



# Q4

## Interim Report

### 12.31.2015

**NET REVENUES: €438.2 MILLION**  
(COMPARED TO €426.1 MILLION AS AT DECEMBER 31, 2014)

**GROSS OPERATING PROFIT (EBITDA): €41.8 MILLION**  
(COMPARED TO €41.2 MILLION AS AT DECEMBER 31, 2014)

**OPERATING PROFIT (EBIT): €17.2 MILLION**  
(COMPARED TO €18.4 MILLION AS AT DECEMBER 31, 2014)

**NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATION: €11.0 MILLION**  
(COMPARED TO €10.2 MILLION AS OF DECEMBER 31, 2014)

**NET PROFIT (LOSS) FOR THE PERIOD: PROFIT OF €9.9 MILLION**  
(COMPARED TO A PROFIT OF €5.4 MILLION AS AT DECEMBER 31, 2014)

**NET FINANCIAL DEBT: €50.3 MILLION**  
(€65.9 MILLION AS AT DECEMBER 31, 2014)

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## BOARD OF DIRECTORS AND AUDITORS

### Board of Directors

Robert Hall	Chairman
Ignazio Capuano	CEO
Laura Guazzoni	Director
Laurent Lemaire	Director
Matteo Rossi	Director

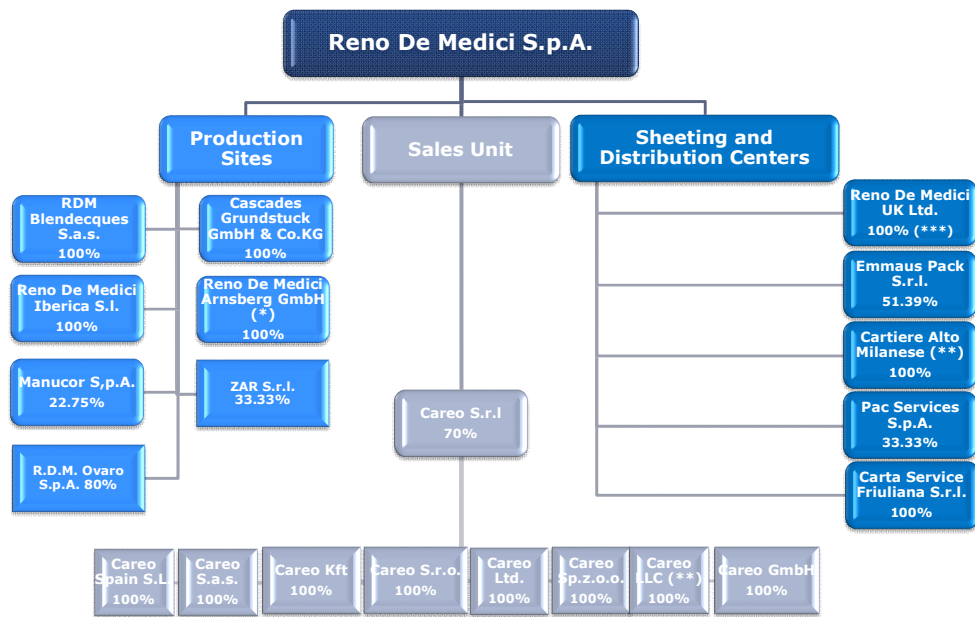
### Board of Statutory Auditors

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 DECEMBER 31, 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

The Reno De Medici Group closes 2015 recording an EBITDA of €41.8 million, a slight increase compared to €41.2 million of 2014. The positive operational performance more than offsets 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 before Discontinued Operations amounts to €11.0 million, vs. €10.2 Million of previous year, as higher EBITDA and lower Financial Charges more than compensate the write-down of some assets.

Net Profit reaches €9.9 Million, a substantial increase vs. €5.4 million of 2014, that was negatively impacted by the Result of Discontinued Operations.

The evolution of the general macroeconomic scenario in the last months of 2015 has not changed substantially compared to previous assessments, both in terms of envisaged growth and in the factors that drive it.

The recovery remains slow and moderate. The IMF confirms for 2015 a global growth of +3.1%, lower than +3.4% of 2014.

**Advanced Economies** are estimated to grow +1.9%, driven by the **United States** (+2.5%, a minor downward adjustment compared to +2.6% of the Octobers' assessment), and by the **Euro Area**, that confirms the previous assessment of +1.5. **Emerging Markets and Developing Economies** are stable at 4.0%.

**The Euro Area**, where the Group achieves more than 80% of its turnover, envisages for 2015 a modest and still fragile growth of +1.5%, however, with a visible pick up compared to +0.9% of 2014. The recovery in Europe is mainly driven by final domestic demand, that benefits by ever decreasing energy costs, the favorable exchange rate of the Euro vs. the majority of the other currencies, declining unemployment and the protracted support of ECB's monetary policy, that has just been confirmed. The growth in Q4 confirms the trend of previous quarter (+0.4%). The contribution of net exports is modest, as global trade is subdued, for the deceleration of economic activities in many Emerging Markets.

Among the major economies of the Euro Area, growth should attain (a rather disappointing) +1.5% in Germany, +0.8% in Italy, +1.1 in France, and +3.2% in Spain, that further accelerate its pace to recovery.

Thus the recovery continues also in **Italy**, internal demand is replacing export as the main driver of growth, as the confidence is improving both at the enterprises and consumers level. The manufacturing cycle is gaining momentum; unemployment in October-November has declined to 11.4%, the lowest level since the end of 2012; the credit conditions are improving. Only the investment activity remains subdued, and in it Q3 recorded a decrease of -0,4%, particularly in the plants and equipment sector, as the decline of construction seems to have halted.

**The evolution of the "White Lined Chipboard" sector**, in which the Reno De Medici Group operates, shows in 2015 an increase of European demand of +2.8% vs. 2014, mainly driven by East Europe. An exception to this generally positive trend are Germany, where demand decreased somewhat, and the UK, where the reduction was more visible.

However, in Q4 European demand decreased, both vs. the same quarter of previous year (marginally) as well as vs. Q3 (more appreciably), confirming a slow-down that was already visible at the end of previous quarter.

Such a recent downturn, that is not in line with the general evolution of economy, might be the just a natural adjustment after the exceptionally high order flow that was recorded in the first half of the year, and is possibly also linked to re-stocking behaviors of the operators. It can therefore be deemed to be a temporary

situation. In the month of January the order inflow returned to more normal and satisfactory levels.

**Tons-sold** in 2015 by the Reno De Medici Group were 824 thousand (excluding Reno De Medici Ibérica S.I.U., that since the closing of 2014 has been presented in the accounts as a discontinued operation held for sale), compared to 805 thousand sold in 2014. The increase is mainly associated to the S. Giustina mill, as the production of the mill in the last months of 2014 was penalized by the inefficiencies generated by the commissioning of a new equipment.

**Revenues from Sales** were €438.2 Million, compared to €426.1 Million of previous year. The increase of €12.1 Million is mainly due to higher tons sold, as commented just above. Selling prices increased since Q3, as the price increase announced in Spring showed its effects starting from July, recovering the erosion that prices had suffered starting from the second part of 2014. In 2015 average selling prices resulted to be in line with previous year.

As regards the main factors of production, **prices of recycled fibers** increased until August, stabilized in September, to then decrease in the last months of the year in all the major European countries, with the partial exception of France, where they remained substantially stable, as in the first part of the year they had increased less than on other countries. It is noticed that the evolution of the prices of recycled fibers remains in line with the evolution of the imports from Europe to China, that also decreased in the last months of 2015.

**Chemical products** show a mixed picture, as prices of latex are decreasing since July/August (a trend in line with the trend of the price of oil), whilst prices of starch have increased somewhat.

The prices of **energy** continued to decrease also in Q4 and at the beginning of 2016, a trend common to the entire sector. On January 11<sup>th</sup>, 2016, ICE Brent spot price reached 30 US\$, the lowest level in 12 years, and the downward trend should continue at least in the near-future.

In general terms, and all across the energy sector, global supply continues to be much higher than demand - albeit with different dynamics - as a combined effect of several factors: tepid recovery in Europe, the slow-down of China, mild temperatures, fierce competition among suppliers.

The price of **natural gas**, the main source of energy for the Reno De Medici Group, and the price of **coal**, the main source of energy for the Arnsberg plant (Germany), steadily decreased on Q4.

The price of **electricity** seems more stable, but it also showed a downward trend in the last part of the year. In Europe prices remain now firm at the minimum levels of each country. However, it has to be remembered that in 2015 the cost of electricity increased substantially for the Italian mills, due to the mandatory contributions to support renewable sources, that were extended also to self-produced energy: in October, after the new raise, the weight of mandatory contributions turned higher than the bare cost of electricity.

**In summary**, the evolution of the prices of energy in 2015 has been very positive, both for countries that need to import energy, and for industrial operations with a heavy energy consumption, allowing important savings compared to previous year.

**Personnel Costs** amounted in 2015 to €63.7 Million, a decrease of -2 Million compared to €65.7 Million recorded in 2014. The decrease results from the reduction of headcount, mainly 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 of 2015.

The Assets Write-downs, for a total amount of €2.2 million, are relevant to the write-down of some buildings and relevant service facilities at the Magenta mill, and the provisions posted for dismantling costs.

**EBIT** reached €17.2 million, and compares to €18.4 Million of 2014. The reduction is mainly due to the decrease of Other Income associated to the EEC - Energy Efficiency Certificates, and the higher Assets Write-downs. Net of this effect, the operational profitability improved, driven by lower energy and other production costs, also for the restored normal efficiency of the S. Giustina mill, that in 2014 was negatively impacted by the commissioning of a new equipment.

**Net Financial Expenses** were €3.1 Million, a substantial decrease compared to €4.6 Million of 2014, due to the lower net financial indebtedness (€50.3 million at the end of December 2015, vs. €65.9 Million as of December 2014). The average cost of long-term debt has decreased in comparable terms, for the reduction of interest rates. Exchange differences were also positive, and are associated to the revaluation of the US dollar and the GBP that were recorded mainly in Q1 2015.

**Profits from Investments** were €0.5 Million, slightly higher than the €0.3 Million recorded in 2014.

The provision for **Income Tax** amounts to €3.7 Million, slightly lower than the €3.9 Million recorded previous year.

The German subsidiary Reno De Medici Arnsberg GmbH is currently undergoing the tax audit of the period 2011-2013. In this ambit, the German Tax Authorities are bringing into question the Logo Fee charged by the mother company Reno De Medici SpA. At the current visibility it is not possible to predict the outcome of the discussions, and the relevant consequences.

It has to be pointed out that the Logo Fee charge was accepted in the previous tax audit, for the period 2007-2010.

**Consolidated Profit before Discontinued Operations** amounted to €11.0 Million, an increase compared to €10.2 million recorded in 2014; the positive operational performance, and lower financial expenses, compensated almost entirely the decrease of Other Income, and Asset Write-downs.

The **Result from Discontinued Operations** was negative by -€1.1 Million, vs. -€4.8 Million of previous year, and corresponds basically to the losses incurred in 2015 by Reno De Medici Ibérica S.L.U., that at the end of 2014 was made held for sale and reclassified accordingly, following the provisions of IFRS 5. On January 27, 2016, the operation was eventually sold, as described in the section 'Subsequent Events', further below.

**Consolidated Profit** amounted to €9.9 Million, a significant increase compared to €5.4 Million recorded in 2014.

**Capital Expenditures** made in the period by the Reno De Medici Group amounted to €13.0 Million (€19.7 Million in 2014).

**Consolidated Net Financial Indebtedness** at December 31st, 2015 was €50.3 Million (including Reno De Medici Ibérica S.L.U.), an improvement in the year of €-15.6 Million compared to €65.9 million at December 31st, 2014, thanks to the positive performance of operations.

It is highlighted that in 2015 Reno De Medici restructured and increased the sources of funding. In particular, new long-term loans were contracted for a total amount of €51 Million, whilst the already existing long-term loans were reimbursed (both ordinary and anticipated reimbursements) for a total amount of €22.4 Million.

As a consequence, the Group's financial indebtedness is now mainly based on long-term facilities, and the Group thus can count on stable sources of financing that adequately support the operations, the technical capital expenditures in particular, and possibly also projects to seize opportunities for strategic investments.



## Consolidated results

The following table summarizes key income statement indicators as at December 31, 2015 and 2014.

	12.31.2015	12.31.2014
(thousands of Euros)		
Revenues from sales	438,235	426,134
<b>OPERATING PROFIT (EBITDA) (1)</b>	<b>41,803</b>	<b>41,192</b>
<b>EBIT (2)</b>	<b>17,236</b>	<b>18,428</b>
<b>Pre-tax income (3)</b>	<b>14,652</b>	<b>14,060</b>
<i>Current and deferred taxes</i>	<i>(3,676)</i>	<i>(3,887)</i>
Profit (Loss) for the period before discontinued operations	10,976	10,173
<b>Discontinued operations</b>	<b>(1,114)</b>	<b>(4,755)</b>
<b>Profit (Loss) for the period</b>	<b>9,862</b>	<b>5,418</b>

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:

	12.31.2015	% of total	12.31.2014	% of total
(thousands of Euros)				
Italy	163,519	37,3 %	162,074	38.0 %
EU	206,040	47,0 %	194,330	45.6 %
Non-EU	68,676	15,7 %	69,730	16.4 %
<b>Revenues from sales</b>	<b>438,235</b>	<b>100 %</b>	<b>426,134</b>	<b>100 %</b>

## Key events

At the beginning of August the sale of the area in which the Marzabotto mill was built was completed.

On November 2nd, 2016 the General Shareholders Meeting of Reno De Medici S.p.A. resolved, upon amendment of the Articles of Association:

- the voluntary cover of all previous losses, partly using earnings and available reserves, partly reducing share capital. The resolution is propaedeutic to the possible future distribution of dividends;
- the constitution of an “Available Reserve” for an amount of 10,399,255.80 euro, through a voluntary reduction of share capital as per article 2445 of the Italian Civil Code;
- the authorization of a program to purchase and dispose of treasury shares, as an instrument to stabilize the course of the title, the number of which cannot exceed one fifth of share capital.

## Subsequent events

On January 27, 2016, the Spanish operation of Reno De Medici Ibérica S.L.U. was sold to a Spanish company set up by a group of managers and former managers of the Subsidiary, at a price of €800 Thousand, that corresponds to the consolidated book value of the investment. The purchase price was partly cash, with a portion that will be paid in instalments, the last of which will be due on December 31, 2018; its payment is secured by a guarantee of Iberaval, S.G.R., a Spanish company controlled by public and financial entities, whose main mission is to support small and medium businesses. The sale will allow a reduction of the Net Financial Indebtedness of the Group by €4.2 Million (resulting from the sale price and the deconsolidation of the indebtedness of the Spanish operation).

On January 18th, 2016, the Ordinary Court of Rome - GIP Section, ordered the precautionary attachment of the second lot of the landfill of the Villa Santa Lucia mill (FR). The attachment has been executed on January 25, 2016.

## Outlook

As regards the general macroeconomic scenario, in the short-term no major changes are expected in the trend of the main factors that drive the economy, and the evolution in Q1 2016 should be in line with Q4 2015.

The current forecasts for 2016 envisage a moderate acceleration of global growth, that in IMF's estimations should attain +3.4%, an improvement vs. +3.1% of 2016, thus returning to the same level of 2014.

However, such recent predictions downscale by -0.20 percentage points the previous forecasts for both 2016 and 2017, mainly due to the weaker pickup in **Emerging Markets and Developing Economies**, where growth should reach 4.3%, an improvement compared to 4.0% of 2015, but still below the 4.6% of 2014.

**China** should grow +6.3%, the rebalancing of economy should evolve as envisaged, but it will have as a consequence growth rates now much lower compared to the rates recorded a few years ago.

As regards the **other major Emerging Economies**, the ones that are currently going through a very delicate crisis should gradually recover, but some countries such as **Russia** and **Brazil** still envisage negative growth rates also for 2016, and only **India** seems to count on a stable positive outlook.

The growth in the **Euro Area** in 2016 should attain +1.7%, a modest acceleration compared to 1.5% of 2015, in a scenario where only Italy is expected to improve substantially, with a growth rate of +1.3% substantially higher compared to the +0.8% of 2015. All the factors that supported the recovery of 2015 should continue to be in effect in 2016 as well: low cost of energy, the favorable exchange rate of the Euro, declining unemployment, and the accommodative monetary policy of the ECB.

**In the sector in which Reno De Medici operates**, the beginning of 2016 is resulting moderately encouraging, the order inflow is showing some recovery, and seems to be returning to more normal and satisfactory levels. The trend of the prices of recycled fibers is confirming a moderate downward trend, and the cost of energy keep on being very low.

In any case, also the outlook for the sector remains marked by uncertainty.

**CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015**

<b>Consolidated Income Statement</b>	<b>12.31.2015</b>	<b>12.31.2014</b>
(thousands of Euros)		
Revenues from sales	438,235	426,134
Other revenues and income	6,488	14,152
Change in inventories of finished goods	(2,375)	(3,294)
Cost of raw materials and services	(331,376)	(324,968)
Personnel costs	(63,663)	(65,674)
Other operating costs	(5,506)	(5,158)
<b>Gross operating profit</b>	<b>41,803</b>	<b>41,192</b>
Depreciation and amortization	(22,345)	(22,557)
Write-downs	(2,222)	(207)
<b>Operating profit</b>	<b>17,236</b>	<b>18,428</b>
<i>Financial expense</i>	(3,597)	(5,364)
<i>Gains (losses) on foreign exchange</i>	450	628
<i>Financial income</i>	20	88
Net financial income/(expense)	(3,127)	(4,648)
Gains (losses) from investments	543	280
Taxes	(3,676)	(3,887)
<b>Profit (loss) for the period before net result Before discontinued operations</b>	<b>10,976</b>	<b>10,173</b>
Net result from discontinued operations	(1,114)	(4,755)
<b>Profit (loss) for the period</b>	<b>9,862</b>	<b>5,418</b>
attributable to:		
Group's share of profit (loss) for the period	9,784	5,478
Minority interest in profit (loss) for the period	78	(60)

Statement of Financial Position - ASSETS	12.31.2015	12.31.2014
(thousands of Euros)		
<i>Non-current assets</i>		
Tangible fixed assets	190,452	202,768
Other intangible assets	5,828	5,859
Equity investments	1,981	1,706
Deferred tax assets	2,795	3,245
Other receivables	1,167	990
<b>Total non-current assets</b>	<b>202,223</b>	<b>214,568</b>
<i>Current assets</i>		
Inventories	68,200	70,595
Trade receivables	59,174	59,643
Other receivables	7,957	8,934
Cash and cash equivalents	23,146	2,376
<b>Total current assets</b>	<b>158,477</b>	<b>141,548</b>
<b>Asset held for sale</b>	<b>8,129</b>	<b>10,425</b>
<b>TOTAL ASSETS</b>	<b>368,829</b>	<b>366,541</b>

Statement of Financial Position - LIABILITIES AND SHAREHOLDERS' EQUITY	12.31.2015	12.31.2014
(thousands of Euros)		
<b>Shareholders' equity</b>		
Shareholders' equity attributable to the Group	151,973	141,198
Minority interests	439	362
<b>Total shareholders' equity</b>	<b>152,412</b>	<b>141,560</b>
<b>Non-current liabilities</b>		
Payables to banks and other lenders	53,280	26,725
Derivative instruments	50	18
Other payables	130	182
Deferred taxes	8,888	10,589
Employee benefits	29,063	30,674
Non-current provisions for risks and charges	2,657	4,780
<b>Total non-current liabilities</b>	<b>94,068</b>	<b>72,968</b>
<b>Current liabilities</b>		
Payables to banks and other lenders	14,839	36,196
Derivative instruments	146	286
Trade payables	84,893	88,532
Other payables	14,137	15,364
Current taxes	378	2,396
Current provisions for risks and charges	452	
Employee benefits	31	924
<b>Total current liabilities</b>	<b>114,876</b>	<b>143,698</b>
Liabilities held for sale	7,473	8,315
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>368,829</b>	<b>366,541</b>

Net financial position	12.31.2015	12.31.2014	Change
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables	24,025	3,698	20,327
Short-term financial debt	(20,148)	(41,707)	21,559
Valuation of current portion of derivatives	(146)	(286)	140
<b>Short-term net financial position</b>	<b>3,731</b>	<b>(38,295)</b>	<b>42,026</b>
Medium-term financial debt	(53,936)	(27,581)	(26,355)
Valuation of non-current portion of derivatives	(50)	(18)	(32)
<b>Net financial position</b>	<b>(50,255)</b>	<b>(65,894)</b>	<b>15,639</b>

## NOTES

The Interim Report of the RDM Group as at December 31, 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 fourth 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 December 31, 2015, all assets and liabilities were converted using the exchange rate in effect on the statement of financial position reporting date (0.73395 GBP/EUR). Income and costs were converted at the average exchange rate for the period concerned (0.7260 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 December 31, 2015, the RDM Group's staff consisted of 1,166 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 December 31, 2015 of Reno De Medici S.p.A. corresponds to information contained in documents, ledgers and accounting entries.

Milan, February 11, 2016

Signed  
Stefano Moccagatta