

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE
SHAREHOLDERS'
MEETING CALLED FOR THE APPROVAL OF THE
FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015
PURSUANT TO ARTICLE 153, LEGISLATIVE DECREE 58/98 AND ARTICLE
2429, OF THE ITALIAN CIVIL CODE

To the Shareholders' Meeting of Reno De Medici S.p.A.

Dear Shareholders,

first of all we should like to remind you that the legally-required audit of the accounts pursuant to Article 14 of Legislative Decree 39/2010 is delegated to the Independent Auditors Deloitte & Touche S.p.A., appointed to this extent by the Shareholders' Meeting of April 27, 2012 with regard to each of the financial years included between 2012 to 2020.

During the year 2014, we carried out our control activities according to the rules of the Italian Civil Code, Articles 148 *et seq.* Legislative Decree 58 of February 24, 1998, as well as Legislative Decree 39/2010, in our capacity of Internal Control and Audit Committee, also taking into account the guidelines provided by CONSOB in its communications, accordingly with the code of conduct of the Board of Statutory Auditors recommended by the "Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili" (Italian Association of Chartered Accountants).

We checked the compliance with the law and with the Corporate bylaws.

On a quarterly basis at the least, the Directors gave us extensive information about the activities performed and on the main economic, financial and balance-sheet impact transactions carried out by the Company and its subsidiaries, as well as on the overall operating performance and the events that had the greatest impact on determining the result for the year.

As far as we are concerned, we constantly verified that any action approved and implemented were compliant with the Law and the by-laws and that they were not manifestly imprudent, risky, or affected by a conflict of interest or were contrary to the resolutions adopted by the Shareholders' Meeting, or able to compromise the integrity of the Company's assets.

We did not find out any abnormal and/or unusual transactions with any Company of the Group or with other related-parties or third-parties, being such a result confirming the findings in the Board of Directors' Report.

According to our duties, we supervised the adequacy of the Company's organizational structure, the compliance to the principles of proper administration and the adequacy of the instructions given by the Company to its subsidiaries, pursuant to Article 114, paragraph 2 of Legislative Decree 58/98, collecting, to this extent, information from managers and from the Independent Auditors, by mean of meetings held also for the purpose of the mutual exchange of significant data and information and, in this regard, we do not have any particular observation to report.

Specifically, as far as the decision-making processes of the Board of Directors are concerned, we ascertained, also by our personal participation to the board meetings, the compliance with the Law and by-laws of the managing decisions taken by the Directors and we verified that the related resolutions were supported by analyses and assessments regarding, in particular, the economic consistency of the operations and their compliance with the Company's interests. During the meetings of the Board all the periodic managing performance were analysed and discussed, as well as any aspect related to the most significant transactions.

We assessed and monitored the adequacy of the internal control system and the administrative and accounting system, as well as the reliability of the latter to correctly represent the operating performance, by obtaining information from the managers of the respective departments, the exam of the company documents and the analysis of the results of the work conducted by the Independent Auditors, overseeing the activity of the Internal Control Manager and attending the meetings of the Control and Risk Committee established within the Board of Directors pursuant to the Self-Regulation Code. With special reference to the internal control system the Board of Auditors believes that it is generally adequate, operational and functional notwithstanding the persistence of a few critical issues in the purchasing management process, currently undergoing analysis and evaluation by a firm of external consultants as well. There are no particular findings to report with regard to the administrative and accounting system. As laid down by Article 16 of Legislative Decree 39 of 1.27.2010, the Independent Auditors have exclusively exercised control over:

- On the correct keeping of the accounts and the correct recording of the operating performance in the records;
- On the correspondence of the financial statements with the results of the records and on the conformity to the governing regulations.

We held regular meetings with the representatives of the Independent Auditors, pursuant to Article 150, paragraph 3 of Legislative Decree 58/98, and no significant data or information emerged that needed to be highlighted in this report.

Under the scope of the supervision of the statutory audit of the annual accounts and consolidated accounts, we examined the Group's Audit Plan at December 31, 2015, prepared by the Independent Auditors, in which have been identified highlighted significant risks with regard to the main areas of the financial statements.

We monitored the practical methods for implementing the Corporate Governance system laid down in the Self-Regulating Code adopted by the Company, keeping up with the recommendations of Borsa Italiana S.p.A..

In this regard, having examined the evaluations of the Board of Directors and of the Control and Risk Committee, the Board of Statutory Auditors verified (i) that the assessment criteria and procedures adopted by the same Board to evaluate the existence of the requirements of integrity, independence and enforceability of its members were correctly applied, (ii) the adequacy, with regard to the requirements and operations of the Company, size, composition and operation of the Board and its Committees, as well as (iii) the compliance to the criteria of independence on behalf of each individual member of the Board of Statutory Auditors.

We verified the compliance with the regulations on the preparation of the separate financial statements and the consolidated financial statements as at December 31, 2015 - prepared in accordance with the IFRS (International Financial Reporting Standards), issued by the IASB and endorsed by the European Union, applicable on the 12.31.2015 - and the Directors' Report, through direct inspections and information obtained from the Independent Auditors.

With reference to the control on any reductions in value of assets (impairment tests) pursuant to accounting principle IAS 36, as expressly indicated in the joint Bank of Italy/Consob/Isvap Document 4 of March 3, 2010, before the approval of the financial statements draft as at 12.31.2015, the Directors approved the results of the impairment

test and verified the correspondence to the guidelines of IAS 36. Following the analyses carried out by the Directors, as described in the Directors' Report and the Notes to the consolidated and separate financial statements, they adjusted the value of the participation owned in RDM Blendecques S.A., as well as several buildings and service structures of the Magenta mill. In addition, the Directors further wrote-down the investment in Reno De Medici Iberica S.l.u., which was sold on 1.27.2016.

In their Report, which also contains the information required by Legislative Decree 32/2007, the Directors provided ample information about operating performance and the events featured in the year, illustrating the activities conducted in the various geographical areas in which the Company operates. Referring expressly to the information provided by the Directors, we wish to remind you specifically of the Shareholders' Meeting resolutions adopted on November 2, 2015:

- the voluntary hedging of all previous losses, partly by using the profits for the period and available reserves and, partly, by reducing the share capital, prior to the possible future distribution of dividends;
- the establishment of an "Available Reserve" of €10,399,255.80, through the voluntary reduction of the share capital, pursuant to Article 2445 of the Italian Civil Code, which took effect on February 29, 2016, as a tool for stabilizing the stock performance;
- the authorization of a treasury share purchase and disposal program.

As far as the subsequent significant events after the year-end are concerned, referring expressly to the information provided by the Directors, please note moreover that on March 14, 2016, Reno De Medici S.p.A. signed a letter of intent for the indirect purchase of the entire share capital of Cascades S.A.S..

Furthermore, in their Report, the Directors adequately list and describe the operations undertaken with the Group Companies and the other related parties, by highlighting their ordinary nature or, in any way, functional in regards to the company programs and requirements, to the characteristics and to the amounts. Specifically, the impact of these operations is equal to 1.4% of the revenues and they are mainly of commercial nature.

Based on the controls performed to date on related-party transactions, it is deemed that those involving the achievement of the corporate purpose comply with the criteria of consistency and do not appear contrary to the Company's interest.

The notes to the consolidated financial statements and the separate financial statements contain dedicated synoptic tables that summarize the nature and economic and financial effects of related-party transactions, including intercompany ones.

The Directors' Report contains a specific section on Corporate Governance and ownership structures, prepared pursuant to Article 123-*bis* of Legislative Decree 58/98 and Article 89-*bis*, R.E.. In this regard the Directors do not have any issues to bring to your attention.

Both the consolidated financial statements and the separate financial statements contain certifications by the Executive responsible for the preparation of the company's financial reports, issued pursuant to Article 154-*bis* of Legislative Decree 58/98 and as amended.

The Directors, on March, 17, 2016, have also prepared and approved the Remuneration Report pursuant to Article 123-*ter* of Legislative Decree 58/98, proposed by the Remuneration Committee on March 17, 2016. In this context, the principles adopted for calculating the remuneration of Executive Directors and directors holding specific positions, the General Director as well as executives with strategic responsibilities are illustrated. In addition, the Report contains the table of compensation paid to members of the Board of Directors and Auditors, the General Director and any other executives with strategic responsibilities, as well as the table containing the information on investments held in the Company's share capital.

On April 6, 2016, the Independent Auditors issued their report with a favourable opinion on the consolidated financial statements and the separate financial statements as at 12.31.2015, without any further remarks or findings. The Independent Auditors also certified the consistency of the Directors' Report and the specific section on the corporate governance and ownership structure, limited to the information in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of Article 123-*bis* of Legislative Decree 58/98, with the financial statements as at December 31, 2014.

The Independent Auditors, still on April 6, 2016, also sent us - in our capacity of Internal Control and Audit Committee - their report on the fundamental issues that emerged during the statutory audit and any significant shortcomings found in the internal control system with regard to the financial information process, pursuant to

Article 19 of Legislative Decree 39/2010, paragraph 3. There is adequate information on these aspects in the Notes to the Consolidated and Separate Financial Statements.

The Independent Auditors also confirmed to us, during the normal course of the audit, that they did not discover any shortcomings in the internal control system with regard to the financial information process for the separate and consolidated financial statements as at 12.31.2015 that needed reporting to the Internal Control and Audit Committee.

As laid down by Article 19 of Legislative Decree 39/10, we monitored the independence of the Independent Auditors, specifically as far as the provision of non-audit related services is concerned.

Pursuant to the provision of Article 17, paragraph 9, letter a) of Legislative Decree 39/2010, we received confirmation from the Independent Auditors that - in the period from January 1, 2015 to the date of the communication (April 6, 2016) - it did not find situations that could compromise the independence of same or causes of incompatibility as indicated in Articles 10 and 17 of Legislative Decree 39/2010 and the implementing provisions.

The Independent Auditors also sent us the list of non-statutory audit services provided to the Company and its subsidiaries by themselves or by organizations belonging to its network. Specifically, from the information provided pursuant to Article 149-*duodecies* of the CONSOB Issuers' Regulation and reported in the annex to the Notes to the Separate Financial Statements, Deloitte & Touche GmbH (Germany) was appointed to carry out the following additional task:

- other certification services, for a total of €10,552.

Also taking into account the communication issued by Deloitte & Touche and the information referred to above, based on the oversight activities conducted pursuant to Article 19 of Legislative Decree 39/2010, no critical aspects emerged with regard to the independence of the Independent Auditors Deloitte & Touche SpA.

During the course of the oversight activity performed by us and also taking into account the information obtained from the Independent Auditors, no omissions and/or reprehensible actions and/or irregularities were found or significant events that would need to be reported to the control bodies or be mentioned in this report.

The oversight activity described above was conducted in the Board of Statutory Auditors' meetings (also conducting individual interviews) and taking part in the Board

of Directors' meetings, as well as the meetings of the Control and Risk Committee and the Oversight Body pursuant to Legislative Decree 231/2001, having also listened to the Internal Control Manager. Specifically, we also wish to point out the following:

- the Control and Risk Committee, established pursuant to the Self-Regulation Code, confirmed (i) the adequacy of the procedures and, more generally, the internal control system adopted by the Company, also in the light of the approval by the Board of Directors of dedicated corporate procedures on the subject of related-party transactions, confidential information, internal dealing and information disclosure obligations to the Boards of Directors and Auditors, pursuant to Article 150 of Legislative Decree 58/98; (ii) the adequacy of the organizational, administrative and general accounting structure, also pursuant to Article 123-*bis*, paragraph 2, letter b) of the CFA. The CCR has found several anomalies, with reference to the process of awarding contracts during tender processes, pointing out that the Company has adopted suitable safeguards in the areas of risk identified and has constantly implemented appropriate and suitable adjustments to its governance and organizational structure, demonstrating care over corporate changes. Specifically, it implemented initiatives (also by appointing an external consultancy firm to carry out a specific task) aimed at improving the internal control system and improving the awareness of all parties involved in complying with the rules.
- The Oversight Body, appointed pursuant with Legislative Decree 231/01, confirmed there were no breaches of the Organizational Model adopted by the Company that it was aware of. With regard to several problems that emerged during the purchase management process, the Oversight Body pointed out that, in conjunction with the executive bodies of the Company, it had undertaken initiatives aimed at restoring compliance with the internal control regulations by all parties reporting to the organization. In this regard, the Oversight Body pointed out how the Company had implemented initiatives (also by appointing an external consultancy firm to carry out a specific task) aimed at improving the internal control system and improving the awareness of all parties involved in complying with the rules.
- The Internal Control Manager, established pursuant to the Self-Regulation Code, confirmed that the internal control and risk management system was, overall,

adequate, operational and functional. In spite of the persistence of several problems in the purchase management process, currently being analyzed and assessed (also with the support of external consultants), the Internal Control Manager believes that overall the system conforms to international best practices and is capable of mitigating and preventing the risks that could hinder and/or have a significant impact on the financial reporting or the activity of the Company.

We did not receive any censure pursuant to Article 2408 of the Italian Civil Code or complaints from third parties.

In 2015, the Board of Statutory Auditors issued an opinion pursuant to Article 2446.

Six meetings of the Board of Directors were held during the year, three meetings of the Internal Control Committee, one meeting of the Related Parties Committee, two meetings of the Remuneration Committee, two meetings of the Nominations Committee, which the Board of Statutory Auditors regularly attended, and twelve meetings of the Board of Statutory Auditors (of which seven were of the Board of Statutory Auditors appointed on April 30, 2015).

Based on the above, the Board of Statutory Auditors, to the extent applicable, does not find any reasons to prevent the approval of the financial statements for the year ended 12.31.2015, and also with regard to the proposal formulated by the Board of Directors for the allocation of the profits for the year.

* * *

The Board of Directors has also called an Ordinary Meeting to resolve with regard to the replenishment of a the number of members of the audit board and to the appointment of one member of the Board of Directors.

With express reference to the Report prepared by the Directors, the Board of Statutory Auditors invites you to take the necessary and consequent decisions.

Milan, April 6, 2016

THE BOARD OF STATUTORY AUDITORS

Giancarlo Russo Corvace (Chairman)

Giovanni Maria Conti

Tiziana Masolini