



# Q1

## Interim Report

### 03.31.2016

**NET REVENUES: €111.6 MILLION**  
(COMPARED TO €114.5 MILLION AS AT MARCH 31, 2015)

**GROSS OPERATING PROFIT (EBITDA): €9.3 MILLION**  
(COMPARED TO €10.7 MILLION AS AT MARCH 31, 2015)

**OPERATING PROFIT (EBIT): €4 MILLION**  
(COMPARED TO €4.9 MILLION AS AT MARCH 31, 2015)

**NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATION: € 2.9 MILLION**  
(COMPARED TO €4 MILLION AS AT MARCH 31, 2015)

**NET PROFIT (LOSS) FOR THE PERIOD: PROFIT OF € 2.7 MILLION**  
(COMPARED TO A PROFIT OF €3.8 MILLION AS AT MARCH 31, 2015)

**NET FINANCIAL DEBT: € 38.4 MILLION**  
(€50.3 MILLION AS AT DECEMBER 31, 2015)

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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

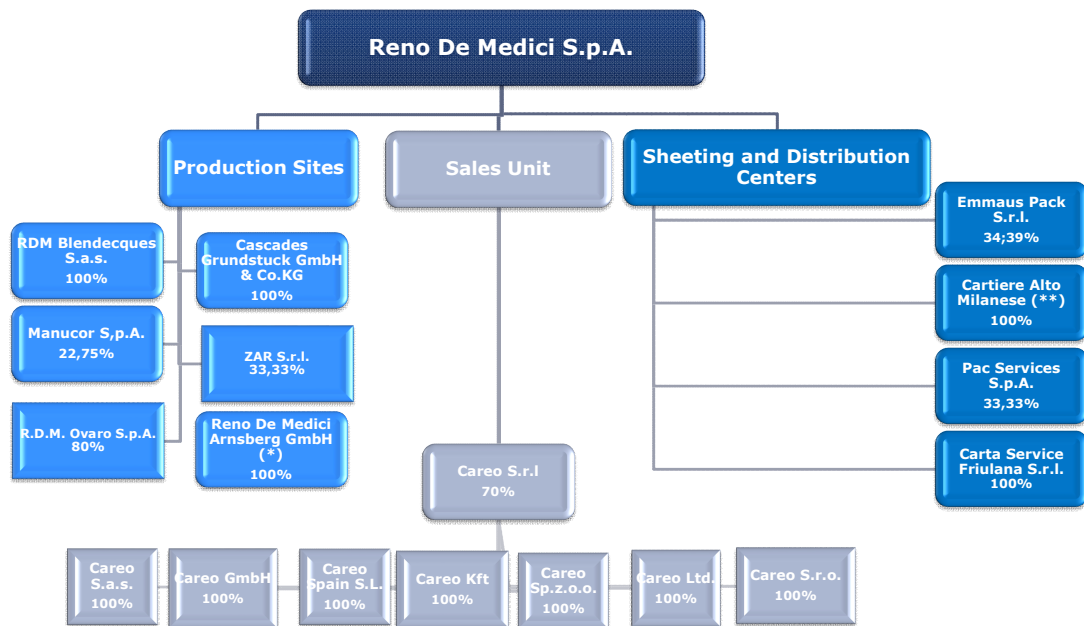
### Board of Statutory Auditors

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 MARCH 31, 2016**



(\*) Company owned 94% by Reno De Medici S.p.A. and 6% by Cascades Grundstück GmbH & Co.KG.  
 (\*\*) Company in liquidation

## DIRECTORS' REPORT ON OPERATIONS

The Reno De Medici Group positively closes first quarter 2016 recording an EBITDA of €9.3 Million, even if with a decrease compared to €10.7 Million of 2015. The effects of slightly lower revenues and other Income, and of the higher cost of recycled fibers, are not entirely compensated by the decrease of cost of energy and other costs.

The Profit for the period before Discontinued Operations amounts to €2.9 Million, vs. €4 Million of previous quarter, as lower Amortizations and Depreciations and higher Income from Investments reduce the gap generated by lower EBITDA and by higher financial charges (due to negative exchange rates differences).

As regards the general macroeconomic scenario, the beginning of 2016 downscales the growth expectations for the year.

The last quarter of 2015 and the opening of 2016 saw a slowdown of economic activities, for both the softening of activities in Advanced Economies, and the persisting stresses that characterize many emerging markets and Developing Economies, that show no sign of relief.

As the IMF points out in the latest update (April) of its World Economic Outlook, *“The baseline projection for global growth in 2016 is a modest 3.2 percent, broadly in line with last year, and a 0.2 percentage point downward revision relative to the January 2016 (WEO) Update”*. The downward revision compared to the last October’s WEO reaches 0.4 percentage point for 2016, and 0.3 percentage points for 2017.

All the factors that had driven the economy in 2015 should remain in effect also in the near future:

In **Advanced Economies** as a whole growth should attain in 2016 1.9 percent. The Euro Zone envisage a more contained 1.5 percent: the average downward revision for the Area is 0.2 percent, but reaches 0.3 percent for Italy, that now envisages for 2016 a modest 1 percent growth rate.

The modest recovery is still driven by internal consumption, mainly as a result of low energy costs and supportive financial conditions. However, investment activities remain subdued, as well as trade, that suffers from the weakness of global trade.

**Emerging Countries and Developing Economies** are expected to grow 4.1 percent in 2016 (versus 4 percent last year) *“remaining 2 percent points below the average of the past decade”* (IMF). However, such overall percentage result from very different situations among the regions.

For China growth is now estimated to be 6.9 percent, with a positive revision of 0.2 percentage points compared to the January WEO. Although this is still a solid growth rate, the rebalancing of the Chinese economy, and in particular the reduction of investments and the import of commodities, is negatively affecting global trade and the economies of many other countries.

Some countries seem to remain in a clear distress: Russia envisages -1.8 percent (vs. -3.7 percent in 2015) and Brazil, that with -3.8 percent confirms both the negative growth rate and the very

difficult situation of last year.

Only India and the ASEAN countries confirm a positive outlook.

**The evolution in Q1-2016 of the “White Lined Chipboard” sector**, in which the Reno De Medici Group operates, is in line with the general trend of economy. The order inflow increased robustly in the first weeks of the Quarter, but weakened in March to levels below previous year, as the uncertainties that are characterizing the general scenario that are also conditioning the purchasing policies of customers. **European demand** in Q1-2016 decreased -3.3 percent compared to the same period of 2015, all major European markets show negative variations, France and UK in the first place. The sales to the **Overseas** markets compensate the European decline partially, but not entirely, also as an effect of the increasing imports from China: actually such markets have become more attractive for the Chinese exporters, for the favorable exchange rate of the dollar and the low transportation costs.

**Tons-sold** in Q1-2016 by the Reno De Medici Group were 213 thousand, compared to 217 thousand sold in 2015. The decrease is mainly associated to the sales in the Western European markets, and was partially compensated by an increase of the sale in Eastern European and Overseas markets.

**Revenues from Sales** were €111.6 Million, compared to €114.5 Million of previous year. The slight decrease is mainly due to lower tons sold, but also average selling prices of the period show a little decline compared to Q1-2015.

As regards the main factors of production, **prices of recycled fibers** remained stable in the Quarter at the same levels of late 2015, but at the end of March resumed an upward trend. The average prices of the period were appreciably higher than in Q1-2015.

The prices of **chemical products** remained low, but also showed signs of increase at the end of the Quarter.

The prices of **energy** remained very low. In general terms, and all across the energy sector, global supply continues to be much higher than demand as a combined effect of several factors: tepid recovery in Europe, the slow-down of China, and fierce competition among suppliers.

The cost of energy in Q1-2016 thus resulted substantially lower than in the same period of last year. **Oil** price recorded a -32 percent decline between August 2015 and February 2016, even if they recovered some limited ground in March. The downward trend results from the strong supply from the OPEC members and Russia, the expectations of higher supply from Iran, and the uncertain prospects of global growth.

In the quarter the prices of **Natural gas**, the main source of energy for the Reno De Medici Group, of **coal**, the main source of energy for the Arnsberg plant (Germany), and of **electricity**, remained basically stable at the minimum levels.

**Personnel Costs** amounted in Q1-2016 to €16.1 Million, basically in line with €16,2 Million of previous year.

**EBIT** reached €4 Million, and compares to €4.9 Million of first quarter 2015. The reduction is mainly due to lower EBITDA, partially offset by lower Amortizations and Depreciations.

**Net Financial Expenses** were €1.1 Million, compared to €0.7 Million of first quarter 2015, notwithstanding the improvement of Net Financial Position. The increase is entirely due to exchange differences: Q1-2016 recorded losses of €225 thousand, compared to a profit of €488 thousand of Q1-2015. Such a variation, in a quarter also characterized by some unusual flows in foreign currencies, is the effect of opposite evolutions in the two reference periods of the exchange rate of the Euro both against the US dollar and GBP: in Q1-2016 the Euro revaluated compared to late 2015, whilst in the same period of previous year it had devaluated.

**Profits from Investments** were €0.7 Million, slightly higher than the €0.5 Million recorded in Q1-2015. The amount includes a consolidated plus value of €530 Thousand generated by the sale of a stake in Emmaus Pack S.r.l. (see further ahead, in the section dedicated to 'Key events').

The provision for **Income Tax** amounts to €0.8 Million, substantially in line with the same period of previous year.

As already indicated in the 2015 Annual Financial reports, 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 still 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 €2.9 Million, a decrease compared to €4 Million recorded in Q1-2015.

The Result from Discontinued Operations was slightly negative by -€0,2 Million, vs. -€0.1 Million of Q1-2015. The loss recorded in Q1-2016 is mainly the effect of the dissolution of the subsidiary Reno De Medici UK Ltd, as the cumulative amount of the exchange differences related to that foreign subsidiary, previously accumulated in a separate component of equity, was reclassified from equity to income statement, following the requirements of IAS 21.

**Consolidated Profit** amounted to €2.7 Million, vs. €3.8 Million recorded in first quarter 2015.

**Capital Expenditures** made in the period by the Reno De Medici Group amounted to €2.7 Million (€1.2 Million in first quarter 2015).

**Consolidated Net Financial Indebtedness** at March 31, 2016 was €38.4 Million, an improvement in the quarter of €11.9 Million compared to €50.3 Million at December 31, 2015. The decrease is due to the positive operational performance, and to the deconsolidation of the Net Financial Indebtedness of Reno De Medici Ibérica S.A. (€4.2 Million), sold on January 27, 2016, and of Emmaus Pack S.r.l. (€3 Million), that was deconsolidated after the sale of a stake of the investment occurred on March 14, 2016 with loss of control. The company is now valued at the equity method.



## Consolidated results

The following table summarizes key income statement indicators as at March 31, 2016 and 2015.

	03.31.2016	03.31.2015
(thousands of Euros)		
Revenues from sales	111,617	114,456
<b>OPERATING PROFIT (EBITDA) (1)</b>	<b>9,255</b>	<b>10,653</b>
<b>EBIT (2)</b>	<b>4,045</b>	<b>4,920</b>
<b>Pre-tax income (3)</b>	<b>3,718</b>	<b>4,781</b>
<i>Current and deferred taxes</i>	<i>(796)</i>	<i>(812)</i>
Profit (Loss) for the period before discontinued operations	2,922	3,969
<b>Discontinued operations</b>	<b>(188)</b>	<b>(144)</b>
<b>Profit (Loss) for the period</b>	<b>2,734</b>	<b>3,825</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:

	03.31.2016	% of total	03.31.2015	% of total
(thousands of Euros)				
Italy	39,855	35.7 %	42,111	36.8 %
EU	53,381	47.8 %	54,699	47.8 %
Non-EU	18,381	16.5 %	17,646	15.4 %
<b>Revenues from sales</b>	<b>111,617</b>	<b>100 %</b>	<b>114,456</b>	<b>100 %</b>

## Key events

On January 27, 2016, the Spanish operation of **Reno De Medici Ibèrica S.A.** 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 paid partly in cash, and will be paid partly 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 determined 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 March 14, 2016 Reno De Medici S.p.A. signed a Memorandum of Understanding to purchase, directly or indirectly, the entire share capital of Cascades S.A.S., presently 100% owned by Cascades Inc.

Cascades S.A.S. currently is the company of the Cascades Group that holds 57.6% stake in Reno De Medici S.p.A., but before the operation will transfer to Cascades Inc. its stake in Reno De Medici S.p.A.

The price of the acquisition should be in a range between €16 and €20 Million, and will be defined after the completion of the relevant due diligence.

The Reno De Medici Group will acquire Cascades S.A.S. through its French wholly controlled subsidiary RDM Blendecques S.A.S.

It is highlighted that on April 12nd, 2016 the unions gave a favorable opinion to the acquisition of Cascades S.A.S. from RDM Group.

On March 14, 2016 Reno De Medici sold a 17% stake in the Emmaus Pack S.r.l. to the current minority shareholders. The sale has reduced the RDM holdings in the sheeting and distribution center from 51% to 34% of total share capital. The purchase price was €700 thousand, and generated a consolidated plus value of €530 Thousand.

The operation determined the loss of the control on the Company, that is now being valued at the equity method, with consequent deconsolidation of its Net Financial Indebtedness amounting to approximately €3 Million.

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.

## Subsequent events

No major events were recorded after the closing of the period.

## Outlook

As regards the general macroeconomic scenario, no major changes are expected in the short-term, The baseline scenario, as depicted by the IMF's latest report (April), envisages for 2016 an overall growth rate of 3.2 percent, similar to 2015's, and is based on some general assumptions: gradual normalization if the situation of distressed economies, smooth rebalancing of China's economy with more contained but still high growth rates; a reasonable pick-up of activities in commodity exporters.

However, none of these assumptions can be taken for granted, and risks are tilted on the down side, also considering the geopolitical crisis that affecting some part of the world.

So the outlook remains very uncertain.

**The sector in which Reno De Medici operates shares the uncertainties of the global economic scenario.** The beginning of 2016 resulted to be moderately encouraging, the order inflow is reasonably satisfactory, albeit not exciting. The cost of raw materials, both recycled fibers and chemical products, confirmed in April the upward trend already noticed in March. On the other hand, the cost of energy is expected to remain very low also in the near future.

**CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2016**

<b>Consolidated Income Statement</b>	<b>03.31.2016</b>	<b>03.31.2015</b>
(thousands of Euros)		
Revenues from sales	111,617	114,456
Other revenues and income	1,256	1,715
Change in inventories of finished goods	(3,913)	(4,506)
Cost of raw materials and services	(82,712)	(83,840)
Personnel costs	(16,096)	(16,184)
Other operating costs	(897)	(988)
<b>Gross operating profit</b>	<b>9,255</b>	<b>10,653</b>
Depreciation and amortization	(5,210)	(5,733)
<b>Operating profit</b>	<b>4,045</b>	<b>4,920</b>
<i>Financial expense</i>	(850)	(1,173)
<i>Gains (losses) on foreign exchange</i>	(225)	488
<i>Financial income</i>	19	2
Net financial income/(expense)	(1,056)	(683)
Gains (losses) from investments	729	544
Taxes	(796)	(812)
<b>Profit (loss) for the period before net result Before discontinued operations</b>	<b>2,922</b>	<b>3,969</b>
Net result from discontinued operations	<b>(188)</b>	<b>(144)</b>
<b>Profit (loss) for the period</b>	<b>2,734</b>	<b>3,825</b>
attributable to:		
Group's share of profit (loss) for the period	2,676	3,811
Minority interest in profit (loss) for the period	58	14

Statement of Financial Position - ASSETS	03.31.2016	12.31.2015
(thousands of Euros)		
<b><i>Non-current assets</i></b>		
Tangible fixed assets	187,905	190,452
Other intangible assets	5,747	5,828
Equity investments	2,517	1,981
Deferred tax assets	2,415	2,795
Other receivables	1,903	1,167
<b>Total non-current assets</b>	<b>200,487</b>	<b>202,223</b>
<b><i>Current assets</i></b>		
Inventories	62,214	68,391
Trade receivables	58,068	58,976
Other receivables	8,418	7,759
Cash and cash equivalents	29,275	23,146
<b>Total current assets</b>	<b>157,975</b>	<b>158,272</b>
<b>Asset held for sale</b>		<b>8,129</b>
<b>TOTAL ASSETS</b>	<b>358,462</b>	<b>368,624</b>

<b>Statement of Financial Position - LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>03.31.2016</b>	<b>12.31.2015</b>
(thousands of Euros)		
<b>Shareholders' equity</b>		
Shareholders' equity attributable to the Group	154,741	151,979
Minority interests		440
<b>Total shareholders' equity</b>	<b>154,741</b>	<b>152,419</b>
<b>Non-current liabilities</b>		
Payables to banks and other lenders	51,404	53,280
Derivative instruments	326	50
Other payables	116	130
Deferred taxes	8,545	8,888
Employee benefits	28,736	29,063
Non-current provisions for risks and charges	2,182	2,657
<b>Total non-current liabilities</b>	<b>91,309</b>	<b>94,068</b>
<b>Current liabilities</b>		
Payables to banks and other lenders	14,998	14,839
Derivative instruments	146	146
Trade payables	81,698	84,879
Other payables	14,862	13,939
Current taxes	405	378
Current provisions for risks and charges	303	452
Employee benefits		31
<b>Total current liabilities</b>	<b>112,412</b>	<b>114,664</b>
Liabilities held for sale		7,473
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>358,462</b>	<b>368,624</b>

Net financial position	03.31.2016	12.31.2015	Change
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables	29,901	24,026	5,875
Short-term financial debt	(16,989)	(20,148)	3,159
Valuation of current portion of derivatives	(146)	(146)	0
<b>Short-term net financial position</b>	<b>12,766</b>	<b>3,732</b>	<b>9,034</b>
Medium-term financial receivables	600		600
Medium-term financial debt	(51,404)	(53,936)	2,532
Valuation of non-current portion of derivatives	(326)	(50)	(276)
<b>Net financial position</b>	<b>(38,364)</b>	<b>(50,254)</b>	<b>11,890</b>

## NOTES

The Interim Report of the RDM Group as at March 31, 2016 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, 2015. 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, 2015.

The scope of consolidation have been including a company that uses a currency of account other than the euro (Reno De Medici UK Ltd, which uses GBP).

On March 8<sup>th</sup>, 2016, the company Reno De Medici UK Ltd was dissolved and the exchange differences booked and classified as an equity reserve were reclassified from equity to income statement (IAS 21).

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 March 31, 2016, the RDM Group's staff consisted of 1,141 employees compared to 1,166 employees as at December 31, 2015.

**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 March 31, 2016 of Reno De Medici S.p.A. corresponds to information contained in documents, ledgers and accounting entries.

Milan, April 29, 2016

Signed  
Stefano Moccagatta