



# RenoDeMedici

*Illustrative Report of the Board of Directors  
on points 1 (interim statement of financial position as at 30 June 2015) and 2  
(voluntary reduction of the share capital to cover the losses recorded in the interim  
statement of financial position as at 30 June 2015) on the Agenda of the  
Shareholders' Meeting called for 30 October and 2 November 2015  
pursuant to Article 125-ter of the Legislative Decree n. 58/98 and Article 72 of the  
Issuers' Regulation*

28 September 2015

Reno De Medici S.p.A.  
Registered office: 25 Viale Isonzo - Milan  
Share capital: €185,122,487.06 fully paid-up  
Tax code and VAT number 00883670150

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## **1. INTRODUCTION**

Dear Shareholders,

This report (the "Report") has been prepared pursuant to Article 125-*ter* of the Legislative Decree n. 58/98 and Article 72 of Consob Regulation no. 11971/99, as subsequently amended and supplemented (the "Issuers' Regulation").

The purpose of this report is to illustrate the statement of financial position and income statement of Reno De Medici S.p.A. ("RDM" or the "Company") as at 30 June 2015, approved by the Board of Directors on 28 September 2015 to be submitted to the Shareholders' Meeting called for 30 October 2015, at first call and, if necessary, on 2 November 2015 at second call, which shall also resolve on the proposal to reduce the share capital to cover the losses.

While not mandatory, this report largely follows the format prescribed by Article 2446 of the Italian Civil Code, despite the losses not being such as to affect the share capital by more than 1/3 (one third), as specified below.

## **2. REASONS FOR THE OPERATION**

First of all, it is worth stating once again that, as can be seen from the statement of financial position as at 30 June 2015, RDM is not in the situation envisaged by Article 2446 of the Italian Civil Code (i.e., its share capital has not been reduced by more than one third). This is therefore an operation to voluntarily cover the losses recorded over the years for the reasons set out below.

From 2008, i.e. after the merger with the Cascades Group, RDM and, therefore, the Group it controls, underwent a wide-ranging industrial restructuring which resulted in both the closure of production centres that were no longer competitive and a new focus on plants with a more positive growth outlook.

The restructuring has entailed: a) substantial industrial investments of around €75 million alone in recent years (2011-2014); b) optimisation of funding sources through diversification, in terms of both type and the credit institutions involved.

The positive effects of all of this have been confirmed by the positive results recorded in the last two financial years.

However, losses recorded in the more or less recent past have prevented these results from being shared with Shareholders and the implementation of a share buyback policy.

Therefore, and also in response to requests from shareholders at the latest meetings, we believe it is advisable to proceed with a voluntary operation to cover all the losses, partly by using the available reserves and partly by reducing the share capital.

Essentially, the aim is to realign the theoretical share capital of the company (its "nominal capital") with the actual share capital, understood as the current value of the shareholders' equity (its "real capital"), thereby restoring the original correspondence between nominal and real capital.

### **3. DECLARATION OF COMPLIANCE WITH IFRS (INTERNATIONAL FINANCIAL REPORTING STANDARDS)**

The report, together with the observations of the Board of Statutory Auditors, will be made available to the public, pursuant to Article 125-ter of the CFA and Article 72 of the Issuers' Regulation, at the Company's registered office, at authorised storage site [www.NIS-Storage.it](http://www.NIS-Storage.it) and on the Company's website at [www.renodemedici.com](http://www.renodemedici.com), at least 21 days before the first call of Shareholders' Meeting (i.e. by 9 October 2015).

This report was prepared in compliance with the applicable IFRS using the same recognition and measurement criteria adopted to prepare the Annual Financial Report as at 31 December 2014.

No changes have been made to the reclassification logic for the accounting data.

The accounting data as at 30 June 2015 have not been subject to a statutory audit.

#### 4. STATEMENT OF FINANCIAL POSITION, INCOME STATEMENT AND NET FINANCIAL POSITION

<b>Reno De Medici S.p.A. - Financial Statements as at June 30, 2015</b>			
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>06.30.2015</b>	<b>12.31.2014</b>	<b>06.30.2014</b>
<b>(amounts in Euro)</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	127,357,538	133,714,134	125,755,120
Other intangible assets	836,483	867,933	903,521
Investments in Subsidiaries	68,697,963	68,697,963	75,800,974
Investments in Associates, Joint Ventures and other companies	597,508	600,650	600,651
Deferred tax assets	1,677,083	2,033,483	2,668,375
Other receivables	376,491	396,638	365,120
<b>Total non-current assets</b>	<b>199,543,066</b>	<b>206,310,801</b>	<b>206,093,761</b>
<b>Current assets</b>			
Inventories	33,824,939	36,881,710	34,326,394
Trade receivables	35,717,500	27,168,525	32,154,995
Receivables from Group Companies	10,183,472	9,609,544	18,649,275
Other receivables	2,642,887	4,590,373	3,494,987
Other receivables from Group Companies	5,294,849	7,243,462	6,277,044
Cash and cash equivalents	2,109,485	2,086,712	3,391,403
<b>Total current assets</b>	<b>89,773,132</b>	<b>87,580,326</b>	<b>98,294,098</b>
<b>Assets held for sale</b>	<b>2,331,445</b>	<b>1,838,163</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>291,647,643</b>	<b>295,729,290</b>	<b>304,387,859</b>

## Reno De Medici S.p.A. - Financial Statements as at June 30, 2015

STATEMENT OF FINANCIAL POSITION	06.30.2015	12.31.2014	06.30.2014
<b>(amounts in Euro)</b>			
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital	185,122,487	185,122,487	185,122,487
Other reserves	3,007,538	2,794,561	3,367,724
- <i>Legal reserve</i>	613,883	442,655	442,655
- <i>Extraordinary reserve</i>	1,149,947	1,149,947	1,149,947
- <i>Hedging reserve</i>	70,910	29,161	(72,001)
- <i>Reserve for actuarial gain (loss)</i>	(1,932,202)	(1,932,202)	(1,257,877)
- <i>Ovaro sale reserve</i>	3,105,000	3,105,000	3,105,000
Profit (loss) carried forward	(38,726,258)	(41,979,589)	(41,979,589)
Profit (loss) for the period	2,239,197	3,424,558	7,676,521
<b>Total shareholders' equity</b>	<b>151,642,964</b>	<b>149,362,017</b>	<b>154,187,143</b>
<b>Non-current liabilities</b>			
Payables to banks and other lenders	24,887,560	15,139,883	10,435,565
Other payables to Group Companies	-	-	714,286
Derivative instruments	4,431	18,085	157,980
Other payables	156,309	182,361	208,412
Employee benefits	7,466,055	7,649,043	8,257,494
Non-current provisions for risks and charges	2,157,983	4,134,155	4,865,585
<b>Total non-current liabilities</b>	<b>34,672,338</b>	<b>27,123,527</b>	<b>24,639,322</b>
<b>Current liabilities</b>			
Payables to banks and other lenders	19,446,242	32,064,548	44,752,933
Derivative instruments	196,813	267,786	301,800
Trade payables	50,152,870	50,581,237	51,527,337
Payables to Group Companies	3,070,643	2,915,170	2,493,674
Other payables	6,867,637	6,265,095	7,078,936
Other payables to Group Companies	24,150,205	26,078,993	16,872,984
Current taxes	803,236	177,809	1,747,327
Employee benefits	-	893,108	786,403
Current provisions for risks and charges	644,695	-	-
<b>Total current liabilities</b>	<b>105,332,341</b>	<b>119,243,746</b>	<b>125,561,394</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>291,647,643</b>	<b>295,729,290</b>	<b>304,387,859</b>

**Reno De Medici S.p.A. - interim situation as at 30 June 2015**

<b>INCOME STATEMENT</b>	<b>30.06.2015</b>	<b>31.12.2014</b>	<b>30.06.2014</b>
<b>(amounts in Euros)</b>			
Revenues from sales	112,219,337	208,812,422	113,379,388
- of which related parties	9,670,170	34,344,865	21,318,271
Other revenues and income	4,575,194	17,110,486	9,834,272
- of which related parties	2,689,619	6,081,512	3,158,139
Change in inventories of finished goods	(2,659,402)	(2,319,011)	(3,096,805)
Cost of raw materials and services	(87,481,536)	(168,005,399)	(89,429,314)
- of which related parties	(4,763,091)	(8,297,417)	(4,353,942)
Personnel costs	(13,354,212)	(28,160,309)	(14,322,807)
Other operating costs	(1,505,953)	(2,795,303)	(1,170,073)
<b>Gross operating profit</b>	<b>11,793,428</b>	<b>24,642,886</b>	<b>15,194,661</b>
Depreciation and amortization	(5,820,919)	(11,525,216)	(5,801,892)
Write-downs	(1,399,022)	(943,279)	-
<b>Operating profit</b>	<b>4,573,487</b>	<b>12,174,391</b>	<b>9,392,769</b>
<i>Financial expense</i>	<i>(1,711,365)</i>	<i>(4,367,078)</i>	<i>(2,395,063)</i>
<i>Gains (losses) on foreign exchange</i>	<i>107,893</i>	<i>168,403</i>	<i>65,594</i>
<i>Financial income</i>	<i>116,987</i>	<i>278,804</i>	<i>132,944</i>
Net financial income (expense)	(1,486,485)	(3,919,871)	(2,196,525)
Gains (losses) from investments	(281,718)	(3,683,836)	759,950
Taxes	(566,087)	(1,146,126)	(279,673)
<b>Profit (loss) for the year</b>	<b>2,239,197</b>	<b>3,424,558</b>	<b>7,676,521</b>

## Reno De Medici S.p.A. - interim situation as at 30 June 2015

NET FINANCIAL POSITION	30.06.2015	31.12.2014	30.06.2014
<b>(thousands of Euros)</b>			
Cash	9	9	11
Funds available from banks	2,100	2,078	3,381
<b>A. Cash and cash equivalents</b>	<b>2,109</b>	<b>2,087</b>	<b>3,392</b>
Other receivables from Group Companies	5,295	7,243	6,277
Receivables from other lenders	576	249	263
<b>B. Current financial receivables</b>	<b>5,871</b>	<b>7,492</b>	<b>6,540</b>
<i>1. Current payables to banks</i>	<i>4,472</i>	<i>17,717</i>	<i>34,403</i>
<i>2. Current portion of medium- and long-term loans</i>	<i>14,974</i>	<i>14,294</i>	<i>10,325</i>
<i>3. Payables to other lenders</i>	<i>0</i>	<i>54</i>	<i>25</i>
Payables to banks and other lenders (1+2+3)	19,446	32,065	44,753
Other payables to Group Companies	24,150	26,079	16,873
Derivatives - current financial liabilities	197	268	302
<b>C. Current financial debt</b>	<b>43,793</b>	<b>58,412</b>	<b>61,928</b>
<b>D. Net current financial debt (C-A-B)</b>	<b>35,813</b>	<b>48,833</b>	<b>51,996</b>
Payables to banks and other lenders	24,888	15,140	10,436
Financial payables to subsidiaries	0		714
Derivatives - non-current financial liabilities	4	18	158
<b>E. Non-current financial debt</b>	<b>24,892</b>	<b>15,158</b>	<b>11,308</b>
<b>F. Net financial debt (D+E)</b>	<b>60,705</b>	<b>63,991</b>	<b>63,304</b>



## **5. INITIATIVES WHICH THE COMPANY INTENDS TO UNDERTAKE TO IMPROVE OPERATIONS AND TO ENSURE THE POSITION OF THE BUSINESS AS A GOING CONCERN**

The Board of Directors notes that the losses recorded in the draft statement of financial position as at 30 June 2015 arose due to the negative results recorded by the Company in previous financial years. As described in the introductory section, the factors causing these losses were identified and rectified by the Company as demonstrated by the profit generated in the year to 31 December 2013 and the year to 31 December 2014, as well as the profit accrued in the first half of 2015. RDM does not, therefore, have any critical problems that could in any way call into question its position as a going concern.

In the light of the above, taking into consideration the initiatives undertaken by the Company during previous financial years and bearing in mind that, if the Shareholders' Meeting were to approve the proposal to cover the losses by using the available reserves and a share capital decrease, the losses would be fully made good, the Company believes that it is not necessary to take any further steps to improve operations or to safeguard the position of the business as a going concern.

## **6. DEBT RESTRUCTURING PLANS**

The Company has not approved nor is it in the process of approving any debt restructuring plans.

## 7. CONCLUSIONS

Following any reduction in the share capital, Article 5 of the Company By-Laws will be altered as a result to reflect the new composition of the share capital, which would stand at € 150.399.255,80.

The proposed resolution to reduce the share capital in point 2 of the Agenda does not require the approval of the special meeting of holders of savings shares, pursuant to Article 2376 of the Italian Civil Code and Article 146 of the CFA, because they do not suffer any prejudice, taking into account the fact that the shares have no par value and that the financial privileges of savings shares are parameterised to an absolute monetary value (€0.49) and not to the par value in accounting terms of the shares.

There is no right of redemption for holders of ordinary shares and savings shares.

\* \* \*

By virtue of the above, we propose the approval of the following resolutions:

### **First agenda item**

*“The Ordinary Shareholders’ Meeting of Reno De Medici S.p.A.:*

- *Having examined the interim statement of financial position as at 30 June 2015;*
- *Having examined the Directors’ Report;*
- *Taking into account the observations of the Board of Statutory Auditors;*

#### **RESOLVES**

- *(i) to approve the interim statement of financial position as at 30 June 2015 which shows a profit for the period of €2,239,196.98, compared with total retained losses of €38,726,258.48.”*

### **Second agenda item**

*“The Extraordinary Shareholders’ Meeting of Reno De Medici S.p.A., having acknowledged:*

- *the interim statement of financial position as at 30 June 2015 approved by this meeting;*
- *the losses recorded in the statement of financial position as at 30 June 2015, equal to €38,762,258.48;*
- *the available reserves equal to €1,763,830.24 (i.e.: legal reserve + extraordinary reserve) recorded in the statement of financial position as at 30 June 2015;*
- *the profits for the period recorded in the statement of financial position as at 30 June 2015, equal to €2,239,196.98;*

#### **RESOLVES**

- *(i) to proceed, following the full use of the available reserves totalling € 1,763,830.24, to cover the losses recorded in the statement of financial position as at 30 June 2015 for € 38,726,258.48 net of profits for the period of € 2,239,196.98 by reducing the share capital from the current figure of*

€185,122,487.06 to € 150,399,255.80, and therefore by € 34,723,231.26, without prejudice to the number of outstanding shares, with no par value;

- (ii) consequently to amend Article 5 of the Company By-Laws as follows:

EXISTING TEXT	PROPOSED TEXT
<p style="text-align: center;"><b>Article 5</b></p> <p>5.1. The share capital is €185,122,487.06 (one hundred and eighty five million one hundred and twenty two thousand and four hundred and eighty seven/06) divided into 377,800,994 shares with no par value, of which:</p> <ul style="list-style-type: none"> <li>- 377,512,370 ordinary shares;</li> <li>- 288,624 savings shares convertible to ordinary shares at the request of shareholders in February and September each year.</li> </ul> <p style="text-align: center;"><i>omissis</i></p>	<p style="text-align: center;"><b>Article 5</b></p> <p>5.1. The share capital is <del>€185,122,487.06 (one hundred and eighty five million one hundred and twenty two thousand and four hundred and eighty seven/06)</del> 150.399.255,80, divided into: 377,800,994* shares with no par value, of which:</p> <ul style="list-style-type: none"> <li>- 377,512,370 ordinary shares;</li> <li>- 288,624 savings shares convertible to ordinary shares at the request of shareholders in February and September each year.</li> </ul> <p style="text-align: center;"><i>omissis</i></p> <p><i>*The exact sharing of the share capital will be determined at the end of current convertible time taking into account the possible conversion of savings shares that has taken place in the meantime</i></p>

- (iii) to confer upon the Board of Directors – and through it on the Chairman and the CEO, separately – all powers required to execute, also by means of attorneys, this resolution and to file it by registration in the Companies Register, accepting and introducing the amendments, supplements or eliminations, formal and not substantial, which may be required by the competent Authorities."

Milan, 28 September 2015

On behalf of the Board of Directors

The Chairman

Signed by Robert Hall