# Q4

Reno De Medici

RDM GROUP

# Interim Report
## 12.31.2013

NET REVENUES: €468.5 MILLION
(COMPARED TO €466.3 MILLION AS OF DECEMBER 31, 2012)

GROSS OPERATING PROFIT (EBITDA): €38.2 MILLION
(COMPARED TO €27 MILLION AS OF DECEMBER 31, 2012)

OPERATING PROFIT (EBIT): PROFIT OF €8.5 MILLION
(COMPARED TO A LOSS OF €1.5 MILLION AS OF DECEMBER 31, 2012)

NET PROFIT (LOSS) FOR THE PERIOD: PROFIT OF €2 MILLION
(COMPARED TO A LOSS OF €12.2 MILLION AS OF DECEMBER 31, 2012)

NET FINANCIAL DEBT: €73.5 MILLION
(€86.3 MILLION AS OF 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

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## 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 |

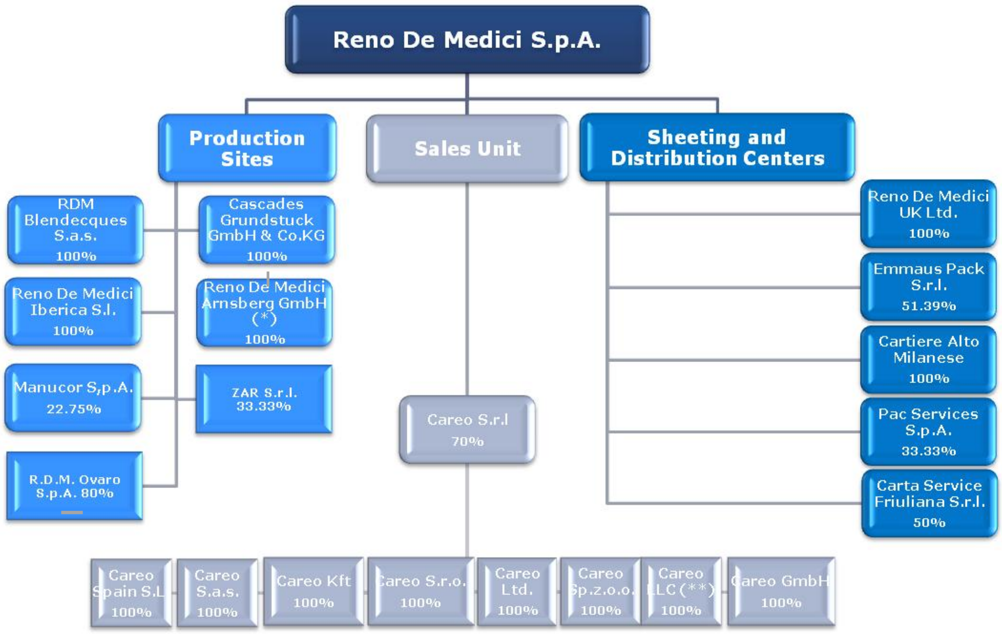
### Board of Statutory Auditors

| | |
|---|---|
| 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 DECEMBER 31, 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 two previous quarters, Reno De Medici ended the fourth quarter and 2013 with profit of €2,030,000 compared to a loss of €12,187,000 in the previous year. The net result for the fourth quarter was also positive with a profit of €1,605,000.
EBITDA for the year totaled €38.2 million, a considerable increase over the €27 million reported last year.

Signs of recovery strengthened in the overall economic scenario. Overall growth was up by 3% driven by emerging countries that rose by 4.7% compared to 1.3% in advanced economies, among which the good performance of the US (+1.9%), Japan (+1.7%) and the UK (+1.7%) stood out, while the Eurozone again reported a slight contraction of -0.4%.
Moreover, there were significant differences in this environment between stronger countries and those that are structurally weaker among both advanced economies and emerging countries.
In the fourth quarter, all countries in the Eurozone demonstrated clear signs of recovery, including those countries hit hardest by the long recession (Ireland, Spain and Italy), but there is still a significant gap with Germany and countries in northern Europe. However, this is a slow and limited recovery that has been slowed by structural weaknesses in the area: high public and private debt, financial fragmentation, a prolonged credit freeze with a negative impact on companies, weakness of domestic demand and reduction in household consumption. These weaknesses are particularly prominent in countries such as Italy and Spain in which the unemployment rate, which is still very high due to the natural lag of employment increases behind the economic cycle, has slowed the recovery of household consumption. With regard to Italy, however, comments by the Bank of Italy point to an interruption in the fall of GDP in the third quarter and ‘slightly positive’ growth in the fourth quarter.
With regard to emerging countries, in a global environment characterized by slow growth, the differences between countries appear to be just as significant. On the one hand, the second half of 2013 saw the positive ‘surge’ in growth in China (+7.7% estimated for 2013) and in India (+4.4%), contrasted with a decisive slowdown in other countries (Argentina, South Africa, Russia, Turkey and even Brazil) where historical structural weaknesses are resurging, accentuated by the volatility in capital flows, the decline in commodity prices, and in certain cases, political and social tensions.

A positive trend in the overall outlook is also seen in the growth of European demand for white lined chipboard for packaging produced from recycled fibers, which in the fourth quarter of 2013 was up by +2.2% compared to the same period of the previous year.
On a total year basis, growth was up by +2.5% over 2012, and in terms of volumes shipped, even the levels reported in 2011 were slightly exceeded. Growth rates are positive in all the main countries, including Italy (+1.6%), but excluding Spain. Growth in Europe resulted in a decline in sales in overseas markets with lower profitability with a resulting improvement in the geographic mix.

With regard to Reno De Medici, in the fourth quarter of 2013, revenues reached a level of €469 million, a slight increase over the €466 million reported in 2012. There was an increase in tons sold from 834,000 tons in 2012 to 862,000 tons in 2013. The second half of 2013 fully benefited from the sales price increase ordered by the Company that made it possible to recover profitability, which had gradually eroded, starting in the second half of 2012, from the gradual decrease in prices. There was also an improvement in geographic mix with growth in tons sold in European markets and a decline in sales in overseas markets which benefited profitability. All plants worked at maximum production capacity. Other revenues include the value of the 'Certificates of Energy Efficiency' or 'TEE' (the so called 'White Certificates') accrued within the projects of energy savings carried out in the S. Giustina and Ovaro mills. Such certificates accrue in the 5-years period 2010-2014 (2011-2016 for Ovaro) based on the energy savings that have been actually achieved; the share posted in the 2013 Interim Management Reports are relevant to 2010, 2011 and 2012 (also 2013 in the case of Ovaro).

With regard to the cost of the main factors of production, there were no major changes in the fourth quarter of 2013.

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

The price of natural gas was also stable: after the peak reported in the first quarter, it remained stable but still high. As far as Reno De Medici is concerned, the supply agreements signed for 2013 allowed for significant savings over the previous year.

The price of coal, the primary energy source of the Arnsberg plant, also continued to be in line with the price in the previous quarter after a continual decline in the first part of the year.

In 2013, the cost of labor rose slightly over the previous year from €72.4 to €73.3 million. The increase was essentially due to provisions related to the restructuring plan approved in March 2013 that affected Italian production units.

Total actual EBITDA in the fourth quarter of 2013 was €38.2 million, an appreciable improvement over the €27 million for the same period in the previous year.

Adjusted EBITDA, which excluded non-recurring items or items associated with plants in which operations were suspended or terminated, rose to €39,9 million compared to €32.9 million in 2012.

There was a total loss of €5.2 million on fixed assets due primarily to the following items:

. the write-down of fixed assets related to the **Marzabotto and Magenta** plants, whose paper production operations were shut down, for a total of €3.6 million in order to adjust their book value to current market value;

. the write-down of fixed assets of the Spanish plant of **Almazàn for** €1.3 million, as a result of the impairment test performed.

Consolidated EBIT was positive at €8.5 million, which is also an improvement compared to the loss of €1.5 million reported in the fourth quarter of 2012.

Equity investments were written down by a total of €1.1 million; the main component of this was the total write-down of the investment in Manucor S.p.A. in the amount of €1,441,000. The investee company, which had already ended 2012 with losses greater than a third of capital, with the resulting need to take action pursuant to Article 2446 of the Italian Civil Code, reported additional losses in 2013. Shareholders are currently assessing the Board of Directors' proposal to reduce and reconstitute share capital to be finalized through a capital increase of up to €15 million. The shareholders' meeting that will resolve on the above mentioned actions has been adjourned to March 11th, 2014.

Net Financial Expenses stood at €6.5 million at December 31, 2013, a slight improvement compared to the December 31, 2012 figure of €587,000, due largely to the fall in interest rates, and 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/loss was positive by €0.9 million, compared to a loss of €11.5 million reported at December 31, 2012.

The balance of current tax items and deferred tax liabilities/assets was positive at €1.1 million due to the allocation of deferred tax assets and the release of deferred tax liabilities at the parent company totaling €3.3 million. Deferred tax assets were recognized partly due to the improved profitability outlook for the parent company and arose due to the recovery of past tax losses and the use of timing differences.

At December 31, 2013 the RDM Group's capital expenditures totaled €15.2 million (€17.8 million as at December 31, 2012).

At December 31, 2013, consolidated net financial debt was €73.5 million, an improvement of €12.8 million compared to the €86.3 million at December 31, 2012 as a result of increased receivable factoring transactions and the proceeds from the sale of the Magenta board machine.

## Consolidated results

The following table summarizes the key income statement indicators as of December 31, 2013 and 2012.

| (thousands of Euros) | 12.31.2013 | 12.31.2012 |
|---|---|---|
| **Revenues from sales** | **468,532** | **466,319** |
| **GROSS OPERATING PROFIT (EBITDA) (1)** | **38,206** | **27,015** |
| **EBIT (2)** | **8,482** | **(1,483)** |
| **Pre-tax income** | **913** | **(11,464)** |
| *Current and deferred taxes* | *1,117* | *(723)* |
| **Profit (loss) for the period** | **2,030** | **(12,187)** |

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:

| (thousands of Euros) | 12.31.2013 | % Inc. | 12.31.2012 | % Inc. |
|---|---|---|---|---|
| Italy | 169,180 | 36.1% | 162,373 | 34.8% |
| EU | 232,590 | 49.7% | 226,227 | 48.5% |
| Non-EU | 66,762 | 14.2% | 77,719 | 16.7% |
| **Revenues from sales** | **468,532** | **100%** | **466,319** | **100%** |

## Key events

The shutdown of **RDM UK** was announced in December. Its activities consisted of cutting operations and UK customer service for the Group's paper mills with about 7,000 tons sold in 2013 and revenues of €6.9 million. The subsidiary profitability has been compromised, as it has not been possible to reach an agreement with the Landlord for the renewal at more favorable conditions of the lease of the building where the subsidiary is headquartered. To cover closing costs, a provision of about €1 million was made primarily associated with liquidation costs (staff and write-down of fixed assets and inventory). The Reno De Medici Group intends to continue servicing the British market, and appropriate alternative solutions are already being reviewed.

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 RDM 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 plant, 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. The collection of proceeds, which is tied to the dismantling process, has mostly been carried out and will be completed at the beginning of 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

The beginning of 2014 has shown no significant changes in the overall macroeconomic situation or the company's income outlook. Order volume and the backlog continue to be satisfactory, and no immediate changes in the costs of the main factors of production are projected.
In 2014 the economic recovery process should be strengthened, including in the Eurozone, but it is anticipated this process will be very gradual and not without risks and uncertainties, especially in countries with greater structural weaknesses such as Italy.

## CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2013

| Consolidated Income Statement | 12.31.2013 | 12.31.2012 |
|---|---|---|
| (thousands of Euros) | | |
| Revenues from sales | 468,532 | 466,319 |
| Other revenues and income | 17,005 | 12,052 |
| | | |
| Change in inventories of finished goods | 1,534 | 4,260 |
| Cost of raw materials and services | (370,932) | (378,312) |
| Personnel costs | (73,286) | (72,437) |
| Other operating costs | (4,647) | (4,867) |
| | | |
| **Gross operating profit** | **38,206** | **27,015** |
| | | |
| Depreciation and amortization | (24,514) | (26,279) |
| Write-downs | (5,210) | (2,219) |
| **Operating profit** | **8,482** | **(1,483)** |
| | | |
| *Financial expense* | *(6,462)* | *(7,286)* |
| *Gains (losses) on foreign exchange* | (178) | 98 |
| *Financial income* | 192 | 153 |
| Net financial income/(expense) | (6,448) | (7,035) |
| | | |
| Gains (losses) from investments | (1,120) | (2,946) |
| Taxes | 1,116 | (723) |
| **Profit (loss) for the period** | **2,030** | **(12,187)** |
| | | |
| attributable to: | | |
| Minority interest in profit (loss) for the period | 255 | 147 |

| Statement of Financial Position - ASSETS | 12.31.2013 | 12.31.2012 |
|---|---|---|
| (thousands of Euros) | | |
| *Non-current assets* | | |
| Tangible fixed assets | 211,204 | 228,929 |
| Goodwill | 63 | 63 |
| Other intangible assets | 5,670 | 6,263 |
| Equity investments | 1,826 | 2,979 |
| Deferred tax assets | 4,665 | 1,312 |
| Available-for-sale financial assets | | |
| Trade receivables | 41 | 41 |
| Other receivables | 958 | 693 |
| **Total non-current assets** | **224,427** | **240,280** |
| Current assets | | |
| Inventories | 77,944 | 78,929 |
| Trade receivables | 67,603 | 86,343 |
| Other receivables | 14,585 | 6,480 |
| Cash and cash equivalents | 2,716 | 3,137 |
| **Total current assets** | **162,848** | **174,889** |
| **TOTAL ASSETS** | **387,275** | **415,169** |

(*) 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.

Reno De Medici

| Statement of Financial Position - LIABILITIES | 12.31.2013 | 12.31.2012 |
| --- | --- | --- |
| (thousands of Euros) | | |
| **Shareholders' equity** | | |
| Shareholders' equity attributable to the Group | 139,276 | 136,162 |
| Minority interests | 668 | 560 |
| **Total shareholders' equity** | **139,944** | **136,722** |
| **Non-current liabilities** | | |
| Payables to banks and other lenders | 32,322 | 37,042 |
| Derivative instruments | 297 | 765 |
| Other payables | 235 | 1,490 |
| Deferred taxes | 14,178 | 15,487 |
| Employee benefits | 27,557 | 29,181 |
| Non-current provisions for risks and charges | 6,906 | 5,800 |
| **Total non-current liabilities** | **81,495** | **89,765** |
| **Current liabilities** | | |
| Payables to banks and other lenders | 42,728 | 49,275 |
| Derivative instruments | 430 | 637 |
| Trade payables | 105,894 | 123,398 |
| Other payables | 14,551 | 15,223 |
| Current taxes | 1,288 | 124 |
| Employee benefits | 945 | 25 |
| **Total current liabilities** | **165,836** | **188,682** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **387,275** | **415,169** |

| Net financial position | 12.31.2013 | 12.31.2012 | Change |
|---|---|---|---|
| (thousands of Euros) | | | |
| Cash, cash equivalents and short-term financial receivables | 2,922 | 3,582 | (660) |
| Short-term financial debt | (43,343) | (51,395) | 8,052 |
| Valuation of current portion of derivatives | (430) | (637) | 207 |
| **Short-term net financial position** | **(40,851)** | **(48,450)** | **7,599** |
| Medium-term financial debt | (32,322) | (37,042) | 4,720 |
| Valuation of non-current portion of derivatives | (297) | (765) | 468 |
| **Net financial position** | **(73,470)** | **(86,257)** | **12,787** |

## NOTES

The Interim Report of the RDM Group as of December 31, 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.
As a result this report is in compliance with the requirement described in Article 154-*ter* of the Consolidated Finance Act.

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 December 31, 2013, all assets and liabilities were converted using the exchange rate in effect on the balance sheet reporting date (0.8337 GBP/EUR). Income and costs were converted at the average exchange rate for the period concerned (0.8493 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 December 31, 2013, the RDM Group's staff consisted of 1,405 employees compared to 1,430 employees as of 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 FINANCE 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 December 31, 2013 of Reno De Medici S.p.A. corresponds to the information contained in documents, ledgers and accounting entries.

Milan, February 13, 2014

Signed
Dr. Stefano Moccagatta