

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE  
SHAREHOLDERS' MEETING CALLED FOR THE APPROVAL OF THE  
FINANCIAL STATEMENTS AS AT DECEMBER 31, 2014  
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 pursuant to article 14 of Legislative Decree n. 39/2010 the firm assigned to perform the official audit of accounts is Deloitte & Touche S.p.A., which was appointed by the ordinary Shareholders' Meeting on April 27, 2012 for the period from 2012-2020.

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During the year ended December 31, 2014, we carried out supervisory activities based on the rules of the Italian Civil Code, Articles 148 *et seq.* of Legislative Decree 58 of February 24, 1998, as well as Legislative Decree 39/2010 on behalf of the Internal Control and Financial Audit Committee, also taking into account the requirements in the Consob communications, in accordance with the rules of conduct of the Board of Statutory Auditors recommended by the "Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili" (Association of Chartered Accountants).

We supervised compliance with the law and the deed of incorporation.

At least every three months, the Directors gave us extensive information about the activities conducted and the most important financial transactions carried out by the Company and subsidiaries, as well as on management performance and events which had an effect on determining the profit or loss for the year.

For our part, we always verified that the actions approved and implemented complied with the law and the Company bylaws and were not manifestly imprudent, hazardous, in conflict of interest or at odds with the resolutions of the Shareholders' Meeting or such that would compromise the integrity of the company assets.

We did not discover the existence of atypical and/or unusual transactions with Group companies, third parties or related parties, finding confirmation of this in the indications

of the Board of Directors, the Independent Auditors and the Committee for Related-Party Transactions (which identifies with the Internal Control Committee).

Under the scope of our functions, we supervised the adequacy of the organizational structure of the Company, compliance with the principles of correct administration and the adequacy of the arrangements issued by the Company to subsidiaries, pursuant to Article 114, paragraph 2 of Legislative Decree 58/98, by gathering information from the heads of functions and meetings with the Independent Auditors, also for the purpose of the mutual exchange of important data and information and, in this regard, we do not have any particular observations that should be referred to.

Specifically, as far as the deliberation processes of the Board of Directors are concerned, we confirmed, also through direct participation in Board Meetings, compliance with the law and the Company bylaws of the management decisions taken by the Directors, and verified that the related resolutions were supported by analyses and evaluations – produced internally or, when necessary, by outside professionals – with regard specifically to the economic adequacy of transactions and their compliance with the interests of the Company. The interim management results, as well as all aspects relating to the more significant transactions, were carefully analyzed during Board of Directors' meetings and were the subject of lengthy discussion.

We have evaluated and supervised the adequacy of the internal control system and the administrative-accounting system, as well as the reliability of the latter to correctly represent company affairs by obtaining information from heads of the respective functions, examining company documents and analyzing the results of the work carried out by the Independent Auditors, supervising the activity of the Internal Control Reporting Executive and taking part in the Internal Control Committee meetings established within the Board of Directors pursuant to the Code of Governance.

On behalf of the Internal Control and Financial Audit Committee pursuant to Article 19, Legislative Decree 39/10, we have overseen the financial information process, also through the examination of the results of the audit activities conducted by the Internal Control Reporting Executive with regard to the adequacy and the practical application of the internal control system adopted by the company to guarantee the reliability of the financial information process. The findings allowed us to confirm the overall adequacy

of the internal control and risk management system to guarantee the reliability of the financial information relating to the year 2014.

As required by Article 16 of Legislative Decree 39 of January 27, 2010, the Independent Auditors have exercised exclusive control with regard to:

- the regular compliance of the company accounting system and the correct disclosure of the affairs of the company in the accounting records;
- the consistency between the financial statements and the results in the accounting records and compliance with the regulatory standards.

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

Under the scope of the supervision of the statutory audit of the annual accounts and the consolidated accounts: (i) we have examined the Group's Audit Plan to December 31, 2014 prepared by the Independent Auditors, which highlights the significant risks identified in relation to the main areas of the financial statements, deeming it to be adequate for the characteristics and dimensions of the Company and the Group; and (ii) we have overseen the effectiveness of the statutory audit process, determining that it was conducted in compliance with the Audit Plan and in accordance with International Standards on Auditing (ISA). We have no particular observations to make in this regard. We have overseen the practical implementation methods of the Corporate Governance system required by the Code of Governance adopted by the Company, in compliance with the code suggested by Borsa Italiana S.p.A.

Under this scope, having noted the evaluations expressed by the Board of Directors and by the Internal Control Committee, the Board of Statutory Auditors has verified (i) that the verification criteria and procedures adopted by the Board for evaluating the integrity, independence and executive nature of its members have been correctly applied; (ii) the adequacy, in relation to the requirements and operation of the Company, of the dimensions, composition and operation of the Board and its Committees; as well as (iii) the compliance of the criteria of independence of the individual members of the Board of Statutory Auditors.

We have verified the compliance of the laws relating to the preparation of the draft and consolidated financial statements as at December 31, 2014 – prepared in accordance

with the IFRS international accounting standards issued by the IASB and approved by the European Community on December 31, 2014 – and the Directors' Report, through direct inspections and information from the Independent Auditors.

With reference to the verification of any reductions in value of assets (impairment tests) pursuant to accounting principle IAS 36, as expressly indicated in the Banca d'Italia/Consob/Isvap Joint Document No. 4 of March 3, 2010, before the approval of the draft financial statements at December 31, 2014, the Directors approved the results of the impairment test and checked their compliance with the requirements of IAS 36. Following the analysis conducted by the Directors, as described in the Directors' Report and in the Notes to the Consolidated and Financial Statements, the value of the investment in Reno De Medici Iberica S.L. was adjusted, as well as the intangible assets relating to the plant of the subsidiary Reno De Medici Iberica S.L. (as illustrated below).

In their Report, which also contains the information required by Legislative Decree 32/2007, the Directors provide ample information about management performance and the events which marked the year, illustrating the activities conducted in the various geographic areas in which the Company operates. Referring expressly to the information provided by the Directors, we wish to draw your attention to the fact that the Board of Directors of Reno De Medici confirmed that the Spanish operations represented by Reno De Medici Ibérica S.l.u. no longer constitute a strategic asset for the Group.

In this area, contacts were initiated in 2014 aimed at identifying potential buyers for the assets of said subsidiary. At December 31, 2014, the directors believed that, based on the negotiations in progress, the sale of the subsidiary was deemed "highly probable". This was later confirmed by the offers received and the sale is expected to be completed this year (2015).

Reno De Medici S.L. was therefore classified as held for sale, and is therefore recorded in the consolidated financial statements at December 31, 2014 under discontinued operations. The value of the assets was written-down to adjust it to the probable sales price, which was also estimated based on the offers received from potential third-party buyers.

In addition, the Directors list and adequately describe the transactions conducted with Group companies and other related parties, highlighting their ordinary nature or, if they were key to company programs or requirements, the characteristics and the amounts.

The operations described by the Directors are deemed to be related and inherent to the realization of the corporate purpose, meet the criteria of adequacy and do not appear to be contrary to the interest of the Company.

In the Notes both the consolidated and the draft financial statements are illustrated in dedicated synoptic tables which summarize the nature and the economic and financial effects of related-party transactions, including intragroup transactions.

The Directors' Report contains the specific section on Corporate Governance and ownership structure, prepared pursuant to Article 123-*bis* of Legislative Decree 58/98 and Article 89-*bis* of the Issuer Regulations. In this regard the Directors do not highlight any problems to bring to your attention.

Both the consolidated financial statements and the financial statements contain statements by the Financial Reporting Executive, issued pursuant to Article 154-*bis* of Legislative Decree 58/98 and later amendments.

The Directors have also prepared the Remuneration Report pursuant to Article 123-*ter* of Legislative Decree 58/98, approved by the Remuneration Committee on March 20, 2015. In this regard the Directors illustrate the principles adopted for determining the remuneration of their Executive Directors and Directors with special duties, the Managing Director, and Executives with strategic responsibilities. In addition, the Report contains the table of Payments made to members of the management and control bodies, the Managing Director and other Executives with strategic responsibilities, as well as the table containing information about the shareholdings of the latter.

On April 3, 2015, the Independent Auditors issued their own reports expressing their favorable opinion on the draft of financial statements as at December 31, 2014, without highlighting any points or calling for information. The Independent Auditors also certified the consistency of the Directors' Report and the specific section on Corporate Governance and ownership structure, within the limits of the information in paragraph 1, c), d), f), l), m) and paragraph 2, b) of Article 123-*bis* of Legislative Decree 58/98, with the financial statements as at December 31, 2014.

The Independent Auditors also on April 3, 2015 sent us – in our capacity on behalf of the Internal Control and Financial Audit Committee – their report on the fundamental questions which emerged during the statutory audit and any significant shortcomings discovered in the internal control system in relation to the financial information process, pursuant to Article 19 of Legislative Decree 39/2010, paragraph 3. There is adequate information about these questions in the Notes to the consolidated and the draft financial statements.

The Independent Auditors also confirmed that nothing came to their attention that would lead them to believe that there are significant shortcomings in the internal control system in relation to the financial information process for the draft and consolidated financial statements as at December 31, 2014, nor did they discover any shortcomings in the internal control system.

As required by Article 19, Legislative Decree 39/10, we have overseen the independence of the legally required Independent Auditors, specifically as far as the provision of non-auditing services is concerned.

We received confirmation from the Independent Auditors, pursuant to the provisions of Article 17, paragraph 9, a) of Legislative Decree 39/2010, that – in the period from January 2013 to the date of the communication (April 2, 2015) – they did not discover situations which could compromise the independence of the latter or causes of incompatibility indicated in Articles 10 and 17 of Legislative Decree 39/2010 and the related implementation arrangements.

The Independent Auditors also reported the list of legally required non-auditing services supplied to the Company by the Independent Auditors as well as bodies belonging to the network. Specifically, as shown from the information provided pursuant to Article 149-*duodecies* of the Consob Issuers' Regulation and included in the annex to the Notes to the financial statements, Deloitte & Touche GmbH (Germany) were also appointed for the following task:

- other certification services, for a total of €43,600.

Deloitte & Touche S.p.A. also pointed out that the auditing of the Company's reporting packages at June 30 and December 31, 2014, for the purpose of the Cascades Group consolidated financial statements were the subject of a specific proposal in which the fees of €22,500 were paid by Reno De Medici S.p.A.

Also taking into account the announcement issued by Deloitte & Touche, referred to above, based on the supervisory activities conducted pursuant to Article 19 of Legislative Decree 39/2010, no critical aspects emerged regarding the independence of the Independent Auditors Deloitte & Touche S.p.A.

During the course of the supervisory activities conducted, and also based on the information acquired from the Independent Auditors, no omissions and/or censurable circumstances and/or irregularities or significant facts were discovered that would require reporting to the control bodies or mention in this report.

The supervisory activities described above were carried out during meetings of the Board of Statutory Auditors (also conducting individual initiatives) and taking part in Board of Director Meetings, as well as meetings of the Internal Control Committee and the Supervisory Authority pursuant to Legislative Decree 231/2001, also having obtained the opinion of the Internal Control Reporting Executive. Specifically, we wish to point out:

- the Internal Control Committee, established pursuant to the Code of Governance, 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 company procedures regarding related-party transactions, confidential information, internal dealing and duty to enquire for the management and control bodies pursuant to Article 150 of Legislative Decree 58/98; and (ii) the adequacy of the organizational, administrative and general accounting structure also pursuant to the provision of Article 123-*bis*, paragraph 2, b) of the CFA;
- the Supervisory Authority, appointed pursuant to Legislative Decree 231/01, confirmed the absence of significant, censurable facts or violations of the Organizational Model adopted by the Company, as well as critical acts or conduct with regard to Legislative Decree 231/01, coming to their attention. Note that the Supervisory Authority updated the structure and the contents of the General and Special Parts of the Organization and Management Model pursuant to Legislative Decree 231/01, based on the new "Guidelines for the construction of organization, management and control models" issued in July 2014 by Confindustria;

- the Internal Control Reporting Executive, established pursuant to the Code of Governance, confirmed that the Internal Control System overseeing the process of financial reporting was adequate, operational and functional, conforming to international best practices and capable of mitigating and preventing risks which could hinder and/or have a significant impact on financial reporting and accounting objectives or on the Company's activity involving its assets.

No complaints or petitions, pursuant to Article 2408 of the Italian Civil Code, were received from third parties.

During the course of the year, five Board of Directors' meetings were held, three meetings of the Internal Control Committee, 1 meetings of the Remuneration Committee, 1 meeting of Appointment Committee and 8 meetings of the Board of Statutory Auditors.

Based on the above, the Board of Statutory Auditors, under the scope of its jurisdiction, has not discovered reasons to prevent the approval of the financial statements for the year ended December 31, 2014, as well as with regard to the Board of Director's proposal for the allocation of the profit for the period.

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The Board of Directors, taking into account that at the approval of the draft financial statements at December 31, 2014, its term of office, conferred on it by the Board of Statutory Auditors, comes to an end, has also called for an ordinary session to resolve on the appointment of the control body.

With reference to the dedicated Report prepared by the Directors, the Board of Statutory Auditors would like to invite the Shareholders to adopt the necessary resolutions.

Milan, April 3, 2015

**THE BOARD OF STATUTORY AUDITORS**

Signed by:

Carlo TAVORMINA (Chairman)

Giovanni Maria CONTI



Tiziana MASOLINI