

# Q4



## Interim Report

### 12.31.2016

**NET REVENUES: €477.8 MILLION**  
(COMPARED TO €438.2 MILLION AS AT DECEMBER 31, 2015)

**GROSS OPERATING PROFIT (EBITDA): €30.4 MILLION**  
(COMPARED TO €41.8 MILLION AS AT DECEMBER 31, 2015)

**OPERATING PROFIT (EBIT): €8.8 MILLION**  
(COMPARED TO €17.2 MILLION AS AT DECEMBER 31, 2015)

**NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATION: € 3.4 MILLION**  
(COMPARED TO €11.0 MILLION AS AT DECEMBER 31, 2015)

**NET PROFIT (LOSS) FOR THE PERIOD: PROFIT OF € 3.2 MILLION**  
(COMPARED TO A PROFIT OF €9.9 MILLION AS AT DECEMBER 31, 2015)

**NET FINANCIAL DEBT: € 44.4 MILLION**  
(€50.3 MILLION AS AT DECEMBER 31, 2015)

Reno De Medici S.p.A.  
Viale Isonzo 25, Milan  
Share capital €140,000,000  
Tax code and VAT number 00883670150

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## **BOARD OF DIRECTORS AND AUDITORS**

### Board of Directors

Robert Hall	Chairman
Michele Bianchi	Director
Laura Guazzoni	Director
Laurent Lemaire	Director
Matteo Rossi	Director

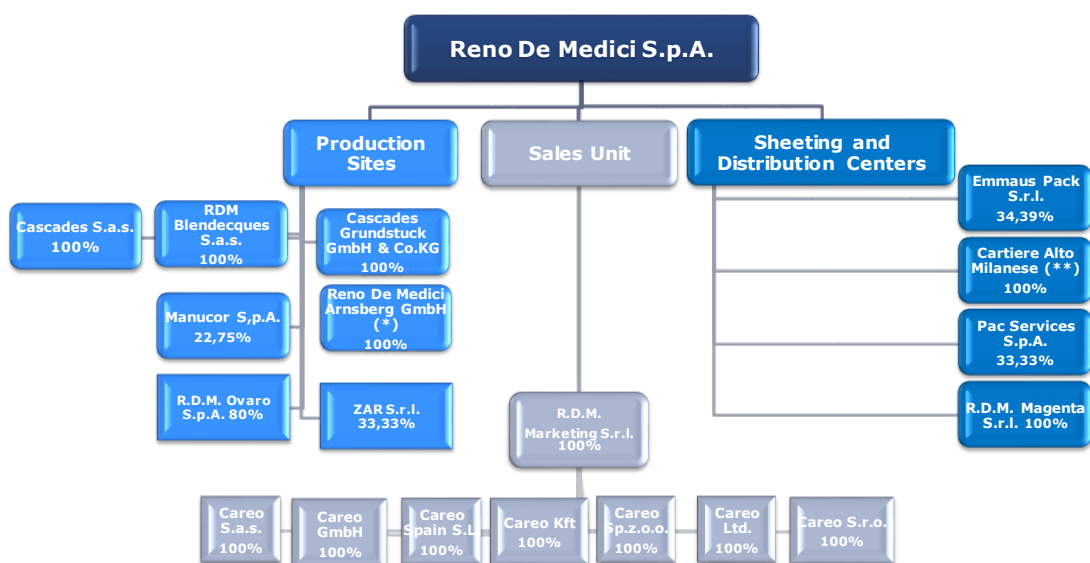
### Board of Statutory Auditors

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, 2016**



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

(\*\*) Company in liquidation

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## DIRECTORS' REPORT ON OPERATIONS

The Reno De Medici Group closes Q4 2016 recording an year-to-date EBITDA of €30.4 Million, compared to €41.8 Million in 2015.

The decrease of €11.4 Million vs. prior year is mainly due to weaker market and lower average selling prices, higher costs of raw materials, and also to lower production at certain mills, the Arnberg mill (Germany) in particular, linked to the commissioning of new equipment that was installed, although successfully finalized.

The Profit for the period amounts to €3.2 Million, compared to €9.9 Million of prior year.

Worth to remember that on June 30, 2016, the Reno De Medici Group acquired La Rochette Mill from Cascades Canada ULC, for an amount of €11.3 Million, 100% of Cascades S.A.S, a French company that produces and distributes packaging carton board based on virgin fiber. The transaction is described in detail in the Key Events section below.

As a consequence, from June 30th the Reno De Medici Group fully consolidates line-by-line Cascades S.A.S. However, its impact on the Group's Income Statement is limited to the six months of H2 (EBITDA of €3 Million and Net Income of €2.5 Million) and to acquisition costs for €505 Thousand.

As the economic results of Cascades S.A.S. were only partially consolidated in the 2016 Reno De Medici accounts, it is worth mentioning that the Company closed 2016 recording (management figures, unaudited) annual revenues from gross carton board sales for €117.2 Million, slightly lower than prior year. However, YTD EBITDA was €6.5 Million, an improvement compared to €4.1 Million of 2015, where lower average realized selling prices were more than compensated by lower costs of raw materials and the reduction of production costs.

As regards the general macroeconomic scenario, the most recent estimations confirm for 2016 a global growth of 3.1%, slightly lower than the (disappointing) +3.2% growth recorded in 2015, and visibly lower compared to the 3.4% growth that was envisaged at the beginning of the year. All the factors that had driven the economy in 2015 remained valid (low cost of energy, weak Euro, accommodative financial policy), but in 2016 growth was subdued and global trade remained weak, with a modest growth of 1.9%, lower than both 2015 (2.7%) and 2014 (3.0%).

In the 2016 scenario, **Q4** was marked by some new situations and events that, although have not impacted the results of the year materially, will definitely have an effect on 2017 and the medium term evolution. In November the OPEC countries signed an agreement to limit oil supply; such an agreement, within the general recovery of commodity and oil prices, an evolution that should benefit oil producers and commodity exporters, and relieve the situation of some distressed ECDE countries. Also in November Mr. Donald Trump was elected the President of the United States, an important political discontinuity whose concrete effects are difficult to predict at the moment.

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For **Advanced Economies** the IMF's January 2017 outlook estimates a 2016 growth of 1.6%, a slight upward revision compared to the previous October forecast, that reflects a somewhat stronger activities in the second half of 2016, due mostly to a reduced drag from inventories and some recovery in manufacturing output. Activity strongly rebounded in the United States, after a weak first-half of 2016, and in some other countries that performed better than expected, such as Spain, Japan and UK, where the Brexit effect seems so far contained. The upward revision of expectations regards all major countries except Italy, that remains penalized by its historical structural weaknesses. Growth in the Euro Area should attain 1.7%, visibly lower than the 2% recorded in 2015, as "domestic demand, notably investment, decelerated in some of the larger euro area economies, after successive quarters of stronger-than-expected growth" (IMF).

**Emerging Countries and Developing Economies** present a diverse and more complex picture. Overall they are estimated to grow 4.1% in 2016, in line with prior year, and with a slight negative adjustment compared to the previous forecast. In China the 2016 growth rate seems stronger than expected (6.7%, +0.3% vs. October), due to expected policy stimulus. Also Russia performed slightly better than expected; growth prospects have been revised downward, for different reasons, for a number of other important economies (Turkey, India, Brazil and Mexico).

In 2016 the evolution of European demand of the two sectors in which the Reno De Medici Group operates, WLC - White Lined Chipboard, and FBB – Folding Box Board, is broadly in line with the general trend of economy.

In the **WLC segment**, European demand decreased in the year by -1.4% compared to prior year. All major European markets show negative variations, that are very contained in Germany, and much more evident in France and Italy. The sales in the *Overseas* markets, that increased dramatically, did not compensate the European decline entirely, particularly in terms of profitability, due to the high competition on prices that historically characterizes those markets. However, the quarter-over-quarter comparison show a general improvement of the situation, and Q4 2016 resulted to be basically in line with prior year, although with a differentiated performance among countries.

In the **FBB segment**, in which the newly acquired Cascades S.A.S. operates, the negative variation of European demand was marginal (-0.5% vs. 2015), also due to the temporary benefits generated for Scandinavian producers by the Tobacco Product Directive, that have now come to an end.

**Tons-sold** in 2016 by the Reno De Medici Group were 890 Thousand, compared to 824 Thousand sold in 2015. The increase is associated to the consolidation of the 69 Thousand tons sold in the second half by Cascades S.A.S. Tons-sold in the WLC segment decreased by -3.5 Thousand, due to lower production, for the commissioning of the new equipment installed in the mills, but also for limited stand-stills made by some mills, mainly in Q3, to preserve profitability.

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**Revenues from Sales** were €478 Million, compared to €438 Million of prior year. The increase is associated to the consolidation of the sales of the second half of 2016 of Cascades S.A.S., that amounted to €54.7 Million. Revenues from sales in the WLC segment decreased by -€15 Million, due to lower average realized selling prices and, to a lesser extent, to slightly lower production.

As regards the main factors of production, the evolution of prices of **recycled fibers** was somewhat differentiated among European countries and fiber types, but in general terms increased in Q2 and more in Q3, for the usual seasonality reasons peculiar of that quarter, for some collection problems, and also for the new production capacity that entered the market in a continuous segment (boxboard) that increased demand. In October the upward trend halted, prices marginally decreased to then remain firm in the last months of the year. The average prices recorded in the year were higher than the 2015 average.

The prices of **mechanical pulp** (the main raw material of Cascades S.A.S), that in the first three quarters had decreased or remained stable, depending on pulp types, in the last months of the year resumed an upward trend.

As regards the **prices of energy**, in a global scenario marked by the partial recovery of commodity prices from the minimum levels recorded in February and March, the prices of primary sources of energy (oil, gas and coal) rebounded since Q3 driven by the price of oil, an upward trend that was confirmed in Q4.

The most significant price increase regarded **oil**, that increased from 30 US\$-per-barrel of February-March up to the 55 US\$ recorded in December. The persisting low demand that characterized 2016 was compensated also by the OPEC agreement that provides for a limitation of oil production, agreement that seems to be respected also by non-OPEC oil producing countries.

In this general scenario, in Europe the price of energy since November was pushed upwards by the appreciation of the US dollar, as well as by seasonal factors (colder than expected winter), and by the 'French nuclear crisis' whereby, due to extraordinary maintenance reasons, more than half of the French nuclear reactors were halted. The stand-still extended to winter time, causing a general shortage in the offer of energy, that was covered by more expensive and less cost-efficient sources of power, hence with a consequent general increase of spot and future prices of gas, coal and power.

The price of **natural gas**, the main source of energy for the Reno De Medici Group, in Europe increased from 14/15 €/MWH recorded in early Spring, to 20 €/MWH recorded in December. However, such an increase affects only partially RDM, due to the provisioning policy that had been timely adopted.

The price of **coal**, the main source of energy for the Arnsberg mill, increased from 40/45 US\$/ton of February-April to 85 US\$/ton at the end of December.

Notwithstanding the upward trend of H2, the average cost of energy for the Reno De Medici Group in 2016 was lower than in the same period of prior year.

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**Personnel Costs** amounted in the period to €76 Million, an increase of €12.4 Million compared to 2015, out of which €11.4 Million derive from the full consolidation of Cascades S.A.S. and the R.D.M. Marketing Group. The balance, an increase by €1 Million, results from various factors, where the contractual raises granted to employees, and the provision relevant to the new 'staff mobility' (early retirement social scheme) procedures opened at the Italian mills were partially compensated by the savings generated by the higher utilization of the provisions for accrued vacations.

**Other Operating Costs** amounted in 2016 to €5 Million, out of which €530 Thousand are relevant to the full consolidation of Cascades S.A.S. and of the R.D.M. Marketing Group. Net of this effect, costs decreased by €1 Million, mainly due to a lower provision for bad debts.

**EBIT** reached €8.8 Million, and compares to €17.2 Million in 2015. The reduction is mainly due to lower EBITDA, partially offset by lower Other Operating Costs, Amortizations and Depreciations; also, it is recalled EBIT in 2015 was penalized by assets write-downs.

**Net Financial Expenses** were €3,1 Million, basically in line with 2015. The full consolidation of Cascades S.A.S. and of the R.D.M. Marketing Group brought about an increase of €247 Thousand; net of this effect, Financial Charges decreased by €324 thousand, where lower interests rates and other financial charges were partially offset by exchange differences, that in 2016 were positive by €169 Thousand, vs. €450 Thousand recorded in 2015.

**Income from Investments** was €0.7 Million, slightly higher than €0.5 Million recorded in 2015. The amount includes a consolidated plus value of €0.5 Million generated by the sale of a stake in Emmaus Pack S.r.l. (see further ahead, in the Key Events section).

The provision for **Income Taxes** amounts to €3 Million, compared to €3.7 Million in the first half of 2015, due to lower taxable income.

As already indicated in the previous Financial Reports, the German subsidiary Reno De Medici Arnsberg GmbH underwent in 2016 to the tax audit of the period 2011-2013. In this ambit, the German Tax Authorities have disallowed the Logo Fee charged by the mother company Reno De Medici S.p.A., for an annual amount of 1.90% of sales revenues. The Group Logo Fee policy was introduced in 2009 keeping in due consideration the guidelines that regulate the transactions between related parties, and was supported by the advice of a primary German advisory firm, and by a benchmarking analysis, which has been recently updated. It has to be noticed that the charge was allowed in the previous tax audit for the period 2007-2010. The Reno De Medici Group does not agree with the position of the German tax Authorities, and on December 22, 2016 filed in Germany an application for a 'Mutual Agreement Procedure' (MAP), based on the EU



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Arbitration Convention and the treaty against double taxation existing between Germany and Italy; at the same time, an 'Advance Pricing Agreement' (APA) procedure was filed in Italy with the «Agenzia delle Entrate», to cover 2016 and future years.

At the current visibility it is impossible to predict the outcome of the 'MAP' procedure; however, the Reno de Medici Group is confident in a positive agreement between the German and Italian Tax Authorities, since the EU Arbitration convention contains a mandatory arbitration clause, that will avoid double taxation; in that case, the impact on consolidated results of this tax case will be very contained.

At RDM Marketing S.A.S. (France) a tax audit was performed for the period 2012-2013, and was concluded with an agreement with the French Tax Authorities for an additional global tax charge amounting to €388 Thousand; as a consequence, a provision for such amount was posted in the 2016 accounts.

**Consolidated Profit before Discontinued Operations** amounted to €3.4 Million, a decrease compared to €11 Million recorded in the same period of 2015.

The **Result from Discontinued Operations** was slightly negative by -€0.2 Million, and is relevant to the dissolution of the subsidiary Reno De Medici UK Ltd., vs. -€1.1 Million recorded in 2015, that were due to Reno De Medici Ibérica S.A.

**Consolidated Profit** amounted to €3.2 Million, vs. €9.9 Million recorded prior year.

**Capital Expenditures** made in the period by the Reno De Medici Group were €18.3 Million (€13 Million in 2015). The major projects carried out by the mills in 2016 are: at Arnsberg, the rebuild of the middle layer and post-drying sections of the board machine; at S. Giustina, the new land fill; at Villa S. Lucia, the installation of a new thermo calander; at Blendecques, the first works for the installation of a new shoe-press.

The **Consolidated Net Financial Indebtedness** of the RDM Group at December 31, 2016 was €44.4 Million, compared to €50.3 Million at December 31, 2015.

The extraordinary operations carried out in the year (acquisition of Cascades S.A.S. and the consequent consolidation of the R.D.M. Marketing Group; sale of Reno de Medici Ibérica S.A.; sale of a stake and deconsolidation of Emmaus Pack S.r.l.) determined a total increase of the Group's Net Financial Indebtedness by €10.4 Million. Net of this effect, the Net Financial Position of the Group improved by €16.3 Million, thanks to the positive performance of operations.

## Consolidated results

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

	12.31.2016	12.31.2015
(thousands of Euros)		
Revenues from sales	477,764	438,235
<b>OPERATING PROFIT (EBITDA) (1)</b>	<b>30,435</b>	<b>41,803</b>
<b>EBIT (2)</b>	<b>8,755</b>	<b>17,236</b>
<b>Pre-tax income (3)</b>	<b>6,410</b>	<b>14,652</b>
<i>Current and deferred taxes</i>	<i>(3,030)</i>	<i>(3,676)</i>
Profit (Loss) for the period before discontinued operations	3,380	10,976
<b>Discontinued operations</b>	<b>(188)</b>	<b>(1,114)</b>
<b>Profit (Loss) for the period</b>	<b>3,192</b>	<b>9,862</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:

	12.31.2016	% of total	12.31.2015	% of total
(thousands of Euros)				
Italy	162,212	34 %	163,519	37.3 %
EU	248,804	52 %	206,040	47.0 %
Non-EU	66,748	14 %	68,676	15.7 %
<b>Revenues from sales</b>	<b>477,764</b>	<b>100 %</b>	<b>438,235</b>	<b>100 %</b>

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## Key events

### The acquisition of Cascades S.A.S.

On June 30, 2016 the Reno De Medici Group, through its French wholly controlled subsidiary RDM Blendecques S.A.S., acquired from Cascades Canada ULC the 100% investment in Cascades S.A.S. for a total price of €11.3 Million Euro, that has been paid in full.

As Cascades Inc. is the ultimate parent company of both Companies (Cascades S.A.S. and Reno De Medici S.p.A.) the acquisition of Cascades S.A.S. was qualified as a business combination under common control; consequently, the operation was accounted for according to document OPI 1 issued by Assirevi. The value of the assets and liabilities of the purchased Company were reflected at their book values, as reported in Cascades S.A.S.'s financial statements, booking as an increase of net equity the difference of €2.8 Million between the net value of the acquired assets, that at the closing date amounted to €14.1 Million, and the net price of €11.3 Million.

It has to be noticed that prior to the transaction, Cascades S.A.S. sold to Cascades Inc. its investments in Reno De Medici S.p.A. (57.6% of the shares), in Cascades Djupafors Aktiebolag and in Cascades Grundstuck Verwaltung (100% in both cases) for a total amount of €82.9 Million.

As a consequence of the transaction, the Reno De Medici S.p.A., that before the transaction already held 70% of R.D.M. Marketing S.r.l, acquired the remaining 30% that was owned by Cascades S.A.S. Therefore, starting from the acquisition date the R.D.M. Marketing Group is also consolidated line by line, according to IFRS 10.

The main costs linked to the transaction (Acquisition Costs) amounted to €505 Thousand, and consist primarily of legal, auditing and other advisory costs.

The acquisition of Cascades S.A.S. will allow RDM to consolidate its position as one of the leading European producers of carton board, by expanding its activities to a new market segment, carton board packaging products manufactured based on 'virgin' fibers.

The transaction will also allow the simplification of the branding strategy of the Group, as all the products will be marketed under the new brand RDM.

Finally, synergies are expected in various areas of operation.

### Other key events

On December 19, 2016, the Reno De Medici Group announced the introduction of the **new RDM brand and logo**, that have been launched on January 1<sup>st</sup>, 2017. All the products of the Group will be marketed under the RDM brand; the Cascades brand and logo, and the Careo logo, will be discontinued.

This represents the final step of the strategic business combination between the European operations of the Reno De Medici and Cascades Groups, that started in 2008, and was completed in June 2016, with the acquisition of Cascades S.A.S. by the Reno De Medici Group.

On August 31, 2016 the **Magenta's sheeting and distribution center of Reno De Medici S.p.A.** was incorporated as a separate legal entity, R.D.M. Magenta S.r.l., through the contribution to the Company of the relevant assets and liabilities. The Company is wholly owned by Reno De Medici S.p.A., and provides for sheeting and distribution services to the Group's Italian mills.

On March 14, 2016 Reno De Medici sold a 17% stake in the **Emmaus Pack S.r.l.** to the minority shareholders. The sale has reduced the RDM's stake 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 €0.5 Million. The operation determined the loss of the control on the Company and, consequently, its initial recognition was at fair value according to IFRS 10; in addition, it caused the deconsolidation of its Net Financial Indebtedness, that amounted to approximately €3 Million.

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 corresponded to the consolidated book value of the investment. The purchase price was paid, partly at the date of the transaction, and partly will be paid in instalments, the last of which being 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 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

### **Outlook**

As regards the general macroeconomic scenario, no major changes are expected in the short-term, global growth should modestly pick up in 2017, but the outlook for the Euro Area envisages a very modest growth of 1.6%, lower than both 2015 and 2016.

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However, the outlook remains extremely uncertain, and risks are more tilted on the down side. Actually 2017 is marked by specific uncertainty, also for the possible consequences on economic activities of political discontinuities in some important countries.

One significant change has already occurred, the election of Mr. Donald Trump as the President of the United States: in principle his political and economical vision is clear, but some uncertainty remains about the extent his concrete actions will confirm electoral promises.

In Europe, general elections will take place in the Netherlands, France, Germany and Italy, and the continental political scenario might also change dramatically.

In any case, the effects on economic activities of possible changes of the political scenario are to be expected to impact more the second part of 2017 and 2018, rather than the immediate future.

The sectors in which the Reno De Medici Group operates, being their evolution GDP related, shares the uncertainties of the global economic scenario.

In the **Whiteline Chipboard (WLC)** segment, after the closing of the period European demand has been satisfactory, and backlog seems to be improving. Prices of raw material are increasing, but it is too early to consider this as a lasting trend. In this scenario, in order to restore profitability that was eroded in the course of 2016 mainly by the higher cost of recycled fibers, the Reno De Medici Group announced a price increase, to be applied to the orders received after November 1<sup>st</sup>, 2016, the effects of which are still uncertain, and will depend on the evolution of the market scenario.

In the European **Folding Box Board (FBB)** segment, in which the newly acquired Cascades S.A.S. operates, the order in-flow and backlog were also satisfactory.

The prices of mechanical pulp are stable and lower than in 2015, but their future evolution is uncertain, as it is also linked to the variations of the exchange rate with the US dollar.

In both sectors the cost of energy, and in particular of natural gas, is expected to remain low, notwithstanding last months' price rebounds. No further material price increases are expected in the near future.

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

<b>Consolidated Income Statement</b>	<b>12.31.2016</b>	<b>12.31.2015</b>
<b>(thousands of Euros)</b>		
Revenues from sales	477,764	438,235
Other revenues and income	6,932	6,488
Change in inventories of finished goods	468	(2,375)
Cost of raw materials and services	(373,659)	(331,376)
Personnel costs	(76,067)	(63,663)
Other operating costs	(5,003)	(5,506)
<b>Gross operating profit</b>	<b>30,435</b>	<b>41,803</b>
Depreciation and amortization	(21,680)	(22,345)
Write-downs and revaluations		(2,222)
<b>Operating profit</b>	<b>8,755</b>	<b>17,236</b>
<i>Financial expense</i>	(3,248)	(3,597)
<i>Gains (losses) on foreign exchange</i>	169	450
<i>Financial income</i>	29	20
Net financial income/(expense)	(3,050)	(3,127)
Gains (losses) from investments	705	543
Taxes	(3,030)	(3,676)
<b>Profit (loss) for the period before discontinued operations</b>	<b>3,380</b>	<b>10,976</b>
Discontinued operations	<b>(188)</b>	<b>(1,114)</b>
<b>Profit (loss) for the period</b>	<b>3,192</b>	<b>9,862</b>
attributable to:		
Group's share of profit (loss) for the period	3,134	9,784
Minority interest in profit (loss) for the period	58	78

Statement of Financial Position - ASSETS	12.31.2016	12.31.2015
(thousands of Euros)		
<b>Non-current assets</b>		
Tangible assets	196,633	190,452
Other intangible assets	6,441	5,828
Equity investments	2,509	1,981
Deferred tax assets	1,536	2,795
Other receivables	3,679	1,167
<b>Total non-current assets</b>	<b>210,798</b>	<b>202,223</b>
<b>Current assets</b>		
Inventories	82,450	68,391
Trade receivables	67,405	58,976
Other receivables	12,866	7,759
Cash and cash equivalents	29,331	23,146
<b>Total current assets</b>	<b>192,052</b>	<b>158,272</b>
<b>Asset held for sale</b>		<b>8,129</b>
<b>TOTAL ASSETS</b>	<b>402,850</b>	<b>368,624</b>

Statement of Financial Position - LIABILITIES AND SHAREHOLDERS' EQUITY	12.31.2016	12.31.2015
(thousands of Euros)		
<b>Shareholders' equity</b>		
Shareholders' equity attributable to the Group	155,216	151,979
Minority interests		440
<b>Total shareholders' equity</b>	<b>155,216</b>	<b>152,419</b>
<b>Non-current liabilities</b>		
Payables to banks and other lenders	57,627	53,280
Derivative instruments	268	50
Other payables	79	130
Deferred taxes	7,492	8,888
Employee benefits	33,878	29,063
Non-current provisions for risks and charges	6,224	2,657
<b>Total non-current liabilities</b>	<b>105,568</b>	<b>94,068</b>
<b>Current liabilities</b>		
Payables to banks and other lenders	16,174	14,839
Derivative instruments	154	146
Trade payables	103,685	84,879
Other payables	20,543	13,939
Current taxes	657	378
Current provisions for risks and charges	841	452
Employee benefits	12	31
<b>Total current liabilities</b>	<b>142,066</b>	<b>114,664</b>
Liabilities held for sale		7,473
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>402,850</b>	<b>368,624</b>



<b>Net financial position</b>	<b>12.31.2016</b>	<b>12.31.2015</b>	<b>Change</b>
<b>(thousands of Euros)</b>			
Cash, cash equivalents and short-term financial receivables	29,677	24,026	5,651
Short-term financial debt	(16,327)	(20,148)	3,821
Valuation of current portion of derivatives	(154)	(146)	(8)
<b>Short-term net financial position</b>	<b>(13,196)</b>	<b>3,732</b>	<b>9,464</b>
Medium-term financial receivables	300		300
Medium-term financial debt	(57,627)	(53,936)	(3,691)
Valuation of non-current portion of derivatives	(268)	(50)	(218)
<b>Net financial position</b>	<b>(44,399)</b>	<b>(50,254)</b>	<b>5,855</b>

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## NOTES

The Interim Report of the RDM Group as at December 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 December 31, 2016, the RDM Group's staff consisted of 1,536 employees compared to 1,166 employees as at December 31, 2015. The increase is due to the consolidation, starting from June 2016, of Cascades S.A.S. (326 employees) and the R.D.M. Marketing Group (60 employees).

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

Milan, February 15, 2017

Signed

Stefano Moccagatta