

# Q1

Reno De Medici



## Interim Report

### 03.31.2015

**NET REVENUES: €114.5 MILLION**

(COMPARED TO €111.9 MILLION AS AT MARCH 31, 2014)

**GROSS OPERATING PROFIT (EBITDA): €10.7 MILLION**

(COMPARED TO €13.8 MILLION AS AT MARCH 31, 2014)

**OPERATING PROFIT (EBIT): PROFIT OF €4.9 MILLION**

(COMPARED TO A PROFIT OF €8.2 MILLION AS AT MARCH 31, 2014)

**NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATION: PROFIT OF €4 MILLION**

(COMPARED TO A PROFIT OF €5.6 MILLION AS OF MARCH 31, 2014)

**NET PROFIT (LOSS) FOR THE PERIOD: PROFIT OF €3.8 MILLION**

(COMPARED TO A PROFIT OF €5.6 MILLION AS AT MARCH 31, 2014)

**NET FINANCIAL DEBT: €59.8 MILLION**

(€65.9 MILLION AS AT DECEMBER 31, 2014)

Reno De Medici S.p.A.  
Viale Isonzo 25, Milan  
Share capital €185,122,487.06  
Tax code and VAT number 00883670150

## CONTENTS

BOARD OF DIRECTORS AND AUDITORS.....	2
GROUP OPERATING COMPANIES AS AT MARCH 31, 2015 .....	3
DIRECTORS' REPORT ON OPERATIONS .....	4
CONSOLIDATED RESULTS .....	7
KEY EVENTS.....	8
OUTLOOK.....	8
CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2015 .....	9
NOTES .....	13
ACCOUNTING PRINCIPLES .....	13
STATEMENT OF EXECUTIVE RESPONSIBLE FOR THE PREPARATION OF THE COMPANY'S FINANCIAL REPORTS PURSUANT TO ARTICLE 154- <i>BIS</i> , PARAGRAPH 2, OF LEGISLATIVE DECREE 58/1998 (CONSOLIDATED FINANCIAL ACT).....	15

## BOARD OF DIRECTORS AND AUDITORS

### Board of Directors

Robert Hall	Chairman
Ignazio Capuano	CEO
Enrico Giliberti	Director
Laura Guazzoni	Director
Laurent Lemaire	Director

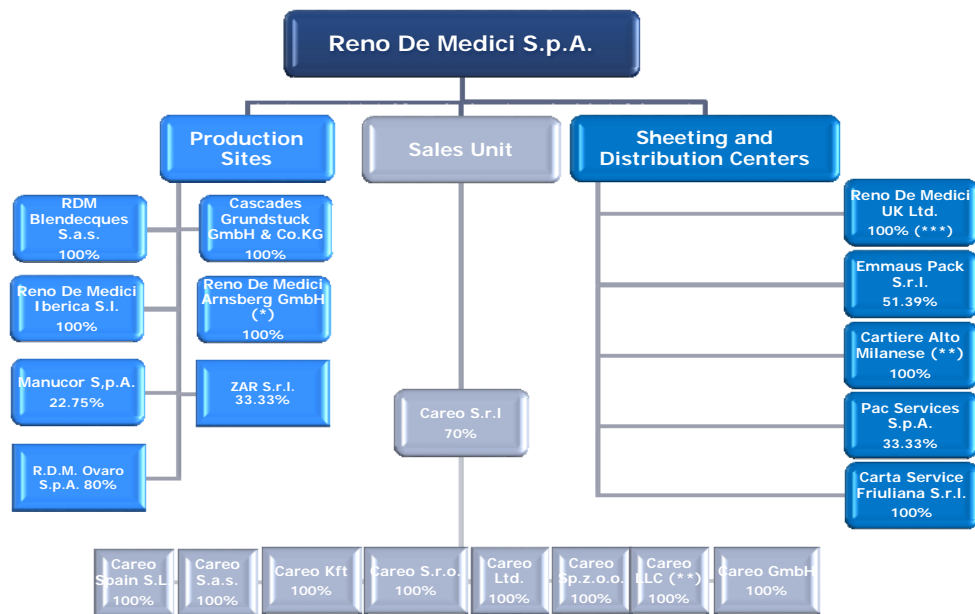
### Board of Statutory Auditors

Carlo Tavormina	Chairman
Giovanni Maria Conti	Standing Auditor
Tiziana Masolini	Standing Auditor
Domenico Maisano	Alternate Auditor

### Independent Auditors

Deloitte & Touche S.p.A.

GROUP OPERATING COMPANIES AS AT MARCH 31, 2015



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

(\*\*) Company in liquidation

(\*\*\*) Company presented as required by IFRS 5

## DIRECTORS' REPORT ON OPERATIONS

Reno De Medici had a positive start of 2015 and recorded in Q1 an EBITDA of €10.7 million. The decrease compared to €13.8 million of 2014 is mainly due to the CEE - Certificates of Energy Efficiency (the so called 'white certificates'), that in 2014 were granted for an higher amount for the completion of the projects envisaged by the 5-years plan.

The profit for the period amounts to €3.8 million, and compares positively with €5.6 million of 2014, if considering the white certificates effect.

As concerns the macroeconomic scenario, the latest assessments confirm the outlook as it was envisaged at the beginning of the year: the world economy is expected to grow in 2015 +3.5%, roughly the same of last year, but with a different trend that differentiates Advanced Economies and Emerging Economies.

The growth of **Advanced Economies** should be stronger (2.4% vs. 1.8% of previous year), driven by the solid recovery of the United States (+3.1%), that should continue also in 2016.

For the **Euro Area** the outlook depicts an overall growth of 1.5%: all major countries expect to grow, including Italy (+0.5% in 2015 vs. -0.4% in 2014). The positive evolution of activity is driven by several factors: low cost of oil and of energy in general, low interest rates, the accommodative monetary policy of the ECB, a weaker Euro that supports exports, and the expectation of a neutral fiscal stance. However, the potential growth remains moderate, as the crisis legacies are still strong particularly in some countries. The overall private investment is weak, with the exception of Spain, Ireland and Germany. The unemployment rate continues to be high, above 11%, but with a steady positive although slow trend.

**Emerging Markets and Developing Economies** present a complex and diversified scenario: growth is projected to be 4.3% in 2015, it still contributes more than 70% of global growth, but shows a decline for the fifth year in a row, that results from more subdued prospects for some large emerging economies, and weaker activity in the oil exporting countries, because of the sharp decrease of oil prices.

The evolution of demand in the **"White Lined Chipboard"** sector, in which the Reno De Medici Group operates, follows the positive general trend of the economy, it seems at a faster rate than recovery: in the first quarter of 2015 European demand grew +3.9% compared to the same period of previous year, driven by Spain, Germany and France; also Italy shows a positive trend with +1.5%. The order intake in Europe increased significantly in January and February, and stabilized in March remaining at very satisfactory levels. All mill operated at full production capacity.

Tons-sold by in Q1 2015 by the Reno De Medici Group were 217 thousand (without including Reno De Medici Ibérica S.l.u., that at the end of 2014 was represented as held for sale), compared to 210

thousand sold in 2014.

Revenues from sales were €114.5 million, that compare to €111.9 million of previous year. The increase of €2.6 million is mainly due to higher tons sold and to a mix change associated to the restructuring of the Spanish operation, partially offset by a slight decrease of average prices.

As regards the main factors of production, prices of recycled fibers stayed firm in Q1, although at the end of the quarter some signs of increase were observed, in Italy in particular.

Driven by oil prices, the prices of energy continue to be very low in all its components (natural gas, coal, electricity), as a result of a common general situation: global supply continues to be higher than demand. In this common general scenario, the individual factors of energy costs are influenced by different factors.

The cost of natural gas (that main source of energy for the Reno De Medici Group), net of seasonal effects, resulted to be particularly low in Europe in Q1 due to the mild winter, and the speculation of its rapid end. As a consequence, its cost is visibly lower compared to last year. It has to be pointed out that in 2015 the cost of energy of the Italian mills has increased for the mandatory contribution imposed to support the renewable sources of energy.

The price of coal in dollar terms remained firm at the same low levels of December 2014, and its fluctuation are mainly associated to the exchange rate.

As regards specifically Reno De Medici and natural gas, the contracts already signed based on fix price cover entirely the consumption of the first-half of 2015, as well as a substantial portion of the second-half consumption, and protect the Group from unexpected upward fluctuations.

Personnel costs amounted in 2015 to €16.2 million, a decrease of €0.5 million compared to 16.7 million recorded in 2014. The decrease results from the reduction of headcount, due to the restructuring of the sheeting and finishing departments of the Italian mills carried out in the course of 2014, that more than compensated the contractual salary raises.

EBIT reached €4.9 million, that compares to €8.2 million of 2014, a decrease mainly associated to the EEC - Energy Efficiency Certificates. Net of this effect, the operational profitability improved, driven by lower variable production costs and energy costs.

Net Financial Expenses were €0.7 million and decreased compared to €1.7 million of 2014, due to the lower net financial indebtedness (€59.8 million, vs. €74.5 million as of March 2014), the decrease of interest rates, and the higher income from exchange differences, for the revaluation of the US dollar.

Profit from investment was €0.5 million, slightly higher than the €0.3 million recorded in 2014.

Consolidated Profit amounted to €3.8 million, a decrease compared to the €5.6 million recorded in the first quarter of 2014, where the positive operational performance, and the lower financial expenses, compensated most of the decrease of other income.

The Capital Expenditures made in the period by the Reno De Medici Group amounted to €1.2 million (€0.7 million at March 31, 2014).

Consolidated Net Financial Indebtedness at March 31th, 2015 was €59.8 million (including Reno De Medici Ibérica), a decrease in the quarter of -6.1 million compared to €65.9 million at December 31st, 2014, thanks to the positive performance of operations and the reduction of the net working capital.

## Consolidated results

The following table summarizes key income statement indicators as at March 31, 2015 and 2014.

	03.31.2015	03.31.2014 (*)
(thousands of Euros)		
Revenues from sales	114,456	111,860
<b>OPERATING PROFIT (EBITDA) (1)</b>	<b>10,653</b>	<b>13,763</b>
<b>EBIT (2)</b>	<b>4,920</b>	<b>8,163</b>
<b>Pre-tax income (3)</b>	<b>4,781</b>	<b>6,773</b>
<i>Current and deferred taxes</i>	<i>(812)</i>	<i>(1.169)</i>
Profit (Loss) for the period before discontinued operations	3,969	5.604
Discontinued operations	(144)	4
<b>Profit (Loss) for the period</b>	<b>3,825</b>	<b>5.608</b>

(\*) Following the termination of Reno De Medici UK's activity and the holding for sale of Reno De Medici Ibérica at March 31, 2015 and the consequent reclassification of the results for the period between the discontinued operations, as required by IFRS 5, the economic data as at March 31, 2014 were reclassified in order to make them comparable with those at March 31, 2015.

- 1) See "Gross operating profit" in the Consolidated Financial Statements of the RDM Group
- 2) See 'Operating profit' in the Consolidated Financial Statements of the RDM Group
- 3) 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:

	03.31.2015	% of total	03.31.2014	% of total
(thousands of Euros)				
Italy	42,111	36.8 %	42,899	38.4 %
EU	54,699	47.8 %	50,366	45.0 %
Non-EU	17,646	15.4 %	18,595	16.6 %
<b>Revenues from sales</b>	<b>114,456</b>	<b>100 %</b>	<b>111,860</b>	<b>100 %</b>



## Key events

No key events occurred in Q1 2015.

## Outlook

After the closing of the period, the order in-flow has continued to be satisfactory.

As regards the evolution of the general scenario, recovery should continue, even if risks seem still tilted to the down side. Macroeconomic risks have slightly decreased, even if risks of stagnation and low inflation in advanced economies are still present. On the other hand, geopolitical tension have increased, and might affect also major economies.

As previously commented, in the Euro Area a moderate growth of the economic activity is expected in 2015. The Area should continue to benefit from low energy prices, the depreciation of the Euro, and the ECB's accommodative monetary policy.

In the sector in which Reno De Medici operates, demand should remain strong in the forthcoming months. The main cost factors, recycled fibers and energy, should stay firm at the current favorable level, although the prices of fibers are starting to show an upward trend.

In April Reno De Medici (as well as the other major European producers), in view of the evolution of demand, announced a price increase, that will be applied to the orders received starting from the month of May, with delivery starting from the beginning of June.

The outlook for the last part of the year, and beyond, is more uncertain, as is linked to the pace of recovery, and to the evolution of some specific variables, the cost of energy and the exchange rate of the US dollar in the first place.

**CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2015**

Consolidated Income Statement	03.31.2015	03.31.2014 (*)
(thousands of Euros)		
Revenues from sales	114,456	111,860
Other revenues and income	1,715	6,303
Change in inventories of finished goods	(4,506)	(1,987)
Cost of raw materials and services	(83,840)	(84,544)
Personnel costs	(16,184)	(16,655)
Other operating costs	(988)	(1,214)
<b>Gross operating profit</b>	<b>10,653</b>	<b>13,763</b>
Depreciation and amortization	(5,733)	(5,600)
Write-downs		
<b>Operating profit</b>	<b>4,920</b>	<b>8,163</b>
<i>Financial expense</i>	(1,173)	(1,726)
<i>Gains (losses) on foreign exchange</i>	488	26
<i>Financial income</i>	2	6
Net financial income/(expense)	(683)	(1,694)
Gains (losses) from investments	544	304
Taxes	(812)	(1,169)
<b>Profit (loss) for the period before net result Before discontinued operations</b>	<b>3,969</b>	<b>5,604</b>
Net result from discontinued operations	(144)	4
<b>Profit (loss) for the period</b>	<b>3,825</b>	<b>5,608</b>
attributable to:		
Group's share of profit (loss) for the period	3,811	5,578
Minority interest in profit (loss) for the period	14	30

(\*) Following the termination of Reno De Medici UK's activity and the holding for sale of Reno De Medici Ibérica at March 31, 2015 and the consequent reclassification of the results for the period between the discontinued operations, as required by IFRS 5, the economic data as at March 31, 2014 were reclassified in order to make them comparable with those at March 31, 2015.

Statement of Financial Position - ASSETS	03.31.2015	12.31.2014
(thousands of Euros)		
<i>Non-current assets</i>		
Tangible fixed assets	198,267	202,768
Other intangible assets	5,779	5,859
Equity investments	2,252	1,706
Deferred tax assets	3,345	3,245
Other receivables	1,033	990
<b>Total non-current assets</b>	<b>210,676</b>	<b>214,568</b>
<i>Current assets</i>		
Inventories	66,266	70,595
Trade receivables	65,567	59,643
Other receivables	7,456	8,934
Cash and cash equivalents	1,599	2,376
<b>Total current assets</b>	<b>140,888</b>	<b>141,548</b>
<b>Asset held for sale</b>	<b>8,939</b>	<b>10,425</b>
<b>TOTAL ASSETS</b>	<b>360,503</b>	<b>366,541</b>

Statement of Financial Position - LIABILITIES AND SHAREHOLDERS' EQUITY	03.31.2015	12.31.2014
(thousands of Euros)		
<b>Shareholders' equity</b>		
Shareholders' equity attributable to the Group	145,031	141,198
Minority interests	376	362
<b>Total shareholders' equity</b>	<b>145,407</b>	<b>141,560</b>
<b>Non-current liabilities</b>		
Payables to banks and other lenders	23,024	26,725
Derivative instruments	18	18
Other payables	169	182
Deferred taxes	10,129	10,589
Employee benefits	30,540	30,674
Non-current provisions for risks and charges	3,273	4,780
<b>Total non-current liabilities</b>	<b>67,153</b>	<b>72,968</b>
<b>Current liabilities</b>		
Payables to banks and other lenders	31,672	36,196
Derivative instruments	293	286
Trade payables	88,674	88,532
Other payables	16,097	15,364
Current taxes	2,174	2,396
Employee benefits	205	924
<b>Total current liabilities</b>	<b>139,115</b>	<b>143,698</b>
Liabilities held for sale	8,828	8,315
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>360,503</b>	<b>366,541</b>

Net financial position	03.31.2015	12.31.2014	Change
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables	2,644	3,698	(1,054)
Short-term financial debt	(38,377)	(41,707)	3,330
Valuation of current portion of derivatives	(293)	(286)	(7)
<b>Short-term net financial position</b>	<b>(36,026)</b>	<b>(38,295)</b>	<b>2,269</b>
Medium-term financial receivables	54		54
Medium-term financial debt	(23,818)	(27,581)	3,763
Valuation of non-current portion of derivatives	(18)	(18)	
<b>Net financial position</b>	<b>(59,808)</b>	<b>(65,894)</b>	<b>6,086</b>

## NOTES

The Interim Report of the RDM Group as at March 31, 2015 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 amended and supplemented.

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 statement of financial position and income statement were 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, 2014. For a description of these criteria, reference is made to those financial statements.

RDM has applied the same accounting principles as for the Interim Report as at December 31, 2014.

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 at March 31, 2015, all assets and liabilities were converted using the exchange rate in effect on the statement of financial position reporting date (0.7273 GBP/EUR). Income and costs were converted at the average exchange rate for the period concerned (0.7436 GBP/EUR).

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

The preparation of 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 statement of financial position and income statement are stated in thousands of Euros.

#### WORK FORCE

As at March 31, 2015, the RDM Group's staff consisted of 1,157 employees ( without Reno De Medici Ibérica S.l.u.) compared to 1,169 employees as at December 31, 2014.

**STATEMENT OF 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)**

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 March 31, 2015 of Reno De Medici S.p.A. corresponds to information contained in documents, ledgers and accounting entries.

Milan, April 29, 2015

Signed  
Stefano Moccagatta