

INTEGRATED REPORT 2013



**INTEGRATED
R E P O R T
2 0 1 3**



Endless care, innovative life.

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WHO WE ARE



Endless care, innovative life.

The Sofidel Group, founded with Italian capital, of Stefani and Lazzareschi ownership, is a global leader producer of tissue paper for sanitary and domestic use. The Sofidel Group founded in 1966 has companies in 13 countries – Belgium, Croatia, France, Germany, Greece, Italy, Poland, Romania, Spain, Sweden, Turkey, the UK and the US – and over 5,000 employees. With a consolidated turnover of 1,699 million Euro, Sofidel is Europe's second largest and the world's sixth largest producer of tissue.

OUR MISSION

“To make daily life better, cleaner, safer, and more pleasant by valuing 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, stakeholders and the community”.



O UR COMPANIES



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



- 2 Henderson, NV **US** - Converting plant
- 3 Green Bay, WI **US** - Converting plant
- 4 Haines City, FL **US** - Integrated plant



- 5 Buñuel **ES** - Integrated plant



- 6 Nancy-Pompey **FR** - Integrated plant
- 7 Buxeuil **FR** - Converting plant
- 8 Roanne Cedex **FR** - Integrated plant



- 9 Swansea **UK** - Integrated plant
- 10 Horwich **UK** - Converting plant



- 11 Lancaster **UK** - Paper mill
- 12 Leicester-Hamilton **UK** - Integrated plant
- 13 Leicester-Rothley Lodge **UK** - Converting plant



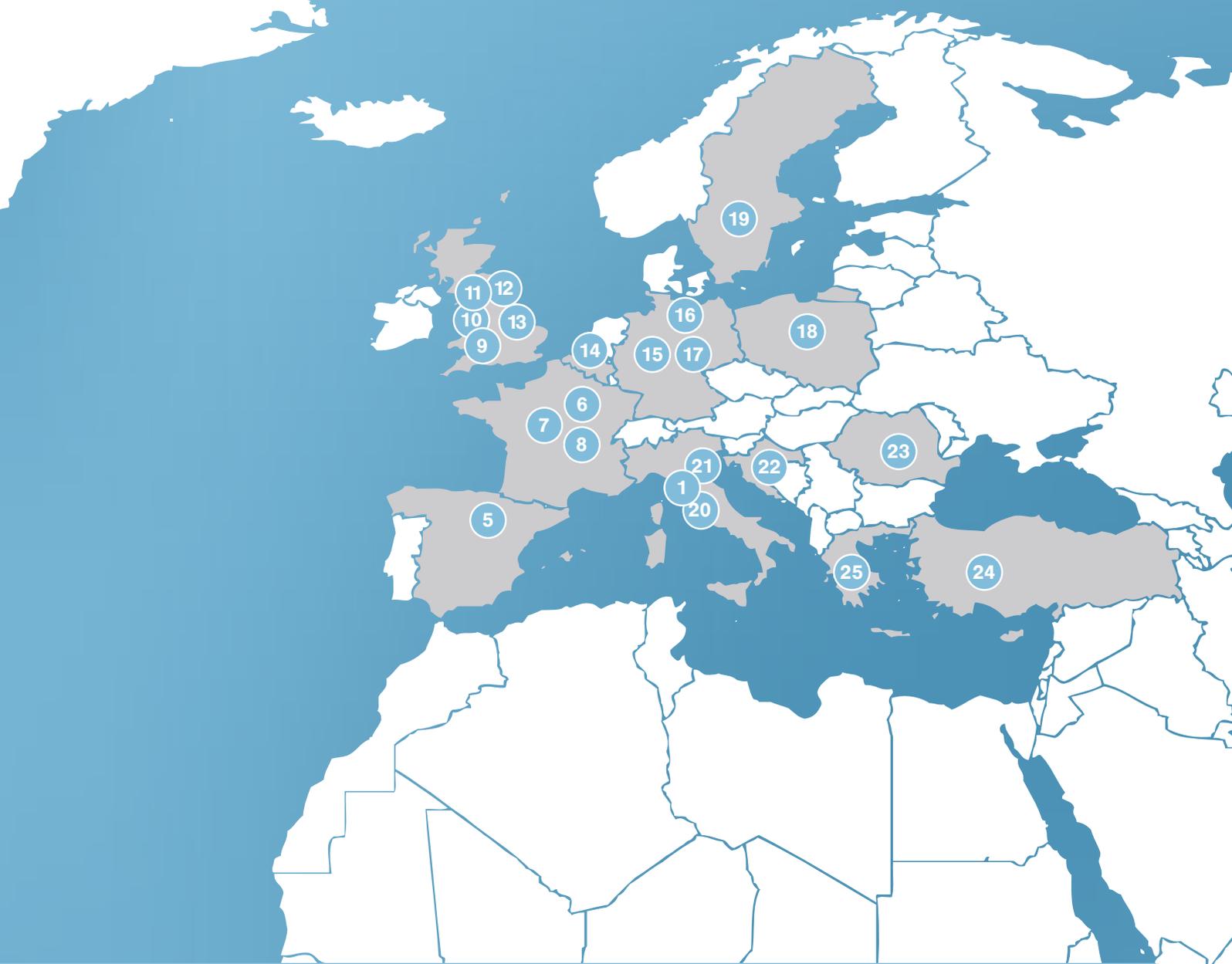
- 14 Duffel **BE** - Integrated plant



- 15 Köln **DE** - Trading



- 16 Arneburg **DE** - Integrated plant



Werra Papier
SOFIDEL

- 17 Wernshausen DE
Werra Papier Holding - Services
Werra Papier - Integrated plant
Werra Papier (ex-Omega) - Integrated plant
Thüringer Hygiene Papier - Integrated plant
Thüringer Hygiene Papier Logistic - Services

Delitissue
SOFIDEL

- 18 Ciechanów PL - Integrated plant

Swedish Tissue
SOFIDEL

- 19 Kisa SE - Integrated plant

Soffass
SOFIDEL

- 20 Lucca-Porcari IT - Paper mill/Converting plant

Fibrocellulosa
SOFIDEL

- 20 Lucca-Bagni di Lucca IT - Paper mill

Delicarta
SOFIDEL

- 20 Lucca-Porcari IT - Paper mill/Converting plant
Lucca-Capannori IT - Converting plant
Lucca-Valdottavo IT - Paper mill
- 21 Monfalcone IT - Integrated plant

Sofidel Papir

- 22 Zagreb HR - Trading

Comceh
SOFIDEL

- 23 Calarasi RO - Integrated plant

Sofidel Kağıt

- 24 Honaz Denizli TR - Converting plant

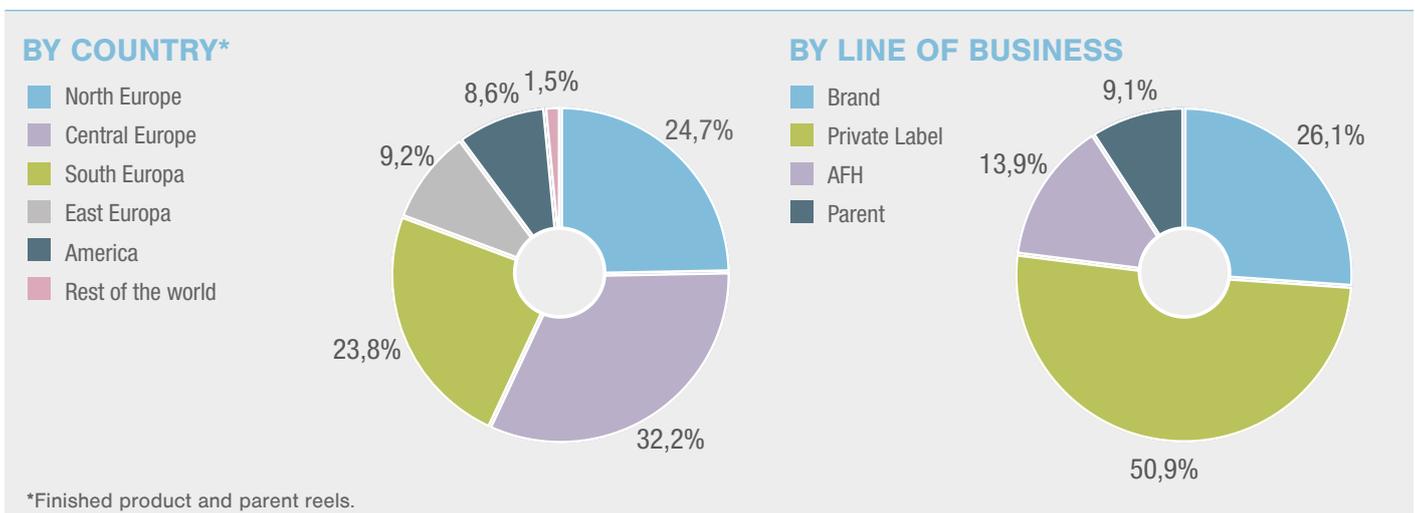
Papyros
SOFIDEL

- 25 Katerini EL - Integrated plant

OUR BRAND



BREAKDOWN OF TURNOVER



OUR MAIN SUSTAINABILITY PARTNERS

In terms of institutional relations, a fundamental role is played by the partnerships we have developed as part of our pursuit of sustainability policies. These include: the United Nations Global Compact, the Sodalitas Foundation, the European Agency for Occupational Health & Safety (OSHA), the international WWF and the Telethon Foundation.



During 2013 Sofidel has also supported the work of Cospe non-profit organization (Cooperation for the Development of Emerging Countries) in Senegal and AVSI (Association of Volunteers in International Service) to reforest Haiti deforested areas and provide livelihoods and opportunities for micro-enterprises activities in rural communities. With Moltonel brand was supported a project in Togo of the NGO SOS Villages d'Enfants to facilitate better access of the inhabitants of cleaning services in the city of Dapaong (see "Initiatives for communication and dialogue with stakeholders").

Inversoft

nouvelle
Soft



KittenSoft



Heavenly
Choice
Double Layer

Heavenly
Soft

CONFIDENCE

SOME RESULTS OF THE YEAR



KittenSoft

Inversoft

nouvelle
Soft



INTEGRATION OF EX SCA ACTIVITIES

During the year, has been carried on the purchasing and production integration of the former SCA activities, whose acquisition was completed on April 2013. This integration concerns Thirst Pockets, Kittensoft, Inversoft and Nouvelle Soft Brands in the United Kingdom and Republic of Ireland; the license to sell other important consumer channel brands of Lotus and Lotus Moltonel in Belgium, Holland and Luxembourg; the activities of the processing in the transformation plant in Horwich, between Liverpool and Manchester.

NEW PAPER MILL IN THE UNITED KINGDOM

On October 1st Sofidel through Sofidel UK has acquired the paper mill NTG Limited in the United Kingdom.

The plant, located in the north-west of England, in the area of Lancaster, has a production capacity of approximately 32,000 tons per year.

The acquisition enables not only to strengthen the production capacity but allows the optimization of the activity of the transformation plants on the British market.



Lancaster

SOFIDEL ACHIEVES THE GOAL CLIMATE SAVERS

Sofidel has achieved the goal set in 2008 by joining at the international program WWF's. Thanks to five years of work and over 25 million investments in renewable sources, cogeneration and interventions for improving energy efficiency, at 31st December 2012 (according to the certified data by Ernst & Young in May 2013), the total emissions of the active perimeter in 2007 were reduced by 11.1% (approximately 186,000 tons, more or less the equivalent of what issued in Italy from 150,000 families of 4 in a year for electricity consumption), while specific emissions (emissions compared to the amount of paper produced) recorded a decrease of 14.4%.





LEADER IN TRANSPARENCY: SOFIDEL IN THE WWF ENVIRONMENTAL PAPER COMPANY INDEX 2013

Sofidel was among the 25 large companies in the cellulose and paper industry worldwide who have disclosed their carbon footprint by taking part in the WWF Environmental Paper Company Index 2013.

The 25 companies, of which WWF has recognized leadership in transparency for their participation on a voluntary basis, represents a third of the 70 globally significant actors in the field and produce a total of 82 million tons of cellulose and paper.



SOFIDEL IS THE FIRST ITALIAN PRIVATE COMPANY TO APPEAR IN THE CARBON DISCLOSURE PROJECT (CDP) ITALY 100 CLIMATE CHANGE REPORT

Sofidel is the first and only Italian private company to appear within the CDP Italy 100 Climate Change Report 2013. Carbon Disclosure Project is an international non-profit organization that provides a global system for companies and cities to measure, disclose, manage and share environmental information. Sofidel got a score of 73/100 on the assessment of the quality and completeness of the disclosed information, and a rating of C on a scale from A (highest) to E (lowest), for his commitment to the reduction of CO₂ emissions. A result that puts the company's performance in line with the so-called high score, the companies (27 out of 46) that have reached more than 70 out of 100.



IMPORTANT INVESTMENTS TO STRENGTHEN OUR BRANDS

During 2013 Sofidel has continued to invest in advertising in many countries to strengthen the position of its brands. Important television campaigns and digital marketing (the first in the UK and ROI) were made. The involved products were the Trèfle, Regina, Regina Blitz, Kittensoft and Thirst Pocket. Several awards have been obtained.



CONSUMER CARE: TWO NEW PRODUCTS

The increasing attention to consumers needs has led to enlarge Sofidel range of products. Among the new products introduced in 2013, Regina RinoActive, the new handkerchiefs enriched with active ingredients with soothing properties, and Milky Roll, the new roll specially designed for farmers.



CUSTOMER CARE, SOFIDEL & FRIENDS 2013

Second appointment in Amsterdam with Sofidel & Friends, the annual meeting that during the PLMA, the largest international Roundtable conference dedicated to Private Label Manufacturers, Sofidel offers to all its customers. A special moment of meeting to share results and objectives, to spread Sofidel commitment to sustainability and strengthen the relationship based on trust and collaboration.



COMMITMENT IN THE COMMUNITY

Among other initiatives, in the UK, through the partnership of Nicky with Woodland Trust, Sofidel has supported the planting of more than 50 thousand trees (corresponding to an area of 60 football fields).

In Germany, along with the business partner Rossmann, Sofidel supported an environmental education project of the German Environment Foundation (DUS) which involved 200 primary schools and 15 thousand of new trees planted.



PARTNERSHIP WITH TELETHON

In Italy the Sofidel Group has strengthened its commitment in the social field establishing a three-years partnership with the Telethon Foundation engaged in the research against muscular dystrophy and other genetic diseases. A Telethon research project was supported with 150 thousand Euro at the Venetian Institute of Molecular Medicine (VIMM) of Padua. It is a study of the molecular mechanisms of development of the Charcot-Marie-Tooth disease.

SOME FINANCIAL INDICATORS

MAIN ECONOMIC DATA (in thousands of Euro)	2013
Net sales (sales revenue)	1.586.447
EBITDA (gross operating margin)	221.344
EBIT (net operating margin)	106.377
EBT (pre-tax earnings)	87.159
OVERALL NET PROFIT	63.382

MAIN FINANCIAL AND ASSET DATA (in thousands of Euro)	2013
Net capital invested	1.298.087
Total Shareholders' Equity	540.212
Group	540.138
Third party	74
Net financial position (if negative payables exceed liquidity)	(706.472)
Net operating Cash flow	210.273
Free-cash flow (operating cash flow net of cash flows from investing)	64.149
Investments in intangible assets net of disinvestments	36.814
Investments in tangible assets net of disinvestments	109.950

MAIN OPERATING DATA	2013
Employees (average)	5.010
Employees (at the end-of-service)	5.064

KEY INDICATORS	2013
EBITDA/Net sales	13,95%
ROS ("Return on (net) sales") (EBIT/Net sales)	6,71%
ROI ("Return on investment") (EBIT/Total capital employed)	6,16%
ROE ("Return on equity") (Net profit/Shareholders' equity)	11,73%
Operating Cash flow net/Net sales	13,26%
Free Cash flow/Net sales	4,05%
Net financial position/EBITDA	3,19
Net financial position/shareholders' equity	1,31



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THE BOUNDARIES OF THE REPORT

The reporting boundaries of the Integrated Report cover all companies controlled by the parent company Sofidel S.p.A.; data regarding the NTG Company, integrated since December 1st in Sofidel UK Lancaster and the Horwich's assets, since april 1st called Intertissue Horwich, the non-reporting concerning some indicators will be explained in the text. The boundaries of the report also include corporate simplification operations, details of which can be found in the paragraph "Changes to the consolidation area" in the Notes to the Financial Statements.

The reference period is the financial year 2013, coinciding with the solar year from 1 January to 31 December 2013, except NTG, whose the reporting spans from October, when the company was acquired, to December and Horwich, whose reporting spans from April to December. The methods used for reporting information are similar to those used for previous years' Integrated Reports and this allows to compare the data in this report, excluding the above-mentioned points which widen the scope.

Any restatements of data presented in the previous edition of the Integrated Reports are clearly explained in the text.

Materiality Analysis

The Sofidel Group conducted its first materiality analysis starting from the involvement of the internal Stakeholders. The analysis has been carried out according to the guideline “AA1000 - Stakeholder Engagement Standard” in each phase of stakeholders identification, mapping and prioritization. The aim is to identify the most significant and most relevant issues for the Company and its main stakeholders and to allow to keep creating value in the short, medium and long term for all the stakeholders. The study has been carried out using a matrix, the two axis represents the expectations and priorities according to stakeholders on y-axis, and the impact that these aspects will have on the company on the x-axis. The analysis is divided into 4 phases:

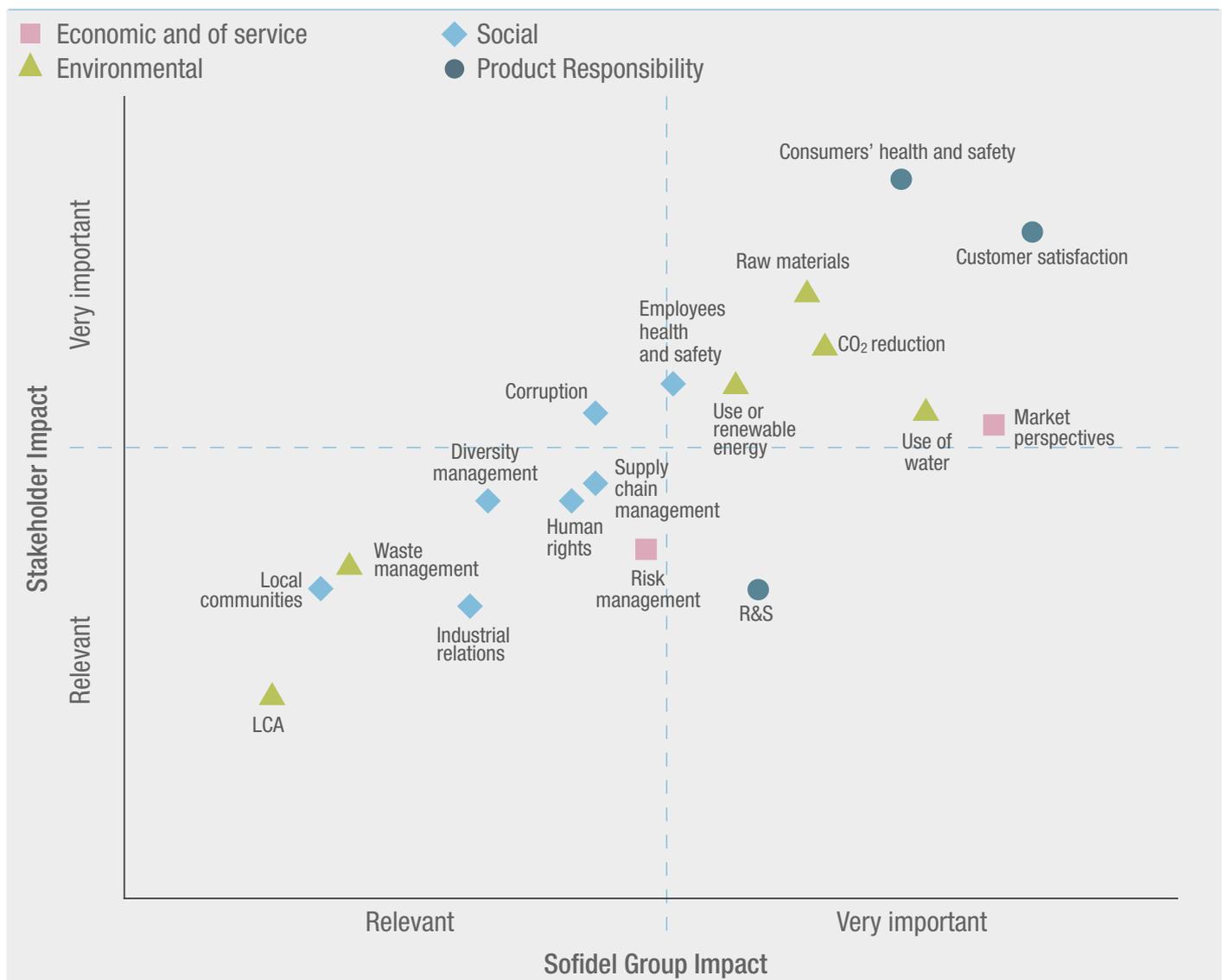
- First phase: this phase required the identification of the internal stakeholders inside the Sofidel Group belonging to different companies and geographical areas, to which has been asked to value the importance of some economic, environmental and social issues;
- Second phase: this phase required the identification of the material topics: (i.e. risk management, consumers’ health and safety, research and development, customer satisfaction, CO₂ emissions)
- Third phase: this phase required the distribution of the materiality analysis questionnaire to the employees previously identified in the first phase. On the basis of their knowledge and experience within Sofidel Group, we ask to them to complete the following questionnaire which aims to give an assessment of importance with regard to aspects concerning sustainability with respect to:
 - Importance for Sofidel Group
 - Importance for the Stakeholder

To each data owner has been asked to fill the survey giving a score to every topic, using a score from 1 to 5, on the basis of:

- 1) Relevance of every topic identified, for the Sofidel Group
- 2) Importance of every topic for the external Stakeholders

- Fourth phase: in this phase the questionnaire have been analyzed and consequently the topics considered material have been prioritize according to the received rating.

Here below the materiality matrix generated:



P RINCIPLES APPLIED AND REPORTING PROCESS

The third edition of the Sofidel Group Integrated Report (the second was in June 2013) was 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 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.

In reporting its economic, social, and environmental performance based on Key Performance Indicators (KPI), the Sofidel Group has integrated the version 3.1 of the Global Reporting Initiative guidelines, as suggested by the South African framework (better known as "King III"), with the introduction of some new KPIs according to GRI G4.

For information on the Integrated Report and the reporting process adopted, please contact:

Dott. Antonio Pereda (antonio.pereda@sofidel.it),
Dott.ssa Arianna Vita (arianna.vita@sofidel.it)

Sofidel S.p.A.
Via di Lucia, 23 - 55016 Porcari (LU) Italy
Tel: +39.0583.2681

A SSURANCE PROCESS

Among the different levels of application identified and required by GRI guidelines, this Report has reached the A+ application level; this covers all "core" indicators and of the main disclosures required by the guidelines and requires independent external assurance.

With regards to the limited assurance engagement on sustainability sections of the Integrated Report, the auditing company SGS issued the Report that can be found herein in chapter 7 of this Report. Moreover, the paragraph 4 chapter 5 shows the relationship of the auditing company's issued on February 20th, 2014 and connected to the Integrated Report of Sofidel Group, as approved by the Stakeholders' Assembly on February 28th, 2014 and registered, according to the existing legislation, at CCIAA, Lucca on March 18th, 2014.

Report Application Levels		2002 in Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared			Report Externally Assured		Report Externally Assured		
	Third Party Checked							
Optional	GRI Checked							



COMMUNICATION ON PROGRESS (CoP)

In December 2010 the Sofidel Group joined the Global Compact, an initiative that encourages companies to align their activities and corporate strategies with 10 universally recognized principles in the areas of human rights, labour, the environment and anti-corruption.

As a member of the United Nations Global Compact, the Group also supports the Global Compact Italian Network through the appointment of the CEO of Sofidel, as vice president of the Foundation. The Sofidel Group takes an active part in various project with other domestic companies.

The following table shows how Sofidel's commitment, as set out in this report, respects and supports these principles.

Table linking Global Compact Principles and KPI's proposed by Global Reporting Initiative Guidelines

Category	Global Compact Principles	GRI Indicators
HUMAN RIGHTS	I. Business should promote and respect internationally proclaimed human rights in their respective spheres of influence;	EC5 LA4, LA6-9, LA13-14 HR3-7
	II. Business should ensure that they are not, albeit indirectly, complicit in human rights abuses;	
LABOUR	III. Businesses should uphold the freedom of association of workers and recognise the right to collective bargaining;	EC7 LA2, LA4-5, LA13-14 HR3-7
	IV. Business should uphold the elimination of all forms of forced and compulsory labour;	
	V. Business should uphold the effective elimination of child labour;	
	VI. Business should uphold the elimination of discrimination in respect of employment and occupation;	
ENVIRONMENT	VII. Businesses should support a precautionary approach to environmental challenges;	EC2 EN2, EN5-7, EN10, EN18, EN26-27, EN30 PR3-4
	VIII. Business should undertake initiatives to promote greater environmental responsibility;	
	IX. Businesses should encourage the development and diffusion of environmentally friendly technologies;	
ANTI-CORRUPTION	X. Businesses should work against corruption in all its forms, including extortion and bribery.	SO2-3 SO5-3

LETTER TO STAKEHOLDER

WHEN MINUS BECOMES PLUS.



Even in a year such as the 2013, characterized by lots of minus all over the world because of the persisting of financial crisis, the Sofidel Group has once again registered a strenghtening in terms of growth, optimization in terms of social and environmental impacts and economic results.

Minus becoming plus...this means a lot to us. Something which goes beyond the results of a single business or the positive answer to a difficult global economic situation. In holding together the strands of development and the social and environmental responsibilities in order to guarantee long-term benefits to ours stakeholders, Sofidel looks at the principle: Less is more, which is becoming for us an essential approach to everyday's work.

This means to search, in the planning phase of our activities, as well as in the idealization and realization of our improving projects, the most innovative, creative and original solutions in order to give more in terms of values, products and services, "with less", in terms of, for example, energy or water consumptions, greenhouse gas emissions, prices/costs, negative impacts of any kind.

A work to reach the top of efficiency and optimization in accordance with our principles and values and in the constant research of dialogue and cooperation with all stakeholders.

This attitude make us closer to lots of people's sensitiveness, their new needs, paying more and more attention to waste and limits, and put them at the centre of our work. This attitude allows us to broaden new, wide fields of profitable cooperation with many others stakeholders, starting from the clients. In this frame is placed the work done in 2013, that found a concrete application in particular in raising production efficiency, in improving environmental performance and in consolidating our brands and relationship with clients.

We acquired a new productive capacity, strengthened the availability of our brands, invested massively in new advertising campaigns (firstly in the United Kingdom and in the Republic of Ireland), developed new synergies between Europe and USA in the AFH channel.

We achieve the goal of CO₂ emissions reduction established in 2008 with the adhesion to the international WWF Climate Savers program, we also limited the water consumption, improved the procurement of certified raw materials.

We continue to consolidate the relationships with the clients through the development of services and communication activities and implemented partnerships based on common needs or environmental and social sustainability issues.

Others important projects are on going on the environmental field in France and Italy, while in Sweden the construction of a new processing plant is in progress. Other news are expected as far as the launch of new products is concerned.

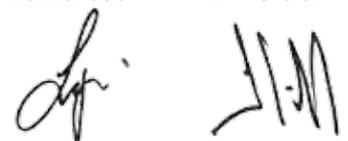
The strategic aim is to guarantee high quality products reducing even more the impact on environmental resources and increasing the performance and the range of the offer in order to meet new emerging needs.

USA economy is in progress. The first stimulating signals come from European Countries. We are ready. If there will be a real recovery, Sofidel, which during these last years never stopped investing and looking forward to the future, obtaining through internationalization the reduction of risks connected to the circumstance of the single market and making the sustainability an essential factor of innovation and competitive growth, is structurally equipped to take the new opportunities and build together a better future. A future where less can become more.

This report aims to be to be a privileged moment of true and honest relationship with their stakeholders, built up and lived, as always, with clarity and transparency. A guideline, we hope useful, to share Sofidel strategic choices, results and aims. It is intended to help stakeholders to understand and evaluate the work Sofidel has achieved and to illustrate how the Group can be considered a multinational, entrepreneurial company able to work alongside the very highest production and ethical standards, also thanks to our Stakeholders, to transform coherently our own values in concrete actions.

Luigi Lazzareschi

Emi Stefani





1. ■ SOFIDEL GROUP IDENTITY

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Endless care, innovative life.

1. 2013 PRODUCTION PROCESS AND MARKETS

1.1 The tissue production process

The Sofidel Group manufactures and sells tissue paper. This term is used to define the type of paper used to obtain products for sanitary or domestic use, at home and away from home: toilet paper, kitchen roll, serviettes, tablecloths, tissues, face wipes, paper towels, sheets for medical use and industrial reels, etc.

The Group companies cover the whole of

the production process, from tissue production to manufacturing processes through to the finished product.

The first main part of the production process is carried out in the paper mills where the raw material (pulp, or less commonly, paper mache) is dissolved in hot water, refined and then used in the machines for producing big reels of tissue paper (jumbo

rolls or parent reels).

The second stage, downstream from the first, takes place in the paper converting plants and this is where the parent reels are transformed into finished products.

For details on the Group's procedures and policies for procuring raw material please see the chapter on "Environmental Resources".

1.2 Our lines of business

BRAND

For several years the Sofidel Group has been present on the main European markets with its Regina® brand, whose strength is based on a complete range of toilet paper, kitchen towels, serviettes, tissues and face wipes. Product leaders include: Rotoloni, Carta Camomilla, Asciugoni Regina di Cuori and Blitz. In some countries the Regina brand is flanked by other brands that have been acquired over the last few 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. 2013 has been a historic year for the sales of "brand" products with a volume growth of over 15%. The leading element of this growth was the acquisition of the assets of the former Georgia Pacific from the Swedish SCA. This acquisition has impacted primarily on two markets: 1 in the UK and the Republic of Ireland with brands Thirst Pocket, Nouvelle and Kittensoft the Group has strengthened its position in the Towel segment and conquered a prominent position even in toilet paper;

2 in Belgium with the three-year license of the marks Lotus and Moltonel Group immediately took a prominent position in an area where it was almost absent.

In addition, good results of the Regina® brand in countries like the United Kingdom, Poland, Turkey and Austria have not only offset some pushups (Italy, Germany and Romania), but they have a guaranteed volume growth overall brand around to 3.5%. The strategy of strengthening and development of the business line brand has therefore centered overall objectives of 2013 and the Group will be able to deal with such serenity and decision the necessary activities for recovery in some markets.

INVESTMENT IN ADVERTISING

The positive results recorded for the brand line have also been achieved as a result of specific advertising through the press and on TV, radio and the internet. Advertising spending in 2013 went on campaigns for Italy, Germany, Austria and Poland, with the aim of consolidating the already significant market shares, while in France, the UK and the Republic of Ireland investments were directed development of units. In particular in the last two mentioned countries, was made an advertising spending relative to the brands acquired by SCA in April 2013.

Sofidel does not directly adhere to any advertising self-regulatory body and marketing codes but applies maximum attention when choosing its suppliers and ensures



that all forms of advertising are designed in accordance with the Sofidel Code of Ethics and that they respect competition.

PRIVATE LABEL

Sofidel Group is firmly on the market of private label, representing from many years a prominent and qualified partner for big retailer Groups. In order to face the new challenges of sustainable development, Sofidel in 2013, has successfully adopted a series of new approaches that have been proved to be more innovative compared to the traditional marketing. In particular, the Group has started to present new references concerning issues of environmental and social responsibilities. This new type of innovation has enabled us to establish the original strategies aimed at growth and a distinctive competitive advantage. These initiatives, especially in the creation of new products and in communicating to consumers, are linked to the concept of sustainable marketing and have lead, especially in Anglo-Saxon countries, a forward-looking discussion and high-profile with big retailer Groups in this area.



Throughout 2013 Sofidel consolidated its role as a partner to some of the main European retail Groups. The leading countries in terms of sales volume for these products belonging to private label are the UK, France and Germany. In 2013, especially in the UK and Republic of Ireland market, was also registered a further growth of the Nicky brand whose product range is present on both markets in the medium price band. In Italy, the Nicky brand has maintained the market shares despite a small reduction in terms of volume, while in Spain was registered an interesting growth.



AWAY FROM HOME (AFH)

2013 has been for the AFH division another year of consolidation that led to reach an amount of around 120 million with an increase of approximately 8%. The priority remains the "sustainable" growth

of the business (long-lasting sales) that can also be carried re-focusing on the brand Papernet and trying to enrich its range with innovative products that give added-value to our company in terms of both identity and profit.

The product line Biotech is crucial in this context (€ 2 million turnover in 2013), and shows us how the tissue can go from simple commodities to value-added vehicle.

In the AFH channel brand product customer (generally subject to a mere competitiveness of price) is instead taken into account only in the presence of large volumes and when they become drivers of sale products also for Papernet.

The strategy for 2013 was that to keep the focus on the international customers in which Office channel: Office Depot, Staples and Adveo while in the distribution channel the highest concentration goes towards the Group of associated distributors Europeo Inpacs and the company BUNZL that in Europe is divided into two divisions: UK and Continental.

In order to increase the sale of products Papernet in the wholesale cleaning channel, activity has been devoted to large cu-



stomers end-users such as hotel chains, restaurants, hospitals, large cleaning companies - FSC, large companies, in order to bring them to our main dealer.

PARENT REELS

In 2013, sales of parent reels on the market remained at high levels, representing about 15% of the total amount of the Group. However, in absolute terms, there has been a decrease of approximately 10.5% over the previous year which represented a record, and this is due to several factors: a reduced availability of semi-finished products in the market in the first four months year, an increase in the use of paper for internal transformation, a pricing policy that is focused in privileging profitability and increased attention to the management of the security of credit in a more difficult economic environment.

1.3 The quality and safety of our products

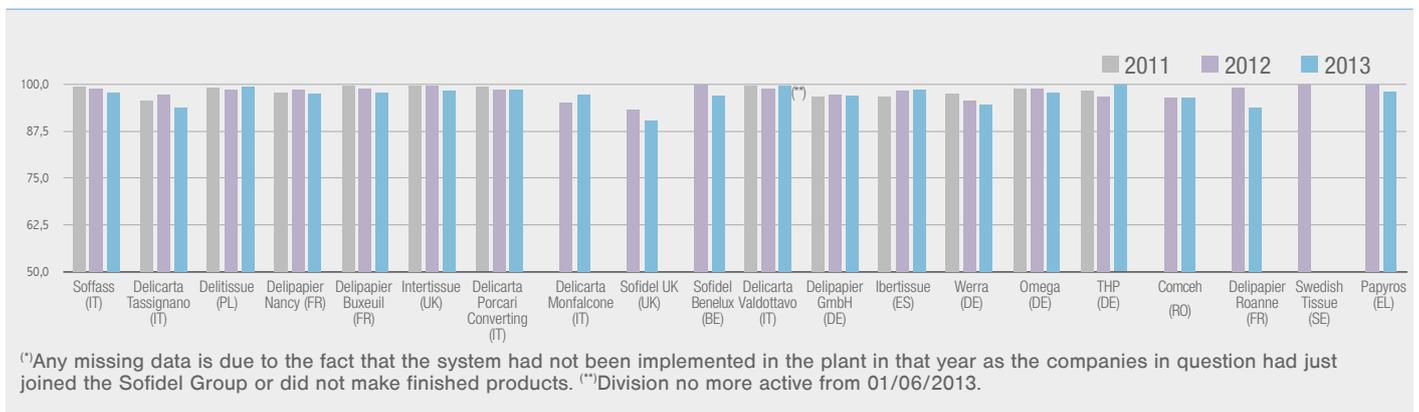
In order to monitor the quality of finished products, companies in the Sofidel Group, as part of the Quality Management System implemented in the Group companies, the quality is ensured by compliance with operating procedures and control during the various stages of the production process and the frequent training of all the involved

resources. The index take into account the non-conformities detected during the various stages of the production process, weighted according to their degree of impact. Product defects are divided up on the basis of whether the defect prevents use of the product, the extent to which the defect

alters the final quality and whether the defect can be corrected in the following processing stages.

The following graphs shows the product compliance percentage for the various production sites, following the criteria specified above in the different plants over the last three years.

Product compliance index^(*)



Take into consideration that the maximum value reached by the index is 100, the three-year data illustrated above shows excellent product compliance results for all companies. The slight differences in the annual data are related to physiological variations in our production processes.

The protection of consumer health and safety is a crucial value for Sofidel and the companies of the Group have always paid considerable attention to this when carrying out their operations.

From the very outset, when a new product is researched and developed, the Sofidel Group evaluates all the variables that can compromise the product safety and therefore the user health at each stage of the product lifecycle.

From this point of view, great importance is given to the gradual spread of health and hygiene self-monitoring systems within Group plants. As well as ensuring that tissue products meet legal requirements, these systems have enabled the Group to

adopt principles established by European standards that aim to guarantee the safety, quality and legality of products.

12 of the Group's plants (producing in 2013 an overall total of 95.7% of Sofidel products) are currently certified by BRC Consumer Product and IFS Household and Personal Care standards, and these are also being further developed at other production sites. The standards are applied by carrying out risk assessment on the various production cycles within a plant using analytical methodology known as HACCP (Hazard Analysis Critical Control Point), which removes or reduces the risk of chemical, physical or microbiological contamination in products. We also ensure that we identify and apply Good Manufacturing Practices and always pay close attention to hygiene and cleanliness.

The traceability system present in all Group companies also allows to ensure the quality and safety of products even at the stage of distribution, providing the opportunity to

carry out the recall and/or withdrawal.

Sofidel also requires to all its suppliers, with a defined frequency, statements of compliance with the applicable legislation and suitability for the use of our products.

In order to ensure product safety and control systematic laboratory analysis are also carried out on all products made by the Group.

These analysis are performed in accredited external laboratories and consist for example, in sustainability tests for use with food (where applicable), colour transfer, bacteria count, absence of hazardous substances (conformity to the REACH Regulation, heavy metals, glyoxal, formaldehyde etc.).

2. GOVERNANCE

2.1 The Group company structure

Sofidel is governed by a Board of Directors (BoD) elected by the Shareholders' Meeting and composed of members of the controlling families. The BoD is currently made up of 3 men and 3 women, whose ages range from 40 to 87.

The members of the Board of Directors are reflections of shareholders, are all executive and non-independent and have the required skills for responsible management of the business in line with sustainable de-

velopment objectives.

The directors assume full responsibility for the financial, social and environmental performance of the Group, which is subject to approval by the Shareholders' Meeting on an annual basis. The Board also assigns management roles, taking into account the qualifications and skills needed to implement sustainable strategies.

At the moment there are no formal channels through which employees can send recom-

mendations to the Board of Directors, but the constant presence of the Chairman and the CEO within the companies of the Group nevertheless allows for good interaction with personnel.

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

2.2 Internal control system

In 2013, in order to adapt its Internal Control System for risk prevention and management to the principles already rooted in the Group's culture of governance, and in line with the requirements of Italian Legislative Decree 231/2001, the Sofidel Board of Directors decided to adopt the Organisation, Management and Control Model (Model 231) and to appoint a Supervisory Committee that could monitor the Model and guarantee compliance with this.

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 com-

pany structure, the principles of the model, the function of the Supervisory Committee and the system for sanctions. The special part describes illegal practices and corrupt practices which may lead to these violations occurring.

Throughout 2013 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 wide-spread initiative to train employees and provide them with information about the Model and principles

contained within it. It monitored and controlled 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 and it informed directors of legislative changes related to the administrative responsibility of bodies. In line with this, it will also update the Model and submit these changes to the Board of Directors for approval.

It should also be stressed that Model 231 is also being developed for the other Italian companies and will be adopted in 2013.

In relation to the other companies in the Group, the Business Control Organisational Unit carried out controls in order to assess the efficacy and function of the Internal

Control Systems for risk prevention and management.

It performed audits and exchanged information deemed to be of interest with various company divisions. It also drew up action plans to solve critical issues and monitored progress. It helped to create a quarterly report which Country Operation Managers and/or Legal Representatives of companies must use to inform directors of the main risks and/or critical issues in each division.

To date, a number of control protocols will be implemented in 2013 via the adoption of common procedures and policy.

With regards to companies that have already adopted Model 231, the Supervisory Committee has not identified any violations of the principles in the Model and has not been made aware of any.

According to the Supervisory Committee, no episodes of corruption were recorded in the course of the reporting period.

For the other companies in the Group, monitoring of these aspects will begin in 2013 and there will be particular focus on staff information and development.

Throughout the financial year the Group was not subject to sanctions for non-compliance with laws or regulations coming under the scope of the legislation in question.

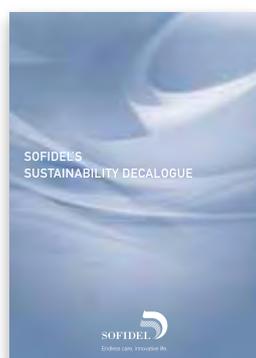
2.3 Strategic sustainability tools



Code of Ethics



Sustainability Charter



Ten Sustainability pillars (see the section on "Communication activities of Sofidel Group")



Integrated Report



Suppliers Guidelines

2.4 Management of corporate responsibility

Corporate Social Responsibility (CSR) isn't a separate subject in respect of achieving high levels of development as it is a fundamental pillar of it.

The creation of value in the long run it is possible, in fact, only through the implementation of a strategy of economic, social and environmental sustainable development.

Within this framework CSR is now organized and monitored in a similar way to every other sector of strategic importance to the Group.

The Board of Directors of Sofidel exercises its role in directing and controlling CSR through the CEO who, in turn, refers to the Corporate Social Responsibility Director, who is coordinator of the Corporate Social Responsibility Committee (CSR Committee)

in which are involved all those who report directly to the CEO belong to.

The CSR Committee is supported by the CSR Reporting Team which, in addition to annual compilation and publication of the Sustainability Report, and in recent years the Integrated Report, has the task of putting into operation the policies and decisions made by the CSR Committee. The Reporting Team is coordinated by the CSR manager who also liaises with the CSR Committee and those outside the Group.

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

In the past year this Group has been involved in creating and implementing communication activities for Sofidel sustainability projects both in-house through specific training, and externally providing information to stakeholders such as customers and end users. Finally, in 2010 a CSR Local Committee was formed in each foreign company within the Group. This aims to keep partners and stakeholders informed and to monitor and ensure compliance with, and application of, the values and principles shared by the Group. It also aims to ensure a more timely and comprehensive flow of information to the corporate centre for the reporting process, promote training activities and support the verification activities of certification bodies in the company units present in the various countries.

3. OUR BUSINESS MODEL

3.1 Creation and distribution of value

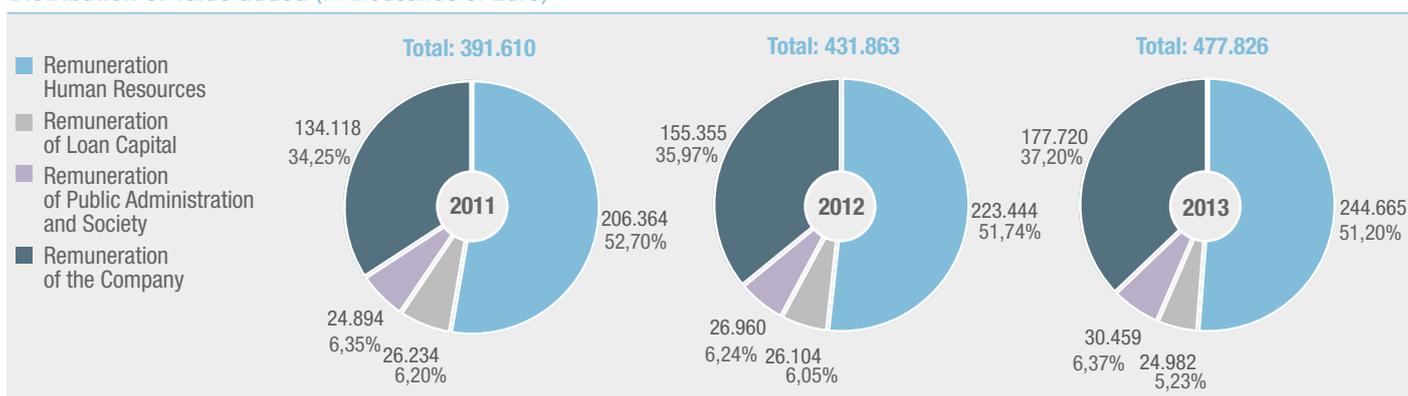
Value-added measures the wealth produced by the company in the financial year, with reference to the stakeholders who participate in its distribution.

The production and distribution of value added represents the main link to the financial statements. Calculation of value added shows the Group's ability to gene-

rate 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)	2011	2012	2013
A) Value of Production			
1. Revenues from sales and services	1.455.632	1.511.248	1.699.571
- revenues adjustments or credit depreciations	-912	-378	-140
2. Variations in inventories of work in progress, semi-finished and finished goods	11.500	-21.368	30.851
3. Capitalised Internal works	0	0	0
4 Variations in contract work in progress	12	0	650
5. Other revenues and income	17.732	15.918	15.409
Revenues from characteristic production	1.483.964	1.505.420	1.746.341
B) Intermediate costs of production			
6. Consumption of raw material, consumables and goods for resale	629.488	606.725	766.231
- variations in inventories of raw materials and consumables	4.890	3.181	-18.587
7. Costs of services	429.230	428.476	490.195
8. Costs for use of third-party assets	21.765	22.074	26.181
9. Risk provision	595	613	239
10. Other provisions	189	238	250
11. Sundry operating charges	8.519	9.063	9.771
Typical production costs	1.094.675	1.070.371	1.274.280
GROSS CHARACTERISTIC VALUE ADDED	389.289	435.050	472.062
C) Accessory and extraordinary items			
12. +/- accessory balance of operations	1.877	77	2.281
Accessory revenue	1.941	1.578	3.190
- Accessory costs	-64	-1.501	-909
13. +/- Balance of extraordinary items	444	-3.264	3.483
Extraordinary revenue	4.572	5.550	7.757
- Extraordinary costs	-4.128	-8.813	-4.274
GLOBAL GROSS VALUE ADDED	391.610	431.863	477.826

Distribution of value added (in thousands of Euro)



3.2 Management systems

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

The management systems used on the Group production sites and product certi-

fications comply with the most commonly recognized international standards, based on which the following certifications have been received from third party inspection bodies:

- 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 sanitary/Hygiene Self-Monitoring Systems;
- SA 8000:2008 for Social Accountability;

- **FSC-PEFC:** ensures responsible, sustainable management of forests which are used to source products of wood origin (such as virgin fibre);
- **ISO 50001:** 2011 for Energy Management Systems;
- **Ecolabel, Der Blaue Engel e Swan Label:** product certifications.

Summary of the certified management systems and product certifications present in the Group companies	Environment						Energy	CSR	Health & Safety	Product safety and legality		Quality	
	ISO14001	Emas	Ecolabel	Der Blaue Engel	Swan Label	FSC	PEFC	ISO 50001	SA8000	OHSAS 18001	BRC Consumer Products	IFS Household and Personal Care Products	ISO9001
Comceh						◆							✓
Delicarta Monfalcone	✓				✓	✓	✓			✓			✓
Delicarta Porcari Cartiera	✓	✓	✓			✓	✓			✓			✓
Delicarta Porcari Converting			✓			✓	✓			✓			✓
Delicarta Tassignano			✓			✓	✓	✓		✓			✓
Delicarta Valdottavo	✓					✓	✓		✓	✓			✓
Delipapier Frouard	✓		✓			✓	✓			✓			✓
Delipapier Buxeuil			✓			✓	✓			✓			✓
Delipapier Roanne			✓			✓	✓			✓			✓
Delipapier GmbH	✓			✓		✓	✓	✓					✓
Delisoft						✓	✓			✓			✓
Delitissue						✓	✓			✓			✓
Fibrocellulosa			✓			✓	✓			✓			✓
Ibertissue	✓					✓	✓			✓			✓
Intertissue	✓					✓	✓			✓	✓		✓
Intertissue Horwich	✓					✓	✓			✓	✓		✓
Sofidel Benelux	✓					✓	✓			✓	✓		✓
Papyros						✓	✓			✓	✓		✓
Soffass Cartiera	✓					✓	✓			✓	✓		✓
Soffass Converting			✓			✓	✓			✓	✓		✓
Sofidel						○	○			✓			✓
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	✓					✓	✓			✓	✓		✓
Werra Papier	✓		✓	✓	✓	○	○	✓		✓	✓		✓
Werra Papier (ex Omega)	✓		✓	✓	✓	○	○	✓		✓	✓		✓
Thüringer Hygiene Papier	✓		✓			✓	✓	✓		✓	✓		✓
Thüringer Hygiene Papier Logistik	✓					✓	✓	✓		✓	✓		✓

- ◆ Only for parent reels.
- Only for trading.

3.3 Human resources management

Sofidel recognizes the central role played by human resources in the values creation process by developing an organizational culture that allows to make innovation and flexibility, which are fundamental characteristics to face the globalization of its markets.

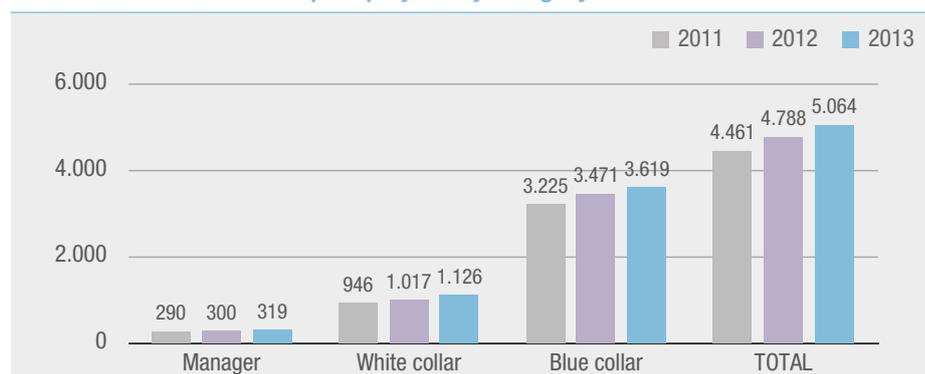
The values on which the Sofidel based the policy of human resources management are: respect, equal treatment, development of personal skills, teamwork, continuous training and open communication. In addition, Sofidel is committed to ensuring the development of the skills of their employees, providing opportunities for growth and training.

At 31st of December 2013, the total number of Sofidel employees was equal to 5.064;

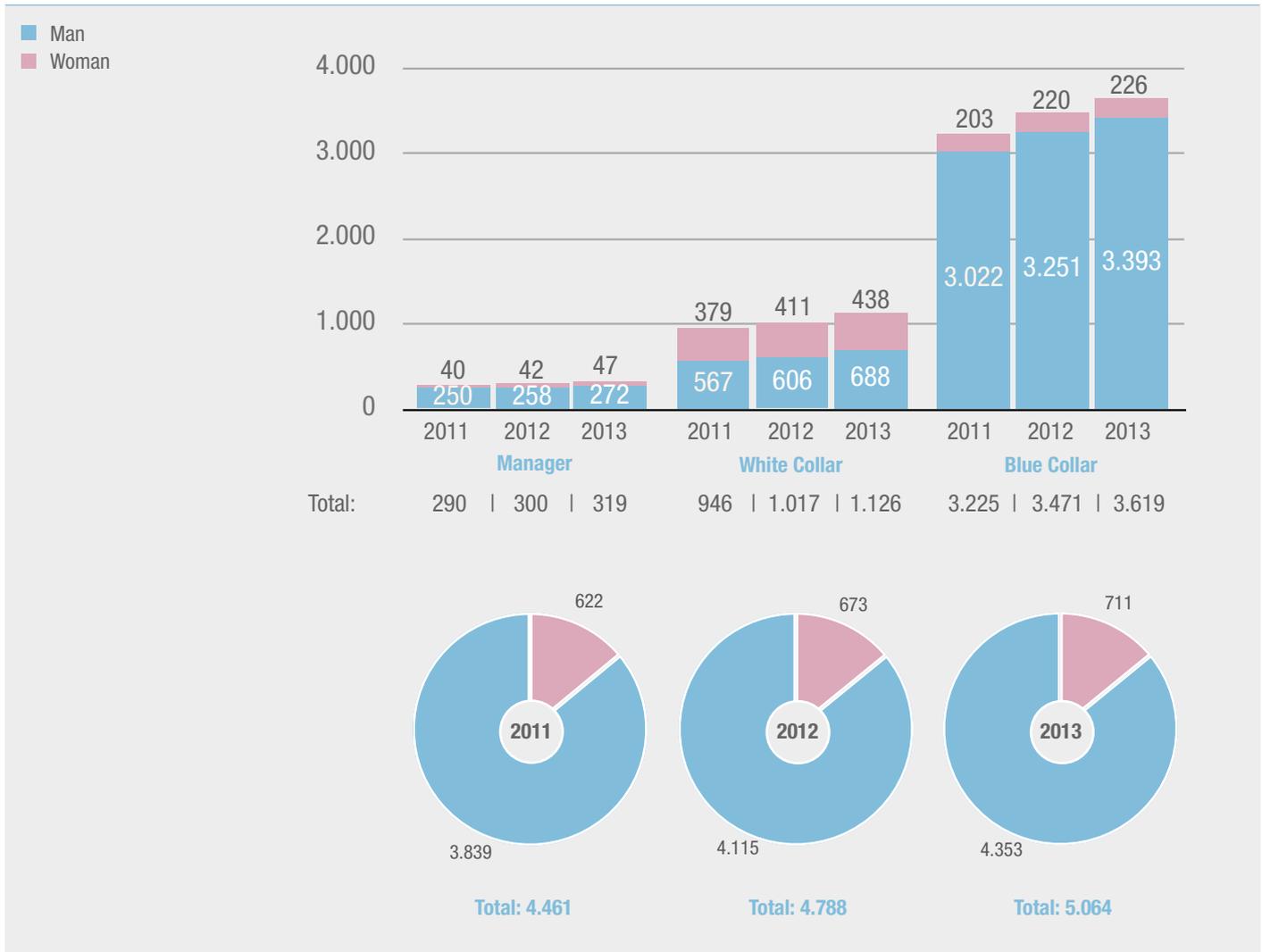
this figure is up by 276 compared to the previous year and can largely be accounted for by the acquisition in the UK, in the new production plants of Intertissue

Horwich and Sofidel UK Lancaster. The following tables show the breakdown of Sofidel employees data over three years:

Breakdown of Sofidel Group employees by category



Breakdown of Sofidel Group by type and gender



The overall percentage of female staff in the Group is 14,04%, accounting for 14,73% of managers, 38,89% of white collar staff and

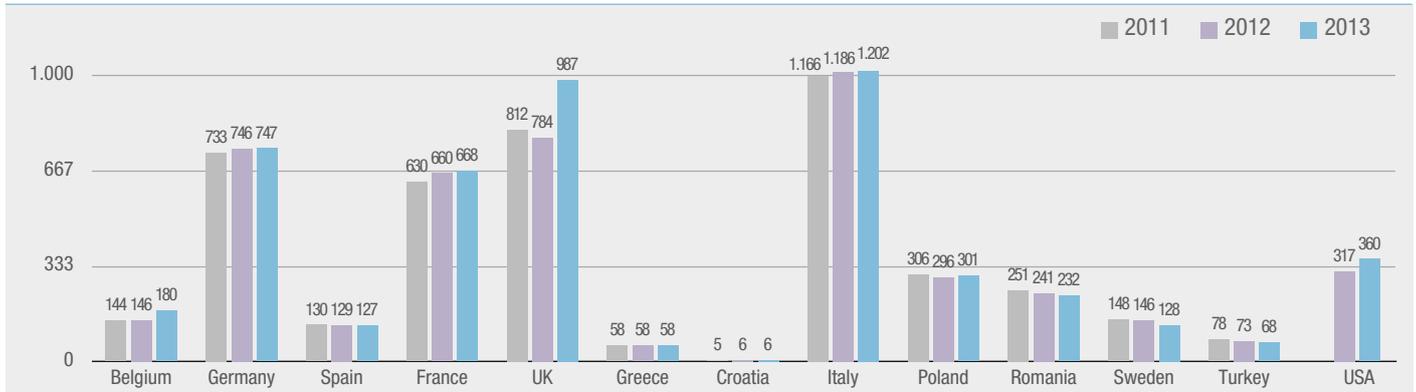
6,24% of blue collar staff. This confirms a prevalence of male workers, particularly among blue collar workers due to the nature

of the work.

Breakdown of Sofidel Group employees by type and geographical area

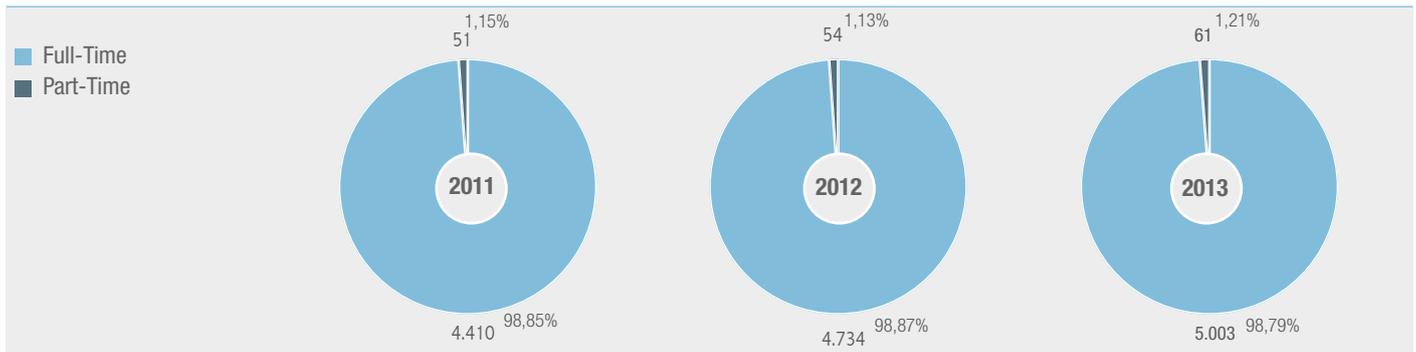
Country	Manager			White Collar			Blue Collar			Global Result		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
BELGIUM	10	13	14	16	13	52	118	120	114	144	146	180
GERMANY	35	38	30	151	149	153	547	559	564	733	746	747
SPAIN	20	19	20	29	30	33	81	80	74	130	129	127
FRANCE	47	49	50	98	106	106	485	505	512	630	660	668
UK	29	25	54	128	130	162	655	629	771	812	784	987
GREECE	3	4	5	8	8	9	47	46	44	58	58	58
CROATIA		0		5	6	6		0		5	6	6
ITALY	105	106	104	302	313	331	759	767	767	1.166	1.186	1.202
POLAND	21	23	20	98	101	110	187	172	171	306	296	301
ROMANIA	5	5	5	47	54	51	199	182	176	251	241	232
SWEDEN	7	7	7	33	35	30	108	104	91	148	146	128
TURKEY	8	8	8	31	30	29	39	35	31	78	73	68
USA		3	2		42	54		272	304		317	360
RESULT	290	300	319	946	1.017	1.126	3.225	3.471	3.619	4.461	4.788	5.064

Breakdown of Sofidel Group employees by geographical area

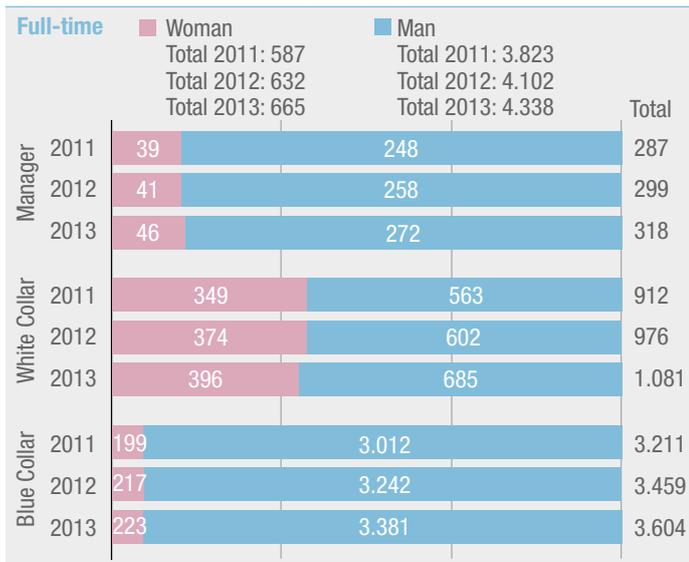


The data show that Italian employees (23,73%) make up the majority of Sofidel Group personnel at every professional level, accounting for 32,60% of managers, 29,39% of white collar staff. Among the blue collar, however, is currently predominant the component UK (21,30%) occupied by employees in the UK, Germany and France (with 19,49%, 14,75% and 13,19% respectively). After this, the greatest share of positions is

Breakdown of Sofidel Group employees by nature of contract



Breakdown of Sofidel Group employees

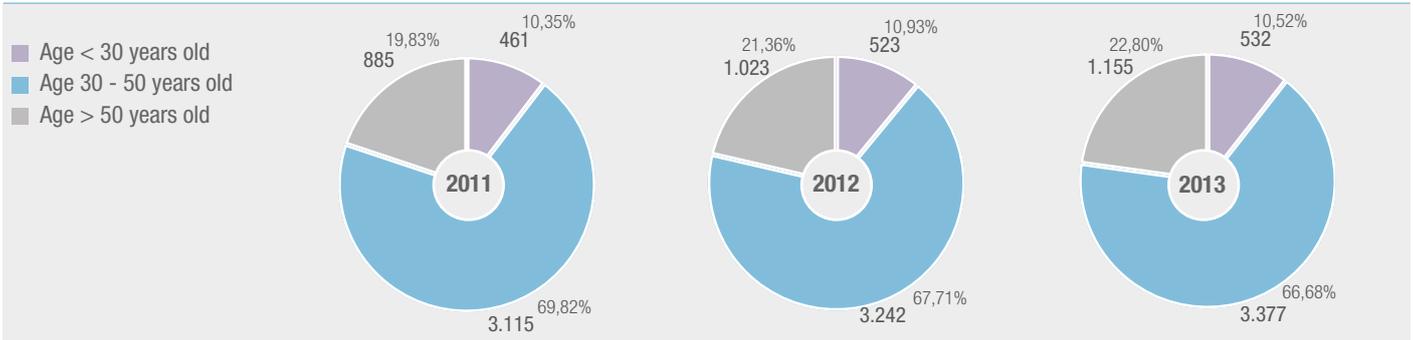


The percentage of Group employees taken on with a permanent contract is 97,94% and almost all employees (98,79%) work full-time. The Group's close ties with the community

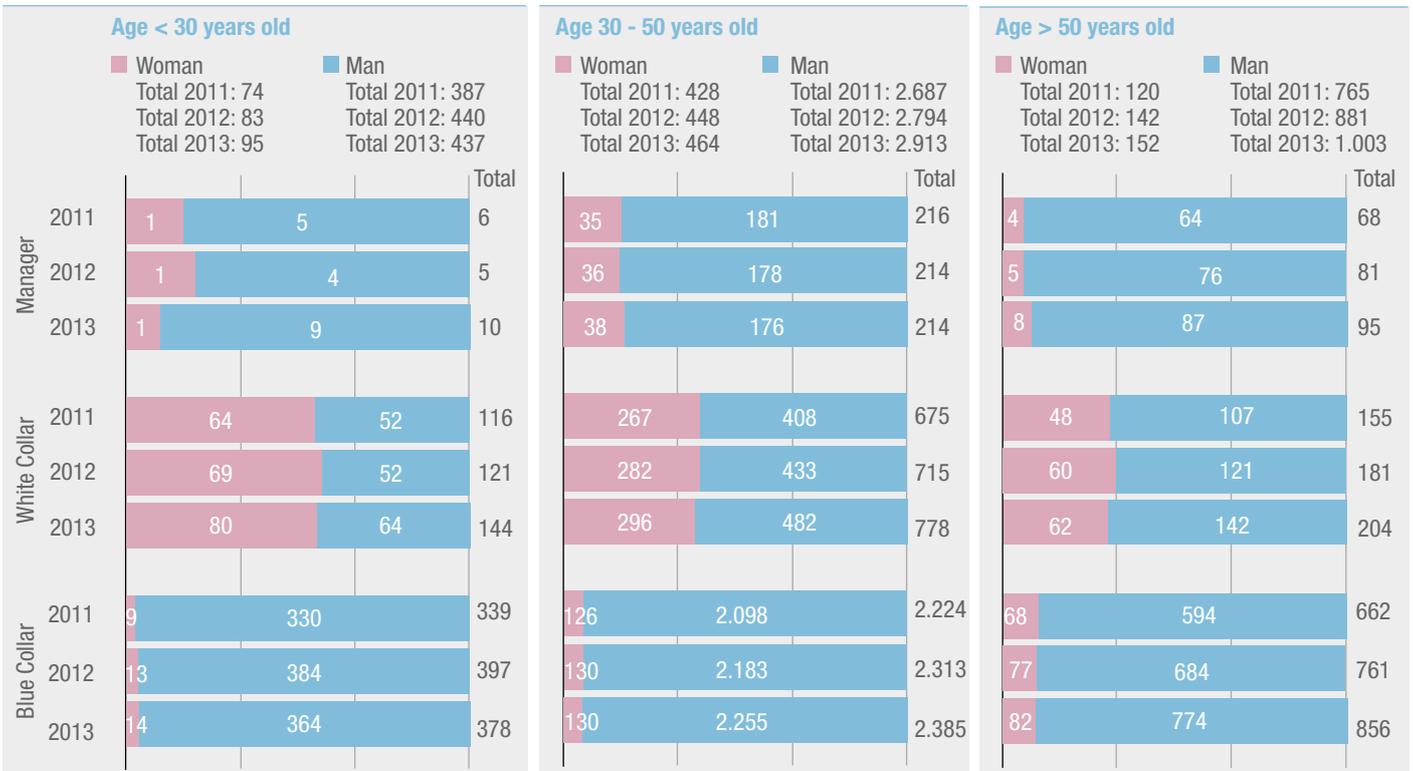
can also be seen in 2013. Sofidel prefers to take on people from the area where business is run; this thereby helps boost regional employment and the local economy and attains a higher level of sustainability by

cutting down on commuting. The Group has always focused on local resources, particularly when it comes to managerial positions and over 95% of senior managers come from the local community in which they work.

Breakdown of Sofidel Group employees by age Group



Breakdown of Sofidel Group employees by type, gender and age Group



The graph shows that the majority of the Group’s employees (66,68%) fall in the 30-50 age Group. There is also a significant number of employees aged over 50 and in the future the right tools will be required to manage this particular situation.

Sofidel has therefore decided to become a part of the “Working Age Lab” created by the Sodalitas Foundation. The project aims to bring together and assess best practices in Italy and Europe that encourage older workers to stay in employment

and continue to play an active role in a company, with the development of new corporate policies and personnel management techniques to make this possible.

SAP HUMAN RESOURCES PROJECT

During 2013 further progress was made on developing projects started by the Human Resources Department in the previous three years: most notably the “SAP Human Resources” Project. The aim is to produce a unique information system capable of exploiting the interrelationship between various SAP modules, thereby making it possible to manage an integrated Group system for all activities involving Human Resources.

At the end of 2013, the SAP Human Resources is implemented in almost all companies Sofidel, except in Werra Sofidel Group in Germany and Sofidel America in the US, in the first case for reasons related to legislative matters internal to the country and the second to a different choice of business planning. Thanks to SAP HR module, in addition to systematized all personnel data in a unique information system, you can extract the monthly Personnel Report for the various Group companies containing personal, contractual and salary data of all employees required for the purposes of reporting, monitoring and other assets currently managed by the Corporate HR Department.



2.

THE OPERATING CONTEXT

1. The global market	29
2. Relations with stakeholders	29



1. THE GLOBAL MARKET

In 2013, the general economic situation of the two main areas where Sofidel is active, Europe and the US, has further differentiated. Due to recent austerity measures, the Eurozone policies have led to serious difficulties in terms of growth, employment and public indebtedness with interest rates of GDP growth still negative and recessio-

nary trends in the countries of the South. A better situation for the countries of Eastern Europe, such as Poland and Romania, with a growth of GDP. The US continue to gain ground and confirm a growth that, even though with variations, has been greatly strengthened over the course of months.

Concerning the market of tissue in Europe, the first 9 months of 2013 showed an increase in production of 0.8% over the previous year (Source: CEPI Production Statistics 3rd Quarter 2013). A growth trend, with different values, was also recorded in the main manufacturers countries: Germany, France, Italy and United Kingdom.

2. RELATION WITH STAKEHOLDERS

2.1 Management of relations

Sofidel's biggest assets are its stakeholders and the relationship focused on transparency, trust and collaboration that the Group aims to achieve its objectives. A fundamental role is also played by customers, mainly consumers and distributors, whose needs and demands the Group monitors constantly and is committed to satisfy. Sofidel presents itself to its customers as an innovative Group that pays maximum attention to:

- The culture of customer service: by respecting delivery times, product quality and the Customer Care Service;
- Limiting environmental impact: with investment in CO₂ reduction, the optimization of resources (raw material and energy) and continuous compliance with requirements set by the main ecological certification bodies;
- Technology: through use of the most up-to-date techniques, both at production level and in terms of distribution, for managing information and providing services to customers;
- Investment in advertising: to promote Group brands and therefore add to the reputation of Sofidel products and indirectly benefit retailers.

At an institutional level, the Sofidel Group is also a member of CEPI (the Confederation of European Paper industries) and ETS (the European Tissue Symposium) and has three work Groups that operate in the following areas: technical/environmental, Away From Home, and Sustainability.

It is worth mentioning that Sofidel, along with other member companies, has carried on studies and research together with ETS on the hygiene of hand drying systems.

ETS has prompted a research team at the University of Westminster to compare the performance of hygienic hand

dryers with an electric air jet with that of paper towels. The results of this research showed that both the hot air hand-dryers and the hand-dryers with an electric air jet increase the number of bacteria on hands after use and also there is a greater risk of spreading micro-drops, potentially contaminated towards other users, and on the different surfaces of the bathroom, compared to traditional paper towels, that can significantly reduce germs and viruses that remain on the hands.

Many Group companies, starting from the parent company, also belong on a voluntary basis to associations set up in

different countries to represent the interests of the paper sector in that particular country.

Membership of these bodies gives the opportunity to offer our personal experience and results, as an aid to increase the overall sustainability of the world economic system.

For the same reasons, Sofidel does not give any form of funding or financial help to political institutions, parties or politicians in any of the countries in which it is present.

HYGIENE
Do you accept compromises?

HAND HYGIENE IS IMPORTANT
It's not enough to wash hands accurately.
You also have to **DRY THEM CORRECTLY**

Method	Bacteria on finger pads	Bacteria spread	Dry hands time
PAPER TOWELS DISPENSER	-76%*** No bacteria spread at all	0m	10 seconds
WARM AIR DRYER	+194%***	up to 2.25m from device	47 seconds
JET AIR DRYER	+42%***	up to 2m from device	10 seconds

***Study by the University of Westminster commissioned by ETS. Independent literature search published on Mayo Clinic Proceedings

CEPI ASSOCARTA

In the following table are shown the financing/subsidies thw Group has received:

Financing/subsidies received (in thousands of Euro)	2011	2012	2013
Ibertissue	-	206	72
Delipapier GmbH	1.415	1.567	268
Delitissue	165	90	82
Delicarta	836	740	800
Delipapier	-	100	26
Werra	4	488	-
Sofidel	6	-	-
Cartiera Monfalcone	5	-	-
Comceh	1.700	799	570
Papyros	72	2	0
Swedish Tissue	-	48	-
Fibrocellulosa	-	2	-
Sofidel America	-	-	38
Soffass	-	22	64
TOTAL	4.203	4.064	1.920

With regards to the public funding received by the Group in 2013, it is evident that about 80% is addressed to environmental and energy innovation (contribution received

for a photovoltaic system, contribution to the implementation of a process of innovation and the installation of a cogeneration plant), plans for employees education,

research and training.

2.2 Initiatives to promote communication and dialogue with stakeholders

Sofidel has developed a series of initiatives in order to integrate sustainability into its operations and its relations with stakeholders. Here are some of the main activities implemented in the marketing activities (other activities are listed in the “Communication and Participation” and “local communities project”).

DIALOGUE ACTIVITIES

Since 2008 Sofidel Group has developed a partnership with WWF international Climate Savers program for the reduction of CO₂ emissions. In Italy, the pack towels and rolls of Regina brand, expose the WWF logo, and report inside a brief description of the commitment of the Regina brand to the environment in order to raise consumer awareness on the issues of environmental sustainability.



change” they reported on the packaging a space dedicated to environmental tips to help consumers reducing energy consumption in daily activities.

In 2012, In Italy a cause-related marketing project has been created with the Telethon Foundation for Nicky products. Products can indeed be an important means of communication and from supermarket shelves they can help promote and support many important social causes.

As a result of this partnership, customers purchasing Nicky Maxi Limone Kitchen towel in November and December helped increase the possibility of providing treatment for sufferers of muscular dystrophy and other genetic diseases and helped finance high-end scientific research.

Always with regards to Italy, Nicky has also created a non promotional product (not only for a single activity) together with Telethon Foundation to help raise funds not only during an important period for Telethon, as the month of December, but throughout the year, because of re-

search is important in every moment of the year.

In Belgium Moltonel supports a project of the NGO SOS Villages d’Enfants in Togo, to facilitate better access of the local population to hygiene services. A part of the paid amount for each package of toilet paper Moltonel sold in Belgium contributes to this program; up today have already been realized three wells for drinking water and two wells for agriculture. Thanks to the support of Moltonel will be installed two additional wells for drinking water and will be made an activity to raise awareness about the importance of hygiene.

In the United Kingdom, Nicky is working with the Woodland Trust, a nonprofit leading organization in the Britannic woodland conservation. The consumers that will choose Nicky will help to support the planting of new trees and the fight for the protection of forests under threat (see section “local communities projects”).

In Italy, in order to sensitize people to the issues of social and environmental re-



In Poland, a campaign was launched with the local WWF. With the slogan “Regina and WWF together against the climate

sponsibility, Sofidel donated to employees and some external stakeholders, on their birthdays, a tree. The planting took place in Senegal to promote economic activities in some small rural communities.

The initiative was born out in partnership with Treadem, a company committed to offset CO₂ emissions by promoting reforestation projects in the southern



of the world, which is supported on this occasion by the non-profit organization Cospe (Cooperation for the Development of Emerging Countries), which provides livelihoods and opportunities for micro-entrepreneurship communities in which it operates. The initiative will be gradually extended to other countries where the Group is present.

To illustrate the special attention the Group reserves for its customers, we should also highlight the Second appointment in Amsterdam with "Sofidel & Friends", the annual meeting that during the PLMA, the largest international Roundtable conference dedicated to

Private Label Manufacturers, Sofidel offers to all its customers. A special moment of meeting to share results and objectives, to spread Sofidel commitment to sustainability and strengthen the relationship based on trust and collaboration.



CUSTOMER SATISFACTION

The communication and dialogue initiatives put forward by Sofidel also include identifying the level of customer satisfaction with Group products and services.

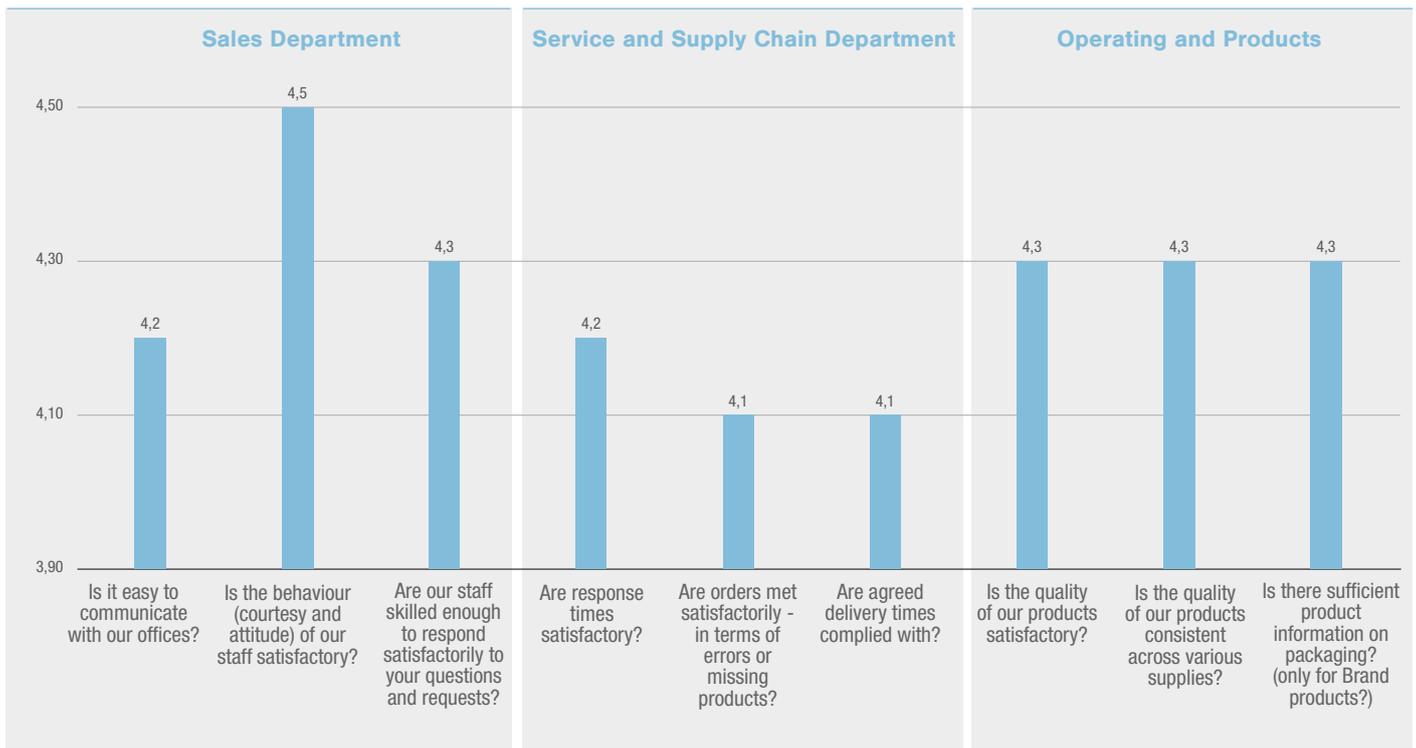
In order to maximize the number of responses to customer satisfaction questionnaires and obtain a more representative idea of data, the Sofidel Group acquired a specific management information tool in 201.

As a result, during 2013, 2.045 questionnaires were sent out, of which 1.166 (57% of forms sent out) were correctly filled in and submitted.

The customers who correctly filled in and submitted the questionnaires represent the 83,2% of Group turnover. As the table below illustrates, analysis of the responses provided in 2013 shows a further improvement of the level reached in 2012 (4,1, revealing an average of 4,3 points out of a maximum 5. To further increase the number of

positive responses, and consequently the customer service, starting from 2013, the Sofidel Group began to meet and discuss with customers who have given a negative evaluation (point score 1-2) to discuss together the necessary improvement plan.

Customer satisfaction



Further analysis also shows a very high level of customer satisfaction, with 80% of evaluations received in 2012 (evaluations receiving a point score between 4 and 5) to 88 % in 2013.

The other side of the coin relates to management of reports and complaints from customers, whether retailers or final consumers.

This type of interface is of fundamental importance both for managing a relationship of trust with the stakeholders in question and for managing product quality.

In 2013 the Group received a total of 2.518 complaints compared to 2.260 of the previous year.

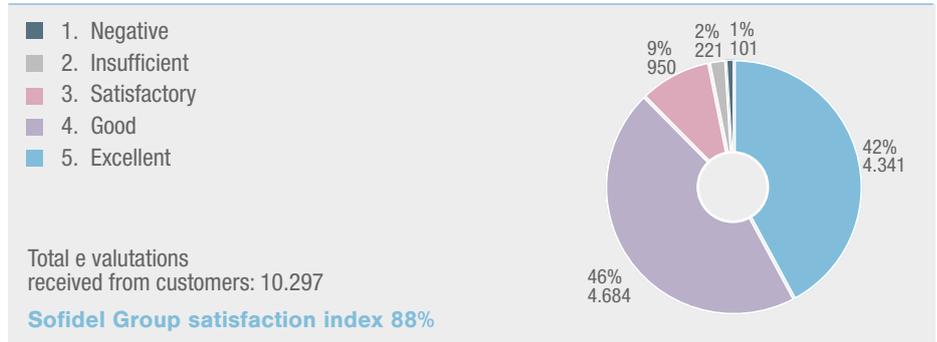
The data is still to be considered positive also taking into consideration the new acquisitions made in 2013. It is also necessary to underline the intense activity carried out internally in order to improve the identification of problems within the plant with targeted training on employees so that problems are intercepted before reaching the customer.

Throughout the entire reporting year, no reports were made regarding violation of privacy or loss of consumer data.

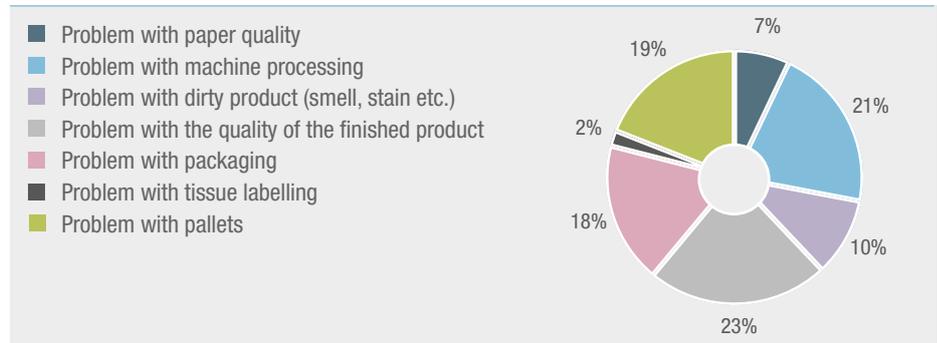
FREE NUMBER

During 2013, the Sofidel Group has expanded the tools to create stronger relations with all its customers, especially since June have been set up appropriate email for the brand Regina® and Softis® in Germany (regina@delisoft.info and softis@delisoft.info) for the brand LeTrefle® in France (service.consommateurs@delipapier.fr) Nicky® in Italy and Spain (and dilloanicky@nicky.it hablanicky@nicky.es) and in the same month was created a specific section of the site Nicky® in the UK to be able to interact with consumers. In the month of July was also launched the same project on the site of the single brand Away From Home Papernet®.

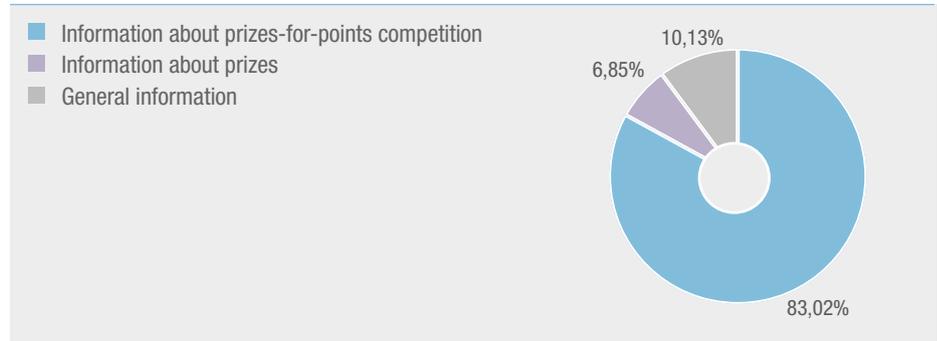
Sofidel Group satisfaction index



Breakdown of calls by type



Details of calls to Freephone number



In addition, in 2013 the free number has been extended also in the following countries: UK, Poland, France and Romania. Also this year the main data collected from consumers are related to the free number Soffass (800-453533) which has received a total of 936 calls of which 83% were requests for information about the

prizes-for-points competitions. However, a small amount of information (12 requests for general information) has been received after the activation of the French email (service.consommateurs@delipapier.fr). The total number of received requests is then 948.

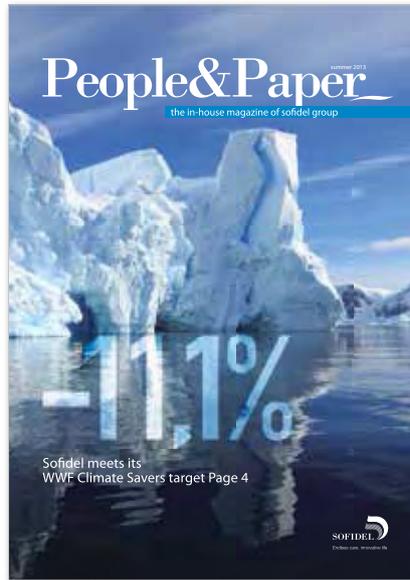
DIALOGUE WITH STAKEHOLDERS

In implementing its communication activities towards internal and external stakeholders, the Group has a number of communication tools in order to ensure a consistent, rigorous and transparent spread of information.

The services/products produced, managed or promoted by the Communication unit include:

- Press reviews and internet monitoring;
- Publication of an in-house magazine (People & Paper);
- Publication of a sustainability-related newsletter (Soft & Green);
- Creation of a 6-monthly publication (Working Safely Together) dedicated to the promotion of health and safety;
- Management of Sofidel's website, which is coordinated and integrated with product-specific sites;
- Management of institutional social media platforms (Twitter e LinkedIn);
- Publication of Sofidel informa/Sofidel news;
- Internal and External institutional communication campaigns;
- Assistance preparing sustainability tools;
- Establishing relations with local communities;
- Establishing and managing relations with the media;
- Monitoring compliance with stakeholder expectations;
- Assistance with other functions.

For further information on this subject, please see "Communication and Participation".





3.

SOCIAL AND ENVIRONMENTAL PERFORMANCE

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Endless care, innovative life.

1. HUMAN RIGHTS

1.1 Equal opportunities, diversity, non-discrimination

In its relations with employees the Sofidel Group is committed to promoting equal opportunities and diversity as an asset to be cultivated in accordance with its Code of Ethics, which has been reviewed during the year. The Code of Ethics, which all stakeholders can view on the Group's website, has been translated into all the languages of the Group and copies has been distributed to all employees.

Sofidel has also voluntarily subscribed the "Charter for Equal Opportunities and Equality in the Workplace", an initiative promoted by the Sodalitas Foundation and a statement of intent on the dissemination of an ethical corporate culture and human resource policies which are free of discrimination and prejudice and which reward and value talent in its diverse forms. Such a commitment is also illustrated by the fact that many companies in the Group apply policies that support equal opportunities and work-life balance, such as part-time and flexibility of working hours.

In order to prevent discriminatory events of any nature that goes against the principles and values expressed in the Code of Ethics, has been subscribed a special "rules against discrimination in the workplace" distributed to all employees of the Group in all the languages of the Group.



In order to prevent any form of discrimination or any practices that may be contrary to the principles and values in the Code of Ethics, an anonymous communication system has been set up in all companies in the Group.

This means that employees are able to report any violation of human rights and the company can take action and introduce all necessary measures to prevent other similar cases. To date there have been no reports of human rights violations within the Group.

The Sofidel Group has not recognized necessary to perform specific assessments regarding human rights, given that the

Group's activities are not carried out in risk areas.

In 2013, the numbers of employees who took parental leave (discretionary maternity/paternity leave) were 18 in Italy of which 15 women and 3 man and abroad 98, of which 29 women and 69 man. At the end of maternity leave only 2 women employees in the Group decided not to return to work. As regards "protected categories", the Group meets all legal obligations in the countries where it operates. In 2013 there were 72 employees in this category, of which 14 women and 58 man.

2. LABOUR PRACTICES

2.1 Turnover

Even in 2013 the Group's staff turnover rate remained low.

The data in the table on the right considers the total number of employees who

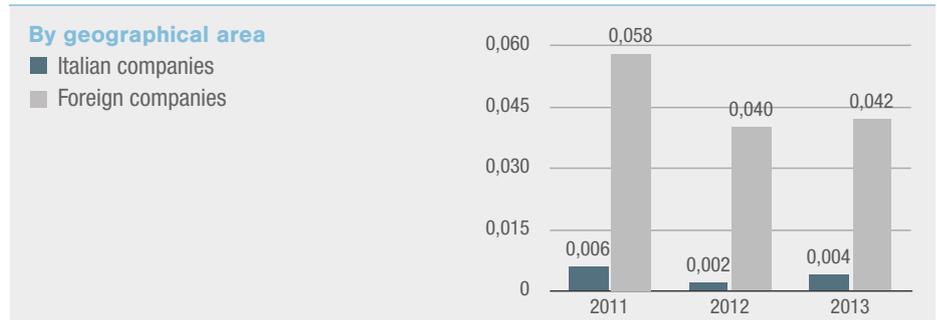
have resigned, **been dismissed, retired or deceased.**

Group Turnover rate by geographical area, gender and age Group



The following data meanwhile illustrate **voluntary resignation** by Sofidel Group employees by geographical area.

Sofidel Group staff turnover rate – Voluntary resignation only



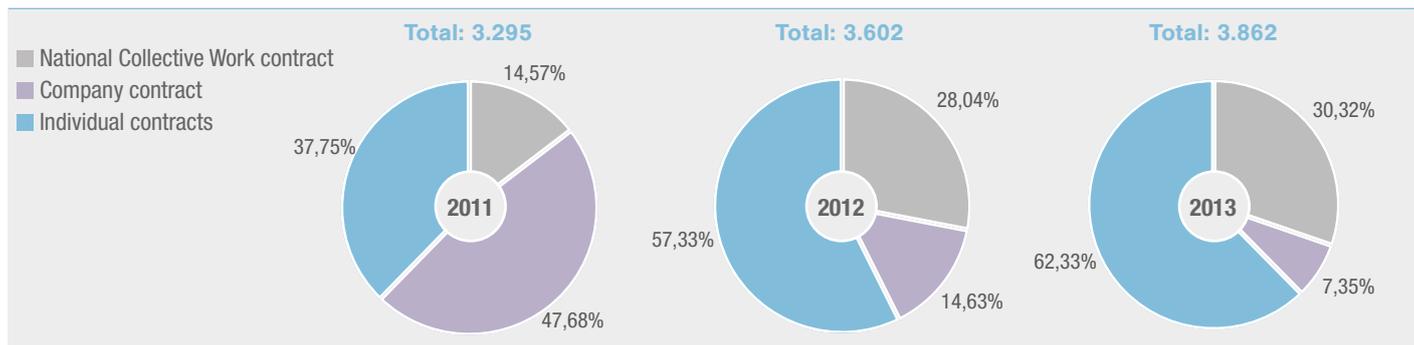
2.2 Industrial relations

Sofidel’s system of industrial relations with various trade unions is based on ongoing, constructive opinion-sharing, in accordance with the principles laid out in the relevant National Collective Work Contracts.

In the Group’s Italian companies, the National Collective Work Contract is applied to all employees. In the other companies, work contracts for about 30,32% of employees are regulated by some form of

national collective contract, while all other employees are employed with individual or company contracts.

Breakdown of employees in foreign companies of the Sofidel Group by contract type (National Collective Work Contract, Company contract, Individual contracts)



COMMUNICATION REGARDING ORGANISATIONAL CHANGES

Communication concerning organizational changes is made in accordance with the

times and methods established by national legislation or the collective contracts

applied.

2.3 Health and safety

The Sofidel Group promotes a culture of health and safety. Coordination of health and safety policies is delegated to a specific corporate unit made up of qualified personnel. The unit aims to spread ideas concerning good practice and to raise awareness among Group companies of health and safety issues in the workplace. During 2013, the Group has strengthened, also on the foreign Plants of the Group, audit in order to spread the Health & Safety culture also from a technical and procedural point of view of the Group, has continued to develop Occupational Health & Safety Management Systems (OHSMS). During the European Week for Health & Safety in the workplace (21-25 October), Sofidel presented the management

program Q81-Web to all Responsibles for Prevention and Protection Service, Health & Safety Manager, Plant Manager, Human Resource Manager and Country Operations Manager. The platform Q81-Web allows to manage deadlines, documents, supervision and employees training. The main objective is to create an environment “Sofidel Group”, a kind of ideal virtual plant, which will serve as a “pilot” to other establishments in the definition of best practices and also to facilitate the implementation of the management system OHSAS 18001.

Sofidel also became a partner of the European Agency for Occupational Health & Safety (EU-OSHA) adhering at the two-year campaign (2012-2013) on

occupational health and safety entitled “Working together for risk prevention”, focused on the theme of collaboration between the company management and employees to improve workplace.

In 2013, at the Inail Center for Educational of Naples, was held the closing ceremony of the campaign, during which there was the presentation of awards of the national competition “Good practices on shared security,” which was awarded by Sofidel for the “Safe Idea Award” (see section “Awards”).

With regard to the development of Health & Safety management systems for Health & Safety in the workplace, Sofidel has continued the work for implementation of these aspects in the production plants,

achieving OHSAS 18001 certification in companies UK Sofidel Hamilton, Rothley Lodge and Intertissue Horwich.

In the 60% of the Group companies have been set up committees for health and safety, consisting of management representatives and workers' representatives at plant level in order to involve workers in the knowledge and dissemination of policies on health & safety. The costs of health & safety for the year 2013 amounted to approximately 3.74203 million Euro invested

in the purchase of PPE, medical visits to employees, machinery and equipment maintenance aimed at maintaining safety standards, service of consultancy for the preparation of Risk Assessment documents. Thanks to the work for improving the conditions of hygiene and safety in the workplace made voluntarily to be in accordance with national legislation, although in 2013 the Italian companies of the Group have achieved a reduction in the INAIL average rate equal to 173.736 Euro.

SAFETY PERFORMANCE INDEXES

Sofidel monitors trends in accidents and injuries in its various plants using a series of indices. The most significant of these are injury rate (IR)¹ and lost day rate (LDR)².

The collection of these data is not broken down by gender for men and women as the female employees are mostly occupied in office work and therefore of little significance for statistical purposes.

Table showing the injury rate and lost day rate for Sofidel Group plants

Company	IF	IG
Comceh (RO)	2,32	0,09
Delicarta Monfalcone (IT)	8,43	0,03
Delicarta Porcari converting plant(IT)	15,77	0,50
Delicarta Porcari paper mill (IT)	19,64	0,31
Delicarta Tassignano (IT)	18,60	0,43
Delicarta Valdottavo (IT)	31,40	1,00
Delipapier Buxeuil (FR)	7,97	0,08
Delipapier Frouard (FR)	11,73	0,22
Delipapier GmbH (DE)	43,25	1,04
Delipapier Roanne (FR)	5,53	0,05
Delitissue (PL)	9,49	0,42
Fibrocellulosa (IT)	0,00	0,00
Ibertissue (ES)	32,18	0,52
Intertissue (UK)	7,12	0,90
Sofidel Benelux (BE)	0,00	0,00
Papyros (EL)	8,96	0,13
Soffass paper mill (IT)	11,51	0,53
Soffass converting plant (IT)	8,43	0,20
Sofidel Kagit (TR)	6,77	0,16
Sofidel UK (UK)	13,08	0,46
Swedish Tissue (SE)	8,89	0,16
Werra Papier (Werra) (DE)	14,33	0,45
Werra Papier (Omega)** (DE)	6,60	0,09
Werra Papier (THP) (DE)	27,14	0,48
Werra Papier (THP-L) (DE)	0,00	0,00
TOTAL SOFIDEL Group¹	13,49	0,39

¹Injury Rate (IR):

total number of accidents/hours worked x 1.000.000

²Lost Day Rate (LDR):

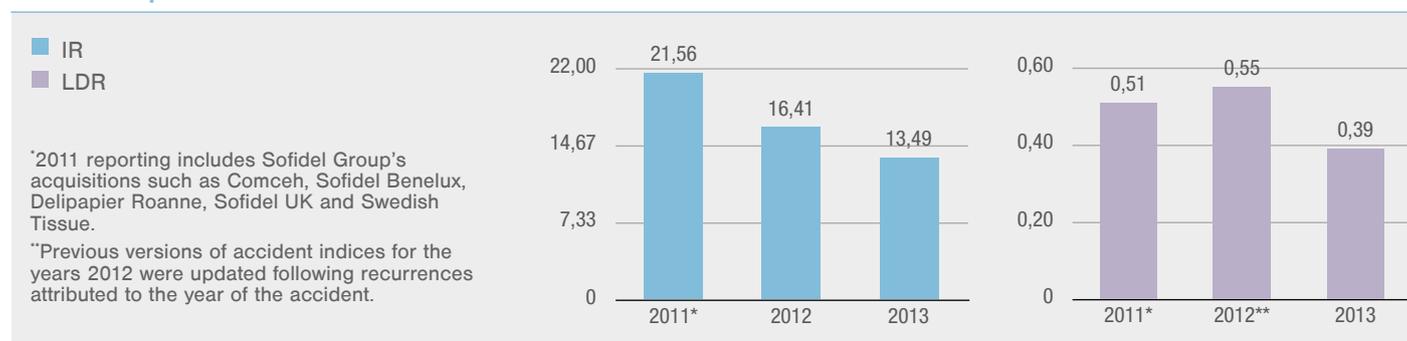
total number of working days lost due to accidents/hours worked x 1.000.

Both were calculated using a multiplier of one million and one thousand hours worked, in contrast to the requirements of the GRI LA7 indicator, as this Standard is defined at Sofidel Group level.

¹Excludes Sofidel America, Sofidel UK Lancaster and Intertissue Horwich. Does not take into consideration accidents en-route to work or those resulting in fewer than three days of absence

²Omega values are updated at 30 september 2013 because starting from the first of October 2013 Omega has been incorporated into Werra.

Sofidel Group accident indices



As can be seen from the data for the last three years, the two indicators have shown significant improvement.

With regards to Italy, in the three-year period 2011-2013, there were nine cases of sickness, four of which were defined

as negative by the National Institute for Insurance against Accidents at Work and/or an occupational safety insurance body. The most common type of sicknesses concerned musculoskeletal disorders.

In 2013 the absentee rate in the Group's

companies (i.e. the ratio of hours of employees' absence from work to working hours) was 3,80% due to sickness³ and 0.27% due to accidents⁴.

PREVENTION CAMPAIGNS

In order to raise staff awareness of health and safety, every year Sofidel organises major prevention campaigns in this area. In 2013 this consisted mainly of the following initiatives:

- In Delipapier Frouard were promoted campaigns that focused on the prevention of sleep disorders and the promotion of blood donation.
- In Intertissue (Baglan) and Sofidel UK were promoted campaigns focusing on incorrect behaviour in the workplace.

2.4 Training and development

Professional development is of strategic importance for the Sofidel Group and every year it produces a broad-based Training Plan focused on the development of both technical and managerial skills.

In 2013 84.610 hours of training were provided in total, involving 48,86 hours for managers men and 36,88 for managers women, 17,05 for men white collar staff and 22,51 for white collar staff women, 13,73 for blue collar staff men and 6,9 for blue collar staff women.

An average of 16,70 hours of training was provided by employee.

Subjects which attracted the most interest were, not only, health and safety in the workplace but also best practice in the operating area, in terms of production and technical improvements and the in-

roduction of new machinery, English language studies and the implementation and maintenance of management systems.

Particularly significant has been the introduction of the philosophy and principles of Lean Management.

With regard to Lean Management, the results obtained in the pilot project launched on 2 Italian plants in 2012, which had as its objective the analysis of the typical losses of the manufacturing process in Sofidel converting, has been a three-year plan for the implementation of the model at European level. The aim of the project is the creation of KPIs for measurement of processes in a uniform way in order to structure improvement actions focused on the loss priority to cost, with scheduled work plans that focus on professionalism

and skills of people through the use of tools according to the principles of streamlining dictated by Lean Thinking.

Skills development will be achieved through training in the field of Sofidel technical figures responsible for the training of operators, which will become autonomous in the application of Lean methods. The last aim is to transfer the culture of achievement through proven methods for people working in the plants.

To provide instruction on its training courses, Sofidel made use of qualified external bodies but also specifically skilled internal staff; these covered a total of 2.788,5 hours, equal to 12.7% of the total. Investment in training, net of incentives and contributions, amounted to 1.599.113,04 Euro.

Average hours of training per category



As regards giving value to human resources, during 2013 one employee from the Group's Italian companies received the "Stelle al merito del lavoro" award, which are granted by the President of the republic for the hard work and dedication shown by 25 years of uninterrupted work for the same company.

SPREADING THE CULTURE OF HEALTH AND SAFETY

Every year Health and Safety training programmes are organized in all Sofidel Group companies. In the various plants, each different category of workers is provided with training which focuses on occupational hazards and protection/prevention measures and is also given on-the-job training for each specific role. Action is also being taken in the Group's plants to organize training more systematically in order to make it more widespread and more efficient.

In 2013, 35,398 hours of training were offered focused on Health and Safety issues.

The training courses provided were mainly:

- courses for newly recruited staff;
- courses for preventional executives and supervisors;
- update seminars for RSPP (prevention and protection safety managers) and H&S managers;
- course for company first aiders;
- courses for fire-fighters and emergency workers;
- courses on the use of lifting equipment;
- courses on the use of fork-lift trucks;
- courses on the use of aerial platforms;
- courses on the use of Category III personnel protective equipment;
- courses on working at a height;

- courses on ergonomic risks, plus noise-related and vibration-related risks;
- courses on chemicals risks;
- courses on manual handling of loads;

- courses in electrical risks;
- staff training in accordance with article 37 of Italian Legislative Decree 81/08 and State-Regional agreement of the 21st of December 2011.

2.5 Remuneration and incentive systems

In line with its own principles, Sofidel determines salaries in accordance with legal standards and guarantees compliance with equity and transparency criteria.

Analysis of the areas where the Group is present illustrates that, where applicable, minimum salaries are adequately guaranteed, as highlights in the table.

In addition, almost all Group companies have performance evaluation programmes for all employees included in the company “bonus system”.

This essentially consists of an interview and the completion of an employee questionnaire that looks at strategic aspects of work performance.

Qualitative evaluation of performance is achieved by ongoing measurement of a series of parameters that identify performance, including: personal commitment, expertise/professionalism, problem-solving, quality, team-work, communication and relationship skills, spirit of initiative, and delegating, organizing and developing collaborators.

The behavioural approach has proven to be highly effective in creating a connection between company strategy and the conduct that is required to implement this.

Evaluation allows employees to regularly mo-

Minimum wage breakdown by country

Country	Legal minimum wage	Minimum wage paid to employees
Romania	RON 800 p/month	RON 1.138 p/month
France	€ 1.430,25 p/month	€ 1.495,45 p/month
Poland	PLN 1.600 p/month	PLN 1.800 p/month
United Kingdom	£ 6.31 p/hour	£ 7.60 p/hour
Belgium	€ 1.387,49 p/month	€ 2.192,94 p/month
USA	\$ 7,25 p/hour	\$ 9,00 p/hour
Croatia	HRK 2.984,78 p/month	HRK 8.614,09 p/month
Turkey	€ 1.021,50 p/month	€ 1.023,75 p/month
Greece	€ 586,00 p/month	€ 917,00 p/month
Germany	Any regulation	€ 10,94 p/hour
Sweden	Any regulation	SEK 19.727/month
Spain	€ 9.100,00 p/year	€ 17.650,00 p/year
Italy	Any regulation	€ 1.236,19 p/month

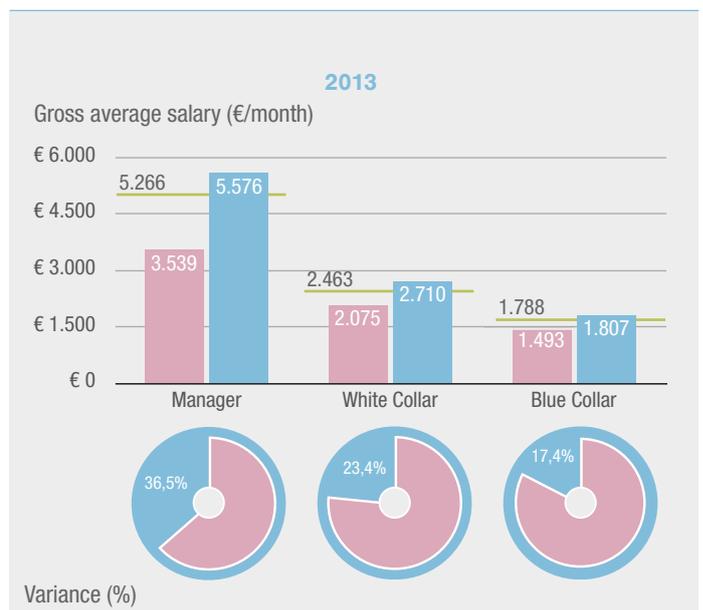
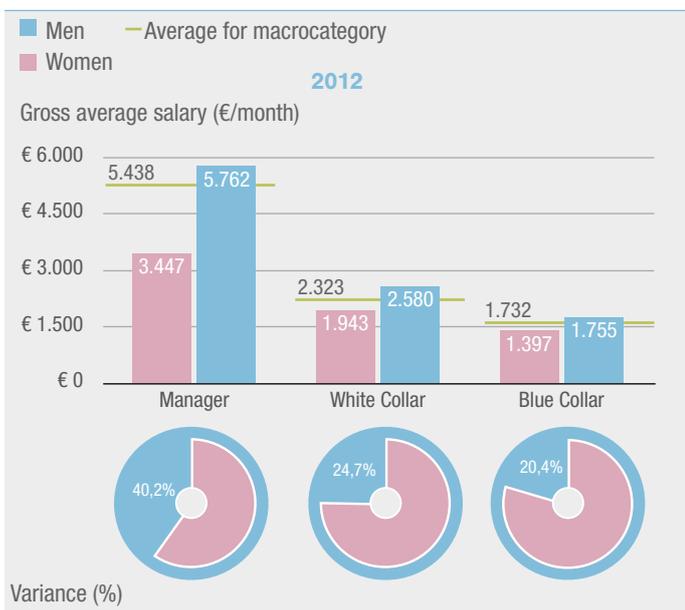
onitor their own performance, see how is progressing, and make any useful changes that may help them improve their position.

Many companies in the Group have adopted bonus systems based on specific, measurable and achievable targets and these are shared in such a way as to allow employees, by their conduct, to have an impact on them. Checks on target achievement are the responsibility of managers in the various company areas and may also include performance in relation to sustainability, such as a reduction of energy, water consumption.

In 2013 67,43% of employees of Group companies received pay increases, 46,22% of which received as bonus or rewards.

No distinction was made between part-time and full-time employees. In line with what has been recorded for the job market at an International level, the data show that although Group pay policies are based on equity and equal treatment between men and women, generally speaking women occupy posts with lesser responsibility and consequently receive lower pay, on average, than the men employed by the Group.

Ratio between male and female pay with same level of qualification



With a view to improving this situation, and in order to illustrate its commitment to the issue, the Sofidel Group has adopted rules which allow for flexible working hours. The Group also supports the Charter for Equal Opportunities at Work promoted by the

Sodalitas Foundation.

Sofidel's relationship with its employees is also distinguished by the large number of institutions and initiatives in support of the workforce. Employees in Italy, France, UK, Germany and US, for example, can enjoy

complementary forms of benefit that operate through the use of specific pension funds, which employees can pay into at varying percentages. The percentage varies based on what has been established by individual company rules.

2.6 Communication and participation

For Sofidel the communication process a tool for transforming the quality of employees' work, enabling organisational improve-

ment and company development through the involvement, increasing transparency and credibility, monitoring reputational risk,

developing coherence between image, values and goals.

SOFIDEL GROUP COMMUNICATION ACTIVITIES

During 2013 several activities have been carried out by the Group, among them:

PARTICIPATION AND EVENTS

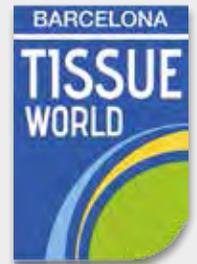
At the Council of the World Federation of UNESCO Clubs, Centres and Associations (WFUCA), held in Lucca March 10th, the Chief Executive Officer Louis Lazzareschi took part in the workshop "Ethics, economy and sustainable development."

The Chief Executive Officer opened the conference Tissue World 2013 in Barcelona (19th-23rd March). Inside of the event, titled "Evolution or revolution: the next steps in achieving sustainable paper," the CEO has illustrated the Sofideol Group experience inviting the industry to unite in a common struggle to make a paper industry increasingly driving in the context of sustainability.

On November 15th, Luigi Lazzareschi took part, in Rome, on Rai 2 network, to the marathon Telethon to raise funds to support research for the cure of muscular dystrophy and other genetic diseases.



Sofidel participated in the 10th edition of the Science Festival of Genoa, one of the main events for the dissemination of scientific culture at the international level, a meeting point for researchers, schools and families. Sofidel has joined as a main sponsor of the "Laboratorio della Carta – Carta canta!": an educational process designed to help you understand how the paper, sustainable and environmentally friendly material, in its various forms, making our everyday life easier and better. Particular attention has been paid to the function of toilet paper with the support of educational and training materials provided by Sofidel. The Festival attracted over 200 thousand visits and the participation of 320 speakers.



PARTNERSHIP

The ILO (International Labour Organization) Safe Work Without Drugs & Alcohol aimed at the development of business plans for prevention against drugs and alcohol addiction.



Sofidel was a partner, along with the Sodalitas Foundation, of the European CSR Award: inspiring partnerships for innovation and impact, the award promoted by the European Commission and implemented by CSR Europe and Business in the Community, to give visibility to the best European partnership between companies and stakeholders. The award saw the participation of 30 countries and 750 companies

Sofidel took part at the Earth Hour (March, 23rd), the largest global mobilization promoted by the WWF to draw world attention to the protection of our planet. The Group participated by turning off the neon signs of the Italian companies and promoting the event inside.



Between 14th and 15th May Sofidel, Germany, through its subsidiary Werra Papier, took part in the SMILE! one of the most important recruitment events organized in Thuringia in the campus of the University of Applied Sciences Schmalkalden. The initiative was aimed at increasing the visibility of the company and to strengthen relationships with potential candidates seeking employment.

On the occasion of World Environment Day (June 5th), Sofidel supported the campaign to raise awareness of Treedom, “Hug me, I’ll be your oxygen”. Treedom has submitted an art installation in Florence that, using 1200 trees scattered throughout the city, he invited people to take part in reforestation projects.



Sofidel has joined the campaign of information “HYGIENE. Do you accept compromise? “Promoted by the European Tissue Symposium (ETS) and Assocarta. Interpreted within the Group through in-house magazines and billboards, the campaign aimed to raise awareness of the importance of personal hygiene (especially of the hands) for the purpose of disease prevention.



Sofidel has collaborated as main sponsor at the 11th edition of the Master “Production of paper/cardboard and system management of the University of Pisa, Lucca Celsius and Foundation for Higher Education and Research.

Sofidel has collaborated on Sustainable for nature, the volume realized in Italy by Marsh, with the collaboration of 24ORE Culture and sponsored by the Ministry for the Environment, Land and Sea. The publication promotes corporate social responsibility through the presentation of the experience of seven companies, including Sofidel, which looked at environmental sustainability as an opportunity of development and growth.

MEETING



From October 20th to 23rd was held in Florence, the European Marketing & Sales Meeting. Now in its fourth event the meeting marked a milestone in the history of Sofidel. For the first time united in one event all the four business lines (Brand, AFH, Private Label and Parent reel). An important moment for sharing knowledge and experience strengthening, in the debate, Sofidel identity.



PROMOTION OF IDENTITY OF THE GROUP

The corporate campaign 2013 was dedicated to the achievement of the WWF Climate Savers goals. In the picture a fan, whose paper reports the embossing of the Regina di Cuori, to say that Sofidel is committed to the fight against global warming. As every year, declined in all the languages of the Group, the campaign has been used for both internal and external communication.

To spread even more the culture of sustainability within the Group, the Sofidel 2014 calendar was dedicated to the Decalogue of Sustainability that shows the top ten benefits that Sofidel is expected in the medium to long term by its commitment. The Decalogue has been prepared and circulated in all languages of the Group and is designed to better support the dissemination of the culture of corporate social responsibility and provide precise indications of how sustainability can actually relate to the company’s life.



Sofidel made his first entry on social media. Two platforms are switched on: Twitter to share updates with stakeholders and the media and LinkedIn to offer a window on Sofidel world and awareness of the opportunities offered by the Group in professional terms.

In order to simplify the management and harmonize the graphic image were renewed logos of all the companies of the Group. The project sought to strengthen the coherence of communication and common Sofidel identity.

GROUP RECOGNITIONS

The commercial “Emma” was awarded with a Silver Cresta Awards, Category TV/Cinema /Online Film at the 21st Cresta Advertising Awards 2013. Launched in 1993 by Creative International Standards (USA, New York), in collaboration with the Advertising Association, the award promotes the highest standards of creative excellence in advertising.



The advertising campaign “The Trèfle maxi feuille - Emma” was awarded with the Golden Effie in the Hygiene Beauty, Health category. Organised by a consultancy communication agency AACC and UDA (Union of advertising), the EFFIE award provides recognition to advertisers and agencies on the basis of demonstrated and measured the effects of their campaigns. The award ceremony took place on 25th November in Paris.

On October 18th, in Lucca, President Emi Stefani has withdrawn the recognition given to Sofidel with regards to “Technology & Passion. Award for Innovation. “The award aims to enhance the contribution of passion, collaboration and innovation offered to the paper district of Capannori, one of the most important in the world.

Sofidel was awarded within the national contest “The best practices on participated safety,” for the “Safe Idea Award”, the competition for Sofidel Italian companies to select and reward each year the best ideas and solutions to technical, organizational, managerial and behavioral proposals by employees for safer workplaces (see “Health and safety”).



LISTEN TO EMPLOYEES

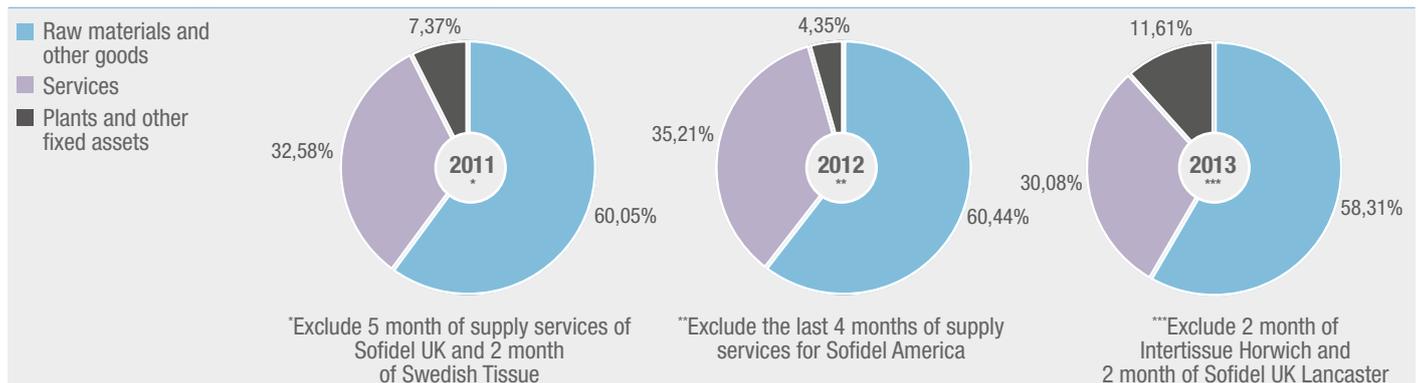
During 2013 it was possible to administer the climate survey questionnaire of organizational well-being to all companies of the Group*, Italian and foreign, who had taken part in the research project took place in 2012. During 2013, the questionnaire was translated into 12 languages and required the use of specific devices in order to make optimal and automatic the acquisition of information. The responses obtained from the questionnaires were extracted with an automatic process of recognition data in order to optimize, both in terms of time and success, the results obtained. To ensure the anonymity of users, without leading to loss of data, have been applied on the layout of the questionnaires some criteria for the rationalization of the form. On each page has been provided an indication of the establishment of origin of the questionnaire by the encoding of four alphanumeric characters, in addition to this was added a QRcode to allow the association of all the pages to the same questionnaire, even in the case where the individual sheets should be untied. Each QRcode has also been deciphered in an alphanumeric sequence to ensure maximum transparency to the user saving by looking on the absolute anonymity. The data are then analyzed using a program specially structured on the basis of the questionnaire Sofidel through a software for statistical analysis for the social sciences. The results of this survey will be developed in 2014, and from this analysis will be evaluated, where feasible, possible improvement actions.

*Due to the recent acquisition have been excluded from the survey: Sofidel America, UK Sofidel Lancaster, Intertissue Horwich.

3. SUPPLIERS

In 2013, 58.31% of supply services purchased by the Sofidel Group were related to raw materials.

Invoices from suppliers of the Sofidel Group



Sofidel, over the years, has consolidated as a way of doing business with its supply chain focused on the quality and cost of suppliers, but also on the reliability and reciprocity, values that have always characterized the relationship with suppliers and in 2013 accompanied the creation of an evaluation system created to enhance the better experience and to accompany in the improvement the suppliers that need it.

It is true that the accuracy in the relationship with suppliers has been represented over the years by the punctuality when meeting payment deadlines, but reliability and reciprocity can be applied not only to compliance with the terms of the contract, but also to a more wide range of generated impacts by Sofidel on society.

All suppliers is therefore required, as a pre-requisite, to subscribe to the adherence of the rules and principles of the Code of Ethics, including the "General Conditions of Purchase."

In addition, since 2004 Sofidel adopted an instrument of e-procurement, with the goal of making the award of contracts transparent and efficient: the system adopts the same criteria for all suppliers, thus ensuring the impartiality, following the criterion of the most economically advantageous tender (ie the best value for money) in full compliance with the Code of Ethics and Guidelines for suppliers. Sofidel also asks all Italian suppliers the compliance with the rules relating to health and safety (Legislative Decree 81/2008), other obligations under the law relating to employment, including in particular the payment regular duties, taxes and contributions on behalf of employees (through the DURC-Document of Social Security). Any irregularity resulting leads the automatic exclusion from the tender. The qualification of suppliers of the Sofidel Group companies is carried out, for the new suppliers, proactively, while for those with whom relations are already in place, is expected to

be evaluated periodically. The criteria for the selection of suppliers used by Sofidel are, in addition to the cost those of the evaluation of performance and flexibility. The periodic evaluation of suppliers already active occurs both through the use of indicators of performance, both through the actual implementation of Audit activities.

Among the performance indicators, the principal shall take into account of the non-compliance, according to their gravity, on products purchased in relation to the quantities supplied.

On critical⁵ suppliers of goods and services, other than cellulose (for which see the section "Environmental resources") from the promotional and logistics, 21 audits were carried out in the last three years, of which 5 are in the last year; these audit activities verification are also directed towards progressively issues concerning the sanitary aspects and respect for human rights.

3.1 Control of sustainability requirements of suppliers

The management of social and environmental aspects all along the supply chain, in all countries where the Group operates, represents for Sofidel an important opportunity to improve their sustainability performance, a significant occasion of growth for Sofidel and its suppliers. Through the accompaniment of weakest suppliers in terms of sustainability into more responsible business practices, Sofidel actively contributes to raising social and environmental issues throughout its supply chain.

For these reasons, Sofidel in 2011 started an important process of assessment of its suppliers based on their ability to manage the most relevant aspects of sustainability that is more structured in 2013 and will be consolidated in the following years.

In 2012, the suppliers who accounted for 70% of the Sofidel core business passive breakdown (excluding cellulose suppliers) were asked to answer to a structured questionnaire based on the most important guidelines and international standards (Global Reporting Initiative, the UN Global Compact, SA8000).

In 2013, we evaluated the responses received from filled questionnaires (92%) and it has being tested the system of classification and intervention. The philosophy behind this process is that of continuous improvement, learning, and the

accompaniment. Sofidel suppliers that were invited to join a program of improvement, which sees Sofidel between the participants, were divided into three categories (green, yellow and red), based on the findings from the questionnaires and the subsequent phase of verification and direct debate. For each category correspond different methods of involvement, appropriate to the needs of the individual provider, also according to the size, industry sector and by country.

Following this first classification has opened a phase of direct exchange with suppliers, whereby Sofidel corrected and amended the evaluation system, adapting it more to the operational reality of the market and offering a real chance of improving for their stakeholders. It is a continuous learning process, in which both suppliers and Sofidel acquire knowledge and contribute with information that may impact positively on the entire supply chain.

Companies that at the end of this first stage were on the red range were invited to agreed an action plan with Sofidel that accompanied in the individuation of the critical issues of their sustainability management and, upon request, has supported them in identifying the most appropriate remediation plans.

To Companies located in the yellow category have been sent some recommenda-

tions to further improve, while companies in the green category shall be deemed to Sofidel as strategic partners who can support the improvement of the other suppliers, providing an example of good practice to be followed.

The evaluation parameters cover the following aspects:

- Human Rights
- Corporate Social Responsibility System
- Health and safety
- Environmental protection
- Supply chain management
- Business Ethics
- Accountability

From an analysis of the received answers, there were no cases of child labor, discrimination, forced labour and the violation of the right to freedom of collective bargain.

The evaluation process developed by this process is cyclical, each cycle has a duration of 3 years and is composed of 6 phases:

1. Verification of relevant sample suppliers

Each year is calculated the sample of relevant suppliers, consisting of suppliers that represent the 70% of the Sofidel passive breakdown. The 70% threshold was defined based on the significance of the sample.

⁵ For sustainability purposes, for Sofidel a critical supplier is a supplier that cannot be easily barred from the register of those evaluated positively in relation to the difficulty of finding the products/services they provide on the market. 43

2. Reviewing and sending of the “Suppliers Questionnaire”

The “Suppliers Questionnaire” is reviewed at the beginning of the cycle, then once every three years. The first year is sent to all suppliers, and within two years of the cycle, is sent only to suppliers who have entered in the relevant sample for the first time.

3. Collection and analysis of questionnaires, classification

The questionnaires are collected and the answers are analyzed based on quantitative and qualitative criteria, under which suppliers are classified into one of three categories. Each supplier is informed about its positioning.

4. Integration received and evaluation revision

Each supplier, informed of their positioning can send the integrations, in accordance to which the positioning can be confirmed or amended. This

choice has been made with a view to raising awareness on suppliers and to initiate the process: it has a strong training value because many suppliers, especially smaller ones, do not have internal expertise to recognize as to promote sustainability with certain procedures and practices that already exist. It is envisaged that in the new version scheme of the process this stage is no longer included, if not only for new and small suppliers.

5. Sharing of improvement plans

The suppliers in the red category send their proposals for improvement plans, which are evaluate by Sofidel, which reserves the right to send any further proposals for action plan.

According to the negotiation that follows, an action plan is countersigned by both parties, in which the supplier agrees to undertake certain actions to improve within a given time, and is

committed to convey to Sofidel documentation proving the achievement of expected results within the agreed time.

6. Analysis of the achievement of the results of the improvement plans and restarting of the new annual evaluation process

At the end of the agreed dates for the improvement plans, the suppliers send the evidence to support the improvement achieved. Based on the analysis of the results achieved, Sofidel can revise the classification of the supplier.

4. THE COMMUNITY

4.1 Local community projects

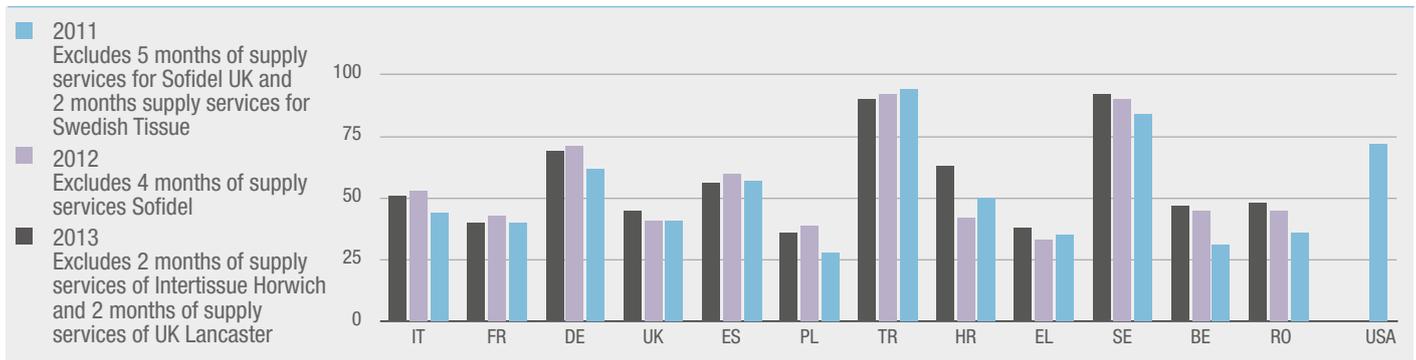
THE IMPACTS

The first and most important thing that Sofidel does for local communities is to pay maximum attention to production activities in areas where it procures goods and services. The ability to obtain a part of the production input required in

the manufacturing cycle from the local area means being able to contribute to the local economy and to CO₂ emissions reduction and other emissions related to transports. Sofidel suppliers are mainly located in Europe.

In 2013, Sofidel makes an average 52% of its purchases of goods and services from local suppliers in their respective countries where it operates.

Concentration of expenditure on local suppliers by area



“Local” suppliers are those situated in the same country as the Sofidel Group plant.

In line with its sustainable approach, the Sofidel Group is also committed to preserving environmental resources and improving the quality of life of the local communities where it based and has schemes to cut down the negative impacts that its activities produce. The Group’s policies concerning a reduction in green-house gases and wa-

ter consumption and the responsible sourcing of all raw materials can be considered particularly relevant here and such policies are pursued through the development of partnerships with non-profit organizations. More information about this can be found in the relevant paragraphs of the Integrated Report. The Group also supports the local

community in terms of social assistance, infrastructures, and culture, as explained further in the following paragraph.

SOCIAL COMMITMENT

Sofidel Group Social projects (€)	2011	2012	2013
Charitable donations (divided up as follows)			
Donations for the Giuseppe Lazzareschi Foundation	50.000,00	50.000,00	41.800,00
Telethon Foundation		110.000,00	150.000,00*
Sodalitas Foundation	7.500,00	7.500,00	7.500,00
Global Compact Network Italia Foundation			5.000,00
Support for WWF Italia	76.000,00	110.000,00	110.000,00
Celsius and school contribution		22.500,00	7.500,00
Sponsorships	341.735,73	429.652,36	367.880,45

*Agreement signed in 2013, the contribution of which will be donated in the year 2014.

In addition to those listed in the table above, following the traditional attention given by Sofidel to the communities in which it operates, in the course of the year, among others, Sofidel contributes to support:

Environmental awareness projects

- In Britain, through the collaboration between Nicky with Woodland Trust, has been supported the planting of more than 50 thousand trees (corresponding to an area of 60 football fields). Most of the new plants was placed in the area of Heartwood Forest, St. Albans (north of London), an area of about 347 hectares under the tutelage of the Woodland Trust.
- In Germany, through the subsidiary company Omega Papier, together with the chain Rossmann, Sofidel was supporting the German Foundation for the Environment (DUS - Deutsche

Umweltstiftung) in a intervention to spread the environmental culture which featured the students of 200 primary schools in the planting of 15,000 new trees.

Interventions of infrastructural improvement

- In Sweden, through its subsidiary Tissue Swedish, was built a walking bridge crossing over a river near to the paper mill, with significant benefits for the local community.

Sports and social initiatives

- Sofidel has helped to support the shipment of the alpinist Riccardo Bergamini, employee of the Group, on Cho Oyu in Tibet, with its 8,201 meters is the sixth highest mountain in the world.
- Sofidel supported the "Porcari runs", the traditional not competitive march Running sponsored by Regina. Held on 26 May, the event saw the participation of 6130 people, including athletes and amateurs.

- Sofidel in Italy has used the points arising from customer loyalty initiatives of air carriers (Charter Miles & More card MilleMiglia Executive Club Card, etc.). Accumulated effect of the tickets were purchased to support projects or organizations not profit you specially selected by the carriers themselves.

Activities of cultural promotion

- On the occasion of the 500th anniversary of the starting of the work of construction of the Renaissance city walls of Lucca, Sofidel used as a Christmas present the monograph devoted to the fort, "Lucca and its walls."

5. ENVIRONMENTAL RESOURCES

Sustainability is one of the key words that led to the recent policy of Sofidel and that has acquired a more central role over the years through the increasing integration of environmental activities with industrial and trade policies.

Sofidel's environmental sustainability policies aim to limit the impact of production processes, a commitment focused on optimizing the consumption of energy and water, the use of renewable sources of energy, commitment in protecting forestry resources, as well as the training and awareness of employees. 2013 saw the renewal of the

The figures reported in this section refer to Sofidel's European, American plants and Sofidel Kagit (TUR) recorded throughout 2013, excepts Intertissue Horwich and Sofidel UK Lancaster which will be recorded respectively from April and the fourth quarter 2013. The figures for the years 2011 and 2012 may differ slightly from those published in previous reports due to the consolidation of data made available after the previous reports were published.

participation of Sofidel at the initiative of the WWF Climate Savers International for the reduction of CO₂ emissions. The agreement provides new targets for 2020 and expansion of the

number of Sofidel companies participating, equal to the companies in the Group at the end of 2013. On a new plant for the utilization of renewable energy and two innovative projects to reduce water consumption.

5.1 Climate and energy

The period 2008-2012 Sofidel was characterized by intense actions and investments in energy efficiency and in reducing emissions of climate-change, the year 2013 was carried on with awards and planning actions for years to come.

In 2012 was commissioned a complete review of the GHG emissions inventory Scope⁶ 1 and 2 of the industrial activities

within the Sofidel corporate boundaries active on both year 2007 and 2007 to 2012. The outcome analysis showed a reduction of specific GHG emissions between 2007 and 2012 by **14.4% and 11.1% of absolute emissions, according to the assumptions set out in the Climate Savers**. This important result has allowed Sofidel of achieving the goal established

in 2008 with WWF International as part of the "Climate Savers".

In order to extend the goals of the Climate Savers also to the assets acquired after 2008, in 2013 was carried on another complex analysis, in partnership with WWF, to set goals to reduce emissions of the plants that until today are not part of the program, to be pursued by the end of 2020.

⁶ Scope 1: CO₂ emissions resulting from the use of fuels by the company; Scope 2: CO₂ emissions resulting from the purchase of energy produced externally to the site.

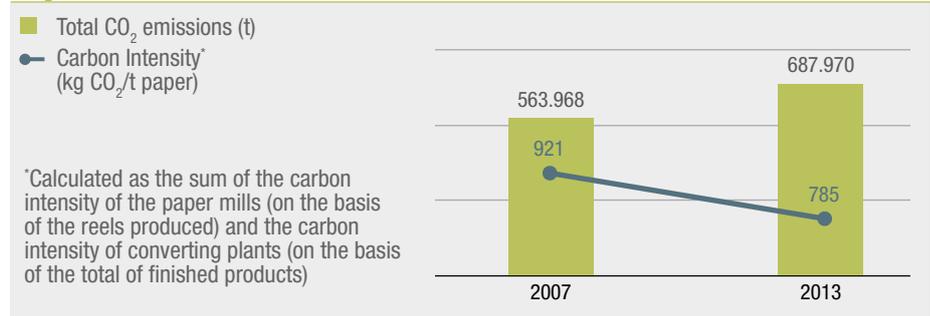
The aim of this analysis was then extended to the new goals of Sofidel total production capacity of about 1 million tons, whereas the objectives set out in 2008 included a capacity not exceeding 650,000 tons, with the benefit of being able to operate a reduction of emissions far greater than planned in the past. The work of extension of the reduction in production around the boundaries of Sofidel be completed by the first half of 2014. Anyway, even in the absence of new goals Sofidel began working on the energy efficiency of new business since first day after the acquisitions and to monitor energy consumption and emissions associated with them.

For the year 2013 were then calculate the specific emissions of all the companies that have operated within Sofidel and with these data was calculated the average specific emission of CO₂ for the purpose of Scope 1 and 2.

The results of the Group for the period 2007-2013 has been a reduction of specific emissions of carbon dioxide by 14.8%. The growth production during this period has instead led to an increase in absolute emissions, in each case grew less than did the production of paper. An important contribution to the achievement of this result was given by the plants acquired in the years 2009 and 2010: these systems have contributed to an increase of production capacity of over 220,000 tons, and since then have been subject to an intense process of energy efficiency that has allowed in a few years to get them to the level of performance required by the internal Corporate benchmark.

The results of 2013 were calculated, concerning Scope 2 emissions, by applying the national coefficients of emissions for the period 2009 – 2011, while the data for 2007 have been calculated by applying the average factors of the years 2003-2005. Emissions of Scope 1, which consists essentially of fuels for the production of thermal energy to the paper

CO₂ emissions Scope 1 and 2



production process, are computed in accordance with the regulations referred to as the Emission Trading, that regulates CO₂ emissions in Europe in different industrial sectors.

With regards to the Scope 3, concerning the emissions associated with the activities of the Group that are not under their own control, Sofidel is implementing a system of calculation. For the moment it is possible to report its emissions relative to 2013 deriving from transport of its products: 93 372 tons (by using the coefficient of emission indicated by DEFRA "Greenhouse gases repository conversion factor", year 2013).

Over the years, the commitment to climate change has new meanings in addition to those that led Sofidel in 2008 to participate in the initiative of the WWF. Extreme weather conditions, phenomenon of floods and droughts, increase the expenses on energy goods and services for the financing of renewable energy, represent tangible risks for trade operators and industry in particular. This scenario was comforted by the Fifth Assessment Report of Working Group II of the I-CCP (Intergovernmental Panel on Climate Change) presented in the first months of 2014.

The report of the World Economic Forum's "Global Risks 2014" also shows a list of 10 global risks, including at the fifth position the failure of policies for mi-

tigation and adaptation to climate change. For these reasons the Sofidel actions carried out to date and planned for the reduction of impacts on climate, are to be inserted either between the active activities that contribute to increasing the competitiveness of the company and its products, that among the initiatives for the management of risks arising from the consequences of global warming. This Sofidel policy for the first time wanted to subject their performance to an evaluation through specific systems designed for carbon emissions. For this purpose, the rating system provided by the Carbon Disclosure Project (CDP) is the best known and authoritative. Traditionally open only to companies listed on the stock markets, the CDP in 2013 gave the opportunity for the first time in Italy even to private companies to participate in the rating. Sofidel is the first and only Italian private company to be part of the report "Italy 100" (www.cdp.net) with a score of 73C, well above the Italian average of 66. With this investment has been disclosed a message of transparency and accountability of the management of risks arising from global heating to which it is exposed Sofidel.

INVESTMENTS FOR CLIMATE AND ENERGY

From an investment perspective, the year 2013 was marked by the construction of a biomass central at the plant of Frouard of the French company Delipapier. The total cost was more than 6 million euros, partly funded by the French Environment and Energy Management (ADEME), the plant will be operative by the first half of 2014. Such investment will produce more of the half of the steam required for the paper

process from biomass forest of French origin, with a reduction of direct emissions of CO₂ more than 12,000 t/year. This result will allow to differentiate the energy mix, reduce the risks associated with the natural gas market and to reduce the expenses imposed by the EU Emission Trading mechanism. Still regarding biofuels, in the course of 2013 laid the groundwork for a possible investment in the UK following the

introduction of the incentive mechanism called the RHI (Renewable Heat Incentive) The good availability of biomass together with the form of the incentive, which provides an advantage in thermal energy bill, makes this interesting opportunities for the Sofidel Anglo-Saxon companies. Many other small interventions were carried on during 2013 in several Sofidel plants among which it is worth mentioning the

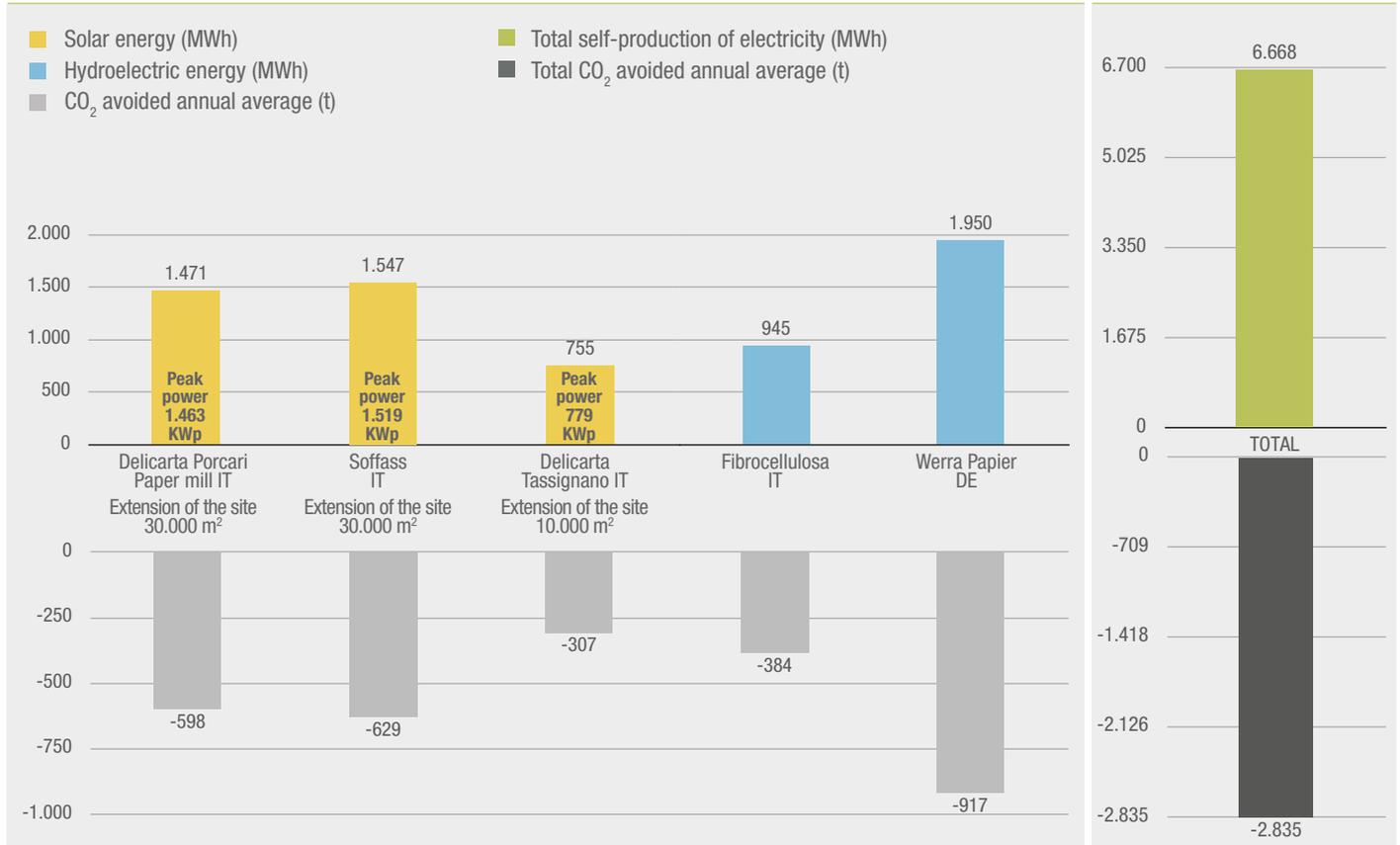
constant use of LED technology for illumination of industrial buildings, offices and outdoor areas and the progressive lowering application to the insulation of the drying cylinders in paper mills (interventions carried on in tuati at Comceh, Delipapier GmbH,

THP), which allows an estimated reduction of steam consumption equal to 5%. For these interventions were generally invested 815.000 Euro.

Apart from investments in energy efficiency, Sofidel has invested over the past years in

renewable energy, in particular the photovoltaic plant and hydroelectric power, reaching a total annual production of approximately 24 TJ.

Self-Production of electricity from renewable sources

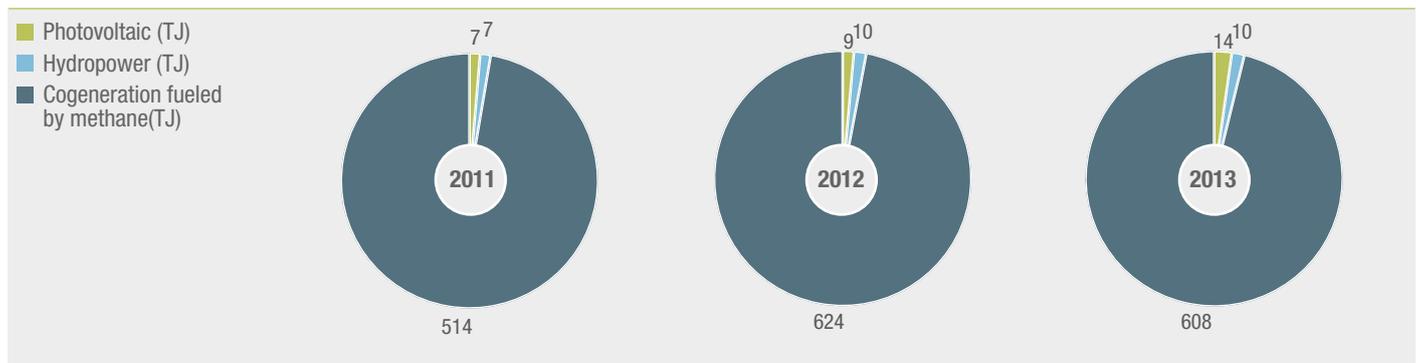


Furthermore, Sofidel resorted to cogeneration plants fueled with natural gas for the production of electricity and steam. These plants, particularly efficient, will allow a significant

reduction of CO₂ emissions in the countries where the production of electricity involves a high emission caused by the productive mix used. Sofidel shall operate

in four plants in Italy (three gas turbines and an internal combustion engine) and one in Poland at Delitissue (gas turbine activated in 2011).

Production methods and amount of electricity generated by Sofidel Group



In the course of 2013 have also been carried on initiatives to raise awareness to employees, such as the "Car Free Day" pin Sofidel Benelux, such as inviting employees to reach the workplace with alternative

vehicle to the private car rather than reforestation projects developed with Treedom (in this regard, see the section "Initiatives for communication and dialogue with stakeholders").

Straight forward it is also the common commitment to reduce corporate travel implementing IT systems for meetings and conferences.

ENERGY SUPPLY

The year 2013 has been for the energy markets a year of recovery after the high volatility observed in 2012, still influenced by the Fukushima disaster and the Middle-East tensions.

From the point of view of market prices (prices of the pure “commodity”, net of transportation charges and taxes) was observed a convergence between electricity costs and those of the natural gas: while the first are falling, the second one are increasing.

The ever-growing presence of renewable energy plants made available a high amount of energy fed into the grid at no or very low cost.

In Germany, thanks to the wind and photovoltaic plants, the price of the electric commodity is decreased by 17% compared to 2012, 25% in Sweden, 14% in Italy. While renewables have reduced the cost of the commodity, on the other hand have been and are the main causes of the increase in expenses that are used to cover the cost of the incentives provided for them, now representing 35-40% of final price in the bill in Italy and Germany.

No better in France and the UK, where these charges increase, respectively, of 3 €/MWh and 2 £/MWh each year, often offsetting and/or negating the savings made on the spot markets; if for Sofidel, in Europe the price of pure commodity supply between 2013 and 2012 fell by 8, 5%, this advantage was reduced to only 2% in the final cost of the bill.

Natural gas instead saw an increase in both the cost of commodities and fixed costs.

On the price of this resource was largely due the low temperatures recorded in the first quarter of 2013, particularly harsh in the UK, France and Germany. This climatic condition has led to a rapid depletion of reserves of natural gas in storage, which have reached acceptable levels again only in October.

There is another longer-lasting effects factor to be added: the increasing demand for liquefied natural gas (LNG) from the countries of Far East. Less and less gas tankers reach the European continent preferring countries like China or Japan, LNG also willing to pay 40% more than the market price.

Sofidel in Europe has seen an increase in the cost of commodities compared to 2012 by 2.3%, which rose to 2.5% considering the price paid in the final bill.

Italy for this year has maintained the unenviable primacy of the higher cost of electricity, while the lowest prices were observed in France and Sweden. For gas, however, the United States continues to be the country with the lower cost, priced €/MWh 55% lower than the European one.

Similarly to what was done in previous years, Sofidel has participated in different initiatives in order to reduce energy costs. Italian companies have purchased power and gas through the Consorzio Toscana Energia and acceded to both the Electrical Interruption and Interconnector.

Our three Italian companies, in as it happens in Germany, have also been granted the status of “energy-intensive companies” by the Equalisation Fund for the Electricity Sector and will be eligible for a refund of the charges paid for the support of renewable energy, according to provisions of Article 39 of Decree-Law 83/2012.

In the course of 2013 Sofidel presented 6 questions for obtaining energy efficiency certificates concerning 6 energy efficiency investments made by Soffass and Delicarta since 2007. Such questions have been fully approved by the Authority and, from 2014, our Italian companies will receive energy efficiency credits to resell on the market.

In Germany, electricity purchases were made by skilled operators and Germans plants also benefited for the 2013 from the reduction of the tax EEG (charges on renewables) and reductions in transport costs and taxes on electricity and gas. These benefits have been reduced by almost 40% the cost of the electricity bill and 10% of that of the gas. In the UK the purchase of electricity and gas was made by traders who operate daily on the open market, while in France and Belgium signed a pan-European single contract that allows the sharing of virtual volumes of gas between Delipapier Frouard, Delipapier Roanne and Sofidel Benelux, reducing the risk of extra costs associated with the failure to achieve or exceed the annual capacity of contract. In addition, in 2013 the French plants have benefited from the deduction of expenses on electricity (CSPE) getting almost a full refund of the latter.

In 2013 also brought several innovations on the front gas in Romania and Greece: the opening of the gas to the free mar-

ket has allowed our plant in Comceh to reduce their costs in the invoice of 18%, while the participation in auctions of gas in Greece has allowed to knock down the cost by 13% compared to 2012.

SOFIDEL GROUP ENERGY CONSUMPTION

Breakdown of energy resources consumed by the Sofidel Group



The increase in the total consumption in the period 2011-2013 is largely due to the the continued expansion of Sofidel: at the the beginning of the third quarter 2012 was acquired Sofidel America, so

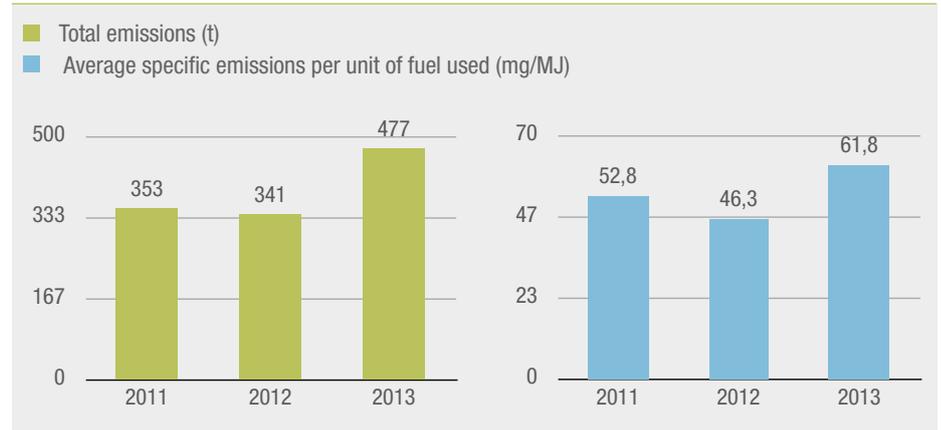
the total energy consumption for the year 2012 was recorded only for that period; in 2013 Sofidel America has been recorded for the whole year. Similarly the acquisition of Sofidel UK Lancaster, in the

fourth quarter of 2013, was recorded only for this period.

AIR EMISSIONS

In addition to CO₂ emissions, other significant emissions arising from production are the oxides of nitrogen (NOx). The calculation of NOx is normally done by means of measurements carried out in chimneys, in some cases using estimates from the consumption of fossil fuels and associated emission factors. Instead, other greenhouse gases or dangerous gases to the ozone layer or the environment, such as chlorofluorocarbons, are issued in an amount not material, as unrelated to the core activities of the Group. The specific data in the graph refers to the consumption of fuel that generates the output.

Total and specific Sofidel Group plants emissions of nitrogen oxides (NOx)



The increase in emissions of nitrogen oxides can be attributed to the fact that on various plants in 2013 were applied

different methodologies for calculating plants, such as American and Anglo-Saxons, are not subject to the measure-

ment of emissions of NOx.

5.2 The protection of water resources

One of the most environmental pressures is the scarcity of water resources. During 2013 some studies reported this problem, and the World Economic Forum "Global Risk 2014" Report estimated that the global risk associated to water crisis

is the third in importance after the risks associated to the debt of the Countries and unemployment. Events that led to this evaluation reside in the world population's growth projection and the water needs for food industry and the personal

use. United Nations, in its own publication "Water Security and Global Water Agenda" stimulated that the increase in water withdrawals in developing countries will grow by 18% from now to 2025. These facts, together with climatic chan-

3.

SOCIAL AND ENVIRONMENTAL PERFORMANCE

ges, impose a serious discipline in both consumption and water quality after the use, especially in place where there is not enough water (The mediterranean area).

Sofidel is conscious of their own consumption and it started a program for the reduction of water consumption by improving of industrial processes and investment in innovative technologies. The result obtained until now generated a hydric consumption reduction, also taking into consideration the acquisition from Sofidel to society with a consumption much more superior to those of the Group or 2013 performance and it started programs of adjustment. In 2013, Group's overall performance registered of 7,6 l/kg of paper instead in 2012 around 8 l/kg, with a reduction in consumption specific by 7%.

The result has decreased for two factors: a widespread awareness of the importance of water resources between workers of plants and the Sofidel commitment in support investment for use of water.

During 2013 have been made several small plant modifications among which some very effective.

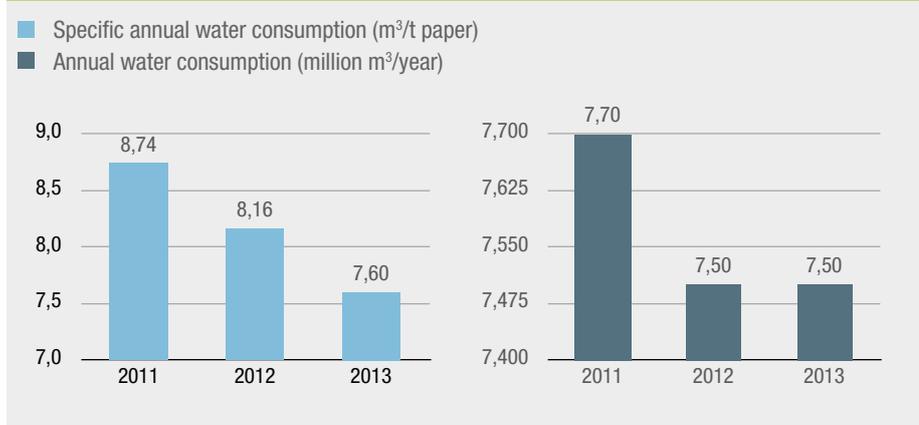
During 2013 only greek Papyros plant managed to reduce its own consumption of 35% with a annual savings by 80000 m³ of water. Also spanish Ibertissue plant is known for the reduction of 21% and with significant margins to improve in the future.

Between the most important investment in 2013, are the rainwater recovery system in Interstissue plant in the Sud of Galles and plant water reuse in Porcari. The first will allow the recovery of 70000 m³ of rainwater from cover surface more than 80000 m².

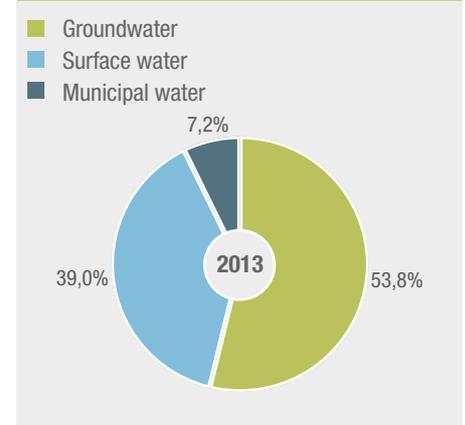
For improve the performance of the plant this solution is important. For the same reason was conceived the second project, in paper mill Delicarta in Porcari, with MBR (Membrane Bio Reactor) together with osmosis inverse will be able to recover each year 350000 mc of water used as primer resource in loco of rainwater.

From the investment, with other interview, will be operative from 2014, we could affirm that the consumption for 2014 will reduce. The water global consumption in 2013 is around 7,5 million of mc.

Water consumption of Sofidel Group plants



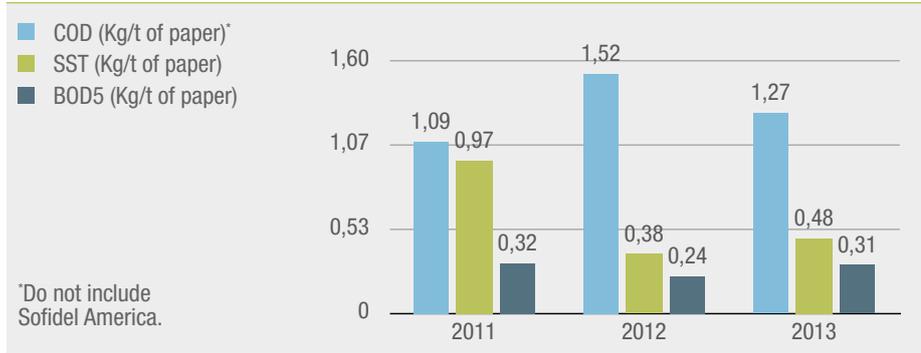
Sources of water supply in 2013



Total quantity, destination and treatment of wastewater



Emission of specific pollutants in water



In general, the qualitative trend of emissions into the water stood at a level of excellence, both for the widespread use of biological purification plants, both for the predominant use of virgin pulp as raw material.

5.3 The protection of forest resources

The year 2013 marked an important step on the protection of forests with the entry into force of the Regulation no. 995/2010. The Regulation introduces, for the workers of the wood and wood products, certain obligations in terms of qualification and traceability of supplies from forests (wood, pulp, paper and cardboard). Of particular importance for Sofidel Group is the due diligence activity that must be exerted on the supply of pulp

and paper imported from non-EU countries. In fact, the standard practice for many years was to submit to all suppliers of cellulose a specific questionnaire together with the very high proportion of raw material with certified chain of custody forestry schemes, this help Sofidel Group to respect the requirement with a few efforts.

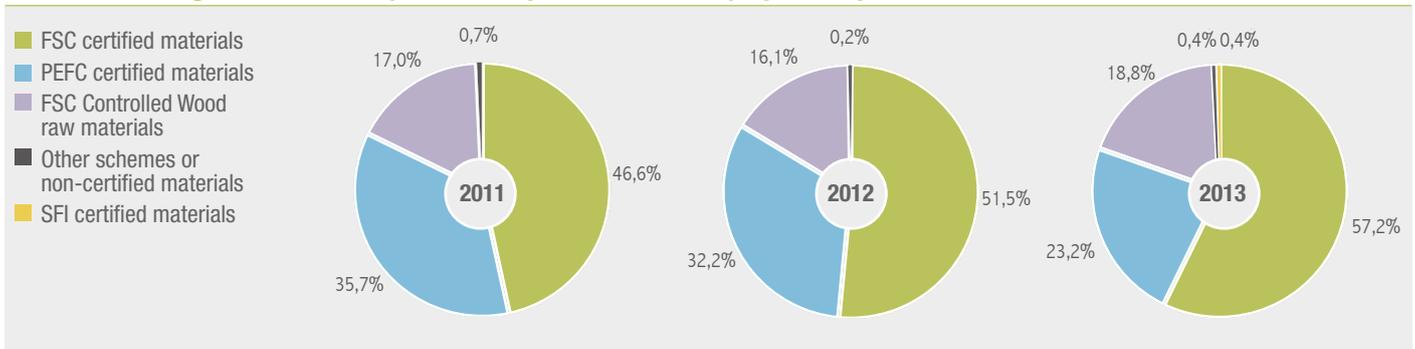
It is in any case an additional legal requirement that introduces additional risks to

the Group. The risks involved are not yet clearly defined in the absence of a system of sanctions in many EU countries. During 2013 Sofidel proceeded anyway to set up all the necessary procedures to meet the new constraints and to perform the due diligence activities where required, in accordance with the Regulations.

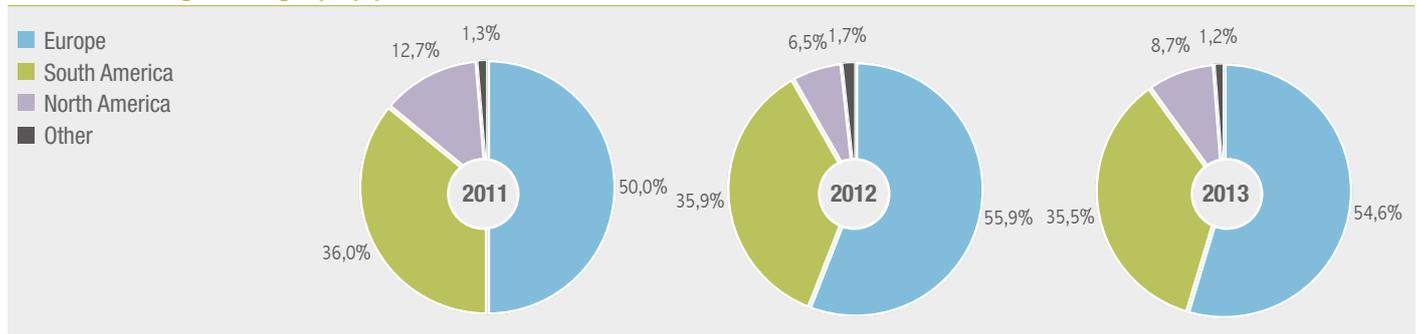
Breakdown of the virgin fibrous raw material purchased and recycled



Breakdown of virgin raw materials purchased by the Sofidel Group by forestry certification



Countries of origin of virgin pulp purchased



During 2013, Sofidel bought 947.923 tonnes of virgin fiber consolidating its commitment to responsible sourcing of raw materials, in line with its policy.

The total percentage of virgin fiber from certified chain of custody forestry schemes was in fact equal to **99.6%**. This figure is significant when one considers that includes Sofidel America that, until its acquisition by Sofidel in the third quarter of 2012, he had no restrictions in terms of sustainability.

From 2013, however, Sofidel has extended its procurement policy also to the

American plant, ensuring the supply of certified fibrous raw material equal to 98.2%.

Sofidel also reiterates its commitment to avoid purchasing from geographic areas that do not provide full guarantees of legality and sustainability: the predominance of material of European origin (54.6%) confirms this commitment.

With regards to the commercial use of the quality marks such as FSC (Forest Stewardship Council) and PEFC (Programme for Endorsement of Forest Certification), during 2013 a number of

companies have been added to the already large list of companies certified according to these patterns of chain of custody forest. They are Ibertissue and Comceh plants with the FSC standard.

These new certifications will allow greater production flexibility and the ability to respond more effectively to the demands of customers and consumers about the guarantees of sustainability of forest products.

OTHER RAW MATERIALS

Other raw materials⁷ used in significant quantities in 2013 consisted of:

- Tissue paper reels purchased outside the Group (34,455 tons);
- Plastic packaging (22,925 tons);

- Paper packaging (68,237 tons);
- Chemical additives (33,876 tons);
- Lubricating oil (477 tons).

In 2013, therefore, the contribution of non-renewable raw materials was 57,278

tons, i.e. 5% of the total⁸, while that of renewables was 1,145,893 tons, equal to the remaining 95%.

BIODIVERSITY

In order to assess the impact of its activities on biodiversity, Sofidel calculated the surface area of its production sites located in close proximity to areas with a considerable naturalistic value. From this analysis it was found that plants are located at a distance of less than 3 km from type areas as defined by SIC and ZP Dir 92/43/EEC and 2009/147/EC, occupying a total

area of around 2 million m². These plants, in 2013, did not generate significant impacts on biodiversity and habitat, because of they are paper mills certified according to ISO 14001 standard except the plant of Roanne, which still meets the prescribed emission limits.

Three of these areas will also appear with the list of wetlands of international impor-

tance under the Ramsar Convention, especially as Waterfowl Habitat. These plants, in 2013, have not generated significant impact on biodiversity and protected habitats. Since no substantial changes occurred, the results obtained in 2011 can be considered valid also for 2013.

Plants	Distance Km	Name of the area	Class Area
Delicarta Monfalcone	0,12	Karst area of the Venezia Giulia	IT3341002
Delicarta Porcari Converting	2,00	Former bed of the lake of Bientina	IT5120101
Soffass Converting	2,10	Former bed of the lake of Bientina	IT5120101
Delicarta Porcari Paper mill	2,40	Former bed of the lake of Bientina	IT5120101
Swedish Tissue	0,12	Föllingsö	SE0230355
Werra Papier	0,23	Werra bisTreffurtmitZuflüssen	DE5328305
Delipapier Roanne	0,60	Milieux alluviaux et aquatiques de la Loire	FR8201765
Delipapier GmbH	0,65	Elbaue Jerichow ⁹	DE3437401
LPC Belgium	0,90	Historischefortengordels van Antwerpen als vleermuizenhabitat	BE2100045
Intertissue	1,85	CrymlynBog/ Cors Crymlyn ⁹	UK0012885
Sofidel UK Lancaster	3	Morecambe Bay ⁹	UK0013027
Ibertissue	2,70	Río Ebro	ES2200040

In the past it was evaluated the effect of water withdrawal from surface sources:

compared to the average flow of the river, it was verified a levy of 0.6% in the case of

the Werra, and below 0.01% for other plants that draw water from surface sources.

5.4 Waste management

The type 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 type of waste is normally re-used in other recovery processes, such as the manufacture of bricks or restoring environmental areas affected by mining.

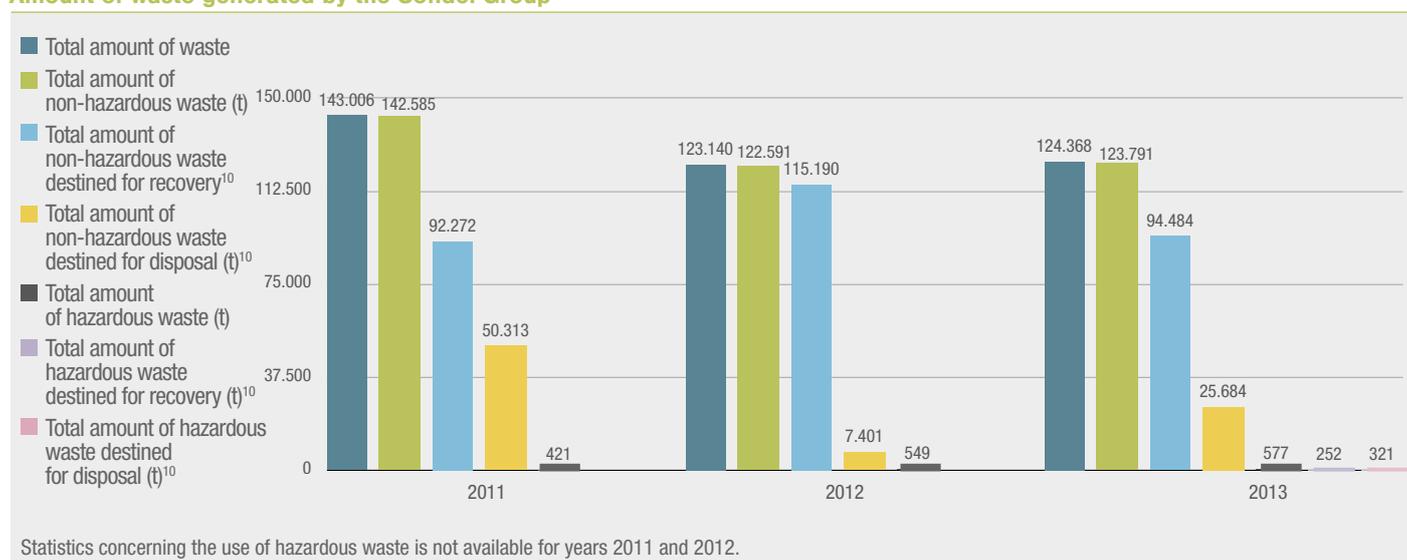
Hazardous waste, which is created by the routine operation of industrial plants, in-

cludes neon tube lights, waste oil, lead-acid batteries, etc.

At each Sofidel Group's plant, waste is managed in accordance with 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, in the course of 2013 it was possible to verify that no significant pollutant spills occurred on land or in water bodies. Sofidel does not perform cross-border shipments of waste.

Amount of waste generated by the Sofidel Group



In general, the trend in the quantity of non-hazardous waste is dominated by

quantitative of sludges from the production of pulp-based paper. The costs associated

with the treatment of waste in 2013 amounted to approximately € 4.2 million.

5.5 Ecological products

The respect of resources and environmental sustainability are the main characteristics required from retailer and consumers. The satisfaction of the customer's desire has been achieved thanks to the characteristics of the plants, a careful selection of the raw material used and a strict quality control.

This know-how, gained through years of activity has allowed Sofidel to be able to ensure high ecological standards to their products, guaranteed by many third parties certifications such as FSC (Forest Stewardship Council), PEFC (Program for the Endorsement of Forest Certification), European Ecolabel, Swan Label and Blaue Engel Label.

In 2013, the total number of products made with eco-labels amounted to 293,563 tons.

A major effort has been made to Sofidel to disclose to their clients their vision of

sustainability and activities carried on in this issues; in particular, in 2013 the sales structure has carried out intensive training activities addressed to the employees in contact with retailers (involving 282 employees in 11 countries).

With regard to the business lines Away from Home, designed for the professional market, under the brand name Sofidel Papernet continued in promoting innovative biologically active toilet paper, Papernet Biotech paper by sanitizing properties that allow to drain less dirty black waters.

2013 also saw the launch of Papernet Kraft Tech, a product derived entirely from recycled cardboard.

Finally, many products Papernet bear the mark of environmental quality and the European Eco-label and all products bear the -CO₂-H₂O logo to witness the commitment of SOFIDEL to produce re-

ducing both the carbon dioxide emissions and water consumption.

¹⁰ Do not include Sofidel America plants.

5.6 The organization

MANAGEMENT OF ENVIRONMENTAL ISSUES

Environmental targets were achieved through the implementation of a management structure increasingly widespread, specialized in the care of 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.

Certificate Plants with an environmental management system ISO 14001 are 18.

The holding company works with each of these companies by promoting the flow of information and know-how within the different companies and it also deals with the management of the environmental risks of the Group. The organization's maintenance required in the course of 2013 an operating

cost of about 700,000 euros.

For Consultancy and environmental certifications have been employed approximately 360,000 Euro.

During 2013 were provided 1421 hours of specific training, representing an investment of approximately 22.310¹¹ euros.

	ISO 14001	EMAS
Delicarta Monfalcone	✓	
Delicarta Porcari Paper mill	✓	✓
Delicarta Valdottavo	✓	
Delipapier Frouard	✓	
Delipapier GmbH	✓	
Ibertissue	✓	
Intertissue	✓	
Intertissue Horwich	✓	
Sofidel Benelux	✓	
Soffass Paper mill	✓	
Sofidel UK Hamilton, Leicester	✓	
Sofidel UK Rothley Lodge, Leicester	✓	
Sofidel UK Lancaster*	✓	
Swedish Tissue	✓	
Werra Papier	✓	
Werra Papier (ex-Omega)	✓	
Thüringer Hygiene Papier	✓	
Thüringer Hygiene Papier Logistik	✓	

*Sofidel UK Lancaster, had already been achieved in the past, the ISO 14001 certification. Expected in the coming months will be the usual Sofidel system integration standards.

In addition, the year 2013 saw the certification with the double standard ISO 50001 14001/ISO of the Delipapier Arneburg GmbH plant (Germany).



5.7. The statistics of plants environmental management

■ Integrated plant

■ Paper mill

■ Converting plant

		Water consumption [m ³]	Fossil fuel consumption [TJ]	Electricity consumption [TJ]	<i>of which self-produced through cogeneration [TJ]</i>	<i>which self-produced from renewable sources [TJ]</i>	<i>of which self-produced from renewable sources [TJ]</i>	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	706.620	1.281	405	153	247	5				157,3	30,8	41,5	0,0	0,7	140,8	71.958	1.477
Delicarta Tassignano	IT	6.496	4	27	24		3										303	1.125
Soffass Paper mill	IT	347.411	697	254	123	130					51,6	11,0	14,4	1,9	0,1	23,6	38.611	1.502
Soffass Converting Plant	IT	8.802	0	31	26		6	1									26	1.540
Delicarta Valdottavo	IT	280.403	370	119	37	102		19			20,9	3,6	2,0	1,2	0,3	22,3	20.492	454
Delicarta Monfalcone	IT	224.496	191	106	106						4,0	0,4	0,8	0,0	0,0	17,6	10.826	435
Fibrocellulosa	IT	272.308	123	49	46		3				24,3	6,1	5,5	0,9	0,4	6,9	6.913	453
Delipapier Frouard	FR	573.643	790	472	472						28,0	1,7	2,2	0,9	0,1	26,4	45.972	2.086
Delipapier Roanne	FR	270.973	213	109	109						114,2	25,1	65,8	1,6	0,4	13,3	12.321	551
Delipapier Buxeuil	FR	2.200	0	9	9												17	417
Delitissue	PL	125.516	461	138	11	130	0	3	1	45	41,3	14,8	1,5	1,0	0,1	28,9	25.710	466
Ibertissue	ES	270.435	199	122	122						54,4	10,6	2,5	2,1	0,1	12,1	11.293	1.178
Delipapier GmbH	DE	330.887	410	240	240						38,3	3,4	4,9	0,1	0,0	6,3	22.975	1.805
Werra Papier	DE	297.607	119	77	70		7									4,5	6.662	23.713
Werra Papier (ex-Omega)	DE	556.488	263	177	177						171,2	37,0	54,6	2,3	1,7	15,3	14.687	48.807
Thüringer Hygiene Papier	DE	260.257	204	129	129											8,6	11.369	296
Papyros	EL	206.124	174	80	80						31,8	8,0	3,3	1,6	0,3	6,3	9.541	165
Sofidel Benelux	BE	775.972	494	274	274						48,0	1,1	2,7	6,4	1,1	30,2	28.807	1.843
Comceh	RO	478.509	264	136	136						37,1	5,0	4,2	4,9	0,3	15,4	14.531	21.868
Swedish Tissue	SE	411.417	148	233	233			213			86,4	25,0	5,4	1,9	0,0	7,9	9.607	665
Intertissue	UK	320.394	383	214	214						31,8	1,9	5,8	1,4	0,1	24,0	22.580	1.923
Intertissue Horwich	UK	3.578	10	25	25												592	3.805
Sofidel UK Hamilton, Leicester	UK	355.448	519	240	240						209,3	99,1	228,9	5,6	0,2	32,6	29.451	865
Sofidel UK Rothley Lodge, Leicester	UK			29	29												0	1006
Sofidel UK Lancaster	UK	145.016	54	30	30						24,2	5,8	9,1	1,1	0,0	3,5	3.219	1.883
Sofidel Kagit	TR	6.314	1	3	3												42	414
Sofidel America Haines City	US	293.785	536	255	255						NA	15,6	19,6	7,0	0,5	30,1	29.274	3.626
Sofidel America Henderson Nevada	US			2	2												18	0
Sofidel America Green Bay	US		1	6	6												42	0



4.

RISK MANAGEMENT

1. Main risks and uncertainties to which the Group is exposed and financial and non-financial risk management policies 57



Endless care, innovative life.

1. MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED AND FINANCIAL AND NON-FINANCIAL RISK MANAGEMENT POLICIES

1.1 Risk management policies

The main elements of risk or uncertainty that may significantly affect the business activity of the Group and the policies set in place to mitigate them are illustrated below. These policies wholly integrate the strategies mentioned above.

Identifying the main elements of risk and uncertainty and the action to take to tack-

le them is the responsibility of the corporate departments who report to the board of directors and the CEO: Finance, Treasury and H.R. (known as the "Strategic Service Centre"), and Operating (industrial process), Marketing & Sales, Supply chain, Quality and R&D (known as "Global Function").

These elements are analysed, Grouping the same into the following risk categories:

- *economic and industry risks*
- *strategic risks*
- *operating risks*
- *financial risks*
- *other risks*

ECONOMIC AND INDUSTRY RISKS

The economic, equity and financial situation of the Group is first of all influenced by a number of factors that affect micro and macro-economic trends, including, mainly: the rate of unemployment, the level of consumer and business confidence, the trend in the available income of households and

therefore of private consumption, interest rate trends and the cost of energy and non-energy raw materials.

The Group's strategy, which is focused on business sustainability as illustrated above certainly tends to reduce the likelihood of the above risks occurring and, in any event,

soften their impact.

In the same way, operating policies focused on consolidating and developing its own brands, optimising production performance and on consolidating customer relations are a valid support to reducing the overall impact of the above risks.

STRATEGIC RISKS

"Strategic" risks include factors which influence the opportunities and threats originating from the competitive arena, such as the life cycle of products, leadership (cost or differentiation leadership), consumer preferences, the organisational structure, planning and allocation of resources, new acquisitions, strategic alliances, know-how, patents, brands,...

To tackle these risks, the Group has adopted adequate strategies to strengthen and, if possible, extend the competitive advantages acquired over the years, based on the

critical success factors inferable from an analysis of the competitive arena in which it operates, as well as its own resources and distinctive expertise.

To that end: market penetration with its own brands, which represent an important distinctive quality, was extended through the acquisition of new brands for foreign markets; the knowledge/attractiveness of the brands and, therefore, their value, is also sustained by targeted communications campaigns, managed at centralised level, as well as by maintaining a high level of

the products available; the protection, including the legal protection, of brands and trademarks is managed at centralised level by a specific corporate office.

Lastly, in this area, internationalisation strategies and the search for quality also play their part, not to mention policies to strengthen relations with customers and to optimise production performance, as mentioned previously, which seek to create lasting partnerships and to keep the technology of the plants installed continuously up-to-date.

OPERATING RISKS

The main operating risks that the Group is exposed to are:

- *operating risks related to procurement*
- *operating risks related to production*
- *operating risks related to relationships with employees*
- *operating risks related to the environment*
- *operating risks related to distribution logistics*
- *operating risks related to sales*
- *operating risks related to the integration of the new acquisitions*

alongside production planning, starting from the annual budget drawn up at single plant level, which enables the risk of waste or inefficiencies to be minimised. Specific strategies are also implemented in these two areas (cellulose and energy) which take into account their specific nature and therefore the different risks to be tackled (economic reliance, price, exchange rates, etc.).

Cellulose

The Group's operating results are influenced by changes in the market price of this important raw material, as well as by the EUR/USD exchange rate, as cellulose is quoted in US dollars; furthermore, the pro-

duction cycle may suffer slowdowns due to shortcomings or delays in the delivery of cellulose, or may suffer damage due to the low quality of the same.

In this area, the Group protects itself by:

- selecting its suppliers with great care, with a view to identifying trade partners that are able to guarantee quantities and delivery terms, as well as the quality of the material (meaning the intrinsic quality of the material, as well in terms of guaranteeing the eco-sustainable management of forest resources, which the Group is aiming for);
- entering into supply contracts, even long-term ones, in order to obtain the best

OPERATING RISKS RELATED TO PROCUREMENT

First of all, procurement planning is made

economic conditions, exploiting the greater contractual strength;

all activities are carried out at centralised level.

In 2013, purchases almost entirely (99.6%) regarded cellulose originating from certified sources or sources checked according to the main certification systems.

By splitting procurement across a number of suppliers, the risk of dependence on suppliers is mitigated, both in terms of price and in terms of supply interruptions/inefficiency.

The risk relating to exchange rates - as purchases are made in US dollars - is commented on in the section on financial risks, with specific regard to exchange rate risk.

Energy

The paper production process requires considerable quantities of energy, purchased primarily in the form of electricity and natural gas, and the main risks here are those of supplier dependence, both in terms of price and in terms of supply interruptions/inefficiency. In this area, a specific corporate office has been created at centralised level, which works continuously to:

- reduce consumption;
- increase the use of energy from renewable sources;
- monitor the electricity and natural gas markets, with a view to containing purchase costs;
- select suppliers on the basis of the guarantees they offer in terms of supply continuity, as well as price, also seeking to reduce the risk of dependence on the same to a minimum, by diversifying at international level.

OPERATING RISKS RELATED TO PRODUCTION

These include the risks of machines unexpectedly breaking down or stopping, of a loss of plant efficiency, of fire, flood, theft, as well as the dependence on the relative suppliers of goods and maintenance services.

The policy of planned maintenance has been in place for years and continuous technological updating of plants minimi-

ses the risk of unexpected breakdowns or downtime.

Instead, as regards the risks related to a loss of plant efficiency, and of their performance quality, a specific corporate office established at centralised level continuously monitors several specific KPIs linked to the machines of the various plants, with a view to taking prompt action when needed.

The various production plants, from the walls to the equipment inside them are also insured against the main risks (fire, flood, theft,...), with a leading international insurance company.

The fact that suppliers of goods and of maintenance services are interchangeable means that this risk is negligible.

OPERATING RISKS LINKED TO COMPLIANCE WITH HEALTH AND SAFETY AND ENVIRONMENTAL REGULATIONS AND TO EMPLOYEE RELATIONS

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

OPERATING RISK RELATED TO DISTRIBUTION LOGISTICS

These include the risk of inefficiency linked to distribution, which may lead to disputes with customers, and therefore unpaid invoices, as well as dependence on the relative suppliers.

In this area, the Group:

- makes a careful selection of transport firms, choosing those that provide the best guarantees in terms of continuity and fast deliveries;
- diversifies its suppliers, at national and international level, to avoid any risk of dependence;
- plans logistics very carefully, coordinated by a specific corporate office established at centralised level, to minimise inefficiencies, also monitored through specific KPIs;
- continuously monitors performance also by means of specific KPIs (such as the service rate which monitors the completeness and punctuality of deliveries and stock reduction which aims to optimise

stock levels).

These measures, always managed at centralised level, tend to mitigate this type of risk.

OPERATING RISKS RELATED TO SALES

Essentially this regards the risk of dependence on customers.

OPERATING RISKS RELATED TO THE INTEGRATION OF THE NEW ACQUISITIONS

These are the risks related to integrating the new acquisitions into the procedures and information systems that already exist. Exploiting decades-long experience, when the various acquisitions are being made the various corporate departments make staff available staff that are trained to complement the existing procedures (in the administration, management operating and sales areas) for the new acquisitions, and the efficiency and effectiveness of these procedures are then monitored by the Business Control department at the Parent company.

Finally, the Information Technology department takes care of the implementation of existing computer systems (SAP on all of them) in the new acquisitions and normally has the systems up and running in the space of 3-4 months.

FINANCIAL RISKS

The Group is exposed to the following financial risks:

- exchange rate risk
- interest rate risk
- price risk and variation in cash flows
- credit risk

- liquidity risk
- risks related to the increased debt due to the new acquisitions

These financial risks are generally handled by:

- defining guidelines at corporate level, on which the management must be based;
- identifying adequate hedging instruments for the specific operating scenario;
- excluding any operation with financial futures and derivatives for speculative

purposes.

- careful treasury planning implemented on a centralised basis.

The management policies on the above risks are described below, appropriately reclassified.

EXCHANGE RATE RISK

The Sofidel Group is exposed to exchange rate risk because its business activities are also conducted in currencies other than the Euro (mainly USD, GBP and PLN) and can be split into three different categories:

- economic risk, resulting from costs and revenues denominated in a foreign currency that may be influenced by fluctuations in the exchange rate with an impact on sales margins;
- transaction risk, represented by payables and receivables, both trade and financial, denominated in a foreign currency, that may be influenced by the conversion rate used, with an impact on the bottom line.
- transfer risk, represented by repercussions that fluctuations in exchange rates may also have on consolidated results and on the shareholders' equity of the parent company, as the financial statements of several investee companies are drawn up in currencies other than the Euro and then converted into Euro.

The goal of the Group is to minimise economic and transaction risks by using financial instruments for hedging purposes; on the other hand, transfer risk is not hedged.

In general, the Sofidel Group centralises the management of exchange rate risk which it deals with by entering into currency forward contracts as a matter of priority.

INTEREST RATE RISK

Interest-rate fluctuations affect the Group's cash flows and the level of net financial charges.

The Group policy is the regularly assess its exposure to the risk of a change in interest rates and to manage it through the use of hedging derivatives, giving priority to instruments that enable it to benefit from the lower cost of a floating rate versus a fixed rate in the short term, saving financial charges, and protecting itself from possible future increases in interest rates. The activities carried out in the past - aimed at hedging interest risk mainly through entering into Interest Rate Swap contracts - was suspended in the belief that

interest rates would fall, or at least be stable, for the foreseeable future. Contacts with a number of different structures were made again to monitor all debt stock and decide when it may be opportune to commence new transactions again.

PRICE RISK AND VARIATION IN CASH FLOWS

This is the risk that a financial instrument or financial flows associated with it may fluctuate following commodity market price variations or financial instrument variations.

The risk of price variations in the commodities purchased (cellulose and energy) was already subject to comment in the section devoted to supply risks.

On the other hand, the Group is not subject to price risk relating to derivative financial instruments since they are used merely for hedging purposes.

CREDIT RISK

Credit risk represents exposure to potential losses resulting from the non-fulfilment of the obligations undertaken by business and financial counterparts. This risk mainly relates to the possibility that the economic or financial situation of a counterpart may deteriorate, or, at worst, the default of the same.

The Group protects itself against this risk by:

- taking out insurance policies with leading international insurance companies;
- diversifying companies from country to country, as well as from company to company;
- observing insurance thresholds;
- providing for advance payments where there is no insurance coverage;
- a policy to minimise credit concentrations.

As regards the credit risk related to assets that contribute to the calculation of "Net financial indebtedness", note that the Group's liquidity management is based on prudential criteria and mainly regards the money market, where it invests any temporary cash surpluses during the year, which are then recovered in a very short timeframe. In order to mitigate the risk of a counterpart not meeting its obligations, the Group's deposits have been made with leading banks with high creditworthiness ratings and with adequate rating classes. Furthermore, deposits are usually made for periods of less than one month.

With a view to minimising credit risk, the Group also pursues a policy of diversification in terms of its investment of liquidity and the assignment of credit positions to

different banking counterparts: therefore, there are no significant positions related to individual counterparts.

LIQUIDITY RISK

Liquidity risk is the risk that the Group may not be able to meet its payment commitments due to the difficulty of procuring funds (funding liquidity risk) or promptly liquidating assets on the market (asset liquidity risk).

To this end, through careful treasury planning, it seeks to ensure an adequate level of liquidity, minimising its opportunity cost and maintaining a balance in terms of duration and composition of debt. Moreover, also thanks to its solid equity base and international dimension - the Group has access to a wide range of sources of financing - short and medium-long term - at competitive rates, notwithstanding the external framework of reference, characterised by situations of rigidity. There are no other financial and/or trade payables other than those shown on the balance sheet, which will involve disbursements by the Group under specific agreements.

RISK RELATED TO THE INCREASED DEBT DUE TO THE NEW ACQUISITIONS

The risk related to the increase in debt, and therefore financial charges on the income statement, due to the new investments related to covering the global territory.

The careful strategic planning of the new investments - either green field or the acquisition of previously existing companies - in which the main company departments took part, allows full financial sustainability to be achieved as confirmed by the performance indicators set out in the relevant section of this document.

More specifically, with respect to the acquisitions, generally the pre-existing financial debt is first renegotiated in order to bring it into line with Group standards, and where there are marked differences, substitute lines are taken out so that repayment schedules can be met in full.

OTHER RISKS

Lastly, we have examined the other risks that may potentially impact the results of the Group:

- reporting risk
- risks related to the use of IT tools
- legal/compliance/reputational risk

REPORTING RISK

This concerns the reliability of the information provided by the internal and external reporting process.

In order to manage this risk, the Group has implemented and is continuing to implement administrative, accounting and management procedures which contribute to minimising the occurrence of this risk. More specifically, efforts underway seek to make economic and financial planning more integrated and efficient, to enable a better level of monitoring in all areas of the company.

This activity is coordinated by offices at corporate level. The tools utilised in this regard are SAP, Bw Sem and Tagetik.

The certification of the annual financial statements by a leading independent auditing firm is an additional way to check the process.

RISKS RELATED TO THE USE OF IT TOOLS

Risks related to the use of IT tools regard the protection and the integrity of IT data. The implementation of the SAP management program – which is managed on-line at corporate level, also featuring business continuity, disaster recovery and intrusion prevention systems – is another important tool to protect against risks related to the use of IT tools as well as for data protection.

An accurate and well-defined separation of roles – which is built into the IT system itself through preventive controls such as passwords and authorisations, also minimises the risk of internal fraud in addition to total traceability of user access.

LEGAL/COMPLIANCE/REPUTATIONAL RISK

Legal/compliance/reputational risks regard the possibility of incurring fines and/or financial losses due to infringements of the law, secondary legislation, rules, company standards and codes of conduct.

The Group, in accordance with its principles, works at different levels to limit these risks which extend across different company processes.

More specifically, the Group pursues these objectives through:

- the specific corporate offices responsible for various aspects, which play a role of guidance and supervision over the individual companies;
- the proactive management of intangible assets, with a view to creating and protecting its own credibility and to maintaining the loyalty and cooperation of all stakeholders (suppliers, customers, consumers);
- the integration of sustainability in the business as a strategic line of development. During the year, also at Group level, no significant fines were recorded in terms of the environment; furthermore, during the same period, the Group was not involved in any lawsuits relating to unfair competition or monopolistic practices in the market, nor has it even been investigated by an antitrust organisation operating in the countries in which its companies are located. At the same time, no non-compliance with regulations or codes of conduct, as regards advertising material, promotions or the sponsorship of its own products were recorded.

To demonstrate the Group's commitment to consumer protection is confirmed, even for this year, the total absence of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products on consumers.





5.

SOFIDEL GROUP CONSOLIDATED FINANCIAL STATEMENT

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Endless care, innovative life.

1. LAYOUT OF FINANCIAL STATEMENTS

1.1 Consolidated balance sheet (Amounts in thousands of EUR)

Assets	Notes	31/12/2012	31/12/2013
A) Subscribed capital unpaid		-	-
B) Fixed assets			
<i>I. Intangible fixed assets</i>	(1)		
1) Start-up and expansion costs		928	527
2) Cost of research, development and advertising		76	32
3) Industrial patent and intellectual property rights		43	81
4) Franchise, licences, trademarks and similar rights		39.491	57.649
5) Goodwill		48.462	48.324
6) Work in progress and advance payments		1.549	504
7) Other		1.920	2.716
		92.469	109.833
<i>II. Tangible fixed assets</i>	(2)		
1) Land and buildings		343.053	348.145
2) Plant and equipment		596.609	581.200
3) Fixtures and fittings, tools and other equipment		2.930	3.428
4) Other assets		15.409	13.003
5) Work in progress and advance payments		10.504	39.502
		968.505	985.278
<i>III. Financial fixed assets</i>			
1) Equity investments in:	(3)		
d) other companies		1.000	1.114
		1.000	1.114
2) Receivables	(4)		
d) due from others			
- within 12 months		38	21
- over 12 months		284	394
		322	415
		1.322	1.529
Total fixed assets		1.062.296	1.096.640
C) Current assets			
<i>I. Inventories</i>	(5)		
1) Raw materials and consumables		131.074	142.017
4) Finished goods and goods for resale		106.457	141.523
5) Advances		1.221	2.394
		238.752	285.934
<i>II. Receivables</i>	(6)		
1) due from customers			
- within 12 months		266.400	260.565
		266.400	260.565
4-bis) Tax receivables			
- within 12 months		8.265	11.277
		8.265	11.277
4-ter) Prepaid taxes			
- within 12 months		14.922	13.447
		14.922	13.447
5) Due from others			
- within 12 months		17.335	12.180
		17.335	12.180
		306.922	297.468
<i>III. Short-term investments</i>	(7)		
6) Other securities		-	450
		-	450
<i>IV. Cash and cash equivalents</i>	(8)		
1) Bank and postal current accounts		38.920	42.070
2) Cheques		24	3
3) Cash on hand		109	212
		39.053	42.285
Total current assets		584.727	626.138
D) Accrued income and prepaid expenses	(9)		
- miscellaneous		4.107	4.849
		4.107	4.849
TOTAL ASSETS		1.651.130	1.727.627

Shareholders' equity and liabilities	Notes	31/12/2012	31/12/2013
A) Shareholders' equity	(10)		
<i>I. Share capital</i>		33.000	33.000
<i>III. Revaluation reserve</i>		46.600	46.600
<i>IV. Legal reserve</i>		6.600	6.600
<i>VII. Other reserves</i>			
Extraordinary reserve		222.370	229.966
Exchange rate gains reserve		485	478
Reg. subsidy Law no. 10/91 (46/89)		28	28
Reg. EEC subsidy 2088		4	4
6% fund pursuant to art. 15, Law no. 130/1983		10	10
Reg. subsidy Law no. 10/91 art. 111		936	936
Unallocated profits		124.492	169.950
Exchange-rate differences		(2.387)	(10.819)
		345.938	390.553
<i>IX. Profit for the year</i>		49.633	63.384
Total Group shareholders' equity		481.771	540.138
<i>Share capital pertaining to minority interests</i>		6.115	76
<i>Profit attributable to minority interests</i>		388	(2)
Total minority shareholders' equity		6.503	74
Total Shareholders' equity		488.274	540.212
B) Provisions for risks and charges	(11)		
1) Pensions and similar obligations		1.037	1.338
2) Provisions for taxes, incl. deferred taxes		20.450	16.778
3) Other		3.180	1.809
Total provisions for risks and charges		24.667	19.925
C) Employee severance fund	(12)	13.638	13.391
D) Payables	(13)		
1) Bonds			
- within 12 months		1.000	-
		1.000	-
4) Payables due to banks			
- within 12 months		254.521	275.337
- over 12 months		477.912	462.671
		732.433	738.008
5) Other loans			
- within 12 months		8.363	-
		8.363	-
6) Advances			
- within 12 months		61	100
		61	100
7) Trade payables			
- within 12 months		253.012	291.437
- over 12 months		11.885	8.753
		264.897	300.191
12) Tax payables			
- within 12 months		22.799	24.305
		22.799	24.305
13) Due to social security and national insurance institutions			
- within 12 months		6.799	7.437
		6.799	7.437
14) Other payables			
- within 12 months		24.350	24.115
- over 12 months		41	41
		24.391	24.156
Total payables		1.060.743	1.094.196
E) Accrued liabilities and deferred income	(14)		
- miscellaneous		63.808	59.903
		63.808	59.903
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1.651.130	1.727.627

Memorandum accounts	Note	31/12/2012	31/12/2013
2) Commitments made by the company	(15)	51.416	-
TOTAL MEMORANDUM ACCOUNTS		51.416	-

1.2 Consolidated income statement (Amounts in thousands of EUR)

	Notes	31/12/2012	31/12/2013
A) Value of production	(16)		
1) Revenues from sales and services		1.511.248	1.699.571
2) Change in inventories of work in progress, semi-finished and finished products		(21.368)	30.851
4) Own work capitalised		-	650
5) Other revenues and income:			
- monetary		12.354	10.479
- non monetary		9.680	11.160
Total value of production		1.511.914	1.752.711
B) Cost of production	(17)		
6) Raw materials, consumables and goods for resale		606.725	766.231
7) Services		448.050	510.892
8) Use of third-party assets		22.074	26.181
9) Personnel costs			
a) Wages and salaries		146.358	161.585
b) Social security costs		42.005	44.788
c) Employee severance fund		3.453	3.171
d) Pensions and similar obligations		424	297
e) Other costs		11.630	14.126
		203.870	223.968
10) Amortisation, depreciation and write-downs			
a) Amortisation of intangible assets		11.054	18.716
b) Depreciation of tangible assets		94.280	95.622
c) Write-downs of receivables in current assets and of cash and cash equivalents		378	140
		105.712	114.478
11) Changes in inventories of raw materials, consumables and goods for resale		3.181	(18.587)
12) Provisions for risks		613	239
13) Other provisions		238	250
14) Other operating expenses		20.444	22.683
Total cost of production		1.410.907	1.646.334
Difference between value and cost of production (A - B)		101.007	106.377
C) Financial income and charges	(18)		
16) Other financial income:			
d) other income:			
- other		1.578	3.190
		1.578	3.190
17) Interest and other financial charges:			
- other		26.104	24.982
		26.104	24.982
17-bis) Foreign exchange gains (losses)		(1.501)	(908)
Total financial income and charges		(26.027)	(22.701)
D) Value adjustments to investments		-	-
E) Extraordinary income and charges	(19)		
20) Income:			
- miscellaneous		5.550	7.757
		5.550	7.757
21) Charges:			
- miscellaneous		8.814	4.275
		8.814	4.275
Total extraordinary item		(3.264)	3.483
Profit (loss) before tax (A-B±C±D±E)		71.716	87.159
22) Income tax for the year, current, deferred and prepaid	(20)		
a) Current taxes		29.431	25.290
b) Deferred taxes		(7.736)	(1.512)
		21.695	23.777
23) Profit (loss) for the year		50.021	63.382
Minority interests		388	(2)
Group		49.633	63.384

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Regulations and accounting principles adopted

The financial statements were drawn up in compliance with the provisions of Art. 32, paragraph 1 of Legislative Decree no. 127 of 9 April 1991, and of Art. 2423 et seq. of the Italian Civil Code, as interpreted by national accounting principles.

Contents of the consolidated financial statements

FOREWORD

The consolidated financial statements include, in accordance with Article 26, paragraphs 1 and 2, of Italian Legislative Decree no. 127 of 9 April 1991, the values recognised in the annual financial statements of the Parent Company and of Italian and foreign companies included within the scope of consolidation, which are all companies:

- in which the Parent Company possesses sufficient voting rights to have a significant influence;
- in which it can – by virtue of agreements or special statutory provisions, where permitted by applicable laws – have a significant influence;
- of which – also due to agreements with other shareholders – it alone controls the

majority of voting rights exercisable during ordinary shareholders' meetings, also considering the votes pertaining to subsidiaries, trust companies or third parties. More specifically, the companies included within the scope of consolidation are directly or indirectly controlled by the Parent Company, pursuant to Art. 2359, paragraph 1, no. 1 of the Italian Civil Code.

RESTRICTIONS TO THE AVAILABILITY OF EQUITY INVESTMENTS IN SUBSIDIARIES

The equity investments held in "Delipapier G.m.b.H." are subject to restrictions with regard to availability, due to the "limited recourse project financing" transaction carried out to build the new plant in Arneburg (Saxony-Anhalt). The transaction, stipulated with "Unicredit Bank AG" and "Intesa San Paolo S.p.a. – Frankfurt Branch", envisages the pledging of shares of the company in favour of financing banks that will therefore retain the right to receive poten-

tial disbursements of net income or capital in general, but will not receive voting rights, which remain with the Parent Company "Sofidel S.p.a.". In accordance with the stipulated contract, these banks will also receive all the privileges relative to receivables resulting from company activities as well as those relating to the warehouse, the buildings, the plants and generally any asset located in the facility.

Lastly, corporate loans are subordinated to

those granted by banks.

Given the good performance of business activities, in 2012, the financing banks relaxed the restrictions, halving the previously pledged liquid assets.

No restrictions exist with regard to the availability of other equity investments, nor option rights or other liens in favour of third parties.

FINANCIAL STATEMENTS SUBJECT TO CONSOLIDATION

Reference is made to the financial statements approved by the management bodies of the companies included in the scope of consolidation or, if this was not possible, those prepared for approval by the relevant corporate bodies.

The financial statements of all companies included within the scope of consolidation include transactions carried out between

1 January and 31 December 2013. Accordingly, these consolidated financial statements include the transactions of the Group between 1 January and 31 December 2013, with the exception of that stated below regarding "N.T.G. Paper Mill Ltd.", which was consolidated from 1 October 2013, the date on which the acquisition was completed.

Where necessary, the said financial statements have been appropriately adjusted for consistency with the accounting standards and valuation criteria of the "Group", which have been adopted by the Parent Company and the Italian companies of the Group for the preparation of their financial statements, i.e. those allowed pursuant to Art. 2423 et seq. of the Italian Civil Code.

Scope of consolidation

LIST OF CONSOLIDATED COMPANIES

The table below contains a list of the companies included in the scope of con-

solidation, consolidated with the line-by-line method pursuant to art. 31 of Italian

Legislative Decree 127 of 9 April 1991.

Company name	Currency	Registered office	Share capital (€/000)	%	Shareholders
Parent company:					
Sofidel S.p.a.	Euro	Porcari (Italy)	33.000	-	-
Subsidiaries consolidated with the line-by-line method:					
Soffass S.p.a.	Euro	Porcari (Italy)	32.000	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	59,18%	Sofidel S.p.a.
Delipapier G.m.b.H.	Euro	Arneburg (Germany)	2.500	40,82%	Delicarta S.p.a.
				100%	Sofidel S.p.a.

Company name	Currency	Registered office	Share capital (€/000)	%	Shareholders
Sofidel Kagit	TRY	Honaz/Denizli (Turkey)	4.790	99,96%	Sofidel S.p.a.
				0,03%	Delicarta S.p.a.
				0,01%	Soffass S.p.a.
Fibrocellulosa S.p.a.	Euro	Bagni di Lucca (Italy)	2.000	100%	Sofidel S.p.a.
Intertissue L.t.d.	GBP	Swansea, Galles (U.K.)	42.792	100%	Sofidel S.p.a.
Ibertissue S.I.u.	Euro	Tudela (Spain)	18.000	100%	Sofidel S.p.a.
Werra Papier Holding G.m.b.H. ^(*)	Euro	Wernshausen (Germany)	26	70%	Sofidel S.p.a.
Papyros Paper Mill S.a.	Euro	Katerini (Greece)	3.860	100%	Sofidel S.p.a.
Sofidel Papir Doo	Kuna	Zagreb (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	Ciechanów (Poland)	40.326	100%	Soffass S.p.a.
Comceh S.A.	RON	Romania	12.275	99,854%	Delitissue Sp.z.o.o.
Delisoft G.m.b.H.	Euro	Cologne (Germany)	25	100%	Delicarta S.p.a.
Imbalpaper UK L.t.d.	GBP	Swansea, Galles (U.K.)	60	100%	Delicarta S.p.a.
Werra Papier Wernshausen G.m.b.H.	Euro	Wernshausen (Germany)	511	100%	Werra Papier Holding G.m.b.H.
Thuringer Hygiene Papier G.m.b.H.	Euro	Wernshausen (Germany)	30	100%	Werra Papier Holding G.m.b.H.
T.H.P. Logistik G.m.b.H.	Euro	Wernshausen (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 Ltd.	INR	Gurgaon (India)	2	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.)	1.199	100%	Sofidel UK L.t.l.

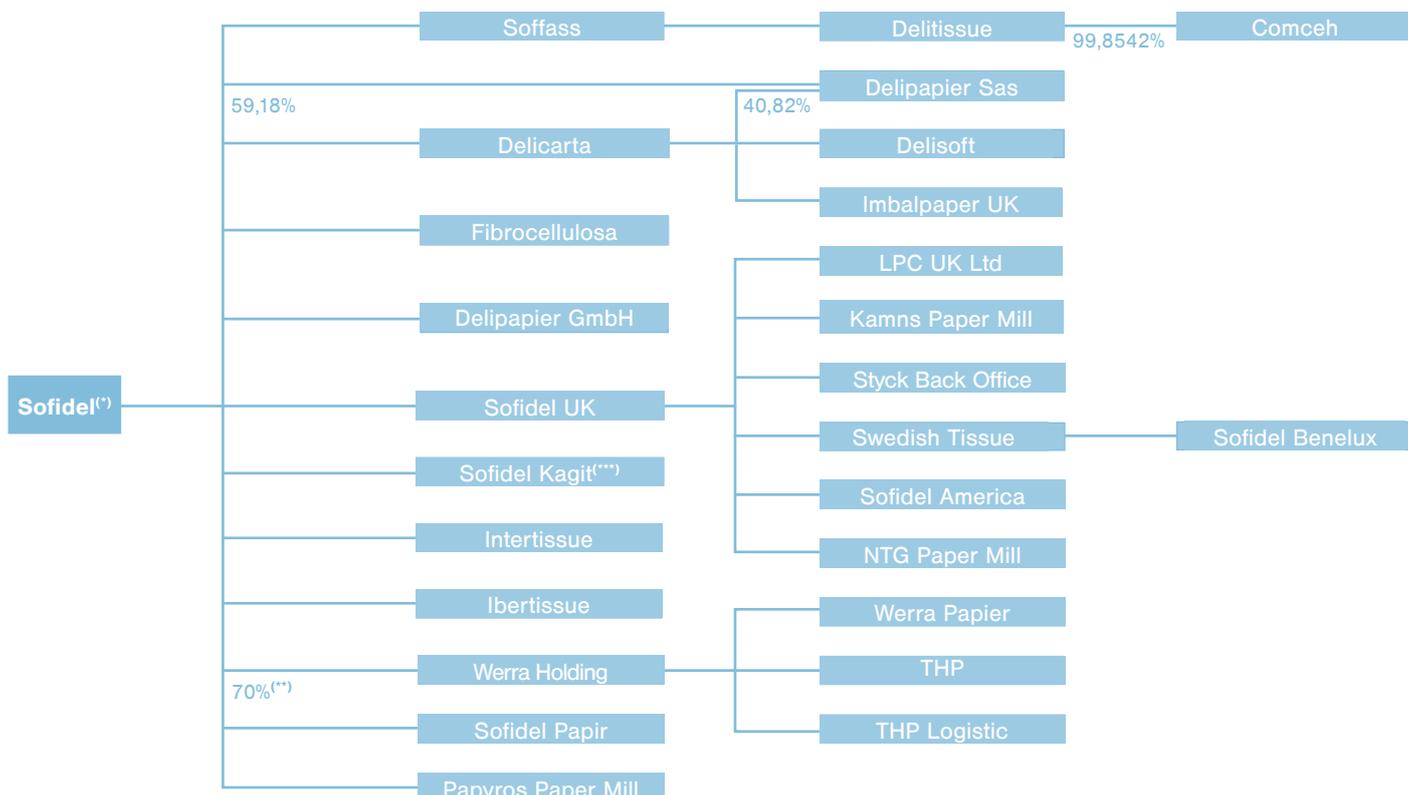
^(*) "Werra Papier Holding G.m.b.H." owns treasury shares equal to 30% of its own share capital.

Note also that:

- there are no companies included on the basis of the proportionate method pursuant to art. 37 of Italian Legislative Decree no. 127 of 9 April 1991;
- there are no companies included on the basis of the net equity method pursuant to art. 36, paragraphs 1 and 2 of Italian Legislative Decree no. 127 of 9 April 1991;
- there are no other subsidiary or associated companies that have not been included in the scope of consolidation.

STRUCTURE

The Group structure at the end of 2013 is as follows:



^(*) % of control of the 100% unless otherwise indicated. ^(**) 30% own shares. ^(****) 99,96% Sofidel, 0,03% Delicarta, 0,01% Soffass.

CHANGES IN THE SCOPE OF CONSOLIDATION AND OTHER TRANSACTIONS

The following extraordinary transactions were carried out in the year at issue:

- purchase by "Sofidel UK Ltd." of the shares in "N.T.G. Paper Mill Ltd." with registered offices in Lancaster (U.K.), with goodwill value amounting to 2,354 thousand EUR at the first consolidation.
- merger between "Omega Papier Wernshausen G.m.b.H." and the German company "Werra Papier Wernshausen G.m.b.H.";

- purchase by "Sofidel S.p.a." of a minority interest in the German company "Werra Papier Holding G.m.b.H." and by "- Werra Papier Holding G.m.b.H." of "Thüringer Hygiene Papier G.m.b.H." and "THP Logistik G.m.b.H.".

The changes in the scope of consolidations are not significant since the consolidation of "N.T.G. Paper Mill Ltd." only relates to three months and therefore there is no re-

quirement to include any additional information in order to make a valid comparison between the balance sheet and income statement for the year and those of the previous year pursuant to art. 39, paragraph 3 of Italian Legislative Decree no. 127 of 9 April 1991.

Consolidation method

The financial statements of the companies included within the scope of consolidation have all been consolidated on a line-by-line basis.

This method of consolidation implies the following adjustments:

- a) the assets and liabilities, as well as the costs and revenues of companies included within the scope of consolidation, are included on a line-by-line basis, regardless of the percentage interest held;
- b) the book value of the investments held in these companies is eliminated against the corresponding portion of shareholders' equity. Any related negative difference that is not attributable to forecasts of unfavourable economic results for these companies, is classified as a consolidation reserve within consolidated shareholders' equity. On the other hand, any negative difference attributable to forecasts of unfavourable economic results for the investee companies in the financial years subsequent to their acquisition is classified among provisions for risks and charges; such amounts are then booked to the income statement if such losses are actually incurred over a period not exceeding five years. If there is a positive difference, the portion that cannot be allocated to subsidiaries' assets is reported under item "Goodwill" and is normally amortised over five years;
- c) shareholders' equity and the result of the year pertaining to minority interests are reported separately. More specifically, the shareholders' equity attributable to minority interests is stated in a separate item of the consolidated balance sheet, while the profit (loss) for the year attributable to minority interest is booked to the income statement;
- d) unrealised profits and losses resulting from transactions between Group companies – excluding contract work in pro-

gress – are eliminated together with all receivables, payables, costs, revenues and effects of all transactions between the said companies, even if they are recorded in the memorandum accounts;

- e) any distributed dividend is eliminated from the income statement and booked to consolidated shareholders' equity reserves; the same applies to cover losses among those companies included within the scope of consolidation and to the related write-downs;
- f) any adjustments and provisions made exclusively for tax purposes, if present, are eliminated unless they are insignificant for the purposes of the information to be provided in this document;
- g) lastly, deferred taxes – receivable and payable – resulting from the above adjustments are recognised on the income statement, with an offsetting entry under provisions for risks and charges.

The derogation option pursuant to art. 31, paragraph 3 of Italian Legislative Decree no. 127 of 9 April 1991 was not used.

More specifically, the main adjustments referred to:

- the elimination of purchase/sale of cellulose and/or tissue paper reels and/or finished products between Group companies, as well as of the related credit/debit ratios;
- the elimination of costs/revenues arising from other commercial transactions and financial relations between Group companies, as well as of the related amounts receivable /payable;
- the elimination relations, including financial, between Group companies reported in their memorandum accounts;
- the elimination of economic and financial effects resulting from the sale of tangible and intangible assets between Group companies;
- the elimination of profits and losses in

inventories, due to the sale of cellulose and/or tissue paper reels and/or finished products between Group companies;

- the adjustment of amortisation/depreciation of some foreign companies to adjust them to those adopted by the Group;
- the adjustment of the balance sheet and income statement accounts for the implementation of the substance over form principle to the recognition of leasing and lease-back transactions of Italian companies;
- the recognition of the negative goodwill on consolidation in the "consolidation reserve", included in the other reserves for the consolidation of certain equity investments;
- the recognition of the positive goodwill on consolidation under the item "goodwill" that emerges from the elimination of newly acquired equity investments with the related shareholders' equity;
- the elimination of tax implications in the financial statements of some foreign companies.

The foregoing adjustments resulted in the recognition of deferred and/or prepaid taxes, which are better detailed in the section of these notes about income statement taxes.

Translation of financial statements in foreign currency

The currency used in preparing the consolidated financial statements is the euro. In accordance with what was done in the past, the financial statements of the companies included in the scope of consolidation are prepared in the currency of the main geographic area that they operate in (working currency). For the purposes of presenting these consolidated financial statements, the assets and liabilities of the consolida-

ted foreign companies with different working currencies from the euro, are translated at the exchange rates in effect at year-end, using historical exchange rates for the items in the shareholders' equity; revenues and income and costs and charges are translated at the average exchange rates for the year. Any differences resulting from translation of shareholders' equity at historical exchange rates as compared to year-end

exchange rates, as well as the differences resulting from the application of different exchange rates to balance sheet and income statement items were booked to the consolidated shareholders' equity under "Exchange-rate differences".

The exchange rates applied for converting into Euro the financial statements of subsidiaries denominated in currencies other than the Euro are reported below:

Currency	Year ended 31/12/2012		Year ended 31/12/2013	
	Average exchange rate	Closing exchange rate	Cambio medio	Cambio finale
PLN (Polish Zloty)	4,1843	4,074	4,1975	4,1543
GBP (British Pound)	0,8111	0,8161	0,8493	0,8337
TRY (Turkish Lira)	2,3145	2,3551	2,5335	2,9605
RON (Romanian Leu)	4,4581	4,4445	4,419	4,471
Kuna (Croatia)	7,5213	7,5575	7,5786	7,6265
USD (US Dollar)	1,2856	1,3194	1,3281	1,3791
INR (Indian Rupee)	72,56	72,56	85,366	85,366

Note that:

- the financial statements of the Swedish company ("Swedish Tissue A.b.") were

drawn up in Euro;

- as regards "Styx Back Office Services Private Ltd.", a single exchange rate was

used for the Income statement and for the Balance Sheet, given the insignificant nature of the amounts in question;

Structure of the consolidated financial statement schedules

The structure and content of the consolidated balance sheet and income statement comply with the provisions set out in Art. 2424 and 2425 of the Italian Civil Code – which have been already adopted by the Parent Company and by Italian companies of the Group – since they are considered the most suitable to meet the requirements for a clear, true and fair representation of the economic and financial position of the Group.

The amount relative to the previous year has been specified for each item of the

balance sheet and the income statement, in accordance with Article 2423-ter, paragraph 5, of the Italian Civil Code, while omitting the specification of items which do not involve any value for both years; the option – provided for by Article 2423-ter, paragraph 2, of the Italian Civil Code – of Grouping or subdividing the items pursuant to the above-mentioned norms was not utilised, and it was not deemed necessary to proceed with adapting existing items or adding new items, in accordance with paragraphs 3 and 4 of the same article and without prejudice to the reporting of

the shareholders' equity and net income of third parties within the consolidated balance sheet and income statement.

As mentioned previously, all amounts are rounded off to the nearest thousand euro, unless otherwise indicated; therefore, there may be minor differences in the various statements, which however do not affect the significance of this document.

The reported amounts are comparable to those of the previous year and, where necessary, have been appropriately reclassified.

Valuation criteria

The valuation of the items recorded was carried out in compliance with general criteria of prudence, accruals and going concern, taking into account the substance over form principle, when not expressly in contrast with other specific rules on financial statements.

The following should also be noted:

- the accounting standards and the valuation criteria adopted are the same as used for the preparation of the consolidated financial statements for the previous year, which are those adopted by the Parent

Company and by the Group's Italian companies in their financial statements for the year;

- asset and liability items have been measured using the same criteria, pursuant to art. 34, paragraph 1 of Italian Legislative Decree no. 127 of 9 April 1991 and therefore no adjustments were necessary pursuant to the second paragraph of the same article;

- no derogation option pursuant to art. 29, paragraphs 4 and 5 of Italian Legislative Decree no. 127 of 9 April 1991 was exercised.

The most important valuation criteria adopted for the preparation of the consolidated financial statements are described in detail below.

FIXED ASSETS

These include intangible, tangible and financial assets held for the long term within the company and more specifically:

Intangible fixed assets

These are recorded at purchase cost, including any additional charges; the book value of intangible assets also includes any

revaluations made on the basis of specific law provisions.

The costs recorded are shown under balance sheet assets, net of any related amortisation, applied on a straight-line basis over their theoretical useful life, which is originally estimated and periodically reviewed.

If – irrespective of the amortisation that has been previously recognised – there is an impairment loss, the asset is written down accordingly; if, in subsequent years, the reasons for the write-down no longer apply, the asset is restated at its original value, adjusted by amortisation that has not been previously applied due to the write-down.

Tangible fixed assets

They are recorded at purchase cost, including additional charges and other costs incurred in order to make the individual assets usable; trade discounts are always deducted from cost, while cash discounts are deducted only if significant. The cost also includes any revaluation made.

The costs recorded are shown under balance sheet assets, net of any related depreciation, applied on a straight-line basis over the theoretical useful life of the assets, which is originally estimated and periodically reviewed.

If – irrespective of the depreciation that has been previously recognised – there is an impairment loss, the asset is written down accordingly; if, in subsequent years, the reasons for the write-down no longer apply, the asset is restated at its original value, adjusted by depreciation that has not been previously applied due to the write-down.

Maintenance costs – which imply an extension of the residual useful life of the asset they refer to, an increase in productivity and/or safety, a reduction in the environmental impact, or a qualitative improvement of products manufactured with it – are capitalised at asset cost and depreciated on the basis of its useful life, that is originally estimated and periodically reviewed. Maintenance costs that do not feature such characteristics are charged to the income statement.

Spare parts with a significant unit value that are seldom used are recorded together with the cost of the assets they are related to in terms of relevance, on a complementary or accessory basis. In this case, depreciation is based on the lower of the useful life of the assets they are related to and their own. Spare parts that have a significant unit value and are frequently used, and those with a low unit value, are charged to the income statement and, if necessary, are booked to inventories at year end.

Once eligible, plant investments are recognised in relation to the depreciation of the assets to which they refer, and are charged to “accrued liabilities and deferred income”, with an offsetting entry under “Value of production – Other revenues and income”.

If these investments are allocated after the start of depreciation, the part correlated to the depreciation that was previously booked to the income statement will be booked under extraordinary income.

Financial fixed assets

Equity interests are recorded at the purchase cost, which includes directly charged accessory expenses, or subscription expenses, adjusted, when necessary, to take into account durable impairments; the book value of equity investments includes the capital account and sinking fund payments made by the company.

Receivables are stated at their estimated realisable value.

INVENTORIES

These are recorded at the lower of purchase or manufacturing costs and the realisable value inferred from market trends. The original cost is restored if the reasons determining the reduction to the realisable value of inventories no longer apply.

The purchase cost also includes directly related accessory charges and such cost excludes returns, commercial discounts, allowances, rebates and contributions given by suppliers. Cash discounts are always recognised under financial income. The cost of production includes – in addition to the cost of materials used on the above basis – directly chargeable industrial costs and a reasonable amount of indirectly chargeable industrial costs. These costs exclude anomalous or extraordinary expenses, administration, distribution and selling costs and, in general, all costs relating to a period subsequent to the production phase; R&D costs are debited to the income statement. In order to determine the realisable value inferred, reference is made – wherever possible – to price lists and to market valuations for the same categories of goods with the same marketing situation at year end, net of any completion costs and direct sales costs, taking account of events after the end of the financial year, if they confirm situations already existing at that date.

Obsolete or slow-moving stock is written down in relation to its estimated future use or realisation, by setting aside a specific adjusting provision to the value of inventories.

CURRENT RECEIVABLES

Receivables are recorded at their estimated realisable value, obtained, if necessary, by deducting an appropriate bad debt provision to cover both losses due to irrecoverability that have already occurred but are not yet definitive, and losses that have not yet occurred but which – based on the experience and knowledge of the sector in which the Group operates – can be considered intrinsic to account balances.

SHORT-TERM INVESTMENTS

These are reported at the lower of the purchase cost and the realisable value that can be inferred from market trends. The original cost is restored if the reasons that determined the reduction to the realisable value no longer apply.

CASH AND CASH EQUIVALENTS

Bank account balances are recorded at their estimated realisable value, while cash is stated at its nominal value.

ACCRUALS AND DEFERRALS

Accruals and deferrals are recognised according to the matching principle of accounting, even in cases in which this differs from the accruals principle.

PROVISIONS FOR RISKS AND CHARGES

Potential liabilities are recognised in the financial statements and recorded under provisions when they are deemed probable and the amount of the relative charge can be reasonably estimated; risks for losses or liabilities whose existence is only possible or probable, but which cannot be objectively estimated, will in any case be mentioned within the relative section of this document.

Provisions reflect the best estimate, based on outstanding commitments and other available data, including information obtained subsequent to year-end and up until the date of preparation of this document.

EMPLOYEE SEVERANCE FUND

This item includes the total liability at year-end to the employees of Group companies located in countries that require a mandatory provision. The amount set aside has been revalued using official indices and is recognised net of the advances paid to employees during the year or in previous financial years.

PAYABLES

They are recognised at their nominal value, less – with regard to trade payables – any invoicing adjustment (for returned goods,

premiums, allowances, price variations, etc.) that may have been agreed.

SHAREHOLDERS' EQUITY

This represents the difference between asset and liability items, according to the above-mentioned criteria and principles. This item is explained in more detail in the relevant section of this document, which contains a statement of reconciliation between shareholders' equity and profit or loss for the year of the Parent Company and the consolidated shareholders' equity and the profit or loss for the year.

FINANCE LEASE TRANSACTIONS

Finance lease transactions are recognised according to the financial method, based on the principle of substance over form. According to this method, the value of the assets is recognised among fixed assets, net of any accumulated amortisation/depreciation; payables include outstanding principal repayments (per capital quota), net of any macro-installment paid; depreciation/amortisation for the period – calculated according to the economic-technical life of assets – and the financial charges resulting from the related agreements are recognised separately in the income statement.

COMMITMENTS AND MEMORANDUM ACCOUNTS

These include guarantees that are provided either directly or indirectly or to third parties for third party payables, distinguishing between guarantees, backing, other personal guarantees and collateral; they also include significant commitments assumed with respect to third parties and the value of third party goods that are potentially retained. The risks for guarantees and commitments are recorded at nominal value, whilst third-party assets are recorded at their current value, when available.

COSTS AND REVENUES

I ricavi ed i costi vengono iscritti al netto
dCosts and revenues are recorded net of returned goods, unconditional discounts, allowances and premiums.

Revenues are recorded when the production process of goods and/or services has been completed, or when the transfer has already taken place, i.e. with the substantial and not only formal transfer of the related property and/or when the service has been performed and completed.

Costs are recorded according to the matching principle with revenues for the year, based on:

- association of cause and effect between costs and revenues, on an analytical basis (e.g. for commissions) or based on assumptions (as in the case of inventories);
- distribution of long-term usefulness or functionality on a systematic basis (as in the case of amortisation/depreciation);
- directly charging the cost to the income statement either because it is time-related, or because the usefulness or functionality of the same no longer exists.

INCOME TAXES FOR THE YEAR (CURRENT, DEFERRED AND PREPAID)

Income taxes are recognised on an accrual basis and include:

- current taxes for the year, calculated according to the current rates and regulations in force in the countries where the companies included within the scope of consolidation are located;
- the amount of deferred or prepaid taxes in relation to timing differences between the value of an asset or liability calculated according to statutory purposes and the value attributed to such asset or liability for tax purposes, based on the rate in force when such differences will be reversed in the countries where the companies have their registered office. Adequate adjustments shall be made in case of a change in rate compared to previous years, provided that the law that governs such change has already been issued at the balance sheet date;
- the amount of deferred or prepaid taxes recorded in relation to consolidation transactions referred to earlier in these notes. Prepaid taxes are recorded as an offsetting entry and stated under consolidated balance sheet assets only if there is reasonable certainty of their full recovery through the future taxable income of each single Group company or of fiscal units that are present, according to the tax regulations in force in the countries concerned, or through deferred taxes recorded under balance sheet liabilities of the companies. The latter are recorded – again as an offsetting entry – under “provisions for taxes, incl. deferred taxes” only to the extent that it cannot be proven that their payment is unlikely to occur.

In this regard, it should be noted that prepaid taxes and the provision for deferred taxes deriving from the financial statements of each consolidated company are not offset for practical reasons only, in compliance with the national accounting standard no. 25, since the alteration resulting from this simplification is insignificant in terms of the information this document is obli-

ged to provide, while the balance between “provisions for taxes, incl. deferred taxes”, prepaid and deferred taxes originating from consolidation are offset and recognised.

FOREIGN CURRENCY TRANSACTIONS

Revenues and costs relating to foreign currency transactions are recorded at the exchange rate applicable when the transaction took place (according to the terms mentioned previously). Any related offsetting entries – i.e. the related receivables or payables – are recorded at the same exchange rate; if forward currency contracts were stipulated with respect to specific receivables (or future sale commitments) or specific payables (or future purchase commitments), the related revenues and costs are recorded at the forward exchange rate set out in the contract.

Receivables and payables originally denominated in foreign currency and still recorded in the financial statements at year-end are restated at the exchange rates applicable at the end of the financial year, and accounted for in compliance with the procedures set out by the European System of Central Banks and published by the Bank of Italy in the Italian Official Gazette, similar to foreign currency forward hedge contracts not yet paid off on the same date; any negative changes in exchange rates recorded after year end are mentioned in the footnotes to these notes to the consolidated financial statements only if they have a significant impact on the values of the same.

More specifically, short-term assets and liabilities, as well as non-current receivables, are recorded at the spot exchange rate applicable on the closing date of the year; profits and losses resulting from the translation of receivables and payables are respectively credited and charged to the income statement under the item “Foreign exchange gains and losses”; any net profit of the Parent Company resulting from the adjustment of the foreign currency items to year-end exchange rates will help determine the profit/loss for the period and – upon approval of the financial statements and the following distribution of profits – is allocated (with regard to the portion that is not absorbed by any loss for the period) to a non-distributable reserve until realised. Instead, foreign currency fixed assets are recognised at the exchange rate applicable at the time of purchase or at the lower exchange rate recorded on the closing date of the year, only if negative changes resulted in the impairment of the fixed assets concerned.

FINANCIAL FUTURES AND DERIVATIVES

Forward contracts and derivatives, where utilised, are always held for hedging purposes, in line with the strategy adopted by company.

In the case of currency forward contracts for future sales commitment (or the corresponding receivables) or purchase commitment (or corresponding payables), the difference between the spot exchange rate and the forward exchange rate indicated in

the contract is determined on an accrual basis over the duration of the contract, according to the accruals method. In the case of interest rate swaps (IRS), the positive or negative difference at the end of each contract is determined over the term of the contract according to the accruals method.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments is determined on the basis of the market va-

lue of the instruments for which there is an active market; if this cannot be determined, but the market of its components is available, it is determined based on the market value of the components. In all other cases, the fair value is determined on the basis of generally accepted valuation models and methods.

Notes on the balance sheet items**ASSETS****Note 1****INTANGIBLE FIXED ASSETS****Breakdown and changes during the year**

These show the following changes compared to the previous year:

Description	31/12/2012	31/12/2013	Change
Start-up and expansion costs	928	527	(400)
Research, development and advertising costs	76	32	(44)
Industrial patent and intellectual property rights	43	81	38
Franchise, licences, trademarks and similar rights	39.491	57.649	18.157
Goodwill	48.462	48.324	(138)
Work in progress and advance payments	1.549	504	(1.045)
Other	1.920	2.716	796
TOTAL	92.469	109.833	17.364

More specifically:

Description	Initial balance	Increases (purchases)	Decreases (sales)	Change in the scope of consolidation	Exchange-rate difference	Amortisation	Other changes	Final balance
Start-up and expansion costs	928	104	-	-	-	(501)	(4)	527
Research, development and advertising costs	76	-	-	-	-	(44)	-	32
Industrial patent and intellectual property rights	43	65	-	-	(3)	(24)	-	81
Franchise, licences, trademarks and similar rights	39.491	26.643	(578)	-	(147)	(9.363)	1.603	57.649
Goodwill	48.462	8.799	-	2.354	(1.673)	(8.373)	(1.245)	48.324
Work in progress and advance payments	1.549	439	-	-	-	-	(1.484)	504
Other	1.920	1.342	-	-	(17)	(411)	(118)	2.716
TOTAL	92.469	37.392	(578)	2.354	(1.840)	(18.716)	(1.248)	109.833

The intangible assets are owned as follows:

Description	Start-up and expansion costs	Cost of research, development and advertising	Industrial patent and intellectual property rights	Franchise, licences, trademarks and similar rights	Goodwill	Work in progress and advance payments	Other	TOTAL
Soffass S.p.a.	-	-	1	50.350	-	-	144	50.495
Sofidel America Corp.	-	-	-	3.122	38.326	-	463	41.911
Sofidel S.p.a.	-	-	-	3.483	-	504	1.435	5.422
Sofidel Benelux N.v.	-	-	-	31	4.479	-	-	4.510
Sofidel UK L.t.d.	-	-	-	29	3.130	-	-	3.159
Ibertissue S.l.u.	-	-	-	21	2.323	-	-	2.344
Other minor amounts	527	32	80	613	66	-	674	1.992
TOTAL	527	32	81	57.649	48.324	504	2.716	109.833

The increases concerned the following companies:

Description	Start-up and expansion costs	Cost of research, development and advertising	Industrial patent and intellectual property rights	Franchise, licences, trademarks and similar rights	Goodwill	Work in progress and advance payments	Other	TOTAL
Soffass S.p.a.	-	-	-	25.567	-	-	-	25.567
Sofidel Benelux N.v.	-	-	-	25	5.270	-	-	5.295
Intertissue S.l.u.	-	-	-	-	2.516	-	-	2.516
Sofidel S.p.a.	104	-	65	832	-	439	767	2.207
Sofidel U.K. L.t.d.	-	-	-	1	1.013	-	-	1.014
Other minor amounts	-	-	-	218	-	-	575	793
TOTAL	104	-	65	26.643	8.799	439	1.342	37.392

The item "start-up and expansion costs" includes the costs incurred to support the launch of corporate activities and almost entirely refers to "Papyros Paper Mill S.a" (494).

The item "research, development and advertising costs" is almost entirely comprised of costs relating to investments in advertising that were capitalised before the purchase of the shareholding from "Comceh S.a." (28).

The item "industrial patent and intellectual property rights" almost entirely comprises the costs incurred for the purchase and/or registration of patents by "Delicarta S.p.a." (68) and "Sofidel Kagit" (11).

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

- the transfer value of the Regina® brand owned by "Soffass S.p.a." (24,000), that was subject to monetary revaluations in the past;
- the costs sustained by "Soffass S.p.a." for the acquisition of the following brands: Thirst Pockets® (15,889), Kittensoft® (3,511), Nouvelle Soft® (3,563), Softis® (2,383), Le Trefle® (910), Sopalín® (60)

and lesser known brands (34);
 - the difference in price resulting from the merger between "Sofidel America Corp." and "Cellynne Holdings LLC" (3,122);
 - the costs incurred for the acquisition of the SAP management software, owned by the Parent Company (3,483).

Increases mainly refer to costs incurred for the purchase of modules and the implementation of the brands Thirst Pockets®, Kittensoft®, Nouvelle Soft® and other lesser known brands by "Soffass S.p.a.", and the costs incurred for the purchase of the modules and implementation of the SAP, APO and SEM software by "Sofidel S.p.a."

"Goodwill" is almost entirely represented by the goodwill paid for acquisition of the American assets by "Sofidel America Corp." (38,326; the remainder mainly regards certain purchases of customers and other purchases concluded during the year by "Sofidel Benelux N.V." (4,479), "Sofidel U.K. Ltd." (3,130) and "Intertissue Ltd." (2,323).

The item "work in progress and advance payments" includes all of the advance payments made to implement SAP – APO modules by the Parent Company (504).

"Other intangible fixed assets" include costs attributable to more than one financial year and not classifiable elsewhere, which will be reasonably recovered with future corporate revenues. This item is represented mainly by the costs incurred for the "limited recourse financing project" by "Delipapier G.m.b.H." (392) and by costs incurred for the acquisition of loans by the Parent Company, "Delicarta S.p.a." and "Soffass S.p.a." (1,853). Residual amounts are represented by improvements to third-party assets made to assets leased or rented by "Delicarta S.p.a." and by the costs incurred to acquire perpetual lease rights on land in Poland, where the production plant of "Delitissue Sp.z.o.o." was built.

Increases mainly refer to costs incurred for the acquisition of loans by the Italian companies of the Group.

Amortisation

Amortisation has always been calculated starting from the financial year in which the afore-mentioned costs start to be useful to the company, according to the criteria used in the previous financial year. More specifically:

- "Start-up and expansion costs" were amortised on the basis of an estimated useful lifetime of five years;
- "Research, development and advertising costs" were amortised on the basis of an estimated useful lifetime of five years;
- "Industrial patent and intellectual property rights" were amortised on the basis of an estimated useful lifetime of five years;
- "Costs for franchise, licences, trademarks and similar rights" were amortised as follows:

- the Regina® brand was amortised on the basis of an estimated useful life of fifteen years;
- the other trademarks were amortised on the basis of an estimated useful lifetime of ten years;
- software was amortised on the basis of an estimated useful life of five years;
- "Goodwill" was amortised on the basis of an estimated useful life of five years, with the exception of the goodwill relating to the American company, which was amortised on the basis of an estimated useful lifetime of ten years; More specifically, the decision to amortise the American company for a period exceeding five years was based on the longer expected period of usefulness of the same, given the spe-

cific market;

- "Other intangible fixed assets" were amortised as follows:

- for the costs incurred for the "limited recourse financing project" transaction, based on the duration of the transaction;
- for the costs incurred for the acquisition of loans, based on the duration of the relative agreements;
- for the costs incurred for improvements of third-party assets, the lesser of the period of use of the asset – estimated from on each occasion – and the residual period of the contract under which the assets are held;
- for the costs incurred for the acquisition of perpetual lease rights, based on the duration of the contract.

Recoverability of recognised values, write-downs and revaluations

The value recognised for intangible fixed assets does not exceed the amount recoverable through future revenues. No impairment losses were recorded so as to justify any write-down. Moreover, no discretionary

or voluntary revaluations have been carried out and those made pursuant to specific legislation did not exceed the value-in-use of the fixed asset concerned, determined on an objective basis.

The intangible fixed asset items that are still recognised in the financial statements - subject to monetary revaluations - and the corresponding amounts are listed below:

Description	Law applied	Amount of revaluations
Franchise, licenses and trademarks	Law no. 350/2003	35.000
Franchise, licenses and trademarks	Law no. 266/2005	30.651
TOTAL		65.651

Specifically, this relates to the Regina® brand, which was revalued in 2003 and 2005 by "Soffass S.p.a.".

Financial charges capitalised under intangible fixed assets

In the current and past years, no significant financial charges were booked to items under intangible fixed assets.

Significant commitments undertaken for the acquisition of intangible fixed assets

No significant commitments were undertaken towards suppliers for the acquisition of intangible fixed assets, with the exception of that indicated in memorandum accounts.

Note 2

TANGIBLE FIXED ASSETS

Breakdown and changes during the year

These show the following changes compared to the previous year:

Description	31/12/2012	31/12/2013	Change
Land and buildings	343.053	348.145	5.093
Plant and equipment	596.609	581.200	(15.409)
Fixtures and fittings, tools and other equipment	2.930	3.428	498
Other assets	15.409	13.003	(2.406)
Work in progress and advance payments	10.504	39.502	28.998
TOTAL	968.505	985.278	16.773

More specifically:

Description	Land and buildings	Plant and equipment	Fixtures and fittings, tools and other equipment	Other assets	Work in progress and advance payments	TOTAL
Historical cost	516.240	1.103.671	11.620	43.313	10.504	1.685.348
Increases (purchases)	28.473	39.051	1.295	3.358	42.489	114.666
Decreases (sales)	(12)	(9.585)	(84)	(3.407)	-	(13.088)
Change in scope of consolidation (income)	-	32.901	-	250	-	33.151
Exchange-rate difference	(4.109)	(7.378)	(22)	(200)	(308)	(12.017)
Reclassifications	2.832	7.576	274	1.242	(11.924)	-
Other changes	6.167	(467)	(1)	(133)	(1.259)	4.307
Total historical cost	549.591	1.165.769	13.082	44.423	39.502	1.812.367
Accumulated depreciation	(173.187)	(507.062)	(8.690)	(27.904)	-	(716.843)
Decreases (sales)	-	6.769	14	1.589	-	8.372
Change in scope of consolidation (income)	-	(20.894)	-	(230)	-	(21.124)
Exchange-rate difference	861	1.692	23	112	-	2.688
Reclassifications	-	-	-	-	-	-
Depreciation	(22.712)	(66.583)	(1.055)	(5.272)	-	(95.622)
Other changes	(6.408)	1.509	54	285	-	(4.560)
Total accumulated depreciation	(201.446)	(584.569)	(9.654)	(31.420)	-	(827.089)
Final balance	348.145	581.200	3.428	13.003	39.502	985.278

Fixed assets are owned as follows:

Description	Land and buildings	Plant and equipment	Fixtures and fittings, tools and other equipment	Other assets	Work in progress and advance payments	TOTAL
Delicarta S.p.A.	42.673	66.584	319	1.838	6.832	118.246
Sofidel U.K. L.t.d.	27.743	86.057	114	1.125	405	115.444
Delipapier S.a.s.	35.000	63.377	211	1.326	14.496	114.410
Intertissue L.t.d.	32.815	60.804	94	923	868	95.504
Delipapier G.m.b.H.	31.053	56.527	16	627	5.832	94.055
Sofidel America Corp.	18.672	44.015	0	834	7.159	70.680
Soffass S.p.a.	19.978	37.068	129	806	1.142	59.123
Sofidel S.p.a.	51.151	14	325	2.195	-	53.685
Comceh S.a.	25.941	24.592	-	767	1.213	52.513
Other minor amounts	63.119	142.162	2.220	2.562	1.555	211.618
TOTAL	348.145	581.200	3.428	13.003	39.502	985.278

More specifically:

- land and buildings include the industrial building complexes owned by the companies of the Group;
- plant and equipment include general and specific plant, the latter comprised of lines for the production of tissue paper reels and lines for the transformation into finished products;
- fixtures and fittings, tools and other equipment

- are primarily comprised of miscellaneous equipment in support of production plants;
- other assets mainly include electronic equipment, motor vehicles and internal means of transport, fixtures and furnishings, which are mainly located at the Group companies that carry out production and/or transformation activities;
- work in progress and advance payments

mainly refer to investments in progress. With regard to assets resulting from the American acquisition, the amounts recognised were affected by the premium paid with respect to the net equity of the company acquired. Assets are recognised at the higher value resulting from an estimate made by an independent assessor engaged for this specific purpose.

The main increases concerned the following companies:

Description	Land and buildings	Plant and equipment	Fixtures and fittings, tools and other equipment	Other assets	Work in progress and advance payments	TOTAL
Sofidel America Corp.	19.346	1.599	-	-	9.159	30.104
Delipapier S.a.s.	359	4.589	50	499	12.784	18.281
Intertissue L.t.d.	261	10.913	41	247	1.568	13.030
Sofidel U.K. L.t.d.	598	9.934	92	202	749	11.575
Delicarta S.p.a.	536	1.860	88	407	6.614	9.505
Sofidel S.p.a.	6.602	-	61	919	-	7.582
Other minor amounts	771	10.156	963	1.084	11.615	24.589
TOTAL	28.473	39.051	1.295	3.358	42.489	114.666

Depreciation

Depreciation was allocated using rates representing the useful life of the assets, determined for classes of similar assets and

on the basis of their economic/technical duration, except when a direct estimate was made of the residual useful life of the spe-

cific asset on the basis of a specific appraisal, according to criteria that are unchanged from the previous year.

Description	Rate
Industrial building complexes	5,5%
General plant and equipment	9%
Specific plant and equipment for transformation processes	residual useful life
Specific plant and equipment for paper mills	residual useful life
Sundry industrial equipment	25%
Motor vehicles and means of transport	20%
Cars	25%
Electronic machines	20%
Fixtures and furnishings	12%
Fixed hydraulic systems (hydropower plant)	1%
Pipeline network (hydropower plant)	4%
Machinery (hydropower plant)	7%
Distribution network (hydropower plant)	8%

Depreciation was calculated at constant annual rates, starting from the time when the individual assets became usable and operational; with regard to the investments that were completed and became available

for use during the year, depreciation was equal to 50% of the normal rates and generally reflected the actual use of the assets. Investments which were not completed during the course of the year were not depre-

ciated; the goods sold during the course of the year were not depreciated, not even on a pro-quota basis.

Recoverability of recognised values, write-downs and revaluations

The value of the tangible fixed assets recognised in the financial statements does not exceed the value recoverable through the future use of each single asset. No impair-

ment losses were recorded so as to justify any write-down.

Revaluations were carried out in the past and did not exceed the value-in-use of the

fixed asset concerned, determined on an objective basis.

To this end, the following information is supplied:

Monetary revaluations			
Asset	Company	Law 342/2000	Law 350/2003
Plant and equipment	Soffass S.p.a.	-	13.000
Plant and equipment	Delicarta S.p.a.	-	2.000
Plant and equipment	Fibrocellulosa S.p.a.	1.805	-
TOTAL		1.805	15.000

Voluntary revaluations		
Asset	Company	Original revaluation
Land	Delicarta S.p.a.	314
Buildings	Delicarta S.p.a.	405
TOTAL		719

The restated value of the fixed assets following extraordinary events is consistent with the value resulting from the appraisal made by independent experts in 2001 and 2011.

This value is also consistent with the value resulting from the appraisal prepared in 2011 on the owned lands and buildings. Moreover, no deferred taxes were calculated on the difference between the account-

ing value and the tax value of these fixed assets, pursuant to the Italian accounting standard no. 25, since – based on current corporate plans – there is little likelihood that this debt will arise.

Financial charges allocated to tangible fixed assets

No significant financial charges were allocated to tangible fixed asset items during the current and past financial years.

Liens on fixed assets

In addition to real-estate mortgages – which are detailed in the section on payables – fixed assets are subject to the following liens:

Company	Type of lien	Description	Lien value	Use	Maturity date
Delicarta S.p.a.	Retention of title	Plant and equipment	2.358	1.401	31/12/2015
Delicarta S.p.a.	Retention of title	Plant and equipment	2.248	1.835	31/08/2016
Delicarta S.p.a.	Retention of title	Plant and equipment	219	179	31/08/2016
Delicarta S.p.a.	Retention of title	Land and buildings	2.486	2.029	30/09/2016
Delipapier S.a.S.	Retention of title	Plant and equipment	660	539	30/11/2016
Delipapier S.a.S.	Retention of title	Plant and equipment	310	310	30/11/2016
Comceh S.a.	Lien	Plant and equipment	1.650	854	30/11/2016
Delicarta S.p.a.	Retention of title	Plant and equipment	679	620	30/04/2017
TOTAL			10.610	7.767	

Significant commitments undertaken for the acquisition of tangible fixed assets

No significant commitments were undertaken towards suppliers for the acquisition of tangible fixed assets.

Grants

The following grants related to assets were obtained during the course of the year for new investments:

Company	Amount
Comceh S.a.	569.556
Delipapier G.m.b.H.	256.031
TOTAL	825.587

Note 3**INVESTMENTS** (of financial fixed assets)**Breakdown and changes during the year**

These show the following changes compared to the previous year:

Investments

Description	31/12/2012	Increase	Decrease	31/12/2013
Other companies	1.000	114	-	1.114
TOTAL	1.000	114	-	1.114

Equity investments in “other companies” refer to the investments in consortia/local companies. However, disclosure is not significant for the purpose of this document.

Write-downs and revaluations of equity investments

No impairment losses were recorded so as to justify any write-down and no revaluations have ever been made.

Changes in the allocation of equity investments

No allocation changes were made with regard to any equity investment.

Restrictions to the availability of equity investments

There are no restrictions to the availability of any equity investment by the stakeholding company, nor any option right or privilege in favour of third parties.

Note 4**RECEIVABLES** (of financial fixed assets)**Breakdown and changes during the year**

These show the following changes compared to the previous year:

Receivables

Description	31/12/2012	Increase	Decrease	31/12/2013
Other	322	93	-	415
TOTAL	322	93	-	415

These include guarantee deposits paid by the various companies for open-ended contracts, such as those for utilities and similar contracts.

Breakdown of receivables by geographical area

The breakdown of receivables by geographical area is not significant.

Financial fixed assets booked at a value higher than their fair value

There are no financial fixed assets recorded at a value higher than their fair value.

Note 5

INVENTORIES

Breakdown and changes during the year

These show the following changes compared to the previous year:

Description	31/12/2012	31/12/2013	Change
Raw materials and consumables	131.074	142.017	10.942
Finished goods and goods for resale	106.457	141.523	35.066
Advances	1.221	2.394	1.173
TOTAL	238.752	285.934	47.182

As these are replaceable goods, the purchase cost of raw materials, consumables and maintenance materials and the production cost for finished products have been determined according to the "Weighted Average Cost" formula, except for consignments of cellulose that were still en route at year-end, as well as cloths and felts, for which the specific costs were applied. These changes relative to the previous year were due to the other changes in working capital policies. The measurement criteria adopted have remained unchanged from the previous year.

Provision for obsolete goods

For the purposes of adjustment of inventory values to the (lower) market value in certain companies, specific funds were allocated; the individual total amount is, however, not significant.

Comparison with current values at year-end

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

Financial charges allocated to inventories

No financial charges were allocated to inventories.

Note 6

RECEIVABLES (current receivables)

Breakdown and changes during the year

These show the following changes compared to the previous year:

Description	31/12/2012	31/12/2013	Change
Due from customers			
- due within 12 months	266.400	260.565	(5.835)
	266.400	260.565	(5.835)
Tax receivables			
- due within 12 months	8.265	11.277	3.011
	8.265	11.277	3.011
Prepaid taxes			
- due within 12 months	14.922	13.447	(1.475)
	14.922	13.447	(1.475)
Payables to others			
- due within 12 months	17.335	12.180	(5.155)
	17.335	12.180	(5.155)
TOTAL	306.922	297.468	(9.454)

The changes relating to the previous year were mainly due to the reduction in receivables due from customers and the receivables due from others, partly offset by the increase in tax receivables.

Receivables with a residual life of over five years

There are no receivables with a residual life of over five years.

Breakdown of receivables due from customers by geographical area

Description	Amount	%
England/Ireland	68.036	26,1%
France	37.141	14,3%
Italy	33.898	13,0%
Germany	33.679	12,9%
Poland	16.573	6,4%
USA	16.110	6,2%
Belgium/The Netherlands	11.494	4,4%
Spain	11.409	4,4%
Romania	7.339	2,8%
Greece	6.129	2,4%
Other EU countries	4.199	1,6%
Non-EU countries	4.151	1,6%
Switzerland/Austria	3.965	1,5%
Sweden	1.320	0,5%
Croatia	1.101	0,4%
Turkey	1.074	0,4%
Other minor amounts	2.947	1,1%
TOTAL	260.565	100,0%

Significant amounts of foreign currency receivables

There are no significant amounts of foreign currency receivables due to any consolidated company.

Breakdown and changes in single items

Receivables “due from customers” of 260,565 are generally covered by an insurance policy for an average of 85% of their amount. The

adjustment of the nominal value of receivables “due from customers” to their estimated realizable value was obtained through a bad debt

provision of EUR 3,737, which recorded the following changes during the financial year:

Description	Amount
Initial balance	(4.314)
Increases	(140)
Decreases	796
Change in the scope of consolidation	(93)
Exchange-rate difference	14
Final balance	(3.737)

With regard to the portion of trade receivables that is not covered by insurance, the bad debt provision was calculated, on a customer-by-customer basis, by taking

into account the age of each receivable and any useful data, including information obtained subsequent to year-end.

The breakdown and changes in “tax receivables” of EUR 11,277 compared to the previous financial year are as follows:

Description		31/12/2012	31/12/2013	Change
Revenue VAT account	<i>Turkey</i>	1.970	1.775	(195)
Revenue VAT account	<i>Sweden</i>	1.016	1.573	557
Revenue VAT account	<i>France</i>	912	1.071	159
Revenue VAT account	<i>Italy</i>	526	870	344
Revenue VAT account	<i>Germany</i>	393	454	61
Revenue VAT account	<i>Poland</i>	191	141	(50)
Revenue VAT account	<i>Belgium</i>	879	111	(768)
VAT guarantee deposits	<i>Italy</i>	579	244	(335)
Revenue credit for miscellaneous taxes	<i>France</i>	309	889	580
Revenue credit for miscellaneous taxes	<i>Italy</i>	206	589	383
Revenue credit for miscellaneous taxes	<i>Germany</i>	424	455	31
Revenue credit for miscellaneous taxes	<i>Sweden</i>	169	169	-
Other minor amounts			2.936	2.245
TOTAL		8.265	11.277	3.012

“Prepaid taxes” of EUR 13,447 refer to timing differences between the value of an

asset for statutory purposes and the value of the same asset for tax purposes, in ad-

dition to previous tax losses, which break down specifically as follows:

Description	Amount
Ibertissue S.l.u.	5.423
Delicarta S.p.a.	2.118
Soffass S.p.a.	3.717
Werra Papier Wernshausen G.m.b.H.	754
Delitissue Sp.z.o.o	291
Sofidel S.p.a.	548

Delipapier G.m.g.H.	13
Fibrocellulosa S.p.a.	148
THP Logistik G.m.b.H.	5
Sofidel America Corp.	429
TOTAL	13.447

The losses for which prepaid taxes were allocated result from circumstances that are well determined and identified, and are reasonably recoverable in accordance with the

provisions of fiscal regulations that are in effect in the countries of operation of the companies that generated them, as illustrated in the drafted multi-year economic plans.

The breakdown and changes in receivables "due from others" of EUR 12,180 compared with the previous financial year are as follows:

Description	31/12/2012	31/12/2013	Change
Other short-term loans receivable	1.946	2.776	830
Suppliers' advance account	6.277	2.409	(3.868)
Expenditure funds	243	270	27
Receivables for grants	168	179	11
Guarantee deposits	84	25	(59)
Insurance receivables	849	12	(837)
Other minor amounts	7.768	6.509	(1.259)
TOTAL	17.335	12.180	(5.155)

Other information

We also hereby state that:

- in general, the amounts shown are in line with the payment terms obtained;
- there are credit and debit items towards the same parties, which were entered se-

- parately under receivables and payables as they cannot be offset pursuant to the law, following specific agreements between the parties;
- no receivables are restricted in any

- way and none have been discounted, in compliance with the correct accounting standards;
- there are no transactions with a term reconveyance obligation.

Note 7

SHORT-TERM INVESTMENTS

Breakdown and changes during the year

These show the following changes compared to the previous year:

Description	31/12/2012	Increases	Decreases	31/12/2013
Other securities	-	450	-	450
TOTAL	-	450	-	450

Securities and equity investments included in current assets, held for a short period of time, were reported at the lower of the purchase

cost and the realisable value that can be inferred from the course of the market. The market to which reference was made to compare the

cost is the official market.

Note 8

CASH AND CASH EQUIVALENTS

Breakdown and changes during the year

These show the following changes compared to the previous year:

Description	31/12/2012	31/12/2013	Change
Bank and postal current accounts	38.920	42.070	3.150
Cheques	24	3	(20)
Cash and cash on hand	109	212	103
TOTAL	39.053	42.285	3.232

Credit balances of deposits and banks and postal current accounts include the cheques issued and the payment orders placed by year-end, as well as the amounts collected and

credited to accounts before the end of the year. They also include accrued interest income, net of the withholding tax applied by the bank, any interest expense and bank char-

ges, even if credited/charged after year end. The changes recorded with respect to the previous year were related to the other changes in current assets.

Note 9**ACCRUED INCOME AND PREPAID EXPENSES****Breakdown and changes during the year**

These show the following changes compared to the previous year:

Description	31/12/2012	31/12/2013	Change
Prepaid expenses	2.664	3.150	486
Accrued income	1.443	1.699	256
TOTAL	4.107	4.849	742

Accrued income and prepaid expenses were all calculated according to the “passing of time” principle, i.e. to the number of accrual days, since costs or revenues are all proportionate to the passing of time. At the date of the financial statements, there were no accruals and deferrals with a duration of over five years.

SHAREHOLDERS' EQUITY AND LIABILITIES**Note 10****SHAREHOLDERS' EQUITY****Breakdown and changes during the year**

These show the following changes compared to the previous year:

Description	Initial balance	Profit (loss) carried forward 2012	Profit (loss) for 2013	Amounts carried forward and consolidation adjustments	FINAL BALANCE
Share capital	(33.000)	-	-	-	(33.000)
Revaluation reserve ⁽¹⁾	(46.600)	-	-	-	(46.600)
Legal reserve	(6.600)	-	-	-	(6.600)
Other reserves	(345.938)	(49.634)	-	5.018	(390.554)
Profit (loss) for the year	(49.634)	49.634	(63.384)	-	(63.384)
Group Shareholders' equity	(481.771)	-	(63.384)	5.018	(540.138)
Capital and reserves attributable to minority interests	(6.115)	(388)	-	6.427	(76)
Profit (loss) for the year attributable to minority interests	(388)	388	2	-	2
Minority shareholders' equity	(6.503)	-	2	6.427	(74)
TOTAL SHAREHOLDERS' EQUITY	(488.274)	-	(63.382)	11.445	(540.212)

⁽¹⁾ Revaluation reserves have all been restated in a specific item

Breakdown of “Revaluation reserves”

The revaluation reserve of EUR 46,600 was generated by the Parent Company and within the subsidiaries on the basis of the revaluation reserves issued after the initial consolidation.

Breakdown of “Other reserves”

Description	31/12/2012	31/12/2013	Change
Extraordinary reserve	222.370	229.966	7.596
Retained earnings (losses)	124.492	169.950	45.458
Reg. subsidy Law 10/91 art. 111	936	936	-
Reserve for unrealised foreign exchange gains	485	478	(7)
Reg. subsidy Law no. 10/91 (46/89)	28	28	-
6% fund, pursuant to Art. 15 of Law no. 130/83	10	10	-
Reg. EEC subsidy 2088	4	4	-
Exchange-rate differences	(2.387)	(10.819)	(8.432)
TOTAL	345.938	390.554	44.615

Changes over the last two years

	Share capital	Revaluation reserve	Legal reserve	Other reserves	Profit (loss) for the year	Group shareholders' equity	Capital and reserves attributable to minority interests	Profit (loss) for the year attributable to minority interests	Minority shareholders' equity	Total shareholders' equity
Final balance for 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	-	-
Allocation of profit (loss) for the year	-	-	-	-	(49.634)	(49.634)	-	(388)	(388)	(50.022)
Other changes ⁽¹⁾	-	-	-	(4.362)	-	(4.362)	-	-	-	(4.362)
Final balance for 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	-	-
Allocation of profit (loss) for the year	-	-	-	-	(63.384)	(63.384)	-	2	2	(63.382)
Other changes ⁽¹⁾	-	-	-	5.018	-	5.018	6.427	-	6.427	11.445
Final balance for 2013	(33.000)	(46.600)	(6.600)	(390.554)	(63.384)	(540.137)	(76)	2	(74)	(540.212)

⁽¹⁾Other changes mainly regard changes in translation reserves and the purchase of equity interests in third party companies.

Reconciliation between the Shareholders' equity of the Parent Company and the consolidated shareholders' equity

Description	31/12/2012	31/12/2013	Change
Financial statements of the Parent Company	159.738	161.891	2.153
Contribution of subsidiaries	915.018	951.394	36.376
Write-down of equity investments	29.379	32.039	2.660
Elimination of tax provisions	18.675	21.840	3.165
Write-off adjustment for Werra	9.923	9.153	(770)
<i>Lease back</i>	(490)	(421)	69
Other pre-consolidation adjustments (harmonisation of accounting principles)	(1.399)	2.063	3.462
Adjustment to profits on intercompany stock	(1.410)	(1.638)	(228)
Effect of the reclassification of intraGroup sales	(7.970)	(7.197)	773
Effect of the recalculation of accumulated depreciation	(16.213)	(23.269)	(7.056)
Cancellations of equity investments	(623.480)	(605.717)	17.763
Total shareholders' equity of the Group	481.771	540.138	58.367
Share capital pertaining to minority interests	6.115	76	(6.039)
Profit attributable to minority interests	388	(2)	(390)
Total minority shareholders' equity	6.503	74	(6.428)
TOTAL GROUP AND MINORITY SHAREHOLDERS' EQUITY	488.274	540.212	51.938

Reconciliation between the profit (loss) of the Parent Company and the consolidated profit (loss)

Description	31/12/2012	31/12/2013	Change
Financial statements of the Parent Company	115	2.153	2.038
Contribution of subsidiaries	59.140	68.408	9.268
Revaluations/write-downs of equity investments	2.900	2.660	(240)
Other consolidation adjustments	369	(155)	(524)
Adjustment to profits on intercompany stock	173	(229)	(402)
<i>Lease back</i>	(109)	69	178
Elimination of tax provisions	(312)	3.166	3.478
Write-off adjustment for Werra	(1.309)	(1.725)	(416)
Cancellations of equity investments	(2.622)	(3.609)	(987)
Recalculation of amortisation/depreciation	(4.339)	(7.162)	(2.823)
Effect of the reclassification of intraGroup sales	(4.372)	(192)	4.180
Profit attributable to the Group	49.633	63.384	13.749
Profit attributable to minority interests	388	(2)	(390)
PROFIT (LOSS) FOR THE YEAR (Group and minority interests)	50.021	63.382	13.360

Breakdown of the items of the Parent Company shareholders' equity by possibility of use, distribution and utilisation in previous years

Description	Amount	Possibility of use ^(*)	Amount available ^(**)	Utilisation in the three previous financial years	
				To cover losses	For other reasons
Share capital	33.000	-	-		
Legal reserve	6.600	B	-	-	-
Revaluation reserve, Law no. 72/83	138	A, B	138	-	-
Revaluation reserve, Law no. 413/91	1.472	A, B	1.472	-	-
Extraordinary reserve	117.550	A, B, C	117.550	-	-
6% fund, pursuant to art. 15, Law no. 130/83	10	A, B, C	10	-	-
Provision for Law no. 526	-	A, B, C	-	-	-
Reg. subsidy Law no. 10/91 (46/89)	28	A, B, C	28	-	-
Reg. subsidy pursuant to Art. 111 of Law no. 10/91	936	A, B, C	936	-	-
Reg. EEC subsidy 2088	4	A, B, C	4	-	-
Reserve for rounding off to the nearest Euro	-	-	-	-	-
Profit (loss) for the period	2.153		2.153	-	-
Total	161.891		122.291		
Non-distributable portion					
Revaluation reserve, Law no. 72/83			138		
Revaluation reserve, Law no. 413/91			1.472		
RESIDUAL AMOUNT DISTRIBUTABLE			120.681	-	-

^(*)"A": for share capital increase. "B": to cover losses. "C": for distribution to shareholders. ^(**)The analysis of the distribution of reserves and profits are shown in a separate schedule

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

Description	Restrictions to distribution			Freely distributable
	Art. 2426, paragraph one, nos. 5 and 8 bis of the Italian Civil Code Art. 2433 of the Civil Code ^(*) Art. 2423, paragraph 5 of the Civil Code	Arts. 2430 and 2431 of the Italian Civil Code	Revaluation laws ^(*)	
Legal reserve	-	6.600	-	-
Revaluation reserve, Law no. 72/83	-	-	138	-
Revaluation reserve, Law no. 413/91	-	-	1.472	-
Extraordinary reserve	-	-	-	117.550
6% fund, pursuant to art. 15, Law no. 130/83	-	-	-	10
Provision for Law no. 526	-	-	-	-
Reg. subsidy Law no. 10/91 (46/89)	-	-	-	28
Reg. subsidy pursuant to Art. 111 of Law no. 10/91	-	-	-	936
Reg. EEC subsidy 2088	-	-	-	4
Reserve for rounding off to the nearest Euro	-	-	-	-
Profit (loss) for the period	-	-	-	2.153
TOTAL	-	6.600	1.610	120.681

^(*) Restrictions on certain reserves are only conventional, as they are generic and not specific.

Nature of shareholders' equity items of the Parent Company

Description	Profit reserves ^(*)	Capital reserves/ Shareholders' contributions ^(**)	Suspended reserves ^(***)	TOTAL
Share capital	17.807	14.099	1.093	33.000
Legal reserve	6.600	-	-	6.600
Revaluation reserve, Law no. 72/83	-	-	138	138
Revaluation reserve, Law no. 413/91	-	-	1.472	1.472
Extraordinary reserve	117.550	-	-	117.550
6% fund, pursuant to art. 15, Law no. 130/83	-	-	10	10
Provision for Law no. 526	-	-	-	-
Reg. subsidy Law no. 10/91 (46/89)	-	-	28	28
Reg. subsidy pursuant to Art. 111 of Law no. 10/91	-	-	936	936
Reg. EEC subsidy 2088	-	-	4	4
TOTAL	141.957	14.099	3.681	159.738

^(*) In the event of distribution, profit reserves participate in forming the taxable income of shareholders, but not that of the company, regardless of the period in which they originated. ^(**) In the event of distribution, capital reserves do not participate in forming the taxable income of the company or shareholders, regardless of the period in which they originated. ^(***) In the event of distribution, suspended reserves participate in forming the taxable income of the company and shareholders, regardless of the period when they originated.

Suspended reserves in the share capital are the following:

Reserves	Amount
Revaluation reserve, Law no. 72/83	679
Revaluation reserve, Law no. 413/91	380
Taxable reserve, Law no. 413/91	27
Reserve, Art. 18 of Law no. 675/77	4
Reserve, Art. 55 of Law no. 526/82	3
TOTAL	1.093

Profit reserves in the share capital are as follows:

Description	Amount
Extraordinary reserve	17.807
TOTAL	17.807

With regard to suspended reserves in both the shareholders' equity (as a separate reserve) and the share capital, no deferred

taxation has been calculated, pursuant to accounting standard no. 25, considering that a remote possibility exists that such

debt may arise.

Breakdown of the Parent Company's share capital

At year-end, the Parent Company's share capital amounting to EUR 33,000 is broken down as follows:

Shares	Number	Par value
Ordinary shares	6.600.000	EUR 5 each
Total	6.600.000	EUR 5 each

Note 11

PROVISIONS FOR RISKS AND CHARGES

Breakdown and changes during the year

These show the following changes compared to the previous year:

Description	Initial balance	Increases	Decreases	Exchange-rate difference	Other transactions	FINAL BALANCE
Pensions and similar obligations	1.037	245	(4)	(14)	74	1.338
Provisions for taxes, incl. deferred taxes	20.450	4.339	(5.789)	(263)	(1.959)	16.778
Other provisions	3.180	103	-	(5)	(1.469)	1.809
TOTAL	24.667	4.687	(5.793)	(282)	(3.354)	19.925

The provision for "pensions and similar obligations" mainly consists of the Directors' end-of-office severance indemnity allocated by the Italian companies of the Group.

The provision for "taxes, including deferred taxes" mainly consists of deferred taxes calculated on the differences between the value of a given asset and liability for statutory and tax purposes, as well as the differences arising from consolidation transactions.

The item "other provisions" is mostly comprised of allocations for litigation in progress and for the CO₂ quotas to be purchased in compliance with the emission trading regulation.

Note 12

EMPLOYEE SEVERANCE FUND

Breakdown and changes during the year

These show the following breakdown and changes compared to the previous year:

Description	Amount
Initial balance	13,638
Increases	(343)
Decreases	265
Other changes	324
FINAL BALANCE	(13,391)

Note 13

PAYABLES

Breakdown and changes during the year

These show the following changes compared to the previous year:

Description	31/12/2012	31/12/2013	Change
Bonds			
- due within 12 months	1.000	-	(1.000)
	1.000	-	(1.000)
Payables due to banks			
- due within 12 months	254.521	275.337	20.816
- due over 12 months	477.912	462.671	(15.241)
	732.432	738.008	5.576
Other loans			
- due within 12 months	8.363	-	(8.363)
	8.363	-	(8.363)
Advances			
- due within 12 months	61	100	38
	61	100	38
Trade payables			
- due within 12 months	249.188	285.841	36.653
- financial payables due within 12 months	3.824	5.596	1.772
- financial payables over 12 months	11.885	8.753	(3.131)
	264.897	300.191	35.293
Tax payables			
- due within 12 months	22.799	24.305	1.506
	22.799	24.305	1.506
Payables due to social security and national insurance institutions			
- due within 12 months	6.799	7.437	638
	6.799	7.437	638
Other payables			
- due within 12 months	24.350	24.115	(235)
- due over 12 months	41	41	-
	24.391	24.156	(235)
TOTAL	1.060.743	1.094.196	33.453

The change from the previous year is mainly due to the increase in payables to suppliers.

Breakdown of payables by due date

Description	Due within 12 months	Due over 12 months	Due over 5 years	TOTAL
Bonds	-	-	-	-
Payables due to banks	275.337	343.088	119.583	738.008
Other loans	-	-	-	-
Advances	100	-	-	100
Trade payables	291.437	8.753	-	300.191
Tax payables	24.305	-	-	24.305
Due to social security and national insurance institutions	7.437	-	-	7.437
Other payables	24.114	41	-	24.156
TOTAL	622.730	351.882	119.583	1.094.196

Breakdown of trade payables (due within 12 months) by geographical area

Description	Amount	%
Italy	71.381	25,0%
Switzerland/Austria	31.988	11,2%
Germany	29.851	10,4%
England/Ireland	24.525	8,6%
Sweden	24.065	8,4%
USA	20.781	7,3%
France	20.211	7,1%
Spain	20.076	7,0%
Belgium/The Netherlands	13.077	4,6%
Non-EU countries	11.484	4,0%
Other EU countries	6.038	2,1%
Portugal	3.834	1,3%
Poland	3.434	1,2%
Romania	2.592	0,9%
Turkey	1.504	0,5%
Greece	836	0,3%
Other minor amounts	163	-
TOTAL	285.841	100%

Significant amounts of payables in foreign currency

At year-end, there are no significant amounts of payables in foreign currency for each single consolidated company apart from the payables in American dollars of 86,088.

Breakdown and changes in single items

There was a bond loan issued by “Sofidel S.p.a” which fell due for payment during the year recorded under Payables for “obligations”.

Payables “due to banks” – equal to EUR 738,008, include short-term bank loans of EUR 179,919, with the remainder representing loans payable. Loans are entered in the balance sheet for a total amount of EUR

558,089, compared to an original issued amount of EUR 752,200. The repayments made during the year are equal to EUR 145,916. New loans were issued during the year for a total amount of EUR 131,169.

The amounts that will be reimbursed in the next five years break down as follows:

Description	Amount
2014	95.418
2015	92.020
2016	117.429
2017	77.125
2018	56.761
oltre	119.336
TOTAL	558.089

Interest rates mostly vary according to market spreads.

acquired by “Sofidel America Corp.” and paid off during the year.

“Trade payables”, amounting to EUR 300,191 (of which EUR 14,350 are financial payables), are stated net of trade discounts, rebates and returns agreed with the counterparty concerned.

EUR 8,363 recorded under “other loans” relates to the amount due to the previous shareholders of the American companies

“Advances”, amounting to EUR 100, refer to advances received for supplies not yet delivered or shipped at year-end.

The amount relating to financial payables regards the supply of equipment and refers to the following companies:

Description	Within 12 months	Beyond 12 months	TOTAL
Delicarta S.p.a.	1.871	4.192	6.063
Delipapier S.a.s.	510	1.853	2.364
Delitissue Sp.Z.o.o	2.154	-	2.154
Intertissue L.t.d.	818	1.560	2.377
Sofidel UK L.t.d.	243	1.149	1.392
TOTAL	5.596	8.753	14.350

The breakdown and changes relating to “tax payables” – totalling EUR 24,305 - compared to the previous financial year are as follows:

Description		31/12/2012	31/12/2013	Change
Income taxes	<i>Italy</i>	1.233	302	(931)
	<i>Abroad</i>	8.524	8.788	264
Irpef directors and employees	<i>Italy</i>	1.843	1.829	(14)
	<i>Abroad</i>	1.131	1.405	274
VAT payables	<i>Italy</i>	844	1.327	483
	<i>Abroad</i>	8.970	9.911	941
Other minor amounts	<i>Italy</i>	101	707	606
	<i>Abroad</i>	153	36	(117)
TOTAL		22.799	24.305	1.506

“Due to social security and national insurance institutions” of EUR 7,437 includes payables due to the same at year-end.

Payables “due to others” of EUR 24,156, mostly relate to amounts owed to employees, while the remainder relates to residual liabilities of negligible unit value.

Payables secured by collateral on Group assets

Payables secured by collateral on assets owned by Group companies, together with any related guarantee, can be summarised as follows:

Description	Residual principal	Original mortgage	Maturity date
Payables of "Delicarta S.p.a." secured by mortgage on own assets:			
	19.800	70.000	2017
Payables of "Papyrus Paper Mill S.A." secured by mortgage on own assets:			
	1.639	3.600	2017
	631	1.875	2017
	745	1.500	2017
Payables of "Delipapier G.m.b.H." secured by mortgage on own assets:			
	35.659	95.000	2017
Payables of "Delipapier S.a.s." secured by mortgage on own assets:			
	11.200	20.900	2019
Payables of "Ibertissue S.l.u." secured by mortgage on own assets:			
	8.880	20.500	2020
	3.700	6.875	2020
	2.220	4.125	2020
Payables of "Sofidel S.p.a." of EUR 100,000 secured by mortgage on assets of "Soffass S.p.a." and "Delicarta S.p.a.":			
	96.000	(Delicarta) 100.000	2023
		(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

With regard to the guarantees related to the "limited recourse project financing" transaction of "Delipapier G.m.b.H.", reference is made to specific comments in the first section of this document.

Other guarantees given by third parties in relation to Group payables

At year-end, there were no guarantees issued by third parties in relation to liabilities of Group companies.

Payables with term reconveyance obligation

There are no payables with a term reconveyance obligation.

Note 14**ACCRUED LIABILITIES AND DEFERRED (income)****Breakdown and changes during the year**

These show the following changes compared to the previous year:

Description	31/12/2012	31/12/2013	Change
<i>Accrued liabilities on:</i>	8.500	7.871	629
- interest expense	3.082	3.579	(497)
- 14th month salary	3.439	3.342	97
- forward contracts	18	83	(65)
- other minor amounts	1.962	867	1.095
<i>Deferred income on:</i>	51.403	55.938	(4.535)
- contributions due pursuant to provisions of law	51.403	55.639	(4.236)
- of which within 12 months	6.252	6.056	
- of which over 12 months	25.008	24.224	
- of which over 5 years	20.143	25.359	
- other minor amounts	-	298	(298)
TOTAL	59.903	63.808	3.905

Accrued liabilities and deferred income were calculated according to the "passing of time" principle, i.e. to the number of accrual days, since costs or revenues are all proportionate to the passing of time.

Notes on the memorandum accounts

Note 15

COMMITMENTS MADE BY THE COMPANY

Breakdown and changes during the year

These show the following changes compared to the previous year:

Description	31/12/2012	31/12/2013	Change
Commitments	51.416	-	(51.416)
TOTAL	51.416	-	(51.416)

More specifically, this regarded a commitment resulting from an agreement signed at the end of 2012 to acquire the transformation plant in Horwich, situated between Liverpool and Manchester, in the United Kingdom, for several brands of the consumer channel for the UK and the Republic of Ireland (*Thirst Pocket™*, *Kitten Soft™*,

Inverso™ and *Nouvelle Soft™*) and licences of use for consumer channel brands in Belgium, Holland and Luxembourg (*Lotus™* and *Lotus Moltone™*). The agreement in question that was subject to the approval of the European Antitrust Authority and to the fulfilment of other condition was validly finalised in the first few months of 2013.

On the date of the financial statements, the company had no other commitment, significant risk or third-party asset that requires reporting herein.

Notes on the income statement items

Note 16

VALUE OF PRODUCTION

Breakdown and changes during the year

These show the following changes compared to the previous year:

Description	31/12/2012	31/12/2013	Change
Revenues from sales and services	1.511.248	1.699.571	188.323
Change in product inventories	(21.368)	30.851	52.219
Own work capitalised	-	650	650
Other revenues and income	22.034	21.639	(395)
TOTAL	1.511.914	1.752.711	240.797

More specifically, the revenues can be broken down as follows by category of activity and geographical area:

Revenues by business segment

Description	31/12/2012	31/12/2013	Change
Sales of finished products in the consumer segment	1.174.234	1.278.927	104.693
Sales of finished products in the A.F.H. segment	149.442	248.456	99.014
Sales of tissue paper reels	179.245	159.626	(19.619)
Other	8.326	12.561	4.235
TOTAL	1.511.248	1.699.571	188.323

More specifically:

- sales of products for the consumer segment are divided into own-brand sales (mainly represented by Regina®, the English brands and Softis®) and sales of large-scale retail distribution brands;

- the sales of reels refer to cotton wool reels not used in the internal manufacturing process;
- sales of products for the Away From Home segment are also divided into own-brand sales and private brand sales;

- the item "other" refers to residual sales.

Revenues by geographical area

Description	%
England/Ireland	25,3%
Italy	19,8%
Germany	13,7%
France	12,0%
USA	9,0%
Poland	5,3%
Belgium/The Netherlands	3,0%
Spain	2,6%
Switzerland/Austria	2,4%
Romania	1,6%
Other minor amounts	5,30%
TOTAL	100,0%

Own work capitalised

The item "Own work capitalised" includes works performed internally on own fixed assets.

Other revenues and income

They include all those residual operating items commented above, and the costs of and changes from the previous year are as costs, which cannot be recorded in the accessory operations, whose breakdown follows:

Description	31/12/2012	31/12/2013	Change
Contributions on investment	6.056	6.252	196
Sales of electricity and gas and recoveries for interruptibility	7.041	5.618	(1.423)
Decreases in provisions in previous years	2.711	3.872	1.161
Sundry monetary revenues	1.883	1.873	(10)
Other contributions (office, work, etc.)	608	1.377	769
Gains	913	1.037	123
Rent income	734	667	(67)
Recovery of personnel expenses and advanced expenses	13	397	384
Sale of CO ₂ quotas	1.449	347	(1.102)
Insurance refunds	512	125	(387)
Revenues from suppliers	50	74	24
External and internal royalties	64	3	(61)
TOTAL	22.034	21.639	(395)

Note 17**COST OF PRODUCTION****Breakdown and changes during the year**

These show the following changes compared to the previous year:

Description	31/12/2012	31/12/2013	Change
Raw materials and goods for resale	606.725	766.231	159.507
Services	448.050	510.892	62.842
Use of third-party assets	22.074	26.181	4.107
Wages and salaries	146.358	161.585	15.227
Social security costs	42.005	44.788	2.783
Employee severance fund	3.453	3.171	(282)
Pensions and similar obligations	424	297	(127)
Other personnel costs	11.630	14.126	2.496
Amortisation of intangible fixed assets	11.054	18.716	7.662
Depreciation of tangible fixed assets	94.280	95.622	1.342
Write-down of current receivables	378	140	(238)
Change in raw material inventories	3.181	(18.587)	(21.769)
Provision for risks	613	239	(374)
Other provisions	238	250	12
Other operating expenses	20.444	22.683	2.239
TOTAL	1.410.907	1.646.634	235.427

More specifically:

Costs for raw materials, consumables and goods for resale

These include all costs incurred for the purchase of raw materials – mainly cellulose and cotton wool – used in the production cycle, as well as consumables also used in production.

Costs for services

These include the costs related to the acquisition of services for the ordinary corporate business. Such costs mainly include electricity, methane gas, maintenance, commissions, customer promotions, consultancy and transport.

Costs for use of third-party assets

This item includes the costs incurred for the use of third-party assets.

Personnel costs

This item includes total expenditure for employed personnel, including promotions by merit, upgrading, automatic cost-of-living increases, costs for holidays accrued and not taken and provisions imposed by law and pursuant to collective labour agreements. “Employee severance fund” includes – in addition to the amount set aside during the period – the amount accrued and paid out to employees hired and dismissed during the same period, as well as the amount paid to external retirement benefit plans. Employment by Group companies at year-end is analysed by category below and compared to the previous financial year:

Description*	31/12/2012	31/12/2013	Change
Managers	39	40	1
White collar workers	1.277	1.405	128
Blue collar workers	3.472	3.619	147
TOTAL	4.788	5.064	276

*The criteria used for personnel satisfaction reflect the standards required by Italian law with regards to the drafting of the Notes to the Financial Statements.

Average employment by Group companies during the year is analysed by category below and compared to the previous financial year:

Description*	31/12/2012	31/12/2013	Change
Managers	39	40	1
White collar workers	1.241	1.378	137
Blue collar workers	3.319	3.592	273
TOTAL	4.599	5.010	411

*The criteria used for personnel satisfaction reflect the standards required by Italian law with regards to the drafting of the Notes to the Financial Statements.

The employees of Italian Group companies have a national labour contract for the part per sector, while foreign subsidiaries use the collective labour agreements established by law or by other agreements in force in the countries concerned.

Amortisation, depreciation and write-downs

This item includes all amortisation/depreciation recorded in the year based on the methods described above, as well as the write-down of receivables included in the current assets.

Provisions for risks and other provisions

These are provisions for specific risks made by Group companies. Each single amount is of no significant value.

Other operating expenses

This item includes all other operating expenses that cannot be allocated to above-mentioned items, as well as costs for membership fees and expenses related to the business purpose.

Note 18**FINANCIAL INCOME AND CHARGES****Breakdown and changes during the year**

These show the following changes compared to the previous year:

Description	31/12/2012	31/12/2013	Change
Interest and other financial income	1.578	3.190	1.612
Interest and other financial charges	(26.104)	(24.982)	1.122
Foreign exchange gains (losses)	(1.501)	(908)	593
FINANCIAL BALANCE	(26.027)	(22.701)	3.326

More specifically, "interest and other financial income" breaks down as follows:

Description	31/12/2012	31/12/2013	Change
Income from forward contracts	437	2.063	1.625
Financial discounts received	781	731	(50)
Interest income from customers	6	203	197
Banking interest income	310	89	(221)
Positive swap spread	25	88	63
Other interest income	10	16	6
Other income	8	-	(8)
TOTAL	1.578	3.190	1.612

"Interest and other financial charges" breaks down as follows:

Description	31/12/2012	31/12/2013	Change
Loan interest payable	17.335	13.950	(3.385)
Discounts granted	1.481	4.670	3.190
Banking interest expense	5.182	3.492	(1.690)
Charges on forward contracts	839	1.437	598
Negative swap spread	805	720	(85)
Other payable interest	218	609	391
Leasing interest expense	130	50	(80)
Bond issue interest expense	94	34	(60)
Interest expense to suppliers	10	10	(0)
Allowances and rounding off	9	9	(1)
TOTAL	26.104	24.982	(1.122)

"Foreign exchange gains and losses" break down as follows:

Description	31/12/2012	31/12/2013	Change
Realised foreign exchange gains	21.696	23.883	2.187
Unrealised foreign exchange gains	2.429	1.714	(716)
Unrealised foreign exchange losses	(4.254)	(2.918)	1.335
Realised foreign exchange losses	(21.373)	(23.586)	(2.213)
TOTAL	(1.501)	(908)	593

Note 19

EXTRAORDINARY INCOME AND CHARGES

Breakdown and changes during the year

These show the following changes compared to the previous year:

Description	31/12/2012	31/12/2013	Change
- Miscellaneous	5.550	7.757	2.208
Total income	5.550	7.757	2.208
- Miscellaneous	8.814	4.275	(4.539)
Total expenses	8.814	4.275	(4.539)
TOTAL	(3.264)	3.483	6.747

Note 20

INCOME TAXES FOR THE YEAR (CURRENT, DEFERRED AND PREPAID)

Breakdown and changes during the year

These show the following changes compared to the previous year:

Description	31/12/2012	31/12/2013	Change
Current taxes	29.431	25.290	(4.141)
Deferred and prepaid taxes	(7.736)	(1.512)	6.224
TOTAL	21.695	23.777	2.083

Prepaid and deferred taxation

The balance of deferred taxation (prepaid and deferred taxes) breaks down as follows:

Statutory aggregate	Assets adjustment	Intercompany stocks	Write-off taxes	German deferred taxes	Lease-back	Miscellaneous adjustments	Total as at 31/12/2013
3.066	(3.777)	(65)	(631)	1.011	32	(1.148)	(1.512)

Other information**FINANCIAL POSITION OF THE GROUP**

The following table shows the net financial position at year-end, as stated in the report to the consolidated financial statements.

Description	31/12/2012	31/12/2013	Change
Cash and cheques	133	215	82
Cash equivalents (bank and postal current accounts)	38.920	42.070	3.150
A. Liquid assets	39.053	42.285	3.232
B. Contributions and other current financial transactions	1.986	3.247	1.261
Current bank payables (current account loans)	(159.044)	(179.919)	20.874
Portion of loans due within 12 months	(95.477)	(95.418)	(58)
Bonds maturing within 12 months	(1.000)	-	(1.000)
Current payables due to equipment suppliers and others	(12.188)	(5.596)	(6.592)
C. Gross current borrowings	(267.709)	(280.933)	13.224
D. Net current borrowings (A+B+C)	(226.670)	(235.401)	(8.731)
E. Non-current loans	284	394	110
Loans due over 12 months	(477.912)	(462.671)	(15.241)
Non-current payables due to equipment suppliers and others	(11.926)	(8.794)	(3.132)
F. Gross non-current borrowings	(489.837)	(471.465)	(18.373)
G. Net non-current borrowings (E+F)	(489.553)	(471.071)	18.482
H. Total net borrowings (or net financial position) (D+G)	(716.223)	(706.472)	9.751

If the "net financial position" is negative, financial payables are higher than liquid assets and loans.

The following table contains a list of consolidated balance sheet items that are part of the net financial position.

Description	2012	2013
Assets B) III 2) d), within 12 months (financial fixed assets, receivables, due from others)	38	21
Assets B) III 2) d), over 12 months (financial fixed assets, receivables, due from others)	284	394
Assets C) II 5) (current assets, receivables, due from others, part relating to contributions to be received)	1.948	2.774
Assets C) III 6) (current assets, short-term investments, other securities)	-	450
Assets C) IV 1) (current assets, cash and cash equivalents, banks and postal current accounts)	38.920	42.070
Assets C) IV 2) 3) (current assets, cash and cash equivalents, cheques, cash on hand)	133	215
Liabilities D) 1), within 12 months (payables, bonds)	(1.000)	-
Liabilities D) 4), within 12 months (payables, due to banks)	(254.521)	(275.337)
Liabilities D) 4), over 12 months (payables, due to banks)	(477.912)	(462.671)
Liabilities D) 5) within 12 months (payables, other loans)	(8.363)	-
Liabilities D) 7) within 12 months (payables, trade payables, part relating to loans)	(3.824)	(5.596)
Liabilities D) 7) over 12 months (payables, trade payables, part relating to loans)	(11.885)	(8.751)
Liabilities D) 14) over 12 months (payables, other payables)	(41)	(41)
TOTAL	(716.223)	(706.472)

The consolidated cash flow statement is provided below.

Description (Amounts expressed in thousands of EUR)	2012	2013
Profit (loss) for the year (Group and minority interests)	50.021	63.382
Amortisation/depreciation:		
- amortisation of intangible assets	11.054	18.716
- depreciation of tangible assets	94.280	95.622
Provisions:		
- for risks and charges	1.230	629
Other non-monetary items	(3.625)	(4.908)
Capital gains on transfers and grants ^(a)	(6.056)	(6.252)
Sub-total	146.904	167.189
Change in provisions	(10.496)	(569)
Change in current receivables	12.620	5.693
Change in inventories	4.152	(47.182)
Change in other liabilities/assets	3.548	5.495
Change in trade payables ^(b)	(4.693)	36.653

Description (Amounts expressed in thousands of EUR)	2012	2013
A. Cash flow generated from (absorbed by) operating activities	152.035	167.279
Investments in intangible assets net of disinvestments	(2.669)	(36.814)
Investments in tangible assets net of disinvestments	(33.543)	(109.950)
Purchase (transfer) of other financial fixed assets	(176)	(186)
Grants received during the year ^(c)	2.259	826
Change in the scope of consolidation and other transactions	(98.876)	-
B. Cash flow generated from (absorbed by) investing activities	(133.006)	(146.124)
(Increase) decrease in loans and other securities	5.662	(1.370)
Bank loans	68.436	131.169
Loan repayment	(88.091)	(145.916)
Change in loans payable to equipment suppliers and others	6.034	(9.725)
Change in bonds	(1.250)	(1.000)
Other changes	-	(553)
C. Cash flow generated from (absorbed by) financing activities	(9.209)	(27.394)
D. Other changes and exchange-rate differences	(4.475)	(11.403)
Change in net cash and cash equivalents for the period (A+B+C+D) ^(d)	5.345	(17.642)
Net cash and cash equivalents at the beginning of the year	(125.336)	(119.991)
Net cash and cash equivalents at the end of the year	(119.991)	(137.633)

^(a) The item "subsidiaries" refers to the portion of contributions obtained by the various companies and booked to the income statement under the item A5 "other revenues". ^(b) Net of financial payables. ^(c) Contributions collected by the different companies of the Group during the year. ^(d) "Net cash and cash equivalents" includes cash, bank and postal accounts, cheques and loan accounts, used as current account overdrafts. The item does not include short-term and highly liquid investments, which can be readily converted into cash and are subject to an insignificant risk of changes in value.

FORWARD CONTRACTS AND DERIVATIVES

Forward contracts

With regard to exchange risk hedging, the Group companies enter into forward contracts in the respective currencies. To this end, the following information is provided:

Domestic currency	Buy/sell	Foreign currency	Aggregate amount foreign currency	Forward amount in domestic currency	Forward amount in domestic currency (ECB exchange rate at 31/12/2013)	Mark to market Profit/(loss) in thousands of EUR
EUR	F.sell	RON	47.000	10.534	10.571	37
EUR	F.sell	USD	32.950	24.109	24.324	213
EUR	F.buy	SEK	6.650	741	750	10
EUR	F.buy	PLN	5.560	1.314	1.336	22
EUR	F.sell	PLN	1.260	303	304	1
EUR	F.buy	GBP	325	387	390	3
GBP	F.sell	USD	39.000	23.839	24.098	310
GBP	F.sell	EUR	6.762	5.644	5.650	7
						603

Domestic currency	Buy/sell	Foreign currency	Aggregate amount foreign currency	Forward amount in domestic currency	Forward amount in domestic currency (ECB exchange rate at 31/12/2013)	Mark to market Profit/(loss) in thousands of EUR
EUR	F.buy	USD	130.465	95.491	94.587	(904)
EUR	F.sell	SEK	7.300	816	808	(8)
EUR	F.sell	PLN	5.200	1.235	1.220	(14)
EUR	F.sell	GBP	1.640	1.961	1.957	(5)
GBP	F.buy	EUR	7.601	6.430	6.341	(105)
GBP	F.buy	USD	680	415	411	(4)
PLN	F.buy	EUR	150	629	624	(1)
RON	F.sell	EUR	800	3.587	3.583	(1)
						(1.042)

Derivative contracts

Interest rate swap transactions carried out by Group companies for micro-hedge purposes have a total notional value of EUR 25,980, with mark to market profits of EUR 179 and losses of EUR 156.

TRANSACTIONS WITH RELATED PARTIES

The Group did not carry out transactions with related parties under abnormal market conditions, as defined by the IAS (international accounting standard) 24.

AGREEMENTS NOT CONTAINED IN THE CONSOLIDATED BALANCE SHEET

The Group does not have significant agreements in place that are not contained in the consolidated Balance Sheet.

REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDITORS

Pursuant to art. 38, letter o) of Legislative Decree no. 127 of 9 April 1991, the remuneration of the Parent Company's directors and statutory auditors—as well as to the auditing company - is analysed below and includes the amounts earned for the performance of such duties even in other consolidated companies:

Beneficiaries	Type of remuneration	At the Parent Company	Within other Group companies	TOTAL
Directors	Remuneration	717	1.088	1.805
Directors	Provision for end-of-service allowance	102	149	250
Board of Statutory Auditors	Remuneration	29	36	65
Auditing company	Remuneration	102	675	777
Auditing company	Other Services	931	78	1.009
TOTAL		1.881	2.026	3.906

The auditing company – in addition to the remuneration for auditing the accounts of the Parent Company and of other companies – received a fee of EUR 1.008 for fact-finding enquiries, accounts enquiries and other minor services.

POTENTIAL LIABILITIES

A legal dispute is currently underway with the financial administration relative to the "Delfinet B.V." subsidiary, a company that was previously liquidated and closed in 2008. After winning at the provincial stage of proceedings and losing at the regional stage, an appeal has been presented before the Supreme Court, for which the lawyer entrusted with the task stated the existence of good chances of victory and, for this reason, no provision was made. Certain Group companies were also

subject to tax inspections during the year as part of standard inspection activities by various Italian Authorities. Some of them closed with reports on findings, but timely, reasoned submissions were made against said reports. Due to the conviction that all operations carried out were valid and lawful, no provisions were made for these findings. With respect to the findings related to inter-Group pricing, the decision was made to file a Mutual Agreement Procedure (M.A.P.)

submission pursuant to the Arbitration Agreement of 23 July 1990 in order to eliminate any hypothesis of double taxation in the Group. There are no risks for losses or liabilities whose existence is only possible but not probable but which in any case cannot be estimated objectively, not indicated in the financial statement accounts and which need to be disclosed herein.

EXCHANGE RATE TRENDS AFTER THE END OF THE FINANCIAL YEAR

In accordance with article 2427, Paragraph 1, no. 6 of the Italian Civil Code, the trend

of the exchange rates, mainly EUR/USD, did not entail any significant effect on the

financial statement values to be mentioned herein.

These consolidated financial statements – which include the balance sheet, the income statement and the relative notes –

give a true and fair view of the economic and financial position and the results of operations for the year of "Sofidel S.p.a."

and its subsidiaries.

Thank you for the confidence you have placed in us.
Porcari, 31 January 2014

On behalf of Board of Directors
The Chief Executive Officer



Mr. Luigi Lazzareschi

3. STATUTORY AUDITORS' REPORT

Sofidel SpA

Registered office in Via di Lucia no. 23 - 55016 - Porcari (Lucca) - Italy
 Share capital EUR 33,000,000.00 fully paid-up
 Tax code and registration number at the Register of Companies of Lucca no. 01256000462
 Administrative and economic directory of Lucca (REA) no. 128332

"Sofidel Group" holding company

BOARD OF STATUTORY AUDITORS' REPORT

Dear Shareholders,

in our capacity as members of the Board of Statutory Auditors of "Sofidel S.p.a.", we inform you that we have carried out, in accordance with the duties we were tasked to perform and for the financial year ended 31 December 2013, the control function over the management of the company, whilst the legal auditing of accounts was entrusted to the auditing company "Ernst & Young S.p.a." of Florence.

We hereby report to you the work we have performed in relation to the consolidated financial statements.

The financial and economic results of the consolidated financial statements as at 31 December 2013 are, in summary form, the following:

Balance Sheet		
<small>(amounts in thousands of EUR)</small>		
Assets	EUR	1,727,627
Liabilities	EUR	1,187,415
- Total shareholders' equity (of the Group and minority interest)	EUR	540,212
Accounts, commitments, risks and other memorandum accounts		
<small>(amounts in thousands of EUR)</small>		
	EUR	-
Income statement		
<small>(amounts in thousands of EUR)</small>		
A) Value of production (non-financial revenues)	EUR	1,752,711
B) Cost of production (non-financial costs)	EUR	(1,646,334)
Difference	EUR	106,377
C) Financial income and charges	EUR	(22,701)
D) Value adjustments to financial assets	EUR	-
E) Extraordinary income and charges	EUR	3,483
Profit (loss) before tax	EUR	87,159
Income taxes	EUR	(23,777)
Profit (loss) for the year (of the Group and minority interests)	EUR	63,382

During the year, we monitored observance of the law and of the Articles of Association and compliance with the principles of proper administration.

Our work was performed in full collaboration with the company's bodies and with its department managers as well as with the auditing company entrusted with legally auditing the accounts.

With specific reference to the consolidated financial statements, we hereby inform you that we have monitored the general structure created for these statements by the administrative body as well as its compliance with the law in relation to its preparation and structure; for this purpose, we hereby note that:

- the scope of consolidation was correctly determined;
- the general criteria, principles and method of consolidation that were applied for the preparation of the consolidated financial statements are in compliance with the law;
- the accounting standards and the valuation criteria adopted for the preparation of the consolidated financial statements are the same used for the Parent Company and the Italian companies of the Group. These principles and criteria respect the rules which were provided for in Legislative Decree no. 127 of 9 April 1991, as interpreted and supplemented by national accounting principles, and do not differ from those applied in drafting the consolidated financial statements of the previous year, in compliance with Article 29, paragraph 5, of Legislative Decree no. 127 of 9 April 1991;
- the layouts of the balance sheet and income statement are those which have been already adopted by the Parent Company and Italian companies of the group - with the addition of reporting on the share capital, reserves, and net income of third parties - since they are considered the most suitable to meet the requirements for a clear, true and fair representation of the economic and financial position of the consolidated companies, as required by Article 32, of Legislative Decree no. 127 of 9 April 1991;
- no exceptional events took place requiring derogation pursuant to Article 29, paragraph 4, of Legislative Decree no. 127 of 9 April 1991;
- the notes to the financial statements contain the detailed information required by Articles 38 and 39 of Legislative Decree no. 127 of 9 April 1991 as well as the supplementary information required by the above-mentioned accounting principles;
- the management report contains the information required by Article 40 of Legislative Decree no. 127 of 9 April 1991 and is consistent with the other data contained within the consolidated financial statements.

The auditing company entrusted with the legal auditing of accounts - and with which the Board of Statutory Auditors has been in contact - confirmed the regularity and consistency of the balance sheet and income statement data derived from consolidation with the accounting data of the Parent Company and with the information communicated from the subsidiaries included within the scope of consolidation itself.

The consolidated financial statements, including the management report and as prepared by the administrative body, were therefore in compliance with the regulations pursuant to Legislative Decree no. 127 of 9 April 1991 - which was issued in implementation of the 7th EEC Directive on consolidated financial statements - and reflect the financial situation and economic result of the overall Group coordinated by your company in a clear, true and fair manner.

Lastly, we would like to conclude by giving thanks for the trust placed in us and the active and constant collaboration we have received.

~*~

Porcari, 24 February 2014

The Statutory Auditors:

Mr. Ugo Fava _____

Mr. Giulio Grossi _____

Mr. Silvio Bianchi Martini _____

*Authorisation for collection of the virtual revenue stamp no. 9449 of 11/06/1990 and no. 0046 of 21/05/2001 - Regional Department of the Inland Revenue - Inland section of Lucca

The party that signs the document by means of a digital signature hereby declares that this electronic document complies with the document reported and signed in the corporate books. Personal sworn statement, provided pursuant to Art. 21, paragraph 1, Art. 30, paragraph 1, Art. 47, paragraph 1 and Art. 76 of Italian Presidential Decree no. 445/2000 and subsequent amendments and supplements.

4. AUDITORS' REPORT



**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 the Sofidel Group as of 31 December 2013 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 22, 2013.

3. In our opinion, the consolidated financial statements of the Sofidel Group at 31 December 2013 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 the Sofidel Group for the year then ended.
4. The Directors of Sofidel S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Report on Operations 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 Report on Operations is consistent with the consolidated financial statements of the Sofidel Group at 31 December 2013.

Florence, 20 February 2014

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.

Reconta Ernst & Young S.p.A.
Via di Pisa, 100 - 50139 Firenze
Tel. +39 055 23881
www.recontaey.com



6. FUTURE OBJECTIVES

1. Strategic objectives	99
2. Performance improvement targets	99



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1. STRATEGIC OBJECTIVES

1.1 Short, medium and long-term objectives

The macro-sustainability objectives are closely linked to the Group's strategic objectives and reflect the decisions taken by senior management. These macro-objectives are subsequently communicated to the company's different operational areas and are the basis from which each Corporate Management team must establish its own improvement objectives and identify priority areas of action envisaged for future years.

2. PERFORMANCE IMPROVEMENT TARGETS

		WHAT WILL BE DONE
ENVIRONMENT	Climate and Energy	The Group is committed to reduce specific CO ₂ emissions, Scope 1 and 2, of 26% from the base year 2007, by 2020
		Increase of the percentage of biomass up to 8% of total consumption of fuel, by the end of 2016
		Increase of the percentage of energy self-produced through cogeneration up to 35% of total needs by the end of 2016
	Water	Reduce water consumption up to 12% of the specific consumptions of the year 2012, by the end of 2016
		Endowment of a biological plant of treatment of waste water (internal or external) for all paper mills of Sofidel Group, by the end of 2016
	Forestry Raw materials	Maintaining the amount of certified/controlled* cellulose above the threshold of 95% of the total annual purchases of the Group. No purchase from forestry with controversial** forestry
Management of environmental issues	The Group expects to obtain ISO 14001 certification for all paper mills/integrated plants of the Group, by the end of 2016	
ORGANIZATIONAL WELFARE		Analysis of data from the new survey questionnaire about organizational welfare
CORPORATE COMMUNICATION		Continue the awareness activity on sustainability issues with the institutional marketing campaign focused on the principle "less is more"
		Consolidation of institutional marketing activities in the web 2.0 realm (social media)
CSR		Extension of the monitoring of sustainability requirements of Sofidel Group suppliers
		Development of a materiality analysis within and out of Sofidel Group
		Development of themes on social and environmental sustainability issues through the participation of special focus Group
		Development of stakeholder engagement activities on sustainability issues
HUMAN RESOURCES		Computerisation of the "Objectives Form" concerning the incentive system
		Structuring of an "induction" process at Group level
		Audit activities related to human rights in different countries where the Group is present
		Development of procedures and regulations with the aim of uniformity and using economies of scales

*Certified raw materials are considered those with a certified forestry chain of custody according to FSC, SFI or PEFC. Raw materials are verified with a third-party certification of the FSC Controlled Wood standard.

**Controversial forest sources are those from illegal timber, from high conservation value forests or timber from areas that have been violated the human rights of indigenous peoples.

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FUTURE OBJECTIVES

	COSA VERRÀ FATTO
QUALITY	Certification of Delipapier Roanne plant according to IFS HPC standard
	Certification of Fibrocellulosa plant according to ISO 9001 plant
HEALTH & SAFETY	Implementation of the system procedure according to OHSAS 18001 standard on non-certified foreign plants (Delipapier Roanne)
	Spreading and monitoring of best practices at Group level
	Implementation of a computerized safety system in Spain and Italy plants
MARKETING & SALES	Optimization of raw materials on finished products
	Development of environmental and social sustainability projects in all business lines
	Application to B-brand and Away From Home of the labelling on products to ensure technical characteristics





7.

INDEPENDENT AUDITORS' REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE GRI SECTIONS OF THE INTEGRATED REPORT



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ASSURANCE STATEMENT

INDEPENDENT ASSURANCE ON THE LIMITED ASSURANCE ENGAGEMENT OF THE GRI SECTIONS OF THE INTEGRATED REPORT

SGS Italia S.p.A. was commissioned to conduct an independent assurance of sustainability sections of the Sofidel Group Integrated Report 2013 ("Company Profile", "Report Profile", "Sofidel Group Identity", "The operating context", "Social and environmental performance", "Future objectives" and "Appendices").

The information in the Sustainability Report is the exclusive responsibility of Pirelli & C. S.p.A. SGS Italia S.p.A. 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.

The responsibility of SGS Italia S.p.A. is to express an opinion concerning the qualitative and quantitative information, the graphs, the tables and the statements included in the Report, within below mentioned assurance scope, with the purpose to inform all the Interested Parties.

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

Responsibilities and Scope of Assurance

The responsibility of SGS Italia S.p.A. is to express an opinion concerning the qualitative and quantitative information, the graphs, the tables and the statements included in the Report, within 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:

- Evaluation of the Integrated Report against the Global Reporting Initiative Guidelines (GRI G3.1) with reference to the A+ Level;
- Verification of the accuracy and reliability of data.

Assurance methodology and limitations

The verification process 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 reliability of the process for collecting and consolidating data.

Audit activities were carried out during March 2014 at Head Quarters in Porcari (Italy) and at Delicarta paper mill in Porcari (Italy), Converting plant in Tassignano and in Comceh plant (Romania), 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, we are satisfied that the information and data contained within the 2013 Integrated Report are accurate, reliable and provides a fair and balanced representation of Sofidel Group sustainability activities, and in addition represents a key communication tool with Stakeholders.

The Audit Team considers that the Integrated Report 213 discloses the material issues for the Organization and for its Stakeholders in a complete and transparent way..

The Audit Team recognizes the Group's commitment in improving the process of collecting, processing, and data aggregation and appreciates the constant process of revision and extension of qualitative KPIs in relation to the future approach GRI G4 that the organization intends to pursue since next reporting period.

Furthermore, it is confirmed the commitment of the Group in carrying on the process of materiality analysis as well as the inclusion of some new KPIs according to GRI G4.

With reference to the GRI G3.1, A+ Level, the organization satisfies the principles for defining report content and the principles for ensuring the quality of reported information.

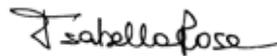
We confirm that the Report is aligned with the requirements of the GRI-G3.1, A+ Level.

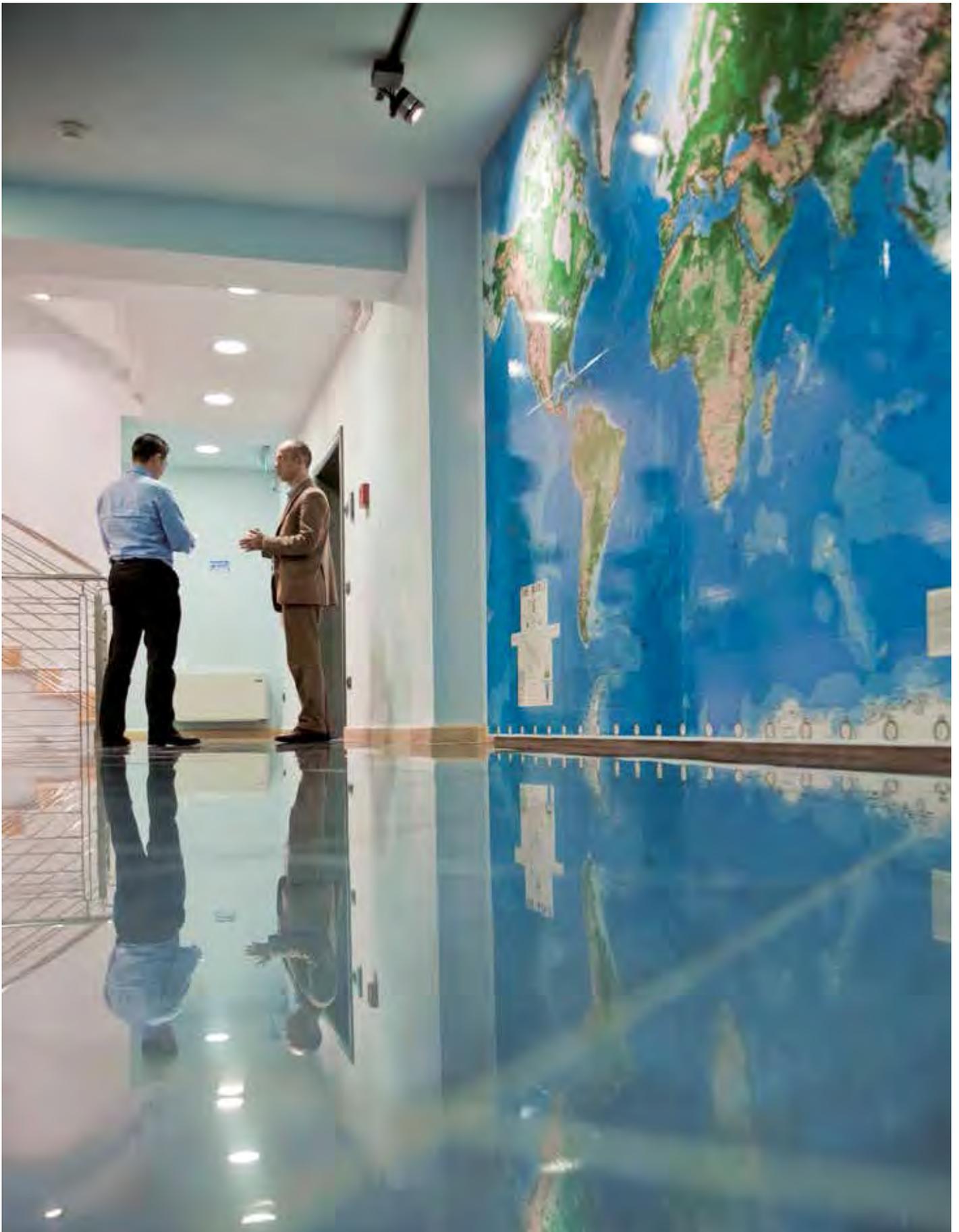
Milan, 31st March 2014

SGS ITALIA S.p.A.

Paola Santarelli
Consumer Testing Services
Systems & Services Certification
Business Manager

Isabella Rosa
Consumer Testing Services
Systems & Services Certification
Project Leader







8.

APPENDICES

1. GRI content index

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1. GRI CONTENT INDEX

In order to report on the Sofidel Group's economic, social and environmental performance, reference was made to the "Sustainability Reporting Guidelines" version 3.1 of the GRI.

Below is the correlation table between the indicators and information notices required by the standard and their placement in the text, showing the level of reporting achieved with the Integrated Report.

•	Fully reported.
◦	Partially reported.
-	Not reported
Non material	Indicator not relevant to Group activities
Non applicable	Indicator not applicable to Group activities

Indicator	Aspect	Level of coverage	Paragraph
PROFILE			
1.01	Strategy and analysis	•	Letter to the stakeholders
1.02	Strategy and analysis	•	Risk Management policies
2.01	Organizational profile	•	CoP
2.02	Organizational profile	•	Production Process Our lines of business
2.03	Organizational profile	•	Group profile
2.04	Organizational profile	•	Group profile
2.05	Organizational profile	•	Group profile
2.06	Organizational profile	•	The Group company structure
2.07	Organizational profile	•	Breakdown of turnover Our lines of business
2.08	Organizational profile	•	Group profile
2.09	Organizational profile	•	Group profile
2.10	Organizational profile	•	Communication and participation
3.01	Report profile	•	Scope of the report
3.02	Report profile	•	Principles applied and reporting process
3.03	Report profile	•	Scope of the report
3.04	Report profile	•	Assurance process
3.05	Report scope and boundary	•	Scope of the report
3.06	Report scope and boundary	•	Scope of the report
3.07	Report scope and boundary	•	Scope of the report
3.08	Report scope and boundary	•	Scope of the report
3.09	Report scope and boundary	•	Scope of the report
3.10	Report scope and boundary	•	Scope of the report
3.11	Report scope and boundary	•	Scope of the report
3.12	GRI content index	•	Appendices – Table of GRI KPIs
3.13	Assurance	•	Assurance process
4.01	Governance, commitments, stakeholder engagement	•	The Group company structure – Internal control system
4.02	Governance, commitments, stakeholder engagement	•	The Group company structure – Internal control system
4.03	Governance, commitments, stakeholder engagement	•	The Group company structure
4.04	Governance, commitments, stakeholder engagement	•	The Group company structure
4.05	Governance, commitments, stakeholder engagement	•	Pay and incentive system
4.06	Governance, commitments, stakeholder engagement	•	Internal control system
4.07	Governance, commitments, stakeholder engagement	•	The Group company structure
4.08	Governance, commitments, stakeholder engagement	•	Company profile CoP Governance Human Rights
4.09	Governance, commitments, stakeholder engagement	•	Corporate responsibility Governance
4.10	Governance, commitments, stakeholder engagement	•	The Group company structure
4.11	Commitments in external initiatives	•	Internal control system
4.12	Commitments in external initiatives	•	Local community projects
4.13	Commitments in external initiatives	•	Our main sustainability partners Management of relations
4.14	Stakeholders engagement	◦	Relations with stakeholders
4.15	Stakeholders engagement	◦	Relations with stakeholders

Indicator	Aspect	Level of coverage	Paragraph
4.16	Stakeholders engagement	◦	Relations with stakeholders
4.17	Stakeholders engagement	◦	Management of relations
ECONOMIC PERFORMANCE INDICATORS			
EC1-core	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	•	Creation and distribution of value
EC2-core	Financial implications and other risks and opportunities for the organization's activities due to climate change	•	Risk management policies
EC3-core	Coverage of the organization's defined benefit plan obligations	•	Remuneration and incentive systems
EC4-core	Significant financial assistance received from government	•	Management of relations
EC5-add	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	•	Remuneration and incentive systems
EC6-core	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	•	Local community projects
EC7-core	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	•	Human Resources Management
EC8-core	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	•	Local community projects
EC9-add	Understanding and describing significant indirect economic impacts, including the extent of impacts	-	
ENVIRONMENTAL PERFORMANCE INDICATORS			
EN1-core	Materials used by weight or volume	•	Forest resources
EN2-core	Percentage of materials used that are recycled input materials	•	Forest resources
EN3-core	Direct energy consumption by primary energy source	•	Climate and energy
EN4-core	Indirect energy consumption by primary source	•	Climate and energy
EN5-add	Energy saved due to conservation and efficiency improvements	•	Climate and energy
EN6-add	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	•	
EN7-add	Initiatives to reduce indirect Energy consumption and reductions achieved	•	Climate and energy

Indicator	Aspect	Level of coverage	Paragraph
EN8 - core	Total water withdrawal by source	•	Water resources
EN9 - add	Water sources significantly affected by withdrawal of water	•	Water resources
EN10 - add	Percentage and total volume of water recycled and reused	-	
EN11 - core	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	•	Forest resources
EN12 - core	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	•	Forest resources
EN13 - add	Habitats protected or restored	•	Forest resources
EN14 - add	Strategies, current actions, and future plans for managing impacts on biodiversity	•	Forest resources
EN15 - add	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	•	Forest resources
EN16 - core	Total direct and indirect greenhouse gas emissions by weight	•	Climate and energy
EN17 - core	Other relevant indirect greenhouse gas emissions by weight	•	Climate and energy
EN18 - add	Initiatives to reduce greenhouse gas emissions and reductions achieved	•	Climate and energy
EN19 - core	Emissions of ozone-depleting substances by weight	Not material	
EN20 - core	NO _x , SO _x , and other significant air emissions by type and weight	•	Climate and energy
EN21 - core	Total water discharge by quality and destination	•	Water resources
EN22 - core	Total weight of waste by type and disposal method	•	Waste management
EN23 - core	Total number and volume of significant spills	•	Forest resources
EN24 - add	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Not applicable	
EN25 - add	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	Not material	
EN26 - core	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	•	Ecological products
EN27 - core	Percentage of products sold and their packaging materials that are reclaimed by category	Not applicable	
EN28 - core	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	•	Risk Management policies
EN29 - add	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	•	Climate and energy
EN30 - add	Total environmental protection expenditures and investments by type	-	

Indicator	Aspect	Level of coverage	Paragraph
SOCIAL PERFORMANCE INDICATORS			
LA1 - core	Total workforce by employment type, employment contract, and region, broken down by gender	•	Human resources management
LA2 - core	Total number and rate of new employee hires and employee turnover by age Group, gender, and region	•	Turnover
LA3 - add	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	•	Remuneration and incentive systems
LA4 - core	Percentage of employees covered by collective bargaining agreements	•	Industrial relations
LA5 - core	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	•	Industrial relations
LA6 - add	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	•	Health & Safety
LA7 - core	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	•	Health & Safety
LA8 - core	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	•	Prevention campaigns Training & development
LA9 - add	Health and safety topics covered in formal agreements with trade unions. Health and safety topics covered in formal agreements with trade unions	•	Health & Safety
LA10 - core	Average hours of training per year per employee, by gender, and by employee category	•	Training & development
LA11 - add	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	•	Training & development
LA12 - add	Percentage of employees receiving regular performance and career development reviews, by gender	•	Remuneration and incentive systems
LA13 - core	Composition of governance bodies and breakdown of employees per employee category according to gender, age Group, minority Group membership, and other indicators of diversity	•	The Group company structure Human resources Management Equal opportunities, diversity, non-discrimination
LA14 - core	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	•	Remuneration and incentive systems
LA15 - core	Return to work and retention rates after parental leave, by gender	•	Equal opportunities, diversity, non-discrimination
HR 1 - core	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	•	Suppliers

Indicator	Aspect	Level of coverage	Paragraph
HR 2 - core	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken	•	Suppliers
HR 3 - core	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	•	Training & development
HR 4 - core	Total number of incidents of discrimination and corrective actions taken	•	Equal opportunities, diversity, non-discrimination
HR 5 - core	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	•	Equal opportunities, diversity, non-discrimination
HR 6 - core	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	•	Equal opportunities, diversity, non-discrimination
HR7 - core	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	•	Equal opportunities, diversity, non-discrimination
HR 8 - add	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	Not applicable	
HR 9 - add	Total number of incidents of violations involving rights of indigenous people and actions taken	Not applicable	
HR 10 - core	Percentage and total number of operations that have been subject to human rights	•	Equal opportunities, diversity, non-discrimination
HR 11 - core	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms	•	Equal opportunities, diversity, non-discrimination
SO1 - core	Percentage of operations with implemented local community engagement, impact assessments, and development programs	•	Local community projects
SO2 - core	Percentage and total number of business units analyzed for risks related to corruption	•	Internal control system
SO3 - core	Percentage of employees trained in organization's anti-corruption policies	•	Training and development Internal control system
SO4 - core	Actions taken in response to incidents of corruption	•	Internal control system
SO5 - core	Public policy positions and participation in public policy development and lobbying	•	Management of relations
SO6 - add	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	•	Management of relations
SO7 - add	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	•	Risk management policies

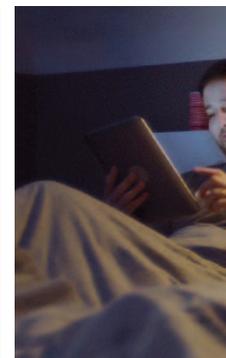
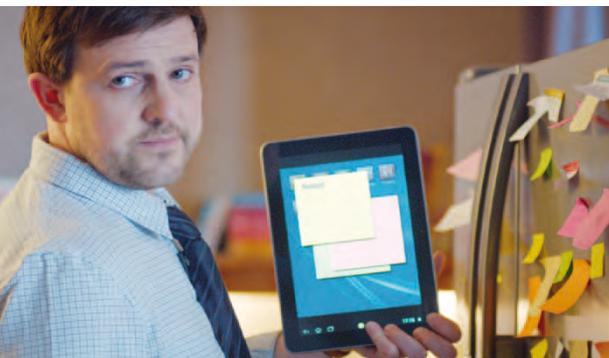
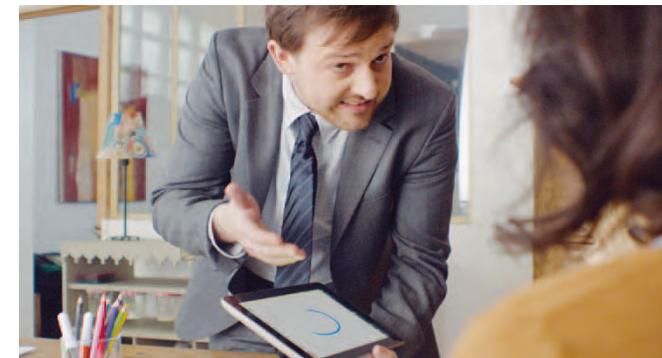
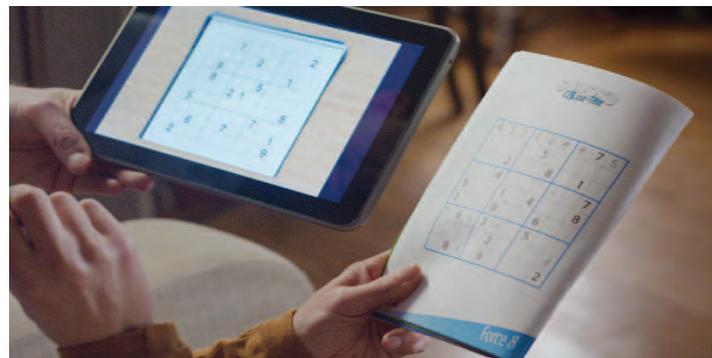
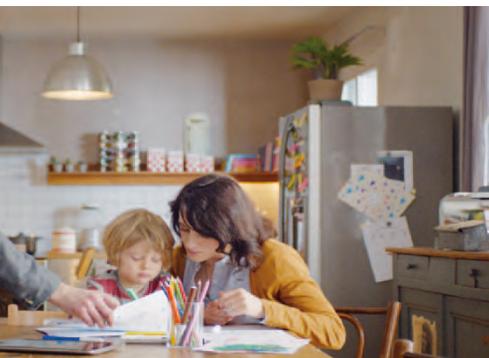
Indicator	Aspect	Level of coverage	Paragraph
SO8 - core	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	•	Risk management policies
SO9 - core	Identification of actual or potential negative impacts on the society and the environment associated with the company's activities	•	Local community projects
SO 10 - core	Prevention and mitigation measures implemented to handle the potential negative impacts listed above	•	Local community projects
PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS			
PR1 - core	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	•	The quality and safety of our products
PR2 - add	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes	•	Risk management policies
PR3 - core	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	•	The quality and safety of our products
PR4 - add	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	•	Risk management policies
PR5 - add	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	•	Initiatives to promote communication and dialogue with stakeholders
PR6 - core	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	•	Our lines of business
PR7 - add	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	•	Risk management policies
PR8 - add	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	•	Initiatives to promote communication and dialogue with stakeholders
PR9 - core	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	•	Risk management policies

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