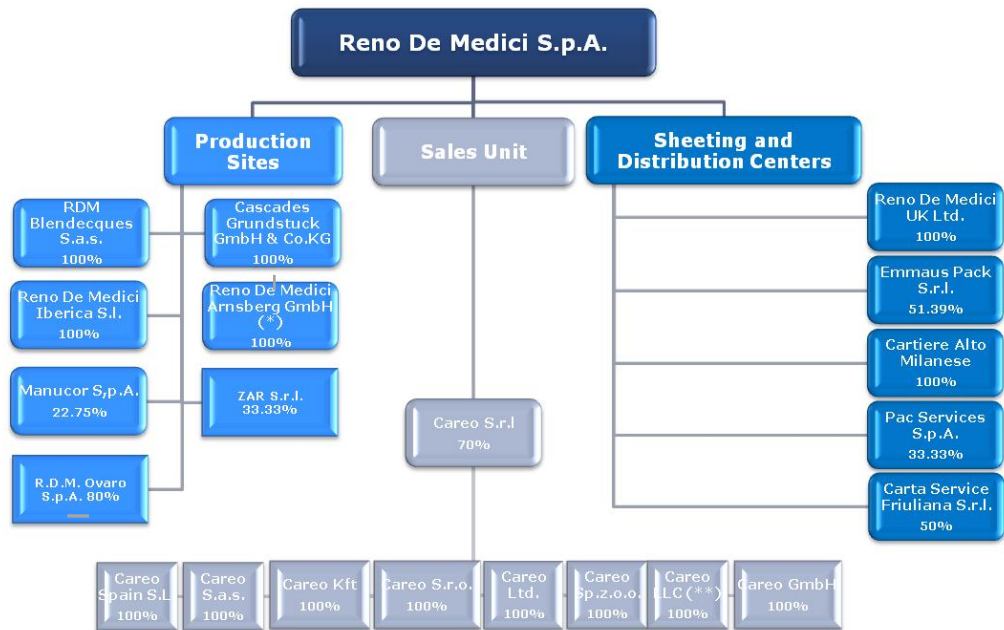
### Board of Statutory Auditors

Carlo Tavormina	Chairman
Giovanni Maria Conti	Acting statutory auditor
Laura Guazzoni	Acting statutory auditor
Domenico Maisano	Deputy statutory auditor
Tiziana Masolini	Deputy statutory auditor

### Independent Auditors

Deloitte & Touche S.p.A.

GROUP OPERATING COMPANIES AS OF SEPTEMBER 30, 2013



(\*) Company owned 94% by Reno De Medici S.p.A. and 6% by Cascades Grundstück GmbH & Co.KG.

(\*\*) Company in liquidation

## DIRECTORS' REPORT ON OPERATIONS

Confirming the positive trend of the previous quarter, Reno De Medici closed the third quarter of 2013 with a profit of €425,000 compared to a reported loss of €6,963,000 in the same period of the previous year. The net result for the third quarter was also positive, with a profit of €181,000, in spite of suffering from the usual slow down of activities in Italy, which are a feature of the month of August.

The general economic scenario in the third quarter, according to the forecasts of the main economic research centers, saw the consolidation of signs of recovery, which remains slow, however, and different in the various macro areas throughout the world, and in Europe it is different in individual countries.

Emerging countries continue to drive the expected growth of GDP for 2013 (+3.1%), even if the major countries (China, Russia, Brazil, India) have revised the forecasts for this year to be slightly downwards. Although it is moderate, growth in the USA remains solid (2013 GDP +1.9%), and Japan has seen a shift from a negative forecast to a positive forecast for the year, with growth of 1.6% compared to a previous forecast of a decrease of -1.2%.

Growth for Europe (EU27) in 2013 is predicted at zero, with Spain and Italy still with negative figures, while the recovery is more evident in other countries. The serious problem of unemployment remains. It has reached 12% in the Euro Zone. As far as Italy is concerned, the recovery is currently especially visible in terms of the best expectations, although some signs can already be seen in the recovery for orders, particularly foreign orders.

Very briefly, the general outlook, like that of the sector, appears to be improving slowly.

Overall performance is also demonstrated in the development of European demand for white lined chipboard packaging produced from recycled fibers, which in the first nine months of 2013 returned to the levels of 2011 with an increase of +2.65 compared with the same period in 2012; growth in the third quarter was up by more than 4% over the previous year.

Production capacity is fully utilized, and the order backlog is satisfactory, ensuring benefits from full production efficiency.

The third quarter has benefited fully from the increase in sales prices implemented by the Company at the end of the previous quarter, restoring margins which had gradually been eroded since the second half of 2012 as a result of the gradual fall in actual prices.

Prices of raw materials remained essentially stable at the levels seen in June, even in relation to the slow-down in exports of fibrous products to China.

As far as the development of energy costs is concerned, after the peak recorded in the first quarter, the price of natural gas remained essentially stable, although still somewhat high. The development

of the price of natural gas in 2013 was positive, including in Italy, although the gap between prices applied in Italy and the European average remained high. However, as far as Reno De Medici is concerned, the new natural gas supply agreements signed for 2013 allow for significant savings over the previous year.

The price of coal, the main energy source of the Arnsberg plant, is constantly falling.

Reno De Medici Group revenues in the third quarter of 2013 totaled €354 million, up from €349 million in the third quarter of 2012, due largely to higher sale volumes, with 653,000 tons sold, compared to 620,000 tons in the first nine months of 2012. The quarter saw an improvement in the geographic mix, with an increase in the tons sold in European markets and a fall in sales in overseas markets, with greater margins.

Labor costs as at September 30, 2013 remain essentially in line with the first nine months of 2012, moving from €53.9 million as at September 2012 to €53.4 million for the first nine months of 2013.

Total actual EBITDA in the third quarter of 2013 was €24.8 million, an appreciable improvement over the €19.5 million for the same period in the previous year. EBITDA is still impacted by €0.9 million in costs generated by establishments whose paper production activities have ceased.

Investments recorded a loss of €96,000, attributable to the adjustment of the investment in Pac Service S.p.A. (+€273,000) and in Careo S.r.l. (+€51,000), which is offset against the cost of €420,000 relating to the adjustment of the equity investment in Manucor S.p.A.

Consolidated EBIT was positive at €6.4 million, which is also an improvement compared to the loss of €0.3 million reported in the third quarter of 2012.

Net Financial Expenses stood at €4.9 million at September 30, 2013, a slight improvement compared to the September 30, 2012 figure of €76,000, in spite of the disappearance of the foreign exchange profits that benefited 2012, largely due to the revaluation of the US dollar.

Consolidated pre-tax income was positive by €1.4 million, compared to the loss of €7.0 million reported as at September 30, 2012.

At September 30, 2013 the RDM Group's capital expenditure totaled €10.9 million (€13.7 million as at 30 September 2012).

Consolidated net financial debt at September 30, 2013 amounted to €85.1 million, a slight improvement compared to the €86.3 million at December 31, 2012.

## Consolidated results

The following table summarizes key income statement indicators as of September 30, 2013 and 2012.

	09.30.2013	09.30.2012
(thousands of Euros)		
Revenues from sales	353,896	348,785
<b>OPERATING PROFIT (EBITDA)</b>	<b>24,840</b>	<b>19,451</b>
EBIT (1)	6,441	(272)
Pre-tax income (2)	1,412	(7,003)
<i>Current and deferred taxes</i>	<i>(987)</i>	<i>40</i>
<b>Profit (loss) for the period</b>	<b>425</b>	<b>(6,963)</b>

1) See "Operating profit" in the Consolidated Financial Statements of the RDM Group

2) See "Profit (loss) for the period" - "Taxes" in the Consolidated Financial Statements of the RDM Group

The following table provides a breakdown of net revenues from the sale of cartonboard by geographical area of customers:

	09.30.2013	% of total	09.30.2012	% of total
(thousands of Euros)				
Italy	134,586	38.0%	119,535	34.3 %
EU	175,328	49.5%	171,253	49.1 %
Non-EU	43,982	12.5%	57,997	16.6 %
<b>Revenues from sales</b>	<b>353,896</b>	<b>100%</b>	<b>348,785</b>	<b>100 %</b>

## Key events

No key events were recorded in the third quarter of 2013.

The transactions which took place in the previous periods are described below in brief.

On February 18, 2013, banks Intesa Sanpaolo S.p.A. and UniCredit S.p.A. approved the cancellation of the special lien on the assets involved in the sale of the Ovaro mill by RDM S.p.A. to R.D.M. Ovaro S.p.A..

Several agreements were signed with the Trade Unions in the first half of the year relating to the corporate reorganization involving the plants of Santa Giustina, Villa Santa Lucia and, in particular, the Magenta one, for which recourse to a wage guarantee fund and to the mobility procedure is anticipated.

On June 1, the board machine and spare parts of the closed Magenta mill were sold. Depending on the dismantling activities, collection is expected by early 2014.

On June 18, 2013, after Industria ed Innovazione S.p.A. exercised the put option pursuant to the agreement of August 3, 2010, Cascades S.A.S. acquired a total of 34,241,364 Reno De Medici shares (including 4,800,000 already acquired on April 3, 2013).

The stake currently held by Cascades S.a.s. amounts to 57.61% of the share capital with voting rights.

## Outlook

Given the satisfactory level of orders and the consequent appreciable backlog, added to which is the stability of prices of raw materials and energy components, the outlook for the fourth quarter of 2013 is expected to be in line with the figures recorded in the previous quarters.



**CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2013**

<b>Consolidated Income Statement</b>	<b>09.30.2013</b>	<b>09.30.2012</b>
(thousands of Euros)		
Revenues from sales	353,896	348,785
Other revenues and income	8,967	9,508
Change in inventories of finished goods	(1,218)	2,930
Cost of raw materials and services	(279,669)	(284,347)
Personnel costs	(53,377)	(53,856)
Other operating costs	(3,759)	(3,569)
<b>Gross operating profit</b>	<b>24,840</b>	<b>19,451</b>
Depreciation and amortization	(18,399)	(19,723)
<b>Operating profit</b>	<b>6,441</b>	<b>(272)</b>
<i>Financial expense</i>	(4,947)	(5,384)
<i>Gains (losses) on foreign exchange</i>	(113)	282
<i>Financial income</i>	127	93
Net financial income/(expense)	(4,933)	(5,009)
Gains (losses) from investments	(96)	(1,722)
Taxes	(987)	40
<b>Profit (loss) for the period</b>	<b>425</b>	<b>(6,963)</b>
attributable to:		
Group's share of profit (loss) for the period	184	(7,147)
Minority interest in profit (loss) for the period	241	184

Statement of Financial Position - ASSETS	09.30.2013 (*)	12.31.2012 (*)
(thousands of Euros)		
<i>Non-current assets</i>		
Tangible fixed assets	217,531	228,929
Goodwill	63	63
Other intangible assets	5,760	6,263
Equity investments	3,030	2,979
Deferred tax assets	1,217	1,312
Trade receivables	41	41
Other receivables	1,280	693
<b>Total non-current assets</b>	<b>228,922</b>	<b>240,280</b>
<i>Current assets</i>		
Inventories	74,775	78,929
Trade receivables	71,158	86,343
Other receivables	11,693	6,480
Cash and cash equivalents	3,687	3,137
<b>Total current assets</b>	<b>161,313</b>	<b>174,889</b>
<b>TOTAL ASSETS</b>	<b>390,235</b>	<b>415,169</b>

(\*) For a better understanding of the financial statements, the item "Financial assets available for sale" has been reclassified under "Investments". For the purpose of comparing the data for the two financial years, the same reclassification has taken place for the previous year.

Statement of Financial Position - LIABILITIES AND SHAREHOLDERS' EQUITY	09.30.2013	12.31.2012
(thousands of Euros)		
Shareholders' equity		
Shareholders' equity attributable to the Group	136,590	136,162
Minority interests	655	560
<b>Total shareholders' equity</b>	<b>137,245</b>	<b>136,722</b>
Non-current liabilities		
Payables to banks and other lenders	39,410	37,042
Derivative instruments	489	765
Other payables	247	1,490
Deferred taxes	14,250	15,487
Employee benefits	29,071	29,181
Non-current provisions for risks and charges	5,581	5,800
<b>Total non-current liabilities</b>	<b>89,048</b>	<b>89,765</b>
Current liabilities		
Payables to banks and other lenders	49,842	49,275
Derivative instruments	550	637
Trade payables	96,720	123,398
Other payables	15,921	15,223
Current taxes	803	124
Employee benefits	106	25
<b>Total current liabilities</b>	<b>163,942</b>	<b>188,682</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>390,235</b>	<b>415,169</b>

Net Financial Position	09.30.2013	12.31.2012	Change
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables	5,173	3,582	195
Short-term financial debt	(49,842)	(51,395 )	1,553
Valuation of current portion of derivatives	(550)	(637 )	140
<b>Short-term net financial position</b>	<b>(45,219)</b>	<b>(48,450 )</b>	<b>1,888</b>
Medium-term financial debt	(39,410)	(37,042 )	(2,368)
Valuation of non-current portion of derivatives	(489)	(765 )	223
<b>Net financial position</b>	<b>(85,118)</b>	<b>(86,257 )</b>	<b>(257)</b>

## NOTES

The Interim Report of the RDM Group as of September 30, 2013 was prepared on the basis of Article 82, paragraph 1, of the Issuers' Regulations adopted by Consob Resolution 11971 of May 14, 1999, as subsequently revised and amended.

Thus, compliance with the requirement described in Article 154 ter. of the Consolidated Finance Act is achieved with this report.

This Interim Report was not audited by the Independent Auditor.

## ACCOUNTING PRINCIPLES

The operating, balance sheet and financial information was prepared in accordance with recognition criteria set by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to the procedure set forth in Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament of July 19, 2002.

The recognition and measurement criteria used to prepare the financial statements for the first quarter remain unchanged from those used to prepare the consolidated financial statements as at December 31, 2012. For a description of these criteria, see those financial statements.

RDM has applied the same accounting principles as for the Interim Report as at December 31, 2012.

The current scope of consolidation includes a company that uses a currency of account other than the euro (Reno De Medici UK Ltd, which uses GBP).

For the purposes of translating the quarterly financial statements of Reno De Medici UK Ltd into a foreign currency, the euro was selected as the functional currency (the same currency used by the parent company) based on the fact that the company's operations are closely integrated with those of the parent company (IAS 21).

As of September 30, 2013, all assets and liabilities were converted using the exchange rate in effect on the balance sheet reporting date (0.83605 GBP/EUR). Income and costs were converted at the average exchange rate for the period concerned (0.8521 GBP/EUR).

The exchange differences resulting from the use of this approach are classified as an equity reserve until the disposal of the investment.

Preparing the Interim Report in accordance with IFRS requires the use of estimates and assumptions including through the use of operating data that have an impact on reported asset and liability amounts and on the disclosure of contingent assets and liabilities at the reporting date. Final results may differ from the estimates made. Estimates are used to measure the contribution of discontinued operations, provisions for doubtful receivables, inventory obsolescence, depreciation and

amortization, asset write-downs, employee benefits, restructuring funds, taxes, other provisions and funds, and the valuation of derivative instruments. Estimates and assumptions are reviewed periodically, and the impact of any change is reflected immediately in the income statement, with the exception of derivatives.

The balance sheet, income statement and financial situation are presented in thousands of Euros.

#### WORK FORCE

As of September 30, 2013, the RDM Group's staff consisted of 1,416 employees compared to 1,430 employees as at December 31, 2012.

**STATEMENT OF THE EXECUTIVE RESPONSIBLE FOR THE PREPARATION OF THE COMPANY'S FINANCIAL REPORTS PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE 58/1998 (CONSOLIDATED FINANCIAL ACT)**

Dr. Stefano Moccagatta, the executive responsible for the preparation of the company's financial reports, hereby states that pursuant to Article 154-bis, paragraph 2 of the Consolidated Finance Act the accounting information contained in the Interim Report as at September 30, 2013 of Reno De Medici S.p.A. corresponds to information contained in documents, ledgers and accounting entries.

Milan, October 31, 2013

Signed  
Dr. Stefano Moccagatta