SOFIDEL

Endless care, innovative life.

multipurpose PAPER products
LESS IS MORE
QUALITY STRATEGY SYSTEM
PARENT REELS
CO_2 decrease
PARTNERSHIP
RENEWABLE RESOURCES
HEALTHY WORKPLACE
WORKING TO CREATE VALUE
RESPECT AND CARE FOR THE environment
FUTURE water saving
hygiene
eco-friendly preservation
AFH
HIGH QUALITY AND CERTIFIED PRODUCTS
CERTIFIED RAW MATERIALS
stakeholder engagement
OPERATIONS in EUROPE and in the USA
PAPER MILLS
endless care innovative life
VALUE CREATION
planet care
greenhouse gases reduction
customer satisfaction
HEALTH & SAFETY
responsible sourcing
A BETTER FUTURE
human
PRIVATE LABEL
RESEARCH
RESOURCES INVESTMENTS
INNOVATION
CONSUMER SAFETY
continuous improvement
BRANDS
commitment to reducing CO_2 emissions
SAFETY PREVENTION CAMPAIGNS
comfort
SUSTAINABILITY
DIALOGUE
WWF CLIMATE SAVERS MEMBER
Accountability
SOCIAL COMMITMENT
transparency
EFFICIENCY AND OPTIMIZATION

INTEGRATED REPORT 2014

SOFIDEL

Endless care, innovative life.

INTEGRATED REPORT 2014

SOFIDEL

Endless care, innovative life.

Letter to the stakeholders

Reading signs from the future

In Sofidel we firmly believe that nowadays companies are destined to play an increasingly responsible role. We believe that in a world where the anthropic pressure is constantly increasing, earth and water are becoming ever more precious elements, climatic changes and biodiversity reduction are alarming, social scenario is characterized by people migrations and widespread national issues, business entities are required to play a fundamental role, not only in terms of manufacture and supply of goods and services, but also in guaranteeing to employees, customers, partners, suppliers and the whole community, wider social and environmental benefits, along the whole value chain: from the raw material and energy supply phase to product's end of life, and beyond.
In a context in which companies' responsibility boundaries tend to widen, in 2014 Sofidel has worked on different levels to become an innovative and sustainable business entity, capable of reading signs from the future to improve its productive process impacts and enhance its stakeholders' quality of life. This occurred through important investments aimed at building two processing plants in Sweden and France and at starting another one in the United States, and through the many resources aimed at smaller, but not less relevant, interventions, in order to optimize our productive capacity.

In terms of environmental sustainability, this occurred through the installation of more efficient purification and energy production systems in some plants in Italy, France and the United States.

On the market side, we launched new products aimed at satisfying even the most specific customer needs, and we implemented other significant marketing operations such as, for example, the launch of a new brand in Scandinavia or the start of two delicate rebranding operations in Benelux.

In order to become an even more transparent and open to partnerships company, we further widened voluntary compliance with performance evaluation systems (CDP Global Forests Report 2014), sponsoring of supply chain ethical control platforms (TenP – Supply Chain Self-Assessment Platform), expansion of partnerships with non-governmental organizations in order to support specific projects or raising people awareness of essential environmental and social topics (WWF, UN Global Compact, Sodalitas Foundation, European Agency for Safety and Health at Work, Woodland Trust, Jack & Jill Children's Foundation, Sos Children's Villages, Telethon).

This proactive approach comes from the awareness that a company's balanced and long-lasting growth is connected to the development of transparent and constructive relations between all its stakeholders, in order to identify needs, take opportunities, pursue common aims, and successfully solve possible problems.
This Integrated Report intends to be an information and knowledge tool for the stakeholders, in order to help them understand Sofidel's values, choices, results and aims; to show them the attention and care the over five thousand people in the company put into their work on daily basis in order to create long-lasting economic, social and environmental value, and to guarantee comfort and hygiene to millions of customers all over the world.

Yes, reading signs from the future… The world has changed. It is constantly changing. It does not matter how fast this is happening. What matters is that Sofidel wants to run with it.

Emi Stefani

Luigi Lazzareschi

GROUP PROFILE

Who we are

Sofidel Group, Italian-owned, property of Stefani and Lazzareschi families, is a global leader in the field of sanitary and domestic paper production.
Founded in 1966, the Group owns corporate companies in 13 countries – Italy, Spain, Sweden, UK, Belgium, France, Croatia, Germany, Poland, Romania, Greece, Turkey and USA – with over 5,000 employees and a consolidated 1,771 million Euros turnover.

SOFIDEL
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Our Mission

"Making everyday life tidier, cleaner, safer, more practical and pleasant by investing in people and innovation and promoting conduct based on sustainability, commercial transparency and respect for regulations, with the aim of creating value for customers, employees, partners, shareholders and the community".

International context

In 2014 Europe and USA (Sofidel's two main areas of business) economic conditions reported a general positive recovery: weaker in the European region, certainly stronger in the USA. During the first three quarters of 2014, generally speaking European economy saw a 0.8% Pil's growth in the Eurozone and a 1.3% in the UE's countries (source: European Commission – Autumn Economic Forecast). US strengthened its growth, reporting in the third quarter of the year a positive variation of 5% on a annual basis (source: Bureau of Economic Analysis Q3).
As far as the European tissue market is concerned, the first nine months of 2014 reported a 0.2% production increase, compared to the previous year (source: Cepi Production Statistics 3rd quarter 2014).

Other countries reporting positive variations of productive capacity were: Romania (20.2%), Poland (4.8%), France (3%) and Germany (2.2%). Decrease was instead reported in Spain (-4.9%), UK (-2.8%) and Italy (-1%).

Our Companies

SOFIDEL

1. Lucca-Porcari **IT** - Services

SOFIDEL AMERICA

2. Henderson, NV **US** - Converting Plant
3. Green Bay, WI **US** - Converting Plant
4. Haines City, FL **US** - Integrated
5. Tulsa, OK **US** - Converting Plant

Ibertissue SOFIDEL

6. Buñuel **ES** - Integrated

Delipapier SOFIDEL

7. Nancy-Pompey **FR** - Integrated
8. Buxeuil **FR**- Converting Plant
9. Roanne Cedex **FR** - Integrated

Intertissue SOFIDEL

10. Swansea **UK** - Integrated
11. Horwich **UK** - Converting Plant

Sofidel UK

12. Lancaster **UK** - Paper Mill
13. Leicester-Hamilton **UK** - Integrated
14. Leicester-Rothley Lodge **UK** - Converting Plant

Sofidel Benelux

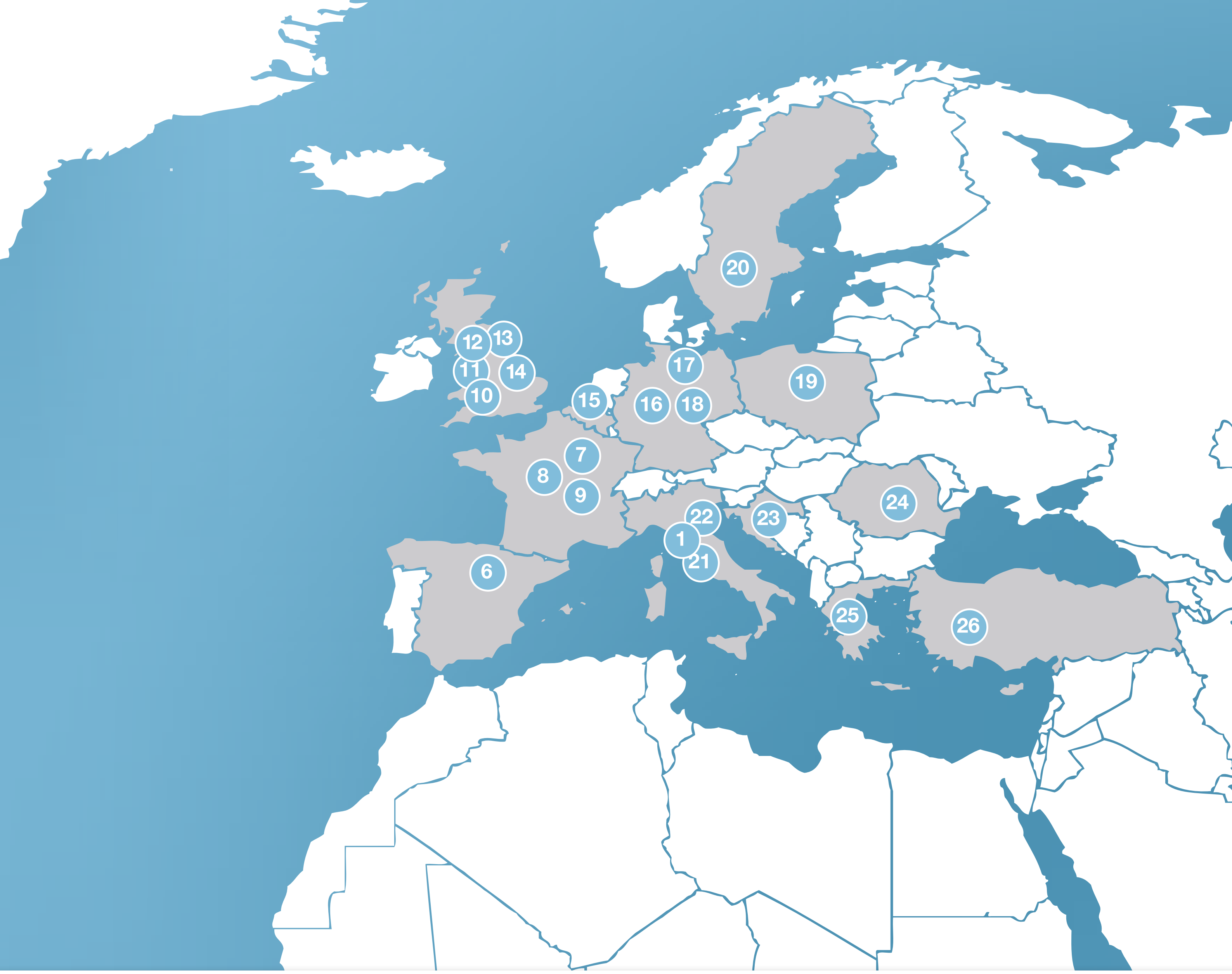
15. Duffel **BE** - Integrated

Delisoft SOFIDEL

16. Köln **DE** - Trading

Delipapier GmbH SOFIDEL

17. Arneburg **DE** - Integrated



Werra Papier SOFIDEL

18 Wernshausen **DE**
Werra Papier Holding - Services
Werra Papier - Integrated
Werra Papier (ex-Omega) - Integrated
Thüringer Hygiene Papier - Integrated
Thüringer Hygiene Papier Logistic - Services

Delitissue SOFIDEL

19 Ciechanów **PL** - Integrated

Swedish Tissue SOFIDEL

20 Kisa **SE** - Paper Mill

Soffass SOFIDEL

21 Lucca-Porcari **IT** - Paper Mill/Converting Plant

Delicarta SOFIDEL

21 Lucca-Porcari **IT** - Paper Mill/Converting Plant
Lucca-Capannori **IT** - Converting Plant
Lucca-Borgo a Mozzano **IT** - Paper Mill
Lucca-Bagni di Lucca **IT** - Paper Mill
22 Gorizia-Monfalcone **IT** - Integrated

Sofidel Papir

23 Zagreb **HR** - Trading

Comceh SOFIDEL

24 Calarasi **RO** - Integrated

Papyros SOFIDEL

25 Katerini **EL** - Integrated

Sofidel Kağit

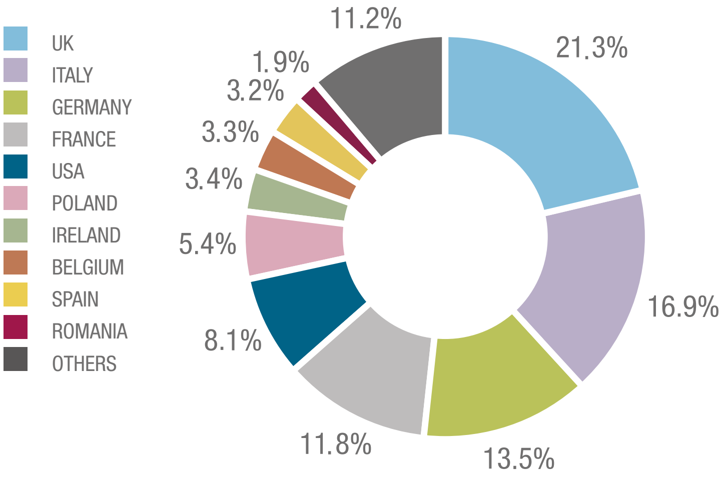
26 Honaz Denizli **TR** - Converting Plant

OUR BRANDS

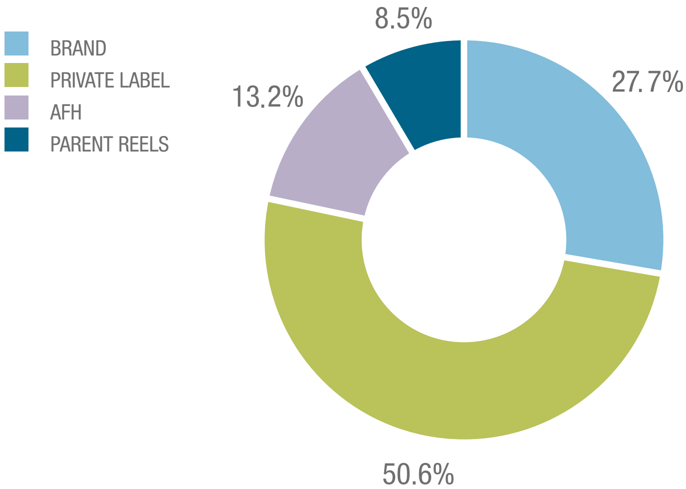
Regina · Softis · Le Trèfle · Sopalin · Cosynel · Soft & Easy · Volare · Onda

Turnover Breakdown

BY COUNTRY



BY BUSINESS LINE



SOME OF THE YEAR'S OUTCOMES

New purification plant in Delicarta paper factory, Italy

In Italy, Delicarta paper mill in Porcari activated a new Waste Water Reuse plant for the wastewater treatment, aimed at reducing the fresh water restoring in the productive process. This kind of technology is one of the best and most innovative existing nowadays in the field and it makes possible the recovery of about the 75% of waste water discharge, equal to an estimated reduction of 350,000 mc/year. The global investment has accounted for over 3 million Euros.

New biomass plant in Delipapier Frouard, France

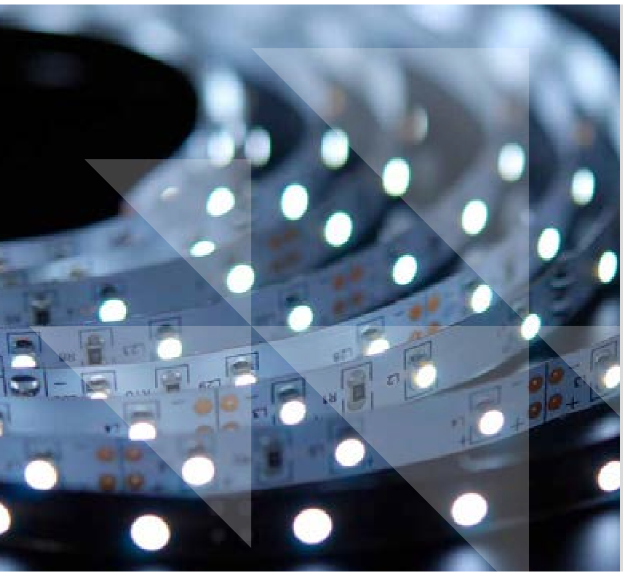
The new biomass plant of Delipapier Frouard was set in motion in France, thanks to a global investment of about 6,5 million Euros. This was a further step forward for Sofidel's climate-changing gasses reduction strategy that will allow over 6,800,000 cubic meters of gas saving and will prevent the emission of over 13,500 CO_2 tons per year. This intervention is part of the BCIAT 2011 (Biomasse Chaleur Industrie, Agriculture et Tertiaire) project, launched by ADEME (Agence de l'Environnement et de la Maîtrise de l'Energie) to promote thermal energy production using biomass.

Sofidel America plant's new combined heat system in Haines, USA

In Sofidel America's plant in Haines, Florida, a new combined heat system has been activated (CHP – Combined Heat & Power). The use of a less polluting energy source such as methane and combined heat and power production will significantly reduce CO_2 emissions and limit the energy costs. The investment has accounted for over 7 million Euros.

New investments in Sweden, USA and France

Between November and December in the USA Sofidel America started a new transformation plant in Tulsa, Oklahoma, increasing its distribution efficiency throughout the country. In Sweden, Swedish Tissue is constructing, near the current production site, the new transformation plant, intended to house two new production lines and the automatic warehouse. Meanwhile, Delipapier investment in France aimed at starting a new transformation plant in Ingrandes continues. The two lines currently active in Buxeull will be moved there.



Sharing and transparency: agreement to CDP reports

For the second consecutive year Sofidel was the only not listed Italian company to appear in the CDP Italy Climate Change Report 2014, which evaluates, discloses and shares environmental information. CDP (Carbon Disclosure Project) is a International non-profit organization composed by 767 institutional investors, reaching 92,000 billion dollars in managed assets. Thanks to its complete and transparent information system, and its commitment towards CO_2 emissions reduction, the Group was awarded with a score of 88/B (the general average is 71/B). For the first time Sofidel entered the CDP Global Forests Report 2014 “Deforestation-free supply chains: from commitments to action”, which gives the investors all the data and information about forestry raw material supply policies and risks. On its debut, the company scored 89.70%, result that places it over the industry average.

Stakeholder engagement and supply chain ethical control

Sofidel, already “Founding Promoter” member of the Global Compact Network Italy Foundation (GCNI Foundation), has joined the “TenP - Sustainable Supply Chain Self-Assessment Platform” project, developed by the same GCNI Foundation.
This initiative aims at promoting the ethical control of the supply chain of supplier companies. The platform was built by following the Ten Principles of United Nations’ Global Compact, as well as the most up-to-date international culture regarding corporate social responsibility.

Marketing Investments

Sofidel started in Belgium, Holland, and Luxembourg, the rebranding operation of Moltonel (today known as Cosynel) and Lotus (today known as Nalys), whose sales licence was temporarily acquired by SCA in 2013.
At the end of the year the new brand Lycke was presented in Scandinavia in the consumer segment. Among advertising investments, is to highlight the return -after many years of absence- to TV advertising communication in France of the Sopalin brand, acquired by Sofidel in 2009.

New products for demanding customers

In order to guarantee the highest hygiene and comfort standards, to satisfy the more and more specific customers and consumers' needs, Sofidel launched on the market three new products. For the consumer channel, the disposable Regina towels and for the AFH channel, the no blocking folded towel Dissolve Tech, under the brand Papernet. Both products bring to the highest level the TWS technology (Temporary Wet Strength), which makes paper absorbance and resistance performances similar to towels' and allows its disposal in the WC as normal toilet paper. Thanks to Solid Plus technology, presented on the Italian market through the brand Coop Zero Tubo, coreless toilet paper (as to say without the small carton roll around which the paper is rolled up) was created: more product, no waste to dispose and transport advantages.

Together with our internal and external stakeholders

We enhanced the sector corporate conventions (Finance Day, European Marketing & Sales Meeting, Supply Chain Meeting), which are by now the main training and sharing moments. We then organized in Amsterdam, with Sofidel & Friends, the third edition of the annual meeting with the customers to explain Sofidel's results and projects.

Focus on waste reduction

Sofidel's concern about social and environmental impact caused by its activities grows more and more.
The institutional communication campaign of 2014 was based on the principle Less is more, which clearly summarizes and conveys the global meaning of the Group's work: to seek, in creating added value, the best efficiency and optimization, reducing to the minimum any negative impact and paying close attention to territories and our stakeholders' needs.

Our main Partners in Sustainability

CLIMATE SAVERS
碳减排先锋
DEFENSORES DO CLIMA
クライメート・セイバーズ
A WWF GLOBAL INITIATIVE WITH BUSINESS
WWF

THE GLOBAL COMPACT

SODALITAS

European Agency for Safety and Health at Work

Telethon

WOODLAND TRUST

THE JACK & JILL CHILDREN'S FOUNDATION

SOS CHILDREN'S VILLAGES INTERNATIONAL

MEDECINS SANS FRONTIERES
DOCTORS WITHOUT BORDERS

Sofidel works to integrate sustainability in every level of its activities. We follow this basic strategic orientation, because we believe this choice will allow in the medium-long term a continuous enhancement virtuous process, able to guarantee a competitive advantage, and to raise stakeholders' quality of life. This kind of approach requests a constant search of environmental aim-based partnerships with associations and well known and valued non-governmental organizations. Thanks to this approach, during 2014 we could strengthen further our relationships network.

Besides the institutional relations with WWF, UN Global Compact, Sodalitas Foundation and the European Agency for Safety and Health at Work (EU - OSHA), we started relationships with many brands and products in different countries (Nicky with Telethon Foundation in Italy; Nicky with Woodland Trust in Great Britain; Nicky with Jack & Jill Children's Foundation in Northern Ireland Republic; Moltonel with Sos Children's Villages in Belgium). In Italy we support the educational digital project for primary and secondary schools *"Mi curo di te: il gesto di ognuno per il pianeta di tutti"* ("I will take care of you: a single action for everybody's planet"), created by WWF Italy. This is a triennial educational program entirely free and committed to the great environmental topics (it was water in 2014) that involved over 2000 classes during the first year. Furthermore, Papernet began a partnership with Doctors Without Borders, which we intend to strengthen during next year.

SOFIDEL

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1 SOFIDEL GROUP IDENTITY

1. The tissue production process

Sofidel's Group manufactures and sells tissue paper.
This is the term to define the type of paper used to make products for sanitary and domestic use, used in and out of the house: toilet paper, kitchen paper, napkins, tablecloths, tissues, towels, medical sheets, industrial reels, etc.
The Group's companies cover the whole production process: from tissue production, through manufacturing, up to the finished product.
The first macro-phase of the production takes place in the paper factories, where the raw material (pulp and, in smaller quantity, paper for mache) is dissolved in hot water, then refined and sent to the machines for producing big tissue paper reels (called jumbo roll or parent reel).
The second phase, downstream from the previous one, takes place in the paper converting plants, those in which the tissue paper reels are transformed into finished products.
Further details about raw material responsible supply policies and practices can be found in the chapter "The Environmental Dimension".

2. Our Business lines

Our Brands

The Sofidel Group has been producing and selling the branded products Regina® for many years already on the main European markets. The products portfolio includes a complete selection of tissue market products: toilet paper, kitchen towels, napkins, handkerchiefs and tissue paper.
Among the leader products in this segment, we can mention Rotoloni and Carta Camomilla toilet paper, Asciugoni Regina di cuori and Blitz kitchen paper, Cinquestelle and Provence napkins and Rinoactive handkerchiefs.

Thanks to an ongoing differentiation process, the Group put next to the Regina® brand, other ones acquired during the last years, such as Soft&Easy® in Poland, Yumy® in Turkey, Onda® and Volare® in Romania, Softis® in Germany and Austria, Le Trèfle® and Sopalin® in France.
In 2014 the double figures growing trend already recorded in 2013, continued; on a Group level, the sales volume increase was of 11%. This was possible thanks not only to the strengthening of the new businesses acquired in 2013 in UK, ROI and Benelux, but also and especially due to a general growth of the main European countries, even those where the Sofidel's brands are already market leaders, such as Italy or Poland. To this regard, the French market's performance was remarkable: the branded products Le Trèfle® e Sopalin® sales grew of 40% compared to the previous financial cycle.
The outcomes of the financial cycle 2014 are the result of brand strategies and policies related to the regionalization of products and brands; by avoiding the proliferation of the commercial offer in terms of brands and products, which is a conduct that in the long term produces logics of costs boosts and commercial and productive inefficiencies, the Group chose to strategically position itself close to the consumers demand, discovering cross trends of needs. This approach generated undeniable commercial advantages, as stressed by the results achieved, and allowed a consistent development of the line of business brand, based especially on products with innovative content.
Looking forward to the next years, the Sofidel Group confirms its growth strategy aiming at:

1. Creation of innovative products in order to increase the services for the consumers and/or creation of new possible uses for them. Products like the new Regina toilet towel or the new Regina Beauty toilet paper, which makes beauty its key strength.
2. New markets penetration, such as Scandinavian countries, and the strengthening of market shares in countries where the expected outcomes are not yet met (Turkey, the Balkans and East Europe).

Investments in advertising

The positive outcomes recorded in the brand line were achieved also thanks to the communication activities carried out in the countries where the brands are sold. The mostly used media has been television, together with a digital web strategy, which begins to become more and more significant within the Group's media mix.
One of the main European trends in the media area is indeed the audiences' drain from broadcast TV to the thematic channels and the so-called "second screens", as to say computers, tablets and smartphones. This trend has spread already across many European countries and it shifts the media's axis from television to an integration of means and messages that requests more and more analysis and evaluation processes, in order to define the best mix to be used. Advertising investments were made during 2014 in Italy, Germany, Austria and Poland, aiming at consolidating the already gained market shares; in France the communication cam-

paign for the launch of the historic brand Sopalin® produced positive effects on sales, while in countries such as UK and Northern Ireland Sofidel invested in the consolidation of specific brands (Thirst Pokets® in UK and Kittensot® in Ireland, acquired in 2013) and in supporting the product Regina Blitz®, which is the BPP (Best Product Performance) of the brand assortment in Europe.

Noteworthy are the investments made in Belgium and Holland, aimed at supporting the rebranding process from Lotus and Moltonel (brands on furlough) to the new brand Nalys®.

As in the previous years, in 2014 too Sofidel paid the maximum attention at choosing its suppliers and it studied and created new forms of advertising consistent with its Code of Conduct and respectful of the competitors, although it does not comply directly with any advertising self-regulation body or marketing codes.

Private Label

Sofidel Group is firmly present on the private label's market, representing from many years a prominent and qualified partner for big retailer Groups. In order to face the new challenges of sustainable development, which became a fundamental competitive leverage, during 2014 Sofidel continued along the same path it entered years before, qualifying more and more its products range towards environmental and social responsibility. This new kind of innovation allowed the creation of new strategies aimed at the growth on specific markets and at acquiring new customers particularly interested in sustainability topics (e.g. Coop Italy).

Sales-wise, 2014 closed with a general growth of about 4% of the Private Label channel, including the American market. The main Sofidel Private Label sales end countries remain UK, France and Germany, while speaking of growth compared to the previous year, among the countries with a sizable sales volume, USA and Spain's performances were noteworthy (respectively +80% and + 20%).

Away From Home (AFH)

Regarding the AFH division in Europe, 2014 has been a year of growth, in spite of the not favorable macroeconomic framework. Compared to 2013, sales volumes recorded an increase of about 7%. The American business instead suffered a sales volume decrease, which balanced the general channel outcome at a Group level. The choice of commitment towards the business sustainable growth (meaning not short-term sales, but long-lasting ones) remains of utmost importance by concentrating on the brand Papernet and trying to enhance its range of products with innovative products capable of bringing added value to the Company in terms of identity and profit, and allowing a greater safeguard of sales volumes thanks to patents making them unique.

The Biotech products line is crucial in this context (2.5 million Euros turnover in 2014) and it proves how tissue paper can shift from simple commodity to added value product. The Biotech products allowed the Group to become supplier of important Airlines such as Iberia, British Airways and Aer Lingus.

In the AFH channel the client branded product (usually subject to a mere price competitiveness) is considered only in relation to great sales volumes, as it becomes in this case a selling driver of Papernet branded products, driving the suppliers to filling up the trucks.

The strategy also for 2014 has been to concentrate the efforts towards the International clients, starting from the distribution channel (Inpacs: associated suppliers under a common cartel – purchase group – and Bunzl, a limited company composed in Europe by two great units: Bunzl continental and Bunzl UK). In the office channel the great groups Office Depot, Staples, Adveo stand out, which we serve mainly with private label products, but again by following a strategy oriented towards the introduction of the Papernet added value products. In the cleaning wholesale channel, in order to increase the Papernet products sale, we aimed at the big clients end users: hotel chains, restaurants, hospitals, big cleaning companies - FSC, big companies, in order to attract them towards our main dealers (Push / Pull strategy).

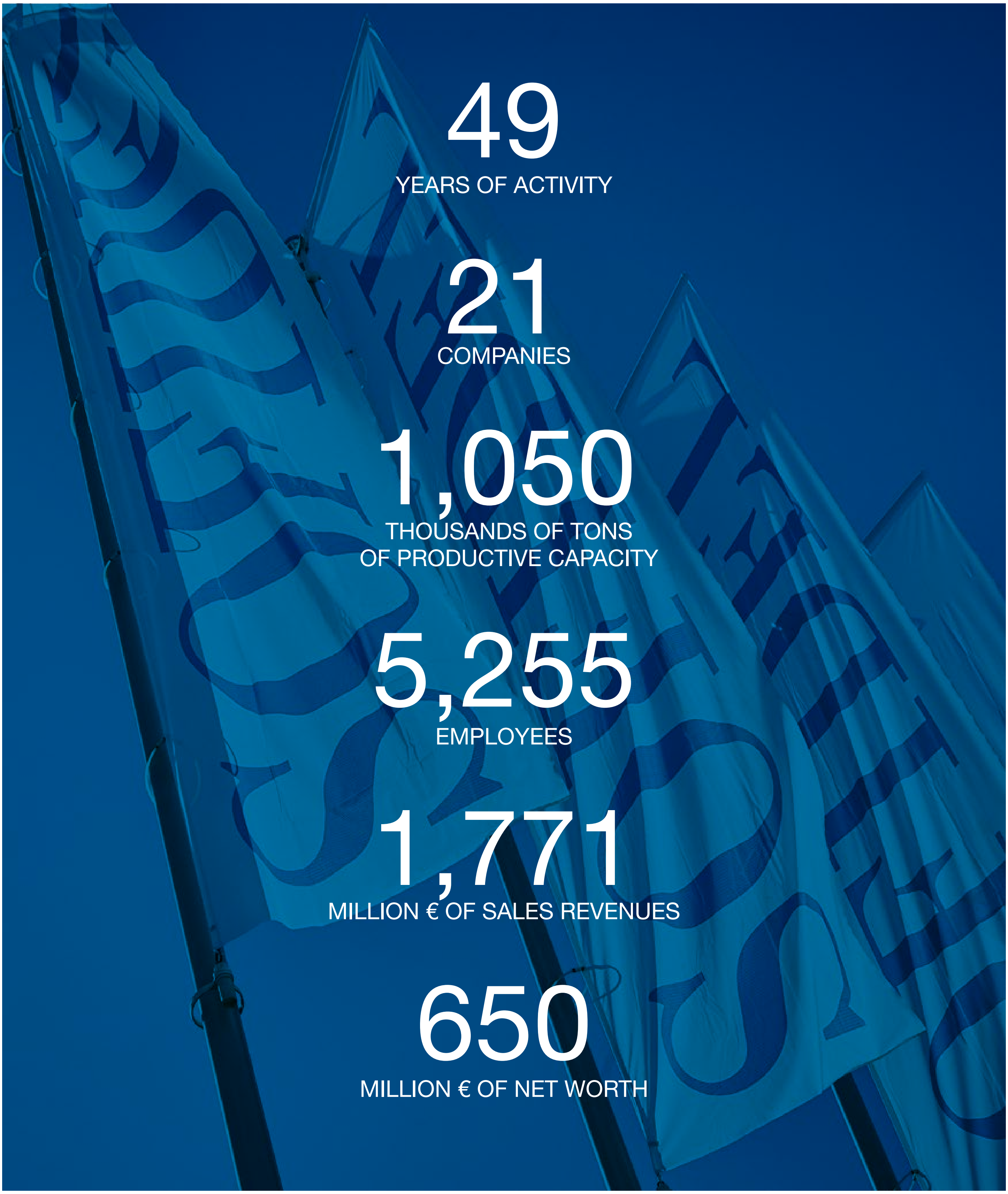
Parent Reels

In 2014 parent reels sales on the market recorded bull levels, representing about the 15% of the Group in quantity (same percentage as the previous year).

Clearly the good performance recorded through the finished products' sales limited the chance of growing of this channel, given the restricted availability of semi-finished product to address to customers-producers, favoring the internal transformation of the Group, in order to gain more added value from the sales.

3. The Economic Dimension

3.1 NUMBERS FOR STAKEHOLDERS



49
YEARS OF ACTIVITY

21
COMPANIES

1,050
THOUSANDS OF TONS
OF PRODUCTIVE CAPACITY

5,255
EMPLOYEES

1,771
MILLION € OF SALES REVENUES

650
MILLION € OF NET WORTH

Values and amounts as at 31 December 2014. The number of companies above does not take into account the companies in liquidation. For specific details in this regards, reference should be made to the consolidated financial statements. For the production capacity, the source is “RISI; Outlook for World Tissue Business, 2014”. Sales revenues correspond to the “sales”.

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2 GOVERNANCE

1. Group Corporate Structure

Sofidel is governed by a Board of Directors (BoD) elected by the Shareholders' Meeting, and composed of members of the controlling families. The Board of Directors (BoD) is composed by 3 men and 3 women with an age range of 40-90 years.

The Board members are a reflection of the Shareholders, and they are all non-independent executives with the needed skills for a responsible business conduct, in line with the sustainable development objectives.

The Directors assume full responsibility of the Group's financial, social and environmental performances, which are reviewed on annual basis and approved by the Shareholders.

The BoD also assigns management roles taking into account the qualification and skills that are needed in order to implement sustainable strategies.

At the time being, a formal channel through which employees can submit their recommendations to the Board has not been implemented, but the constant presence of the Chairman and the CEO still allow for great interaction with the personnel.

The Sofidel Board of Directors is assisted by the Board of Statutory Auditors, composed of professionals and university academics.

2. Internal Control System

The Italian companies belonging to the Sofidel Group have completed the path towards upgrading the Organization, Management and Control Model (Model 231) regarding the newly introduced offenses in the field of corruption between private citizens, and employment of foreign citizens with irregular residency permit, in order to adapt the Internal Control System for risk prevention and management, already well established in the Group's governance culture, to the new legal requirements defined by the Legislative Decree 231/2001.

Nearly 270 Group's employees have participated in training sessions on the subject of anti-corruption.

Adopted for the reporting period for Sofidel (2012), Delicarta (2013), Soffass (2013), Model 231 is composed of a general part and a special part. The general part mainly describes the governance model, the company structure, the principles of the model, the function of the Supervisory Committee and the system for sanctions. The special part describes illegal practices and corruption practices which may lead to these violations occurring.

Throughout the year, the Supervisory Committee regulated its function and the exchange of information considered to be most relevant for the purposes of Legislative Decree 231 with the various company divisions. It monitored the progress of the action plans that had been devised in order to fill gaps that had been identified by analysis and it carried out a widespread initiative to train employees and provide them with information about the Model and principles contained therein. It monitored and controlled, both directly and through appropriate corporate functions, those particular processes and activities that were deemed to be of a sensitive nature and/or likely to lead to offences covered by Italian Legislative Decree 231/2001.

The Control Systems regarding health and safety and environmental protection have been fully implemented during the financial year, while other control standards related to sensitive areas/activities have yet to be implemented.

To this date, no serious violations to the principles expressed by the Model, nor complaints in this regard have been reported.

The Supervisory Committee has fulfilled the informational duties towards Directors and Mayors.

Regarding the Group's foreign companies, the Business Control Organizational Unit has carried out control activities aimed at evaluating the effectiveness and proper functioning of the Internal Control Systems related to risk prevention and management.

It also carried out surveillance activities, exchanged information of great interest with the various business functions, encouraged the preparation of action plans for the resolution of critical issues, and monitored their progress. It has provided support in enhancing and consolidating those quarterly reports used by Country Operation Managers and/or the legal representative to account for the principal risks and/or criticalities of each functional unit, as well as any deviation from targets, to the Directors.

During the financial year, thanks to the various business units' efforts, the Group managed to adopt and implement new control protocols and strengthen the ones already in place, thus contributing to enhance the operating Control System in each company.

The Business Control Department also participated to the working group created with the Global Compact Network Italy Foundation, with the twofold aim to create a benchmarking and analysis opportunity regarding corporate programmes on anti-corruption issues, and to establish and activate dialogues with the institutions, aimed at promoting legality and transparency in business relations. During these meeting, some corporate statements regarding implemented protocols on corruption-related risk prevention for sensitive activities were reported. Such statements were based on a risk matrix developed by, and shared among, the meetings' participants.

In the Group's companies a new project, with the purpose of evaluating and monitoring corruption-related risks and frauds has been launched. The aim of this new project is to highlight the main changes occurred during the year about the adoption of control tools designed to identify, mitigate and prevent the risk.

Finally, it should be emphasized that during the year the Group has not received any sanction for non-compliance with laws and/or regulations.

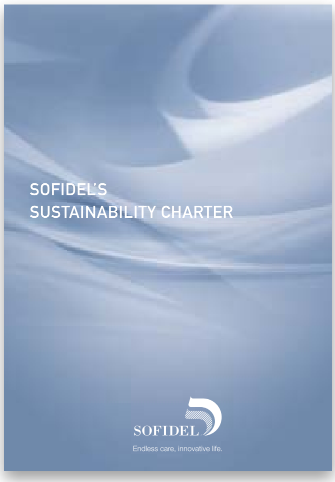
3. Strategic tools of Sustainability

In order to consistently translate principles and values into daily practices, the Sofidel Group has developed a set of documents that define the behavioral role model regarding social and ethical issues for each participant to the Organization.

Code of Ethics

Integrated Report

Suppliers Guidelines



Sustainability Charter

The Ten Sustainability Pillars

4. The Management of Corporate Responsibility

In Sofidel, the responsible business conduct is integrated at the higher strategic level, it is applied to every aspect of its activities and respected throughout all decision-making processes, firmly in line with the sustainable development objectives shared by the entire Group.

The responsible business conduct is firstly defined, directed and controlled by the Board of Directors, that bears full responsibility for the Group's economic, social and environmental impacts, which are annually subject to the approval of Shareholders.

The Board of Directors recognizes the sustainable approach to its activities as the only development strategy able to successfully provide long-term value creation.

Therefore, Corporate Social Responsibility is, for Sofidel, not "a separate subject" from the achievement of the highest levels of development, but rather the strategic paradigm that enables it.

In this context, Corporate Social Responsibility (CSR) is organized and monitored as much as any other strategically relevant sector for the Group.

Sofidel's Board of Directors directs and controls CSR issues trough the CEO, who in turn refers to the Corporate Social Responsibility Director, coordinator of the CSR Committee, to which all Top Executives belong.

The CSR Committee is assisted by the CSR Reporting Team, whose activities are not limited to drafting and processing the Integrated Report, but also undertakes the duty to actively implement the policies and decisions defined by the CSR Committee.

The CSR Reporting Team is coordinated by the CSR Manager, who acts as a link between the CSR Committee and the activities carried out outside the Group's boundaries.

The Marketing and Sales department of international ETO (European Time Out) working groups has created one group, composed of representatives from various company sectors, in order to examine sustainability-related ideas and transform them into concrete actions.

Such group has been involved in creating and implementing communication activities for Sofidel sustainability projects both internally and towards external stakeholders such as customers and consumers.

Finally, in 2010 a CSR Local Committee was formed in each foreign company within the Group, with the aim to keep partners and stakeholders well informed, to monitor and ensure compliance with, and application of, the values and principles shared by the Group, to guarantee a more timely and comprehensive flow of information towards the corporate core of the reporting process, to support auditing activities from certification bodies in all the company units operating in various countries.

5. Principles underlying Sofidel Group's Sustainability Model

Sofidel's Sustainability Model is inspired by the United Nations Global Compact, the principles of Stakeholder Engagement according to AA1000, and the ISO 26000 Guidelines.

THE GLOBAL COMPACT

Communication on progress (CoP)

In December 2010, the Sofidel Group formally joined the Global Compact, the agreement that binds companies committed to aligning their operations and strategies with 10 universally accepted principles regarding human rights, labor, environment and anti-corruption.
As a member of the United Nations Global Compact, the Group is committed to supporting the Global Compact Network Italy Foundation (GCNI Foundation) through the appointment of Sofidel's CEO as Vice President of the Foundation. Moreover, the Sofidel Group is actively cooperating with the Foundation on various working groups, together with other member companies.
In this regard, it is worth highlighting Sofidel's participation to the TenP-Sustainable Supply Chain Self-Assessment Platform Project, developed by the GCNI Foundation.
The purpose is to assess the suppliers' sustainability performance, with the aim of identifying common challenges and solutions along the supply chain.
The table presented below shows the Sofidel Group CEO's commitment, accounted in this Report, to respect and promote these principles.

Correlation table between Global Compact principles and KPI according to the Global Reporting Initiative Guidelines

Global Compact Area	Global Compact Principles		GRI G4 directly relevant Indicators	GRI G4 indirectly relevant Indicators
HUMAN RIGHTS	Principle 1	Business should promote and respect internationally proclaimed human rights in their respective spheres of influence	HUMAN RIGHTS Aspect: Investment and Procurement Practices G4 - HR1 / G4 - HR2 Aspect: Freedom of Association and Collective Bargaining G4 - HR4 Aspect: Child Labor G4 - HR5 Aspect: Forced and Compulsory Labor G4 - HR6 Aspect: Security Practices G4 - HR7 Aspect: Indigenous Rights G4 - HR8 Aspect: Assessment G4 - HR9 / G4 - HR10 Aspect: Human Rights Grievance Mechanisms G4 - HR12	SOCIETY Aspect: Local Communities G4 - SO1 / G4 - SO2
	Principle 2	Business should ensure that they are not, albeit indirectly, complicit in human rights abuses	HUMAN RIGHTS Aspect: Investment and Procurement Practices G4 - HR1 Aspect: Security Practices G4 - HR7 Aspect: Supplier Human Rights Assessment G4 - HR10 / G4 - HR11	
LABOR	Principle 3	Businesses should uphold the freedom of association of workers and recognize the right to collective bargaining	General Standard Disclosures Organizational Profile G4 -11 HUMAN RIGHTS Aspect: Freedom of Association and Collective Bargaining G4 - HR4 Aspect: Security Practices G4 - HR7 LABOR PRACTICES Aspect: Industrial Relations G4 - LA4 Aspect: Occupational Health and Safety G4 - LA8	
	Principle 4	Business should uphold the elimination of all forms of forced and compulsory labor	HUMAN RIGHTS Aspect: Forced and Compulsory Labor G4 - HR6 Aspect: Security Practices G4 - HR7	HUMAN RIGHTS Aspect: Investment and Procurement Practices G4 - HR1 / G4 - HR2
	Principle 5	Business should uphold the elimination of the effective elimination of child labour	HUMAN RIGHTS Aspect: Child Labor G4 - HR5 Aspect: Security Practices G4 - HR7	HUMAN RIGHTS Aspect: Investment and Procurement Practices G4 - HR1 / G4 - HR2

Global Compact Area	Global Compact Principles		GRI G4 directly relevant Indicators	GRI G4 indirectly relevant Indicators
LABOR	Principle 6	Business should uphold the elimination of discrimination in respect of employment and occupation	General Standard Disclosures Organizational Profile G4 - 10 LABOR PRACTICES AND DECENT WORK Aspect: Employment G4 - LA1 / G4 - LA3 Aspect: Training and Education G4 - LA9 / G4 - LA11 Aspect: Diversity and Equal Opportunity G4 - LA12 Aspect: Equal remuneration for Women and Men G4 - LA13 HUMAN RIGHTS Aspect: Non-discrimination G4 - HR3 Aspect: Security Practices G4 - HR7	General Standard Disclosures Organizational Profile G4 - 11 ECONOMIC Aspect: Market Presence G4 - EC5 / G4 - EC6 Aspect: Employment G4 - LA2 HUMAN RIGHTS Aspect: Investment and Procurement Practices G4 - HR1 Aspect: Supplier Human Rights Assessment G4 - HR10
ENVIRONMENT	Principle 7	Businesses should support a precautionary approach to environmental challenges	G4 - 14 ECONOMIC Aspect: Economic Performance G4 - EC2 Aspect: Overall G4 - EN31	ENVIRONMENT Aspect: Materials G4 - EN1/ G4 - EN2 Aspect: Energy G4 - EN3 / G4 - EN6 / G4 - EN7 Aspect: Water G4 - EN8 Aspect: Biodiversity G4 - EN11 / G4 - EN12 Aspect: Emissions G4 - EN15 / G4 - EN16 / G4 - EN17 G4 - EN19 / G4 - EN20 / G4 - EN21 Aspect: Effluents and Waste G4 - EN22 / G4 - EN23 / G4 - EN24 G4 - EN25 Aspect: Products and Services G4 - EN27 / G4 - EN28 Aspect: Compliance G4 - EN29 Aspect: Transport G4 - EN30
	Principle 8	Business should undertake initiatives to promote greater environmental responsibility	ENVIRONMENT Aspect: Materials G4 - EN1 Aspect: Energy G4 - EN3 Aspect: Water G4 - EN8 Aspect: Biodiversity G4 - EN11 G4 - EN12 G4 - EN13 Aspect: Emissions G4 - EN15 / G4 - EN16 G4 - EN17 / G4 - EN18 / G4 - EN20 G4 - EN21 Aspect: Effluents and Waste G4 - EN22 G4 - EN23 / G4 - EN24 / G4 - EN25 Aspect: Products and Services G4 - EN28 Aspect: Compliance G4 - EN29 Aspect: Transport G4 - EN30 Aspect: Overall G4 - EN31 Aspect: Supplier Environmental Assessment G4 - EN32 / G4 - EN33 Aspect: Environmental Grievance Mechanisms G4 - EN34	Aspect: Economic Performance G4 - EC2
	Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies	ENVIRONMENT Aspect: Materials G4 - EN2 Aspect: Energy G4 - EN6 / G4 - EN7 Aspect: Water G4 - EN10 Aspect: Emissions G4 - EN19 Aspect: Products and ServicesG4 - EN27	
ANTI-CORRUPTION	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	General Standard Disclosures ETHICS ED INTEGRITY G4 - 56 / G4 - 57 / G4 - 58 SOCIETY Aspect: Anti-corruption G4 - SO3 / G4 - SO4 / G4 - SO5 Aspect: Compliance G4 - SO8	Aspect: Public Policy G4 - SO6 Aspect: Anti-competitive Behavior G4 - SO7

6. The Business Model

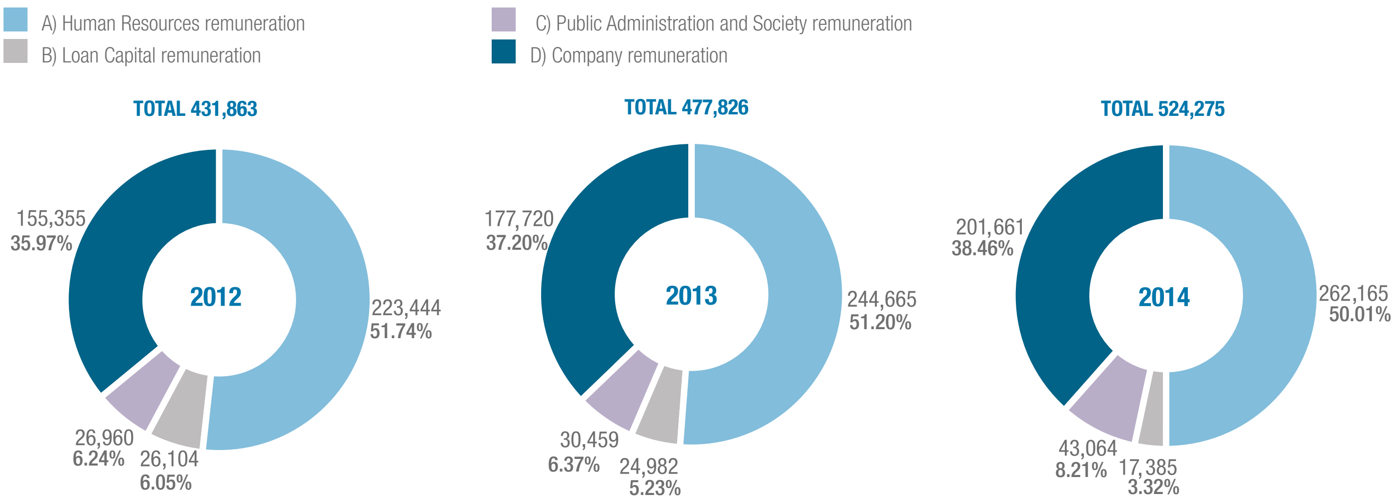
6.1 VALUE CREATION AND DISTRIBUTION

Value-added measures the wealth produced by the company in the financial year, with reference to the stakeholders who participate in its distribution.

The production and distribution of added value represents the main link to the financial statements. The calculation prospectus of added value shows the Group's ability to generate wealth for the various stakeholders, in accordance with principles of good economic management and stakeholder expectations.

Calculation and distribution of global value added (in thousands of Euro)	2014	2013	2012
A) Value of Production			
1. Revenues from sales and services	1,770,877	1,699,571	1,511,248
- revenues adjustments or credit depreciations	-545	-140	-378
2. Variations in inventories of work in progress, semi-finished and finished goods	-10,728	30,851	-21,368
3. Capitalised Internal works	0	0	0
4 Variations in contract work in progress	1,879	650	0
5. Other revenues and income	11,318	15,409	15,918
Revenues from characteristic production	**1,772,800**	**1,746,341**	**1,505,420**
B) Intermediate costs of production			
6. Consumption of raw material, consumables and goods for resale	710,138	766,231	606,725
- variations in inventories of raw materials and consumables	-7,155	-18,587	3,181
7. Costs of services	511,130	490,195	428,476
8. Costs for use of third-party assets	28,054	26,181	22,074
9. Risk provision	660	239	613
10. Other provisions	0	250	238
11. Sundry operating charges	12,440	9,771	9,063
Typical production costs	**1,255,267**	**1,274,280**	**1,070,371**
GROSS CHARACTERISTIC ADDED VALUE	**517,533**	**472,062**	**435,050**
C) Accessory and extraordinary items			
12. +/- accessory balance of operations	3,123	2,281	77
Accessory revenue	1,483	3,190	1,578
- Accessory costs	1,640	-909	-1,501
13. +/- Balance of extraordinary items	3,619	3,483	-3,264
Extraordinary revenue	14,586	7,757	5,550
- Extraordinary costs	-10,967	-4,274	-8,813
GLOBAL GROSS ADDED VALUE	**524,275**	**477,826**	**431,863**

Distribution of value added (in thousands of Euro)



6.2 MANAGEMENT SYSTEMS

The voluntary implementation of these systems is considered by the management as a strategic component, useful for continuing to improve the performance and profitability of the company, and, able to provide timely responses to stakeholders' needs.

- **ISO 9001:2008** for Quality Management System;
- **ISO 14001:2004** and **EMAS** (EC Regulation no.1221/2009) for Environmental Management Systems;
- **OHSAS 18001:2007** for Occupational Health and Safety Management Systems;
- **BRC Consumer Products and IFS Household** and **Personal Care** for sani-

tary/Hygiene Self-Monitoring Systems;

- **BRC Consumer Products and IFS Household** and **Personal Care** for sanitary/Hygiene Self-Monitoring Systems;
- **FSC - PEFC** : ensure the responsible and sustainable management of the forests from which the products of wood origin, such as virgin cellulose
- **ISO 50001 : 2011** for Energy Management System;
- **Ecolabel, Der Blaue Engel e Swan Label**: product certifications.

Summary of the certified management systems and product certifications present in the Group companies

Summary of the certified management systems and product certifications present in the Group companies	Environment							Energy	Health and Safety	Product safety		Quality
	ISO14001	EMAS	Ecolabel	Der Blaue Engel	Swan Label	FSC	PEFC	ISO 50001	BS OHSAS 18001	BRC Consumer Products	IFS Household and Personal Care Products	ISO9001
Comceh						◆						✓
Delicarta Monfalcone	✓				✓	✓	✓		✓		✓	✓
Delicarta Porcari Paper Mill	✓	✓	✓			✓	✓		✓			✓
Delicarta Porcari Converting			✓			✓	✓		✓		✓	✓
Delicarta Tassignano			✓			✓	✓		✓		✓	✓
Delicarta Valdottavo	✓					✓	✓		✓			✓
Delicarta Valfegana			✓						✓			✓
Delipapier Buxeuil			✓				✓					✓
Delipapier GmbH	✓				✓		✓	✓			✓	✓
Delipapier Frouard	✓		✓			✓	✓		✓		✓	✓
Delipapier Roanne			✓			✓	✓				✓	✓
Delisoft												
Delitissue						✓	✓				✓	✓
Ibertissue	✓					✓			✓		✓	✓
Intertissue	✓					✓			✓	✓		✓
Intertissue Horwich	✓					✓			✓	✓		✓
Papyros												✓
Sofidel Benelux	✓					✓	✓		✓	✓		✓
Soffass Paper Mill	✓					✓			✓			✓
Soffass Converting			✓			✓			✓		✓	✓
Sofidel						O	O		✓			✓
Sofidel America Haines City							✓					
Sofidel America Green Bay												
Sofidel America Henderson Nevada												
Sofidel Kagit												
Sofidel Papir												
Sofidel UK Hamilton, Leicester	✓					✓			✓	✓		✓
Sofidel UK Rothley Lodge, Leicester	✓					✓			✓	✓		✓
Sofidel UK Lancaster	✓					✓						✓
Swedish Tissue	✓					✓	✓	✓				✓
Thüringer Hygiene Papier	✓		✓			✓	✓	✓			✓	✓
Thüringer Hygiene Papier Logistik	✓											✓
Werra Papier (Omega Plant)	✓		✓	✓		✓	O	✓			✓	✓
Werra Papier (Werra Plant)	✓		✓	✓	✓	✓		✓				✓

◆ Only for parent reels O Only trading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SOFIDEL

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3 OUR GOALS FOR THE FUTURE

1. Our strategic goals

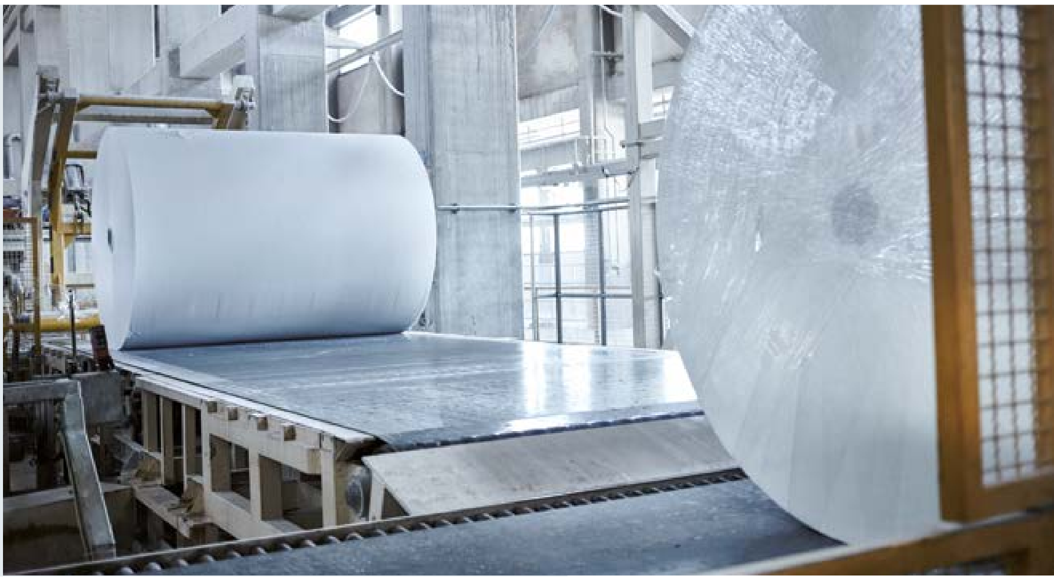
By 2020 Sofidel undertakes to reduce direct greenhouse gas emissions of 23% per each ton of paper produced, in respect to 2009 levels.

CLIMATE SAVERS
碳减排先锋
DEFENSORES DO CLIMA
クライメート・セイバーズ
WWF
A WWF GLOBAL INITIATIVE WITH BUSINESS

By 2017 Sofidel undertakes to reduce CO_2 emissions of 66,283 tons, by using train and modal transport.

By 2017 Sofidel undertakes, by joining the Platform "TenP-Sustainable Supply Chain Self-Assessment Platform", developed by the Global Compact Network Italy Foundation, to qualify in a sustainable way the whole production chain.

THE GLOBAL COMPACT



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4 MATERIALITY ANALYSIS AND RELATIONS WITH THE STAKEHOLDERS

1. Materiality Analysis

The Sofidel Group conducted its first materiality analysis starting from the engagement of internal stakeholders.
This analysis was carried out in accordance with the guidelines **"AA1000 - Stakeholders Engagement Standard"** in every phase of stakeholder identification, mapping and prioritization. The inner perimeter on which the analysis was performed includes all segments of the Sofidel Group worldwide.
The main objective is to determine which topics are considered important and to enable the Group to continue to create value in the short, medium and long term for all its stakeholders.
The study was conducted using a matrix that shows along the two dimensions the expectations and priorities according to the stakeholders on the one hand, and the impacts that these aspects have on the company on the other.
The analysis was divided into four phases:

- The first phase required the stakeholders identification within the Sofidel Group, belonging to different organizational units and geographical areas, which have been asked to evaluate the importance of a number of economic, environmental and social issues;
- The second phase involved the identification of the topics considered material (e.g. Market, risk management, consumers health and safety, research and development, customer satisfaction, CO_2);
- In the third phase them a materiality questionnaire was sent to those internal employees previously identified during the first phase. To each data owner has been asked to complete the questionnaire giving a score to each topic, using a scale of 1 to 5, on the basis of:
  1) Relevance for the Sofidel Group of each identified topic
  2) Importance of each topic for external stakeholders
- In the fourth phase, the questionnaires were analyzed and consequently the topics considered material based on the ratings received were prioritized.

Below the materiality matrix that is generated:

2. Management of relations

Stakeholders are Sofidel's real assets, and for this reason the Company undertakes to build with them transparent relations, based on trust and cooperation, which are essential elements to achieve those goals that the Company alone could not reach. Among the stakeholders, customers are particularly important, mainly consumers and suppliers, whose needs the Group constantly monitors and is committed to satisfy. Sofidel presents itself as an innovative Group that pays maximum attention to:

- the culture of service, by respecting delivery times, products quality and Customer Care service;
- the limitation of environmental impacts, through investments in CO_2 reduction, optimization of the resources (raw material and energy) and the continuous compliance with the requirements set by the main ecological certification bodies;
- technology, by using the most up-to-date techniques available at both production and distribution levels, to manage information and provide services to the customers;
- investments in advertising, making popular Sofidel products through the promotion of its brands and indirectly guaranteeing distribution profits;
- sustainability matters in general, through the creation of specific International ETO work groups (for further details look at the chapter about "Governance").

At an institutional level, Sofidel Group belongs to CEPI (Confederation of European Paper Industries) and it is very operative in the ETS (European Tissue Symposium) through 3 work groups operating in the following fields: technical/environmental, Away From Home and sustainability. Furthermore, the Group corporate companies, starting from the holding company, participate voluntarily in the various national trade associations representing the paper industry interests in every country. The participation in such institutions aims at offering the company expertise and outcomes in order to improve the overall sustainability of the world economic system. For the same reasons, Sofidel does not finance or support any institution, party or single politician in the Countries in which it operates. Shown below are the details of the public funding the Group has received:

Public funding/subsidies received (in thousand Euros)	2014	2013	2012
Ibertissue	66	72	206
Delipapier GmbH	1,298	268	1,567
Delitissue	75	82	90
Delicarta	1,010	800	740
Delipapier	150	26	100
Werra	-	-	488
Sofidel	14	-	-
Monfalcone Paper Mill	-	-	-
Sofidel Benelux	480	-	-
Comceh	157	570	799
Papyros	0	0	2
Swedish Tissue	3	-	48
Delicarta Val Fegana	-	-	2
Sofidel America	3	38	-
Soffass	126	64	22
TOTAL AMOUNT	3,382	1,920	4,064

As far as the public funding and subventions received by the Group in 2014 are concerned, about 47% is addressed to the implementation of the innovation and production increase processes, 43% is addressed to environmental and energy innovations (Sofidel received a contribution for the creation of a photovoltaic system, the installation of a combined heat and biomass system, together with subsidies for the environmental performance improvement), the remaining part of about 10% was used to improve professional growth, through training, education, research and apprenticeship programs.

3. Initiatives to promote communication and dialogue

Sofidel developed many initiatives to promote relations based on dialogue and cooperation with the stakeholders; here are some of the main activities enforced during the financial year. To contribute spreading the awareness about social, economic and environmental issues complexity, Sofidel started with the Regina brand and in collaboration with WWF the digital education programme for schools: "*Mi curo di te: il gesto di ognuno, per il Pianeta di tutti*" (I take care of you. A single action for everybody's Planet). This project, triennial and completely free, aims at first level primary and secondary school classes.

A great environmental topic is proposed each school year. In 2014/2015 it was water and over 2000 classes were involved in the project.

Among the projects promoted in schools, in Germany the education programme "Students planting trees – A tree for each kid", promoted by the German Environment Foundation (DUS – Deutsche Umweltstiftung), was successfully carried out with the support of Werra Papier and Rossmann chain of stores. 200 primary schools were involved in the project.

Sofidel is, moreover, a founding member of the "*Gruppo Education*" by Confindustria

Lucca, whose aim is to bring the work world closer to the Training and Education Authorities of every class and level, cooperating in reviewing the projects, creating school/work alternation activities, innovating didactics, etc.

To promote among its partners the supply chain ethic assessment, Sofidel, which is a founding and promoting member of the Global Compact Network Italy Foundation (GCNI Foundation), joined in September the project “TenP - Sustainable Supply Chain Self-Assessment Platform”, developed by the same GCNI Foundation (see page 41).

Sofidel joined the biennial campaign “Together for the prevention and management of correlated work stress” launched by the European Agency for safety and health at work (EU-OSHA). This campaign will last two years and will involve hundreds of organizations all over Europe.

Sofidel is also a founding member of the “*Forum sull’impresa sostenibile*” (“Sustainable Enterprise Forum”) created by Confindustria Lucca, which promotes sustainability culture through concrete activities, directing public policies and resources in order to sponsor Lucca as a city of excellence in environmental sustainability.

Sofidel promoted many activities through the brand Nicky. In Northern Ireland we started a partnership with Jack & Jill Children’s Foundation, a charitable association making funds and resources available for families with children afflicted with brain damages: in 2014 Nicky guaranteed 1,250 hours of medical assistance to the member families of the association through its donation. The partnership with Woodland Trust, the leading British organization in the woodland conservation, continued too: thanks to the support of the Nicky brand, more than 27,447 trees were planted. Finally, in Italy, the partnership with Telethon Foundation was confirmed: thanks to it, customers buying Nicky Lemon and Nicky Elite products contributed to support the research on rare genetic diseases.

In Italy Sofidel started further partnerships in the education field, to promote training and paper culture. The first one with the Pisa University Master’s program called “Paper production and management of the production system”, organized in Lucca by the company Celsius; the second one with the Public Polytechnic School in Pescia (PT), introducing the new Paper Technologies class.
It is also worthy of mention that Sofidel supported the Technical Professional Centre created by Tuscany Region in the polytechnical school “E. Fermi” in Lucca, focusing again on the paper industry.

Sofidel is contributing to the refinement and update of the educational guidance about the paper industry in mechanical engineering, chemical engineering and industrial chemistry degree courses of Pisa University.
Sofidel is also partner of Sodalitas Challenge, a Sodalitas Foundation initiative to value sustainable business ideas from under 35 Italian young people.

In Germany, the partnership between Werra Papier and the Natural Reserve Thüringer Wald, started in 2012, was successfully carried out.

4. Tools for dialogue with Stakeholders

The Group assembled a number of communication tools in order to assure a continuous, rigorous and transparent information flow and a proper integration of the communication activities towards internal and external stakeholders, staying fully coherent with the company strategies and its reference values. The communication department designs and launches internal and external communication campaigns, it manages the relationships with the local communities and monitors the compliance and fulfillment of the stakeholders expectations.

5. Communication and engagement

Communication activities have a strategic value in promoting Sofidel identity and in conveying its commitments, projects and achievements and in order to improve people work quality and coordination of activities, to produce and increase value through engagement and participation, to increase transparency and reliability, to monitor reputation risk and to develop consistency between image, values and aims.

Dialogue activities and communication with the stakeholders

The main institutional communication driver of the Group in 2014 was spreading the ideas regarding the principle Less is more, which expresses concisely and effectively Sofidel strategy in optimizing benefits and limiting negative impacts along the value production chain.

Among the activities started by the Group during 2014

Events attendance

On March 29th Sofidel joined **The Earth Hour**, the great world mobilization promoted by WWF pointing out the planet defense.

As a member of the international WWF program Climate Savers, Sofidel, on the occasion of the **UN Climate Summit** held in New York on the 23rd of September in preparation for the Conference of Paris on climate of December 2015 (COP21), confirmed its commitment on the side of WWF to reduce CO_2 emissions, declaring its support to an effective multilateral action on the part of governments, companies and civil society against climate changes.

At the end of October, in Rome, Sofidel joined and supported with its CEO Luigi Lazzareschi, the 2014 edition of **Telethon Gala**, an event organized to raise funds for the scientific research on rare genetic diseases.

Group Identity promotion

Among other initiatives, Sofidel increased the awareness activities towards the **Sustainability Rulebook**, a tool defining the benefits Sofidel expects from the implementation of its own sustainability policies in the medium-long term. The Group created then the **Sofidel Sustainability Icons** to graphically identify the sustainability areas to which Sofidel is committed the most: forests, communities, water, safety, climate. As for the Group presence on the social networks, we enhanced the communication on the corporate **Twitter** and **Linkedin** profiles and we opened a new **Flickr** account to share photos from events, meetings, fairs and so on.

Rewards

Our CEO Luigi Lazzareschi entered the **Top 50 Power List RISI**, the annual list of the world most influential people in paper industry.

In Poland the toilet paper Alouette, produced by Delitissue for Rossmann, was judged the **best toilet paper** on the market gaining 17.5% of the vote in a survey by "Wirtualna Polska", one of the most popular Internet portals in the Country. In the same survey, paper toilet Regina Mega Roll gained the second place, the first among branded products, obtaining 16.9% of the vote from the web users. Regina also won the **"Consumers Laurels" (Laur Konsumenta)**, turning out to be the first brand in toilet and kitchen paper category.

Rewards

In Belgium, “StoreCheck Magazine”, a magazine on distribution topics, awarded our sales team with the **“Store Check Sales team Awards 2014”** for paper industry. The team was awarded on the basis of a survey carried out among 90 buyers, who did an evaluation on suppliers in accordance with five criteria: knowledge of the products; good use of Category Management; well-thought actions proposal; advantage for the supplier; respect of the agreements.

In Italy, Sofidel was awarded with the **“Vendor Rating and Sustainable Purchases”** reward in the category Big Companies in the eight edition of CompraVerde-BuyGreen, the international Forum on green purchases.

In Romania, the brand Volare was awarded with the **“Romanian Champions in Business 2014”** trophy during the “European Day for Competition and Competitiveness”, organized with the coordination of “EUROLINK – House of Europe Foundation”. That competition edition was dedicated to the most profitable and innovative Romanian projects and companies.

In Holland, Sofidel was rewarded by “Levensmiddelenkrant”, a prestigious magazine on large-scale retail trade, with the **“Golden Partner”** in the paper category, a qualification obtained by Sofidel suppliers for their “proven added value”.

Sofidel also gained rewards from partners sharing with the company the same commitment to environmental impacts reduction. Sofidel America, in the USA, was awarded for its **search for sustainability and for the exclusive use of recycled packaging from the Pratt Industries**, as to say the Country’s fifth cardboard packaging producer and the first 100% recycled packaging one. Delitissue, in Poland, was awarded with the **“Eko Partner Chep 2014”** for its contribution to environmental conservation by Chep, leading company in pallets and containers rental services, operating in 49 countries.

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5 CUSTOMERS

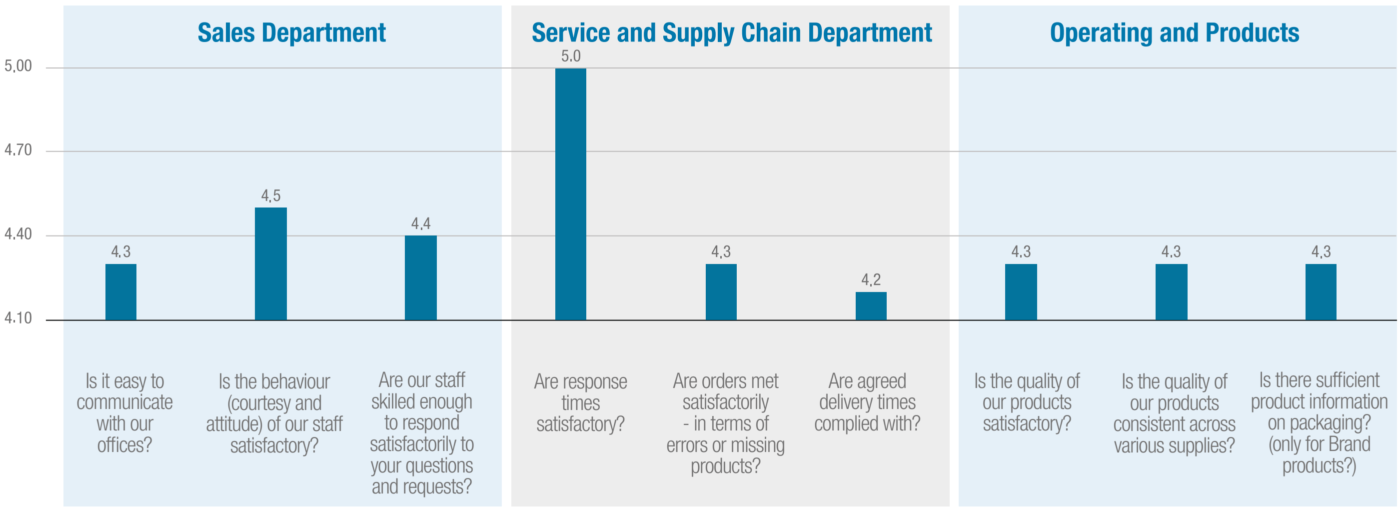
1. Customer Satisfaction

For the Sofidel Group, Customer Satisfaction represents an essential element for the continuous improvement of dialogue with its stakeholders. The understanding of the desires and needs of customers, in order to offer a product that meets their real necessities, is strictly linked to the recognition of their satisfaction.
Several initiatives were implemented by Sofidel in order to collect and evaluate the level of customer satisfaction about its products and services, always based on the principles of transparency, listening and dialogue.

With an aim to obtain an higher redemption of responses to questionnaires on customer satisfaction, and therefore more representative data, the Sofidel Group in 2012 implemented a special tool to manage information. Thanks to this activity, the results in terms of Customer Satisfaction also in 2014 were significant with 2,189 questionnaires sent (2,045 in 2013) of which 1,463 (67% of all forms submitted) properly completed and transmitted, against 1,166 from the previous year.

Customers who have completed and returned the forms represent 87% of group sales, with further growth representation of more than 3.8%.

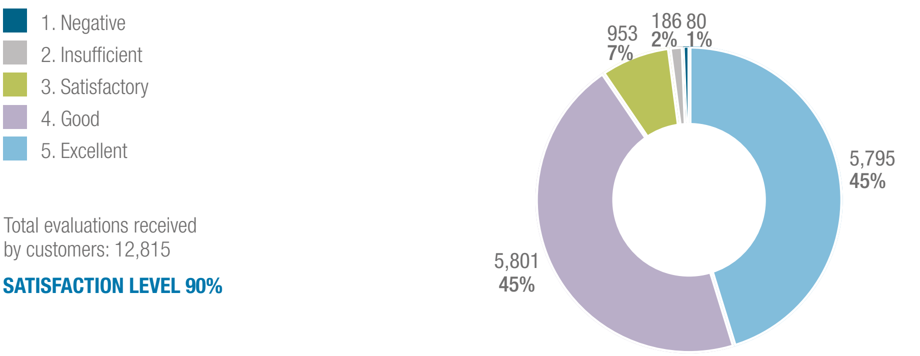
As can be seen in the graphs and following of the analysis of the responses in 2014 it showed a general continuation of the level reached in 2013 (4.3) with the same average rating compared to the previous year, with a maximum score of 5.



A further analysis of the results of the Customer Care Survey shows not only a high level of satisfaction but also a clear trend of improvement in the last 2 years, with positive evaluations (sum of feedback received between 4 and 5 points of total assessments) shifted from a share of 88% in 2013 to 90% in 2014.

The Customer Care Survey service goals for the next 5 years will develop on the quality side, with a consolidation of high levels of satisfaction as the main target, intervening through direct dialogue with customers who have expressed an unsatisfactory review in terms of quality; it will also develop on the quantity side, namely through the implementation of criteria for improvement in terms of representation of users requested to express their satisfaction with the products and services offered by the Group.

Level of satisfaction towards Sofidel Group



The Sofidel Group also provides a Customer Care service that follows the customers from the moment the order is placed to the moment of finalized payment.
This service employs a total of 85 people within the company and is present in all countries in which the group operates. The customer Care service is centrally coordinated but organizationally it responds to local officials in order to offer a more solid presence in the local area.

2. Management of Claims and Toll Free Number

The other side of the coin is represented by the management of reports and claims from the customers, whether suppliers or consumers.

This type of interface, in particular, is essential both in managing relationships with these stakeholders, and in the management of issues related to the quality of products.

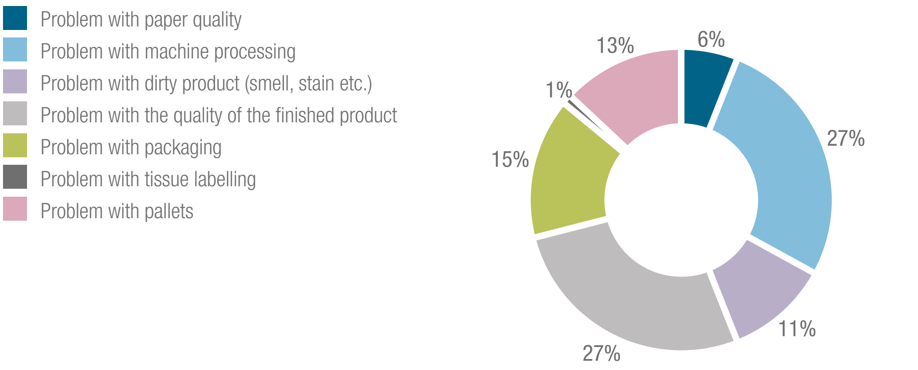
Management of claims is done through a information technology workflow that engages all the involved business units.

All claims are analyzed and broken down by type (Consumer complaint and Retailer complaint) with the response time monitored on the basis of internal procedures, which Sofidel has adopted in order to improve efficiency.

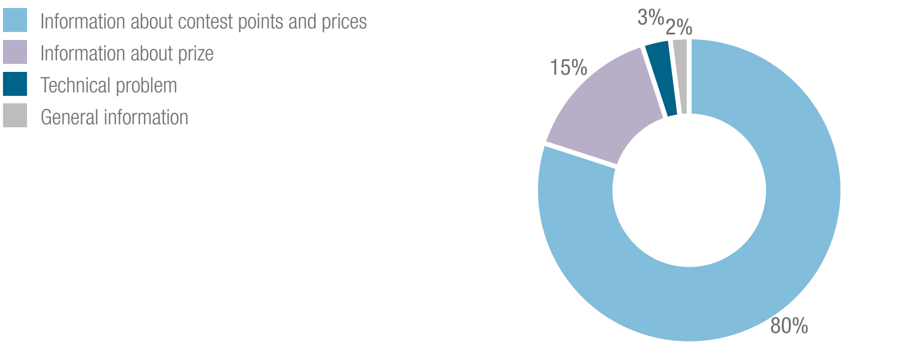
In 2014 the Sofidel Group received a total of 3,568 claims against 2,518 the previous year. This strong increase is connected to intense awareness activities performed on customers and on the internal structure, in order to better highlight the problems of quality, and to implement, together with he structures involved, the appropriate improvement plans.

In the course no reports regarding cases of privacy violation nor loss of customer data have been received.

Breakdown of complains by type



Breakdown of calls to the toll free number



Toll Free Number

In 2014 the Sofidel Group continued its activity of tool development for keeping in touch with its consumers, so that through the financial year all toll free numbers have been activated for both the main brands of the Group (Regina, Softis, Le Trèfl Sopalin, Volare) as well as for the B-Brands Nicky.

Thus, the total of requests received rose from 948 in 2013 to over 6,400 in 2014.

Also for this year the highest number of contacts took place in Italy for the brand Regina, whereas other countries such as Germany, Benelux and Poland have recently started showing the first results.


Regina
Blitz
NICKY
Milleusi
ASCIUGONI
Regina
NOVITÀ
Regina
Regina
SOFIDEL

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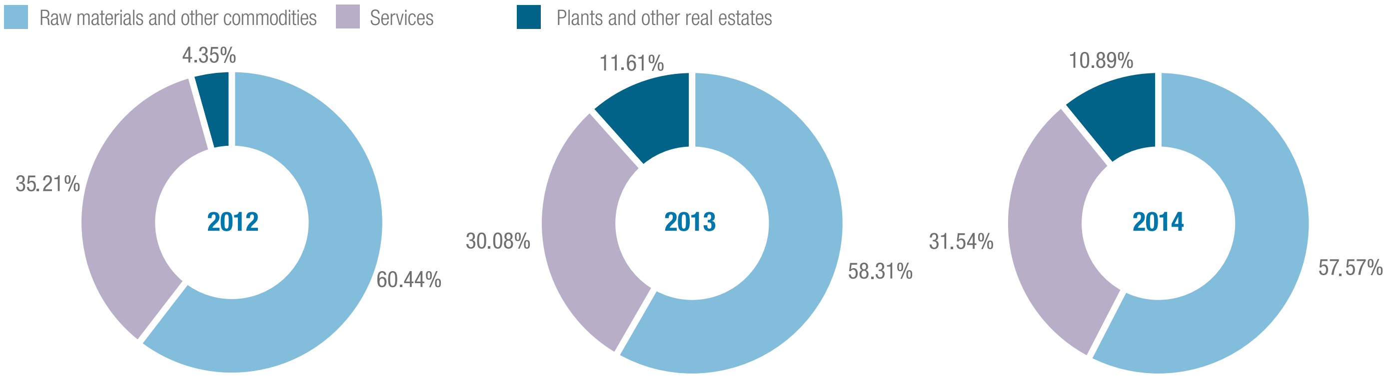
6 SUPPLIERS

1. The Suppliers

In 2014 Sofidel bought mainly raw materials, with a total value equal to 57.57% of the total passive turnover.

Sofidel Group's suppliers revenues



4 months of Sofidel USA are not accounted

2 months of Intertissue Horwich and 2 months of Sofidel UK Lancaster are not accounted

For the Sofidel Group, the responsible supply chain management has a strategic importance in its business conduct. It follows an approach based on shared ethical principles, that guide the daily activities of the Group, which is oriented towards the minimization of (environmental and social) risks along the value chain, but always with aiming towards continual improvement rather than the exclusion of under performing suppliers, by providing them with the necessary tools for learning, and following them through any necessary improvement plan.

All suppliers are required, as a pre-requisite, to comply with the rules and principles enshrined in the Group's code of ethics and included in the "General Purchase Conditions". Supplier selection is based on criteria of economic cost, performance, and flexibility. The process of new suppliers identification is based on a prior assessment of their qualifications, whereas in the case of a previously existing supply relationship, a continuous monitoring is implemented through periodical evaluations by performance indicators and auditing activities, always adopting principles of objectiveness, fairness, and transparency, in order to ensure equal opportunities for everyone involved.

Among the performance indicators, the main one takes into account the observed non-conformities, weighted according to their severity on purchased products, in relation to the quantity supplied.

Regarding critical suppliers of goods and services aside from cellulose, 23 audits were carried out in the last 3 years, of which 12 in the last year.

2. Management of the Suppliers' Sustainability Requirements

2014 has been an important year for the management of sustainability along Sofidel Group's supply chain: in fact, the Group shifted from an internal evaluation system, to the one promoted by the Global Compact Network Italy Foundation (GCNI), of which the Group is a "Promoting Founding" member.

Through the internal system, between 2013 and 2014, a total of 107 suppliers were assessed, based on their replies and the documentation provided to fill in the questionnaire sent by Sofidel. The questionnaire was aimed to assessing companies based on their policies and practices regarding fundamental human and employees rights, the environment, occupational health and safety, corporate social responsibility, the supply chain, business ethics and transparency of non-financial reporting.

Following the analysis of the replies, the Suppliers were divided into 3 categories with respect to their sustainability management: categories green, red and yellow, in each of which they are given different types of engagements in order to improve their performance, and consequently also that of Sofidel.

Suppliers from the red category were asked to find an agreement with Sofidel for an improvement plan, on the basis of which they had to undertake changes to their procedures/processes in order to improve their sustainability. Based on the level of fulfillment of the commitments, companies have either been reconfirmed in the red category or have switched to a different category.

To the suppliers in the yellow category, recommendations for further improvement have been sent, while suppliers in the green category were simply made aware their classification. Based on the initial responses received, the red category was composed of 39 suppliers, the yellow of 52 suppliers, and the green of 16. As a result of clarifications provided by the suppliers, they have registered a significant improvement with an increase of 24 suppliers classified as green and a reduction to 19 red suppliers.

The commitment to manage social and environmental aspects along the entire supply chain in an accurate and constructive way has intensified in the second half of 2014, with the subscription to the TenP – Sustainable Supply Chain Self Assessment Platform promoted by Global Compact Network Italy Foundation. Other main companies (A2A, Acea, Ansaldo STS, Edison, Eni, Italcementi Group and Nestlé Italy) participate to the TenP Platform together with Sofidel, with the aim to increase the capacity to assess the

*For Sofidel, a supplier is considered 'critical', in sustainability terms, when it cannot be easily removed from the register of those positively evaluated in relation to the difficulty of finding on the market the products/services that it provides.

performance and sustainability of suppliers, and also identify and challenge common solutions to improve sustainability along the supply chain. Business partners can invite their suppliers to sign up to the platform, where they can fill out a self-assessment questionnaire compliant with the 10 Global Compact Principles and the most relevant standards and agreements regarding sustainability.

This is a very useful tool for suppliers participating in the initiative, as it allows to assess the sustainability management and to compare it with other companies in the same industry or the same country or size companies from the same business sector, from the same Country and also with the comparable business size. It is also a visibility tool for the more virtuous companies and a learning tool for sustainability issues.

Between September and December Sofidel has invited 350 suppliers, representing about 75% of the turnover, to join the platform and to complete the self–assessment questionnaire, which investigates the most relevant aspects of the business activity with regards to human rights, labor practices, environmental protection and anti-corruption.

Despite the introduction of this new important evaluation tool, Sofidel has kept unchanged the underlying strategy of its activities towards sustainability: the purpose is clearly to enhance risk management related to the environmental and social aspects along the whole value chain, but relying on continuous improvement rather than on the outright exclusion of those suppliers that less meet the new millennium challenges. In support of that improvement Sofidel is leveraging on training and development: suppliers are followed through questionnaires compiling and through the identification of potential

issues. Those that meet higher difficulties are followed along the process of drafting the shared improvement plan.
As in previous years, suppliers are divided into 3 categories of intervention based on the questionnaires' resulting score: red, yellow and green. The members of the red category have an overall average result related to the 4 sustainability areas, (human rights, employment, environment, and anti-corruption) that is below 50%. This category mostly covers those suppliers, which are less structured towards meeting the challenges of sustainability: Sofidel will implement an awareness raising and support activity in order to fill the riskier gaps.
Together with their respective business leaders, an improvement plan focusing on the areas where the lowest scores occur, and a time-limit for implementation will be defined.
Subjects who received a result somewhere between 50-79% are placed in the yellow category. It consists of suppliers that have an overall adequate sustainability performance, but still with possibilities for improvement. Sofidel Group activity will thus be limited to highlight those improvement gaps by issuing specific recommendations. Such recommendations will be prepared accordingly to an analysis showing the most lacking areas.
Finally, the subjects showing an average overall result of 80% or more fall under the green category.
This category consists of excellent suppliers in terms of sustainability, with which joint initiatives for the promotion of social and environmental issues, based on each others' direct experience, could be launched.
Today, 1/3 of the questionnaires sent were fullfilled and have already been analyzed.
The evaluation process is cyclical and each cycle has a total duration of 2 years.

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7 HUMAN RESOURCES

1. Human Resources Management

Sofidel Group's approach towards Human Resources management focuses on employees' development and their integration in the organizational culture of the company, as these are core elements in creating features such as innovation and flexibility, crucial to build company competitiveness on a globalized market.

The Human Resources management policy is firmly based on the Code of Ethic principles and it fosters respect towards equal opportunities and diversity as a chance of enrichment, as well as on the values of respect, equal treatment, individual skills development, teamwork, open communication and continuous learning. The development of technical and management skills is a strategic factor for the Sofidel Group, which yearly provides an average of 13.9 hours of training per employee, in order to keep them updated on matters deemed of great interest, such as health and safety, to increase English language skills and to spread solid methodologies and the culture of results to the people working in the production plants.

The aim of Performance Management stresses the strategic value of Human Resources: in 2014 the Card Evaluation Project was carried out and implemented, setting a direct connection between qualitative performance and rewarding system, allowing a medium term evaluation of qualitative outcomes, and a resulting shared action plan development for the professional and personal improvement of the employee.

Sofidel Group implements specific management policies aimed at the two employees' age group minorities, in order both to guide workers over 50 years of age to maintain an active role and an adequate motivation at work, and to start an "Induction" process at a Group level to manage the newly hired employees under 30 years of age.

The Group Human Resources Manager, who reports directly to the CEO, holds the highest function responsible for Human Resource management in Sofidel Group, and is a member of the Executive Committee of the Group. Several Business Units refer to the Human Resources Manager and some of them are directly connected to the HR management:

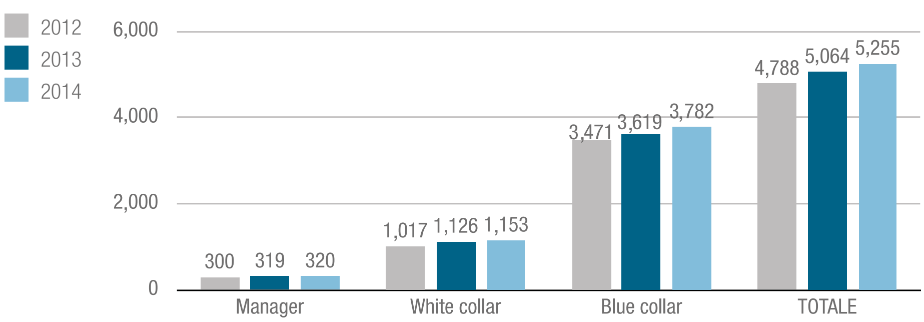
- Human Resources Management
- Coordination, processes and procedures
- Training and Internal Climate.

Procedures and Guidelines for the HR management are harmonically defined together with the various departments reporting to the HR Manager, examined and approved by The Executive Committee, and finally applied locally by HR Managers, which respond functionally for their activities to the Corporate HR Manager.

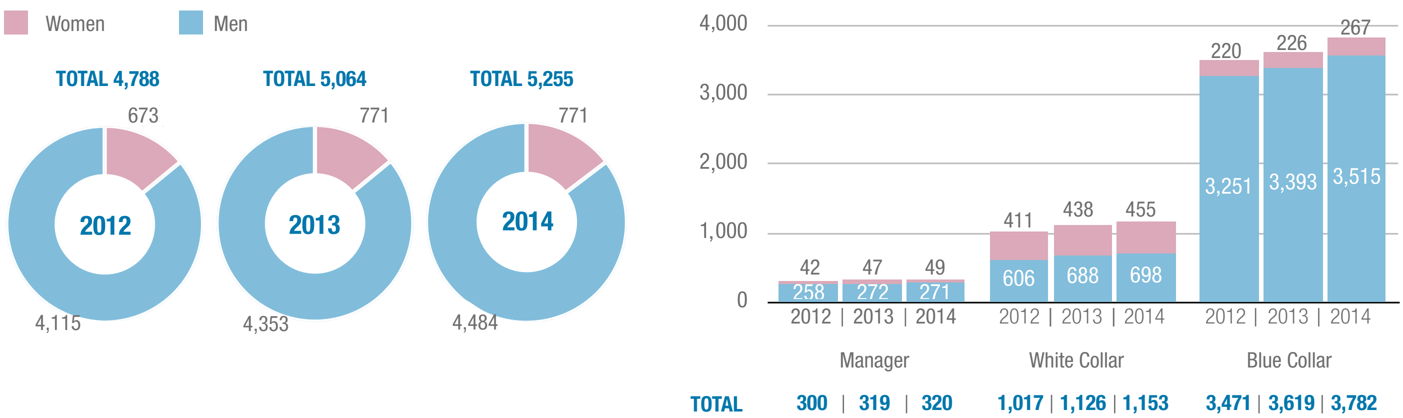
During 2014 a specific Dress Code guideline was drafted and published for all the employees, in order to make the rules of conduct inside the Sofidel Group and whose aim is to safeguard the corporate image according to the Group values.

At the 31st of December 2014, the total number of Sofidel employees was equal to 5,255 people, as to say 191 units more than the previous year: the employment increase is mainly due to the US plants development. The following diagrams show the Sofidel employees number data on a triennial basis:

Breakdown of Sofidel employees by role



Breakdown of the Sofidel Group's employees by role and gender



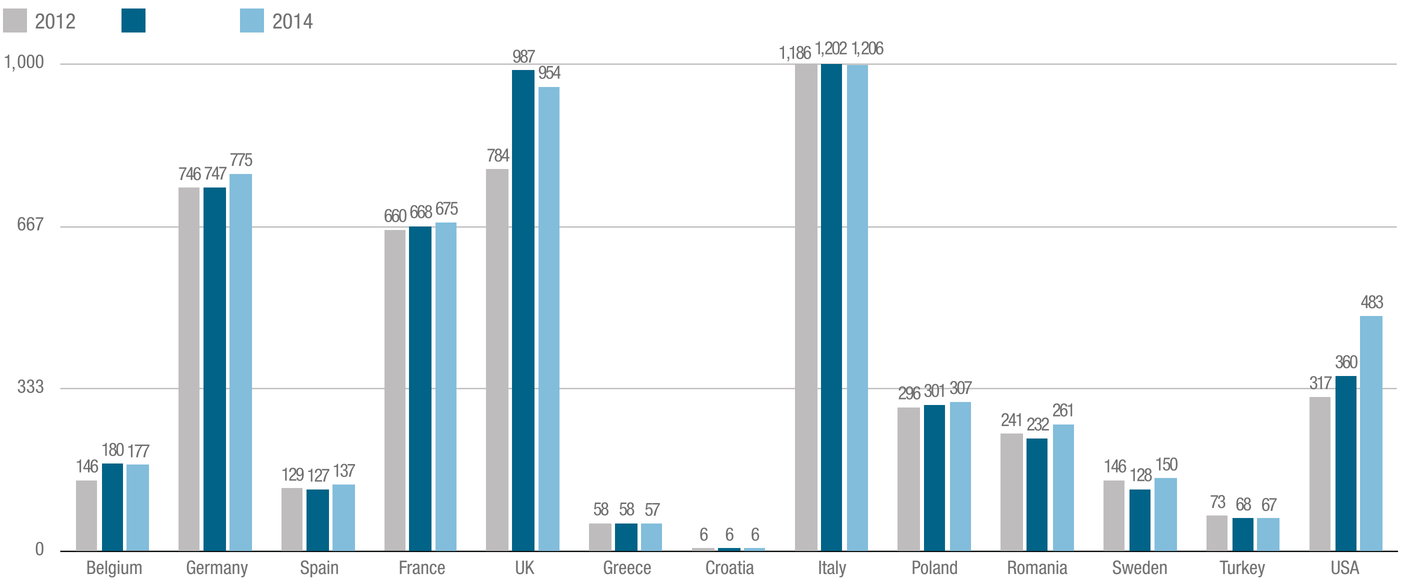
The overall percentage of female staff in the Group is 14.67%, accounting for 15.31% of managers, 39.46% of white collar staff and 7.06% of blue collar staff.

This data confirms a predominance of male workers, especially among blue collar employees, due to the nature of their work.

Breakdown of the Sofidel Group's employees by role and by geographical area

Country	Manager			White Collar			Blue Collar			Global Result		
Year	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Belgium	12	14	13	53	52	13	112	114	120	177	180	146
Germany	30	30	38	151	153	149	594	564	559	775	747	746
Spain	20	20	19	37	33	30	80	74	80	137	127	129
France	51	50	49	109	106	106	515	512	505	675	668	660
UK	50	54	25	166	162	130	738	771	629	954	987	784
Greece	6	5	4	8	9	8	43	44	46	57	58	58
Croatia	0	0	0	6	6	6	0	0	0	6	6	6
Italy	104	104	106	333	331	313	769	767	767	1,206	1,202	1,186
Poland	19	20	23	114	110	101	174	171	172	307	301	296
Romania	8	5	5	52	51	54	201	176	182	261	232	241
Sweden	9	7	7	29	30	35	112	91	104	150	128	146
Turkey	8	8	8	30	29	30	29	31	35	67	68	73
USA	3	2	3	65	54	42	415	304	272	483	360	317
RESULT	320	319	300	1,153	1,126	1,017	3,782	3,619	3,471	5,255	5,064	4,788

Breakdown of the Sofidel Group's employees by geographical area

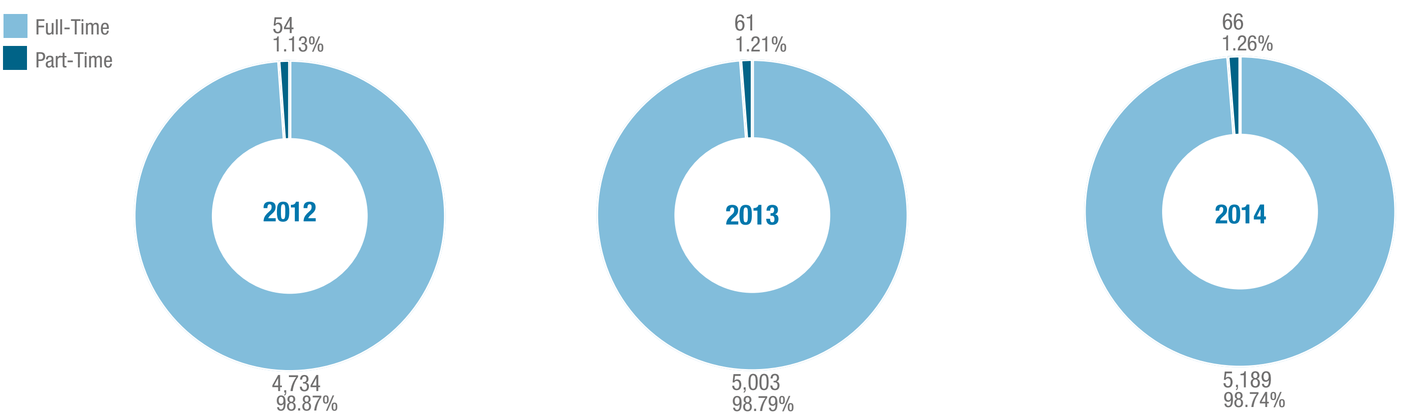


The data show a prevalence of the Italian employees (22.95%) among the Sofidel Group's staff worldwide, mostly managers (32.50%), white collars (28.88%) and blue collars (20.33%). UK (18.15%), Germany (14.75%) and French (12.84%) follow, with significant employees communities.

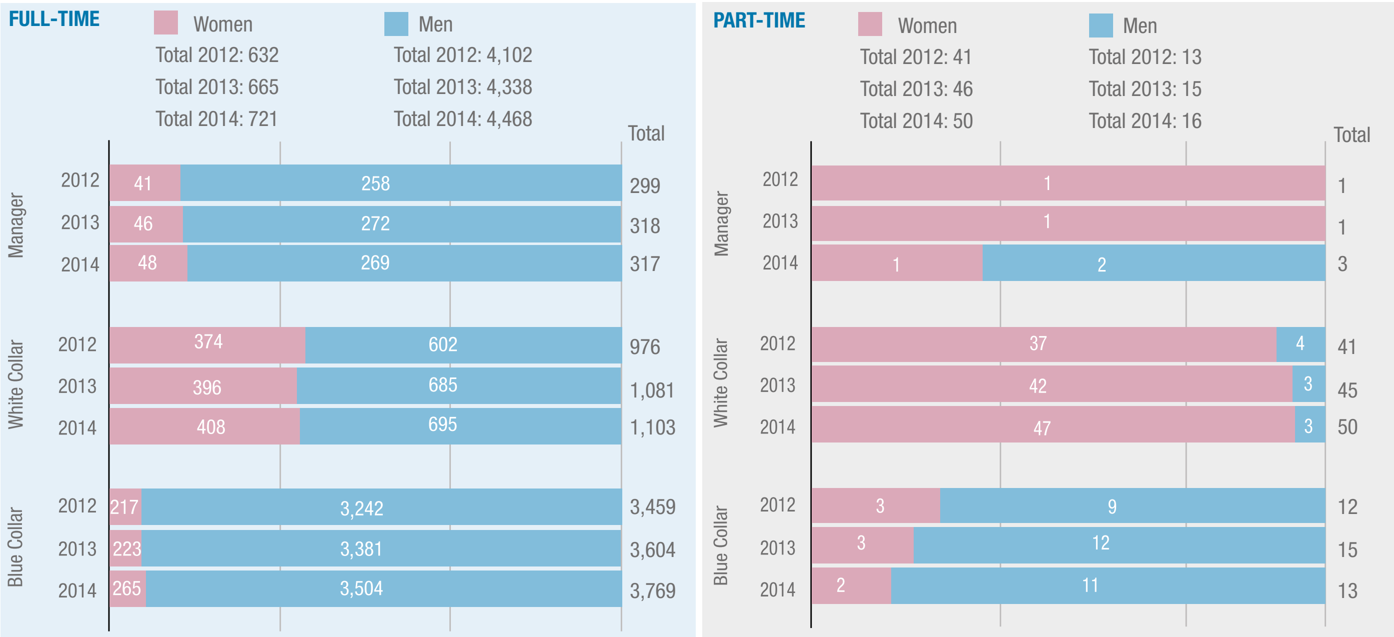
Human Resources Meeting

In order to promote mutual knowledge and a continuous idea and information exchange among the HR Management, during the year Sofidel organized in the UK the sixth HR Group Meeting, with the participation of all the HR Country Managers.

Breakdown of the Sofidel Group's employees by type of contract



Breakdown of the Sofidel Group's employees by role, gender and type of contract

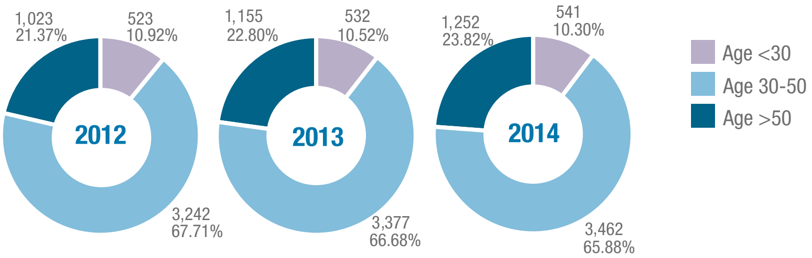


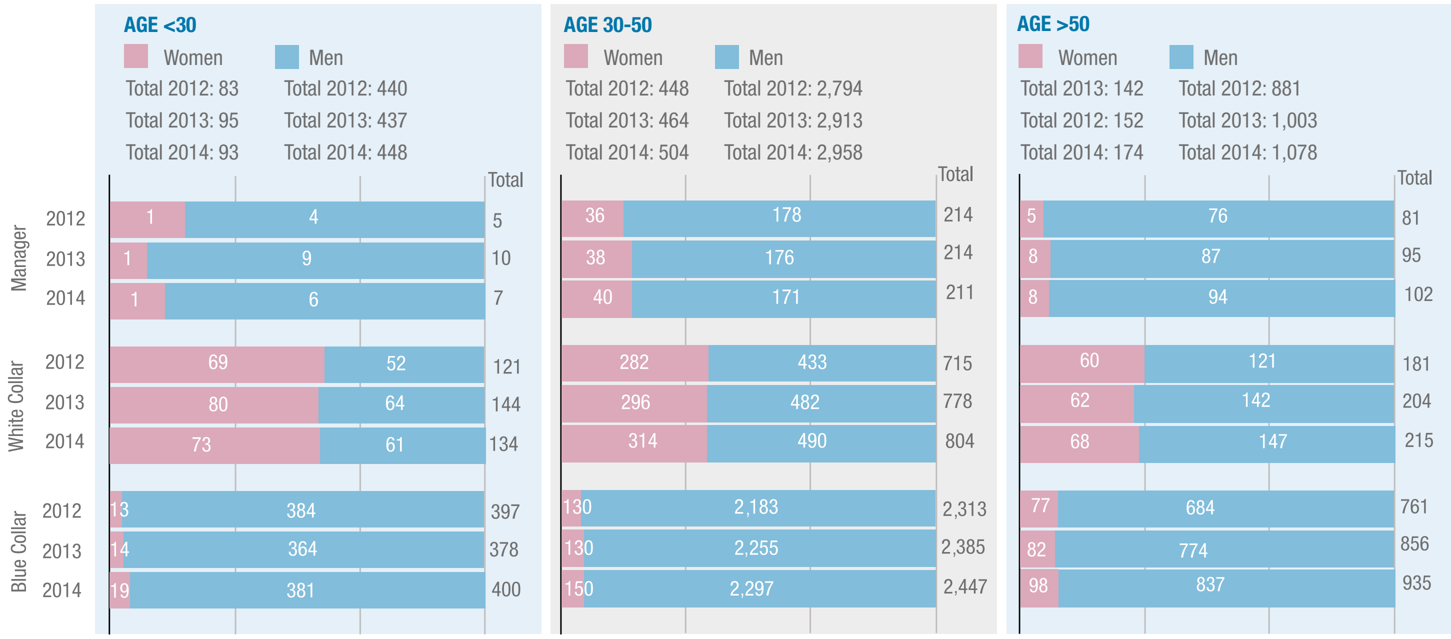
The percentage of Sofidel Group's employees hired with a permanent contract is 96.69% and almost all the employees (98.74%) work full-time.

The year 2014 confirms the close tie between the company and the territory: Sofidel indeed prefers to hire people from the local communities, contributing to the local employment and income increase and to the a higher sustainability level achievement, thanks to the reduction of the journey between home and the workplace and back.

The company has always valued local resources, trying to hire the most experienced professionals from the territory: over 95% of senior managers belong in fact to the local community in which they work.

Breakdown of the Sofidel Group's employees by age group, role and gender





The graph shows how the majority (65.88%) of the Sofidel Group's employees is placed in the average age group of 30-50.
Moreover, there is a significant number of employees over 50, whose management will require the right tools in the future.
During 2014 Sofidel confirmed its support to the "Working Age Lab", promoted by Sodalitas Foundation, by attending to several meetings together with other important multinational corporations.
The project aims at valuing and collecting the Italian and European best practices intended to encourage the senior employees to maintain an adequate motivation and an active role and in the company, by developing new personnel management policies and techniques to make this happen.

2. Human Rights

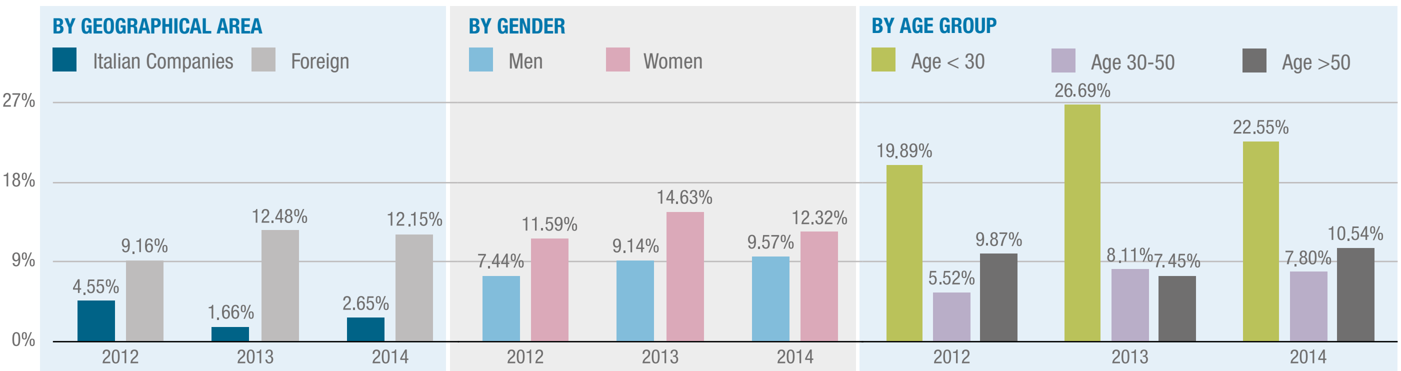
2.1 EQUAL OPPORTUNITIES, DIVERSITY, NON-DISCRIMINATION

Regarding Human Resources Management, the Group promotes equal opportunities and diversity as treasures to nurture in accordance with its Code of Ethics, which all the stakeholders can read on Sofidel's website.
Sofidel has also voluntarily signed the "Charter for equal opportunities and equality at work", an initiative promoted by Sodalitas Foundation: a declaration of intent for spreading inclusive corporate culture and human resources policies, free from discrimination and prejudice, and capable of valuing talents in its different forms. As a confirmation of this kind of commitment, many companies belonging to the Group apply policies that support equal opportunities and a better work-life balance, such as in Sweden, through the creation of a specific committee for equal opportunities, or in France through agreements on the promotion and development of female management.
In order to prevent discriminatory events of any nature, or against the principles and values expressed in the Code of Ethics, the following regulations have been settled: the "Rules against discriminations in the workplace" and the "Rules against sexual harassment in the workplace", distributed to all the Group's employees in all the respective languages.
In this regard, an anonymous warning system has been set up in all the companies of the Group, making employees able to report any violation of human rights. During the last year the Group has not receive any report about any violation.
To date, the Group has not considered necessary to perform specific assessments regarding human rights, as the Group activities are not carried out in risk areas.
In 2014, the number of employees that took parental leaves (optional maternity/paternity leave) was 22 persons in Italy, 16 women and 6 men, while in other companies abroad the number of leaves was 86, of which 23 women and 63 men. At the end of the maternity leave period, no employee decided to quit their job.
Regarding the "legally protected categories", the Group complies with all the related legal obligations in all the countries in which it operates. In 2014 the employees belonging to this category were 76, 12 women and 64 men.

3. Labor Practices

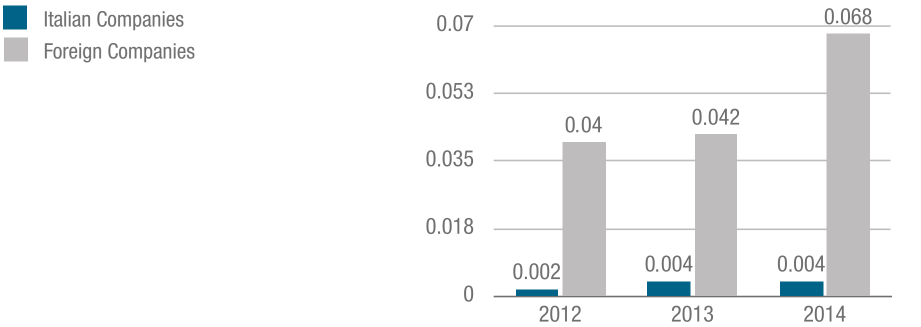
3.1 TURNOVER

The Sofidel Group's turnover rate by geographical area, by gender and by age group



The Group turnover rate remained low for the year 2014 too. The graph shown above considers the total number of employees who **have resigned, have been dismissed, retired, or deceased at work.**
Instead, the following data show the **voluntary resignations** of Sofidel employees by geographical area.

Sofidel Group's turnover rate – Voluntary resignations

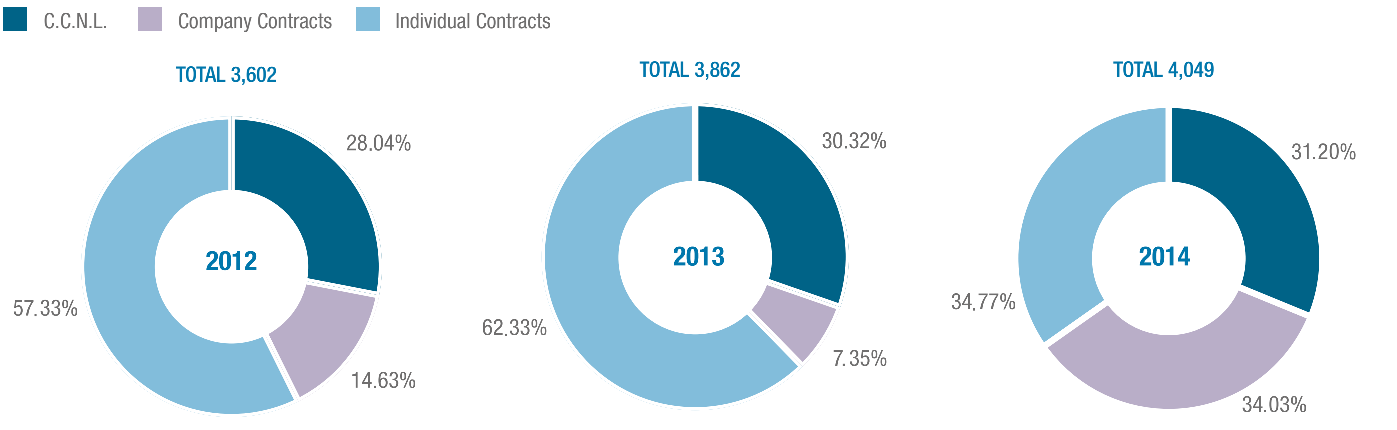


3.2 INDUSTRIAL RELATIONS

Sofidel's industrial relation system with the Trade Unions is based on a constant and constructive discussion, in accordance with the principles laid out in the National Collective Work Contract.

In the Italian companies of Sofidel Group, the National Collective Work Agreement is applied to all the employees, in compliance with the current regulations. In the other companies of the Group, 31.19% of work contracts are regulated by some form of National Collective Agreement, while the rest of the workers are hired through other individual and/or company contracts.

Breakdown of employees from the foreign companies of Sofidel Group, by contract type



Communications regarding organizational changes

Communications regarding organizational changes are made in compliance with the timing and terms established by the National regulations or by the Collective Agreement applied.

3.3 HEALTH AND SAFETY

The Sofidel Group promotes a culture of health and safety.

The coordination of health and safety policies is entrusted to a specific corporate unit, composed by qualified personnel. Among the others, the main objective is to spread good practices and to raise awareness among the Group companies of health and safety issues in the workplace. During 2014, the Group has strengthened auditing activities also in the foreign plants, in order to spread the culture of safety from a technical and procedural point of view, as well as the management systems (Health and Safety Management Systems at Work).

In 2014 the IT platform Q81- HSE Web Application (a patented or on-line software, able to manage issues related to health and safety in the workplace) was launched in all the Italian plants of the Group, while in the other companies it is still under implementation.

The main objective is to define a "Sofidel Corporate" environment, a sort of virtual plant serving as a "pilot" to the real plants in the definition of the best practices and in facilitating the implementation of the management system OHSAS 18001.

The partnership with the European Agency for Safety and Health at Work (EU-OSHA) continues through the support to the new biennial campaign (2014-2015) for a healthier and safer workplace, called "Together for prevention and management of work-related stress", focused on the creation of a good working environment from a psychosocial point of view, in order to improve employees health and performances in the workplace.

In July, during the annual H&S Meeting, held in the Intertissue plant in Horwich, the competition called "Safe Idea Award", addressed to Italian companies and aiming at picking out and awarding the best ideas and solutions related to technical, organizational, management and behavior topics, proposed by the employees themselves to make their

workplace safer, was shared and extended to all the Group companies.
With regards to the development of Health and Safety on the workplace Management Systems, in 2014 the parent company Sofidel achieved the OHSAS 18001 certification. Sofidel aims at implementing further the health and safety management systems in all the Group companies. In every company have been set up committees for health and safety defense, composed by members from the management and from the workforce, in order to involve the employees in the knowledge and spreading process of health and safety policies.
The whole working force of Sofidel Group is represented in these specific committees for health and safety defense.
The expenses for health and safety in 2014 amounted to 3,870,381 Euro, spent on the purchase of personal protecting equipment, fire-fighting and first aid systems, medical services for the employees, machinery and equipment maintenance, in order to comply with safety standards, consultancy regarding the risks assessment documents preparation, training activities for the employees on health and safety at the workplace.

Occupational injuries trend indicators

Sofidel monitors occupational injuries trend in all its plants through some specific indicators, such as frequency[1] (IF) and gravity[2] (IG). The measurement of this trend is not based on female-male gender, as female staff is mainly employed in office activities, as shown by the data on employees breakdown by job and gender.

Frequency indicator and gravity indicator in the Sofidel Group plants

Company	IF	IG
Comceh (ROM)	0.00	0.00
Delicarta Monfalcone (IT)	8.09	0.05
Delicarta Porcari Paper Mill (IT)	19.91	0.93
Delicarta Porcari converting (IT)	20.01	0.38
Delicarta Tassignano (IT)	17.15	1.60
Delicarta Valdottavo (IT)	11.89	0.32
Delicarta Val Fegana (IT)	0.00	0.00
Delipapier Buxeuil (FR)	21.76	0.62
Delipapier Frouard (FR)	22.11	0.42
Delipapier GmbH (DE)	33.64	0.37
Delipapier Roanne (FR)	16.46	1.15
Delitissue (PL)	9.57	0.58
Ibertissue (ES)	22.75	0.51
Intertissue-Baglan (UK)	3.52	0.35
Intertissue-Horwich (UK)	4.11	0.05
Papyros (EL)	0.00	0.00
Soffass Paper Mill (IT)	5.87	0.09
Soffass converting (IT)	14.82	0.40
Sofidel America corp. (US)	3.83	0.08
Sofidel Benelux (BE)	13.91	1.22
Sofidel Kagit (TR)	0.00	0.00
Sofidel UK-Hamilton, Rothley Lodge (UK)	7.78	0.15
Sofidel UK-Lancaster	35.63	0.67
Swedish Tissue (SE)	9.15	0.34
Werra Papier (Werra) (DE)	18.32	0.68
Werra Papier (THP) (DE)	21.74	0.80
Werra Papier (THP-L) (DE)	15.9	1.18
TOTAL SOFIDEL GROUP*	13.16	0.42

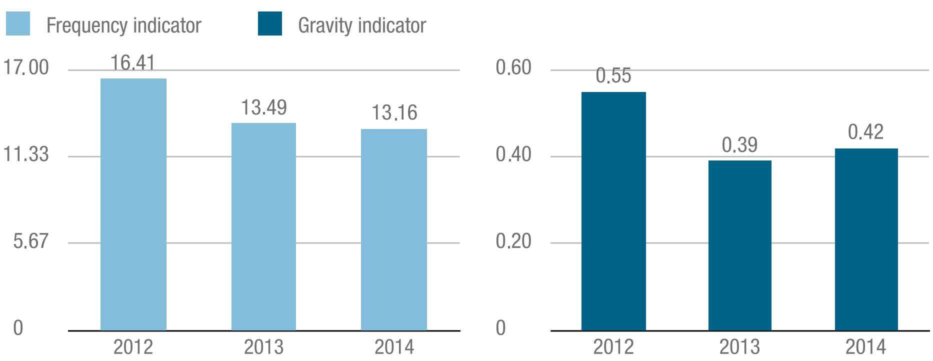
[1] **Frequency Indicator (IF)**
Number of injuries/ hours worked x 1,000,000.

[2] **Gravity Indicator (IG)**
Working days lost due to injuries/hours worked x 1,000.

Such indicators are calculated considering the millions and thousands working hours, unlike what requested by the GRI G4-LA6 indicator, as this standard is defined at a Sofidel Group level.

*The injuries indicators rate reported do not consider neither commuting accidents nor accidents causing less than 3 days of absence for the worker. Furthermore, only accidents leading to the conclusion of the labor relation are considered.

Occupational injuries indicators for the Sofidel Group



As can be seen from the last three years data, the Frequency indicator recorded an improvement, while the Gravity indicator rate remained stable.

In 2014 the absence rate in the Group companies, as to say the ratio between the hours of leave from the workplace and the working hours, was 3.98% due to sickness leave[3] and 0.32% due to injuries[4].

[3] Rate of sick leave: sickness leave hours/contracted working hours.
[4] Rate of accidents: accidents hours/contracted working hours.

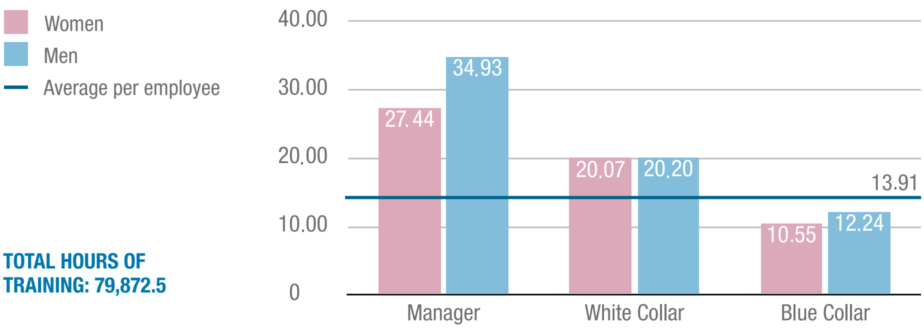
PREVENTION CAMPAIGNS

In order to raise employees awareness on health and safety matters, every year Sofidel organizes major prevention campaigns.
Here the most important of 2014:
- In Delipapier Frouard the awareness campaign to spread the culture of blood donation continues;
- In Delipapier Buxeuil during the internal committees on health and safety we started, with the collaboration of the occupational doctor, a campaign on psycho- social risks;
- In Ibertissue the awareness campaign for the use of ear protections was fostered;
- In Intertissue and Sofidel Benelux Safety Tours or Safety Talks are led periodically, involving part of the plant in order to make employees aware of health and safety matters.

3.4 TRAINING AND DEVELOPMENT

Every year Sofidel draws up a broad-spectrum Training Plan aimed at the development of technical and management skills of employees.
In 2014 the hours of training provided were 79,872.5; the average hours provided for each company level were 34.93 for male managers and 27,44 for female managers, 20.20 for male employees and 20.07 for female employees, 12.24 for male blue collars and 10.55 for female blue collars.
An average of 13.91 hours of training per employee was provided.
The main topics of interest, besides health and safety in the workplace, were the best practices in the operating area in terms of technical and production improvements and new machinery introduction, English language learning and implementation and maintenance of management systems.
The spreading of the Leaning Management in the production field philosophy keeps having great relevance. With regard to this project, the triennial plan, originated from the pilot projects of 2012 launched in the Italian converting, led to the implementation of the model on a European level. The aim of the project is to create KPIs in order to measure the processes evenly and to structure improvement actions focused on the priority losses by cost, through scheduled working plans aiming at developing people professionalism and competencies, using the tools according to the Lean Thinking streamlining principles.
Skills development is made possible through the field training of Sofidel's technical figures that will become responsible for the training of the workers, who in turn will autonomously apply the Lean methods.
The final aim is to transfer the culture of achievement through consolidated methods to people working in the production plants. Sofidel selected as teachers, besides external qualified training professionals, specifically skilled internal employees too, providing a total amount of 8,599.5 hours of training, equal to 40.94% of the total amount. The investments in training amount to 1,944,332.34 Euro.
Regarding the human resources development, in 2014 three employees from the Italian companies of the Sofidel Group were rewarded with the "Stelle al merito del lavoro" ("Order of Merit for Labor") award, bestowed upon them by the Italian President of the Republic for their hard work and commitment to their job shown during 25 years of uninterrupted work activity.

Average hours of training by gender and role

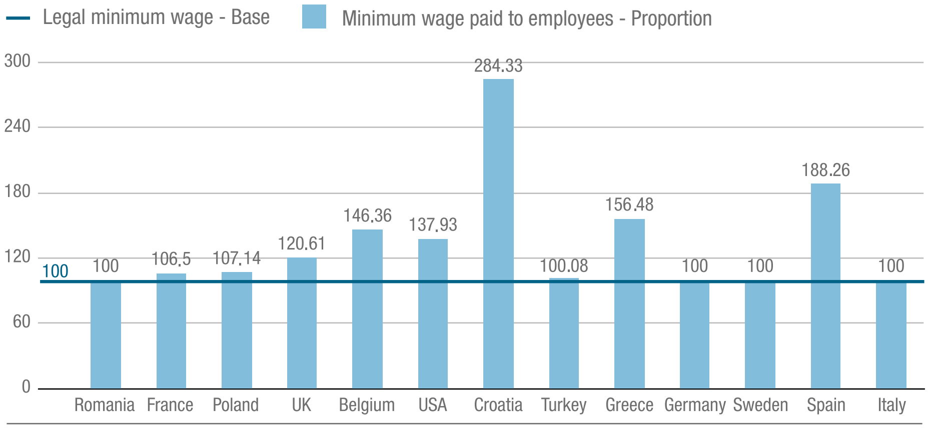


SPREADING THE CULTURE OF HEALTH AND SAFETY

Every year training programmes on health and safety matters are organized in all the Sofidel Group companies. In the various plants each different working category is provided with training on work risks and prevention measures,and in addition a on-the job training is provided for each specific role.
In every plant of the Group a systematic planning of training activity is in progress, in order to make it more widespread and effective.
In 2014, 26,826.5 hours of training focused only on health and safety issues were provided.
The main topics discussed during the training courses were, for both newly hired and long-time employees: use and handling of working equipment, emergencies and fires management, first aid and risks analysis.

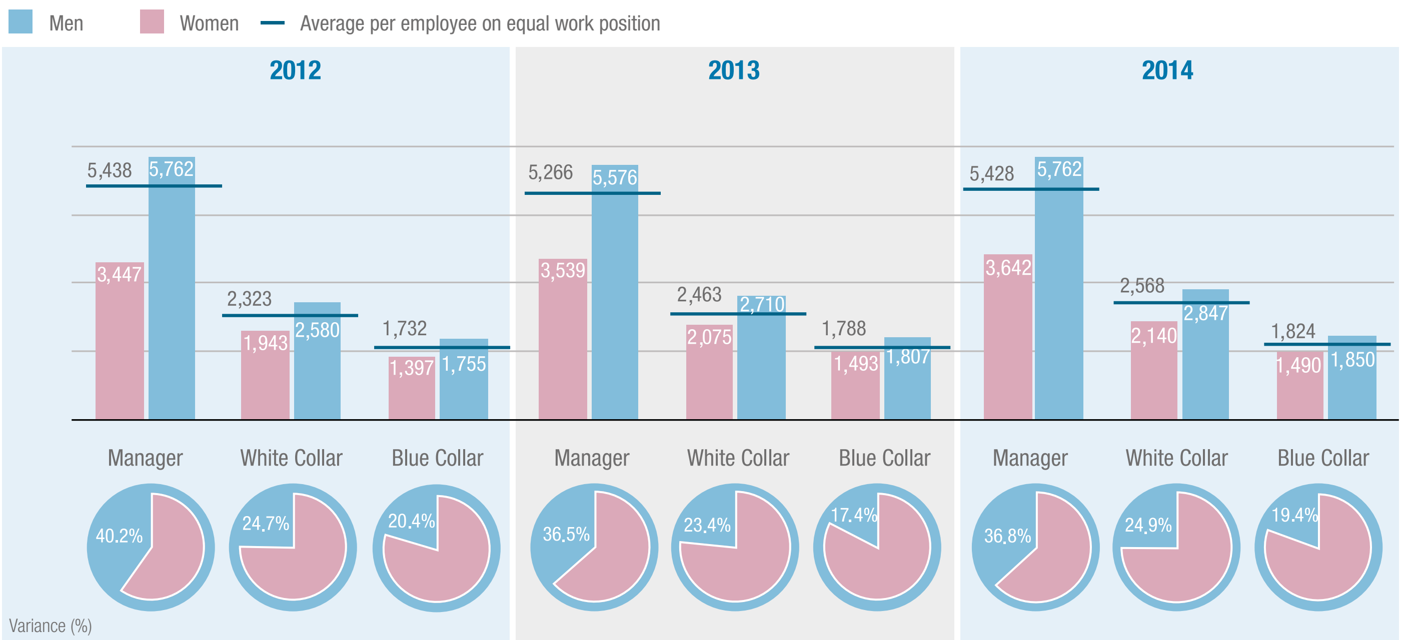
3.5 REMUNERATION AND INCENTIVE SYSTEMS

Minimum wage by country



The Sofidel Group, coherently with its principles determines its employees wage in accordance with the legal standards and guaranteeing compliance with equity and transparency criteria.
Analysis of the countries in which the Group is present, shows how the minimum wage system, were applicable, is fully guaranteed. Moreover, almost all the Group companies have developed performance evaluation programs for each employee belonging to the so-called "rewarding-system". This consists basically of an interview based on a questionnaire considering the strategic aspects of the work performance. In particular, the qualitative evaluation is carried out through ongoing measurement: individual commitment; expertise/professionalism; problem solving; quality; teamwork; communication/relationship skills; spirit of initiative; capability to delegate, control and develop collaborators. The behavioral approach has indeed proven to be very effective in creating a connection between the company strategy and the necessary conducts to implement it. Evaluation allows employees to regularly monitor their own performance, to check their progresses and make any useful change to improve it. Many companies of the Group have implemented rewarding systems based on specific and measurable, achievable and shared objectives, in order to make the employees able to influence them through their conduct. Verifying the objectives' achievement is responsibility of the managers of the different company departments and it may include sustainability performances, such as CO_2 emissions reduction and energy and water consumption. In 2014, 71.68% of the Group companies employees received salary increases and 43.48% was rewarded with prizes and bonuses. There was no distinction between full-time and part-time employees in granting the benefits.
The data shows that, although the Group complies with compensation and skills development policies and regulations based on equity and equal treatment of women and man, generally speaking women hold less responsibility roles in the companies and consequently receive lower wages than the men. In order to improve the current situation and to confirm its commitment to this matter, Sofidel Group has set regulations about flexible working hours and subscribed to the Equal Opportunities Charter in the workplace, promoted by Sodalitas Foundation.

Ratio between male/female wages on equal work position



Project HAY

During 2014, the Sofidel Group's Human Resources Management has carried on the project HAY with the purpose of defining its position regarding remuneration compared to the market, both in Italy and abroad.

The working relationship with Sofidel stands out also due the number of institutes and initiatives for employees.
For employees working in Italy, France, UK, Germany and the United States, for example, supplementary pension schemes are in place, which operate through the implementation of special pension funds where employees of the companies have the opportunity to contribute with different participation percentages.
The percentage varies according to what is established by the individual company dispositions.
Moreover, in Italy a special Solidarity Fund is active, sponsored by the CRAL Italy, which aims to give support to all those who find themselves in situations of serious need.

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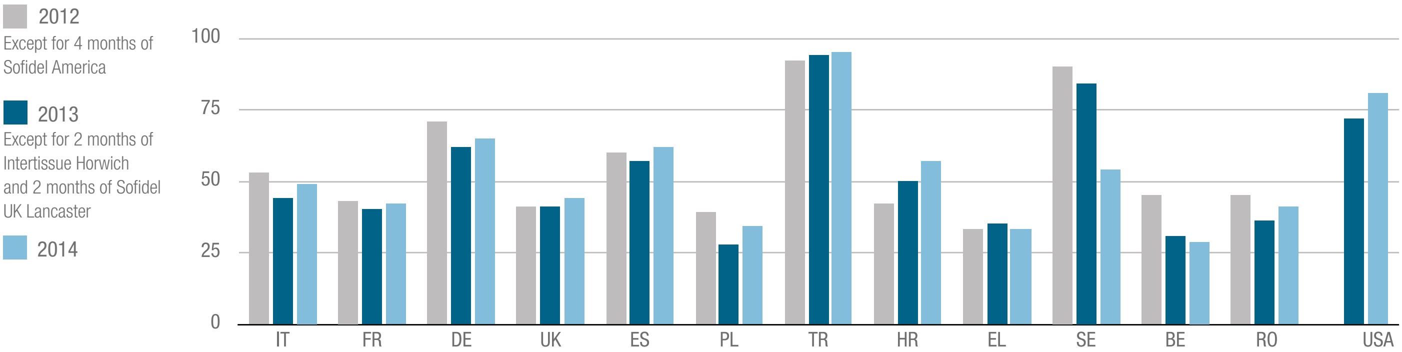
8 THE COMMUNITY

1.1. Projects in favor of local Communities

Impacts

The first and most important action Sofidel carries out in favor of local communities is to pay maximum attention to the production activities in the areas where it operates and from which it procures goods and services. Finding locally a part of the production factors necessary to the manufacturing process, means contributing to the local communities development and to CO2 and other emission reductions related to transport. Sofidel suppliers are mainly located in Europe. In 2014, Sofidel purchased an average of 53% of goods and services from local suppliers in the countries where it operates (in 2013, 52%; in 2012, 54%).

Concentration of purchases from local suppliers* by area



*By "locals" we mean suppliers located on the same National territory as the Sofidel Group plant.

In line with its sustainable approach, the Sofidel Group makes many efforts in preserving environmental resources and raising life quality level of the local communities, through interventions aimed at reducing the negative impacts generated by its activities. To this end, policies for the reduction of climate-change gas emissions, water consumption and responsible raw material sourcing have essential importance and Sofidel pursues them through partnerships with non-profit organizations. For further information on this topics please refer to the following paragraphs.

Commitment towards the communities

Sofidel outlined specific guidelines for the Group companies to regulate investments in the local communities. In particular, great attention was paid to team sports for teenagers and to health and environmental topics.

Social commitment of Sofidel Group (€)	2014	2013	2012
Charitable donations			
Giuseppe Lazzareschi Foundation	66,200	41,800	50,000
Telethon Foundation	160,000	150,000	110,000
Global Compact Network Italy Foundation	5,000	5,000	-
Sodalitas Foundation	7,500	7,500	7,500
WWF Italy	181,000	110,000	110,000
Celsius and school contribution	12,500	7,500	22,500
Sponsorships	470,885.96	367,880.45	429,652.36

Among the most significant sponsorships of the Group in 2014, it is to be mentioned the support for the SASP Nancy Lorraine sport club, which is located in the city where the French company Delipapier has its legal head office; the contribution to the Libertas 1905 sport club in Lucca; the contribution to the Italian Alpine Club and to the New York Marathon.

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9 THE ENVIRONMENTAL DIMENSION

1. Environmental Resources

The Report boundaries of this report include the US and European plants as well as Sofidel Kagit (TR) plant throughout the year 2014. Data related to 2012 and 2013 may differ slightly from those published in previous financial reports, as a result from consolidation of data that became available after the publication of the previous Reports.

The production process of the Sofidel Group, which produces and markets tissue paper, inevitably generates environmental impacts related to the product creation phases: from the tissue manufacturing phase to its processing, and to the finished product.

In terms of environmental sustainability, the materiality analysis we previously referred to is clear and confirms that the direction taken over the last years is the right one, shared by the main stakeholders interested in Sofidel's activities.

Therefore, **the reduction of green house gas emissions, the respect of forest resources and energy and the reduction of water consumption** are the pillars on which Sofidel bases its actions to enhance the environmental sustainability of its production processes.

The year 2014 for Sofidel has been full of activities and investments towards its own environmental sustainability policies.

At the end of 2014 Sofidel and WWF International reached an agreement for the renewal of their collaboration in the Climate Savers project, establishing emission reduction targets which cover the whole Group's production capacity, and defining new performance indicators. The new agreement is an important step forward and the renewal of commitment to a leading environmental organization.

The activities that Sofidel planned and implemented up to this date for the mitigation of impacts on climate, belong both among those considered helpful for increasing the competitiveness of the company and its products, and among those favorable for reducing the risks arising from the consequences of global warming.

An important message of transparency and reliability in managing the risks related to global warming has been launched by Sofidel back in 2013 with the subscription to the Carbon Disclosure Project (CDP), the most well-known and influential rating system in this field.

Not only has Sofidel continued to stand out as the one Italian company not listed in the stock exchange to participate in the project, but it has also improved last year's excellent performance, reaching a score of 88B, well above the Italian average of 71B.

In addition to the Climate Change questionnaire, in 2014 Sofidel also participated in the CDP Global Forests Report 2014 "Deforestation-free supply chains: from commitments to action". For further details, please look at the section "Forest Resource Protection" (page 63).

In terms of product communication related to environmental sustainability topics, the new emerging trend shows the introduction of a tool called LCA (Life Cycle Assessment) as one of the options that will gain in the future more and more importance. For this reason, Sofidel decided to be part of the pilot project of the European Commission on the development of the product rules for the paper industry, within the framework of the EU instrument called PEF (Product Environmental Footprint). In this project Sofidel applied to become part of the "Drafting Group", as to say the inner group of companies contributing to the writing of the PEFCR (Product Environmental Footprint Category Rules).

As for legislative compliance, in September 2014 the European Commission issued the Best Available Techniques Conclusions, defining the best applicable technologies for the paper industry and its emission levels, which will become the permit conditions and for paper mills operational activities. This document describes the state of the art of technologies applicable to our industry, and Sofidel has participated by providing information, data and assistance.

Following the publication of the Best Available Techniques Conclusions, in the coming years we will see a thick administrative activity of permits renewal and adjustments of the operating conditions of the Group's plants.

ENVIRONMENTAL INVESTMENTS

The year 2014 has seen the beginning and the end of many projects that will contribute significantly to reduce the environmental impact of Sofidel's activities. In France, at the Delipapier Frouard plant the biomass boiler has been activated. Accounting for 6.5 million Euro of expenses, the plant began producing steam from renewable sources in June and will allow a reduction in carbon dioxide emissions of 13,500 tons per year.

In the Sofidel America plant, located in Haines City (Florida), a cogeneration plant fueled by methane has been built and started, which provides steam and electricity with a reduction in CO_2 emissions of about 8,000 tons per year. The investment for the infrastructure has been over 7 million Euro.

As for water conservation, in autumn 2014 the first "Water Reuse" plant ever built in the Sofidel Group has been launched; for details refer to the paragraph "The Protection of Water Resources" (page 62).

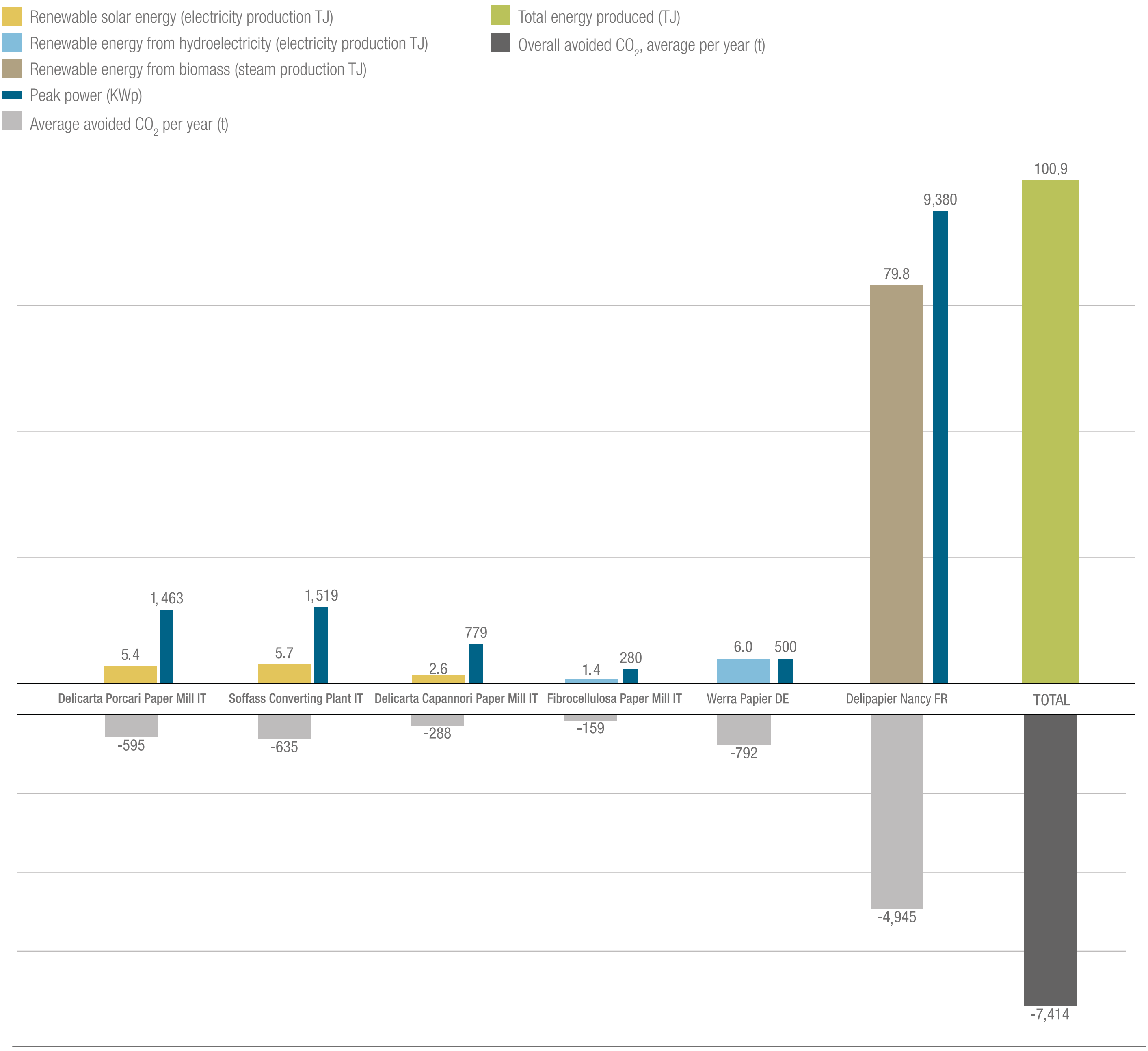
Regarding water, Intertissue (UK) started a plant for the recovery of the rainwater from the roof of the buildings. Such a solution will allow to avoid water withdrawal from more valuable sources, up to 80,000 m^3 per year. The investment was of about 0.3 million Euro and uses a 82,000 square meters area.

During 2014 some other major investments were planned, that will reveal their positive contributions in the coming years. In the Delicarta Val Fegana plant (Lucca) an investment of 0.82 million Euros was approved for the realization of a biological activated sludge treatment plant that will enable further improvement in wastewater quality. In the same production unit Sofidel is installing a cogeneration system of 1.5 MW, capable of providing the plant with the totality of electric power and part of the process steam. A similar installation is being planned in Delicarta Monfalcone plant (Gorizia), but with an electric power of 3.2 MW. Also in this case, thanks to this system the mill will become autonomous from an electric supply point of view, with the production of a useful heat rate. Generally speaking all the Group plants are committed to several energy efficiency improvement actions, that individually have a smaller economic impact than those mentioned above, but have positive feedback on consumption and CO_2 emissions:

- the use of low energy LED lights (0.2 million Euros in the new plant in Ingrandes, France)
- energy recovery interventions aimed at exploiting the wasted heat from the production cycle (0.9 million Euros in Delicarta Valdotavo, Italy)
- interventions to increase energy efficiency, such as substitutions of engine drivers, boilers optimization and others actions for a total investment of 2.18 million Euro in different plants.

Aside from investments in energy efficiency, Sofidel in the past years invested in renewable energy, in particular biomass, hydroelectricity and solar power, currently reaching an overall annual production of approximately 101TJ of renewable energy.

Self-production of energy from renewable sources



1.1 GREEN HOUSE GAS EMISSIONS MANAGEMENT

Sofidel has always been committed to fighting climate change and actively contributing to the reduction of greenhouse gas emissions, as confirmed by the number of investments mentioned in the previous paragraph. Among the initiatives related to climate change, the programme started in partnership with WWF International is a strongly distinctive one, called Climate Savers.
Climate Savers is a global platform created by WWF International in order to involve its industrial partners in climate and energy issues. WWF asks, to the companies that have joined the programme, to use the best available technologies to reduce energy consumption, in order to reach the goals set and be an active part of the programme by influencing the market and the stakeholders.

THE NEW CLIMATE SAVERS AGREEMENT

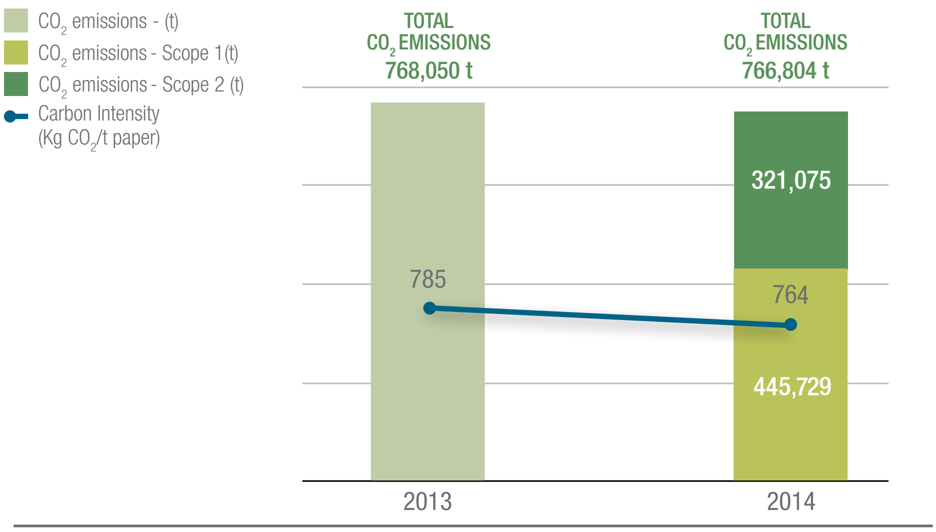
Sofidel Group remarks its environmental commitment by renewing the agreement with WWF in the International programme Climate Savers, based on the voluntary delineation of a significant carbon dioxide emissions reduction plan, achievable through the use of innovative strategies and technologies. Sofidel is the only Italian company and so far the only company in the tissue industry worldwide (paper for sanitary and domestic use) to have joined the program, and between 2008 and 2013 it has already reduced its overall emissions of 11.1% (186,000 tons of CO_2 per year), investing over 25 million Euros.
During the same years, also thanks to the new acquisitions in Europe and America, the production capacity of the Group grew of about 50%.
Sofidel and WWF carry on their work on climate and energy issues, and, given the important changes occurred in the company from the beginning of the partnership in 2008, they define and widen new emission reductions goals, updating them in order to fit the new reality of the company.
The new set of objectives includes:

- the reduction of specific direct and indirect emissions
- an increase in the use of renewable energies
- ‘agent of change’ actions, as to say having an active role in promoting low carbon economy issues, in order to raise the stakeholders awareness.

More specifically, Sofidel commits to reduce, by 2020, direct green house gas emissions of 23% per each ton of paper produced, compared to the 2009 levels.
The reduction goal will be achieved through an investment plan aimed at increasing the processes’ energy efficiency, the combined production of electric power and steam, and at the use of renewable energy.
It is foreseen that by 2020 the energy supply coming from renewable sources will be able to cover about 8% of the fuel requirements of the plants operating to date.
Furthermore, Sofidel has not only analyze the greenhouse gas emissions directly generated by its activities, but has also determined ways to reduce the emissions caused by third parties along its value chain.
By 2020, through the definition of an action plan considering the involvement of many stakeholders, greenhouse gas emissions generated by the fibrous raw material production and packaging activities (both plastic, paper and cardboard packaging), plus those connected with the raw material and finished product transportation, will be reduced of 13% per each ton of produced paper, compared to the levels of 2010.
An all-round commitment, in full compliance with a continuous improvement path that will be upgraded over time, by constantly monitoring technological development and involving more and more suppliers and customers in a combined effort against climate change.
Moreover, Sofidel, in cooperation with WWF, will testify during National and International meetings dedicated to climate and sustainability challenges aiming at raising opinion makers and policy makers awareness. Combined awareness and environmental education activities addressed to employees and the general public will also keep on being carried on.
Finally, by the end of 2015, Sofidel will take part to the initiatives related to the Conference of the Parties on Climate, in Paris, where the world leaders are called to discuss and finalize a fair and effective global agreement on climate.

While 2013 was for the Group a year of planning about environmental impact reduction, 2014 has been the year of consolidation of the results obtained.
The commitment of the Group to the reduction of the specific consumption in the last year brought to an actual 3% less compared to 2013.
2014 results were calculated, as for the emissions related to the purchase of electricity (scope 2), by applying the average national emission coefficients for the period 2010-2012, while 2013 data were calculated by applying the average factors for the years 2009-2011[5].
Direct emissions due to combustion in the production plants (scope 1) are computed in accordance with the Emission Trading regulation, regulating CO_2 emissions in Europe in different industrial branches.
As for the indirect emissions that are not directly controllable by Sofidel, but are caused by the Group activities (scope 3), we could report the most significant components for 2014.
We considered the emissions due to the distribution of both semi-finished and finished products amounting to112.426 tons CO_2 and corresponding to 123 kg CO_2/t_{paper}[6].

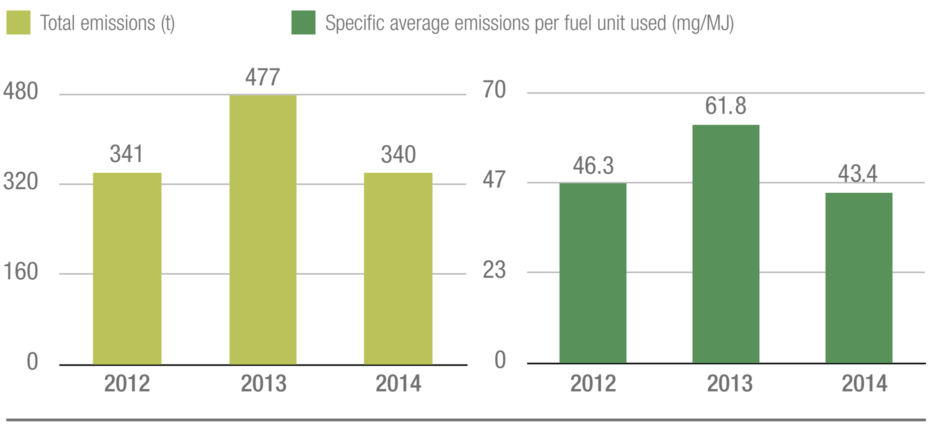
CO_2 Emissions Scope 1 and 2



OTHER AIR EMISSIONS

Besides CO_2, other significant emissions deriving from the production activity are the nitrogen oxide emissions (NOx).
The NOx calculation is made usually through measurements taking place in the chimneys, following the methods required by the current regulations in each country; otherwise, it is carried out through evaluations starting from the consumption of fossil fuel and the related emission coefficients.
The specific data in the diagram refer to fuel consumption generating the emission (methane).
Nitrogen oxide emissions returned to 2012 levels. The performances of some of the Group plants (Delipapier Roanne, Sofidel Benelux, Intertissue, Sofidel UK Hamilton, Sofidel UK Lancaster, Sofidel America (Haines City) have been measured using the NAEI 2012 emissions indicator for the production of energy for natural gas, not being subject to the measurement obligation for NOx emissions for all the existing sources.
Other greenhouse effect gases or dangerous for the ozone layer, such as chlorofluorocarbons, are irrelevant to the typical activities of the Group and are emitted in negligible quantities.

Nitrogen oxide emissions (NOx) total and specific of the Sofidel Group's plants



ENERGY SUPPLY

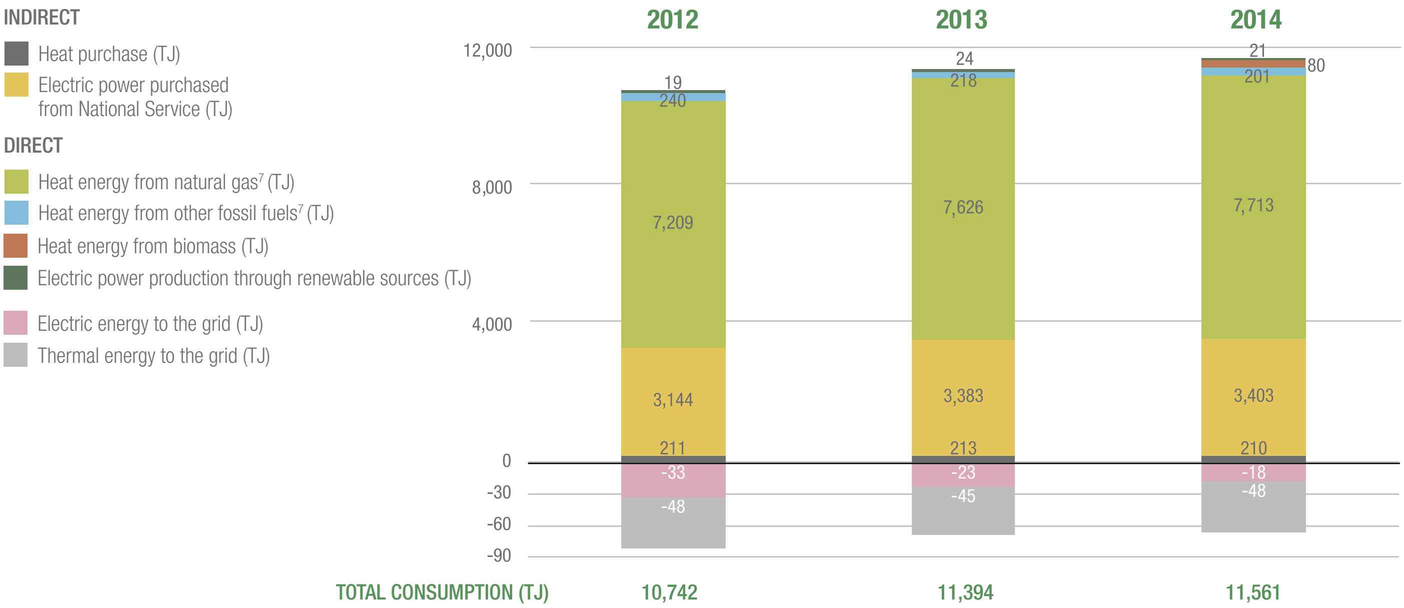
Sofidel participated in many initiatives aimed at limiting energy waste. The Italian companies of the Group purchased energy and gas through the Consorzio Toscana Energia (Tuscany Energy Consortium) and joined the Energy Intermittency service and the Interconnector. Our three Italian companies, similarly to what happened in Germany, achieved the qualification of "energy-consuming companies" from the Cassa Conguaglio per il Settore Elettrico (Electricity Sector Compensation Fund) and will benefit from a refund of the taxes paid for the promotion of renewable energies. And still: during 2013 Sofidel made 6 applications to obtain certifications of energy efficiency, related to the 6 investments in efficiency raising made by Soffass Spa and Delicarta S.p.a. starting from 2007. These applications were fully approved by the authorities and during 2014 our Italian companies achieved more than 40,000 energy efficiency certifications.

[5] International Energy Agency, "Statistics 2014 Edition – CO_2 Emissions from Fuel Combustion".
[6] The emissions data used were given by DEFRA "2008 Guideline to DEFRA's GHG conversion Factors: Methodology paper for transport emission factors". The configuration used for the calculation includes full-load outward trip and unloaded return trip.

In Germany, energy purchases were made through specialized operators, and German plants benefited from the reduction of the EEG tax (tax on renewable energy) in 2014 and from deductions of transport costs and taxes on electric power and gas.
In the UK energy purchases were made through traders operating on the free market, while in France and Belgium a pan-European single-contract was signed, which allows the virtual sharing of gas between Delipapier Nancy, Delipapier Roanne and Sofidel Benelux, reducing the risk of extra expenses related to the fulfillment or non-achievement of the annual contractual capacity. Moreover, also in 2014 the French plants benefited of a tax reduction on electric power expenses (CSPE), gaining an almost total refund.

ENERGY ANALYSIS OF SOFIDEL GROUP

Breakdown of energy resources consumed by the Sofidel Group



The total consumption of production plants in the two-year period 2013-2014 is constant (+0,1%), but, considering the production increase of 2014 compared to 2013, specific energy consumption shifted from the 11.61GJ/t_{paper} of 2013 to 11.49GJ/t_{paper}, with a reduction of 1%.
In order to further optimize energy consumption, the Group started in 6 plants a certification procedure according to ISO50001 (Delicarta Porcari Paper Mill, Soffass Paper Mill, Delicarta Valdottavo, Delicarta Val Fegana, Delicarta Monfalcone, Sofidel Benelux).
For a transparent approach, Sofidel analyzed the energy consumption of those upstream and downstream stages of the Group's activities which provide the greatest impacts.

		Energy consumption (TJ)
Stages of the production cycle upstream of Sofidel's production process	Energy consumed to manufacture the purchased cellulose (TJ)[8]	21,323
Stages of the production cycle downstream of Sofidel's production process	Fuel consumed to transport the semi-finished product (TJ)[9]	379
	Fuel consumed to transport the finished product (TJ)[9]	1,750

[7] Energy measured through P.C.I.

[8] Data obtained using the most updated assessment questionnaires filled by the same suppliers (97% of the total amount, the remaining 3% was extracted using an average of the owned data).

[9] Consumption coefficients obtained by the GHG Protocol - Mobile Guide v.1.3 (21/03/2005). Both outward and return trips were considered.

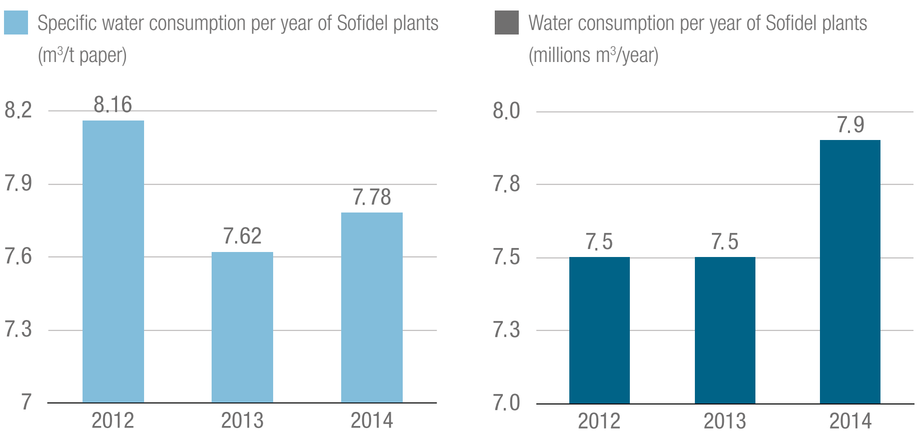
1.2 THE PROTECTION OF WATER RESOURCES

Many signals are warning us today about a growing water emergency in some of the world regions, including Europe.
European water resources are fading more and more due to water shortage in densely populated areas, deterioration of basins quality, events caused by climate change or by the need of extending plantations in order to satisfy the food farming sector's needs.

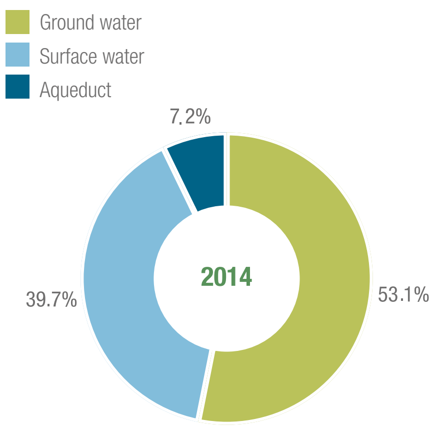
One of the measures that the European Commission considers strategic for reducing the effects of the growing water demand is to re-use the wastewaters. Wastewater can be used indeed for both agriculture and industry.
By following this path, Sofidel wanted to install a water recovering system in one of its most important plants, the Paper Mill in Lucca. This system was installed in Delicarta Porcari (Italy) and is able to clean the plant's wastewaters and allow their use for the industrial activities through three processes: biological active mud, ultrafiltration and inverse osmosis. We estimate to reduce the pressure on the water basin, avoiding the withdrawal of 300,000 mc per year. The investment magnitude was over 3 Million Euro. During 2014 many infrastructure and management changes were carried out, some of which very effective: the Greek plant Papyros reduced further its consumptions by 18% during 2014, confirming the reduction trend of the previous year, while the Werra–Omega plant reached a 13% decrease.
With regards to overall reductions, Comceh reduced its consumption by over 35.000mc and other plants, such as Delipapier GmbH, Sofidel Benelux, Delipapier Roanne, Delicarta Valdottavo, and Intertissue, recorded great overall reductions, around 20,000 mc per year.

The water consumption of the Group in 2014 was equal to a little less than 7.9 Million mc.

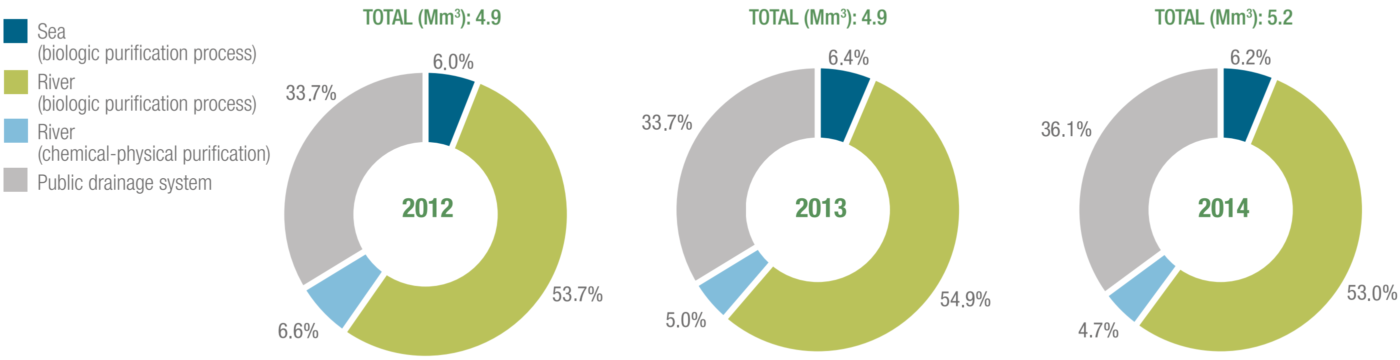
Water consumption of the Sofidel Group



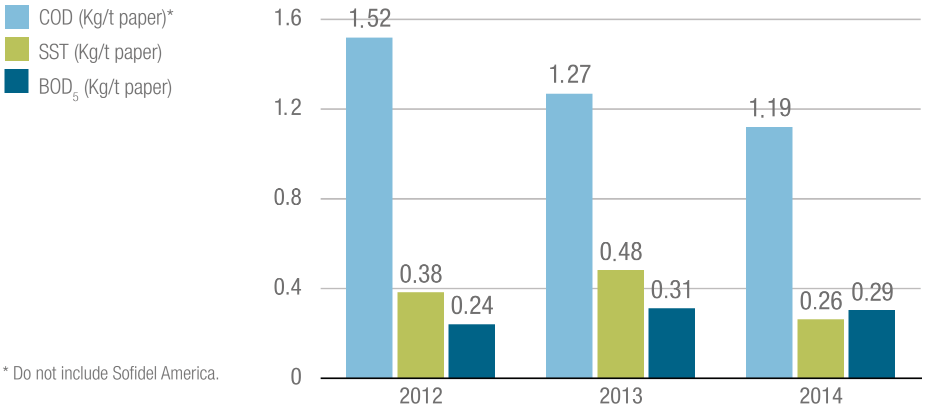
Water supply sources in 2014



Total amount of water discharged, destination and treatment of wastewaters



Specific polluting substances emission in water



* Do not include Sofidel America.

Generally speaking, the qualitative trend of emissions in water stays on excellent levels, thanks to the many existing biological purification plants and to a new one that will be activated during 2015 in the Delicarta Val Fegana plant.

1.3 THE PROTECTION OF FOREST RESOURCES

Sofidel carefully considers its supply of fibrous raw material and monitors its suppliers through an analytic questionnaire related to the performance of the plants producing paper pulp, and to the source of the wood used to extract cellulose.

In any case each purchase of cellulose is carried out respecting Sofidel's own fibrous supply policy:

The prevalence of raw material made of virgin cellulose and the awareness regarding the role forests play in the global environment protection and in keeping and enriching biodiversity, drove the Sofidel Group to implement a specific supply policy for fibrous raw material, structured as follows:

1. Sofidel condemns illegal cutting, the transformation of forests into plantations and takes every effort to make its suppliers able to prove the source of the wood used to produce cellulose.
2. Sofidel commits to verify, as much as possible, the presence of social conflicts in the sourcing areas of wood, avoiding the purchase in such areas, or in protected areas, or from genetically modified organisms.
3. Sofidel believes in forests sustainability management systems, which are certified, believable and based on the evaluation of independent third person authorities.
4. Sofidel encourages its suppliers to certify the source of their forest resources and prefers those suppliers that display good forestry management certificates.

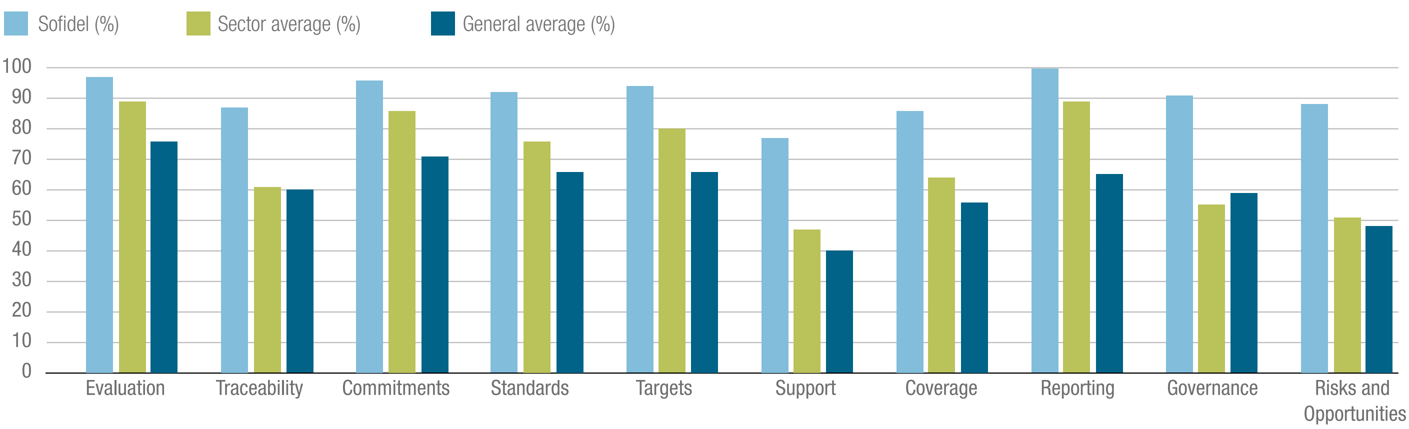
During 2014 Sofidel purchased 932,808 ADMT (air dry metric tons) of virgin fiber (used entirely for the activities of the Group) and confirmed its commitment to the responsible provision of raw material, purchasing 99.7% of certified material through an internationally approved forest protection system. Sofidel also keeps selecting geographical areas which assure legal compliance and sustainability: the prevalence of European material (56%) confirms this approach.

A further step forward in the commitment to a sustainable development and transparent information disclosure was taken in June2014, by joining the CDP Forests Report: "Deforestation-free supply chains: from commitments to action".

After the first evaluations of the company performances, Sofidel scored an 89.70%, a result placing it over the sector's average.

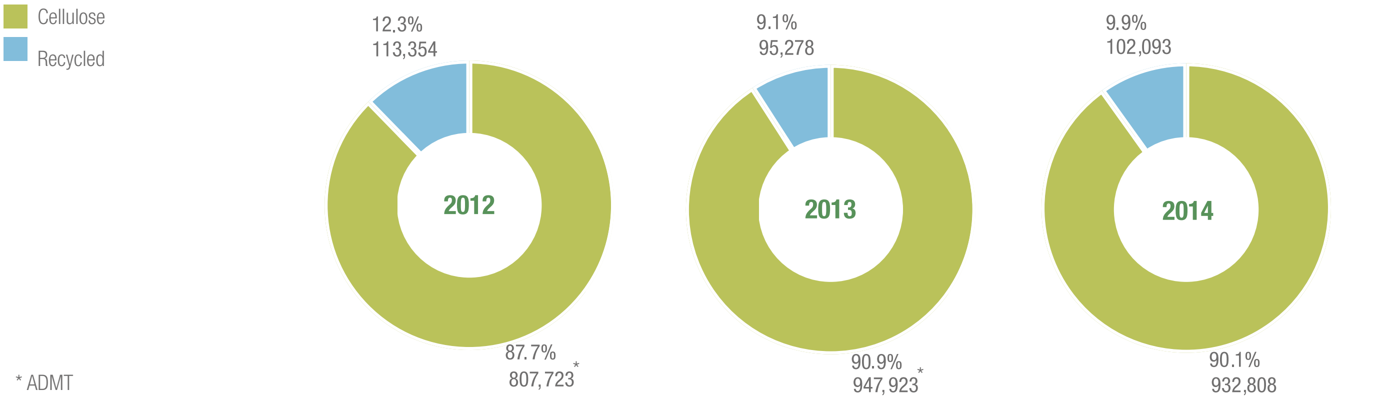
This proves that Sofidel is fully aware of the importance of forests in environment and biodiversity protection.

Evaluation of Sofidel S.p.a. performances by CDP Forest Report

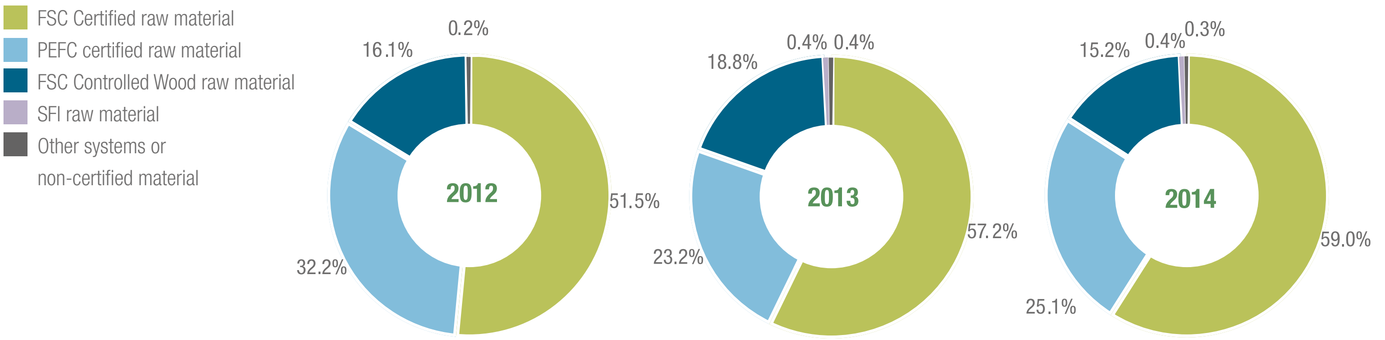


CDP Forests program was launched in 2009. 240 investors refer to CDP Global Forests Report 2014, accounting for 15,000 billion dollars in managed assets and collected data from 162 of the most important companies worldwide. As for commercial use of FSC® forest quality brands (Forest Stewardship Council) and PEFC® (Program for Endorsement of Forest Certification), during 2014 other plants joined the list of those certified according to these forest chain of custody standards, namely the THP and Werra plants, which today are able to produce and sell tissue products with the FSC® brand. These new certifications will allow greater production flexibility and the opportunity for a more efficient response to the demands of customers and consumers, which are asking for products offering higher guarantees towards forest sustainability.

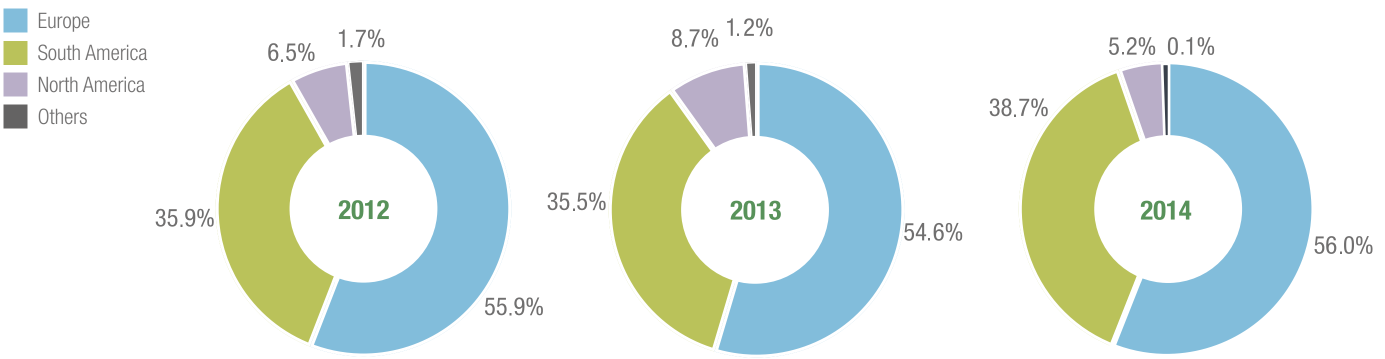
Breakdown of purchased virgin and recycled fibrous raw material



Breakdown of virgin fibrous raw material purchased by the Sofidel Group following the forest certification system



Countries of origin of purchased virgin cellulose



Other raw materials

Other raw materials used in significant quantities in 2014 are:

- tissue paper reels purchased outside of the Group's boundaries (37.296 tons);
- plastic packaging(22,797 tons);
- paper packaging(68,255 tons);
- chemical additives (34,785 tons);
- lubricating oils (391 tons).

Thus, in 2014, the contribution of recycled raw material was 170,348 tons, accounting for 14% of the total[10], while the overall amount of raw material obtained from renewable sources was 1,140,452 tons, equal to 95% of the total.

Biodiversity

The Sofidel Group has performed an analysis regarding the surface area of its production sites located in close proximity to areas with high naturalistic value, with the purpose of assessing the impacts of its activities on biodiversity. The analysis results show that a total area of about 2 million m^2 is occupied by plants located at a distance of less than 3 km from areas defined by SIC and ZP Dir. 92/43/EEC and 2009/147/EC. Such sites, during 2014, have not significantly impacted both biodiversity and habitats, being ISO 14001 certified paper mills, except for the Delipapier Roanne plant, which nonetheless complies with the legally prescribed emission limits.

Plant	Surface [ha]	Distance (km)	Name of the area	Class. Area
Delicarta Monfalcone	6.8	0.12	Karst area of Venezia Giulia	IT3341002
Delicarta Porcari Converting	28.4	2.00	Former bed of the Bientina lake	IT5120101
Delicarta Porcari Paper Mill		2.40	Former bed of the Bientina lake	IT5120101
Swedish Tissue	19.2	0.12	Föllingsö	SE0230355
Soffass Converting	14	2.10	Former bed of the Bientina lake	IT5120101
Delipapier Roanne	28.1	0.60	Milieux alluviaux et aquatiques de la Loire	FR8201765
Delipapier GmbH	30.1	0.65	Elbaue Jerichow[11]	DE3437401
Sofidel Benelux	4.5	0.90	Historischefortengordelsv an Antwerpen alsvleermuizenhabitat	BE2100045
Intertissue	31	1.85	Crymlynbog/Cors Crymlyn[11]	UK0012885
Sofidel UK (Lancaster)	2.1	3	Morecambe Bay[11]	UK0013027
Ibertissue	30.0	2.70	Río Ebro	ES2200040

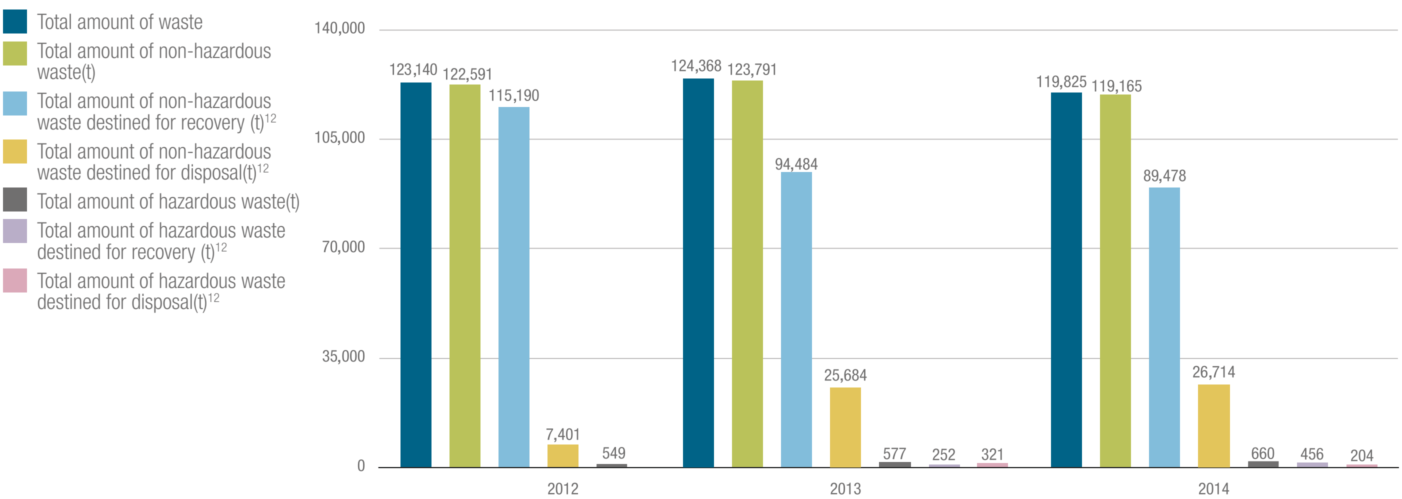
Also the effect of water withdrawal from surface sources has previously been analyzed: compared to the average flow of the river, a withdrawal of 0.6% has been assessed in the case of Werra, and below 0.01% for the other plants that draw water from surface sources.

1.4 WASTE MANAGEMENT

The kind of waste most commonly generated by the paper industry is sludge, created through the production process that uses paper mache as a raw material. This kind of waste is normally re-used in other recovery processes, such as bricks manufacture or the restoration of environmental areas affected by mining activities. Hazardous waste, which is generated by the routine operation of industrial plants, includes neon tube lights, waste oil, lead-acid batteries, etc. At each Sofidel Group's plant, waste management follows specific procedures designed to increase the division of materials by similar categories and to promote its consignment to recovery sites.

Operators involved in transporting or brokering waste are subjected to frequent controls to verify their work, both at plants and outside. Thanks to these monitoring efforts, during 2014 no significant pollutant spills occurred on land or in water bodies. Sofidel does not perform cross-border shipments of waste.

Waste generated by the Sofidel Group



Cost associated with waste treatment in 2014 account for 9,6 M €.

[10] The total is calculated on consumption of listed materials, plus the total fiber (virgin and recycled) purchased.

[11] Ramsar Wetlands listed area.

[12] Not including Sofidel America.

1.5 ECOLOGICAL PRODUCTS

Since several years, respect of resources and environmental sustainability are the main characteristics required from retailer and consumers. The satisfaction of such customer requirements has been achieved thanks to the technical characteristics of the plants, a careful selection of the raw material used and a rigorous quality control. This expertise, gained through years of activity, has allowed Sofidel to guarantee high ecological standards for its products, guaranteed by many third parties certifications such as FSC (Forest Stewardship Council), PEFC (Programme for the Endorsement of Forest Certification), European Ecolabel, the Swan Label, Blaue Engel.
This commitment has alloweds some of the Group's plants to reach in 2014 a production near to 100% of products with at least one ecolabel.
The commitment towards the achievement and dissemination of the best sustainability standards is at full blast, and in 2014 THP and Werra have obtained the FSC chain of custody, bringing the number of FSC certified plants up to 22.
In 2014 the total of products made with ecolabels is approximately 312,000 tons.

1.6 ENVIRONMENTAL MANAGEMENT

Environmental targets were achieved through the implementation of an increasingly widespread management structure, specialized in managing all environmental issues. Each plant has an internal structure involved in the management of regulatory compliance, training and awareness of all the figures related to the environmental issues and the management of daily activities. Certified Plants with an ISO 14001 environmental management system are 18.
Delicarta Porcari Paper Mill holds an EMAS registration.
The holding unit cooperates with each of these realities by promoting the flow of information and know-how within the Group and by taking charge of the Group's environmental risks management.
Maintaining the existing organization has requested in 2014 an operating cost of about 820,000 Euros.
Consulting, environmental certifications and emissions control have accounted approximately for 353,000 Euro.
During 2014 1,660 hours of training were provided.
No significant fines for non-compliance with laws and regulations concerning environmental issues have been imposed to Sofidel in 2014.

1.7 SOFIDEL GROUP PLANTS' ENVIRONMENTAL MANAGEMENT STATISTICS

Integrated plant | Paper Mill | Converting plant

Plant	Country	Water consumption [m³]	Fossil fuel consumption [TJ]	Energy from Biomass [TJ]	Electricity consumption [TJ]	*Of which brought from the National Grid [TJ]*	*Of which self-produced through cogeneration [TJ]*	*Of which self-produced from renewable sources [TJ]*	Electricity sold to the grid [TJ]	Heat purchased from third parties [TJ]	Heat sold to third parties[TJ]	Emission of COD [t]	Emission of BOD5 [t]	Emission of suspended solids [t]	Emission of nitrogen [t]	Emission of phosphorus [t]	NOx Emission [t]	CO_2 emissions Scope 1 [t]	Total waste disposed [t]
Delicarta Porcari	IT	643,800	1,259	0	404	160	238	5	0	0	0	98.6	25.1	22.1	4.8	1.7	104.8	70,092	1,553
Delicarta Tassignano	IT	8,213	3	0	25	23	0	3	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	187	912
Soffass Paper Mill	IT	358,043	686	0	246	118	128	0	0	0	0	74.8	49.8	15.4	3.4	0.3	22.1	38,571	1,390
Soffass Converting	IT	12,619	1	0	32	26	0	6	1	0	0	0.0	0.0	0.0	0.0	0.0	0.0	60	1,800
Delicarta Valdottavo	IT	254,812	400	0	125	7	119	0	13	0	0	14.3	3.4	1.7	1.0	0.3	26.6	22,315	390
Delicarta Monfalcone	IT	226,340	179	0	106	106	0	0	0	0	0	8.3	0.7	2.9	0.0	0.0	3.5	10,084	605
Delicarta Val Fegana	IT	280,852	120	0	50	49	0	1	0	0	0	27.7	6.6	6.1	0.8	0.5	1.8	6,759	163
Delipapier Frouard	FR	644,501	691	80	472	472	0	0	0	0	0	34.3	3.3	3.5	1.5	0.1	29.4	38,733	2,072
Delipapier Roanne	FR	252,659	214	0	111	111	0	0	0	0	0	111.5	21.6	66.0	1.3	0.2	6.4	12,229	581
Delipapier Buxeuil	FR	1,860	2	0	10	10	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	117	393
Delitissue	PL	141,262	458	0	141	14	127	0	3	1	48.3	43.5	24.2	3.4	1.4	0.2	8.6	25,476	146
Ibertissue	ES	273,645	205	0	126	126	0	0	0	0	0	58.2	16.2	2.8	2.0	0.0	7.7	11,731	1,166
Delipapier GmbH	DE	311,988	384	0	238	238	0	0	0	0	0	34.5	4.4	5.4	0.1	0.1	6.6	21,519	1,785
Werra	DE	313,394	122	0	77	71	0	6	0	0	0						4.7	6,820	18,209
Omega	DE	483,182	259	0	180	180	0	0	0	0	0	133.0	19.1	21.3	2.5	1.2	15.7	14,484	52,924
THP	DE	341,169	203	0	136	136	0	0	0	0	0						9.0	11,230	309
Papyros	EL	167,390	178	0	77	77	0	0	0	0	0	32.0	4.3	3.5	3.1	0.1	4.9	9,718	131
Sofidel Benelux	BE	751,299	510	0	273	273	0	0	0	0	0	30.3	0.9	3.2	17.5	1.6	15.0	29,522	1,747
Comceh	RO	442,039	251	0	140	140	0	0	0	0	0	34.3	4.4	3.6	4.2	0.3	14.5	13,724	19,837
Swedish Tissue	SE	432,104	142	0	223	223	0	0	0	209	0	77.9	26.7	4.2	1.6	0.0	9.6	9,268	4,259
Intertissue	UK	297,007	375	0	216	216	0	0	0	0	0	36.4	1.7	6.3	1.7	0.1	11.2	21,254	2,182
Intertissue Hor-wich	UK	294	1	0	26	26	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	69	320
Sofidel UK Hamilton	UK	421,525	522	0	225	225	0	0	0	0	0	217.7	55.5	60.4	4.9	0.3	15.6	29,642	1,229
Sofidel UK Rothley Lodge	UK	0	3	0	30	30	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	181	621
Sofidel UK Lancaster	UK	506,403	222	0	104	104	0	0	0	0	0	66.3	14.3	23.5	0.0	0.0	6.7	12,792	1,681
Sofidel Kagit	TR	5,647	1	0	3	3	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	52	466
Sofidel America Haynes City	US	303,684	517	0	252	228	24	0	0	0	0	NA	15.9	5.8	1.6	0.3	15.7	28,813	317
Sofidel America Henderson Nevada	US	1,693	0	0	3	3	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	33	768
Sofidel America Green Bay	US	619	3	0	7	7	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	194	1,887

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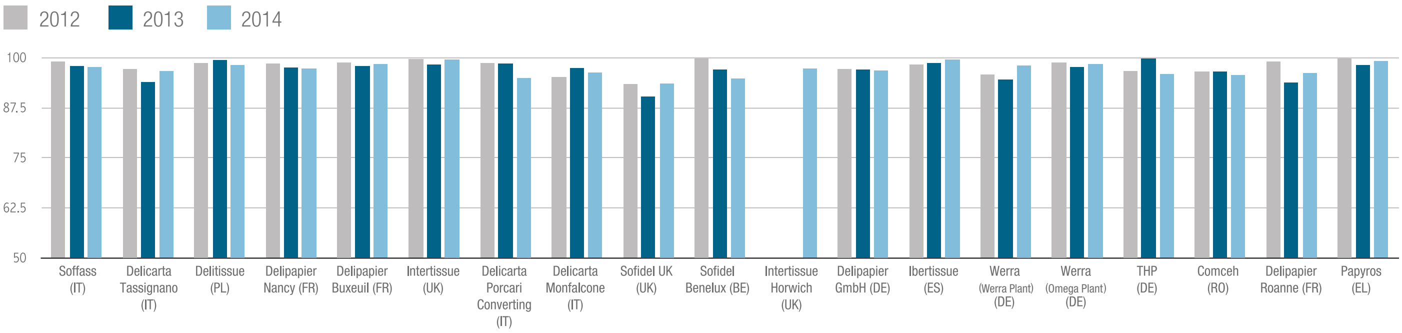
10 PRODUCTS

1. Quality and safety of our products

1.1. PRODUCT QUALITY

In all the Group companies, as part of the implemented Quality Management System, our products' quality is guaranteed through the respect of the operating and controlling procedures during each production stage, and through the constant and accurate training of all the resources involved. Products quality is controlled through a Compliance Indicator of the same items produced. A not conforming product is an item that does not satisfy specific requirements (described in specific procedures, charts, etc.). This indicator considers the non-conformities detected during the various stages of the production process, evaluating them weighted according to their degree of impact. The following diagram shows the Compliance Indicator value observed in the different production sites during the last three years.

Product compliance indicator*



*Any missing data is due to the lack of implementation of the plant system during a specific year, as the considered companies had just joined the Sofidel Group or did not produce finished products. The report about Sofidel America is missing due to the different indicators used in the country and for this reason not comparable.

As the maximum value the indicator can reach is 100, the data trend shown above shows excellent results in all the companies as far as product compliance is concerned.

1.2 PRODUCT SAFETY

Product safety has always been a core and fundamental value for Sofidel. The Group has constantly paid great attention to the evolution of safety issues (both mandatory and voluntary) in order to anticipate the market trends and catch opportunities to improve the qualitative performances of its products.

Product safety is a goal a company achieves at the end of a long and challenging path, in which the whole production chain has to follow strict rules and be constantly controlled. Sofidel complies with mandatory regulation and is committed to fulfill the highest voluntary standards to provide additional external value and warranty for its customers. The Quality System Department is the company unit in charge of managing the necessary systems and indicators to guarantee safety and quality of the products put on the market, and it works both on a central level and in cooperation with the local Quality Managers. The Operating Department has the responsibility to put into action what the Quality System Department decided, as it is the responsible unit to manage the production chain. Sofidel considers all the variables that could compromise products safety and consequently consumers' health in every stage of the product life cycle, starting from the research and development of new products.

In this regard, the gradual spreading of sanitary self-control systems in the various plants is crucial.

This kind of systems not only complies with all the legal requirements related to the tissue paper industry, but also with those European standards set to guarantee quality, legality and safety of products, such as the BRC-Consumer Products and IFS Household and Personal Care standards. To date, 16 plants of the Group achieved the certification of these standards and other production sites are working to reach the same goal. In 2014, the overall production from certified plants covered 83.57% of the total production of the Sofidel Group.

The Sanitary Self-control System implemented in the plants of the Group essentially consists in a risk evaluation, based on the application of the HACCP methodology (Hazard Analysis Critical Control Point), used to evaluate the contamination risk level (biological, chemical, physical) of the products, connected to the different activities.

A complete analysis of all the stages of the production cycle is carried out, in order to identify the most risky ones and so take all the necessary measures to remove or at least reduce the risk of contamination.

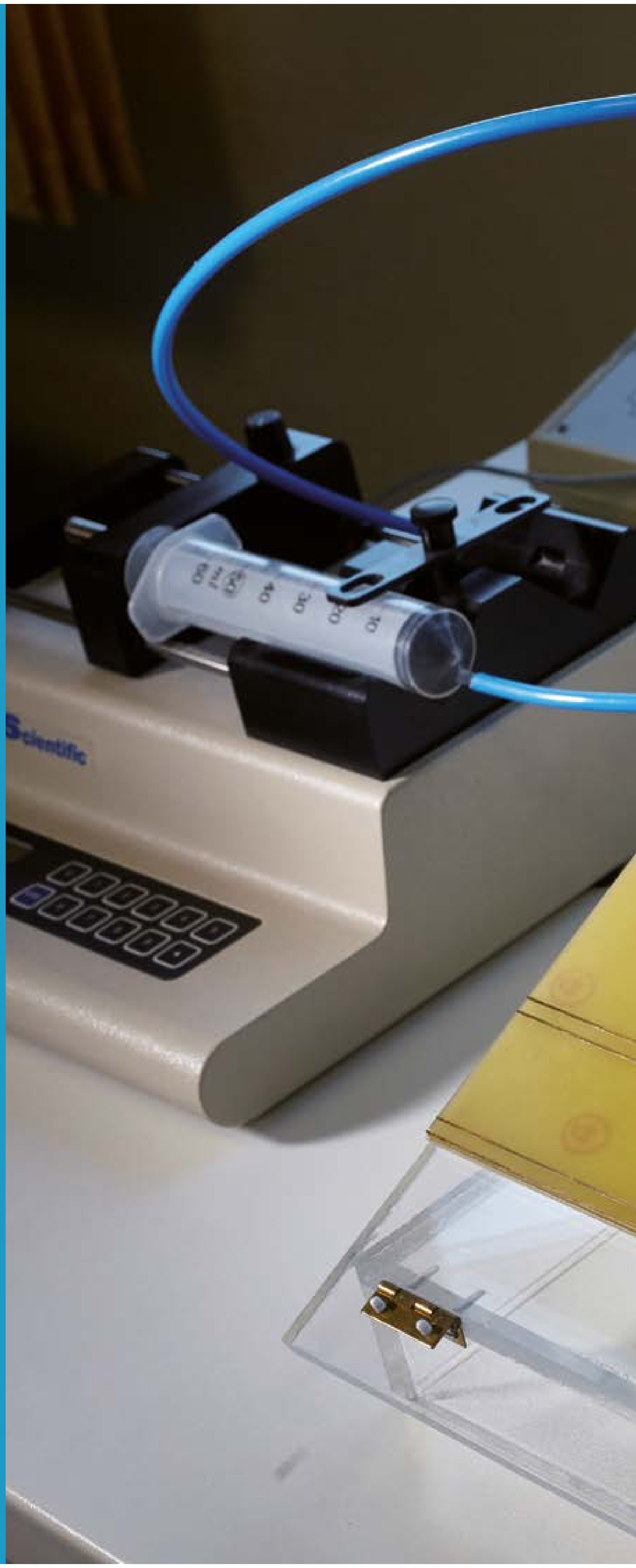
A series of Good Manufacturing Practices have been introduced in order to improve the general safety of the products manufactured in Sofidel's plants.

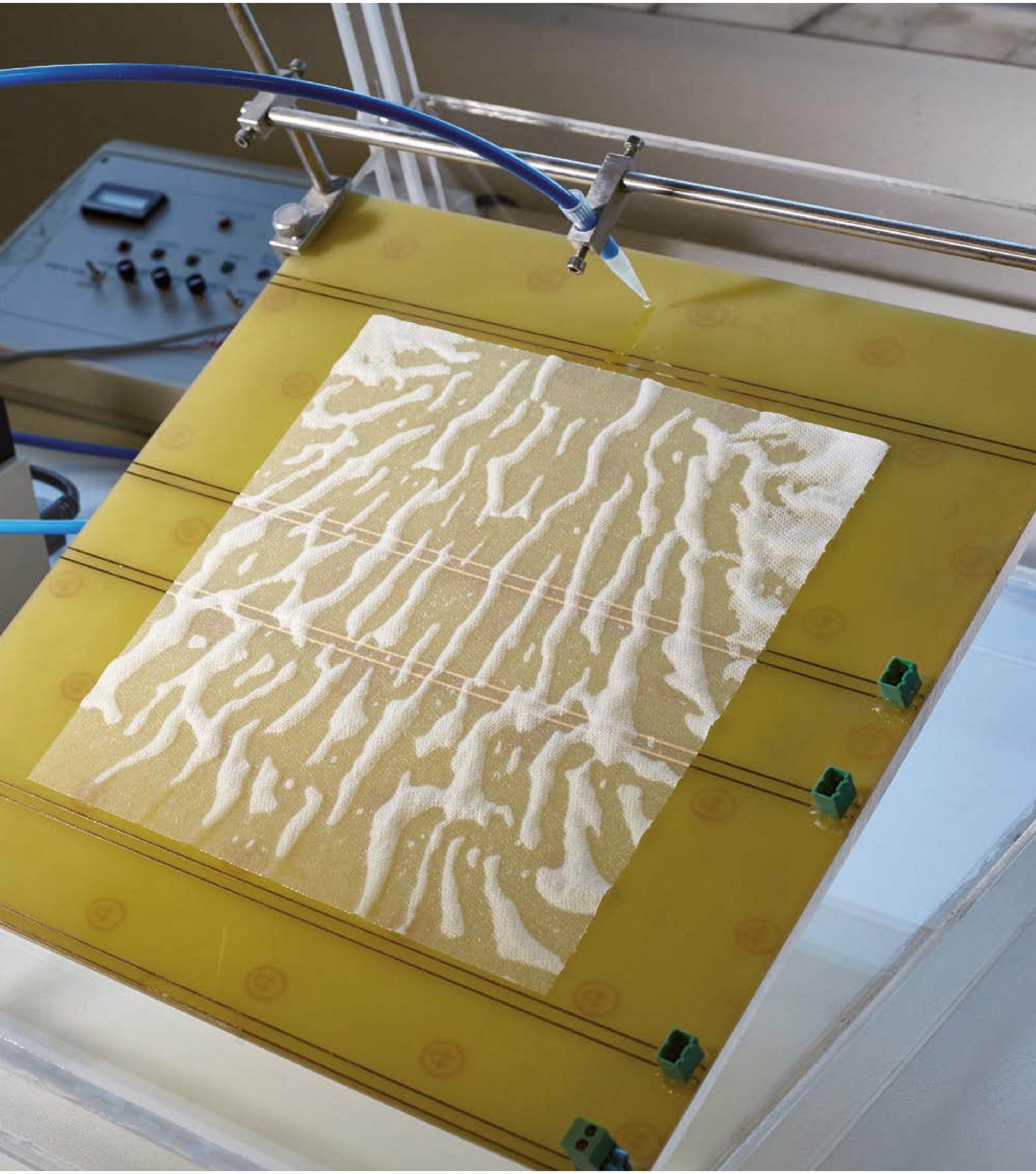
The aim of the Quality System Department will be to develop the sanitary self-control plan, completing its implementation in the Romanian and German plants by 2015.

A duty of the Quality System Department remains to define and implement new possible improvement tools in the field of products safety in the plants already in possession of voluntary certifications, in order to maintain the attention high on such an important matter to the Company.

Moreover, the traceability system operating in all the Group's companies guarantees products quality and safety also during the distribution stage, allowing the customers to ask for the recall and/or the collection of the products, in case of need.

To keep safety levels high, Sofidel asks regularly to all its suppliers declarations of compliance to the applicable legislation and suitability for the use of the purchased raw material in our items. In order to guarantee healthiness and quality of the products and in accordance with the company risk analysis, the Group prepares every year a physical, chemical and microbiological analysis plan, involving all the plants and type of product. These analysis, carried out by external accredited laboratories, consist of tests on suitability to food contact (where applicable), color transfer, microbiological profile, specific tests to check the absence of dangerous substances (in compliance with REACH regulation, heavy metals, glyoxal, formaldehyde, etc.). The analysis plan is constantly updated, following changes in regulation, and new demands coming from both customers and examination authorities, while providing an essential feedback of risk evaluation and compliance of our products with the legislation and landmark guidelines.





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11 RISKS AND UNCERTAINTIES

1. The principal risks and uncertainty factors that could significantly affect the Group's activity and the policies to reduce the Financial Risks and others.

1.1 RISKS MANAGEMENT

A risk management model in support of the strategy

The principal risk and uncertainty factors that could significantly affect the Group's activity and the policies in place that contribute to their containment, are highlighted below.
Said policies supplement to all effects the previously stated strategies.
Identification of the main risk factors and uncertainty and of the actions to be taken to address them, is a task for the corporate offices reporting to the Board and CEO: Finance, Financial & Treasury and H.R. (so-called "Strategic Service Centre"), in addition to Operating (industrial process), Purchasing, Marketing & Sales, Supply chain, Quality and R&D (so-called "Global Function").
During the past few years, within the Parent Company a cross-cutting office was created (named "Business Control") with the role of monitoring the efficacy and efficiency of internal control systems adopted.

INDUSTRY RISK

The economic, equity and financial position of the company is primarily influenced by several factors affecting macro and micro-economic trends, including primarily: the unemployment rate, the level of consumer confidence, trends in disposable income of households, and, therefore, private consumption, the interest rate and exchange rate trends and the cost of energy and non-energy commodities processed materials. The strategy aimed in pursuing the business sustainability previously mentioned undoubtedly tends to reduce the probability of occurrence of these risks and however, to mitigate the impact. Specifically, the offer of new, better performing, highly innovative and environmentally conscious products allows to significantly reduce this type of risk.
In any case, the Group does not work with unstable countries from a social, political and economic standpoint.

OPERATING RISKS

Operating risks associated with procurement

Firstly, planning for procurement of supplies is made and integrated into production, starting with the annually budget prepared at individual plant level, which allows for reducing risks of waste or inefficiency to a minimum, and specific strategies are implemented in the two areas (cellulose and energy), which take into account the relative specificity and therefore the various risks to address (the economy, the price, the exchange rate,…)

Cellulose

The operating result of the Group are affected by fluctuations in prices of ever-important raw material, as well as the Euro/Dollar exchange rate, since the raw material is listed in US dollars; in addition, the production cycle may sustain slowdowns due to failure or delays in delivery of cellulose or to damage due to low quality of the same.
Within this context, the Group protects itself:

- through careful selection of suppliers aimed at identifying business partners able to guarantee amounts and terms of delivery, as well as quality of the fibre (meaning both the intrinsic quality of materials and the ensure eco-sustainable management of forest resources, which the Group works towards achieving);
- through the stipulation of supply contracts, including long-term, in order to achieve better economic terms leveraging the increased bargaining power;
- throught analysis of the sustainability requirements of all suppliers of the group as previously detailed.

All activities are carried out on a centralised level and are fully described above.
During 2014, purchases pertained almost fully (99.7%) to cellulose from certified or controlled sources according to the main certification schemes.
In addition, division of procurement implemented also minimises risk of dependence on suppliers, both in terms of price and for interruptions/inefficiency of supplies.
Lastly, risks related to changes – occurring in US dollars – are addressed in the section relative to financial risks, with specific reference to the foreign exchange risk.
During the year, there were no cases of significant damage or inefficiencies linked to the specific process.

Energy

The paper manufacturing process requires considerable amounts of energy, gained mainly in the form of electricity and natural gas, and the main risks are those connected to dependence on suppliers, both in terms of interruptions/inefficiencies of supply an price.
Within this context, the Group implemented:

- substantial investments in renewable energy, both in order to reduce costs and minimise risk of dependency on suppliers;
- significant improvements in technologies used aimed at reducing consumption;
- monitoring of the market for electricity and gas, in order to contain purchasing costs;
- selection of suppliers based on warranties offered in terms of continuity of supply, in addition to price, also trying to minimise the risk of dependence on the same by diversifying of suppliers at an international level.

Operating risks associated to employees relations, compliance with health and safety and environmental regulations

For information please refer to the relevant sections of this report. (Industrial Relations, Health and Safety and Environmental Resources).

Operational risks associated to productions

These risks of breakage or unexpected downtime, loss of plant efficiency, fire, flood, theft, but also dependence on suppliers of goods and maintenance services.
The planned maintenance policy implemented for years and the constant technological renewal of facilities minimise the risk of breakage or unexpected downtime.
On the other hand, relative to the risks connected to the loss of efficiency of systems and their quality performance, a specific corporate office established at a centralised level constantly monitors certain KPI specifically identified in systems or different installations, in order to, if needed, undertake timely action.
The various plants, from the walls to the various existing systems, are insured against major risks (fire, flood, theft, …) with leading insurance companies operating internationally.
Lastly, fungibility of suppliers of goods and maintenance services makes the risk of dependency insignificant.
Noteworthy, relative to the production area is the recent implementation of procedures for processing data collection, in order to improve control of inefficiencies and programming of actions to be taken for their elimination.

OPERATIONAL RISKS ASSOCIATED TO PRODUCT

Product safety is a topic of fundamental and essential value, at the hearth of each activity carried out by Sofidel, which always strives to follow the evolution of the product safety issue in order to anticipate market demand and take advantage of further opportunities for improving its products' quality performance.
Product safety concerns the entire production chain, that is called to comply with strict regulations and is protected by constant controls.
Beyond compliance with mandatory regulations, Sofidel is, since many years, committed to respecting the highest voluntary standards, in order to provide additional external value and assurance to its customers.
See section on "the quality and safety of our products" (p. 69).

RISKS FOR ECONOMIC AND FINANCIAL SUSTAINABILITY OF THE BUSINESS

The Group is exposed to risks of an economic nature, and therefore financial, which could affect performance.

Operational risks of dependence on customers

Within this context, management policies aimed at the consolidation and development of own brands – which came to fruition in re-branding of the brands recently acquired and in the consolidation and developments of those already existing – to the consolidation of relationships with the G.D.O. – which came to fruition in actions of stakeholder engagement aimed at creating long-lasting partnerships and in the launch of innovative products, characterised by high rotations and margins – tend to mitigate said category of risks.

Operational risks associated with services offered to customers

These are risks of inefficiencies relative to distribution, which may result in complaints from customers and therefor impaired receivables, but may also be caused by suppliers.
In this area, the Group implements:

- careful selection of carriers, choosing those that provide greater guarantees in terms of continuity and timeliness of deliveries;
- diversification of suppliers themselves, nationally and internationally, to avoid any possibility of dependency;
- careful planning of logistics coordinated by a specific central corporate office, to minimise inefficiencies, environmental impacts, monitored through specific KPIs;
- continuous monitoring of performance achieved through specific KPIs (such as the service rate, which is relative to completeness and timeliness of deliveries, and stock reduction, which concerns optimisation of stocks).

These actions, always managed centrally, tend to mitigate these types of risks considerably.

Operational risks linked to internationalisation

These are risks associated to the integration in existing procedures and IT systems of new businesses gradually acquired.
Leveraging more than ten years of experience, during the different acquisitions the various corporate offices provide trained staff for implementation of existing procedures (in the financial, administrative, managerial, operational and commercial areas) of the newly acquired business and subsequently the effectiveness and efficiency of these procedures is monitored by Business Control of the Parent Company. Lastly, the Information Technology office oversees the implementation of existing IT systems (SAP on all) of the new businesses, usually completing the process, completely independently, in a period of 3-4 months.

Exchange rate risk

The exchange rate risk originates from the activities of the Group, which operates within an international context, which are also performed in different currencies than the Euro, and may be divided into the three following categories:

- economic risk resulting from changes in company profitability relative to what was planned during the conclusion phase of purchase orders based on referenced rate (the so-called "change order"); the items subject to these hedging transactions are mainly installations and equipment (fixed assets) and consist of future costs in foreign currencies. Hedging is done by entering into derivative contracts for the forward purchase of foreign currency based on the estimated dates of the future economic occurrence;
- transaction risk, represented by the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and the recording or the relative receipt or payment. Hedging coverage is implemented by entering into forward sale or purchase

derivative contracts in a foreign currency even by using offsetting positions (called "netting") between receivables and payables denominated in the same foreign currency;
- conversion risk, consisting of conversion into Euro of financial statements of subsidiaries drafted in currencies other than the Euro during consolidation phase. The Sofidel Group does not implement coverage for this type of exposure.

Therefore, the Group has the objective of minimising economic and transactional risk by stipulating financial instruments for hedging purposes, by centralising the management of risk exchange rate, which as a priority it addresses by entering into forward contracts in foreign currency. Since June 2014, said activity was further enhanced through activation of the service accessed through a single electronic trading third-party platform, where Forex transactions of most companies of the Group started to merge; in the near future, all transactions will be carried out on this platform.

Interest rate risk

Fluctuations in domestic interest rates in each country, as well as the different values of the same relative to each currency in which the Group operates, affect the cash flows and the level of net consolidated financial charges.

The Group adopts a policy of active monitoring of the interest rate risk and regularly assesses its risk exposure to changes in interest rates possibly managing their coverage through the use of plain vanilla derivative financial instruments which are free of any risk content or speculation, always trying to favour structures that allow for reduction in financial charges.

The activity undertaken in the past, for the purpose of hedging the interest rate risk through the prioritised stipulations of Interest Rate Swaps, was duly suspended, given the a more or less ample period of falling and/or stable rates loomed on the horizon. To date, contacts with various counterparties have already been restarted, in order to monitor all the debt stock to protect the Group from future potential increases in interest rates.

At his time, two different initiatives were undertaken: the first concerns the renegotiation at fixed rate of previous transactions stipulated at a variable rate; the second consists in entering into hedging contract for coverage.

Price risk and cash flow risk

Is the risk that the value of a financial instrument or cash flow associated with the same fluctuate due to changes in market prices of assets or financial instruments.

The risk of fluctuation in prices of commodities purchased (cellulose and energy), has already been discussed in the section of risks relative to procurement. The Group is not, however, exposed to price risk relative to derivative financial instruments, since those are only used for hedging coverage.

Credit risk

Credit risk consists of exposure to potential losses arising from non-fulfilment of both commercial and financial obligations assumed by counterparties. Said risks mainly originates from the potential occurrence of a deterioration of the economic and financial situation of the counterparty or, in extreme cases, in a default status of the same.

The Group protects itself from this risk by:
- stipulation with insurance policies with leading insurance companies operating internationally;
- diversification of companies between countries but also between companies;
- respecting credit insurance;
- expecting advance payments where there is no coverage insurance;
- a policy aimed at reducing credit concentrations to a minimum.

As it pertains to credit risk concerning the active components which contribute to determining the "Net Financial Position", it should be noted that management of the liquidity of the Group uses prudent criteria and while in the past it mainly consisted of management activity of the monetary market, to which temporary cash surpluses during the year were entrusted, the preferred method now is greater reduction of outstanding bank debt exposure or the use of business tools such as intercompany current accounts to satisfy working capital needs of the individual companies of the Group. As a result of this new direction, credit risk is thus further reduced.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations due to the difficulty of raising funds (funding liquidity risk), or promptly liquidating assets on the market (asset liquidity risk).

To this end, through careful planning of the treasury, the objective is pursued of ensuring adequate liquidity, minimising the relative potential cost and maintaining the relative balance in terms of duration and composition of the debt. In addition, the Group - also due to its solid equity and its international scope - has access to a broad range of funding offered by multiple financial institutions which allow to reduce the risk of *pro-quota* exposure. All of the above at competitive costs, despite the fact that the outside frame of reference is characterised by high rigidity. There are no financial and/or business debts, other than those shown on the balance sheet, which will involve outlays by the Group pursuant to specific agreements.

Risk relative to debt generated from new acquisitions

This risk is relative to the increase of liabilities, and therefore of financial charges in the income statement, due to new investments on a global scale. Careful strategic planning of new investments – whether greenfield acquisitions or acquisitions of already existing businesses – with participation of the main company offices allows for realising full financial sustainability of the same, as confirmed by the performance indicators shown in the appropriate section of this document. Specifically, relative to acquisitions, this is generally done by renegotiation of existing financial debt with the aim of leading the acquisition to achieve group standards, and in cases where a significant difference exists, to set up alternative lines to allow for its full repayment.

OTHER RISKS

Reporting risk

Is about reliability of the information provided in the process of internal and external reporting, relative to both accounting and non-accounting information.
To counter the risk, the Group in the past implemented and is continuing to implement procedures at an administrative, financial and management level that help to minimise its occurrence.
Specifically, the ongoing work aims to make the economic and financial planning more integrated and efficient, to allow a qualitative increase of the level of monitoring of all corporate sectors.
This activity is coordinated by the offices at a corporate level. Among the operational tools used, we note SAP, Bw Sem, Piteco and Tagetik; in particular, the SAP management software, has allowed for total integration of different business areas, so that, at the same time, they can be constantly monitored.
Certification of financial statement by the leading auditing company and the representation letter to the Integrated Report provided by an independent company are a further verification tool of the process.
In addition, for a number of years, The Group has also introduced the Piteco platform, for handling in total safety of the Company – Bank connectivity in implementing all payment management solutions in the Treasury area, for complete automation of authorisation workflow, its traceability and the safe management of flows on mobile devices and with Digital Signature.
Management of payments to suppliers, in particular, is a complex process to which the Group pays relevant attention in terms of safety and efficiency, though centralized management of the same. In this sense the payment management system offered by Piteco allows, through a single platform, for governance of incoming and outgoing transactions of the company with the banking world, including among other things, payments to suppliers, payment of taxes and salaries. Of significant importance, is the fact that Piteco can be integrated with all major ERP. Currently, to make this platform even more efficient and achieve a cost reduction, the Group is implementing a SWIFT network connection.

Risks linked to the use of IT tools

The risks associated with the use of IT tools are relative to the protection and integrity of computer data. Implementation of the SAP management programme, managed online at the corporate level – even with “business continuity”, “disaster recovery” and “intrusion protection” systems – is an important tool to protect against risks linked to the use of IT tools and to protect data.
An accurate and well-defined separation of roles, moreover, inherent in the computer system itself, through preventive controls such as passwords and permissions, also allows for minimisation of the risk of internal fraud, as well as absolute traceability of any access.

Legal /compliance / reputation risk

The legal/compliance/reputation risks concern the potential of incurring penalties and/or financial losses arising from violations of laws, secondary legislation, regulations, company standards and codes of conduct.
The Group, as it exists, operates at several levels to limit these risks, which cross-over to the different business processes.
Specifically, the Group pursues these objectives through:

- corporate offices for different aspects, which exercise a direction and control function over individual companies;
- proactive management of intangible assets, aimed at establishing and protecting its credibility and maintaining relationships of trust and collaboration with all stakeholders (from suppliers, to customers, to consumers);
- having assumed the integration and sustainability into the business as a strategic line of development.

During the year, at the group level, there were no significant sanctions relative to the environment; moreover, during said period, the Group was not involved in legal actions relative to unfair competition or monopolising practices in the market, and was never brought to the attention of antitrust agencies operating in countries where its businesses are headquartered. At the same time, no non-compliance was detected with regulations and codes of conduct for advertising, promotion and sponsorship of its products.
Italian companies within the Group have adopted organisational models for prevention of offenses pursuant to Legislative Decree 231/2001 by creating a supervisory body with this role and said organisational requirement may also be used in foreign companies, in compliance with the relevant regulations.


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12 CONSOLIDATED FINANCIAL STATEMENT

1. Financial statements

1.1 CONSOLIDATED BALANCE SHEET (values are stated in thousands of Euros unless otherwise indicated)

	Notes	31/12/2014	31/12/2013
A) Subscribed capital unpaid		-	-
B) Fixed assets			
I. I Intangible fixed assets	(1)		
1) Start-up and expansion costs		482	527
2) Research, development and advertising costs		8	32
3) Industrial patent and intellectual property rights		65	81
4) Franchise, licenses, trademarks and similar rights		49,682	57,649
5) Goodwill		46,717	48,324
6) Work in progress and advances payments		676	504
7) Other		3,009	2,716
		100,637	**109,833**
II. Tangible fixed assets	(2)		
1) Land and buildings		346,009	348,145
2) Plant and equipment		597,409	581,200
3) Industrial and commercial equipment		3,213	3,428
4) Other assets		15,719	13,003
5) Work in progress and advances payments		94,125	39,502
		1,056,475	**985,278**
III. Financial fixed assets			
1) Equity investments in:	(3)		
d) other companies		1,258	1,114
		1,258	*1,114*
2) Receivables	(4)		
d) due from others			
- within 12 months		34	21
- over 12 months		520	394
		554	*415*
		1,812	**1,529**
Total fixed assets		**1,158,924**	**1,096,640**
C) Current assets			
I. Inventory	(5)		
1) Raw materials, supplies and consumables		152,938	142,017
4) Finished goods and goods for resale		132,727	141,523
5) Advances		430	2.394
		286,095	**285,934**
II. Receivables	(6)		
1) due from customers			
- within 12 months		231,618	260,565
		231,618	*260,565*
4-bis) Tax receivables			
- within 12 months		9,427	11,277
		9,427	*11,277*
4-ter) Prepaid taxes			
- within 12 months		12,636	13,447
		12,636	*13,447*
5) Due from others			
- within 12 months		9,991	12,180
		9,991	*12,180*
		263,673	**297,468**
III. Short-term investments	(7)		
6) Other securities		-	450
		-	**450**
IV. Cash and cash equivalents	(8)		
1) Bank and postal deposits		48,132	42,070
2) Cheques		17	3
3) Cash on hand		85	212
		48,234	**42,285**
Total current assets		**598,003**	**626,138**
D) Accrued income and prepaid expenses	(9)		
- miscellaneous		5,089	4,849
		5,089	**4,849**
TOTAL ASSETS		**1,762,016**	**1,727,627**

	Notes	31/12/2014	31/12/2013
A) Shareholder's equity	(10)		
I. Share capital		33,000	33,000
II. Share premium reserve		1,500	-
III. Revaluation reserves		47,375	46,600
IV. Legal reserve		7,159	6,600
VII. Other reserves			
- Extraordinary reserve		228,714	229,966
- Merger reserve		1,961	-
- Exchange rate gains reserve		481	478
- Contribution Reg. Law 10/91 (46/89)		28	28
- Contribution Reg. EEC 2088		4	4
- 6% Provision Art. 15 Law 130/1983		10	10
- Contribution Reg. Law 10/91 art. 111		936	936
- Reserve provision pursuant to Art. 14 Law 289/02		74	-
- Provision pursuant to Art. 55 Presidential Decree 597/73		1	-
- Provision for gains pursuant to Art. 54 Law 917/87		1	-
- Retained earnings		230,692	169,950
- Translation differences		14,401	(10,819)
		477,302	*390,553*
IX. Profit for the year		83,920	63,384
Total Group shareholder's equity		**650,256**	**540,138**
Third party capital and reserves		76	76
Profit (loss) attributable to minority interest		1	(2)
Total minority shareholder's equity		**77**	**74**
Total shareholder's equity		**650,333**	**540,212**
B) Provisions for risks and charges	(11)		
1) Provisions for pensions and similar obligations		3,260	1,338
2) Provisions for taxes, including deferred		20,152	16,778
3) Other		549	1.809
Total provisions for risks and charges		**23,961**	**19,925**
C) Employee termination indemnities	(12)	**13,047**	**13,391**
D) Payables	(13)		
4) Payables due to banks			
- within 12 months		276,866	275,337
- over 12 months		338,867	462,671
		615,733	*738,008*
6) Advances			
- within 12 months		39	100
		39	*100*
7) Trade payables			
- within 12 months		312,739	291,437
- over 12 months		16,935	8,753
		329,674	*300,191*
12) Tax payables			
- within 12 months		32,134	24,305
		32,134	*24,305*
13) Payables to pension and social security institutions			
- within 12 months		7,939	7,437
		7,939	*7,437*
14) Other payables			
- within 12 months		33,129	24,115
- over 12 months		41	41
		33,170	*24,156*
Total payables		**1,018,688**	**1,094,196**
E) Accrued liabilities and deferred income	(14)		
- miscellaneous		55,987	59,903
		55,987	**59,903**
Total liabilities and shareholder's equity		**1,762,016**	**1,727,627**

Memorandum accounts	Notes	31/12/2014	31/12/2013
1) Guarantees issued	(15)		
Personal guarantees			
- to others		5,331	5,218
		5,331	*5,218*
Total memorandum accounts		5,331	5,218

1.2 CONSOLIDATED INCOME STATEMENT (values are stated in thousands of Euros unless otherwise indicated)

	Notes	31/12/2014	31/12/2013
A) Value of production	(16)		
1) Revenues from sales and services		1,770,877	1,699,571
2) Changes in inventories of work in progress, semi-finished and finished products		(10,728)	30,851
4) Capitalisation of internal work		1,879	650
5) Other revenues and income:			
- monetary		9,455	10,479
- non monetary		8,612	11,160
Total value of production		1,780,094	1,752,711
B) Production costs	(17)		
6) Raw materials, consumables and goods for resale		710,138	766,231
7) Services		532,486	510,892
8) Use of third party assets		28,054	26,181
9) Personnel costs			
a) Wages and salaries		173,672	161,585
b) Social security charges		48,150	44,788
c) Termination indemnities		3,597	3,171
d) Pensions and similar obligations		442	297
e) Other costs		14,948	14,126
		240,809	*223,968*
10) Amortisation, depreciation and write-downs			
a) Amortisation of intangible fixed assets		17,259	18,716
b) Depreciation of tangible fixed assets		100,482	95,622
c) Write-downs of receivables in current assets and cash and cash equivalents		545	140
		118,286	*114,478*
11) Changes in inventories of raw materials, consumables and goods for resale		(7,155)	(18,587)
12) Provisions for risks		660	239
13) Other provisions		-	250
14) Other operating expenses		25,387	22,683
Total production costs		**1,648,666**	**1,646,334**
Difference between value and production costs (A-B)		**131,429**	**106,377**
C) Financial income and expenses	(18)		
16) Other financial income:			
d) other income than preceding:			
- other		1,483	3,190
		1,483	*3,190*
17) Interest and other financial charges:			
- other		17,385	24,982
		17,385	*24,982*
17-bis) Gains (losses) on currency exchanges		1,639	(908)
Total financial income and expenses		**(14,262)**	**(22,701)**
D) Value adjustments to investments		-	-
E) Extraordinary income and expenses	(19)		
20) Income:			
- miscellaneous		14,586	7,757
		14,586	*7,757*
21) Expenses:			
- miscellaneous		10,967	4,275
		10,967	*4,275*
Total extraordinary items		**3,619**	**3,483**
Profit (loss) before tax (A-B±C±D±E)		**120,786**	**87,159**
22) Income, current, deferred and prepaid taxes	(20)		
a) Current taxes		34,242	25,290
b) Deferred and prepaid taxes		2,623	(1,512)
		36,865	**23,777**
23) Profit (loss) for the year		**83,921**	**63,382**
Attributable to:			
- Profit (loss) attributable to minority interests		1	(2)
- Profit (loss) attributable to the Group		83,920	63,384

2. Explanatory notes

REFERENCE DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Art. 30, 1st Para., of Legislative Decree no. 127 of 9 April 1991, the reference date of these consolidated financial statements coincides with the ending date of the financial statements of the Parent Company, namely 31 December 2014, which moreover, is the ending date of the financial statements of all the companies included in the consolidation.

REGULATIONS AND ACCOUNTING STANDARDS ADOPTED

The financial statements have been prepared in compliance with the provisions within Articles 25 et. seq. of Legislative Decree no. 127 of 9 April 1991 and therefore, in Articles 2423 et. seq. of the Italian Civil Code, as interpreted by the national accounting standards recently revised by the O.I.C. ["Organismo Italiano di Contabilità" (Italian Accounting Body)].

UPDATE AND REVIEW OF ACCOUNTING STANDARDS APPLIED

The O.I.C., in its new role as official "*standard setter*" of national accounting standards (pursuant to Art. 20 of Legislative Decree 91/2014) published, between August 2014 and January 2015, as part of a joint updating project, the new accounting standards applicable to "*non IAS-adopter*" companies.

The revised standards were the following: OIC 9 (Write-downs for long-term impairment losses of tangible and intangible fixed assets). OIC 10 (Statement of cash-flow), OIC 12 (Breakdown and schemes of financial statement), OIC 13 (Inventories), OIC 14 (Cash), OIC 16 (Tangible fixed assets), OIC 17 (Consolidated and equity methods), OIC 18 (Accruals and Deferrals), OIC 19 (Payables), OIC 22 (Memorandum Accounts), OIC 23 (Work in progress), OIC 25 (Income taxes), OIC 26 (Transactions, assets and liabilities in foreign currency), OIC 28 (Shareholder'sequity), OIC 29 (Changes in accounting policies, changes in accounting estimates, correction of errors, events and extraordinary transactions, events after the end of the financial year), OIC 31 (Provisions for risks and charges and Post-employment indemnity) and OIC 24 (Intangible fixed assets).

The changes made will not have an impact on the financial position, and financial and economic performance of the Group, resulting in mostly the same implementation of best practice already pursued; the only reflection in the consolidated financial statements, which is insignificant, pertains to certain reclassification of data in the balance sheet and income statement and figures, in formal terms of cash flows and operating capital within the cash flow statement at the bottom of the explanatory notes and management report.

Moreover, the lack of reclassification of the software provided by OIC 24 is noted, in that published at the same time that this document was drafted.

Lastly, it is acknowledged that the new OIC 26 (Currency transactions) does not deal, as in the past, with accounting of currency derivatives financial instruments, including those hedging the exchange risk. Due to lack the relative of indications, the company therefore, continued to follow the practice hitherto adopted and codified by the old accounting standard 26, because it is still deemed consistent with the postulates and general standards for drafting the financial statements.

CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Premise

The consolidated financial statements include, pursuant to Art. 26, 1st and 2nd Para., of Legislative Decree no. 127 of 9 April 1991, the values stated in the financial statements of the Parent Company and of Italian and foreign companies included in the area of consolidation, which are all those:

- in which it controls a majority of the ordinary shareholder's general meeting voting power;
- where the same has enough votes to exercise a dominant influence in the ordinary shareholder's general meeting;
- on which it has the right, pursuant to a contract or in specific by-law provisions, where permitted by applicable law, to exercise dominant influence;
- on which, on the basis of agreements with other shareholders, it has sole control on the majority of voting rights;

also considering the voting rights of subsidiary companies, trust companies and intermediaries and excluding those held on behalf of third parties.

Companies included in the consolidation, specifically, are all those subject to direct or indirect control of the Parent Company, pursuant to Art. 2359, Para. 1, no. 1 of the Italian Civil Code.

Restrictions on the availability of investments in subsidiaries

There are restrictions on the relative availability of equity shares in "Delipapier G.m.b.H." resulting from the "*project financing limited recourse*" transaction made for construction of the new plant in Arneburg (Saxony-Anhalt). The transaction, which was concluded with "Unicredit Bank AG" and "Intesa San Paolo S.p.a." Frankfurt branch, provides for pledging of shares of the company in favour of lending banks, which shall have the right to any distribution of profits or of capital in general, but not the right to vote, which is up to the Parent Company "Sofidel S.p.a."; based on the agreement stipulate, the same shall also have all liens on receivables arising from the company's activity, on the stock, in buildings and installations and, in general, on all assets existing in the plant.

Lastly, there is a relationship of subordination of the loans of the parent company to those made by the banks.

Given the positive results of the business activities, during 2012 the lending companies loosened the restriction, halving liquid funds previously pledged.

There are no restrictions on availability of other investments, nor are there any option rights or other privileges in favour of third parties on the same.

Financial statements subject to consolidation

Financial statements subject approved by the administrative bodies of the companies involved in the consolidation were used, or if this was not possible, those prepared for approval by the competent corporate bodies.

Said financial statements, where necessary, were adjusted to conform to accounting standards and assessment criteria of the Group, which are those adopted by the Parent Company and by the Italian Companies of the Group in its financial statements, or those permitted under Articles 2423 et. seq., of the Italian Civil Code.

AREA OF CONSOLIDATION

List of consolidated companies

Annex "1" shows the list of companies included in the consolidation with the full consolidation method pursuant to Art. 31 of Legislative Decree no. 127 of 9 April 1991.

Name	Currency	Legal headquarters	Share capital (Euro/000)	%	Shareholders
PARENT COMPANY:					
Sofidel S.p.a.	Euro	Porcari (Italy)	33,000	-	-
SUBSIDIARIES CONSOLIDATED USING FULL CONSOLIDATION METHOD:					
Soffass S.p.a.	Euro	Porcari (Italy)	40,000	100%	Sofidel S.p.a.
Delicarta S.p.a.	Euro	Porcari (Italy)	32,000	100%	Sofidel S.p.a.
Delipapier S.a.s.	Euro	Frouard (France)	20,000	100%	Sofidel S.p.a.
Delipapier G.m.b.H.	Euro	Arneburg (Germany)	2,500	100%	Soffass S.p.a.
Sofidel Kagit	TRY	Honaz/Denizli (Turkey)	10,861	100%	Sofidel S.p.a.
Intertissue L.t.d.	GBP	Swansea, Wales (U.K.)	42,792	100%	Sofidel S.p.a.
Ibertissue S.l.u.	Euro	Tudela (Spain)	18,000	100%	Sofidel S.p.a.
Werra Papier Holding G.m.b.H. (*)	Euro	Schmalkalden (Germany)	26	70%	Sofidel S.p.a.
Papyros Paper Mill S.a.	Euro	Katerini (Greece)	3,860	100%	Sofidel S.p.a.
Sofidel Papir D.o.o.	Kuna	Zagabria (Croatia)	69	100%	Sofidel S.p.a.
Sofidel UK L.t.d.	GBP	Leicester (U.K.)	306	100%	Sofidel S.p.a.
Delitissue Sp.z.o.o.	PLN	Ciechanòw (Poland)	40,326	100%	Soffass S.p.a.
Comceh S.A.	RON	Romania	19,824	99.854%	Delitissue Sp.z.o.o.
Delisoft G.m.b.H.	Euro	Cologne (Germany)	25	100%	Soffass S.p.a.
Werra Papier Wernshausen G.m.b.H.	Euro	Schmalkalden (Germany)	511	100%	Werra Papier Holding G.m.b.H.
Thuringer Hygiene Papier G.m.b.H.	Euro	Schmalkalden (Germany)	30	100%	Werra Papier Holding G.m.b.H.
T.H.P. Logistik G.m.b.H.	Euro	Schmalkalden (Germany)	25	100%	Werra Papier Holding G.m.b.H.
LPC U.K. L.t.d.	GBP	Leicester (U.K.)	72	100%	Sofidel UK L.t.d.
Kamns Paper Mill L.t.d.	GBP	Leicester (U.K.)	61	100%	Sofidel UK L.t.d.
Styx Back Office Services Private L.t.d.	INR	Gurgaon (India)	1	100%	Sofidel UK L.t.d.
Swedish Tissue A.b.	Euro	Kisa (Sweden)	10	100%	Sofidel UK L.t.d.
Sofidel America Corp.	USD	Florida (USA)	1,162	100%	Sofidel UK L.t.d.
Sofidel Benelux N.v.	Euro	Duffel (Belgium)	62	100%	Swedish Tissue A.b.
N.T.G. Paper Mill L.t.d.	GBP	Lancaster (U.K.)	1,798	100%	Sofidel UK L.t.l.

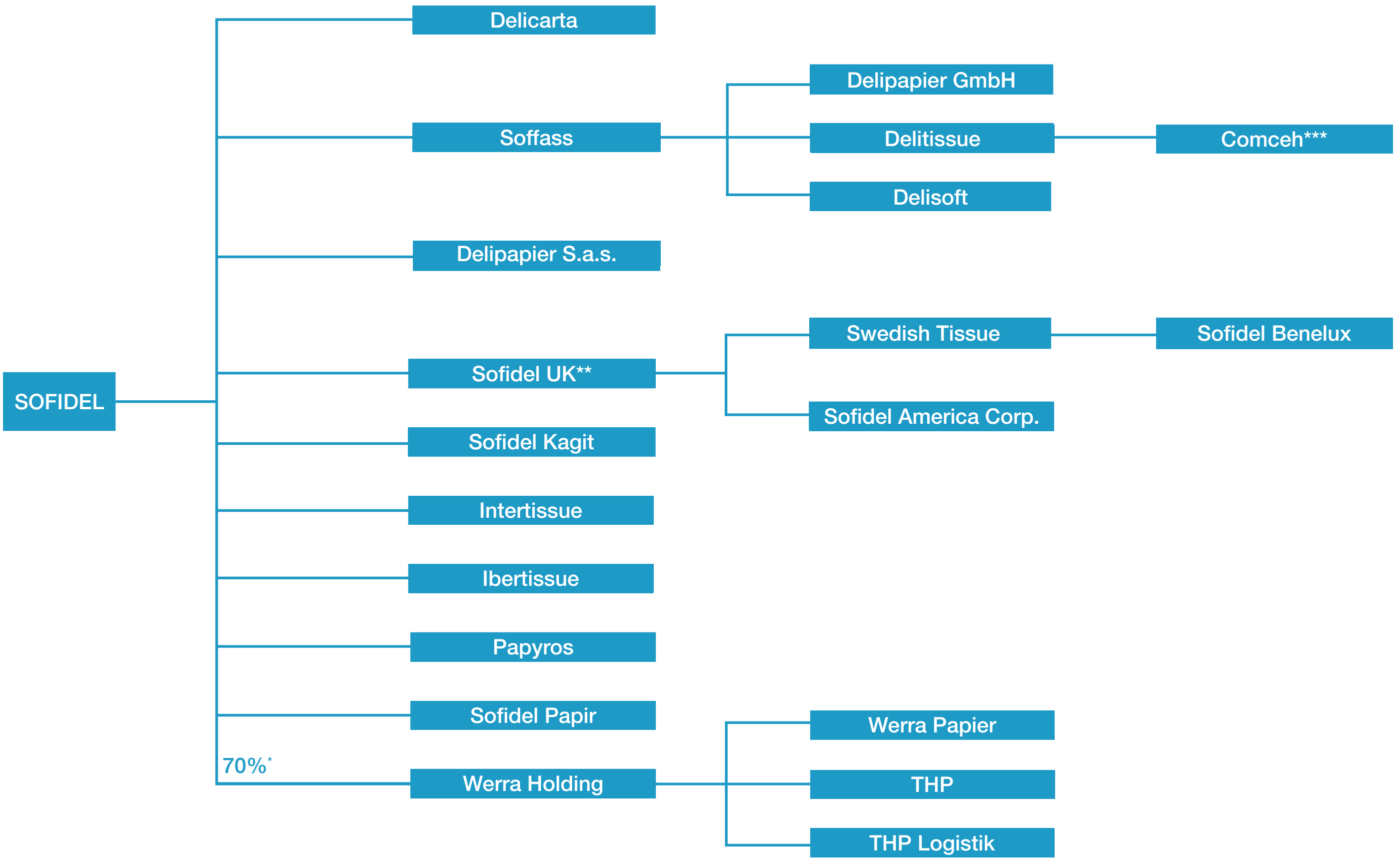
(*) "Werra Papier Holding G.m.b.H." has equity shares equal to 30% of their own share capital.

It is also noted that:

- there are no companies included with the proportional method pursuant to Art. 37 of Legislative Decree no. 127, of 9 April 1991;
- there are no companies valued with the net equity method under Art. 36, 1st and 2nd Para., of Legislative Decree no. 127 of 9 April 1991;
- there are no other subsidiaries and sister companies not included in the area of consolidation.

The possibility was not used, permitted by Art. 39, 4th Para, of Legislative Decree no. 127, of 9 April 1991, to omit the indication of companies in the consolidated area, which inclusion may cause serious injury to companies included in the consolidation or to other companies controlled or connected to these, since this was not the case.

The Group today



(The share percentage is 100% unless otherwise noted).

* 30% treasury shares.

** Sofidel UK holds 100% of LPC UK, Kamns Paper Mill e Styx Back Office (all in liquidation) and 100% in NTG Paper Mill (a dormant company).

*** The share percentage of Delitissue in Comceh is equal to 99.854%.

Pursuant to Letter d) of the 2nd Para. of Art. 40 of Legislative Decree no. 127 of 9 April 1991, it should be noted that at the ending date of the year, the Parent Company did not have treasury shares and that no shares of the same were held by other companies of the Group, even through a third party.

"Sofidel S.p.a." does not have branches with permanent representation.

Changes in the area of consolidation and other transactions

Compared to the past, there are no changes in the consolidation area; however, it is noted, as already stated, that in the referenced year the following extraordinary transactions were already performed which affected consolidated companies:

- "Delicarta S.p.a." incorporated - through a merger which legally took effect on 1 May 2014 and for accounting and tax purposes took effect on 1 January 2014 - "Fibrocellulosa S.p.a.";
- "Delicarta S.p.a." - through a partial demerger transaction which for legal, accounting and tax purposes took effect on 19 December 2014 – broke up equity shares in the subsidiary "Delisoft G.m.b.H.", in favour of the sister company "Soffass S.p.a.", and equity share in the associated company "Delipapier S.a.s." in favour of the parent company "Sofidel S.p.a.", which as a result, now holds the entire equity share in the French company;
- "Delipapier G.m.b.H." was transferred from "Sofidel S.p.a." to "Soffass S.p.a.";
- "Sofidel S.p.a." acquired the remaining share capital of "Sofidel Kagit", previously held by "Delicarta S.p.a." (0.03%) and by "Soffass S.p.a." (0.01%);
- "Imbalpaper UK L.t.d." completed liquidation transactions and no longer exists, to all effects.

Said transactions did not have an impact on the consolidation area affecting all companies within the Group.

CONSOLIDATION METHOD

The financial statements of the companies included in the consolidation areas have all been consolidated with the full integration method.

Said consolidation technique, involved the following adjustments:

a) the assets and liabilities, costs and revenues of the companies included in the area of consolidation are shown in full, regardless of the relative percentage of share;

b) the carrying value of the equity shares in said companies is eliminated against the corresponding portion of the shareholder's equity. The resulting difference, if negative, is allocated where possible, to the activities carried at greater values than their recoverable value and liabilities carried at a lower value than their settlement value to rectify them. Any exceeding negative value, if not due to unfavourable economic forecasts, but completion of a good deal, is recognised as a consolidation reserve among the components of consolidated shareholder's equity. Conversely, if due to forecasts of unfavourable financial results of the subsidiaries in the years immediately following the year of purchase, it is posted under provisions for risks and charges which will be credited to the income statement to reflect the assumptions used for its estimate at the time of purchase, regardless of the actual occurrence of the expected losses. If on the other hand, said difference is positive, any portion not attributable to each asset acquired and liability assumed, is recorded under "Goodwill", which is usually amortised over a period of five years. Where the conditions for recognition of said greater value in the assets of the balance sheet are not met, because the surplus does not result in a greater value of the investee, it is recognised as a deduction from the consolidation reserve, up to the total amount, and for any surplus, posted to the income statement under extraordinary operations;

c) shareholder's equity and the result for the year attributable to minority shareholders (i.e. "minority interest") are reported separately. In particular, the share of net equity attributable to minority interests is shown separately under the appropriate item of the consolidated balance sheet, while the profit for the year attributable to minority interests is shown in the income statement;

d) gains and losses arising from transactions between Group companies still included in the equity, other than work in progress, are eliminated, as are receivables, payables, costs, revenues and the effects of all transactions which occurred between said companies, even if posted in memorandum accounts;

e) any dividends distributed are eliminated from the income statement and allocated to the reserves of consolidated equity, as well as coverage for losses between the companies included in the area of consolidation and the relative write-downs;

f) value adjustments and provisions made exclusively for fiscal purposes, if any, are eliminated, except in cases where they are irrelevant for purposes of the information which must be provided by this document;

g) as an offset, lastly, the provisions for risks and charges, deferred tax effects, both assets and liabilities, subsequent from the aforementioned adjustments, are recognised in the income statement.

The option pursuant to Art. 31, 3rd Para. of Legislative Decree no. 127 of 9 April 1991, was not used.

Specifically, the most significant changes were relative to:

- the elimination of purchases/sales of cellulose and/or rolls of paper tissue and/or finished products between companies of the Group and the relative credit/debt ratios;
- the elimination of costs/revenues resulting from other business relationships and financial relationships between the companies of the Group and the relative credit/debt ratios;
- the elimination of relationships, even financial, between the companies of the Group posted in the memorandum accounts;
- the elimination of the economic and financial effects of the sales of tangible and intangible assets within the group;
- the elimination of profits and losses present in warehouses, as a result of sales between Group companies of cellulose and/or rolls of tissue paper and/or finished products;
- the adjustment of depreciation of some foreign companies to match those adopted by the Group;
- rectification of the income statement and balance sheets for the application of the substance over form accounting standard to the accounting of *leasing* and *lease back* transactions of Italian companies;
- posting of passive consolidation difference in the "consolidation reserve", included in other reserves, in the consolidation of certain equity shares;
- posting of current consolidation difference under "Goodwill" that arises from the elimination of newly acquired equity shares with the relative shareholder's equity;
- elimination of tax impediments on the financial statements of some of the foreign companies.

The same led to recognition of deferred and/or prepaid taxes, better detailed in the section of this document commenting the taxes on the income statement.

CONVERSION OF FINANCIAL STATEMENTS IN FOREIGN CURRENCY

The currency used in preparing these consolidated financial statement is the Euro. As in the past, the financial statements of companies included in the consolidation area are prepared in the currency of its primary location in which they operate (functional value).
For presentation of these consolidated financial statements, the assets and liabilities of the foreign consolidated companies with functional currencies other than the Euro, are converted at the prevailing rates at the end of the financial year, using the historical exchange rates for shareholder's equity items and the average rates for the year income statement items.
The differences arising from conversion of the shareholder's equity at historical exchange rates compared to the year-end exchange rate differences arising from the application of different exchange rates to the equity and financial items, were posted in the consolidated shareholder's equity under "Translation differences" item.

Illustrated below, are the exchange rates are the exchange rates applied for conversion into Euro of financial statements of subsidiaries denominated in other currencies:

Currency	Year ending at 31/12/2014		Year ending at 31/12/2013	
	Average exchange rate	Closing exchange rate	Average exchange rate	Closing exchange rate
PLN (Polish Zloty)	4.1845	4.2732	4.1975	4.1543
GBP (G.B. Pound Sterling)	0.8064	0.7789	0.8493	0.8337
TRY (Turkish Lira)	2.907	2.832	2.5335	2.9605
RON (Romanian Leu)	4.4443	4.4828	4.419	4.471
Kuna (Croatia)	7.6346	7.658	7.5786	7.6265
USD – (US Dollar)	1.3288	1.2141	1.3281	1.3791

It is noted in this regard:

- the financial statement values of the Swedish company ("Swedish Tissue A.b.") were prepared in Euro;
- for "Styx Back Office Services Private L.t.d." with headquarters in India, a single exchange was used for the income statement and for the balance sheet, given the small amounts.

STRUCTURE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The structure and contents of the consolidated balance sheet and income statements are those prescribed by Articles 2424 and 2425 of the Italian Civil Code, which are those adopted by the Parent Company and the Italian companies of the Group, because they were deemed most suitable to achieve a clear, truthful and accurate view of the equity, financial and economic position of the Group.
For each item of the balance sheet and income statement, the amount relative to the preceding year was stated, pursuant to Art. 2423 ter, 5th Para., of the Italian Civil Code, omitting stating the items that do not involve any value for both years; the potential, pursuant of Art. 2423 ter, 2nd Para., of the Italian Civil Code, to carry out groupings or subdivisions of the items required by the standards referenced above, was not deemed necessary to adapt the existing items or add new entries, pursuant to 3rd and 4th Para. of said article, subject to reporting of shareholder's equity and minority interests, in the balance sheet and consolidated income statement.
As already stated, all values are rounded to thousands of Euro, unless otherwise stated; such exposure of data may however result in small differences in various statements, which are not however, significant enough to alter the utility of this document.
The right to derogation provided by Art. 29, 5th Para., of Legislative Decree no. 127 of 9 April 1991, was not exercised; therefore, it was not necessary to amend the modalities of preparation of the consolidated balance sheet and the income statement, the structure and content of the same, compared to the previous year. The amounts present therefore, are comparable with those of the previous year, which were applicable, were appropriately reclassified.

ASSESSMENT CRITERIA

Assessment of items listed was carried out in compliance with the general principles of prudence and competence, on a going concern basis, and the principle of substance over form, where not expressly in contrast to other specific rules on financial statements.
Specifically, the Group assessed and determined that there were no uncertainties and risk factors not addressed that would affect business continuity.
In this regard, it is also noted that:

- The right to derogation provided by Art. 29, 5th Para., of Legislative Decree no. 127 of 9 April 1991, was not exercised; therefore, the accounting standards and assessment criteria adopted were not different than those observed in preparing the consolidated financial statement of the previous year with the exception of changes occurring in the actual content of the accounting standards applied as previously mentioned.
- the assessment criteria are those adopted by the Parent Company and Italian Companies of the Group in their individual financial statements, pursuant to Art. 35, 1st Para. of Legislative Decree no. 127 of 9 April 1991; therefore, it was not necessary to resort to the option provided by the 2nd Para. of said Article;
- the right to derogation provided by Art. 29, 4th Para., of Legislative Decree no. 127 of 9 April 1991, was not exercised; therefore, it was not necessary to set aside one or more provisions of law regarding the structure and content of the financial statements, in that they are incompatible with the truthful and accurate view of the economic, equity and financial position of the Group;
- assets and liabilities have been assessed on a consistent basis, in accordance with Art. 34, 1st Para., of Legislative Decree no. 127 of 9 April 1991, therefore, it was not necessary to make adjustments pursuant to the 2nd Paragraph of the same Article.

The most significant assessment criteria used to prepare the consolidated financial statement and other information useful to understanding of this document, are shown below.

Fixed assets

Include intangible, tangible and financial fixed assets intended to be long-term within the company, which specifically consist of the following:

Intangible fixed assets

Are stated at purchase cost, which includes ancillary expenses.

The registration costs of intangible assets may also include revaluations potentially made according to specific provisions of law.

Costs recorded in this manner are shown in the assets of the balance sheet net of the relative depreciation, systematically allocated based on the theoretical period of use of the same, initially estimated and periodically verified.

For each reference date of the financial statements, the existence of potential long-term impairment indicators are checked. Where they exist, the recoverable value is determined and it this is less than the net carrying amount, it results in a relative write-down; if in subsequent years, the assumptions are no longer in place, for intangible assets, the original value is restored adjusted for depreciation not carried our due to said write-down.

The recoverable value is not estimated where no potential impairment of value indicators exist.

Tangible fixed assets

Are stated at acquisition cost, which includes the ancillary costs and other transaction costs potentially incurred to make the individual assets usable.

The registration fee may also include any revaluations made according to specific provisions of law.

Costs thus recorded are shown in the assets of the balance sheet, net of relative depreciations, systematically allocated based in the initially estimated and periodically verified useful life of individual categories of goods.

Where tangible fixed assets includes components, appliances and accessories, with a useful life of a different period than the main asset, depreciation of said components is calculated separately, unless this cannot be done or is not significant.

At each reference date of the financial statements, the existence of potential long-term impairment indicators is verified. Where existing, the recoverable value is determined and if this is lower than the net carrying value, a relative write-down is made; if in subsequent years, the assumptions are no longer in place, the original value is restored, adjusted for depreciation not made due to said write-down.

The recoverable amount is not estimated where indicators of potential impairment are lacking.

Fixed tangible assets held for sale are reclassified as current operating assets and valued at the lower amount between the net carrying value and the realisable value based on market conditions, following suspension of the amortisation process.

Costs incurred to expand, modernise or improve the structural elements of a tangible fixed asset, including changes made to increase responsiveness for the purposes for which it was acquired, if producing a significant and measurable increase in production capacity, safety or useful life of the same, are capitalised; if these costs do not produce such effect, they are treated as ordinary maintenance and charged to the income statement.

Spare parts of a significant unit value and with non-recurring use, are posted together with the cost of fixed assets which are connected by a relevant, complementary and ancillary relationship; depreciation in this case, are allocated based on the shorter between the useful life of the assets which are connected and their own. Spare parts, even with a significant unit value, which are used very often, and those with a low unit and total value, are instead charged to the income statement and in any case, reported at the end of the year under inventories.

Capital grants for installations are found, starting when the conditions for granting these are in place, relative to depreciation of pertaining assets, with posting between “Accrued expenses and deferred income”, against the item “Other revenues and income” of the production value. Where their granting occurs after the start of depreciation, the relative part of depreciation already charged to the income statement is posted under extraordinary income.

Financial fixed assets

Investments are recorded at purchase price, which includes directly attributable ancillary, or subscription costs, adjusted, where necessary, to take account of long-term impairment losses.

Said verification is performed on the reference date of each financial statement.

The cost of the investments includes, where appropriate, payments made by the company in the capital account and non-repayable.

Receivables are stated at their estimated realisable value.

Inventories

The item includes raw materials (mainly represented by cellulose), supplies and consumables (represented by materials indirectly used in production or at least in the business activity), semi-finished products for purchasing and production (mainly represented by rolls of tissue paper), of goods (mainly represented by items packed in tissue paper sold) and by finished products (consisting mainly of items packed in tissue paper made in-house). These are stated at the lower of costs incurred for purchase of production and the realisable value based on market trends; where the reasons which necessitated reducing realisable value of inventories to a lower value are no longer in place, the original cost is restored.

Ancillary costs directly attributable to the purchase cost, are also taken into account, while still deducting from the latter returns, trade discounts, rebates, premiums and any subsidies granted to suppliers; cash discounts are always recorded as financial income. The production cost, in addition to the cost of materials used as specified above, also includes directly attributable industrial costs, and those, even in general, indirectly attributable for the reasonably attributable amount. Costs of an abnormal or exceptional nature, administrative, sales and distribution costs, and in general, costs pertaining to a later stage than production, are always excluded; research and development costs are charged to the income statement.

To determine the realisable value, the price lists and valuations made by the market for the same categories of goods in the same state of marketing at the end of the year, are referenced, net of any costs for completion and direct sales costs, also taking into account any subsequent events to the reporting date at the end of the year if needed to determine a more realistic price of inventories. Obsolete or slow-moving inventories are written-down to their presumed realisable value or future realisable value through recording of a specific provision adjusting the value of inventories.

Receivables in current operating assets

The item includes receivables that have a non-durable destination (or origin).
They are recorded at their presumed realisable value, obtained in this case, by deduction from the special doubtful account provision, adjusted to cover both the losses due to unrecoverable debt situations that are not yet final, and for situations yet to occur which however, based on experience and knowledge of the sector in which the company operates, suggest that these situations are already inherent in the account balances, and therefore likely.
In estimating the provision for doubtful accounts, all available information at the time of assessment is used, on the status of the debtors, based on past experience, the current general economic situation of the sector, as well as the events which occurred after the financial year end on the values to the date of the financial statements.
Receivables are derecognised when the contractual rights connected to the cash flows expire or when ownership on the same is transferred and with this, all the relative risks are also transferred.

Financial assets that are not fixed assets

This item consists of temporary liquid investments in securities and investments in other companies.
These are stated at the lower cost between purchase cost and realisable value based on market trends. Where the reason that necessitated reduction of the realisable value are no longer in place, the value shall be restored to the original cost.

Cash and *cash equivalents*

The item includes cash immediately usable for any purpose of the company; on the other hand cash values encumbered are recorded in the current operating assets, except in cases where the nature of the encumbrance is such that they can be deemed fixed assets.
Cash available in bank current accounts, is recorded at its presumable realisable value, and cash-on-hand at its nominal value.

Accruals and deferrals

These items only include costs and income common to two or more years, the amount of which varies over time. Where the contractual services rendered or received have an economic content that is constant over time, distribution of income or cost is implemented in proportion to time (so-called, “Physical time criterion”); where, on the other hand, contractual services made or received are not economically constant over time, distribution is made based on the management performance (so-called, “Economic time criterion”).
At the end of each financial year, the balance is updated: at this time not only the passage of time but also recoverability if taken into account, and if deemed necessary, the necessary adjustments are made.

Provision for risks and charges

This item includes liabilities of a specific, certain or probable nature, with an unspecified date of occurrence or amount.
Recording in the financial statements occurs when the liabilities are deemed likely and the amount of relative obligations may be reasonably estimated; potential or probable risks for losses or liabilities that cannot be objectively estimated, are however, mentioned in the appropriate section of this document.
Specifically, liabilities of a specific nature and probable existence, which values are estimated, are recognised in the provisions for risks; liabilities that are determined or certain, estimated by amount or date of occurrence, are instead recorded in the provision for charges. The provisions reflect the best possible estimate based on commitments assume and other information available, learned even after the end of the year and until the date of drafting of this document.

Employee termination indemnities

This item consists of the liability existing at the end of the financial year towards employees in place at the companies of the Group located in countries where said provision is mandatory.
It is recorded net of payments issued to employees during the year or in previous years, as well as the fees paid to external provisions and gross of revaluations required by Law no. 297 of 29 May 1982, as amended and supplemented.

Payables

Are recorded at their nominal value, deducting, for trade payables, billing adjustments (for returns, rebates, allowances, price changes, …) potentially agreed.

Shareholder’s equity

Represents the difference between asset and liabilities determined according to the standards and principles outlined above. The item is better specified in the relative section of this document, where a reconciliation prospectus between shareholder’s equity and profit for the year of the Parent Company and the shareholder’s equity and the consolidated profit, is shown.

Financial leasing transactions (leasing)

Financial leasing transactions are recorded according to the financial method, in accordance with the principle of substance over form. According to this method: the value of assets net of accumulated depreciation is recorded under fixed assets; the instalments (per capital share) not yet paid are recorded in payables, net of macro-fees paid; depreciations for the period are recorded separately on the income statement, calculated based on the economic-technical life of the assets, and the financial costs arising from the relative agreements.

Commitments and memorandum accounts

Show guarantees issued, whether directly or indirectly, to third parties for other party debts, distinguishing between surety-ship, guarantees, and other personal guarantees and collateral; these also include significant commitments assumed towards third parties and the value of third party assets potentially held, for any reason, by the Group. Risks for guarantees issued and commitments assumed are recorded at nominal value, while third party assets at current value, where available.

Costs and revenues

Revenue and costs area recorded net of returns, unconditional discounts, rebates and premiums.

Revenue is recognised when the production process of goods and/or services is completed, or the exchange has already occurred and, therefore, the substantive transfer has occurred and not just the relative title of ownership, and/or the service is completed.

The costs are recognised according to the principle of correlation with revenues for the year, which occurs:

- by associating cause and effect between costs and revenues, analytically (i.e. for commissions) or based on presumptions (i.e., for inventories);
- by distribution of use and functionality over multiple years on a routine basis (i.e., for depreciation);
- by direct allocation of the cost to income statement or because associated to time, or because the use or functionality of the same is no longer in place.

Current, deferred and prepaid income taxes

Income taxes were determined on an accrual basis and include:

- the amount of current taxes for the year, determined in accordance with the rates and regulations in force in countries where companies included in the consolidation are headquartered;
- the amount of deferred taxes or taxes recognised in advance relative to temporary differences between the value of an asset or liability determined according to statutory criteria and the value attributed to said asset of liability for tax purposes, based on the rate in force at the time when said differences will reverse in countries of residence of the various companies, making suitable adjustments in the event of a change in rate compared to previous years, as long as the rule of law determining the change has already been issued on the date of drafting of the financial statements;
- the amount of prepaid or deferred taxes allocated relative to consolidation transactions referenced above.

Prepaid taxes are recognised, as an offset, and kept among assets of the consolidated balance sheet only if there is reasonable certainty that they will be fully recovered with future taxable income of the individual companies of the Group or the fiscal units existing, according to the tax regulatory provisions in the various countries, or with deferred taxes posted among the liabilities of the balance sheet of said companies. The latter are recorded, always as an offset, among the “provisions for taxes, including deferred”, only to the extent that it cannot be proven that their payment is unlikely.

In this regard, it is noted no compensation is made between prepaid taxes (recognised as assets in the balance sheet) and the deferred taxes provision (on the other hand, recognised under liabilities of the balance sheet) arising from the financial statements of the consolidated individual companies, as required by OIC 25, solely for convenience, since the distortion that results from said simplification relative to accurate information which this document must provide, is irrelevant; while for the balance, prepaid and deferred taxes arising from consolidation transactions, are compensated and recognised, under the “provision for taxes, including deferred”.

Foreign currency transactions

Revenue and costs relative to foreign currency transactions are recorded at the current exchange rate on the date in which the relative transaction is performed (in the terms previously reported) and the offsets are recorded at the same exchange rate, or the relative payables or receivables; where futures contracts in a foreign currency are stipulated for specific receivables (or future sales commitments) or specific payables (or future purchase commitments), the relative revenue and costs are recognised at the spot exchange rate stipulated in the agreement.

Receivables and payables originally denominated in a foreign currency and still on the financial statements at the end of the year, are adjusted to the current exchange rate at the end of the year, found according to the procedures established within the European System of Central Banks and published by the Bank of Italy on the Gazzetta Ufficiale della Repubblica Italiana [Official Journal of the Italian Republic], jointly with the contractual commitments hedged in foreign currency not yet fulfilled on said date; any adverse developments in the exchange rates occurring after the end of the financial year, are mentioned at the bottom of these explanatory notes, only if they result in significant changes on the values of the financial statements.

Specifically, monetary assets and liabilities that are not fixed assets, as well as fixed financial assets, were stated at the prevailing exchange rate on the end of the financial year and the gains and losses arising from conversion are respectively credited or charged to the income statement under “Gains and losses on exchange rates”; any net profits arising from adjustment of the year-end rates on for-

eign currency entries of the Parent Company has a bearing on the result for the year, and upon approval of the financial statements and subsequent distribution of the profits, is posted, for the part not absorbed by any losses for the year, under a non-distributable reserve until the it is subsequently realised.
Non-monetary assets and liabilities, including fixed assets, in a currency, on the other hand are recorded at the prevailing exchange rate at the time of purchase or at the lower rate at the end of the financial year only if the negative changes resulted in a permanent loss of value of said fixed assets.

Financial futures and derivatives

The definition of "financial instrument" and "derivative financial instrument" can be found in the IAS/IFRS international accounting standards issued by the I.A.S.B. and adopted by the European Union with Regulation no. 1606/02 (and subsequent regulations).
Forward contracts and derivatives, have always been used as a hedge, in compliance with the policy set by the Group in this regard.
In the case of forward contracts in a foreign currency in the face of future commitments to sell (or of relative receivables) or purchase (or of relative payables), the difference between the spot rate and the forward exchange rate specified in the contract recognised by accrual over the term of the same with the accruals and deferrals technique.
In the case of derivatives on interest rates (IRS), the differential asset or liability target for each contractual maturity is found on an accrual basis over the term of the contract with the accruals and deferrals technique.

Fair value of financial instruments

The definition of *"fair value"* is referenced from the IAS/IFRS international accounting principles issued by I.A.S.B. and adopted by the European Union with Regulation no. 1606/02 (and subsequent regulations).
The *fair value* of financial instruments is determined by reference to the market value for instruments with an active market; if this cannot be identified but its components can, it is determined based on the market value of these; in other cases, the fair value is determined based on the generally accepted assessment models and techniques.
For each category of derivative financial instruments, the *fair value* and information on their nature and extent are specified; for financial fixed assets carried at a greater value than their fair value, with the exclusion of investments in subsidiaries and associate companies pursuant to Art. 2359 of the Italian Civil Code, the book value and *fair value* and the reasons by which the book value was not potentially reduced are specified.

Cash Flow statement

At the bottom of the explanatory notes, in the section relative to information on the financial position of the Group, the cash flow statement and analysis of net financial position is shown.
Cash flows reported in the cash flow statement, show an increase or decrease of the amount of cash.
Net cash consists of cash on hand, bank and postal current accounts, cheques and financing current accounts, used as current account overdrafts. However, short-term and high liquidity investments readily convertible into cash and subject to insignificant risk of changes in value, are excluded.
"Income management" generally includes transactions connected to acquisition, production and distribution of goods and provision of services, as well as other transactions not included in investing and financing activities.
"Investment activities" includes purchase and sale transactions of fixed tangible, intangible assets and financial assets that are not fixed assets.
"Financing activities" includes transactions for obtaining or repaying cash in the form of risk capital or debt capital.
Given that it is a consolidated cash flow statement, intercompany cash flows are eliminated.
When during the course of the year a subsidiary begins or ceases to be part of the consolidation, cash flows of the group include financial flows of the subsidiary relative to said period for which the income statement of the group includes the economic result of the subsidiary.

Related parties

For the definition of related parties, the IAS/IFRS international accounting standards are referenced, issued by I.A.S.B. and adopted by the European Union with Regulation no. 1606/02 (and subsequent regulations).
The details of transactions implemented with related parties are provided, specifying the amount, the nature of the relationship and any other necessary information for understanding the financial statements relative to said transactions, where the same are relevant and have not been concluded under normal market conditions.

Agreements not shown on the balance sheet

The details of the nature and economic objective of agreements not shown on the balance sheet, are provided, with indication of their equity, financial and economic effect, where the risks and benefits which derive (or may arise) are significant and the indication of the same is deemed necessary to assess the equity, financial and economic position of the Group.

NOTES TO BALANCE SHEET ITEMS

ASSETS

NOTES 1

INTANGIBLE FIXED ASSETS

Breakdown and changes

Consist of, and have changed as follows from the previous year:

Description	31/12/2014	31/12/2013	Changes
Start-up and expansion costs	482	527	(45)
Research, development and advertising costs	8	32	(24)
Industrial patent and intellectual property rights	65	81	(16)
Franchise, licenses, trademarks and similar rights	49,682	57,649	(7,967)
Goodwill	46,717	48,324	(1,607)
Work in progress and advances payments	676	504	172
Other	3,009	2,716	293
TOTAL	100,637	109,833	(9,196)

Specifically:

Description	Initial balance	Increases (purchases)	Decreases (sales)	Changes in consolidation area	Exchange rate differences	Depreciations	Other movements	FINAL BALANCE
Start-up and expansion costs	527	129	-	-	-	(174)	-	482
Research, development and advertising costs	32	-	-	-	-	(24)	-	8
Industrial patent and intellectual property rights	81	6	-	-	-	(22)	-	65
Franchise, licenses, trademarks and similar rights	57,649	682	-	-	392	(9,814)	773	49,682
Goodwill	48,324	-	-	-	5,123	(6,730)	-	46,717
Work in progress and advances payments	504	585	-	-	-	-	(413)	676
Other	2,716	1,180	(382)	-	17	(495)	(28)	3,009
TOTAL	109,833	2,581	(382)	-	5,532	(17,259)	332	100,637

Intangible fixed assets are held as follows:

Description	Start-up and expansion costs	Research, development and advertising costs	Industrial patent and intellectual property rights	Franchise, licenses, trademarks and similar rights	Goodwill	Work in progress and advances payments	Other	TOTAL
Soffass S.p.a.	-	-	1	43,060	-	481	108	43,650
Sofidel America Corp.	-	-	-	3,156	38,512	-	-	41,668
Sofidel Benelux N.v.	-	-	-	14	3,425	-	999	4,438
Sofidel S.p.a.	-	-	-	2,799	-	195	1,290	4,284
Sofidel UK L.t.d.	-	-	-	44	2,636	-	-	2,680
Intertissue L.t.d.	-	-	-	3	2,143	-	-	2,147
Other individual insignificant amounts	482	8	64	606	1	-	612	1,771
TOTAL	482	8	65	49,682	46,717	676	3,009	100,637

The item "start-up and expansion costs" includes costs incurred to enable and facilitate the establishment of business activities and refers, almost entirely, to "THP Logistik G.m.b.H." (336 remaining) and "Papyros Paper Mill S.a." (111 remaining).

The item "costs of research and development and advertising" is almost entirely made up of costs relative to investments in advertising capitalised or to research and development costs, with a remaining amount almost entirely relative to "Comceh S.A." (5 remaining).

The item "Industrial patent and intellectual property rights" consists almost entirely of costs arising from the purchase and/or registration of patents by "Delicarta S.p.a." (54 remaining) and "Sofidel Kagit" (9 remaining).

The item "costs for franchise, licenses, trademarks and similar rights" mainly includes:

- the value granted to the brand Regina® owned by "Soffass S.p.a." (20,000 remaining), subject to monetary revalorizations in the past;
- costs incurred by said "Soffass S.p.a.", for purchase in 2013 of the brands Thirst Pockets® (14,123 remaining), Kittensoft® (3,121 remaining), Nouvelle Soft® (3,167 remaining), Softis® (1,787 remaining), Le Trefle® (759 remaining), Sopalin® (50 remaining) and minor brands (49 remaining);

- the price difference resulting from the merger between "Sofidel America Corp." and "Cellynne Holdings LLC" (3,156 remaining);
- costs sustained for purchase of S.A.P. management software by the Parent Company (2,799 remaining).

Increases are mainly relative to the Parent Company for the acquisition of new licenses and upgrade of the SAP software.
The item "goodwill" consists almost entirely of goodwill paid for purchase of American businesses by "Sofidel America Corp." (38,512 remaining); the residual in mainly relative to some acquisitions of customers and to other acquisitions by "Sofidel Benelux N.V." (3,425 residual), "Sofidel U.K. L.t.d." (2,636 residual) and "Intertissue L.t.d." (2,143 residual).
The item "work in progress and advances payments" mainly includes advances paid for internal production at "Soffass S.p.a." of an additional three brands (481 remaining).
The item "other" consists of costs in multiple years reasonably recoverable by future earnings of the company that cannot be classified elsewhere. The item consists mainly of costs incurred for the "*project financing limited recourse*" transaction by "Delipapier G.m.b.H." (262 remaining). Remaining amounts include leaseholds improvements made on assets leased.

Depreciations

Depreciation is always calculated starting from the year in which the aforementioned costs started their useful life for the companies, according to the criteria that are unchanged relative to the previous year, specifically:

- "start-up or expansion costs" were depreciated based on the theoretical usefulness over five years;
- "research, development and advertising costs" were depreciated based on the theoretical useful life over five years;
- "industrial patent and intellectual property rights" were depreciated based on their useful life over five years;
- "costs for franchise, licenses, trademarks and similar rights" are depreciated as follows:
    - the brand Regina®, based on a theoretical useful life of fifteen years;
    - the other brands, based on the theoretical useful life of ten years;
    - the software, based on a theoretical useful life of five years;
- the item "goodwill" was amortised based on a theoretical useful life of five years, with the exception of goodwill relative to the American company, depreciated based on a theoretical useful life of ten years. Specifically, the choice of depreciation greater than five years for the American goodwill depended on the greater period of useful life, taking into account the specific market;
- the "other intangible assets" are depreciated as follows:
    - costs incurred for the transaction "project financing limited recourse", based on the duration of the transaction;
    - costs incurred for acquiring funding, based on the duration of the relative agreements;
    - costs for improvements to leaseholds, on the lower period between the useful life of the work, estimated from time to time, and the residual life of the contract under which the property is held;
    - costs incurred for acquiring the right to lease, over the term of the contract.

Recoverability of recognised values, write-downs and revaluations

On the date of the financial statements, the Directors found indicators of impairment of the item "Goodwill" and specifically on goodwill paid for acquisition of "Cellyne Holding" by Sofidel America Corp. and resulted from the merger between the two companies. Accordingly, they proceeded to determine the recoverable amount and to verify any losses of value (impairment test).
The recoverable amount was estimated as the sum of the current value of operating flows of C.G.U. Sofidel America at a rate equal to the weighted average of the debt and equity finance (WACC) equal to 5.66% and the residual value expected over said forecasted timeframe (terminal value).
In order to estimate the useful life value, the future financial flows for years 2015-2023 of CGU were developed based on the 2015 budget and the 2016-2023 strategic plan by the Board of Directors, which are the best estimate on estimated economic conditions for the referenced period.
The long-term growth rate ("g") used to estimate the final value of the unit is equal to the average rate of long-term growth of the sector in the country of reference.
Performance of the impairment tests did not reveal any losses in value.

No discretionary or voluntary revaluations were made and those made based on strict rules of law consisted of their maximum usable value, objectively determined, of said fixed asset.
Below are items of the intangible assets still carried in the financial statements on which revaluations were performed, and the relative amounts:

Description	Law applied	Revaluation amount
Franchise, licenses and trademarks	L.350/2003	35,000
Franchise, licenses and trademarks	L.266/2005	30,651
TOTAL		65,651

Specifically, this deals with the brand Regina®, revalued in 2003 and 2005 by "Soffass S.p.a.".

Borrowing costs capitalised under items of Intangible fixed assets

During the years and in the past, no significant financial charges were recorded in items within Intangible fixed assets.

Significant commitments assumed in the acquisition of intangible assets

There were no significant commitments assumed towards suppliers for the acquisition of intangible assets.

NOTE 2

FIXED TANGIBLE ASSETS

Breakdown and changes

Include and have changed as follows compared to the previous year:

Description	31/12/2014	31/12/2013	Changes
Land and buildings	346,009	348,145	(2,136)
Plant and equipment	597,409	581,200	16,208
Industrial and commercial equipment	3,213	3,428	(215)
Other assets	15,719	13,003	2,716
Work in progress and advances payments	94,125	39,502	54,624
TOTAL	1,056,475	985,278	71,196

Specifically:

Description	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and advances	TOTAL
Historical cost to 31.12.2013	**549,590**	**1,165,756**	**13,082**	**44,391**	**39,502**	**1,812,320**
Increases (purchases)	5,517	22,949	999	7,765	120,003	157,234
Decreases (sales)	(91)	(17,923)	(18)	(1,942)	(1,373)	(21,346)
Change in consolidation area	-	-	-	-	-	-
Exchange-rate difference	7,847	22.581	51	517	1.663	32.659
Reclassifications	10,033	55.353	30	149	(65.669)	(105)
Other changes	777	1.696	(12)	59	-	2,519
Historical cost to 31.12.2014	573,673	1,250,411	14,132	50,939	94,125	1,983,280
Depreciation provision 31.12.2013	**(201,445)**	**(584,555)**	**(9,646)**	**(31,397)**	-	**(827,043)**
Decreases (sales)	5	6,740	16	1,524	-	8,285
Change in consolidation area	-	-	-	-	-	-
Exchange-rate difference	(1,343)	(5,532)	(33)	(234)	-	(7,141)
Reclassifications	-	-	-	-	-	-
Depreciation	(24,625)	(69,506)	(1,294)	(5,056)	-	(100,482)
Other changes	(256)	(149)	37	(57)	-	(425)
Depreciation provision to 31.12.2014	(227,664)	(653,003)	(10,920)	(35,219)	-	(926,806)
NET BOOK VALUE TO 31.12.2014	346,009	597,409	3,213	15,719	94,125	1,056,475

Fixed assets are held as follows:

Description	Land and buildings	Plant and equipment	Commercial and industrial equipment	Other assets	Work in progress and advances	TOTAL
Delipapier S.a.s.	34,672	67,366	198	1,050	17,501	120,788
Delicarta S.p.a.	48,197	63,541	287	1,568	6,073	119,666
Sofidel U.K. L.t.d.	28,387	83,074	319	1,384	88	113,253
Sofidel America Corp.	21,664	70,679	-	1,341	15,484	109,169
Intertissue L.t.d.	32,905	67,060	294	896	187	101,342
Delipapier G.m.b.H.	28,617	60,106	9	638	906	90,276
Swedish Tissue A.b.	4,059	21,167	1,032	49	35,217	61,524
Soffass S.p.a.	19,467	34,399	122	584	1,866	56,438
Sofidel S.p.a.	49,903	56	281	1,956	458	52,654
Other individual insignificant amounts	78,138	129,961	671	6,253	16,345	231,364
TOTAL	346,009	597,409	3,213	15,719	94,125	1,056,475

Specifically:
- the land and buildings include industrial reals estate complexes owned by the different companies in the Group;
- plant and equipment include general and specific installations, the latter representing the production lines for tissue paper rolls and tissue paper and the lines for their converting into finished products;
- industrial and commercial equipment predominantly includes the various support equipment to the production facilities;
- other assets mainly include electronic machines, vehicles and internal transport vehicles, furniture and décor, located at the companies of the Group which are involved in production and/or converting;
- work in progress and advances mainly refer to investments in progress.

The item land, includes among other things, land appurtenances and land on which the buildings are located.

The main increases were relevant to the following companies:

Description	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and advances	TOTAL
Swedish Tissue A.b.	185	3	117	25	34,502	34,833
Sofidel America Corp.	1,170	4,667	-	635	25,348	31,820
Delipapier S.a.s.	65	374	83	201	22,594	23,318
Sofidel Benelux	49	1,180	-	86	17,732	19,047
Delicarta S.p.a.	1,261	4,652	89	304	4,920	11,226
Intertissue L.t.d.	154	3,637	249	217	5,951	10,208
Other individual insignificant amounts	2,634	8,435	461	6,297	8,957	26,783
TOTAL	5,517	22,949	999	7,765	120,003	157,234

Increases are relative to the physiological renewal of material equipment of the various companies, except for certain investments of the companies "Swedish Tissue A.b.", "Sofidel America Corp.", "Delipapier S.a.s." and "Sofidel Benelux", which were aimed at expanding the relative converting plants.

Depreciations

Depreciations are allocated by using the rates representing the useful life of assets, determined for similar classes of the same, according to their economic-technical duration, except in cases where a direct estimate was provided for the residual useful life of the asset based on an appropriate appraisal report, according to the criteria remaining unchanged relative to the previous year.

Description	Rate
Industrial buildings	3%-5.5%
General plant and equipment	9%
Specific plant and equipment for transformation processes	appraised residual useful life
Specific plant and equipment for paper mills	appraised residual useful life
Miscellaneous industrial equipment	25%
Motor vehicles and means of transport	20%
Automobiles	25%
Electronic machines	20%
Furniture and furnishings	12%
Fixed hydraulic works (hydroelectric power plant)	1%
Pipeline network (hydroelectric power plant)	4%
Machinery (hydroelectric power plant)	7%
Distribution networks (hydroelectric power plant)	8%

Depreciation was calculated on a constant straight-annual basis starting from the time that the individual goods were usable and were put into operation; for investments completed which become usable during the year, depreciation was calculated at 50% of the rates normally applied, therefore reflecting, on average, the actual use of the goods; investments not completed during the year were not depreciated; assets transferred during the year were not depreciated, even pro quota.

Recoverability of book value, write-downs and revaluations

There were no indicators that would lead to the estimated book value; long-term impairment losses never occurred, not even in the past, that would justify any write down.
Revaluations were made in the past, which found their maximum usable value limit, objectively determined, in the fixed asset itself. The relative information is provided below:

Monetary revaluations

Description	Company	Law 342/2000	Law 350/2003
Plant and equipment	Soffass S.p.a.	-	13,000
Plant and equipment	Delicarta S.p.a.	1,805	2,000
TOTAL		1,805	15,000

Voluntary revaluations

Description	Company	Original revaluation
Land	Delicarta S.p.a.	314
Buildings	Delicarta S.p.a.	405
TOTAL		719

It is noted that the value of fixed assets revalued in this manner as a result of extraordinary circumstances is however, consistent with the value found in the appraisal reports by third party independent experts in 2001 and 2011. It is also noted that deferred taxes were not calculated on the difference between the civil value and the tax value of the aforementioned fixed assets in compliance with OIC 25, because based on the current intentions of the companies with ownership, there is little likelihood that said liability will arise.

Financial charges allocate to tangible fixed assets

Significant financial costs were not charged, during the year and in the past, to items in the tangible fixed assets.

Liens on fixed assets

In addition to mortgages on industrial buildings, which details are shown in the comment section on liabilities, the following liens are in place on fixed assets:

Company	Type of lien	Description	Value of the lien	Use	Expiry
Delicarta S.p.a.	Retention of title	Plant and equipment	2,358	767	31/12/2015
Delicarta S.p.a.	Retention of title	Plant and equipment	2,248	1,336	31/08/2016
Delicarta S.p.a.	Retention of title	Plant and equipment	219	130	31/08/2016
Delicarta S.p.a.	Retention of title	Plant and equipment	2,486	1,477	30/09/2016
Comceh S.a.	Lien	Plant and equipment	1,650	576	30/11/2016
Delipapier S.a.s.	Retention of title	Plant and equipment	660	392	30/11/2016
Delipapier S.a.s.	Retention of title	Plant and equipment	310	283	30/11/2016
Delicarta S.p.a.	Retention of title	Plant and equipment	679	482	30/04/2017
Delipapier S.a.s.	Retention of title	Plant and equipment	2,567	2,567	28/02/2019
TOTAL			13,177	8,010	

Significant commitments assumed in the purchase of tangible fixed assets

No significant commitments were assumed for suppliers in the purchase of fixed tangible assets.

Capital grants

During the year, capital grants for new investments totalling 1,264 were obtained, of which 1,107 from “Delipapier G.m.b.H.” and the remainder of 157 from “Comceh S.a.”.

NOTE 3

EQUITY INVESTMENTS (in financial fixed assets)

Breakdown and change

The breakdown and changes compared to the previous year, are as follows:

Equity investments

Description	31/12/2013	Increase	Decrease	31/12/2014
Other companies	1,114	144	-	1,258
TOTAL	1,114	144	-	1,258

Equity investments in “Other companies” refer to equity shares in consortia/local companies, which is not significant for purposes of the information that this document must provide.

Write-downs and revaluations of equity investments

There were no long-term impairment losses that would justify write-downs; there have never been any revaluations.

Changes of use of equity investments

No term fixed asset equity investments changed use.

Restrictions on the availability of equity investments

No fixed asset equity investments restrictions exist on availability by the participating company, nor are there any option rights or other privileges in favour of third parties.

NOTE 4

RECEIVABLES (of financial fixed assets)

Breakdown and changes

The breakdown and changes relative to the previous year are shown below:

Receivables

Description	31/12/2013	Increases	Decreases	31/12/2014
Other	415	139	-	554
TOTAL	415	139	-	554

Include receivables from security deposits paid by different companies on term contracts, such as utilities and similar.

Breakdown of loans by geographic area

The breakdown of receivable by geographical area is not significant.

Financial fixed assets posted at a greater value than their *fair value*

There are no financial fixed assets posted at a greater value than their *fair value*

NOTE 5

INVENTORIES

Breakdown and change

The breakdown and changes relative to the previous year are shown below:

Description	31/12/2014	31/12/2013	Changes
Raw materials, supplies and consumables	152,938	142,017	10,921
Finished goods and goods for resale	132,727	141,523	(8,796)
Advances	430	2,394	(1,965)
TOTAL	286,095	285,934	161

Since these are fungible goods, the purchase price of raw materials, supplies, consumables and maintenance, and the production cost of finished products, were determined using the "Weighted Average Cost", with the exception of lots of cellulose still in the middle of shipping at the end of the year and of material and felt, which were determined on a relevant specific cost basis.

The changes are due to other changes in operating capital.

Accounting policies adopted were unchanged from the previous year.

Provision for obsolete goods

For adjustment of values in inventories at (lower) market value, existing in some companies, special provisions were allocated, which individual and overall amount however, is not significant.

Comparison with current value at the end of the year

The value of inventories does not differ significantly from current costs at the end of the year.

Financial charges allocated to inventories

There were no financial charges to inventory items.

NOTE 6

RECEIVABLES (in current assets)

Breakdown and changes

The breakdown and changes relative to the previous year are shown below:

Description	31/12/2014	31/12/2013	Changes
Due from customers			
- due within 12 months	231,618	260,565	(28,946)
	231,618	260,565	(28,946)
Tax receivables			
- due within 12 months	9,427	11,277	(1,849)
	9,427	11,277	(1,849)
Prepaid taxes			
- due within 12 months	12,636	13,447	(811)
	12,636	13,447	(811)
For others			
- due within 12 months	9,991	12,180	(2,189)
	9,991	12,180	(2,189)
TOTAL	**263,673**	**297,468**	**(33,794)**

The changes compared to the previous year are mainly due to the reduction in receivables for customers and receivables for others, as well as tax receivables.
A portion of receivables for customers was sold on non-recourse basis: accounting for the transferred receivables for customers was removed since all the relative risks were also transferred.

Receivables with a residual term greater than five years

There are no receivable with a residual term greater than five years.

Breakdown of receivables for customers according to major geographic areas

Description	Amount (absolute value)	Impact %
England/Ireland	61,778	26.7
Germany	40,358	17.4
France	38,523	16.6
Poland	16,706	7.2
Belgium/Netherlands	12,681	5.5
Spain	12,585	5.4
USA	11,092	4.8
Other insignificant individual amounts	37,895	16.40
TOTAL	**231,618**	**100.0**

Significant amounts of foreign currency receivables

There are no significant receivables in a different currency than the national currency for the individual consolidated companies that are not hedged for foreign exchange rates.

Breakdown and changes in individual items

Receivables “for customers”, equal to 231,618, are generally covered by insurance for an average percentage of 85% of their amount. The adjustment of the nominal value of receivables “for customers” at their presumed realisable value was obtained by an appropriate provision for doubtful accounts, which at the end of the year amounted to 4,018. Said changes occurring during the year are reported below:

Description	Amount
Initial balance	**(3,737)**
Increases	(545)
Decreases	290
Change in consolidation area	-
Exchange-rate difference	(27)
FINAL BALANCE	**(4,018)**

The referenced provision for doubtful accounts has been calculated on the portion of trade receivables not covered by insurance, analytically customer by customer, mainly taking into account the aging factor of individual receivables and in any case, every other elements deemed useful, even if learned after the year ending.

“Tax receivables”, equal to 9,427, have the following breakdown and changes compared to the previous year:

Description		31/12/2014	31/12/2013	Changes
VAT taxes account	Turkey	2,104	1,775	329
VAT taxes account	France	1,447	1,071	376
VAT taxes account	Sweden	909	1,573	(664)
VAT taxes account	Poland	728	141	588
VAT taxes account	Italy	519	870	(351)
VAT taxes account	Germany	387	454	(67)
Security deposits VAT	Italy	309	244	65
VAT taxes account	Romania	269	72	197
Tax credit for various taxes	Germany	247	455	(208)
Tax credit for various taxes	Sweden	242	169	73
Tax credit for various taxes	France	208	889	(681)
Other individual insignificant amounts		2,058	3,564	(1,507)
TOTAL		9,427	11,277	(1,850)

"Prepaid taxes", equal to 12,636, are relative to temporary differences between the value of an asset for civil purposes and the value of the same assets for tax purposes, in addition to tax losses carried forward, which specifically are thus formed by the company:

Description	Amount
Ibertissue S.l.u.	5,054
Soffass S.p.a.	4,580
Delicarta S.p.a.	1,698
Sofidel America Corp.	672
Sofidel S.p.a.	325
Delitissue Sp.z.o.o	265
Other individual insignificant amounts	42
TOTAL	12,636

Losses on which prepaid taxes were allocated derive from well-established and known circumstances and are reasonably recoverable according to the current tax provisions in the countries in which the companies that generated them reside, as shown by the multi-year financial plans drafted.

Receivables "due from others", equal to 9,991, have the following breakdown and changes compared to the previous year:

Description	31/12/2014	31/12/2013	Changes
Other short-term financial receivables	2,379	2,776	(397)
Advances to suppliers	1,531	2,409	(878)
Expense funds	261	270	(9)
Receivables for contributions	168	179	(12)
Security deposits	25	25	-
Insurance receivables	-	12	(12)
Other individual insignificant amounts	5,627	6,509	(880)
TOTAL	9,991	12,180	(2,187)

Other information

It is also noted that:

- amounts reported are, in general, in line with the allowable payment terms;
- there are receivable and payables portions for the same parties that were recognised under receivables and payables because they can be cannot be offset by law due to specific agreements between the parties;
- there are no receivables subject to liens or restrictions of any kind or credits relative to which it was decided to proceed to discount in compliance with the accepted accounting standards.

NOTE 7

SHORT-TERM INVESTMENTS

Breakdown and change

The breakdown and changes compared to the previous year are as follows:

Description	31/12/2013	Increases	Decreases	31/12/2014
Other securities	450	-	(450)	-
TOTAL	450	-	(450)	-

Securities previously owned were sold during the year.

NOTE 8
CASH AND CASH EQUIVALENTS

Breakdown and changes
The breakdown and changes compared to the previous year are as follows:

Description	31/12/2014	31/12/2013	Changes
Bank and postal deposits	48,132	42,070	6,062
Cheques	17	3	14
Cash on hand	85	212	(127)
TOTAL	48,234	42,285	5,949

There is no significant cash subject to constraints and/or restrictions, or significant foreign currency other than that accounted by the individual consolidated companies.
The changes which occurred relative to the previous year are related to other changes in the operating capital.

NOTE 9
ACCRUED INCOME AND PREPAID EXPENSES

Breakdown and changes
The breakdown and changes compared to the previous year are as follows:

Description	31/12/2014	31/12/2013	Changes
Accrued income	2,604	3,150	(546)
Deferred liabilities	2,485	1,699	786
TOTAL	5,089	4,849	240

Accrued income and deferred liabilities were all calculated based on the "passing of time" criterion, or on the basis of relevant days, there being no costs or revenues which are not proportional to the passage of time.
To the date of the financial statements, there are not accruals or deferrals with a greater term than five years. The amounts posted are all recoverable.

SHAREHOLDER'S EQUITY AND LIABILITIES

NOTE 10
SHAREHOLDER'S EQUITY

Breakdown and change
The breakdown and changes compared to the previous year are as follows:

	Initial balance	Profit (loss) carried forward 2013	Profit for the year 2014	Amounts carried forward and consolidation adjustments	FINAL BALANCE
Share Capital	(33,000)	-	-	-	(33,000)
Share premium reserve	-	-	-	(1,500)	(1,500)
Revaluation reserve (*)	(46,600)	-	-	(775)	(47,375)
Legal reserve (**)	(6,600)	-	-	(559)	(7,159)
Other reserves	(390,553)	(63,384)	-	(23,364)	(477,302)
Profits (losses) for the year	(63,384)	63,384	(83,920)	-	(83,920)
Group shareholder's equity	(540,138)	-	(83,920)	(26,198)	(650,256)
Capital and reserves attributable to minority interests	(76)	2	-	(2)	(76)
Profit (loss) for the year attributable to minority interests	2	(2)	(1)	-	(1)
Minority shareholder's equity	(74)	-	(1)	(2)	(77)
TOTAL SHAREHOLDER'S EQUITY	(540,212)	-	(83,921)	(26,200)	(650,333)

(*) the revaluation reserves have all been traced to a specific own item. (**) The legal reserve increased as a result of the aforementioned extraordinary transactions which involved the Parent Company.

Movements relative to the share premium reserve and the legal reserve specifically regard reclassifications of item "Other reserves" made necessary by changes which occurred on the breakdown of reserves of the Parent Company, as a result to the extraordinary transactions described in the first part of the document.

Breakdown of "Revaluation reserves"
The revaluation reserve of 47,375 was generated within the Parent Company and at the subsidiaries based on revaluation laws enacted after the initial consolidation.

Breakdown of “Other reserves”

Description	31/12/2014	31/12/2013	Changes
Retained earning	230,692	169,950	60,742
Extraordinary reserve	228,714	229,966	(1,252)
Translation differences	14,401	(10,819)	25,220
Merger reserve	1,961	-	1,961
Contribution Reg. L.10/91 Art.111	936	936	-
Exchange rate gains reserve	481	478	3
Reserve provisions pursuant to Art. 14 L.289/02	74	-	74
Contribution Reg. L.10/91 (46/89)	28	28	-
6% Provision Art. 15 L. 130/83	10	10	-
Contribution Reg. EEC 2088	4	4	-
Pursuant to Art. 55 Presidential Decree 597/73	1	-	1
Surplus revenue provision pursuant to Art. 54 L.917/87	1	-	1
TOTAL	**477,302**	**390,553**	**86,748**

The change in the conversion was mainly due to the change, which occurred during the year, on the Euro/American dollar and Euro/Pound Sterling exchange rate.

Movements of the last three financial years

	Share Capital	Share premium reserve	Revaluation reserve	Legal reserve	Other reserves	Profit (losses) for the year	Group shareholder's equity	Capital, reserves and profit (loss) attributable to minority interest		Minority shareholder's equity	TOTAL SHAREHOLDER'S EQUITY
Final balance 2011	(33,000)	-	(46,600)	(6,600)	(305,885)	(35,691)	(427,776)	(5,765)	(350)	(6,115)	(433,891)
Profit (loss) carried forward	-	-	-	-	(35,691)	35,691	-	(350)	350	-	-
Target of Profit for the year	-	-	-	-	-	(49,634)	**(49,634)**	-	(388)	**(388)**	**(50,022)**
Other changes (*)	-	-	-	-	(4,362)	-	**(4,362)**	-	-	-	**(4,362)**
Final balance 2012	(33,000)	-	(46,600)	(6,600)	(345,938)	(49,634)	(481,771)	(6,115)	(388)	(6,502)	(488,274)
Profit (loss) carried forward	-	-	-	-	(49,634)	49,634	-	(388)	388	-	-
Target of Results for the year	-	-	-	-	-	(63,384)	**(63,384)**	-	2	**2**	**(63,382)**
Other changes (*)	-	-	-	-	5,018	-	**5,018**	6,427	-	**6,427**	**11,445**
Final balance 2013	(33,000)	-	(46,600)	(6,600)	(390,553)	(63,384)	(540,138)	(76)	2	(74)	(540,212)
Profit (loss) carried forward	-	-	-	-	(63,384)	63,384	-	(2)	2	-	-
Target of Results for the year	-	-	-	-	-	(83,920)	**(83,920)**	-	(1)	**(1)**	**(83,921)**
Other changes (*)	-	(1,500)	(775)	(559)	(23,364)	-	**(26,198)**	(2)	-	**(2)**	**(26,200)**
FINAL BALANCE 2014	(33,000)	(1,500)	(47,375)	(7,159)	(477,302)	(83,920)	(650,256)	(76)	(1)	(77)	(650,333)

(*) The other movements mainly include the changes in the conversion reserves and purchase of shares by third parties.

Reconciliation between shareholder’s equity of Parent Company and consolidated shareholder’s equity

Description	31/12/2014	31/12/2013	Change
Financial statements of the parent company	171,701	161,891	9,810
Contribution of the subsidiaries	1,098,920	951,394	147,526
Write-down of equity investments	35,439	32,039	3,400
Elimination of tax provisions	24,802	21,840	2,962
Write-off adjustment for Werra	6,818	9,153	-2,335
Lease back	(413)	(421)	8
Other pre-consolidation adjustments (harmonisation of accounting principles)	2,516	2,063	453
Profit adjustment on *intercompany* stock	(1,548)	(1,638)	90
Reclassification of intercompany sales effect	(5,955)	(7,197)	1,242
Effect of the recalculation of accumulated depreciation	(29,476)	(23,269)	(6,207)
Elimination of equity investments	(652,548)	(605,717)	(46,831)
Total Group shareholder’s equity	**650,256**	**540,138**	**110,118**
Third party capital and reserves	76	76	-
Profit (loss) attributable to minority interests	1	(2)	3
Total minority shareholder’s equity	**77**	**74**	**3**
TOTAL SHAREHOLDER’S EQUITY	**650,333**	**540,212**	**110,121**

Reconciliation between the result for the year of the Parent Company and the consolidated result

Description	31/12/2014	31/12/2013	Change
Financial Statements of the parent company	1,678	2,153	(475)
Contribution of the subsidiaries	83,062	68,408	14,654
Revaluation/write down participating interests	3,400	2,660	740
Other consolidation adjustments	381	(155)	536
Profit adjustment on *intercompany* stock	91	(229)	320
Lease back	7	69	(62)
Elimination of tax provisions	2,961	3,166	(205)
Write-off adjustment for Werra	(2,335)	(1,725)	(610)
Elimination of equity investments	(745)	(3,609)	2,864
Recalculation of amortisation/depreciation	(5,822)	(7,162)	1,340
Reclassification of intercompany sales effect	1,242	(192)	1,434
Profit attributable to the Group	**83,920**	**63,384**	**20,536**
Profit attributable to minority interests	**1**	**(2)**	**3**
PROFIT (LOSS) FOR THE YEAR FOR THE GROUP AND MINORITY INTERESTS	**83,921**	**63,382**	**20,539**

Break down of shareholder's equity items of the Parent Company according to the potential for use, distribution and use made during previous years

Description	Amount	Potential for use (*)	Available amount (**)	Use in the three previous years	
				For coverage of losses	For other reasons
Share Capital	33,000	-	-	-	-
Legal reserve	7,159	A, B, C	559	-	-
Revaluation reserve L.72/83	168	A, B	168	-	-
Revaluation reserve L.413/91	1,472	A, B	1,472	-	-
Revaluation reserve L.342/00	124	A, B	124	-	-
Revaluation reserve L.350/03	137	A, B	137	-	-
Share premium reserve	1,500	A, B, C	1,500	-	-
Extraordinary reserve	123,449	A, B, C	123,449	-	-
6% Provision Art.15 L.130/83	10	A, B, C	10	-	-
Statutory provision 526	-	A, B, C	-	-	-
Contribution reg. L.10/91 (46/89)	28	A, B, C	28	-	-
Contribution reg. L.10/91 Art.111	936	A, B, C	936	-	-
Contribution reg. EEC 2088	4	A, B, C	4	-	-
Merger surplus	1,961	A, B, C	1,961	-	-
Reserve pursuant Art. 14 L. 289/2002	74	A, B, C	74	-	-
Provision pursuant Art. 55 Presidential Decree 97/1973	1	A, B, C	1	-	-
Capital gains provision pursuant to Art. 54 L 917/1987	1	A, B, C	1	-	-
Rounding Euro reserve	-	-	-	-	-
Profit (loss) for the year	1,678	A, B	1,678	-	-
Total	**171,701**		**132,102**		
Non-distributable amounts					
Revaluation reserve L.72/83			(168)		
Revaluation reserve L.413/91			(1,472)		
Revaluation reserve L.342/00			(124)		
Revaluation reserve L.350/03			(137)		
Unrealised foreign exchange gains			(1,678)		
RESIDUAL DISTRIBUTABLE AMOUNT			**128,523**	**-**	**-**

(*) "A" for increase in capital "B" for loss coverage "C" for distribution to shareholders (**) analysis of distribution of reserves and profits is shown on the other statement.

Analysis of restrictions on distribution of reserves and profits of the Parent Company

Description	Restrictions on distribution			Freely distributable
	Art. 2426, 1st Para., nos. 5 and 8 bis Italian Civil Code Art. 2433 Italian C.C. (*) Art. 2423, 5th Para., Italian Civil Code	Art. 2430 Italian Civil Code Art. 2431 Italian Civil Code	Revaluation Laws (*)	
Legal reserve	-	6,600	-	559
Revaluation reserve L.72/83	-	-	168	-
Revaluation reserve L.413/91	-	-	1,472	-
Revaluation reserve L.342/00	-	-	124	-
Revaluation reserve L.350/03	-	-	137	-

(*) Indication on the restriction on certain reserves is only conventional, since the same is generic and non-specific.

Description	Restrictions on distribution: Art. 2426, 1st Para., nos. 5 and 8 bis Italian Civil Code Art. 2433 Italian C.C. (*) Art. 2423, 5th Para., Italian Civil Code	Restrictions on distribution: Art. 2430 Italian Civil Code Art. 2431 Italian Civil Code	Restrictions on distribution: Revaluation Laws (*)	Freely distributable
Share premium reserve	-	-	-	1,500
Extraordinary reserve	-	-	-	123,449
6% Provision Art. 15 L. 130/83	-	-	-	10
Statutory provision 526	-	-	-	-
Contribution reg. L.10/91 (46/89)	-	-	-	28
Contribution reg. L.10/91 Art.111	-	-	-	936
Contribution reg. EEC 2088	-	-	-	4
Merger surplus	-	-	-	1,961
Reserve pursuant to Art.14 L. 289/2002	-	-	-	74
Provision pursuant to Art. 55 Presidential Decree 597/1973	-	-	-	1
Capital gains provision pursuant to Art. 54 L 917/1987	-	-	-	1
Profit (loss) for the year	1,678	-	-	-
TOTAL	1,678	6,600	1,901	128,523

(*) Indication on the restriction on certain reserves is only conventional, since the same is generic and non-specific.

Nature of the shareholder's equity items of the Parent Company

Description	Retained earnings (*)	Capital reserves / contributions from shareholders (**)	Suspended reserves (***)	TOTAL
Share capital	17,807	14,099	1,093	33,000
Legal reserve	6,616	543	-	7,159
Revaluation reserve L.72/83	-	-	168	168
Revaluation reserve L.413/91	-	-	1,472	1,472
Revaluation reserve L.342/00	-	-	124	124
Revaluation reserve L.350/03	-	-	137	137
Share premium reserve	-	1,500	-	1,500
Extraordinary reserve	123,449	-	-	123,449
6% Provision Art. 15 L.130/83	-	-	10	10
Statutory provision 526	-	-	-	-
Contribution reg. L.10/91 (46/89)	-	-	28	28
Contribution reg. L.10/91 Art.111	-	-	936	936
Contribution reg. EEC 2088	-	-	4	4
Merger surplus	1,164	797	-	1,961
Reserve pursuant Art. 14 L. 289/2002	74	-	-	74
Provision pursuant Art. 55 Presidential Decree 597/1973	-	-	1	1
Capital gains provisions pursuant Art. 54 L 917/1987	-	-	1	1
TOTAL	149,110	16,939	3,974	170,024

(*) In case of distribution, retained earnings form the taxable income of shareholders but not of the company regardless of the period established.
(**) In case of distribution, capital reserves do not form taxable income for shareholders or the company regardless of the period established.
(***) In case of distribution, the suspended tax reserves form the taxable income of the company and the shareholders, regardless of the period established.

Suspended reserves in the share capital are the following:

Description	Amount
Revaluation reserve L.72/83	679
Revaluation reserve L 413/91	380
Taxed reserve L.413/91	27
Reserve Art. 18 L.675/77	4
Reserve Art. 55 L. 526/82	4
TOTAL	1,094

Retained earnings in the share capital are the following:

Description	Amount
Extraordinary reserve	17,807
TOTAL	17,807

On suspended reserves existing both in the shareholder's equity, as a distinct reserve, and in the share capital, the deferred tax was not calculated, given the low probability that said liability will arise, as permitted by OIC 25.

Breakdown of the share capital of the Parent Company

The share capital of the Parent Company at the end of the year in the amount of 33,000 includes the following:

Shares	Number	Nominal value
Ordinary shares	6,600,000	5 Euro each
TOTAL	**6,600,000**	**5 Euro each**

NOTE 11

RISKS AND CHARGES PROVISIONS

Breakdown and change

The breakdown and changes compared to the previous year, is as follows:

Description	Initial balance	Increases	Decreases	Exchange rate difference	Other movements	FINAL BALANCE
Pensions and similar obligations	1,338	631	(95)	2	1,384	3,260
Provision for taxes including deferred taxes	16,778	10,108	(4,561)	1,388	(3,560)	20,152
Other provisions	1,809	252	(127)	3	(1,388)	549
TOTAL	**19,925**	**10,991**	**(4,783)**	**1,393**	**(3,564)**	**23,961**

The provision "for pensions and similar obligations" is formed mainly by post-term indemnity of Directors allocated by the Italian companies of the Group.

The provision "for taxes, including deferred taxes" is formed almost entirely, by deferred taxes calculated in differences between the value of an asset and a liability for civil and tax purposes, as well as those arising from consolidation transactions.

The item "other provisions" mainly consists of provisions for pending litigation and for CO_2 shares to be acquired in compliance with the rules on *emission trading*.

NOTE 12

EMPLOYEE TERMINATION INDEMNITIES

Breakdown and changes

The breakdown and changes compared to the previous year, include the following:

Description	Amount
Initial balance	**13,391**
Increases	229
Decreases	(641)
Other movements	68
FINAL BALANCE	**13,047**

NOTE 13

PAYABLES

Breakdown and changes

The breakdown and changes compared to the previous year, include the following:

Description	31/12/2014	31/12/2013	Changes
Payables due to banks			
- due within 12 months	276,866	275,337	1,529
- due over 12 months	338,867	462,671	(123,804)
	615,733	738,008	(122,275)
Advances			
- due within 12 months	39	100	(61)
	39	100	(61)
Trade payables			
- due within 12 months	307,654	285,841	21,813
- financial within 12 months	5,085	5,596	(511)

Description	31/12/2014	31/12/2013	Changes
- financial after 12 months	16,935	8,753	8,182
	329,674	300,191	29,484
Tax payables			
- due within 12 months	32,134	24,305	7,829
	32,134	24,305	7,829
Payables due to social security and national insurance institutions			
- due within 12 months	7,939	7,437	502
	7,939	7,437	502
Other payables			
- due within 12 months	33,129	24,115	9,014
- due after 12 months	41	41	-
	33,170	24,156	9,014
TOTAL	1,018,688	1,094,196	(75,506)

The change compared to the previous year is mainly due to reduction in payables to banks.

Breakdown of payables according to deadlines

Description	Due within 12 months	Due over 12 months	Over 5 years	TOTAL
Payables due to banks	276,866	244,285	94,582	615,733
Advances	39	-	-	39
Trade payables	312,739	16,935	-	329,674
Tax payables	32,134	-	-	32,134
Payables due to social security and national insurance institutions	7,939	-	-	7,939
Other payables	33,129	41	-	33,170
TOTAL	662,846	261,261	94,582	1,018,688

Breakdown of trade payables (within 12 months) according to geographical area

Description	Amount	%
Italy	84,914	27.6
Switzerland/Austria	40,158	13.1
England/Ireland	33,653	10.9
Germany	32,909	10.7
Sweden	28,652	9.3
Belgium/Netherlands	24,265	7.9
Spain	16,501	5.4
USA	15,951	5.2
France	12,928	4.2
Portugal	6,222	2.0
Romania	3,498	1.1
Poland	3,458	1.1
Other EEC	2,244	0.7
Other individual insignificant amounts	2,301	0.8
TOTAL	307,654	100.0

Significant amounts of currency payables

At the end of the year, there were no significant amounts of payables in a currency other than the national currency for the individual consolidated companies that are not hedged for exchange rate.

Breakdown and changes of individual items

Payables “to banks”, equal to 615,733, includes for an amount equal to 184,472 short-term bank loans, and mortgages payable for the remaining amount. The latter are posted on the financial statements for a total of 431,261, compared to an original amount disbursed of 705,139; Payments made during the course of the year, were equal to 205,747. During the course of the year, new loans were issued for 74,299.

Shares to be redeemed during the next five years are divided by year, as follows:

Description	Amount
2015	92,394
2016	90,517
2017	79,851
2018	46,900
2019	26,980
beyond	94,619
TOTAL	**431,261**

Rates are in most cases, variable, with a market *spread.*
The "advances", equal to 39, are relative to advances received for supplies not yet delivered or shipped at the end of the year.

"Trade payables", equal to 329,674 (of which 22,020 are of financial nature), are recorded net of trade discounts, premiums and returns, in the amount agreed to with the counterparty.

The part of a financial nature is for the supply of equipment and pertains to the following companies:

Description	Within 12 months	Over 12 months	TOTAL
Sofidel America Corp.	-	8,535	**8,535**
Delipapier S.a.s.	969	3,451	**4,420**
Delicarta S.p.a.	2,264	1,928	**4,192**
Delitissue Sp.Z.o.o	478	1,680	**2,157**
Intertissue L.t.d.	994	573	**1,566**
Sofidel UK L.t.d.	380	770	**1,150**
TOTAL	**5,085**	**16,935**	**22,020**

The breakdown and changes compared to the previous year, for "Tax payables", equal to 32,134, consist of the following:

Description		31/12/2014	31/12/2013	Change
Income taxes	*Italy*	2,694	302	2,391
	Abroad	10,266	8,788	1,478
IRPEF Directors and employees	*Italy*	1,463	1,829	(365)
	Abroad	1,482	1,405	76
VAT payables	*Italy*	502	1,327	(825)
	Abroad	14,989	9,911	5,077
Other individual insignificant value	*Italy*	713	707	6
	Abroad	25	36	(10)
TOTAL		**32,134**	**24,305**	**7,829**

"Payables due to social security and national insurance institutions", equal to 7,939, include payables to pension and social security institutions to the end of the year.
Payables "to others", equal to 33,170, are mostly relative to payables for employees and the remainder to residual debt of a single unit value which cannot be estimated.

Payables secured by collateral assets of the Group

Payables secured by collateral in assets owned by the companies of the Group are the following, with the relative guarantees:

Description	Residual capital amount	Original mortgage lien	Expiry
PAYABLES OF "SWEDISH TISSUE A.B." SECURED BY MORTGAGE ON OWN ASSETS:			
	-	3,726	2015
	9,500	8,943	2016
PAYABLES OF "DELICARTA S.P.A." SECURED BY MORTGAGE ON OWN ASSETS:			
	14,800	70,000	2017
PAYABLES OF "PAPYROS PAPER MILL S.A." SECURED BY MORTGAGE ON OWN ASSETS:			
	1,239	3,600	2017
	474	1,875	2017
	605	1,500	2017
PAYABLES OF "DELIPAPIER G.M.B.H." SECURED BY MORTGAGE ON OWN ASSETS:			
	27,193	95,000	2017
PAYABLES OF "DELIPAPIER S.A.S." SECURED BY MORTGAGE ON OWN ASSETS:			
	8,500	20,900	2019
PAYABLES OF "IBERTISSUE S.L.U." SECURED BY MORTGAGE ON OWN ASSETS:			
	7,860	20,500	2020
	3,275	6,875	2020
	1,965	4,125	2020

Description	Residual capital amount	Original mortgage lien	Expiry
PAYABLES OF "SOFIDEL S.P.A." OF EURO 100,000 SECURED BY MORTGAGE ON ASSETS OF "SOFFASS S.P.A." AND "DELICARTA S.P.A.":			
	91,500	(Delicarta) 100,000	2023
	91,500	(Soffass) 100,000	2023
PAYABLES OF "SOFIDEL S.P.A." SECURED BY MORTGAGE ON ASSETS OF "WERRA P.W. G.M.B.H.":			
	50,000	97,750	2023

Relative to guarantees for the "*project financing limited recourse*" transaction of "Delipapier G.m.b.H.", please see comments in the first part of this document.

Guarantees given by third parties on payables of the Group

Please note that at the end of the year no guarantees were issued by third parties on payables of the companies of the Group.

NOTE 14

ACCRUED LIABILITIES AND DEFERRED INCOME

Breakdown and changes

The breakdown and changes compared to the previous year, include the following:

Description	31/12/2014	31/12/2013	Changes
Accrued liabilities on:	**7,774**	**8,500**	**(726)**
- *financial interest*	2,622	3,082	(460)
- 14th month salary	3,466	3,439	27
- *forward contracts*	3	18	(14)
- *various individual insignificant amounts*	1,683	1,962	(279)
Deferred income on:	**48,212**	**51,403**	**(3,191)**
- contributions due pursuant to provisions of law	48,212	51,403	(3,191)
- due within 12 months	6,681	6,252	429
- due over 12 months	26,724	25,008	1,716
- due over 5 years	14,807	20,143	(5,336)
TOTAL	55,987	59,903	(3,917)

Accrued liabilities and deferred income were all calculated based on the "physical time" criterion, or based on the relevant days, there being no costs or revenue that are not proportional to the passage of time.

NOTES TO MEMORANDUM ACCOUNTS

NOTE 15

COMMITMENTS ASSUMED BY THE COMPANY

Breakdown and changes

The breakdown and changes compared to the previous year, include the following:

Description	31/12/2014	31/12/2013	Changes
Guarantees granted	5,331	5,218	113
TOTAL	5,331	5,218	113

"Guarantees granted" to others, consist of bank/insurance guarantees of a single insignificant amount issued by the various companies of the group based on the exact fulfilment of contractual obligations, maturing during 2015. To the date of the financial statements, there are no other significant commitments or significant third party assets which must be disclosed within this area.

NOTES TO INCOME STATEMENT

NOTE 16

VALUE OF PRODUCTION

Breakdown and change

The breakdown and changes compared to the previous year, include the following:

Description	31/12/2014	31/12/2013	Changes
Revenues from sales and services	1,770,877	1,699,571	71,306
Changes in product inventories	(10,728)	30,851	(41,579)
Fixed assets increases due to internal work	1,879	650	1,229
Other revenue and income	18,067	21,639	(3,573)
TOTAL	1,780,094	1,752,711	27,383

Specifically, revenues are broken down by category of activity and by geographic area:

Revenue by business segment

Description	31/12/2014	31/12/2013	Changes
Sales of finished products in the "consumer" segment	1,361,726	1,278,927	82,799
Sales of finished products in the "A.F.H." segment	241,871	248,456	(6,585)
Sales of tissue paper rolls	156,807	159,626	(2,819)
Other	10,472	12,561	(2,089)
TOTAL	1,770,877	1,699,571	71,306

More precisely:

- sales of products for the consumer sector are divided between those of own brands (mainly represented by Regina®, by the British brands and by Softis®) and those of G.D.O. brands;
- sales of reels are relative to parent reels not used in internal machining;
- sales of products aimed at the *Away From Home* sector are also divided between those in their own brands and those of private brands;
- the item "other" is relative to residual sales/revenues.

Revenues by geographic areas

Description	%
England/Ireland	24.69
Italy	16.94
Germany	13.52
France	11.84
USA	8.09
Poland	5.38
Belgium	3.34
Spain	3.15
Romania	1.92
Other of individual insignificant amount	11.13
TOTAL	100.00

Increases in fixed assets for internal work

"Increases in fixed assets due to internal work" consist of work performed by direct labour on own fixed assets.

Other revenue and income

Include revenues from operations, of an ordinary nature, that cannot be posted under previously mentioned items, and ancillary revenue, with breakdown and changes relative to the previous year, as follows:

Description	31/12/2014	31/12/2013	Changes
Contributions on investment	6,681	6,252	430
Sales of electricity and gas and recoveries for interruptibility	5,461	5,618	(157)
Decreases in provisions from previous years	1,805	3,872	(2,067)
Different monetary revenues	1,703	1,876	(173)
CO_2 shares sales	795	347	449
Other contributions (office work, etc.)	777	1,377	(600)
Rental income	549	667	(118)
Capital gains	126	1,037	(911)
Insurance refunds	89	125	(36)
Recovery of personnel expenses and advanced expenses	65	397	(331)
Revenues from suppliers	16	71	(55)
TOTAL	18,067	21,639	(3,572)

NOTE 17

COSTS OF PRODUCTION

Breakdown and changes

The breakdown and changes compared to the previous year, include the following:

Description	31/12/2014	31/12/2013	Changes
Raw materials and goods for resale	710,138	766,231	(56,094)
Services	532,486	510,892	21,594
Use third party assets	28,054	26,181	1,873
Wages and salaries	173,672	161,585	12,088
Social security costs	48,150	44,788	3,362
Termination indemnities	3,597	3,171	425
Pensions and similar obligations	442	297	145
Other personnel costs	14,948	14,126	822
Amortisation of intangible fixed assets	17,259	18,716	(1,457)
Depreciation of tangible fixed assets	100,482	95,622	4,860
Write-downs of receivables in current assets and cash and cash equivalents	545	140	405
Changes in inventories of raw materials, consumables and goods for resale	(7,155)	(18,587)	11,432
Provisions for risks	660	239	421
Other provisions	-	250	(250)
Other operating expenses	25,387	22,683	2,705
TOTAL	1,648,666	1,646,334	2,331

Specifically:

Costs for raw materials, supplies, consumables and goods

Include all the costs relative to the purchase of raw materials, mainly cellulose and wadding, used in the production cycle, or ancillary materials and consumables still used in production.

Costs for services

Include costs relative to acquisition of services in ordinary business activities, and mainly consists of costs for electricity, methane gas, maintenance, commissions, customer promotions, consultant and transport.

Costs for use of third party assets

Include all those costs arising from the use of assets owned by third party.

Personnel costs

This item includes the entire expense for employees, including merit increases, category changes, cost of living increases, costs for leave accrued but not taken and provisions by law and for compliance with collective ingredients.

In the "termination indemnities" provision, in addition to the amount allocated during the year, the amount accrued and paid to employees recruited and discharged in the same period and the amount paid to external pension funds. The work force employed at the companies of the Group at the end of the year, divided by category, as compared to the previous year, is the following:

Description	31/12/2014	31/12/2013	Changes
Manager	320	319	1
White Collar	1,155	1,126	29
Blue Collar	3,780	3,619	161
TOTAL	5,255	5,064	191

The work force employed on average at the companies of the Group at the end of the year, divided by category, as compared to the previous year, is the following:

Description	31/12/2014	31/12/2013	Changes
Manager	321	315	6
White Collar	1,141	1,104	37
Blue Collar	3,705	3,592	113
TOTAL	5,168	5,010	158

The employment contract applied to employees of the Italian companies of the Group is the one for the paper sector, while foreign subsidiaries use the collective agreements required by law or agreements in force in their respective countries.

In this regard:

- *"Manager"* means parties with functions which involve discretionary power and parties that may autonomously take initiatives or may decide, based on instruction provided by the top levels of the company (in Italy they correlate to the "Executive" categories, "Managers" and "AS");
- *"White Collar"* are basic employees, devoid of discretionary power;
- Lastly, *"Blue Collar"* means workers and therefore, production workers.

Amortisation, depreciation and write-downs

Include depreciation occurring during the year in the manner previously stated and write-downs of receivables included in the current assets.

Provisions for risks and other provisions

These are relative to provisions for specific risks carries by the companies of the Group of a single insignificant amount.

Other operating expenses

Welcome all those residual management costs, not accountable in the previously stated items, and costs for taxes other than income tax, for membership fees and company fees.

NOTE 18

FINANCIAL INCOME AND EXPENSES

Breakdown and changes

The breakdown and changes compared to the previous year, include the following:

Description	31/12/2014	31/12/2013	Changes
Interest and other financial income	1,483	3,190	(1,706)
Interest and other financial charges	(17,385)	(24,982)	7,597
Profit (losses) on foreign exchange rates	1,639	(908)	2,547
BALANCE FINANCIAL AREA	(14,262)	(22,701)	8,438

Specifically, "interest and other financial income" includes the following:

Description	31/12/2014	31/12/2013	Changes
Financial discounts received	770	731	39
Income from forward contracts	328	2,063	(1,734)
Interest income received from customers	200	203	(3)
Bank interest income	98	89	8
Positive SWAP spread	80	88	(8)
Other interest income	5	-	5
Other income	3	16	(13)
TOTAL	1,483	3,190	(1,706)

"Interest and other financial charges" includes the following:

Description	31/12/2014	31/12/2013	Changes
Loan interest payable	12,007	13,950	(1,943)
Banking interest expense	2,863	3,492	(630)
Discount granted	1,232	4,670	(3,438)
Other payable interest	824	609	215
Charges on forward contracts	289	1,437	(1,148)
Negative swap spread	122	720	(598)
Leasing interest expense	31	50	(18)
Allowances and rounding off	9	9	-
Interest expense to suppliers	8	10	(2)
Bond issue interest expense	-	34	(34)
TOTAL	17,385	24,982	(7,597)

"Profit (losses) on exchange rates" include the following:

Description	31/12/2014	31/12/2013	Changes
Foreign currency exchange gains	14,621	23,883	(9,262)
Unrealised foreign currency exchange gains	8,291	1,714	6,578
Foreign currency exchange losses	(20,312)	(23,586)	3,274
Unrealised foreign currency exchange losses	(960)	(2,918)	1,958
TOTAL	1,639	(908)	2,547

NOTE 19

EXTRAORDINARY INCOME AND EXPENSES

Breakdown and changes

The breakdown and changes compared to the previous year, include the following:

Description	31/12/2014	31/12/2013	Changes
- Miscellaneous	14,586	7,757	6,828
Total income	**14,586**	**7,757**	**6,828**
- Miscellaneous	(10,967)	(4,275)	6,692
Total expenses	**(10,967)**	**(4,275)**	**6,692**
TOTAL	3,619	3,483	136

The extraordinary activity includes, in general, income and expenses whose source is foreign to the ordinary activity performed, because they arise from accidental events and infrequent transactions that are unrelated to the ordinary activity of the company.
In particular, the extraordinary income mainly refers to reimbursements for energy costs of previous years (4,800), insurance reimbursements (2,400), refund of taxes not accrued (1,400) and income also relative to prior years of an individual insignificant amount.
On the other hand, charges are relative to taxes for the previous years (2,600), the consequences of accidental events such as fires and floods (800) and extrajudicial agreements (1000); the remaining amount is relative to costs not attributable of an individual insignificant amount.

NOTE 20

INCOME, CURRENT AND DEFERRED AND PREPAID TAXES

Breakdown and change

The breakdown and changes compared to the previous year, include the following:

Description	31/12/2014	31/12/2013	Changes
Current taxes	34,242	25,290	8,952
Deferred and prepaid taxes	2,623	(1,512)	4,136
TOTAL	36,865	23,777	13,088

Prepaid and deferred taxes

The balance of deferred taxes (assets and liabilities) was created as follows:

Statutory aggregated	Assets adjustment	*Intercompany stocks*	Tax from write-off	German deferred taxes	Lease-back	Miscellaneous adjustments	Total to 31/12/2014
5,895	(3,525)	35	(993)	745	86	380	2,623

OTHER INFORMATION

Financial structure of the Group

The following table summarises the net financial position at the end of the year as reported in the consolidated financial statement report.

Description	31/12/2014	31/12/2013	Charges
Cash and cheques	102	215	(113)
Cash equivalents (bank and postal deposits)	48,132	42,070	6,062
A. Liquidity assets	**48,234**	**42,285**	**5,949**
B. Contributions and other current financial transactions	**2,413**	**3,247**	**(834)**
Current bank payables (current account loans)	(184,472)	(179,919)	(4,553)
Portion of loans due within 12 months	(92,394)	(95,418)	3,024
Bonds maturing within 12 months	-	-	-
Current payables due to equipment suppliers and others	(5,085)	(5,596)	511
C. Gross current borrowing	**(281,951)**	**(280,933)**	**(1,018)**
D. Net current borrowing (A+B+C)	**(231,304)**	**(235,401)**	**4,097**
E. Non-current loans	**520**	**394**	**126**
Loans due over 12 months	(338,867)	(462,671)	123,804
Non-current payables due to equipment suppliers and others	(16,976)	(8,794)	(8,182)
F. Gross non-current borrowing	**(355,843)**	**(471,465)**	**115,622**
G. Net non-current borrowing (E+F)	**(355,323)**	**(471,071)**	**115,748**
H. TOTAL NET FINANCIAL POSITION (D+G)	**(586,627)**	**(706,471)**	**119,845**

If the “net financial position” is negative, the financial payables are greater than the liquidity of the financial receivables.

The list of items in the consolidated balance sheet that are part of the net financial position, are shown below:

Description	2014	2013
Assets B) III 2) d), within 12 months (financial fixed assets, receivables, for others)	34	21
Assets B) III 2) d), over 12 months (financial fixed assets, receivables, for others)	520	394
Assets C) II) 5) (circ. assets, receivables for others, part relat. to contrib.to be received)	2,379	2,776
Assets C) III 6) (circ. assets, financial assets that are not fixed assets, other securities)	-	450
Assets C) IV 1) (circ. assets, cash, bank and postal deposits)	48,132	42,070
Assets C) IV 2) 3) (circ. assets, cash, cheques, money and cash on hand)	102	215
Liabilities D) 4), within 12 months (payables, to banks)	(276,866)	(275,337)
Liabilities D) 4), over 12 months (payables, to banks)	(338,867)	(462,671)
Liabilities D) 7), within 12 months (payables, to suppliers, part relative to funding)	(5,085)	(5,596)
Liabilities D) 7) over 12 months (payables, to suppliers, part relative to funding)	(16,935)	(8,753)
Liabilities D) 14), over 12 months (payables, to others)	(41)	(41)
TOTAL	**(586,627)**	**(706,471)**

On the other hand, what follows is the consolidated cash flow statement of the immediate net liquidity, created by the “indirect” method.

Description	2014	2013
Profit (loss) of the year for the group and for third parties	**83,921**	**63,382**
(+/-) Taxes and duties	36,865	23,777
(+/-) Financial income and expenses	15,901	21,792
(+/-) Currency exchange income and expenses	(1,639)	908
(+/-) Extraordinary income and expenses	(3,619)	(3,483)
Profit (loss) before income taxes, interests, dividends and capital gains/losses on disposal	**131,429**	**106,377**
(-) Adjustment of revenue and non-monetary costs	(8,611)	(11,160)
(+) Amortisations	117,741	114,338
(+) Provisions	1,205	629
Cash flow before changes in net working capital	**241,764**	**210,184**
(+/-) Change in trade receivables	28,402	5,693
(+/-) Change in inventories	(161)	(47,182)
(+/-) Change in trade payables [(a)]	21,753	36,653
(+/-) Change in short-term assets/liabilities	23,058	5,495
Cash flow after changes in net working capital	**314,816**	**210,843**
(+/-) Change in other provisions	4,962	(569)
(+/-) Interest collected/(paid)	(14,262)	(22,701)
(-) Paid income taxes	(36,865)	(23,777)
(+/-) Extraordinary items (paid)/collected	3,619	3,483
A. Cash flow of income management	**272,270**	**167,279**

Description	2014	2013
(+/-) Net investments and intangible fixed assets	(2,199)	(36,814)
(+/-)Net investments and tangible fixed assets	(144,173)	(109,950)
(+/-) Purchase (sake) other financial assets	(144)	(186)
(+) Contributions received during the year [(b)]	1,264	826
B. Cash flow from investment activities	(145,252)	(146,124)
(+) Starting of medium-long-term loans	74,299	131,169
(-) Repayments of medium-long-term loans	(205,747)	(145,916)
(+/-) Change in other medium-long-term loans	7,671	(9,725)
(+/-) Change in financial receivable and other securities	707	(2,923)
(+/-) Changes in capital reserves and other changes in reserves	(2,553)	(11,403)
C. Cash flow from financing activities	(125,623)	(38,797)
CHANGE IN CASH AND NET CASH EQUIVALENTS (A+-B+-C)	1,395	(17,642)
Initial cash and cash equivalents	(137,633)	(119,991)
Net final cash	(136,238)	(137,633)

[(a)] Net financial payables.

[(b)] Contributions received during the year by the various Group companies.

Among the net cash in the cash flow statement there are no balances with restricted use.

FORWARD CONTRACTS AND DERIVATIVES

Forward contracts

The companies of the Group, to hedge currency risk, stipulate forward contracts in the relative value, on which information is provided below:

National Currency	Buy/Sell	Foreign Currency	Total amount of foreign currency	Forward amount in local currency (Euro)	Forward amount in local currency (Euro) (BCE exchange 31/12/2014)	Mark to market Profit/(loss) (Euro)
EUR	F.buy	USD	129,873	104,173	106,879	2,706
EUR	F.sell	RON	19,000	4,242	4,249	7
EUR	F.buy	GBP	868	1,104	1,115	11
EUR	F.sell	SEK	4,080	433	435	2
GBP	F.sell	EUR	8,377	8,416	8,458	42
GBP	F.sell	USD	55,000	45,432	45,555	123
PLN	F.buy	EUR	406	397	407	10
RON	F.buy	EUR	200	200	200	-
						2,900

National Currency	Buy/Sell	Foreign Currency	Total amount of foreign currency	Forward amount in local currency (Euro)	Forward amount in local currency (Euro) (BCE exchange 31/12/2014)	Mark to market Profit/(loss) (Euro)
EUR	F.sell	USD	76,285	62,346	61,948	(398)
EUR	F.buy	PLN	4,670	1,107	1,092	(15)
EUR	F.buy	SEK	41,280	4,351	4,323	(28)
EUR	F.buy	USD	215	176	176	-
EUR	F.sell	GBP	80	102	102	-
GBP	F.buy	EUR	4,378	4,429	4,385	(44)
RON	F.sell	EUR	990	983	975	(8)
						(491)

Derivatives contract

"Interest rate swap" transactions implemented by the companies of the Group, always to provide specific hedge, have a total notional value of 36,809, with mark to market gains of 27 and losses of 125.

TRANSACTIONS WITH RELATED PARTIES

The Group did not have transactions with abnormal market conditions with related parties.

AGREEMENTS NOT DISCLOSED IN THE CONSOLIDATED BALANCE SHEET

The Group does not have any significant undisclosed agreements not showing on the consolidated balance sheet.

REPURCHASE TRANSACTIONS

The Group does not have repurchase transactions.

REMUNERATION TO DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDITORS

Under the letter o) of Art. 38 of Legislative Decree 9 April 1991 no. 127 the remuneration due to directors, statutory auditors and the auditing firm of the Parent Company, to carry out said functions also for other companies included in the consolidation, is shown below:

Beneficiaries	Nature of remuneration	At the Parent Company	At the other companies of the Group	TOTAL
Directors	Remuneration	719	1,110	1,829
Directors	End-of-term provision	102	148	250
Board of Statutory Auditors	Remuneration	32	34	66
Auditing company	Remuneration	222	540	762
Auditing company	Other services	394	93	487
TOTAL		1,469	1,925	3,394

The independent auditing company, in addition to remuneration for the statutory audit of the Parent Company and other companies, also received remuneration of 487 for cognitive investigation services, investigative accounting services and other minor services.

POTENTIAL LIABILITIES

At this time, there is still a dispute with Tax Authorities relative to the subsidiary, "Delfinet B.V.", a company already under liquidation which closed in 2008. After victory in CTP [Commissione Tributaria Provinciale (Provincial Tax Commission)] and unfavourable outcome in CTR [Commissione Tributaria Regionale (Regional Tax Commission)], an appeal was submitted in Cassazione [Supreme Court], for which the attorney appointed has stated that there is an excellent probability of a favourable outcome, and for this reason, no provisions were made.

There are no other risks for losses or liabilities of a potential or likely nature which however, cannot be objectively estimated, not shown in the balance sheet accounts and which must be disclosed within this document.

FOREIGN EXCHANGE MARKET PERFORMANCE AFTER THE END OF THE YEAR

Pursuant to Art. 2427, 1st Para., no. 6, of the Italian Civil Code, it is noted that performance of the foreign exchange markets, mainly Euro/Dollar, did not result in significant effects on the financial statement values worthy of mention.

These consolidated financial statements, consisting of the balance sheet, income statement and explanatory notes, with the relative documents, provides a truthful and accurate view of the equity and financial position as well as the economic results of operations of the group of companies established by "Sofidel S.p.a." and its subsidiaries.

We thank you for your confidence
Porcari, 30 January 2015

On behalf of the Board of Directors
The Chief Executive Officer

Dr Luigi Lazzareschi

"This electronic document in XBRL format, containing the balance sheet and income statement, conforms to the relevant original documents filed at the company"; "the party signing this document by affixing of a digital signature declares that this electronic document conforms to that transcribed and signed on the corporate books of the company". Declaration in lieu of an affidavit made pursuant to Art. 21, 1st Para., Art. 38, 2nd Para, Art. 47, 3rd Para., and Art. 76 of Presidential Decree no. 445/2000 as amended and supplemented.

"Stamp duty virtually paid by authorisation of Agenzia delle Entrate [Italian Revenue Agency] – Regional Directorate for Tuscany – no. 26656 of 30/06/2014".

3. Statutory auditors' report

Annex "G"

Sofidel Joint-Stock Company

Headquarters in Via Lucia no. 23 - 55016 Porcari (Lucca) - Italy
Share Capital Euro 33,000,000.00 fully paid
Business Register of Lucca and Tax ID no. 01256000462
REA [Reperto Economico Amministrativo (Economic Administrative Index)] of Lucca no. 128332

Company at the summit of the "Sofidel Group"

BOARD OF AUDITORS REPORT

Dear Shareholders,

In our capacity as members of the Board of Statutory Auditors of "Sofidel S.p.a.", we would like to inform you that according to our assignment we have performed the audit on the administration of the company for the year ending on 31 December 2014, while the statutory accounting audit of the same, has been entrusted to the auditing company "Reconta Ernst & Young S.p.a." in Florence.

With this report, we would like to highlight out work relative to the consolidated financial statements.

The financial and operating results of the consolidated financial statements ending on 31 December 2014, are summarised as follows:

Balance Sheet (value in thousands of Euro)		
Assets	Euro	1,762,016
Liabilities	Euro	1,111,683
- Total shareholder's equity (of Group and third parties)	Euro	650,333

Accounts, commitments, risks and other memorandum accounts (values in thousands of Euro)	**Euro**	**5,331**

Income statement (values in thousands of Euro)		
A) Value of production (non-financial income)	Euro	1,780,094
B) Costs of production (non-financial costs)	Euro	(1,648,666)
Difference	**Euro**	**131,429**
C) Financial income and expenses	Euro	(14,262)
D) Value adjustments to investments	Euro	-
E) Extraordinary income and expenses	Euro	3,619
Income before taxes	**Euro**	**120,786**
Income tax	Euro	(36,865)
Total Profit (Loss) (of Group and third parties)	**Euro**	**83,921**

During the year, we have supervised fulfilment of the law and by-laws for and compliance with principles of proper administration.

Our activity was performed in full collaboration with the corporate bodies and managers of different company areas, as well as with the independent auditing company appointed to for the statutory accounting audit and with the supervisory body established by the Parent Company pursuant to Legislative Decree 231/2001.

Annex "G"

With specific reference to the consolidated financial statement, we inform you that we have supervised the general report received by the administrative body and its general compliance with the law and national OIC accounting standards relative to its drafting and structure, and in this regard, we acknowledge that:

- the area of consolidation appears to be determined correctly;
- the general criteria, principles and consolidation methods pursued to draft the consolidated financial statements are accurate;
- the assessment criteria and accounting principles adopted in preparing the consolidated financial statements are those of the Parent Company and of Italian companies of the group. Said principles and criteria comply with the regulations established by Legislative Decree no. 127 of 9 April 1991, as interpreted and supplemented by the national OIC accounting standards, and are not different than those used in drafting the consolidated financial statement of the previous year, in accordance with Art. 29, 5th Para., of Legislative Decree no. 127 of 9 April 1991, with the exception of the amendments made to the contents of said accounting principles applied and which were mentioned in the explanatory note of the financial statements;
- there were no exceptional circumstances that required the use of the derogation pursuant to Art. 29, 4th Para., of Legislative Decree no. 127 of 9 April 1991;
- the balance sheet and income statement schemes adopted are those of the Parent Company of the Italian Group, with the addition of the highlighted capital, the reserves and third party profit, deemed more suitable to achieve a clear, true and fair representation of the equity, financial and economic status of the all the consolidated companies, as required by Art. 32, of Legislative Decree no. 127 of 9 April 1991; we also note, that the right to derogation pursuant to Art. 29, 5th Para., of Legislative Decree no. 127 of 9 April 1991 was not exercised, and therefore, it was not necessary to change the modalities of drafting of the consolidated balance sheet and income statement, the structure and content of the same relative to the previous year;
- the explanatory note contains the detailed information required by Art. 38 and 39 of Legislative Decree no. 127 of 9 April 1991 and the supplementary information required by the accounting standards referenced above;
- the management report contains the information required by Article 40 of Legislative Decree no. 127 of 9 April 1991 and is coherent and has no inconsistencies with other data included in the consolidated financial statements.

The auditing company appointed to the statutory accounting audit, with which the Board of Auditors was in contact, verified the accuracy and conformity of the balance sheet and income statement deriving from the consolidation of the accounting records of the Parent Company and with the information forwarded by subsidiaries included in said consolidation.

The consolidated financial statements, including the management report, as prepared by the administrative body of the Parent Company, therefore complies with legislation pursuant to Legislative Decree no. 127 of 9 April 1991, issued in implementation of the 7a EEC Directive concerning consolidated financial statement and national OIC accounting standards, and clearly, truthfully and accurately reflects the equity, and financial status and economic results of the group of companies to which your company belongs, considered as a whole.

Lastly, we conclude by thanking you for your confidence and your close constant cooperation.

***

Porcari, 26 February 2015

The Statutory Auditors:

Prof Ugo Fava ____________________

Dr Giulio Grossi ____________________

Prof Silvio Bianchi Martini ____________________

4. Auditors' report

EY
Building a better working world

Reconta Ernst & Young S.p.A.
Piazza della Libertà, 9
50129 Firenze

Tel: +39 055 552451
Fax: +39 055 5524850
ey.com

Independent auditors' report
pursuant to art. 14 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
Sofidel S.p.A.

1. We have audited the consolidated financial statements of Sofidel Group as of 31 December 2014 and for the year then ended. The preparation of these financial statements in compliance with the Italian regulations governing financial statements is the responsibility of Sofidel S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards issued by the Italian Accounting Profession (CNDCEC) and recommended by the Italian Stock Exchange Regulatory Agency (CONSOB). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated February 20, 2014.

3. In our opinion, the consolidated financial statements of Sofidel Group at 31 December 2014 have been prepared in accordance with the Italian regulations governing financial statements; accordingly, they present clearly and give a true and fair view of the financial position and the results of operations of Sofidel Group for the year then ended.

4. The Directors of Sofidel S.p.A. are responsible for the preparation of the Management Report in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Management Report with the financial statements, as required by the law. For this purpose, we have performed the procedures required under auditing standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Management Report is consistent with the consolidated financial statements of Sofidel Group at 31 December 2014.

Florence, 25 February 2015

Reconta Ernst & Young S.p.A.

Signed by: Lorenzo Signorini partner

This report has been translated into the English language solely for the convenience of international readers.

This independent auditors' opinion is not issue in relation to this Integrated report 2014, but to the consolidated financial statements of the Sofidel Group as approved by general meeting at 27 February 2015 and deposited, as current laws, at Lucca Chambers of Commerce 27 March 2015.

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13 INDEPENDENT AUDITORS' LETTER OF ASSURANCE ON THE INTEGRATED REPORT'S SUSTAINABILITY SECTIONS

SGS

ASSURANCE STATEMENT

INDEPENDENT ASSURANCE ON THE LIMITED ASSURANCE ENGAGEMENT OF THE SUSTAINABILITY SECTIONS OF THE SOFIDEL GROUP 2014 INTEGRATED REPORT

SGS Italia S.p.A.(SGS) was commissioned to conduct an independent assurance of sustainability sections of the Sofidel Group (Sofidel) 2014 Integrated Report.

The information in the Sustainability Report is the exclusive responsibility of Sofidel.
SGS expressly disclaims any liability or co-responsibility in the preparation of any of the material included in this document or in the process of collection and treatment of the data therein.

Sofidel is responsible for the identification of stakeholders and material issues and for defining objectives with respect to sustainability performance.

SGS affirms its independence from Sofidel, being free from bias and conflict of interests with the Organization, its subsidiaries and stakeholders.

Responsibilities and Scope of Assurance

The responsibility of SGS is to express an opinion concerning the text, the qualitative and quantitative information, the graphs, the tables and the statements included in the Report's chapter related to sustainability issues, within the below mentioned assurance scope, with the purpose to inform all the Interested Parties.

The scope of assurance agreed with Sofidel includes the verification of following aspects:

- review of the Group approach to materiality analysis and stakeholder engagement processes and initiatives;
- evaluation of the Sustainability elements of the Integrated Report 2014 against the Global Reporting Initiative Guidelines (GRI-G4), with reference to the 'in accordance' *Core* option;
- Verification of the accuracy and reliability of data.

Assurance methodology and limitations

The verification process started from materiality analysis and stakeholder engagement methodology validation activities and was performed through examination of records and documents, interviews with personnel and management and analysis of policies, procedures and practices adopted within the organization. The texts, graphs and tables included in the Report were verified by selecting, on a sample basis, qualitative and/or quantitative information to confirm the accuracy and to follow the process of data elaboration and synthesis.

Audit activities were carried out during March 2015 at Head Quarters and at SOFFASS S.p.A. paper mill and Converting plant in Porcari (Italy), and they referred to data and performance of the whole Group.

The audit team was assembled based on their technical know-how, experience and the qualifications of each member in relation to the various dimensions assessed.

Financial data are drawn directly from the "Sofidel Group Consolidated Financial Statements", already certified by the auditing firm.

Statement of conclusion

On the basis of the methodology described and the verification work performed, SGS confirms the completeness, reliability and accuracy of the information contained in the 2014 Integrated Report, which represents a significant summary of the activities carried out by Sofidel, as well as an essential tool of communication with stakeholders.

SGS confirms that Sofidel 2014 Integrated Report tackles in a complete and transparent way the issues considered "materials" for the Group and its stakeholders.

With reference to the approach of the Group to materiality analysis and stakeholder engagement processes and initiatives, the Audit team provides the following opinion:

- The 2014 Materiality analysis, the Stakeholder Engagement activities and the new future objectives carried out demonstrate in a tangible way the integration of sustainability issues in the Group's strategy. Furthermore, the constant dialogue with its stakeholders carried out represents a further step towards the continual goal to identify and prioritize economic, environmental and social aspects as well as the related impacts.

With reference to the GRI-G4 indicators, the Audit Team confirm the completeness and accuracy of KPIs reported within the 2014 Integrated Report, with particular reference to the set of KPIs added in the new version of the guidelines.

Sustainability is perceived as a key strategic business priority and it is extensively applied also through a responsible management of the supply chain. This confirms the commitment of Sofidel in the control of sustainability issues along the supply chain.

The Audit Team notes the work carried out by the Organization in response to the indicators requests related to the sets Energy and Emissions. Detailed information regarding the quantification of greenhouse gas (GHG) emissions were provided with reference to internationally recognized Standards. The Audit Team appreciates the efforts of the Group to analyze and start to report energy consumption and greenhouse gases emissions resulting not only from their own processes, but also those external to the Organization. It is recommended to continue this process in relation to the most significant upstream and downstream phases of its production activities.

Therefore SGS confirms the adherence of Sofidel 2014 Integrated Report to the GRI-G4 requirements according to the option 'in accordance' *Core.*

Milan, 19th March 2015

SGS ITALIA S.p.A.

Paola Santarelli
Consumer Testing Services
Systems & Services Certification
Business Manager

Marina Piloni
Consumer Testing Services
Systems & Services Certification
Project Leader

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14 REPORT PROFILE

1. Reporting Boundaries

The reporting boundaries of the Integrated Report cover all companies controlled by the parent company Sofidel S.p.a. Operations of corporate simplification occurred within the boundary limits. Further details on this matter can be found in the Notes of the Consolidated Financial Statement.
The reference period is the financial year 2014, coinciding with the solar year from January the 1st to December the 31st.The information reporting methodology does not differ from that used in previous Integrated Reports, thus allowing data comparability with this Report. Any restatement of data already presented in the previous editions of the Integrated Report is punctually explained in the text.
In particular, reference was made to guidelines of the "Framework for integrated Reporting and the Integrated Report" produced by the Integrated Reporting Committee (IRC) of South Africa, which in absence of an international framework, still in the preparatory stage, is the only valid and reliable benchmark and is also used by the Johannesburg stock Exchange as a compulsory reporting model for all companies listed on the stock exchange.

2. Applied Principles and reporting process

The fourth edition of the Sofidel Group Integrated Report (the third dates to June 2014) has been drawn up in accordance with guidelines from the International Integrated Reporting Committee (IIRC), a body created by the International Federation of Accountants (IFAC), the Global Reporting Initiative (GRI) and The Prince's Accounting for Sustainability Project, in order to develop a framework for the integrated reporting of financial-economic, social and environmental performance of public and private organizations.
In particular, reference was made to the guidelines "Framework for integrated Reporting and the Integrated Report" produced by the Integrated Reporting Committee (IRC) of South Africa, which in absence of an international framework, still in the preparatory stage, is the only valid and reliable benchmark, also used by the Johannesburg Stock Exchange as a compulsory reporting model for all companies listed on the stock exchange.
In reporting its economic, social, and environmental performance using Key Performance Indicators (KPI), the Sofidel Group has integrated the version 4.0 of the Global Reporting Initiative guidelines, as suggested by the South African framework (better known as "King III").
For further information regarding the Integrated Report and the selected reporting process:
Antonio Pereda (antonio.pereda@sofidel.it),
Arianna Vita (arianna.vita@sofidel.it).

Sofidel S.p.a.
Via di Lucia, 23 - 55016 Porcari (LU) IT
IT Phone number: +39.0583.2681

3. Assurance process

Following the release of the Global Reporting Initiative version 4, the companies that have always published their budgets in line with the requirements of this guide are dealing with the new requirements presented by the GRI G4, that are substantiated mainly in:

- A new concept of the report, based on a materiality analysis to be described in the report, which originates from the activity of stakeholder engagement that has always characterized the commitment to sustainability of the organizations;
- Focus on certain topics such as, for example: supply chain assessment, including on the environmental performance, commitment to the greenhouse gases reduction, greater transparency in governance.

Moreover, the new GRI version provides:

- Indicators of equal dignity (not Core or Additional anymore), to be reported depending on the outcome of the materiality analysis;
- Possibility to declare the Report "In accordance," according to two levels: "Core" or "Comprehensive".

Opinion on Corporate Social Responsibility performances Sofidel Spa

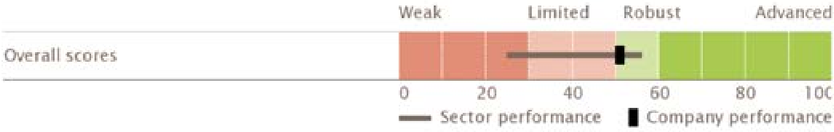
Company rated in the Tissue sector, delivered in February 2015

Date of publication of the document: February 2015. Usable until next CSR Profile delivery

Summary

Overall Score : 51 / 100

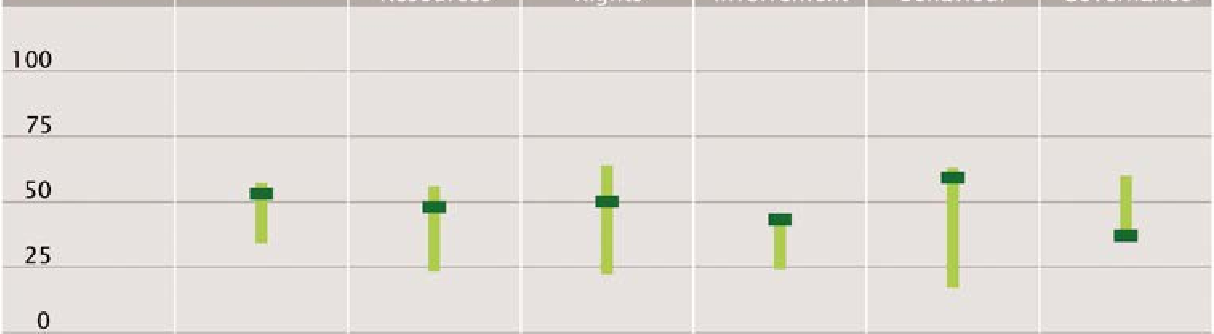
Sector ranking : 2 / 5



With a Global Score of 51/100 the overall Sofidel's Sustainability performance is robust.

The company displays a quite homogeneous performance among the three ESG pillars presenting the weakest in the Governance field.
Even if the company is privately held, a more robust governance would strengthen Sofidel management of ESG risks.
Its better performing area is the Environmental pillar thanks to its clear sustainability strategy and the partnership with Italian WWF.

Concerning the Social pillar is worth noting the robust performance in the management of non-discrimination and Health & safety.
Compared to its Competitors, Sofidel's performance is above the average in the Business Behaviour and Community involvement domains. It is on average in the Environment, Human Rights and Human Resources domains, while is below the average in the Corporate Governance.



	Environment	Human Resources	Human Rights	Community Involvement	Business Behaviour	Corporate Governance
Scores/Trends	53	48	50	43	59	37
Ratings	=	=	=	+	+	-
Controversies	No	No	No	No	No	No

Sector performance   Company performance   Rating: min -- / max ++

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ATTACHMENTS

1. GRI Key Performance Indicators Correlation Table

The "Sustainability Reporting Guidelines" of the GRI has been the reference document for reporting on the Sofidel Group's economic, social and environmental performance. The correlation table between the GRI indicators and the information required by the standard, along with their placement in the text, is shown below.

REPORT ELEMENTS

Area	Report Section	GRI Indicators	Omission	Reason for omission
STRATEGY AND ANALYSIS	Letter to the Stakeholders	G4-1		
ORGANIZATIONAL PROFILE	Group Profile – Group Identity The Social Dimension – People Industrial Relations Suppliers Some of the year's outcomes The Community Our main Partners in Sustainability	G4-3, G4-4, G4-5, G4-6, G4-7, G4-8, G4-9, G4-10, G4-11, G4-12, G4-13, G4-14, G4-15, G4-16		
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	Materiality Analysis and Stakeholder relations	G4-17, G4-18, G4-19, G4-20, G4-21, G4-22, G4-23		
STAKEHOLDER ENGAGEMENT	Materiality Analysis and Stakeholder relations	G4-24, G4-25, G4-25, G4-26, G4-27		
REPORT PROFILE	Report Profile	G4-28, G4-29, G4-30, G4-31, G4-32, G4-33		
GOVERNANCE	Governance	G4-34, G4-35, G4-36, G4-47, G4-48		
ETHICS E INTEGRITY	Governance – Strategic tools of Sustainability The Management of Corporate Responsibility	G4-56, G4-57, G4-58		

PERFORMANCE INDICATORS

DOMAIN	SPECIFIC STANDARD DISCLOSURES				
Area	Material Aspect	Section	Material Aspects/GRI Indicators List of identified material aspects and correspondent to the economic, social and environmental indicators listed in the GRI G4 Guidelines Disclosure Management Approach (DMAs) and Indicators	Omission	Reason for omission
ECONOMIC	Economic Performance	The Business Model Risk Management	DMA Risk Management G4-EC1, G4-EC2, G4-EC3		
	Financial Assistance received from Government	Management of relations	G4-EC4		
	Market Presence	The International context	DMA Market Perspectives G4-EC5, G4-EC6		
	Indirect Economic Impacts	Indirect economic impacts	G4-EC7, G4-EC8		
	Procurement Practices	Suppliers Forest resources protection Projects in favor of local Communities	DMA Supply Chain management G4-EC9		
ENVIRONMENT - DMA		Environmental Resources Environmental Resources (BAT)	DMA LCA DMA R&S		
ENVIRONMENT	Materials	Environmental Resources Forest resources protection	DMA Raw Materials G4-EN1, G4-EN2		

ENVIRONMENT	Energy	Energy Analysis of the Sofidel Group Environmental Investments Energy Supply	DMA Renewable Energy Consumption G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7		
	Water	Environmental Resources Water resources protection	DMA Water Consumption G4-EN8, G4-EN9, G4-EN10		
	Biodiversity	Biodiversity	G4-EN11, G4-EN12, G4-EN13, G4-EN14		
	Emissions	Greenhouse Gas emissions Management Environmental Investments	DMA CO_2 EMISSION G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19		
		Other air emissions	G4-EN20, G4-EN21		
		The Protection of Water Resources	G4-EN22		
		Waste Management	DMA Waste Management G4-EN23, G4-EN24, G4-EN25		
	Products and services	Ecological Products	G4-EN27		
	Packaging Materials	Ecological Products	G4-EN28		
	Compliance	Environmental Management	G4-EN29		
	Transport	Greenhouse Gas emissions Management	G4-EN30		
	Overall	Environmental Management	G4-EN31		
	Supplier Environmental Assessment	Management of the Suppliers' Sustainability	G4-EN32, G4-EN33		
	Environmental Grievance Mechanisms		G4-EN34		
LABOR PRACTICES	Employment	Labor Practices - Turnover	G4-LA1		
		Remuneration and Incentive systems	G4-LA2		"Benefits granted to employees are given without any distinction between full-time and part-time employed"
		Human Resources – Equal Opportunities, Diversity, Non-discrimination	G4-LA3		
	Industrial Relations	Industrial Relations – Communications regarding organizational changes	DMA Industrial Relations G4-LA4		
	Occupational Health and Safety	Health and Safety	DMA Occupational Health and Safety G4-LA5, G4-LA8		
		Occupational injuries trend indicators	G4-LA6, G4- LA7		
	Training and Education	Spreading the Culture of Health and Safety Remuneration and Incentive systems Human Resources Management	G4-LA9, G4-LA10, G4-LA11		
	Diversity and Equal Opportunity	Human Resources Management	G4-LA12		
		Remuneration and Incentive systems	G4-LA13		
	Supplier Assessment for Labor Practices	Management of the Suppliers' Sustainability Requirements	G4-LA14, G4-LA15		
	Number of Grievances about Labor Practices filed, addressed, and resolved through Formal Grievance Mechanisms	Management of Claims and Toll Free Number	G4-LA16		

HUMAN RIGHTS	Investment	Management of the Suppliers' Sustainability Requirements	G4-HR1, G4-HR2		
	Non-discrimination	Human Resources – Equal Opportunities, Diversity, Non-discrimination	DMA Human rights /Diversity management G4-HR3		
	Freedom of Association and Collective Bargaining	Industrial Relations	G4-HR4		
	Child Labor	Principles underlying Sofidel Group's Sustainability Model Human Resources – Equal Opportunities, Diversity, Non-discrimination	G4-HR5		
	Security Practices		G4-HR7		Not applicable
	Indigenous Rights	Projects in favor of local Communities	G4-HR8		
	Operations subject to Human Rights reviews or impact assessment	Human Resources – Equal Opportunities, Diversity, Non-discrimination	G4-HR9		
	Supplier Human Rights Assessment	Management of the Suppliers' Sustainability Requirements	G4-HR10, G4-HR11		
	Human Rights Grievance Mechanisms	Human Resources – Equal Opportunities, Diversity, Non-discrimination	G4-HR12		
SOCIETY	Local Communities	The Community	DMA – Local Communities G4-SO1, G4-SO2		
	Anti-corruption	Governance Risk Management	DMA – Anti-corruption G4-SO3, G4-SO4, G4-SO5		
	Public Policy	Management of relations	G4-SO6		
	Anti-competitive Behavior	Risk Management	G4-SO7		
	Compliance	Governance Risk Management	G4-SO8		
	Supplier Assessment for Impacts on Society	Management of the Suppliers' Sustainability Requirements	G4-SO9, G4-SO10		
	Grievance Mechanisms for Impacts on Society	Stakeholder engagement	G4-SO11		
	Customer Health and Safety	Quality and safety of our products Risk Management	DMA – Customer Health and Safety G4-PR1, G4-PR2		
PRODUCT RESPONSIBILITY	Product and Service Information	Quality and safety of our products	G4-PR3		
	Compliance with Regulations and voluntary codes concerning product and service information and labeling	Quality and safety of our products	G4-PR4		
	Customer Satisfaction	Customer Satisfaction	DMA Customer Satisfaction G4-PR5		
	Compliance with voluntary codes concerning marketing activity and advertising	Our Business lines	G4-PR6		
	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	Our Business lines	G4-PR7		
	Customer privacy and data	Management of Claims and Toll Free Number	G4-PR8		
	Compliance with laws and regulations concerning the provisions and use of products and services	Risk Management	G4-PR9		

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