

# Q3

Reno De Medici



## Interim Report

### 09.30.2014

**NET REVENUES: €346.6 MILLION**

(COMPARED TO €348,8 MILLION AS AT SEPTEMBER 30, 2013)

**GROSS OPERATING PROFIT (EBITDA): €33,9 MILLION**

(COMPARED TO €25,1 MILLION AS AT SEPTEMBER 30, 2013)

**OPERATING PROFIT (EBIT): PROFIT OF €16 MILLION**

(COMPARED TO A PROFIT OF €6,7 MILLION AS AT SEPTEMBER 30, 2013)

**NET PROFIT (LOSS) FOR THE PERIOD: PROFIT OF €10,6 MILLION**

(COMPARED TO A LOSS OF €0.4 MILLION AS AT SEPTEMBER 30, 2013)

**NET FINANCIAL DEBT: €68.8 MILLION**

(€73.5 MILLION AS AT DECEMBER 31, 2013)

Reno De Medici S.p.A.  
Viale Isonzo 25, 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
Ignazio Capuano	CEO
Enrico Giliberti	Director
Laura Guazzoni	Director
Laurent Lemaire	Director

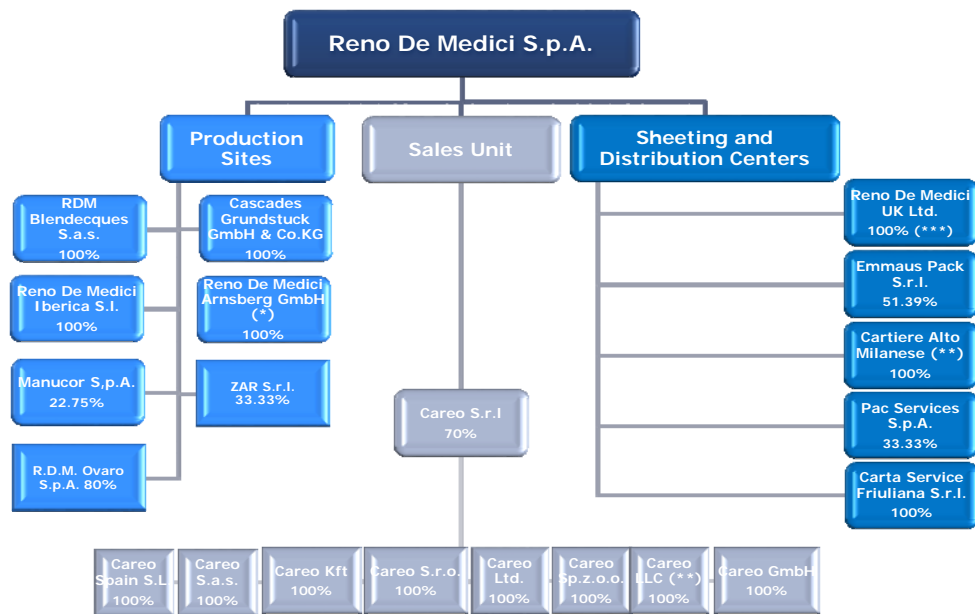
### Board of Statutory Auditors

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 SEPTEMBER 30, 2014



\*) 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 closes the first nine months of 2014 recording a year-to-date EBITDA of €33.9 million, a relevant growth compared the €25.1 million of the same period of previous year. Net profit rises to €10.6 million, vs. €425 thousand of 2013.

The results of the Third Quarter are also positive, at both EBITDA and Net Result level, notwithstanding seasonality factors - the Third Quarter is historically weaker due to August stand-stills for maintenance at the mills - and the costs related to the commissioning of the new equipment installed in August at the Santa Giustina mill.

The evolution of the global macroeconomic scenario of the Third Quarter confirms that the recovery process continues, but at a slower pace, as it had been observed already in previous quarter.

The 2014 growth forecast for the world economy has recently been revised downward to +3.3%, 0.4% lower than forecasted in April (IMF).

Although the downward adjustments are common to both advanced economies and emerging markets, the evolution has become more differentiated and country-specific.

**In the Euro Area**, real GDP was flat in the Second Quarter of 2014, and the slowdown continued in the Third Quarter. Although this outcome can be also associated to some specific temporary and technical factors, according to the ECB 'it appears difficult to clearly identify reasons for the slowdown'.

In any case, the Euro Area envisages for 2014 a potential growth of +0.8%, a -0.3% reduction compared to the previous assessment. All major countries except Spain revised downward the growth forecast, including and unexpectedly, Germany; no growth was recorded in France, and Italy has turned slightly negative with -0.2%. Notwithstanding the accommodative monetary policy of the ECB, and the positive attitudes of the financial markets, investments remained subdued.

Some positive indications are coming from labor markets, that show that unemployment has stabilized, with some signs of a gradual improvement.

In any case, the weakening of the growth potential in the Euro Area does not change the perspective of a moderate recovery in 2015, with an expected growth of 1.3%.

The performance of the sector in which the Reno De Medici Group operates follows the current evolution of the general macroeconomic scenario: in the first nine months of 2014 European demand for packaging white-lined chipboard slightly decreased by -1.6% compared to 2013, with a stronger negative deviation of -2.8% when comparing third quarter with the same period of previous year. Among major countries, only Spain and UK show positive variations, which is also in line with the global evolution of the economy.

However, not only the year-to-date order flow and back-log still remain satisfactory, but the trend of the order inflow has even improved somewhat in the last weeks.

Tons-sold by in the first nine months of 2014 the Reno De Medici Group were 650 thousand, an only marginal decrease compared to 653 thousand of previous year, notwithstanding lower production at the Santa Giustina mill for the commissioning of new equipment; revenues from sales were €346.6 million, a slight decrease compared to €348.8 million of previous year, due to slightly lower volumes and a different country and product mix.

As regards the main factors of production, the prices of recycled fibers have been basically firm since September 2013 to date, in line with the evolution of global economy, and the decrease of exports to China. Only the prices of 'white grades' increased somewhat in the third quarter, mainly due to the revaluation of the US dollar.

The cost of energy resumed its downward trend in all its main components (natural gas, coal and electricity), after the temporary peaks recorded at the end of the summer due to the geopolitical tensions in Ukraine and the Middle East.

Although natural gas markets are more fragmented geographically than oil markets for the higher transportation costs and limited storability, the downward trend of prices is general. In Europe, prices have been declining since the beginning of 2014, mainly as a result from subdued economic activity and low demand, but also from episodic factors: a mild winter followed by a cool summer, and consequently full gas storage facilities.

The price of coal, the main source of energy of the Arnsberg's mill, remained firm at relatively low levels, as a consequence of lower demand in China and the US, and progressive output growth in some of the main producing countries. Coal price should remain stable also in the near future, apart from variations that might be associated to the fluctuations of the US dollar exchange rate.

Personnel costs slightly decreased from €52.8 million recorded in the first nine months of 2013 down to €52.2 million. The savings generated by the reduction of headcount more than compensated contractual salary raises and the adjustment of the provision for the redundancies at the Magenta mill, following the revision of the agreement with the Unions.

EBITDA reached €33.9 million, a remarkable growth vs. €25.1 million of previous year. The improvement results from the savings achieved thanks to higher production, to lower cost of energy, and to the award of EEC - Energy Efficiency Certificates (relevant to the projects implemented at Italian Mills aimed at improving the energy efficiency of the production facilities).

Consolidated Operating Profit amounted to €16.0 million, also improving compared to €6.7 million recorded in the first nine months of 2013.

Net Financial Expenses were €3.6 million and decreased compared to €4.9 million of 2013, mainly due to lower net financial indebtedness (€68.8 million at September 30, 2014 vs. €85.1 million at

September 30, 2013), and higher income from exchange differences, for the revaluation of the US dollar.

Consolidated Result before Taxes was positive by €12.9 million, vs. €1.7 million of previous year.

Income from Discontinued Operations, for a total net amount of €221 thousand, is the balance of:

- €500 thousand are the reversal of the excess of the provision that was posted to cover the estimated costs of the dispute with some employees of the French subsidiary RDM Blendecques S.a.s., that were terminated in 2008. The dispute arose within the complex restructuring of the mill, and was finally ruled by the Court in 2014;
- such amount is partially offset, for €279 thousand, by the costs of RDM UK, that on February 28, 2014 ceased the production activities. As a result, as required by IFRS 5, the result for the period was recorded as Result from Discontinued Operations

The Capital Expenditures made in the period by the Reno De Medici Group amounted to €17.3 million (€10.9 million at September 30, 2013).

Consolidated Net Financial Indebtedness at September 30th, 2014 was €68.8 million, slight decrease compared to €73.5 million at December 31st, 2013. The positive performance of operations offset the negative impact on indebtedness that resulted from the down-sizing of factoring programs.

## Consolidated results

The following table summarizes key income statement indicators as at September 30, 2014 and 2013.

	09.30.2014	09.30.2013 (*)
(thousands of Euros)		
Revenues from sales	346,648	348,774
<b>OPERATING PROFIT (EBITDA) (1)</b>	<b>33,888</b>	<b>25,067</b>
<b>EBIT (2)</b>	<b>15,999</b>	<b>6,705</b>
<b>Pre-tax income (3)</b>	<b>12,866</b>	<b>1,696</b>
<i>Current and deferred taxes</i>	<i>(2,535)</i>	<i>(987)</i>
Profit (Loss) for the period before discontinued operations	10,331	709
Discontinued operations	221	(284)
<b>Profit (Loss) for the period</b>	<b>10,552</b>	<b>425</b>

(\*) Following the shutdown of operations of RDM UK and the resulting reclassification of its profit for the period under discontinued operations, as required by IFRS 5, the figures as of September 30, 2013 were reclassified to make them comparable to those as of September 30, 2014.

- 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:

	09.30.2014	% of total	09.30.2013	% of total
(thousands of Euros)				
Italy	123,166	35,5 %	134,586	38.6 %
EU	170,825	49.3 %	170,206	48.8 %
Non-EU	52,657	15.2 %	43,982	12.6 %
<b>Revenues from sales</b>	<b>346,648</b>	<b>100 %</b>	<b>348,774</b>	<b>100 %</b>



## Key events

On February 28, 2014, RDM UK ceased production activities. As a result, as required by IFRS 5, the result for the period was reclassified as Net Result from Discontinued Operations.

At the end of May the agreement was signed with the Italian Union, with the approval of the Lombardia Regional Agency for Education, Training and Labor, that finalized the 'mobility' procedure relevant to the redundancies at the Magenta mill. As a consequence and in application of such agreement, in the month of June, at the end of the CIGS period, the concerned employees have been collectively laid off.

## Outlook

After the closing of the period, the order flow has continued to be satisfactory, and the cost of the main production factors has not shown appreciable variations.

Short-term risks are mainly associated to the geopolitical tensions that are characterizing certain areas of the world, namely Ukraine and the Middle East, that might trigger disruptions in the production and transportation of oil and natural gas, with the consequent impact on prices. However, it has also to be noticed that so far the crisis in those areas have not had any material effect on energy prices.

In any case, the supply contracts in place protect Reno De Medici at least from significant price increases that might occur in the forthcoming months.

At today's visibility it is very difficult to make predictions beyond year-end, as the outlook mainly depends on the pace of the recovery expected for 2015, that in any case will remain moderate, with growth potentials only slightly better than in 2014 (for the Euro Area, a 1.3% growth is expected for 2015, vs. 0.8% in 2014).

**CONSOLIDATED FINANCIAL STATEMENTS AS AT September 30, 2014**

Consolidated Income Statement	09.30.2014	09.30.2013 (*)
(thousands of Euros)		
Revenues from sales	346,648	348,774
Other revenues and income	11,134	8,327
Change in inventories of finished goods	(6,791)	(842)
Cost of raw materials and services	(261,548)	(274,640)
Personnel costs	(52,221)	(52,836)
Other operating costs	(3,334)	(3,716)
<b>Gross operating profit</b>	<b>33,888</b>	<b>25,067</b>
Depreciation and amortization	(17,442)	(18,632)
Write-downs	(446)	
<b>Operating profit</b>	<b>15,999</b>	<b>6,705</b>
<i>Financial expense</i>	(4,224)	(4,927)
<i>Gains (losses) on foreign exchange</i>	607	(113)
<i>Financial income</i>	52	127
Net financial income/(expense)	(3,566)	(4,913)
Gains (losses) from investments	432	(96)
Taxes	(2,535)	(987)
<b>Profit (loss) for the period before net result Before discontinued operations</b>	<b>10,331</b>	<b>709</b>
Net result from discontinued operations	221	(284)
<b>Profit (loss) for the period</b>	<b>10,552</b>	<b>425</b>
attributable to:		
Group's share of profit (loss) for the period	10,437	184
Minority interest in profit (loss) for the period	115	241

(\*) Following the shutdown of operations of RDM UK and the resulting reclassification of its profit for the period under discontinued operations, as required by IFRS 5, the figures as of September 30, 2013 were reclassified to make them comparable to those as of September 30, 2014.

Statement of Financial Position - ASSETS	09.30.2014	12.31.2013
	(thousands of Euros)	
<i>Non-current assets</i>		
Tangible fixed assets	210,697	211,204
Goodwill	63	63
Other intangible assets	5,308	5,670
Equity investments	1,894	1,826
Deferred tax assets	3,858	3,837
Financial assets held for sale		
Trade receivables	21	41
Other receivables	787	958
<b>Total non-current assets</b>	<b>222,629</b>	<b>223,599</b>
<i>Current assets</i>		
Inventories	72,008	77,944
Trade receivables	73,740	67,603
Other receivables	9,207	14,585
Cash and cash equivalents	3,077	2,716
<b>Total current assets</b>	<b>158,032</b>	<b>162,848</b>
<b>TOTAL ASSETS</b>	<b>380,661</b>	<b>386,447</b>

Statement of Financial Position - LIABILITIES AND SHAREHOLDERS' EQUITY	09.30.2014	12.31.2013
(thousands of Euros)		
<b>Shareholders' equity</b>		
Shareholders' equity attributable to the Group	149,881	139,276
Minority interests	541	668
<b>Total shareholders' equity</b>	<b>150,422</b>	<b>139,944</b>
<b>Non-current liabilities</b>		
Payables to banks and other lenders	35,789	32,322
Derivative instruments	166	297
Other payables	195	234
Deferred taxes	11,710	13,351
Employee benefits	26,709	27,557
Non-current provisions for risks and charges	4,252	6,906
<b>Total non-current liabilities</b>	<b>78,821</b>	<b>80,667</b>
<b>Current liabilities</b>		
Payables to banks and other lenders	33,702	42,728
Derivative instruments	347	430
Trade payables	96,332	105,894
Other payables	17,513	14,551
Current taxes	3,339	1,288
Employee benefits	185	945
<b>Total current liabilities</b>	<b>151,418</b>	<b>165,836</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>380,661</b>	<b>386,447</b>

Net Financial Position	09.30.2014	12.31.2013	Change
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables	3,648	2,922	726
Short-term financial debt	(36,126)	(43,343)	7,217
Valuation of current portion of derivatives	(347)	(430)	83
<b>Short-term net financial position</b>	<b>(32,825)</b>	<b>(40,851)</b>	<b>8,026</b>
Medium-term financial debt	(35,789)	(32,322)	(3,467)
Valuation of non-current portion of derivatives	(166)	(297)	131
<b>Net Financial Position</b>	<b>(68,780)</b>	<b>(73,470)</b>	<b>4.690</b>

## NOTES

The Interim Report of the RDM Group as at September 30, 2014 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, 2013. 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, 2013. Starting from January 1, 2014 the new standards IFRS 10 and IFRS 11 went into effect. Their adoption had no impact on the Group's scope of consolidation.

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 September 30, 2014, all assets and liabilities were converted using the exchange rate in effect on the statement of financial position reporting date (0.7773 GBP/EUR). Income and costs were converted at the average exchange rate for the period concerned (0.8118 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 September 30, 2014, the RDM Group's staff consisted of 1,318 employees compared to 1,405 employees as at December 31, 2013.

**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 September 30, 2014 of Reno De Medici S.p.A. corresponds to information contained in documents, ledgers and accounting entries.

Milan, November 4, 2014

Signed  
Stefano Moccagatta