

# Q1



## Interim Report

### 03.31.2017

**NET REVENUES: €149.5 MILLION**  
(COMPARED TO €111.6 MILLION AS AT MARCH 31, 2016)

**GROSS OPERATING PROFIT (EBITDA): €9.1 MILLION**  
(COMPARED TO €9.3 MILLION AS AT MARCH 31, 2016)

**OPERATING PROFIT (EBIT): €3.6 MILLION**  
(COMPARED TO €4 MILLION AS AT MARCH 31, 2016)

**NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATION: € 2.5 MILLION**  
(COMPARED TO €2.9 MILLION AS AT MARCH 31, 2016)

**NET PROFIT (LOSS) FOR THE PERIOD: PROFIT OF € 2.5 MILLION**  
(COMPARED TO A PROFIT OF €2.7 MILLION AS AT MARCH 31, 2016)

**NET FINANCIAL DEBT: € 42.7 MILLION**  
(€44.4 MILLION AS AT DECEMBER 31, 2016)

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## **BOARD OF DIRECTORS AND AUDITORS**

### Board of Directors

Robert Hall	Chairman
Michele Bianchi	Chief Executive Officer
Alan Hogg	Director
Giulio Antonello	Director
Gloria Francesca Marino	Director
Laura Guazzoni	Director
Sara Rizzon	Director

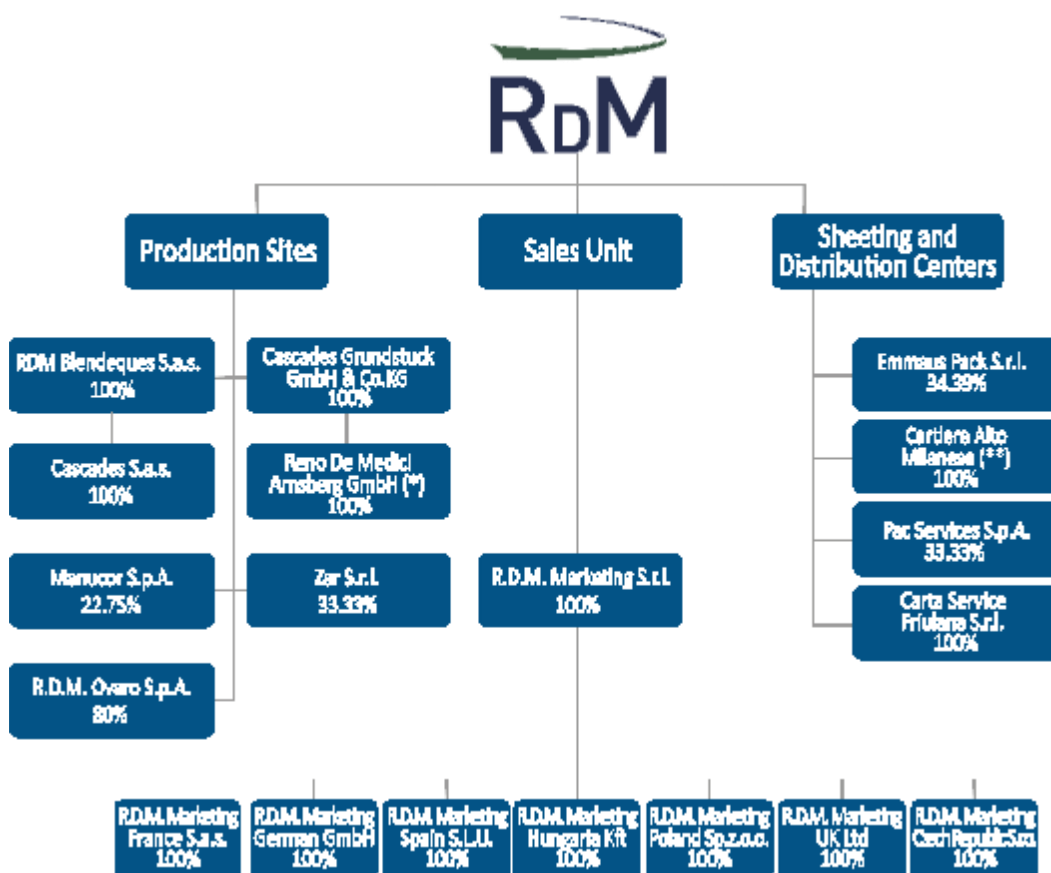
### Board of Statutory Auditors

Giancarlo Russo Corvace	Chairman
Giovanni Maria Conti	Statutory Auditor
Tiziana Masolini	Statutory Auditor
Elisabetta Bertacchini	Deputy Statutory Auditor

### Independent Auditors

Deloitte & Touche S.p.A.

**GROUP OPERATING COMPANIES AS AT MARCH 31, 2017**



(\*) 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 positively closes Q1-2017 recording an EBITDA of €9.1 Million, compared to €9.3 Million in 2016, and a Net Profit of €2.5 Million, vs. €2.7 Million last year.

As regards the general **macroeconomic scenario**, the expectations for 2017 remain broadly the same that were envisaged at the beginning of the year. The IMF forecasts for 2017 a global growth of +3.4%, a contained improvements compared to +3.2% of 2015 and the rather disappointing +3.1% of 2016. As the OECD's recent outlook points out (IEO 7/3/2017), *"confidence has improved, but consumption, investment, trade and productivity are far from strong"*.

The pace acceleration should be driven by the **United States** (+2.3% vs. +1.6% in 2016), helped by gains in households wealth, gradual upturn in energy production and rising employment, and by **EMDEs** (+4.5%, vs. +4.1% both in 2016 and 2015), where higher commodity prices and easing inflation should support the recovery of some distressed large economies such as Brazil and Russia.

The **Euro Area** is expected to grow a modest +1.6%, in a differentiated scenario among countries. On the one hand, the continuing ECB's accommodative monetary policy, low cost of energy, and limited fiscal easing should support growth and business investment, and the weak Euro is helping export activities. On the other hand, high non-performing loans, still high unemployment and structural weaknesses in some countries hold back growth prospects. In this scenario, **Germany** expects to grow +1.5-1.8% (a solid growth, but with no improvement compared to 2016), and the other major economies of the area should grow at a slower pace, with **Italy** that expects a very contained +1%, in line with prior year.

The evolution in Q1-2017 of the two sectors in which the Reno De Medici Group now operates, WLC - White Lined Chipboard, and FBB – Folding Box Board, shows in Q1-2017 a stronger European demand compared to both the same period of prior year and the previous quarter.

In the **WLC segment**, the order inflow in Q1-2017 was satisfactory, particularly in the second part of the quarter, and stronger than prior year; backlog is increasing, and since the middle of the quarter is slightly higher than in the same period of 2016. In terms of deliveries, in Q1-2017 European demand increased +6.0% compared to last year, and +6.4% compared to previous quarter. Most of the major markets of the area show positive variations: Turkey demand increased dramatically compared to prior year, as the beginning of last year it was penalized by the political crisis; Iberia decreased vs. Q1-2016 but improved vs. previous quarter; UK did the opposite; Italy was basically stable compared to Q1-2016, but grew substantially vs. previous quarter.

In the **FBB segment**, in which R.D.M. La Rochette S.A.S. operates, the order inflow was broadly in line with prior year but growing in the last weeks of the quarter. In terms of deliveries, European demand increased +7.9% vs. Q1-2016, and +5.4% vs. previous quarter.

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**Tons-sold** in Q1-2017 by the Reno De Medici Group were 268 Thousand, compared to 213 Thousand sold in Q1-2016. The increase is mainly due to the consolidation of 42 Thousand tons sold R.D.M. La Rochette S.A.S., acquired on June 30, 2016. Tons-sold in the WLC segment increased by +13 Thousand.

**Revenues from Sales** were €149 Million, compared to €112 Million of prior year. The increase is associated to the consolidation of the revenues of R,D.M, la Rochette S.A.S., that amounted to €33 Million. Revenues from sales in the WLC segment increased by +€4.4 Million, due to higher tons-sold, partially compensated by lower average realized selling prices.

As regards the main factors of production, the evolution of prices of **both recycled and virgin fibers** since the beginning of the year was marked by a continuous and important hikes, mainly associated to the re-acceleration of export to China.

The phenomenon is particularly visible in the **recycled fibers segment**: it has to be remembers that exports to China historically account for a substantial portion of total European (UE28) exports of recycled fibers (in 2016 76% of the total); in this scenario, since the end of last Summer, Chinese demand returned to very high levels, with a direct impact on prices. In some types of recycled fiber, and prevalently the ones used in the production of packagings, in the 12-months period from mid-March 2016 to mid-March 2017 prices increased by almost 60%.

As a consequence, average prices recorded in the quarter were substantially higher than in the same period of prior year.

In the **virgin fibers segment**, prices resumed a constant upward trend since the beginning of 2017, that was aggravated by the weakness of Euro.

Prices of **chemical products** are also increasing since october 2016.

As regards the prices of **energy**, the upward trend that had marked the second half of 2016, in the ambit of the general recovery of commodity prices, in Q1 2017 seemed to halt, also thanks to a mild winter-end, and to the conclusion of the so called 'French nuclear crisis'. However, at the end of the quarter prices started to grow again, mainly as a consequence of the increased polical tensions in some of the areas where energy sources are produced, and of the attitudes toward energy of the United States and China.

As regards **oil**, the expectations envisage an increase of consumption. As a consequence, in the first months of 2017 prices continued to slightly increase, up to the current (mid-April) 58-60 US\$-per-barrel.

The price of **natural gas**, the main source of energy for the Reno De Medici Group, in Europe decreased (for deliveries in 2017) from 20 €/MWH recorded in December 2016 down to 18 €/MWH in March 2017, to show again an upward trend at the end of the quarter.

**Power** showed an evolution similar to gas.

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The price of **coal**, the main source of energy for the Arnsberg mill, after a long rally, in Q1-2017 decreased down to 70 US\$/ton, to then also rebound after the end of the quarter to 75 US\$/ton.

In any case, the overall average cost of energy recorded in Q1-2017 by the Reno De Medici Group was still lower than in the same period of prior year.

**Personnel Costs** amounted in the quarter to €23.2 Million, an increase of €7.1 Million compared to 2016, out of which €5.9 Million derive from the consolidation of R.D.M. la Rochette S.A.S. and of the R.D.M. Marketing Group. The balance, an increase of +€1.2 Million, results from the restructuring costs of the commercial operations carried out in 2017.

As already indicated, in Q1-2017 **EBITDA** attained €9.1 Million, compared to €9.3 Million in 2016. The contribution of R.D.M. La Rochette S.A.S. amounts to €2.6 Million; net of this effect, the EBITDA generated by the traditional WLC business decreases compared to prior year, due to lower average selling prices and higher costs of raw materials.

**EBIT** was €3.6 Million (of which €2,4 Million were generated by R.D.M. La Rochette S.A.S.), vs. €4 Million in Q1-2016.

**Net Financial Expenses** were €0.7 Million, vs. €1.1 Million of 2016, the decrease is mainly due to lower exchange differences, that in Q1-2017 were negligible, whilst in Q1-2016 were negative by -€225 Thousand. Interest rates on loans were also slightly lower.

**Income from Investments** was €0.4 Million, compared to €0.7 Million recorded in 2016. The amount includes the share of the Group of the 2016 profit of PAC Service S.p.A., partially offset by the write-off for -0.1 Million of a minor investment.

The provision for **Income Taxes** amounts to €0.8 Million, in line with last year.

**Consolidated Profit** was €2.5 Million, slightly lower than the €2.7 Million recorded in Q1-2016, out of which €2 Million are relevant to R.D.M. la Rochette S.A.S.

**Capital Expenditures** made in the period by the Reno De Medici Group were €5.7 Million, compared to €2.7 Million in 2016.

The **Consolidated Net Financial Indebtedness** of the RDM Group at March 31, 2017 was €42.7 Million, a slight reduction compared to €44.4 Million at December 31, 2016, notwithstanding the large payments

relevant to the investments made, in particular by RDM Blendecques S.A.S. As usual in any first quarter of the year, cash-flow was also impacted by the first payments of the 2016 annual bonuses to customers.

## Consolidated results

The following table summarizes key income statement indicators as at March 31, 2017 and 2016.

	03.31.2017	03.31.2016
(thousands of Euros)		
Revenues from sales	149,453	111,617
<b>OPERATING PROFIT (EBITDA) (1)</b>	<b>9,123</b>	<b>9,255</b>
<b>EBIT (2)</b>	<b>3,610</b>	<b>4,045</b>
<b>Pre-tax income (3)</b>	<b>3,261</b>	<b>3,718</b>
<i>Current and deferred taxes</i>	<i>(768)</i>	<i>(796)</i>
Profit (Loss) for the period before discontinued operations	2,493	2,922
<b>Discontinued operations</b>		<b>(188)</b>
<b>Profit (Loss) for the period</b>	<b>2,493</b>	<b>2,734</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:

	03.31.2017	% of total	03.31.2016	% of total
(thousands of Euros)				
Italy	46,076	30.8 %	39,855	35.7 %
EU	84,009	56.2 %	53,381	47.8 %
Non-EU	19,368	13.0 %	18,381	16.5 %
<b>Revenues from sales</b>	<b>149,453</b>	<b>100 %</b>	<b>111,617</b>	<b>100 %</b>



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## Key events

In the first quarter of 2017 the Reno De Medici Group further proceeded in the reorganization of its sales and marketing operations.

From January 1<sup>st</sup>, 2017, all the products of the Group are marketed only under the RDM brand, and the Cascades brand and logo, and the Careo logo, were discontinued.

On April 28, 2017, the Extraordinary Shareholders Meeting of Reno De Medici S.p.A.'s resolved the merger into the Mother Company of RDM Marketing S.r.l., since its mission has come to an end with the acquisition of R.D.M. La Rochette S.A.S. by the Reno De Medici Group, that completed the *business combination* with the European operations of Cascades.

In this ambit, the commercial operations of the Reno De Medici Group were reorganized based on 3 geographical areas, that are responsible for the commercialization in the assigned countries of the whole product portfolio of the Group.

## Subsequent events

No major events were recorded after the end of the quarter, other than the just mentioned resolution of the merger of RDM Marketing S.r.l. into Reno De Medici S.p.A.

## Outlook

As regards the general macroeconomic scenario, no major changes are expected in the short-term, and the expectation for 2017 have already been summarized in the opening of this report.

The outlook remains extremely uncertain, and risks are more tilted on the down side, also for the possible impact on economic activities of political discontinuities that might occur in some important countries.

One significant change has already occurred at the end of 2016, with 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, after the Netherlands, also in France, Germany and maybe also Italy, and the continental political scenario might change dramatically.

The rise of populism and nationalism might strengthen the cycle of deglobalization that seems to be already in place, with possible significant implications for the world economy and global trade, the European economy being particularly exposed.

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

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

In the **Whiteline Chipboard (WLC)** segment, after the closing of the period European demand is strong and backlog is improving. Prices of recycled fibers seem to have stabilized, but at rather high levels. In this scenario, in order to restore profitability, that in 2016 and the opening of 2017 has been eroded mainly by the higher costs of raw materials and energy, In February the Reno De Medici Group announced a new price increase, to be applied to the deliveries as of April 3. Its first effects will start to be visible in May. In the European **Folding Box Board (FBB)** segment, in which R.D.M. La Rochette S.A.S. operates, the order in-flow and backlog is also satisfactory.

The prices of mechanical pulp seem to be still slightly increasing, but they remain still low, given the persisting excess of supply on the market. However, 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 prices of energy, and in particular of natural gas, is expected to remain still low, notwithstanding last months' rebounds. No further material price increases are expected in the near future, but the outlook for the price of coal is particularly uncertain.

CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2017

Consolidated Income Statement	03.31.2017	03.31.2016
(thousands of Euros)		
Revenues from sales	149,453	111,617
Other revenues and income	1,463	1,256
Change in inventories of finished goods	(7,085)	(3,913)
Cost of raw materials and services	(110,499)	(82,712)
Personnel costs	(23,167)	(16,096)
Other operating costs	(1,042)	(897)
<b>Gross operating profit</b>	<b>9,123</b>	<b>9,255</b>
Depreciation and amortization	(5,513)	(5,210)
Write-downs and revaluations		
<b>Operating profit</b>	<b>3,610</b>	<b>4,045</b>
<i>Financial expense</i>		
<i>Gains (losses) on foreign exchange</i>	(755)	(850)
<i>Financial income</i>	26	(225)
Net financial income/(expense)	2	19
	(727)	(1,056)
Gains (losses) from investments		
Taxes	378	729
	(768)	(796)
<b>Profit (loss) for the period before discontinued operations</b>		
	<b>2,493</b>	<b>2,922</b>
Discontinued operations		
		<b>(188)</b>
<b>Profit (loss) for the period</b>		
	<b>2,493</b>	<b>2,734</b>
attributable to:		
Group's share of profit (loss) for the period		
Minority interest in profit (loss) for the period	2,493	2,676
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Statement of Financial Position - ASSETS	03.31.2017	12.31.2016
(thousands of Euros)		
<b>Non-current assets</b>		
Tangible assets	196,441	196,633
Other intangible assets	6,832	6,441
Equity investments	2,887	2,509
Deferred tax assets	1,523	1,536
Other receivables	6,394	3,679
<b>Total non-current assets</b>	<b>214,077</b>	<b>210,798</b>
<b>Current assets</b>		
Inventories	77,392	82,450
Trade receivables	75,131	67,405
Other receivables	13,169	12,866
Cash and cash equivalents	29,682	29,331
<b>Total current assets</b>	<b>195,374</b>	<b>192,052</b>
<b>Asset held for sale</b>		
<b>TOTAL ASSETS</b>	<b>409,451</b>	<b>402,850</b>

Statement of Financial Position - LIABILITIES AND SHAREHOLDERS' EQUITY	03.31.2017	12.31.2016
(thousands of Euros)		
<b>Shareholders' equity</b>		
Shareholders' equity attributable to the Group	157.645	155,216
<b>Total shareholders' equity</b>	<b>157.645</b>	<b>155,216</b>
<b>Non-current liabilities</b>		
Payables to banks and other lenders	56.492	57,627
Derivative instruments	241	268
Other payables	64	79
Deferred taxes	7.084	7,492
Employee benefits	33.908	33,878
Non-current provisions for risks and charges	6.245	6,224
<b>Total non-current liabilities</b>	<b>104.034</b>	<b>105,568</b>
<b>Current liabilities</b>		
Payables to banks and other lenders	16.078	16,174
Derivative instruments	149	154
Trade payables	107.444	103,685
Other payables	21.524	20,543
Current taxes	788	657
Current provisions for risks and charges	1.778	841
Employee benefits	11	12
<b>Total current liabilities</b>	<b>147.772</b>	<b>142,066</b>
Liabilities held for sale		
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>409.451</b>	<b>402,850</b>

<b>Net financial position</b>	<b>03.31.2017</b>	<b>12.31.2016</b>	<b>Variation</b>
<b>(thousands of Euros)</b>			
Cash, cash equivalents and short-term financial receivables	29,982	29,677	305
Short-term financial debt	(16,078)	(16,327)	249
Valuation of current portion of derivatives	(149)	(154)	5
<b>Short-term net financial position</b>	<b>13,755</b>	<b>(13,196)</b>	<b>559</b>
Medium-term financial receivables	300	300	0
Medium-term financial debt	(56,492)	(57,627)	1,135
Valuation of non-current portion of derivatives	(241)	(268)	27
<b>Net financial position</b>	<b>(42,678)</b>	<b>(44,399)</b>	<b>1,721</b>

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## **NOTES**

The Interim Report of the RDM Group as at March 31, 2017 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 first quarter remain unchanged from those used to prepare the consolidated financial statements as at December 31, 2016. 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, 2016.

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.

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**WORK FORCE**

As at March 31, 2017, the RDM Group's staff consisted of 1,530 employees compared to 1,536 employees as at December 31, 2016.



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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 March 31, 2017 of Reno De Medici S.p.A. corresponds to information contained in documents, ledgers and accounting entries.

Milan, April 28, 2017

Signed

Stefano Moccagatta