



# Q3

## Interim Report 09.30.2015

**NET REVENUES: €334.8 MILLION**  
(COMPARED TO €322.8 (\*) MILLION AS AT SEPTEMBER 30, 2014)

**GROSS OPERATING PROFIT (EBITDA): €34.1 MILLION**  
(COMPARED TO €33.7 (\*) MILLION AS AT SEPTEMBER 30, 2014)

**OPERATING PROFIT (EBIT): PROFIT OF €15.9 MILLION**  
(COMPARED TO A PROFIT OF €16.8 (\*) MILLION AS AT SEPTEMBER 30, 2014)

**NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATION: PROFIT OF €10.9 MILLION**  
(COMPARED TO A PROFIT OF €11.2 (\*) MILLION AS OF SEPTEMBER 30, 2014)

**NET PROFIT (LOSS) FOR THE PERIOD: PROFIT OF €10.1 MILLION**  
(COMPARED TO A PROFIT OF €10.6 MILLION AS AT SEPTEMBER 30, 2014)

**NET FINANCIAL DEBT: €55 MILLION**  
(€65.9 MILLION AS AT DECEMBER 31, 2014)

(\*) Following the decision taken by management to hold Reno De Medici Ibérica for sale at December 31, 2014, confirmed for the period ending September 30, 2015, and the consequent reclassification of this company's results for the interim period under discontinued operations, as required by IFRS 5, the economic data as of September 30, 2014 were reclassified in order to make them comparable with those at September 30, 2015.

## CONTENTS

BOARD OF DIRECTORS AND AUDITORS.....	2
GROUP OPERATING COMPANIES AS AT SEPTEMBER 30, 2015.....	3
DIRECTORS' REPORT ON OPERATIONS .....	4
CONSOLIDATED RESULTS .....	7
KEY EVENTS.....	8
OUTLOOK.....	8
CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 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

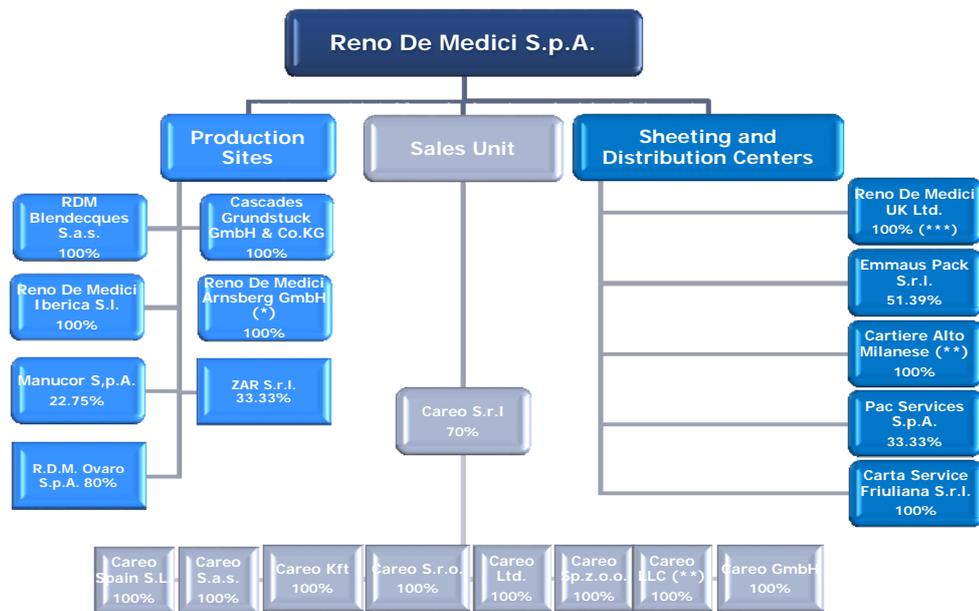
### Board of Statutory Auditors

Giancarlo Russo Corvace	Chairman
Giovanni Maria Conti	Acting statutory auditor
Tiziana Masolini	Acting statutory auditor
Elisabetta Bertacchini	Deputy statutory auditor

### Independent Auditors

Deloitte & Touche S.p.A.

GROUP OPERATING COMPANIES AS AT SEPTEMBER 30, 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 closed Q3 of 2015 recording for the nine months period an EBITDA of €34.1 million, a slight increase compared to €33.7 million of 2014. The positive operational performance more than offset the effect associated to the CEE - Certificates of Energy Efficiency (the so called 'white certificates'), that in 2014 were granted for a higher amount for the completion of the projects envisaged by the 5-years plan.

The profit for the period amounts to €10.1 million, a slight decrease compared to €10.6 million of 2014.

As concerns the general macroeconomic scenario, the recovery remains moderate. The IMF's October assessment further mark down the global growth outlook as it was predicted in July, that had already adjusted downward the expectation envisaged of the beginning of the year: **the growth of the world economy** in 2015 is now forecasted at +3.1%, lower than the +3.4% recorded in 2014.

**Advanced Economies** are expected to growth +2.0% in 2015, vs. +1.8% of previous year, as a result of the robust growth in the United States (+2.6%), the strengthening of the still modest growth in the Euro Area, the return to positive growth in Japan, all supported by declining oil prices and accommodative monetary policy. The effects of these factors are tempered by lower growth in commodity exporters and persistently weak productivity growth.

**In the Euro Area** the 2015 growth should reach +1.5%, vs. +0.8% in 2014 and without major variations compared to previous forecasts. The main drivers are the recovery in internal demand, low energy costs, the depreciation of the Euro, and the protracted support of ECB's monetary policy. The growth in Q3 confirms the trend of previous quarter (+0.4%).

On the down side, the investments activities remain subdued, +1.7% is forecasted for 2015, conditioned by the concerns about the intensity of the growth of internal demand, and the uncertain outlook of foreign demand and export activities.

Among the major economies of the Area, compared to previous assessments it has to be noticed the stronger-than-expected growth in Italy (+0.8%) and Spain (+3.1%), the weaker-than-expected growth of Germany (+1.5%), and the confirmation of 1.2% for France. As regards specifically Italy, also other indicators confirm the moderately positive trend of economic activities: the confidence is improving both at the enterprises and consumers level, and unemployment declined to approximately 12%.

The slowing down of growth is more visible **In Emerging Markets and Developing Economies**, that scale down growth perspectives for 2015 to +4.0%, widening the gap with 2014 that recorded a growth of 4.6%. 2015 will thus mark the fifth consecutive year of declining growth.

The factors at the base of the persisting negative trend remain the same: lower oil and commodity prices, metals in particular; tighter financial conditions, due to the higher financial volatility and global risk aversion that spiked in August after the depreciation of renmimbi; the economic rebalancing in China; the geopolitical crisis in some areas (Commonwealth of Independent States, some countries in the Middle East and North Africa).

**The evolution of demand in the "White Lined Chipboard" sector**, in which the Reno De Medici Group operates confirms in Q3 of 2015 the improvement of the economy as compared to 2014.

In the first nine months of the year European demand grew +4.0%. However, such relatively high growth might

also reflect temporary re-stocking behaviors of the operators. The order intake in Europe has remained well above the previous years' levels until August, but after the customary mid-Summer slow down it picked up in September at a much slower pace than expected. The order backlog, that had reached very high levels in June and early-July, started to decrease.

In any case in Q3 all the mills of the Group operated at full production capacity.

**Tons-sold** by in the period by the Reno De Medici Group were 630 thousand (excluding Reno De Medici Ibérica S.l.u., that since the closing of 2014 has been represented as discontinued), compared to 611 thousand sold in 2014. The increase is mainly associated to the S. Giustina mill, as the production in the last months of 2014 was penalized by the inefficiencies generated by the commissioning of a new equipment.

**Revenues from sales** were €334.8 Million, compared to €322.8 Million of previous year. The increase of €12 Million is mainly due to higher tons sold, as commented just above. Selling prices increased in Q3, as the price increase announced in Spring showed its effect starting from July, recovering the erosion that prices had suffered starting from the second part of 2014. Average prices in the nine months period thus resulted to be in line with the same period of previous year.

As regards the main factors of production, **prices of recycled fibers** confirmed until August the upward trend that was already noticed in previous quarter, to then stabilize in September, even showing some sign of turnaround to the downside.

Chemicals showed a mixed picture, as prices of latex are decreasing since July/August, whilst prices of starch are increasing somewhat.

As a result of a general situation that is common to the whole energy sector, where global supply continues to be higher than demand albeit with different dynamics and some temporary peaks, **the prices of natural gas**, the main source of energy for the Reno De Medici Group, stayed firm at the minimum levels that have been recorded since March, substantially lower compared to 2014. The same holds for **electricity**, notwithstanding a peak in July in Italy, associated to the very hot Summer. It has to be noticed that in 2015 the cost of electric energy of the Italian mills has increased, for the mandatory contribution imposed also on self-produced energy, to support the renewable sources of energy: in October, after the new raise, the weight of mandatory contributions is higher than the bare cost of electricity.

**The price of coal** is a partial exception, as it increased somewhat compared to previous quarter, but it still remaining very low. Its fluctuations are mainly associated to the exchange rate with the US dollar.

Personnel costs amounted in the period to €47.6 Million Euro, a decrease of -1.2 Million compared to 48.8 Million recorded in 2014. The decrease results from the reduction of headcount, as consequence of the restructuration 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.

The **asset write-down** for 1.3 Million Euro, that was recorded in Q2, is relevant to the write-down and the dismantling costs of the buildings of the Magenta mill, that resulted to be devoid of possible industrial use.

**EBIT** reached 15.9 Million Euro, that compare to €16.8 Million of 2014, a decrease mainly associated to the EEC - Energy Efficiency Certificates. Net of this effect, the operational profitability improved, driven by lower

energy and other production costs, also due to the full efficiency of the S.Giustina mill, that in 2014 was negatively impacted by the commissioning of a new equipment.

**Net Financial Expenses** were 2.5 Million Euro, a substantial decrease compared to 3.5 Million of 2014, due to the lower net financial indebtedness (55 Million Euro at the end of September 2015, vs. 68.8 Million as of September 2014). Due to the new long-term loans that have been draw in the last months, the Group's financial indebtedness is now mainly based on long-term debt. The average cost of long-term debt has decreased in comparable terms, as a consequence of the fall of interests rates. Exchange differences were also positive, and are associated to the revaluation of the US dollar and the GBP that was recorded in Q1 2015.

**Profit from investments** was €0.6 Million, slightly higher than the €0.4 Million recorded in 2014.

**Consolidated Profit** amounted to €10.1 Million, a slight decrease compared to €10.6 Million recorded in the same period of 2014; the positive operational performance, and lower financial expenses, compensated almost entirely the decrease of Other Income and asset write-downs.

**Capital Expenditures** made in the period by the Reno De Medici Group amounted to €6.4 Million (€17.3 Million in the same period of 2014).

**Consolidated Net Financial Indebtedness** at September 30th, 2015 was €55 Million (including Reno De Medici Ibérica S.l.u.), an improvement in the period of €-10.9 Million compared to €65.9 million at December 31st, 2014, thanks to the positive performance of operations.

## Consolidated results

The following table summarizes key income statement indicators as at September 30, 2015 and 2014.

	09.30.2015	09.30.2014 (*)
(thousands of Euros)		
Revenues from sales	334,752	322,847
<b>OPERATING PROFIT (EBITDA) (1)</b>	<b>34,057</b>	<b>33,725</b>
<b>EBIT (2)</b>	<b>15,854</b>	<b>16,798</b>
<b>Pre-tax income (3)</b>	<b>13,954</b>	<b>13,731</b>
<i>Current and deferred taxes</i>	<i>(3,010)</i>	<i>(2,535)</i>
Profit (Loss) for the period before discontinued operations	10,944	11,196
Discontinued operations	(857)	(644)
<b>Profit (Loss) for the period</b>	<b>10,087</b>	<b>10,552</b>

(\*) Following the decision taken by management to hold Reno De Medici Ibérica for sale at December 31, 2014, confirmed for the period ending September 30, 2015, and the consequent reclassification of this company's results for the interim period under discontinued operations, as required by IFRS 5, the economic data as of September 30, 2014 were reclassified in order to make them comparable with those at September 30, 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:

	09.30.2015	% of total	09.30.2014	% of total
(thousands of Euros)				
Italy	125,381	37.5 %	123,166	38.2 %
EU	158,561	47.4 %	147,024	45.5 %
Non-EU	50,810	15.1 %	52,657	16.3 %
<b>Revenues from sales</b>	<b>334,752</b>	<b>100 %</b>	<b>322,847</b>	<b>100 %</b>

(\*) Following the decision taken by management to hold Reno De Medici Ibérica for sale at December 31, 2014, confirmed for the period ending September 30, 2015, and the consequent reclassification of this company's results for the interim period under discontinued operations, as required by IFRS 5, the economic data as of September 30, 2014 were reclassified in order to make them comparable with those at September 30, 2015.

## Key events

At the beginning of August the sale of the area in which the Marzabotto mill was built was completed. The relative accounting assets had already been aligned to the sale price in the first quarter.

## Outlook

As regards the general macroeconomic scenario, no major changes are expected in the short-term, and the evolution in Q4 should be in line with Q3.

The forecast for 2016 envisages a moderate acceleration of global growth, mainly driven by a rebound in Emerging Markets and Developing Economies for the partial normalization of some presently distressed areas, and by the spillovers from the stronger pickup in activity in Advanced Economies.

However, the short-term outlook prospects more risks than opportunities, particularly for Emerging Markets and Developing Economies, that remain exposed to possible further declines in commodity prices and the appreciation of the US dollar.

The growth in the Euro Area in 2016 should attain +1.6%, a modest acceleration compared to 1.5% of 2015. All the factors that are supporting the recovery this year should continue to be in place in 2016 as well: low energy costs, the favorable exchange rate of the Euro, and the accommodative ECB's monetary policy. On the risk side, export activities might be penalized by the protracted slow-down of growth in Emerging Markets and Developing Economies.

In the sector in which Reno De Medici operates, the month of October confirmed the slowdown of the order inflow, possibly associated to temporary destocking policies adopted by end-users and converters. However, overall the outlook for Q4 remains positive, also because the costs of raw materials are declining and the cost of energy remains firm at the very low levels of Q3.

**CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2015**

Consolidated Income Statement	09.30.2015	09.30.2014 (*)
(thousands of Euros)		
Revenues from sales	334,752	322,847
Other revenues and income	4,544	11,051
Change in inventories of finished goods	(1,830)	(6,037)
Cost of raw materials and services	(251,828)	(242,185)
Personnel costs	(47,612)	(48,778)
Other operating costs	(3,969)	(3,173)
<b>Gross operating profit</b>	<b>34,057</b>	<b>33,725</b>
Depreciation and amortization	(16,886)	(16,919)
Write-downs	(1,317)	(8)
<b>Operating profit</b>	<b>15,854</b>	<b>16,798</b>
<i>Financial expense</i>	(2,864)	(4,147)
<i>Gains (losses) on foreign exchange</i>	357	612
<i>Financial income</i>	8	36
Net financial income/(expense)	(2,499)	(3,499)
Gains (losses) from investments	599	432
Taxes	(3,010)	(2,535)
<b>Profit (loss) for the period before net result Before discontinued operations</b>	<b>10,944</b>	<b>11,196</b>
Net result from discontinued operations	(857)	(644)
<b>Profit (loss) for the period</b>	<b>10,087</b>	<b>10,552</b>
attributable to:		
Group's share of profit (loss) for the period	9,995	10,437
Minority interest in profit (loss) for the period	92	115

(\*) Following the decision taken by management to hold Reno De Medici Ibérica for sale at December 31, 2014, confirmed for the period ending September 30, 2015, and the consequent reclassification of this company's results for the interim period under discontinued operations, as required by IFRS 5, the economic data as of September 30, 2014 were reclassified in order to make them comparable with those at September 30, 2015

Statement of Financial Position - ASSETS	09.30.2015	12.31.2014
(thousands of Euros)		
<i>Non-current assets</i>		
Tangible fixed assets	190,307	202,768
Other intangible assets	5,798	5,859
Equity investments	2,302	1,706
Deferred tax assets	2,714	3,245
Other receivables	957	990
<b>Total non-current assets</b>	<b>202,078</b>	<b>214,568</b>
<i>Current assets</i>		
Inventories	69,108	70,595
Trade receivables	71,283	59,643
Other receivables	6,242	8,934
Cash and cash equivalents	4,131	2,376
<b>Total current assets</b>	<b>150,764</b>	<b>141,548</b>
<b>Asset held for sale</b>	<b>8,002</b>	<b>10,425</b>
<b>TOTAL ASSETS</b>	<b>360,844</b>	<b>366,541</b>

Statement of Financial Position - LIABILITIES AND SHAREHOLDERS' EQUITY	09.30.2015	12.31.2014
(thousands of Euros)		
<b>Shareholders' equity</b>		
Shareholders' equity attributable to the Group	151,073	141,198
Minority interests	454	362
<b>Total shareholders' equity</b>	<b>151,527</b>	<b>141,560</b>
<b>Non-current liabilities</b>		
Payables to banks and other lenders	39,982	26,725
Derivative instruments	56	18
Other payables	143	182
Deferred taxes	9,019	10,589
Employee benefits	30,544	30,674
Non-current provisions for risks and charges	2,707	4,780
<b>Total non-current liabilities</b>	<b>82,451</b>	<b>72,968</b>
<b>Current liabilities</b>		
Payables to banks and other lenders	13,348	36,196
Derivative instruments	75	286
Trade payables	85,924	88,532
Other payables	16,817	15,364
Current taxes	2,369	2,396
Employee benefits	515	924
<b>Total current liabilities</b>	<b>119,048</b>	<b>143,698</b>
Liabilities held for sale	7,818	8,315
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>360,844</b>	<b>366,541</b>

Net financial position	09.30.2015	12.31.2014	Change
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables	5,063	3,698	1,365
Short-term financial debt	(19,209)	(41,707)	22,498
Valuation of current portion of derivatives	(75)	(286)	211
<b>Short-term net financial position</b>	<b>(14,221)</b>	<b>(38,295)</b>	<b>24,074</b>
Medium-term financial debt	(40,744)	(27,581)	(13,163)
Valuation of non-current portion of derivatives	(56)	(18)	(38)
<b>Net financial position</b>	<b>(55,021)</b>	<b>(65,894)</b>	<b>10,873</b>

## NOTES

The Interim Report of the RDM Group as at September 30, 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 September 30, 2015, all assets and liabilities were converted using the exchange rate in effect on the statement of financial position reporting date (0.7385 GBP/EUR). Income and costs were converted at the average exchange rate for the period concerned (0.7274 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, 2015, the RDM Group's staff consisted of 1,163 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 September 30, 2015 of Reno De Medici S.p.A. corresponds to information contained in documents, ledgers and accounting entries.

Milan, November 6, 2015

Signed  
Stefano Moccagatta