ANNUAL FINANCIAL REPORT

as at 31 December 2018

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RDM

CONTENTS

01 RDM Group at a glance

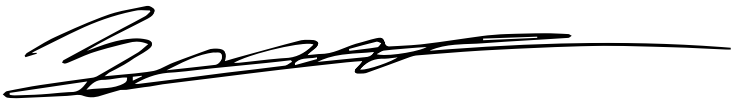
Contents

LETTER FROM THE CHAIRMAN OF THE BOARD

Dear Shareholders,

This is my second RDM Group Annual Financial Report as Chairman of the Board. I should point out that I signed last year's report only a few months after having been appointed, and perhaps it is for this reason that I am even prouder today of the results achieved by the RDM Group.

Chairman of the Board RDM Group - Éric Laflamme



This concerns the results in terms of the economic-financial performance, but also in terms of Corporate Governance. With respect to the latter, specifically, we are always committed to a process of constant improvement of Corporate Governance issues.

In this regard, I would like to point out the progressive compliance actions enacted by the Board of Directors taking into consideration the annual recommendations of the Corporate Governance Committee of Borsa Italiana S.p.A..

In the course of 2018 , the Board of Directors voted in favour of adopting a Policy on Diversity and Inclusion which describes the optimum characteristics of the composition of the Board itself, so that the latter can carry out its duties in the most effective manner taking advantage of the input offered by different qualified viewpoints, able to examine the issues discussed from different perspectives. Furthermore, the company has decided to identify the Executives in charge of strategic Responsibility, other than the Group's CEO Michele Bianchi.

I became Chairman of the Group at a time when RDM Group had just launched a new phase of its business path, to focus on higher performance assets and strong cash flow generation. Proof was immediately clear that the direction taken is the right one and, in fact, today, RDM Group is able to tackle the unpredictability of our operating sector and, in general, the economic environment in which we operate with renewed confidence.

Furthermore, the Group possesses the right resources and know-how to be sufficiently resilient, adapting to the new needs and translating any critical issues into opportunities. These opportunities are to be seized and fostered.

This Financial Report represents proof of the ever-increasing attention to our main stakeholders.

The fact remains that we are facing demanding challenges ahead, both at internal and external level. With respect to the former, I am referring in particular to the strong elements of macro-economic uncertainty, which could be, for example, the effect of Brexit, the China - United States relations, the geopolitical situation of some countries (Turkey and Venezuela), and the upcoming European elections.

We must also consider the outlook of the two sectors in which RDM Group operates - White Lined Chipboard (WLC) and Folding Box Board (FBB) - which, in any case, remains moderately positive. In fact, on the one hand, we are witnessing a contraction in demand that already occurred in the last quarter of 2018; on the other hand, the gap between raw materials cost and sales prices, though decreasing, has remained at satisfying levels.

The aforementioned concerns external factors. However, RDM Group is also focusing on internal factors, which are key to mitigating external factors and that pertain both to actions and the manner of execution thereof.

Specifically, the 4 tasks for which RDM Group has set ambitious, yet concrete objectives for itself.

The first is the IBP, (Integrated Business Planning), whereby we wish to integrate the demand with the supply for the purpose of better planning and, therefore, greater operational margins.

The second task is asset optimisation so as to render the so-called "multi-mill" concept ever more concrete. Among other things, this concept allows us to manufacture the same product at different production sites, with a well-defined rationalisation of costs and possessing the advantage of being closer to customers and suppliers.

This allows, in turn, to take on the third challenge that RDM Group has set for itself, i.e. service improvement, in order to truly become the Partner of Choice.

Finally, one must note the transformation process of RDM Group through a detailed set of initiatives with the goal of rationalizing, acting, and presenting itself as a truly unified organisation at internal and external level.

The Board of Directors' Meeting of 18 March 2019 proposed that the Shareholders' General Assembly, to be convened on 29 April 2019 (30 April in second call), approve a dividend on the ordinary shares of 0.7€ cent, more than doubled with respect to the dividend of 0.31€ cent deliberated on the 2017 profits and with a 1.1% dividend yield.

This result is in proportion to the strong generation of cash flow in the 2018 financial year.

Adding up the dividends payable as at May 2018 with the 22.7% annual increase of Reno De Medici stock price, the total shareholder return is equal to 23.3%.

The efforts made in recent years, translating into the 2018 results, were appreciated by the stock exchange market: and this has allowed significant remuneration to our shareholders.

For that matter, creating value in favour of the shareholders and, in general, with respect to our main reference stakeholders is the goal we have set for ourselves.

LETTER FROM CEO

Dear Shareholders,

Since taking up the role of CEO of RDM Group in November 2016, I have firmly believed that a solid and long-lasting development of the Group would only be possible if built around two cornerstones.

CEO RDM Group - Michele Bianchi

The first can be efficiently summarised in the Vision we have given ourselves, to become the "Partner of Choice". This, in turn, is possible through the three main goals that the company has set: to offer excellent products and services, optimise costs and maximise stakeholder satisfaction.

The second is what we have called our "One Company Culture", which materialises in a single brand, single strategy and an integrated management approach for all our facilities, cutting centres, sales offices and the head office of the Group itself.

The Yearly Financial Report at 31 December 2018 is what defines and inevitably quantifies the solidity of these two cornerstones today, a little under two years after they were made official. After all, it provides a positive and encouraging overview of the Group, in line with what had already occurred in the previous year.

In 2018, we acquired Barcelona Cartonboard S.A.U., the biggest paperboard manufacturer in the Iberian Peninsula. This transaction has allowed RDM Group to strengthen its leadership in Southern Europe, consolidating its position as the second biggest European producer of paperboard using recycled materials, not to mention number one in Italy, France and now the Iberian Peninsula. At the same time, the acquisition has allowed us to optimise our product portfolio and customer service thanks to the proximity of the Barcelona facility to some of the biggest European converters.

That's not all. For the first time 2018 also fully consolidated PAC Service S.p.A., acquired at the end of 2017, with effect as of the 1st of January 2018. This transaction aimed to bring a strategic partner into RDM Group, one known for a personalised and right-on-time service.

In 2018, during which RDM Barcelona Cartonboard was consolidated for two months, the EBITDA stood at EUR 63.1 million, compared to 45.8 million in the year 2017, whilst its impact on sales revenue reached 10.4%, compared to 8% in 2017. What's more, the net profits were equal to EUR 27.2 million – meaning they had nearly doubled, compared to 14.6 in the previous year. The net operating cash flow was positive for EUR 52.4 million, which allowed us to absorb most of the acquisition cost of Barcelona Cartonboard S.A.U.

These are only some of the highlights contained in the following pages, but they summarise the ability that the Group has, particularly in seizing opportunities offered by its market position and in maintaining its margin levels even when faced by tension on sale prices.

Certainly, I do not deny that we too benefited from the low prices recorded by recycled fibre raw material (in March 2018 reaching the lowest market record since the 2009 crisis, before remaining substantially stable in the following three quarters of 2018) and by vigorous demand in the first part of the year, which, it must be said, gradually slowed in the second. In this respect, RDM Group has succeeded in maintaining its market share within its main segment of reference, WLC (White Lined Chipboard), which has a consolidated percentage on revenue of over 80% and which in 2018 was characterised by a demand that was 1.6% lower than the previous year, an year that instead stood out due to the boom in demand.

In terms of the other market of reference of RDM Group – the FBB sector (Folding Box Board, paperboard for folding boxes made from virgin fibres), which presented a consolidated percentage on revenues of little less than 20% – a 6.6% growth in market demand was recorded. Owing to this context, RDM Group increased its sales prices to protect its operating margin, which in any case was heavily penalised by the increase in the cost of virgin fibre.

With equal transparency, it's worth highlighting the implementation of a portfolio of initiatives that the RDM Group launched in 2018, and how it allowed for the afore-mentioned results.

As a matter of fact, in order to grow profitability in terms of EBITDA margin and mitigate the effects of fluctuations in the business cycle, the Group first identified then began to execute a series of actions to optimise the production mix, distribute orders amongst the various facilities and increase cost efficiency, which already produced some results in 2018.

Further benefits deriving from those decisions and quantifiable in terms of operating margin, are also expected in the 2019-2020 two-year period.

As can be easily deduced, the afore-mentioned initiatives fit perfectly into the Vision of RDM Group to become the true Partner of Choice for all its main stakeholders, and especially for its customers.

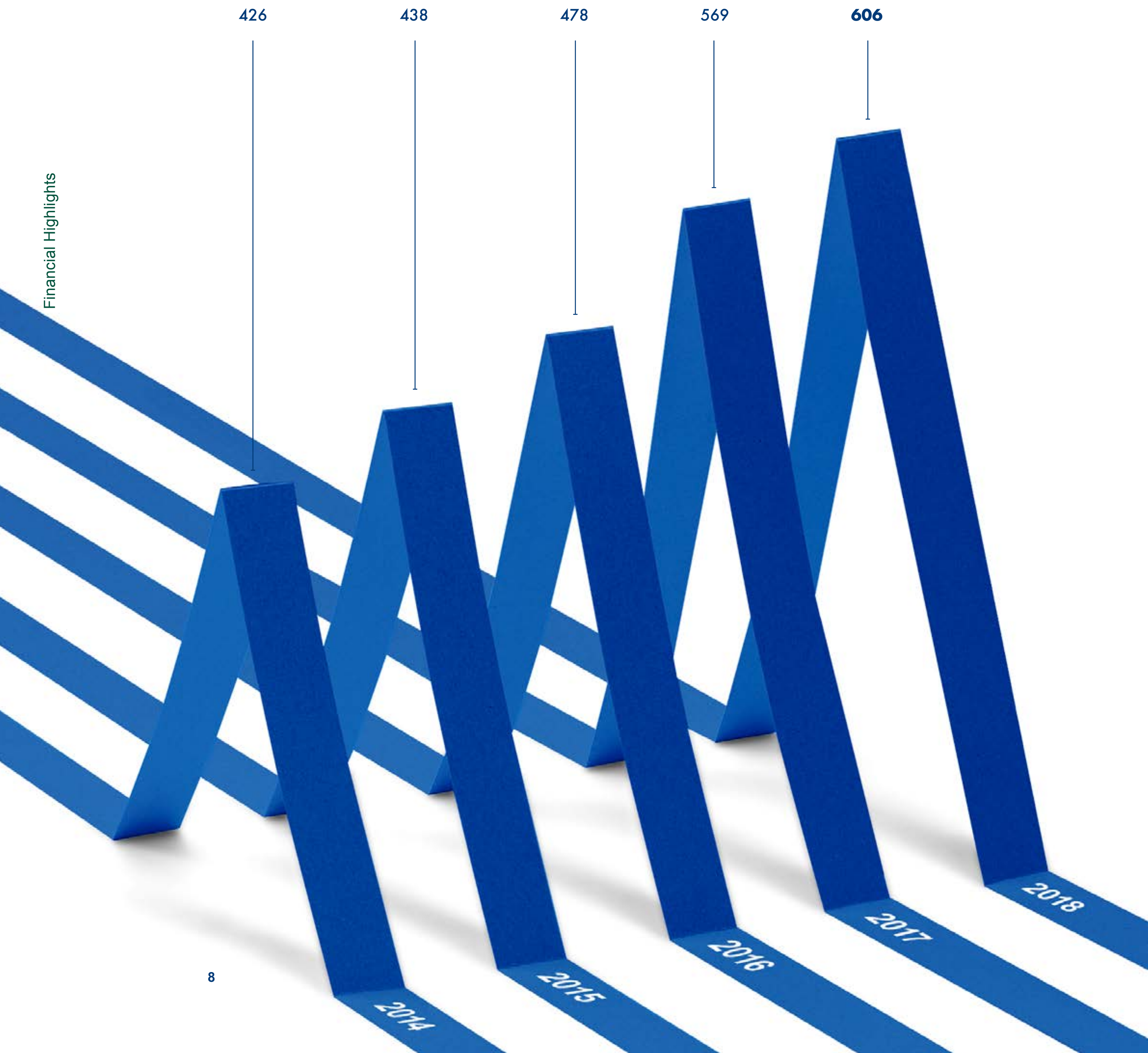
In this very aim, our primary commitment is now to consolidate the results achieved to date, encouraging and optimising the integration process that, as mentioned, we have defined as our "One Company Culture", so as to deliver value to all potentials within the Group.

Clearly this is a strong incentive for me, my colleagues and each one of our stakeholders. This is why I like to repeat, to myself first but also to others: "Full steam ahead!"

FINANCIAL HIGHLIGHTS

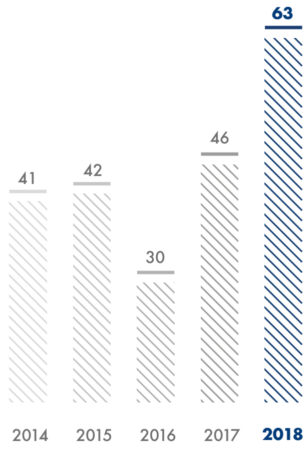
(Values in millions of Euros)

NET REVENUES

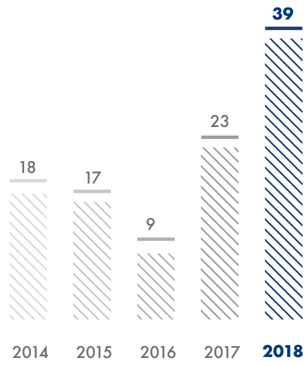


(Values in millions of Euros)

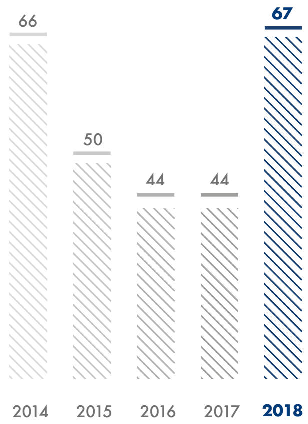
GROSS OPERATING PROFIT (EBITDA)



OPERATING PROFIT (EBIT)

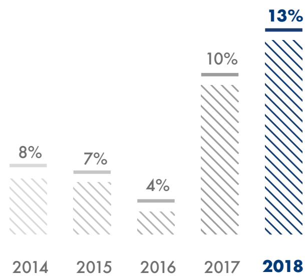


NET FINANCIAL DEBT

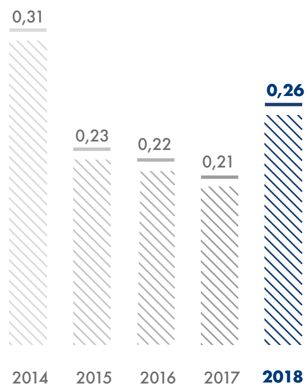


ROCE

ROCE: Last 12-month EBIT/Capital Employed Adjusted (for Equity Investments & LT Liabilities)

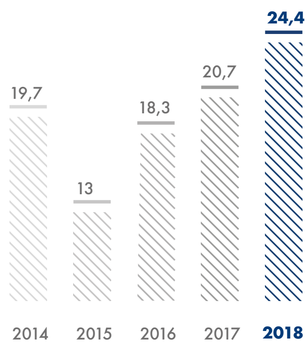


GEARING



Gearing: Debt/(Debt+Equity)

INVESTMENTS




TOGETHER
WE SHAPE
THE FUTURE

Together we shape the Future is RDM Group's claim. To portray itself. What it does. And how it does it.

And in that how, the starting point is the concept of unity, of the whole, that "**Together**" which implies the "One Company culture", i.e. one of the pillars at the base of the Group. A single brand, a single strategy, a single integrated management. Hence the choice of "Togetherness" as one of the 4 Group Values.

We to reinforce that concept of an overall vision well represented by the other 3 Values: "Empathy", "Group-wide Vision", and "Responsible decision-making", with the awareness that the decisions taken have effects on others too.

Shape refers to what we do, the cartonboard , a material in itself simple, although coated, white and clean, but which can be given the most sophisticated forms.

Similar to an origami. That represents the know-how, and therefore the tradition and the history from which it takes shape; and at the same time, the ability to transform that knowledge, projecting it into the Future.

And, as stated in our claim, it is there, in the **Future**, where RDM Group looks.

OUR VISION

TO BECOME THE **PARTNER OF CHOICE** BY

OPTIMIZING COSTS

OFFERING SUPERB PRODUCTS AND SERVICES

MAXIMIZING STAKEHOLDERS' SATISFACTION

OUR VALUES

GROUP-WIDE VISION

The ability to build a shared Vision beyond the individual goals for yourself and others

RESPONSIBLE DECISION-MAKING

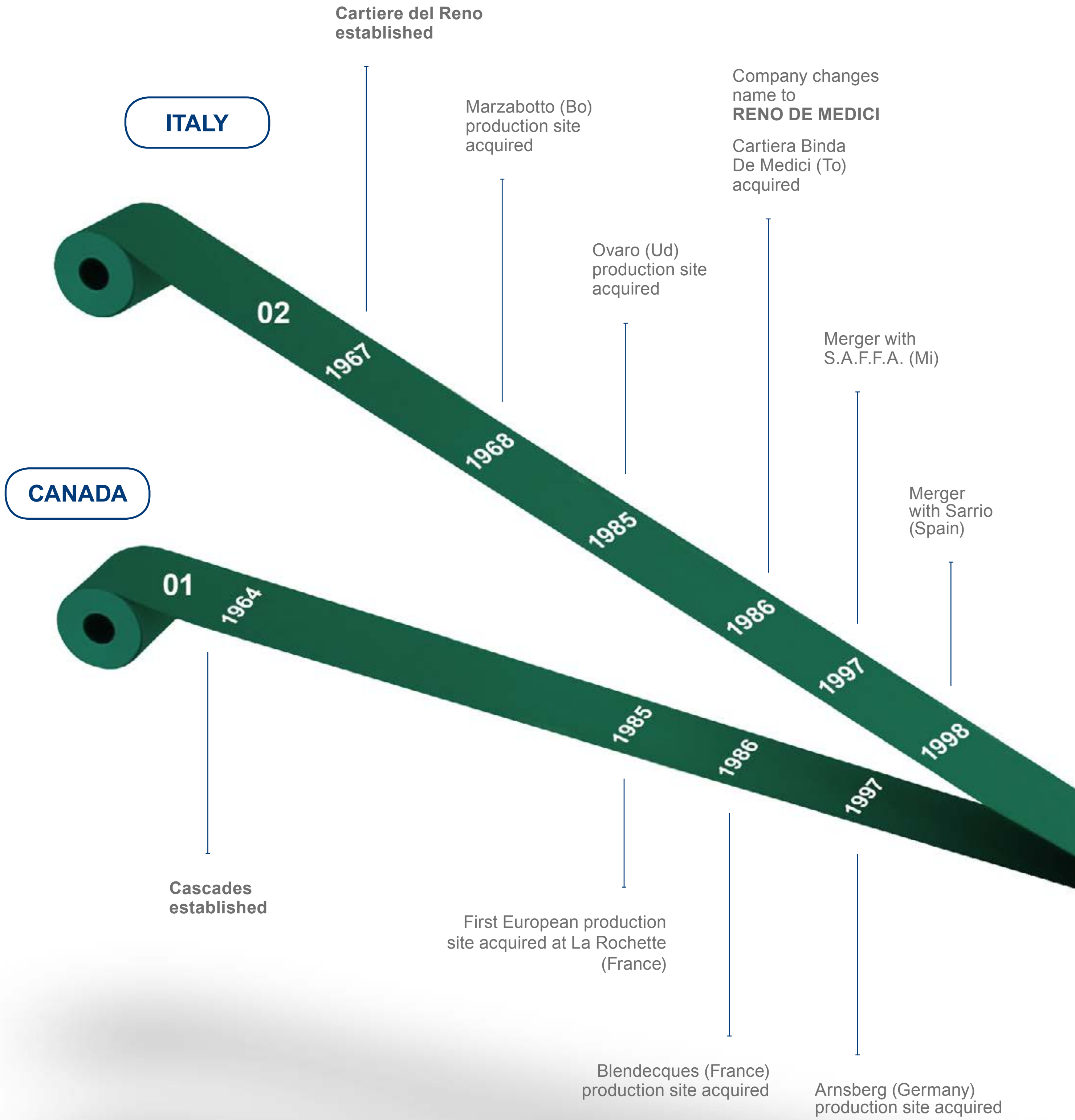
The awareness of your decisions' effect on others

EMPATHY

The attitude of understanding others and creating a connection

TOGETHERNESS

The joint to a shared Vision and sense of belonging


Cartiere del Reno established
ITALY
Marzabotto (Bo) production site acquired
Company changes name to RENO DE MEDICI
Cartiera Binda De Medici (To) acquired
Ovaro (Ud) production site acquired
Merger with S.A.F.F.A. (Mi)
Merger with Sarrio (Spain)
02
1967
1968
1985
1986
1997
1998
CANADA
01
1964
1985
1986
1997
Cascades established
First European production site acquired at La Rochette (France)
Blendecques (France) production site acquired
Arnsberg (Germany) production site acquired

OUR HISTORY

The 5 beginnings that, from 1964 to today, have enabled us to present ourselves as **Partner of Choice**

RDM Group is the second largest European producer of coated recycled cartonboard, the largest in Italy, France and the Iberian Peninsula; RDM Group also produces virgin fibres based products

03 2008

Cascades Europe and Reno De Medici work together for greater efficiency and profitability

Production sites grouped under the Reno De Medici brand

CAREO, a new corporate sales structure, is created

04 2016

La Rochette acquired by Reno De Medici

Reno De Medici, Cascades La Rochette and Careo grouped into a single entity: RDM Group

A single Group with a new strategy and integrated management

05 2017

Governance restructuring

New Vision and Values. Aim to present ourselves as the “Partner of Choice”

3 global Goals:
- offer superb products and services
- optimize costs
- maximize stakeholders’ satisfaction

2018

31 October 2018 RDM Barcelona Cartonboard acquired

1 January 2018 PAC Service acquired

Integration Process

OUR STAKEHOLDERS

STAFF AND COLLABORATORS

More than 1,800 people working in the Group, in addition to trade unions and employee representatives

SUPPLIERS

Companies supplying goods and services, and local economy boosted by the mill's activities

INVESTORS

Private and institutional investors, the banking system, the financial community

LOCAL COMMUNITIES

Families of staff, Administration and local authorities, citizens living in the territories in which Group facilities are located, families of staff and Group collaborators

FUTURE GENERATIONS

Environment, environmental associations, scientific community, universities

CUSTOMERS

Companies in the paper and cartographic sector, box plants and end customers in sectors such as consumer goods, pharmaceuticals, cosmetics, luxury, food, retail, publishing, furnishings and fittings

END CONSUMERS

Buyers of products packaged with or made from materials produced by RDM Group

NATIONAL AND INTERNATIONAL INSTITUTIONS

Parliaments, national and international Authorities, including bodies that implement community waste management and recovery programs, financial market supervisory authorities and food safety control authorities, trade associations and NGO

PEERS AND COMPETITORS

Companies that produce cellulose-based materials and packaging

EVENTS

1 January 2018

PAC Service becomes 100% part of RDM Group
Milan (Italy)

PAC Service, a company operating in the cartonboard cutting and processing sector, has been 100% consolidated. PAC Service, other than representing a strategic partner, allows RDM Group to integrate its value chain, enhancing the Group's ability to provide personalized and just in time services.

8-9 February
3-4 October 2018

Health & Safety Meeting
Villa Santa Lucia (Italy) + Arnsberg (Germany)

Also in 2018, two Group-wide events dedicated to Health and Safety issues were organized.

Among their objectives, a comparison amongst the mills on the accident Frequency and Severity Rates, reinforcing a true security culture, identifying best practices and the activities to be carried out.

29-30 May 2018

Leadership Event
Padua (Italy)

All the Group's first and second lines meet in what is perhaps the most important internal meeting, namely the Leadership Event. The goal is to confront and learn more about the transformation process that the Group is experiencing.

The place chosen for the occasion is Padua, in honour of the newly acquired PAC Service.

June, July and September
2018

People Survey Events
Milan (Italy)

At the Headquarter in Milan and in all the Group's mills, open events are organized for employees to discuss the People Survey, i.e. the Survey that was done in April (in both digital and paper format) to assess their commitment and the degree of propensity for change.

31
October
2018

Barcelona Cartonboard 100% part of RDM Group
Milan (Italy)

Reno De Medici S.p.A. finalizes the agreement for the acquisition of 100% of Barcelona Cartonboard S.A.U., a Spanish company and seventh European player in the coated cartonboard sector. By this transaction, RDM Group becomes the first producer in the Iberian Peninsula, in addition to Italy and France and strengthens its leadership as the second largest European producer of coated, recycled cartonboard.

5
December
2018

RDM Group among the finalists of the Social Report Library Award
Milan (Italy)

As proof of its growing commitment to sustainability, the RDM Group has been nominated among the finalists of the 5th edition of the "Biblioteca Bilancio Sociale" Award, a nationwide recognition for companies that stand out in the field of sustainability applied to their production area through the reporting tool.

RANGE OF PRODUCTS

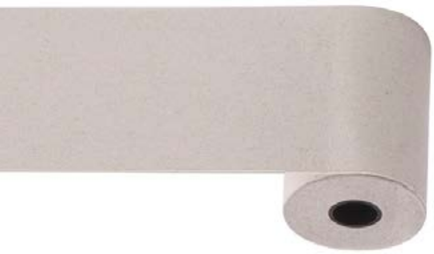
WLC (WHITE LINED CHIPBOARD)

FBB (FOLDING BOX BOARD)

OG – UD – UT

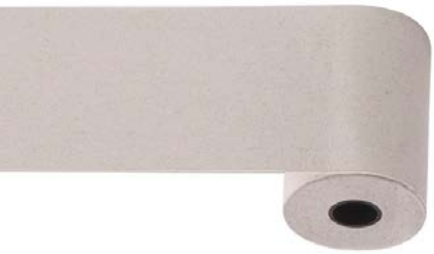
RDM Group offers a wide range of products including **coated recycled cartonboard (Liner-GD/GT)** and **virgin fibre cartonboard (GC)**. Vincicoat 112, Serviliner, Vinciliner, Rochcoat and Hermicoat are some of the widespread grades.

The **RDM Group** operates in three main segments:



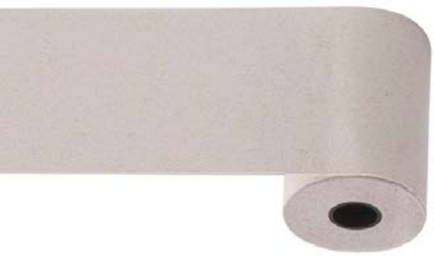
WLC (White Lined Chipboard)

RDM Group is the largest Italian and the second largest European manufacturer of recycled fibre board for the packaging industry.



FBB (Folding Box Board)

RDM Group is present on the virgin fibre board market for the packaging industry and finalized the acquisition of La Rochette Mill (former Cascades S.A.S.).



OG – UD – UT

RDM Group, at Ovaro Mill, manufactures specialty board for several applications as luxury packaging and for the publishing industry.

GLOBAL PRESENCE

The different commercial facilities make it possible to meet the multi-faceted needs of customers and ensure widespread coverage in all European countries, and sales worldwide.

Sales Offices

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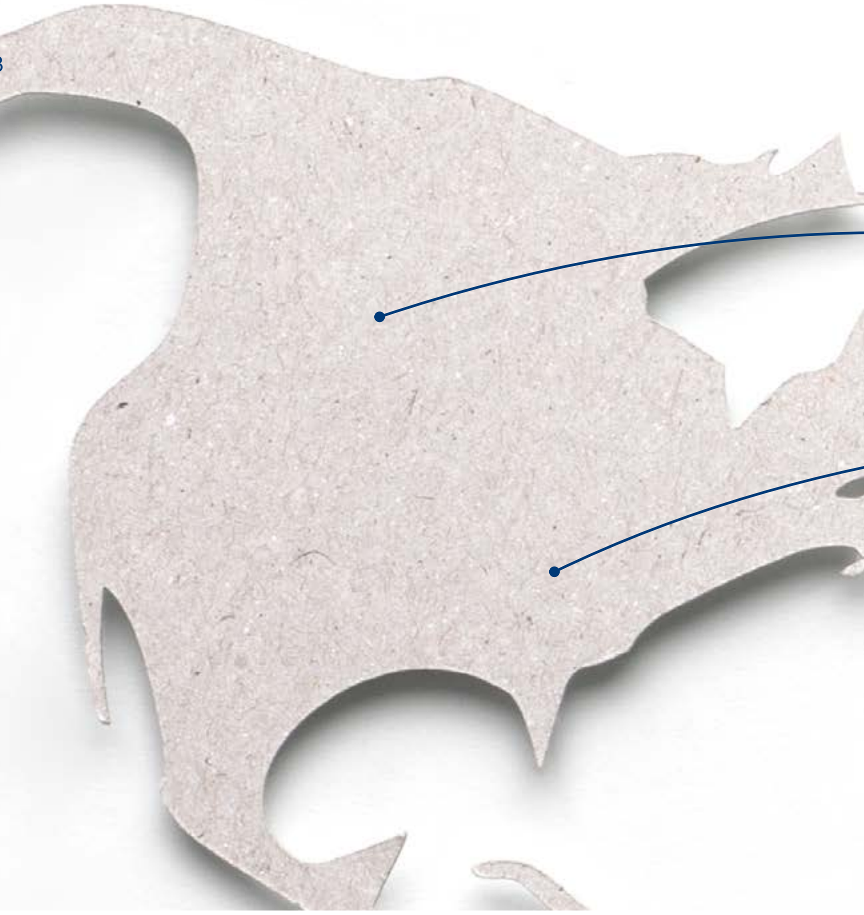

Our Headquarters

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Our Mills

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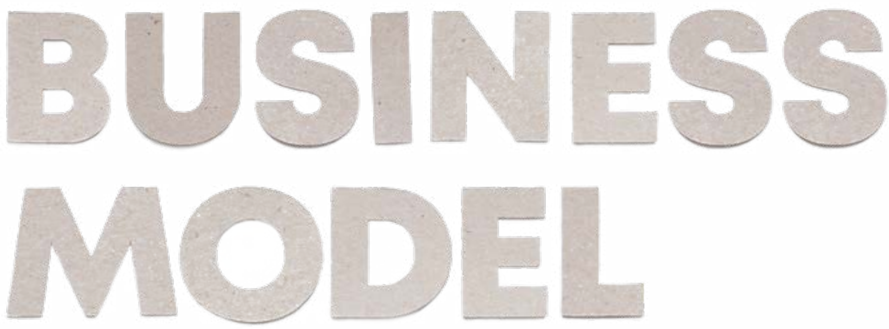
PRODUCTION CAPACITY	SEGMENTS	PRODUCTS
220k tons	**WLC (Liner)**	FLEXOLINER - SERVILINER
165k tons	**FBB (GC)**	ROCHBLANC - ROCHCOAT - ROCHCOAT BLANC - ROCHFREEZE - ROCHPERLE
110k tons	**WLC (GD/GT)**	BLANC II GREY - HERMICOAT - HERMIFOOD - HERMIWHITE
95k tons	**WLC (Specialties)**	OVARO 404 - OVARO 407 - OVARO 649 - OVARO 688 - OVARO 704 - OVARO 706 - OVARO 707 - OVAR 723 - OVARO 724 - OVARO 726 - OVARO 729 - OVARO 755 - OVARO 786 - OVARO 788 - OVARO 719 - OVARO 903 - OVARO 904 - OVARO 906 - OVARO 920 - OVARO 922 - OVARO 935 - OVARO 931 - OVARO 913 - OVARO 918 - OVARO B_ - OVARO C_
220k tons	**WLC (Liner)**	VINCIFLEXO - VINCILINER
250k tons	**WLC (GD/GT/Liner)**	SERVIBOARD, VINCI AVANA (962) - VINCIBRIGHT (113), VINCIBRIGHT SPECIAL (963) - VINCICOAT (112) - VINCIWHITE (117)
200k tons	**WLC & FBB (GT/GD, Liner; GC)**	TRIPLEX BLANCO (WLC - GT1) - TRIPLEX GRIS (WLC-GD2) - TRIPLEX MADERA (WLC-GT2) - ECOBOARD - EB (WLC - GD3) - FOLDING ESCANDIA® (FBB-GC2)



RDM GROUP

Raw materials are mixed with water supplied on site for extrapolation of cellulose fibres. Through a complex system of purge, the foreign bodies present in the raw materials are eliminated. The board machine uses an articulated sheet forming system, a pressing system by means of rollers and felts and finally a drying section, to remove the water present in the mixture. According to the type of cartonboard, an exterior coating is applied. The cartonboard, once completed, is rolled into special reels or packaged in the desired formats using the cutters

UPSTREAM

RDM Group transforms recycled materials, deriving from the industrial and commercial sectors, and from the city waste paper collection, enhancing leftovers and scrapings, discarded or unsold goods, such as newspapers and magazines. For some types of cardboard, the Group uses, exclusively or partially, virgin fibres.

DOWNSTREAM

RDM Group products are mainly destined to the paper processing industry that use the cartonboard to produce the final packaging of the products. After use by the end consumer, the product is hopefully placed back into the virtuous cycle of recycling, fuelling the sustainable business model of recycled cartonboard.v


RDM
CONTINUOUS EQUIPMENT
Pulper
Purification
Wet Section
Dryer Section
Calender Section (Rolls)
Cartonboard cut
Whole rolls
PAPER INDUSTRY
FINAL PRODUCTS
CONSUMER
RECYCLING
DOWNSTREAM
UPSTREAM
VIRGIN FIBRE (FROM CERTIFIED GROUNDWOOD PULP)
RECYCLED FIBRE
Paper waste, unsold magazines/newspapers, waste separation

SDGs

There are 10 main areas where RDM Group has decided to maximize its commitment to address - in a concrete and precise manner - the “Sustainable Development Goals” (SDGs) set by the United Nations in the 2030 Agenda.

Health & Safety

Within the “Zero Accidents” program, the Group’s priority is guaranteeing the health and safety of the employees; The Group has thus implemented management systems based on the OHSAS:18001 Standard and adopted an integrated Quality, Environment and Safety policy.

Product sustainability and recyclability

RDM Group develops technologies and production systems based on the recovery of recycled fibres which, as part of a circular economy model, are able to limit the supply of virgin raw materials: over 90% of the materials purchased derive from recycling while over 80% consists of renewable materials.

Product quality and safety

Quality and safety are key features of the RDM Group’s cartonboard. By minimizing the risk of migration of chemical substances from the packaging to the products contained therein, including mineral oils, the Group safeguard food and consumer safety.

Excellence for customers and end consumers

The Group is aware that product quality is an essential element of its business. In order to pursue real objectives of economic growth and, thus, strengthen its competitive advantage, RDM Group is committed to the continuous improvement of its products and commercial services.

Energy and climate change

The Group’s strategy combines economic convenience, energy efficiency and environmental protection. From this perspective, RDM Group is committed to reducing primary consumption and atmospheric emissions, uses alternative energy sources, and employs cogeneration power plants to produce electricity and heat.

Responsible use of water resources

The continuous technological and machinery improvements have allowed the Group to reuse condensed steam and process water during multiple processing cycles. Water discharges are systematically monitored to ensure the suitability of the wastewater to be discharged back in the environment or to be channelled in consortium plants.

Responsibility in the supply chain

RDM Group requires its suppliers of forest-based products to go through a specific qualification process, favouring thus the purchase of FSC® or PEFC™ certified raw materials. For virgin fibres of forest origin, only suppliers who are able to guarantee the origin from controlled and sustainable supply chains are considered.

Welfare of people

RDM Group promotes the experimentation of new work flexibility formulas to promote work-life balance and other flexibility solutions. The Group promotes an efficient and merit-based work environment, implementing employee engagement activities.

Talent enhancement

The enhancement of RDM Group's knowledge and know-how is tightly linked to training systems, on-the-job training and skills development, as well as to individual performance assessment processes that promote a dynamic and merit-based work environment.

Legal and Governance

The Company adopts instruments designed to ensure integrity in the conduct of the business (e.g. the Organisation and Management Model pursuant to Legislative Decree 231/2001, and the Code of Ethics) and promotes a compliance culture aimed at upholding people's sense of responsibility.

02

Summary Data and General Information

BOARD OF DIRECTORS AND AUDITORS

Board of Directors

Eric Laflamme	Chairman
Michele Bianchi	Chief Executive Officer
Allan Hogg	Director
Giulio Antonello	Director
Gloria Francesca Marino	Director
Laura Guazzoni	Director
Sara Rizzon	Director

Board of Statutory Auditors

Giancarlo Russo Corvace	Chairman
Giovanni Maria Conti	Statutory Auditor
Tiziana Masolini	Statutory Auditor
Francesca Marchiori	Deputy Statutory Auditor
Domenico Maisano	Deputy Statutory Auditor

Independent Auditors

Deloitte & Touche S.p.A

MAIN FIGURES FROM THE INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION OF THE GROUP AND RENO DE MEDICI S.P.A.

Below are the main income statement and statement of financial position items for the year ended and as at December 31, 2018 compared with those for the previous financial year, relating to the Reno De Medici Group (the "Group" or "RDM Group").

RDM GROUP	**12.31.2018**	**12.31.2017**
(millions of Euros)		
INCOME STATEMENT (1)		
Revenues from sales	606	569
Gross Operating Profit (EBITDA)	63	46
Depreciation, amortization and write-downs	(24)	(22)
Operating profit (EBIT)	39	23
Profit (Loss) for the year	27	15
Group's share of profit (loss) for the year	**27**	**15**
BALANCE SHEET		
- Non-current assets (2)	275	225
- Non-current liabilities, employee benefits and other provisions (3)	(49)	(48)
- Current assets (liabilities) (4)	(21)	(13)
- Working capital (5)	57	48
Net invested capital (NIC) (6)	262	212
Net financial debt (7)	**67**	**44**
Shareholders' equity	195	168
RATIOS		
Gross operating profit / Revenues from sales	10.4%	8.1%
Operating profit / NIC	14.9%	10.8%
Debt ratio (net financial debt / NIC)	25.6%	20.8%

(1) See RDM Group consolidated financial statements.
(2) See RDM Group consolidated financial statements – total of the item "Non-current assets".
(3) See RDM Group financial consolidated statements – sum of the following items of "Non-current liabilities": "Other payables", "Deferred taxes", "Employee benefits" and "Long-term provisions for risks and charges"
(4) See RDM Group consolidated financial statements – sum of the following items "Other receivables" net of €506 thousand relating to an entry of a financial nature classified under the item "Current assets", net of the following items "Other payables", "Current taxes", "Employee benefits" and Short-term provisions for risks and charges", classified under the item "Current liabilities" reduced by €1.5 million relating to a financial entry included under "Other payables".
(5) See RDM Group consolidated financial statements – sum of the sub-items "Inventories", "Trade receivables" and "Receivables from associates and joint ventures", classified under the item "Current assets", and the sub-item "Trade receivables", classified under the item "Non-current assets", less the sum of the sub-items "Trade payables" and "Payables to associates and joint ventures", classified under the item "Current liabilities".
(6) Sum of the items listed above.

(7) See RDM Group consolidated financial statements – sum of the following items: “Cash and cash equivalents”, “Other receivables from associates and joint ventures”, classified under “Current assets” to which €506 thousand is added relating to an entry of a financial nature included under the item “Other receivables”, net of the following items “Payables to banks and other lenders” and “Derivative instruments”, classified under “Non-current liabilities” and “Payables to banks and other lenders”, “Derivative instruments” and “Other payables to associates and joint ventures”, classified under “Current liabilities” to which €1.5 million is to be added relating to an entry of a financial nature included under the item “Other payables”.

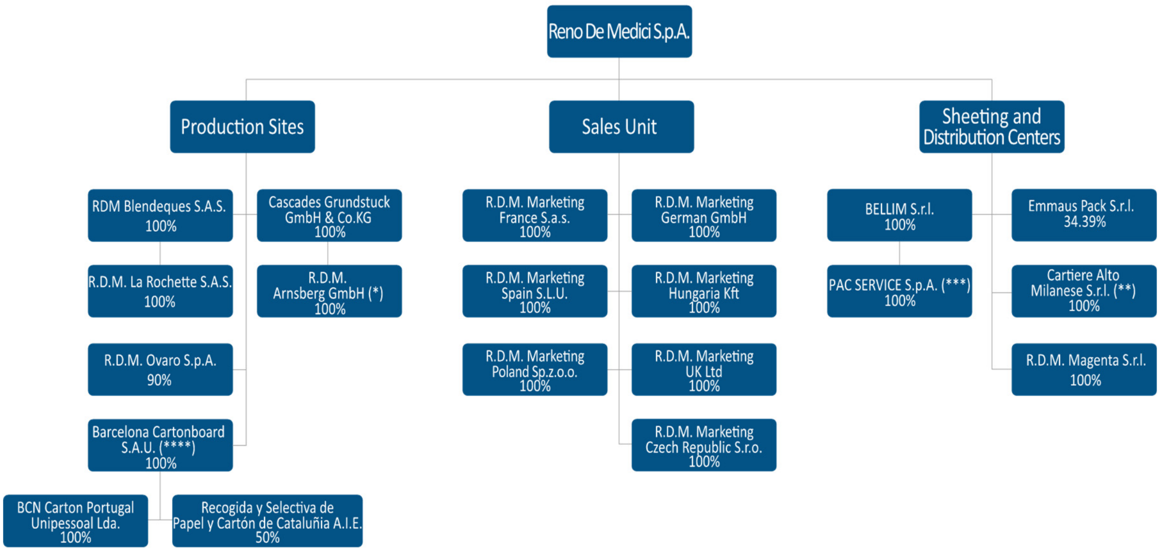
The main income statement and statement of financial position items for the year ended as at December 31, 2018 are given below, compared with those for the previous financial year, relating to the financial statements of the parent company.

RDM	**12.31.2018**	**12.31.2017**
(millions of Euros)		
INCOME STATEMENT (8)		
Revenues from sales	233	236
Gross Operating Profit (EBITDA)	38	27
Depreciation, amortization and write-downs	(12)	(11)
Operating profit (EBIT)	26	16
Profit (Loss) for the year	18	10
BALANCE SHEET		
- Non-current assets (9)	252	212
- Non-current liabilities, employee benefits and other provisions (10)	(13)	(11)
- Current assets (liabilities) (11)	(11)	(4)
- Working capital (12)	18	14
Net invested capital (NIC) (13)	246	211
Net financial debt (14)	(55)	(35)
Shareholders’ equity	191	176
RATIOS		
Gross operating profit / Revenues from sales	16.3%	11.5%
Operating profit / NIC	10.6%	7.5%
Debt ratio (net financial debt / NIC)	22.4%	16.5%

(8) See RDM financial statements.
(9) See RDM financial statements – total of item “Non-current assets”.
(10) See RDM Group financial statements – sum of the following items of “Non-current liabilities”: “Other payables”, “Deferred taxes”, “Employee benefits” and “Long-term provisions for risks and charges”.
(11) See RDM financial statements – sum of the following items “Other receivables”, net of €370 thousand relating to an entry of a financial nature classified under the item “Current assets”, net of the following items “Other payables”, “Current taxes”, “Employee benefits” and “Current provisions for risks and charges”, classified under “Current liabilities” reduced by €947 thousand relating to a financial entry included under “Other payables”.
(12) See RDM financial statements – sum of the sub-items “Inventories”, “Trade receivables” and “Receivables from Group companies”, classified under “Current assets”, less the sum of the sub-items “Trade payables” and “Payables to Group companies”, classified under “Current liabilities”.
(13) Sum of the items listed above.
(14) See RDM financial statements – sum of the following items: “Cash and cash equivalents” and “Other receivables from Group companies”, classified under “Current assets”, to which €370 thousand is to be added relating to an entry of a financial nature included under the item “Other receivables”, net of the following items “Payables to banks and other lenders”, “Derivative instruments” and “Other payables to Group companies”, classified under “Non-current liabilities” and “Payables to banks and other lenders”, “Derivative instruments” and “Other payables to Group companies”, classified under “Current liabilities” to which €947 thousand million is to be added relating to an entry of a financial nature included under the item “Other payables”.

GROUP OPERATING COMPANIES AS AT DECEMBER 31, 2018

The graph below summarizes the companies of the Reno De Medici Group ("RDM Group" or the "Group").



(*) Company owned 94% by Reno De Medici S.p.A. and 6% by Cascades Grundstück GmbH & Co.KG.
(**) Company in liquidation
(***) Company owned 60% by Reno De Medici S.p.A. and 40% by BELLIM S.r.l.
(****) In the process of changing name in RDM Barcelona Cartonboard S.A.U.

RENO DE MEDICI STOCK AND RELATIONS WITH THE FINANCIAL COMMUNITY

RECORDS

Reno De Medici's shares are listed on the Mercato Telematico Azionario (MTA) operated by Borsa Italiana and on the Madrid Stock Exchange continuous market.

Under the scope of the Italian listing, Reno De Medici is part of the STAR segment (Segmento Titoli con Alti Requisiti).

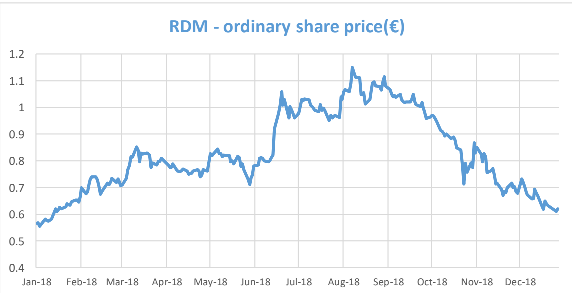
The minimum figure for share trading is 1 Euro.

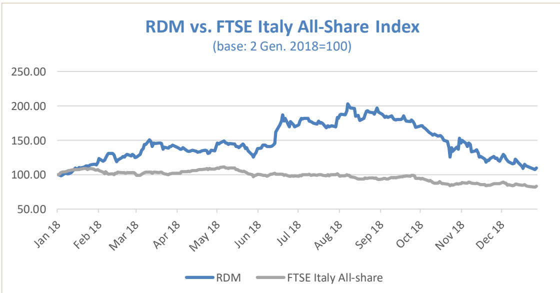
The stock code is:

ISIN: IT0001178299

Alphanumerical code: RM

Performance of the Reno de Medici stock price





In 2018, stock markets recorded their worst performance for 10 years. The reasons for this were concerns over an escalation in trade tensions between the US and China, the unpredictability created by Brexit and the uncertainty surrounding the rate at which the Central Banks have increased the cost of money, following economic growth which, in the second half of 2018, has got progressively weaker: the MSCI All Country World Index fell by 9.4% in 2018.

On the Italian stock market, particularly in the latter part of the year, a fear of a clash between the government and the European Commission over the extent of the deficit resulting from the Budget Law, with a relative increase in the spread between BTP and Bund returns also played a part. In 2018, the FTSE Italy All-Share Index fell by 16.7%.

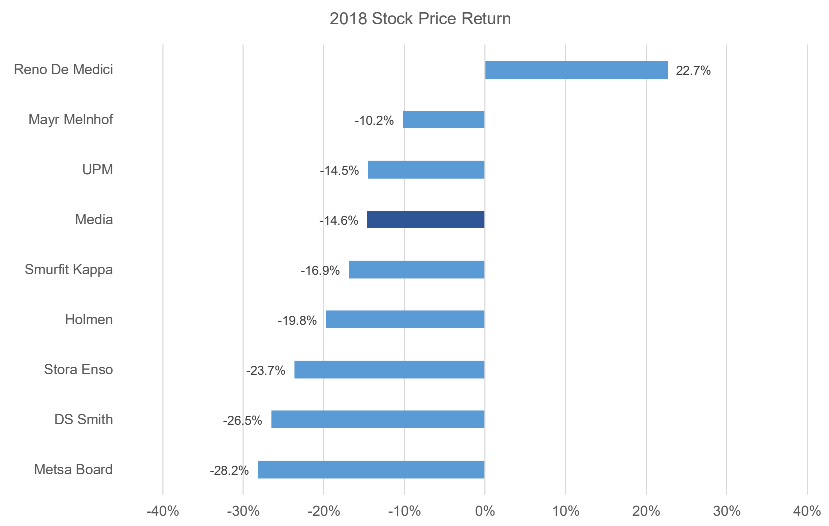
In a similar context, Reno De Medici's stock not only outperformed the benchmark, but also managed to create a positive change, ending the year at a price of €0.62, an increase of 22.7% compared with the price at the end of 2017 (€0.5055), leveraging the strong fundamentals which confirmed the validity of the strategy in the results published on a quarterly basis in 2018.

In the first part of the year the rally that led to the stock reaching €1 was also sustained by the announcement, on June 14, 2018, of the acquisition of Barcelona Cartonboard S.A.U., the leading Iberian Peninsula producer of cartonboard for packaging. From the middle of June until the end of September, the stock fluctuated around €1, reaching the maximum price of €1.15 after the publication of the financial results for the first half of the year which included a gross operating profit margin of 12.2% and an improvement in all economic-financial indicators. In early October, aided by the general slowdown in economic growth and the uncertainty regarding the 2019 Italian financial law the stock underwent a correction, leading, at the end of 2018, to the price falling back to the low of €0.62 in the last session of the year.

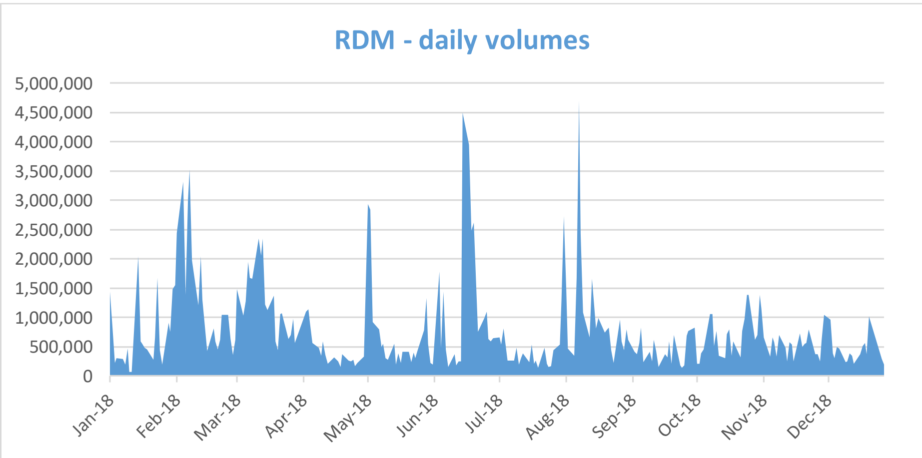
2019 began with generally more favorable conditions for equity investment: specifically, the Federal Reserve seeming to wish to raise interest rates less quickly in the light of the weak condition of the American economy., In this scenario, RDM stock recovered to levels above €0.70, supported by expectations of improved 2018 annual results; these expectations were then confirmed by the publication of the Q4 results when the high for the period of 3.2 million shares traded was reached on February 14, 2019. At the end of February, 2019 average volumes stood at 553 thousand shares per day, currently lower (-29.4%) compared with 2018 average volumes, but in line with those for the last quarter of 2018 (-4%).

As far as the comparison with other companies in the sector is concerned, Reno De Medici does not have any direct comparables. The reference sector includes companies operating in forest paper and packaging. The most similar group is Mayer Melnhof which, however, includes the cartonboard division with the packaging division. It therefore involves operators which have Stock Exchange capitalizations of between €2 and €12 billion, far larger than Reno De Medici therefore.

The performance of RDM stock compared with these peers highlights how the Company has performed significantly better than other listed companies. Specifically, Reno De Medici stock recorded a 22.7% increase in 2018, not only the highest of all the other companies, but also the only positive price variation in a panel in which the average was negative by 14.6%.



Trends in volumes from January 2, 2018



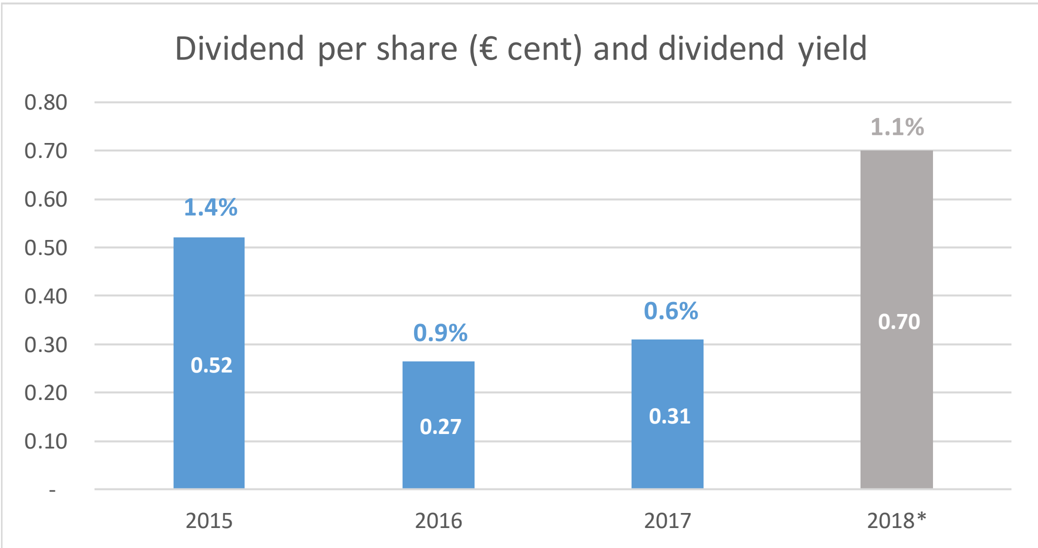
In 2018, average volumes of daily trading of Reno De Medici stock on the Milan Stock Exchange stood at 783 thousand shares, an increase of 14.1% compared with the figure of 687 thousand in 2017. The concentration of trades took place in June, July and August 2018, when peak volumes were reached following the announcement of the acquisition of Barcelona Cartonboard S.A.U. with around 4.5 million shares traded on June 15, the day after the announcement, and a weekly average of 3.1 million shares. The record for the number of shares traded daily (4.7 million) was reached, on the other hand, on August 8, a few days after the publication of the economic and financial data as at June 30, 2018, with a daily average over four days of 2.5 million shares. Compared with 2017, the record number of shares traded daily was in the previous year, standing at 5.9 million shares traded on July 10, 2017.

Dividend

In 2018 a dividend of €0.31 on the 2017 profit was distributed. The total shareholders return for 2018 was therefore 23.3%.

On March 18, 2019 the Board of Directors will submit a proposal to the Shareholders' Meeting which will be held on April 29, 2019 to approve the distribution of a dividend for ordinary shares of 0.7 eurocents, with a dividend yield of 1.1% compared with the price at December 31, 2018 (0.9% compared with the price at February 28, 2019).

The table shows the dividends per share for ordinary shares together with the dividend yield calculated on the closing price recorded at the end of the year to which the distribution refers:



* the dividend relating to 2018 reflects the proposal formulated by the Board of Directors on March 18, 2019 which has not yet been approved by the Shareholders' Meeting.

Analyst coverage

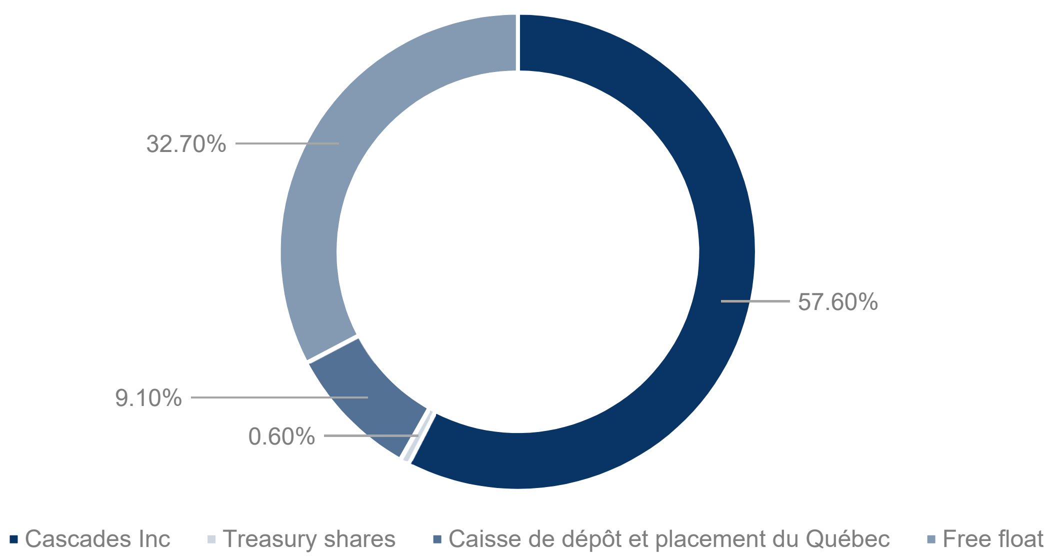
Reno De Medici stock is covered by three analysts, with the specialist being Intermonte. The coverage was extended in 2018 with the French broker MidCap Partners.

The data updated in relation to the target price and the recommendations of each analyst are published on the company's website. The consensus on the target price, which at the end of 2018 stood at €1.05 per share, was revised downwards slightly in February 2019 and stands at €0.97 per share.

Share ownership

The share capital of Reno De Medici as at December 31, 2018 was composed of 377,800,994 shares, 254,777 of which were savings shares, both with no par value and a share capital of €140,000,000 fully paid-up.

Based on the results of the shareholders' register, the information available and communications received pursuant to Article 120 and Article. 152-*octies*, paragraph 7 of the TUF as well as the data disclosed by Consob, the composition of the share ownership of Reno De Medici is as follows:



Compared with December 31, 2017, there were no changes in institutional shareholders with investments exceeding 5% of the share capital.

Buyback

Between December 3 and December 13, 2018, Reno De Medici bought 828,698 treasury shares (equal to 0.22% of the share capital), in order to equip the company with the necessary shares for the 2017-19 Stock Grant Plan approved by the Shareholders' Meeting of April 28, 2017.

This transaction took place in totally independently conditions through a broker.

Investor Relations Activities

In 2018 RDM management met with 123 institutional investors, 44 of them for the first time, at conferences in the main European financial centers (Paris, Frankfurt, Madrid, Geneva and Milan) and at a roadshow in Paris, as well as at the company's offices during a reverse roadshow. Reno De Medici also took part in the STAR Conference in Milan and London and the Industrial Day held at the Milan Stock Exchange in September.

There was a field trip in July to the Santa Giustina Mill for an investor.

The acquisition of Barcelona Cartonboard S.A.U. was announced in the format of a conference call.

On February 14, 2019, another conference call was organized following the publication of the results for the fourth quarter of 2018.

2019 Financial Calendar

February 14, 2019: Board of Directors' Meeting for the approval of the Interim Report as at December 31, 2018;

March 18, 2019: Board of Directors' Meeting for the approval of the Draft Financial Statements and the Consolidated Financial Statements for 2018;

April 29, 2019 (April 30, second call): Shareholders' Meeting for the approval of the 2018 Draft Financial Statements

April 29, 2019: Board of Directors' Meeting for the approval of the Interim Report as at March 31, 2019;

July 30, 2019: Board of Directors' Meeting for the approval of the Half-Year Financial Report as at June 30, 2019;

November 4, 2019: Board of Directors' Meeting for the approval of the Interim Report as at September 30, 2019;

03

Directors' Report on Operations

REFERENCE MARKET AND PERFORMANCE OF ASSETS

In a context such as that of 2018, characterized by the low prices of recycled fiber raw materials and a vigorous demand in the first part of the year, but which gradually slowed in the second, RDM Group reported a significant increase in EBITDA margin and net profit, proving its success in seizing the opportunities offered by its market position and in preserving the level of margins even while facing pressures on sales prices.

In the year 2018, the EBITDA stood at EUR 63.1 million, compared to 45.8 million in the year 2017, while its impact on sales revenue reached 10.4%, compared to 8.1% in 2017.

Net profit was equal to EUR 27.2 million – nearly doubled compared to 14.6 in the previous year.

In accordance with the strategy set in 2017, RDM Group continued working in 2018 to bring its profitability in terms of EBITDA margin to structurally higher levels, implementing additional initiatives aimed at smoothening the impact on the financial results of the variations of the different economic business cycles. In particular, a number of initiatives, intended to increase margins, was launched through the optimization of the production mix, the distribution of orders between the various production units and the streamlining of costs. These actions, which have already brought some advantages in 2018, will continue in the 2019-2020 two-year period with the objective of consolidating further results in terms of operating margin.

Alongside the organic profitable growth policies, at the end of October 2018, RDM Group concluded its acquisition of the biggest paperboard manufacturer on the Iberian Peninsula – **Barcelona Cartonboard S.A.U.** – strengthening its leadership in Southern Europe. The strong generation of cash covered for a large part the acquisition operating cost (Enterprise Value of EUR 46.4 million): the net financial debt at 31 December 2018 was in fact equal to EUR 66.8 million, with an increase of 22.7 million compared to the 44.1 million at the end of 2017.

The gearing[1], albeit having increased from 0.26% to 0.21%, remained at contained levels.

BUSINESS STRATEGY

The sector in which RDM Group traditionally operates, namely WLC – White Lined Chipboard (paperboard coated by packaging on a recycled base), representing a consolidated percentage on revenues of over 80%, in 2018 was characterized by a

[1] The gearing was calculated as the ratio between "net financial position / (net financial position + net worth)".

demand that was overall lower by 1.6% than the previous year, which had seen a boom in demand. RDM Group succeeded in keeping its market share substantially unchanged, only decreasing by half a percent. Some facilities, in particular Villa Santa Lucia mill in Southern Italy, were affected by lower production efficiency following the “multi-mill” redistribution of products, producing grammages that were overall lighter, in line with market trends. This led to a decline in the volumes shipped, especially in the last quarter.

To protect and increase its margins, RDM Group optimized its orders portfolio through a new sales organization and a dedicated company department function.

As regards the main production factors, the price of waste paper recorded, as of September 2017, a significant reduction in price until the first quarter of 2018, in March reaching the lowest level on the market since the crisis in 2009. In the following quarters, the average prices remained substantially stable despite the uptrend, especially for white grades, replacements for virgin cellulose. The decrease in prices of recycled paper is due to the restrictions imposed by the Chinese Government on unselected waste paper importation and to the limitations in licence volume issuing. In Europe, however, an excess in supply was created, which led to decrease in prices.

The FBB sector (Folding Box Board – paperboard for folding boxes made from virgin fibres), representing a consolidated percentage on revenues of just less than 20%, recorded a 6.6% growth in market demand. Overall, La Rochette mill produced fewer tons in 2018, even if in the last quarter the trend reversed slightly. The revenues were nevertheless higher, due to the increased sales prices charged. In fact, the Company announced an increase in prices at the end of the year 2017, which entered into force during 2018.

This increase was not sufficient to preserve the profitability of the sector, which had been entirely eroded by the bullish trend in the prices of virgin cellulose fibres.

In 2018, in the wake of 2017, the price of these fibres continued to increase, both in the “short fiber” sector, due to the difficulty the supply was experiencing in meeting demand, and in the “long fiber” sector, mainly because of the increase in Chinese demand, as a partial replacement for recycled paper. In June 2018, the prices of virgin fibres reached the maximum peak (around 1,230 US$/TON), before stabilizing in the third and fourth quarters. The weakness of the US Dollar only partially compensated for the effect of the price increases.

As of the end of 2018, decreasing trends were recorded on both types of virgin fibres and there remains an expectation of falling prices, albeit slight.

At the end of 2018, RDM Group announced an additional increase in prices, which is to be implemented in the first months of 2019.

The **energy costs** in 2018 recorded a significant increase compared to the previous year due to the price increase of the main sources of energy supply, namely natural gas, electricity and coal. The price trend is substantially connected to the macro-economic framework of the ongoing year and to oil price trends. The deterioration of growth expectations led, in the last quarter, to a halt in the rising trend of raw materials prices, especially energy.

GROWTH FOR EXTERNAL LINES

In 2018, the Group strengthened its leadership in Southern Europe by acquiring the biggest board mill on the Iberian Peninsula – **Barcelona Cartonboard S.A.U.** – and becoming the main manufacturer of paperboard for recycled fiber packaging in Italy, France and Iberian Peninsula.

The transaction was concluded on 31 October 2018, with the payment to the seller of EUR 36.5 million and the assumption of the financial debt of the subsidiary amounting to EUR 9.7 million.

The 2018 results then consolidate the Company **Barcelona Cartonboard S.A.U.** for a period of two months, from 1 November to 31 December 2018. The contribution of the newly acquired company to the results for the year 2018 was equal to EUR 21.9 million in terms of revenue and EUR 1.5 million of EBITDA.

Being part of RDM Group will allow the subsidiary to maximize its profitability thanks to the sharing of know-how within the Group and to the review of the products - markets served portfolio. Furthermore, in coming years Reno De Medici will be able to bolster its presence in an already known market and improve the level of service offered to customers, including in light of the geographical proximity to some of the main converters in France and Spain.

The 2018 results also fully consolidate for the first time **PAC SERVICE S.p.A.**, acquired at the end of 2017 with effect as of 1 January 2018, previously evaluated with the equity method, which contributed to the result, before intercompany adjustment, with revenues of EUR 21.1 million and an EBITDA of EUR 1.7 million.

OPERATING INVESTMENTS

In 2018, the Group put in place **Capital Investments** for EUR 24.4 million, compared to EUR 20.7 million in 2017. Again, in the year 2018, the Company continued to invest in increasing capacity and improving quality, in optimizing costs, in addition to energy efficiency and the Group's digitalization project. Some of the largest investments included the new headbox installed in Arnsberg, the rewinder in Villa Santa Lucia, the pope reeler in Santa Giustina, the sheeter in PAC Service, the second step in energy streamlining in La Rochette and the continuation of rolling out the new ERP.

NET FINANCIAL POSITION

Consolidated Net Financial Debt at 31 December 2018 amounted to EUR 66.8 million, with an increase of EUR 22.7 million compared to the 44.1 million at 31 December 2017. The net operating cash flow was positive for EUR 52.4 million and allowed RDM Group to largely absorb the financial impact deriving from the acquisition of **Barcelona Cartonboard S.A.U.** (Enterprise Value of EUR 46.4 million).

In addition to the normal dynamics of the working capital connected to the positive performance of the year, the operating cash flow was positively impacted by the increase in the use of factoring, mainly due to the entry of the subsidiary La Rochette S.A.S. into the factoring program. The most relevant negative impact derived from the increased amount, towards vs. 2017, of investments.

The expenses included: the dividends paid and the purchase of own shares for an overall EUR 1.7 million, in addition to the acquisition of an additional 5% of the subsidiary R.D.M. Ovaro S.p.A. from **Friulia S.p.A.** for EUR 0.6 million.

Sales Revenues amounted to EUR 606 million, compared to EUR 569.1 million for the same period in the previous year. Net of the line-by-line consolidation of PAC Service S.p.A. (EUR +21.1 million, before intercompany transactions) and of Barcelona Cartonboard S.A.U. for the last two months of 2018 (EUR +21.9 million), the sales revenues were stable compared to the previous year.

The **tons sold** in 2018 by RDM Group reached 1,020,000 units, compared to the 1,012,000 units sold in 2017. On the one hand, the variation reflects the tons sold by the two Companies consolidated for the first time in 2018; on the other, the decrease of volumes sold on a like-for-like basis with 2017. This decrease was mainly attributable to the WLC sector and reflects both a weakening of demand in the second part of the year and lower volumes shipped following the production redistribution of some types of paperboard from one facility to another.

The **average sales prices**, in both divisions, were higher than in 2017.

Other Revenues amounted to EUR 6.3 million, with a decrease of EUR 2.6 million compared to the previous year, due mainly to the lower energy efficiency certificates for the Italian mills ("white certificates").

The **Cost for raw materials and services** amounted to EUR 459.4 million with an increase of EUR 21.3 million compared to the previous year, mainly due to the different consolidated Companies. Net of this effect, the entry was affected by a significant decrease of the cost of waste paper and by an increase in the price of virgin fiber, energy costs and some services including waste disposal.

Personnel Costs amounted to EUR 90.8 million, with an increase of EUR 3.6 million compared to the overall 87.3 million in 2017. The variation mainly reflects the full consolidation of PAC Service S.p.A. and Barcelona Cartonboard S.A.U., in addition to the contractual increases.

In 2018, the **EBITDA** reached EUR 63.1 million, a significant increase compared to the 45.8 million in 2017 with a percentage on revenues of 10.4% compared to 8.1% in 2017.

EBIT amounted to EUR 39.3 million, compared to EUR 23.5 million in 2017. Depreciation and amortization increased by EUR 1.4 million, mainly due to the change in the scope pf consolidation.

The **Net Financial Expenses** were equal to EUR 2.4 million, a decrease compared to the 3.1 million in 2017, mainly due to the decrease of foreign currency expenses, due to the light revaluation of the American Dollar, with a positive balance of EUR 23k in 2018 compared to a loss of 602k recorded in 2017. The average cost of debt remained at limited levels.

Incomes from Investments amounted to EUR 3.2 million, against EUR 0.4 million in 2017. The relevant increase is attributable, for an amount of EUR 3 million, to the acquisition of the remaining shares of PAC Service S.p.A., with the consequent evaluation of the fair value of the investment previously held (33.33%), which was evaluated using the equity method.

The provisions for **Taxes** were equal to EUR 12.9 million, compared to the EUR 6.2 million in 2017, with a significant increase related to the increased taxable income and to the full use in the year 2018 of the losses carry forward by the Parent Company Reno De Medici S.p.A.

The **Consolidated Net Profit** reached EUR 27.2 million, with a major increase compared to the 14.6 million in 2017, driven by the increased operating profitability, partially compensated by higher amortizations and taxation.

KEY EVENTS OF THE RENO DE MEDICI GROUP

PAC Service S.p.A., starting 1 January 2018, effective date of the acquisition of the remaining stake thereof, was fully consolidated.

On 12 February 2018, the merger by incorporation into Reno De Medici S.p.A. of **R.D.M. Marketing S.r.l.** was completed, the related accounting and tax effects are effective from 1 January 2018, while legally it is effective from 1 April 2018.

Below are the tables of the Pro-forma Statement of Financial Position and Pro-forma Income Statement of Reno De Medici S.p.A. for the year ended December 31, 2017 and the Statement of Financial Position and Income Statement of Reno De Medici S.p.A. for the year ended December 31, 2018.

Income statement

	Reno De Medici S.p.A. December 31, 2017	R.D.M. Marketing S.r.l. December 31, 2017	Intercompany Eliminations	Reno De Medici S.p.A. Pro-forma December 31, 2017	Reno De Medici S.p.A. December 31, 2018
Revenues of sales	236,196			236,196	233,256
Other revenues	10,237	12,513	(5,815)	16,936	10,044
Change in inventories of finished goods	(3,341)			(3,341)	1,812
Cost of raw materials and services	(190,808)	(10,619)	5,815	(195,612)	(179,618)
Personnel costs	(23,928)	(1,207)		(25,135)	(25,827)
Other operating costs	(1,082)	(21)		(1,103)	(2,119)
EBITDA	**27,275**	**666**	**0**	**27,941**	**37,548**
Amortization and depreciation	(11,478)	(2)		(11,480)	(11,973)
Operating profit	**15,797**	**664**	**0**	**16,460**	**25,575**
Financial expenses	(1,607)	(16)	2	(1,621)	(1,350)
Gains (losses) on foreign exchange	(335)	(20)		(355)	151
Financial income	354	17	(2)	369	363
Net financial income (expense)	(2)			(1,607)	(836)
Gains (losses) on investments	409	8		416	317
Taxes	(4,255)	(162)		(4,417)	(7,103)
Profit (loss) for the year	**11,949**	**509**	**0**	**10,852**	**17,952**

The two Income Statements are not comparable because of the amendments made in 2018 to the cost structure.

Statement of Financial Position

ASSETS	Reno De Medici S.p.A. December 31, 2017	R.D.M. Marketing S.r.l. December 31, 2017	Intercompany Eliminations	Reno De Medici S.p.A. Pro-forma December 31, 2017	Reno De Medici S.p.A. December 31, 2018
Non-current assets					
Tangible fixed assets	109,527	6		109,533	107,755
Intangible fixed assets	3,956			3,956	6,962
Investments in subsidiaries	84,925	1,774	(609)	86,090	135,987
Investments in associates, joint ventures and other companies	2,344			2,344	151
Other receivables	11,025			11,025	1,201
Total non-current assets	**211,778**	**1,780**	**(609)**	**212,949**	**252,056**
Current assets					
Inventories	31,155			31,155	30,989
Trade receivables	32,857			32,857	27,545
Receivables from Group companies	9,063	3,696	(2,442)	10,317	13,829
Other receivables	3,289	578		3,867	2,245
Other receivables from Group companies	6,418	2,731	(2,036)	7,112	13,735
Cash and cash equivalents	17,550	1		17,551	26,835
Total current assets	**100,332**	**7,005**	**(4,478)**	**102,859**	**115,178**
TOTAL ASSETS	**312,109**	**8,785**	**(5,087)**	**315,807**	**367,234**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	140,000	200	(200)	140,000	140,000
Other reserves	25,439	(46)	81	25,474	33,236
Profit (loss) for the year	10,362	490	(490)	10,362	17,952
Total shareholders' equity	**175,801**	**644**	**(609)**	**175,836**	**191,189**
Non-current liabilities					
Payables to banks and other lenders	21,164			21,164	49,322
Derivative Instruments	60			60	320
Other payables	26			26	
Deferred tax liabilities	3,447			3,447	3,035
Employee benefits	5,486	412		5,898	5,467
Non-current provisions for risks and charges	2,219	2,617		4,836	4,779
Total non-current liabilities	**32,403**	**3,029**	**0**	**35,432**	**62,922**
Current liabilities					
Payables to banks and other lenders	14,006			14,006	10,882
Derivative Instruments	108			108	221
Trade payables	55,160	1,473		56,632	51,023
Payables to Group companies	3,796	3,219	(2,442)	4,573	2,442
Other payables	5,021	420		5,441	6,735
Other payables to Group companies	24,082		(2,036)	22,045	34,687
Current taxes	954			954	5,955
Employee benefits	7			7	68
Current provisions for risks and charges	770			770	1,112
Total current liabilities	**103,905**	**5,112**	**(4,478)**	**104,539**	**113,124**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**312,109**	**8,785**	**(5,087)**	**315,807**	**367,234**

On 28 March 2018 Reno De Medici S.p.A. sold its shareholding in **Manucor S.p.A.** This shareholding had been totally written off in the previous financial years and, therefore, the transfer of the same generated a non-relevant capital gain.

On 19 June 2018, Reno De Medici S.p.A., by application of the agreements signed with **Friulia S.p.A.** in 2017, repurchased at the price of EUR 646,418 a further 5% shares of R.D.M. Ovaro S.p.A from Friulia S.p.A. stakeholding. Following this operation, the residual stake still owned by Friulia S.p.A. is equal to 10% and will be acquired back in two equal tranches on 30 June of the years 2019 and 2020.

On 2 July 2018 Reno De Medici S.p.A. entered into a preliminary agreement with the German private equity Fund Quantum Capital Partners to acquire 100% of **Barcelona Cartonboard S.A.U.**, a Spanish Company, the seventh-largest European player in the coated cardboard sector. The transaction was terminated on 31 October 2018; starting from that date the Company was fully consolidated.

On 11 September, the Board of Directors of Reno De Medici S.p.A. appointed Mr Luca Rizzo the Manager Responsible for preparing the Company's financial reports, pursuant to Art. 154-bis of Legislative Decree 58/98, within his role as Chief Financial Officer.

Other information

Purchase of treasury shares in 2018

In 2018, in compliance with the authorization granted on November 2, 2015 by the Ordinary Shareholders' Meeting pursuant to Article 2357 of the Italian Civil Code, Reno De Medici S.p.A. purchased a total of 828,698 ordinary treasury shares at an average unit price of €0.70 for a total amount of €576,711.

These purchases were carried out on regulated markets in compliance with Article 132 of Legislative Decree 58 of February 24, 1998 and Article 144-bis, 1b) of Consob Regulation 11971/1999.

Following the purchases made in 2018, that add to the shares already held, RDM Group holds a total of 2,262,857 treasury shares, or 0.599% of share capital.

No treasury shares were offloaded and no Reno De Medici shares were purchased by its Subsidiaries.

MAIN RISKS AND UNCERTAINTIES TO WHICH RENO DE MEDICI S.p.A. AND THE GROUP ARE EXPOSED

Risks associated with the general economic conditions

The Company and the Group, like all industrial operators, are exposed to the risks associated with the general macroeconomic environment.

2018 featured many favorable conditions. Demand remained at very satisfactory levels and the fall in the price of raw materials, together with sales prices being maintained, allowed good levels of profitability. The current situation, featuring numerous elements of uncertainty (Brexit, US/China tensions and a possible slowdown in the major economies) and the cyclical nature of the sector in which the Group operates, could involve the risk of a fall in sales volumes and prices. Obviously, this risk cannot be eliminated but it can be mitigated through various actions and projects, which the Group has already implemented, aimed at increasing production and commercial efficiency and achieving synergies.

As far as raw materials are concerned, the main risk is the one resulting from a possible increase in the price of waste paper after there was a large fall in 2018, mainly due to the decision taken by the Chinese government to block imports. Although there are no price increase trends in the short-term, it is not possible to rule out this risk in the medium-term, also because of the block on imports by China. If this is the case, it will be vital to try and overturn these increases on the final sales price as quickly as possible and to continue with the policy of optimizing manufacturing recipes.

With regard to energy prices, all of them reached the high of previous years in 2018, namely gas, electricity and CO2. Therefore it does not appear that there will be a significant risk of further increases, rather there is already a tendency that prices will fall. In a scenario featuring a rise in energy costs, on the other hand, the Group will continue with its energy consumption efficiency policies and investments aimed at reducing them.

Credit risk is one of the risks related to the general economic environment and is described in more detail later.

Risks related to the Group's results

It should be stated that there are no specific risks associated with the structure and/or the nature of the RDM Group.

Risks related to the requirements for financial resources

The Group currently has largely sufficient financial resources available to meet reasonably foreseeable requirements as a result of the Group’s healthy financial position and the ongoing very favorable credit market conditions.

Risks related to interest rates

Exposure to interest rate risk involves mainly the medium-/long-term lines of credit on which the Group’s financial provisions are currently based. As at December 31, 2018, the Group had cash available and uses a very small portion of short-term lines of credit, with the exception of programs for the non-recourse sale of trade receivables (non-recourse factoring). As at December 31, 2018, medium- and long-term debt totaled €96 million, of which €23.5 million was at an unhedged floating rate. The availability of cash at December 31, 2018 stood at €31.2 million.

In the Eurozone, forecasts for 2019 include interest rates remaining at current levels until at least the end of the year. The ECB also confirmed that the polices implemented to support credit to the economy and reactivate the banking system will be continued.

Liquidity risk

Liquidity risk is defined as the risk of not managing to fulfill obligations associated with liabilities.

Prudent management of liquidity risk entails maintaining adequate cash and cash equivalents and the ability to access the loans needed to support operations.

To deal with this risk, the Group’s treasury unit ensures the flexibility of the supply of funds through access to diversified sources of credit.

As at December 31, 2018, the net financial debt of the RDM Group was equal to €66.8 million, with wide margins to satisfy all reasonable financial requirements.

Credit risk

Credit risk is the exposure of the Company and the Group to the insolvency of its customers. This risk is present, especially in Italy, which remains one of Europe's most fragile economies and is historically characterized by very long payment terms and consequently high exposure to customers.

The RDM Group has many tools to effectively manage this risk: insurance agreements were entered into with a leading credit insurance company and various agreements were also entered into for the non-recourse assignment of receivables.

Any uninsured and/or uninsurable positions are monitored continually by the appropriate Corporate Functions, with the support of external sources of information and monitoring for the Italian customer base.

In order to contain this risk, the Group checks risky positions vigilantly and promptly.

Although the policies adopted thus far have restricted losses on receivables, the risk cannot be entirely eliminated.

Currency risk

This risk is the exposure of the Company and the Group to fluctuations in exchange rates of costs and revenues denominated in currencies other than the Euro. As far as the Group is concerned, this exposure is particularly related to fluctuations of the US dollar, a currency in which a significant part of revenues from overseas markets is denominated and, as far as costs are concerned, purchases of certain raw materials and certain energy factors. Given the expected volumes of costs and revenues which are either denominated in dollars or fluctuate according to the dollar, it is felt that the net exposure is not significant in relation to the overall size of the business.

Capital risk

It is felt that the Company is adequately capitalized in relation to the reference market and its size.

THE RDM GROUP'S OPERATING RESULTS, FINANCIAL POSITION AND CASH FLOWS

The results of the RDM Group, the main items of the statement of financial position and the breakdown of the net financial position are given below.

Operating results

RDM GROUP	12.31.2018	%	12.31.2017	%
(thousands of Euros)				
Revenues from sales	605,980	**100.00 %**	569,089	**100.00 %**
Operating costs (15)	(555,468)		(528,657)	
Other operating income (expenses) (16)	12,601		5,381	
Gross Operating Profit (EBITDA)	**63,113**	**10.42 %**	**45,813**	**8.05 %**
Depreciation, amortization and write-downs	(23,777)		(22,332)	
Operating profit (EBIT)	**39,336**	**6.49 %**	**23,481**	**4.13 %**
Net financial income (expense)	(2,444)		(3,131)	
Gains (losses) from investments	3,192		446	
Taxes	(12,914)		(6,228)	
Profit (loss) for the year	**27,170**	**4.48 %**	**14,568**	**2.56 %**
Group's share of profit (loss) for the year	**27,170**	**4.48 %**	**14,568**	**2.56 %**

(15) See RDM Group consolidated financial statements. The amount is calculated by adding together the following items from the income statement: "Cost of raw materials and services", "Personnel costs" and "Other operating costs".

(16) See RDM Group consolidated financial statements. The amount is calculated by adding together the following items from the income statement: "Other revenues" and "Change in inventories of finished goods".

The table below contains the breakdown of sales revenues by geographic area:

RDM GROUP	12.31.2018	%	12.31.2017	%
(thousands of Euros)				
Areas				
Italy	200,105	33 %	186,140	33 %
EU	333,202	55 %	312,403	55 %
Non-EU	72,673	12 %	70,546	12 %
Total revenues from sales	**605,980**	**100 %**	**569,089**	**100 %**

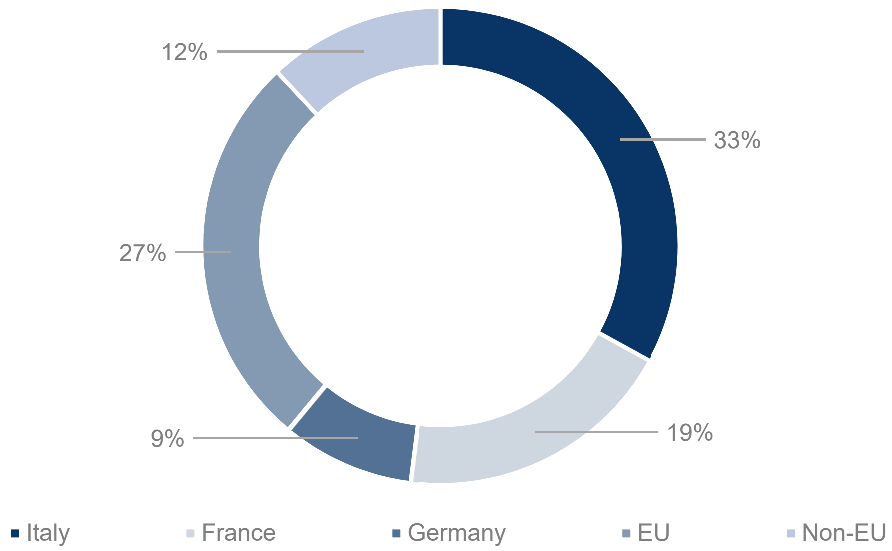


Fig 2.: "Revenues by Geographic Area"

Revenues of the RDM Group reached €606 million in 2018. The change of €37 million from the previous year was due to the different consolidation period of the companies PAC Service S.p.A. (+€21.1 million before the intercompany elimination) and Barcelona Cartonboard S.A.U. (+€21.9 million). The revenues for the latter include the fees for the activities carried out by the cogeneration plant annexed to the Spanish plant which account for €6.5 million. Excluding the different scope of consolidation, revenues from sales remained stable compared with the previous year.

Gross operating profit rose from €45.8 million in 2017 to a final figure of €63.1 million in 2018, with an increase of increase of €17.3 million. In a favourable context both in terms of demand and the cost of waste paper, the company has increased margins by optimizing the production mix, the allocation of orders among the various plants and cost efficiency.

Consolidated EBIT was positive by €39 million, compared with €23.5 million reported in 2017.

RDM GROUP	**12.31.2018**	**12.31.2017**
(thousands of Euros)		
Net financial expense	(2,444)	(3,131)
Gains (losses) from investments	3,192	446
Total	**748**	**(2,685)**

At December 31, 2018, net financial expense totaled €2.4 million, down compared with the figure of €3.1 million for 2017. This change is essentially due to the decrease in foreign exchange expenses as a result of the slight revaluation of the US dollar, which recorded a positive balance in 2018 of €23 thousand compared with a loss of €602 thousand registered in 2017. The average cost of borrowing remains at contained levels.

The caption "Gains (Losses) from investments" recorded a net profit of €3.2 million compared with the final figure of €0.4 million in 2017. This significant increase is due, for an amount of €3 million, to the acquisition of the remaining block of shares of PAC Service S.p.A., with the consequent valuation at fair value of the investment previously held (33.33%) which was valued through the equity method.

The net profit at the end of 2018 was €27.2 million compared with a profit of €14.6 million recorded in 2017.

Statement of Financial Position

The table below contains the main statement of financial position items:

RDM GROUP	**12.31.2018**	**12.31.2017**
(thousands of Euros)		
Trade receivables (17)	79,969	70,862
Inventories	107,138	83,659
Payables to suppliers (18)	(130,409)	(105,979)
Trade working capital	**56,698**	**48,542**
Other current assets (19)	11,260	10,346
Other current liabilities (20)	(29,981)	(22,278)
Non-current assets (21)	274,572	224,728
Non-current liabilities (22)	(11,108)	(8,950)
Invested capital	**301,441**	**252,388**
Employee benefits and other provisions (23)	(39,813)	(39,849)
Net invested capital	**261,628**	**212,539**
Net financial position (24)	66,810	44,074
Shareholders' equity	194,818	168,465
Sources total	**261,628**	**212,539**

(17) See RDM Group consolidated financial statements – sum of the sub-items "Trade receivables" and "Receivables from associates and joint ventures", classified under "Current assets".

(18) See RDM Group consolidated financial statements – sum of the sub-items "Trade payables" and "Payables to associates and joint ventures", classified under "Current liabilities".

(19) See RDM Group consolidated financial statements – the item "Other receivables" net of €506 thousand relating to an entry of a financial nature.

(20) See RDM Group consolidated financial statements – sum of the following items "Other payables" and "Current taxes", classified under the item "Current liabilities" reduced by €1.5 million relating to a financial entry included under "Other payables".

(21) See RDM Group consolidated financial statements – total of the item “Non-current assets”.
(22) See RDM Group consolidated financial statements - sum of the following items of “Non-current liabilities”: “Other payables” and “Deferred tax liabilities”.
(23) See RDM Group consolidated financial statements - sum of the following items of “Non-current liabilities”: “Employee benefits” and “Non-current provisions for risks and charges” and “Current liabilities: “Employee benefits” and “Current provisions for risks and charges”.
(24) See RDM Group consolidated financial statements – sum of the following items: “Cash and cash equivalents”, “Other receivables from associates and joint ventures”, classified under “Current assets” to which €506 thousand is added relating to an entry of a financial nature included under the item “Other receivables”, net of the following items “Payables to banks and other lenders” and “Derivative instruments”, classified under “Non-current liabilities” and “Payables to banks and other lenders”, “Derivative instruments” and “Other payables to associates and joint ventures”, classified under “Current liabilities” to which €1.5 million is to be added relating to an entry of a financial nature included under the item “Other payables”.

The changes compared with the previous year are essentially due to the consolidation of the data for Pac Service S.p.A. and Barcelona Cartonboard S.A.U.

Net financial position

Consolidated Net financial debt as at December 31, 2018 stood at €66.8 million. The increase compared with the previous year is due to the acquisition of the company Barcelona Cartonboard S.A.U. for €46.2 million, of which €36.5 million represents the price actually paid and €9.7 million the assumption of debt on the purchase date. Excluding this acquisition, the Group generated cash of over €23.5 million.

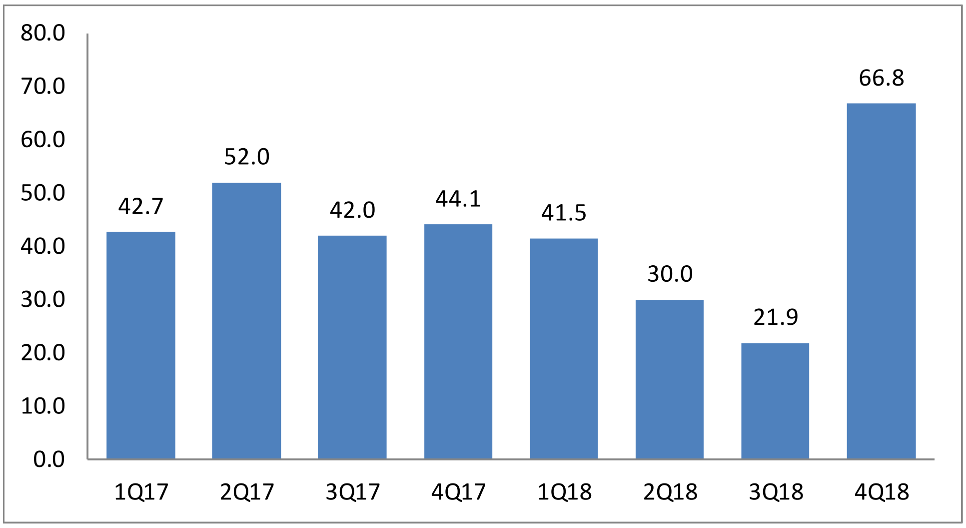


Fig. 3: “2017-2018 Net Financial Position - Quarterly Trend”

Below is a table summarizing the changes recorded compared with the previous year:

RDM GROUP	12.31.2018	12.31.2017	Change
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables (25)	31,686	19,986	11,700
Short-term financial payables (26)	(21,854)	(19,512)	(2,342)
Valuation of current portion of derivatives (27)	(296)	(133)	(163)
Short-term net financial position	**9,536**	**341**	**9,195**
Medium-term financial payables (28)	(75,858)	(44,277)	(31,581)
Valuation of non-current portion of derivatives (29)	(488)	(138)	(350)
Net financial position	**(66,810)**	**(44,074)**	**(22,736)**

(25) See RDM Group consolidated financial statements – sum of "Cash and cash equivalents" and "Other receivables from associates and joint ventures" classified under "Current assets", to which €506 thousand should be added relating to an entry of a financial nature included under the item "Other receivables".
(26) See RDM Group consolidated financial statements – sum of the item "Payables to banks and other lenders" and "Other payables to associates and joint ventures" of a financial nature, classified under "Current liabilities" plus €1,5 million relating to a financial entry included under "Other payables".
(27) See RDM Group consolidated financial statements – the item "Derivative instruments" classified under "Current liabilities".
(28) See RDM Group consolidated financial statements – the item "Payables to banks and other lenders" classified under "Non-current liabilities".
(29) See RDM Group consolidated financial statements – the item "Derivative instruments" classified under "Non-current liabilities".

The changes compared with the previous year are essentially due to the consolidation of the data for Pac Service S.p.A. and Barcelona Cartonboard S.A.U..

Research and development activities

The Group conducted ongoing research and development activities aimed at continually upgrading the technology of production processes and researching better use of materials in order to improve the quality of the product or the process.

The activity directed at developing new business areas and the creation of new products should also not be forgotten.

Investments

In 2018, the RDM Group's capital expenditures totaled €24.4 million (€20.7 million in 2017).

The goals of these investments were to reduce variable costs, increase production capacity, improve safety and quality, and the main projects were:

- Santa Giustina Mill, a new paper winding machine was installed with the aim of optimizing the production process and cutting variable costs;

- Villa Santa Lucia Mill, improvement and modernization operations involving plant and machinery. Additionally, the project for the installation of a new automatic rewinder was completed;

- Arnsberg Mill (Germany): a new headbox was installed. This investment was aimed at reducing pulp costs, and improving quality.

- La Rochette Mill (France): energy efficiency measures involving the new air heater;

- Pac Service Mill (Italy): a new paper cutter was installed.

The increase in intangible assets in progress is due to the advancement of the project to implement the new ERP, which started in 2016.

Human resources

The RDM Group maintains that its human resources are essential to its success. We cannot continue to create sustainable value without the skilled labor of the people who work in our mills and offices. That is why we take the time and effort to ensure they are properly trained. We have a long-term outlook, ensuring that the techniques pass down from one generation to the next, encouraging our staff to share their knowledge and expertise, and investing in safety and strategic skills.

The education and training sessions are specific to each requirement and are conducted by experts in the relevant fields. Thorough checks are carried out to ensure our training programs are effective and that the relevant paperwork has been completed.

As at December 31, 2018, the Group had 1,744 employees compared with 1,487 as at December 31, 2017.

As at December 31, 2018, the Group headcount included 38 executives, 444 white-collars and 1,262 blue-collars.

RENO DE MEDICI S.P.A.'S OPERATING RESULTS, FINANCIAL POSITION AND CASH FLOWS

Operating results

Below are the main income statement items as at December 31, 2018 compared with those of the previous year.

RDM	12.31.2018	12.31.2017
(thousands of Euros)		
Revenues from sales	233,256	236,196
Operating costs (30)	(207,564)	(215,818)
Other operating income (expenses) (31)	11,856	6,897
Gross Operating Profit (EBITDA)	**37,548**	**27,275**
Depreciation, amortization and write-downs	(11,973)	(11,478)
Operating profit (EBIT)	**25,575**	**15,797**
Net financial income (expense)	(836)	(1,588)
Gains (losses) from investments	317	408
Taxes	(7,104)	(4,255)
Profit (loss) for the year	**17,952**	**10,363**

(30) See RDM financial statements. The amount is calculated by adding together the following items from the income statement: "Cost of raw materials and services", "Personnel costs" and "Other operating costs".

(31) See RDM financial statements. The amount is calculated by adding together the following items from the income statement: "Other revenues and income" and "Change in inventories of finished goods".

Revenues reached €233.3 million in 2018. The decrease compared with the previous year is due, in part, to the fall in volumes dispatched and, in part, to lower production efficiency. Specifically, in the Villa Santa Lucia Mill, following the reallocation of products from a multi-mill perspective, lighter gram weights were produced overall, in line with market trends.

The following table provides a geographical breakdown of revenues from sales:

RDM	12.31.2018	%	12.31.2017	%
(thousands of Euros)				
Areas				
Italy	125,738	54%	127,680	54%
European Union	61. 682	26%	61,898	26%
Rest of the world	45,836	20%	46,618	20%
Total revenues from sales	**233,256**	**100%**	**236,196**	**100%**

As far as the performance of the main production factors is concerned, from September 2017, the price of waste paper fell considerably and continued to do so throughout the first quarter of 2018, reaching the lowest level recorded by the market since the 2009 crisis in March. Average prices in the following quarters remained essentially stable. This downward trend in recycled paper prices is due to the restrictions imposed by the Chinese government on imports of unselected waste paper and restrictions on issuing licenses. This created excess supply in Europe driving prices downwards.

Energy costs in 2018 rose considerably compared with the previous year as a result of the increase in the price of the main sources of energy procurement, namely natural gas and electricity. These increases were only partly offset by energy efficiency, including the savings made as a result of the new turbine installed at Santa Giustina.

Gross operating profit rose from €27.3 million in 2017 to a final figure of €37.5 million in 2018. The increase, equal to €10.2 million, is due on the one hand to the improved operating performance of the Italian mills (reduction of specific energy costs and consumption of raw materials) and on the other hand to the reduction of the cost of raw materials and to the improved sales mix.

Operating profit (EBIT) was €25.6 million, compared with a final figure of €15.8 million in 2017.

The company reported a net profit of €18 million, after net financial expenses of €0.8 million and equity investment income of €0.3 million. Taxes increased by €4.3 million to €7.1 million, as a result of the increase in the taxable profit, due to increased profitability and to the full use in 2018 of previous tax losses.

Statement of Financial Position

The table below contains the main statement of financial position items:

RDM	12.31.2018	12.31.2017
(thousands of Euros)		
Trade receivables (32)	41,374	41,920
Inventories	30,989	31,155
Trade payables (33)	(53,464)	(58,956)
Trade working capital	**18,899**	**14,119**
Other current assets (34)	1,874	2,523
Other current liabilities (35)	(11,742)	(5,977)
Non-current assets (36)	252,056	211,778
Non-current liabilities (37)	(3,035)	(3,473)
Invested capital	**258,052**	**218,970**
Employee benefits and other provisions (38)	(11,425)	(8,482)
Net invested capital	**246,627**	**210,488**
Net financial position (39)	55,438	34,687
Shareholders' equity	191,189	175,801
Sources total	**246,627**	**210,488**

(32) See RDM financial statements – sum of the following items "Trade receivables" and "Receivables from Group companies", classified under the item "Current assets".
(33) See RDM financial statements – sum of the following items "Trade payables" and "Payables to Group companies", classified under the item "Current liabilities".
(34) See RDM financial statements – sum of the following items: "Other receivables, net of €370 thousand of financial receivables.
(35) See RDM financial statements – sum of the following items "Other payables" and "Current taxes", classified under the item "Current liabilities", reduced by €947 thousand relating to a financial entry included under "Other payables".
(36) See RDM financial statements – total of item "Non-current assets".
(37) See RDM Group financial statements – sum of the following items of "Non-current liabilities": "Other payables" and "Deferred tax liabilities".
(38) See RDM Group financial statements – sum of the following items of "Non-current liabilities": "Employee benefits" and "Non-current provisions for risks and charges" and "Current liabilities: "Employee benefits" and "Current provisions for risks and charges".
(39) See RDM financial statements – sum of the following items: "Cash and cash equivalents" and "Other receivables from Group companies", classified under "Current assets", to which €370 thousand is to be added relating to an entry of a financial nature included under the item "Other receivables", net of the following items: "Payables to banks and other lenders", "Derivative instruments" and "Other payables to Group companies", classified under "Non-current liabilities" and "Payables to banks and other lenders", "Derivative instruments" and "Other payables to Group companies", classified under "Current liabilities", to which €947 thousand is to be added relating to an entry of a financial nature included under the item "Other payables".

Trade working capital at the end of 2018 stood at €18.9 million, an increase of €4.8 million compared with 2017, mainly through operations.

At the end of 2018, about 22.5% of Net Invested Capital was funded by interest-bearing debt and approximately 77.5% by shareholders' equity.

Net financial position

Net financial debt for the Parent Company was €55.4 million, worse than the figure of €34.7 million as at December 31, 2017.

RDM	12.31.2018	12.31.2017	Change
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables (40)	27,206	18,316	8,890
Short-term financial payables (41)	(32,781)	(31,671)	(1,110)
Valuation of current portion of derivatives (42)	(221)	(108)	(113)
Short-term net financial position	**(5,796)**	**(13,463)**	**7,667**
Medium-term financial receivables (43)			
Medium-term financial payables (44)	(49,322)	(21,164)	(28,157)
Valuation of non-current portion of derivatives (45)	(320)	(60)	(260)
Net financial position	**(55,438)**	**(34,687)**	**(20,750)**

(40) See RDM financial statements – sum of the item "Cash and cash equivalents", to which €370 thousand of financial receivables should be added under the item "Other receivables".
(41) See RDM financial statements – sum of the item "Other receivables from Group companies" classified under "Current assets" net of "Payables to banks and other lenders" and "Other payables to Group companies" classified under "Current liabilities", to which €947 thousand is to be added relating to an entry of a financial nature included under the item "Other payables".
(42) See RDM financial statements – the item "Derivative instruments", classified under "Current liabilities".
(43) This refers to an item of a financial nature included in the item "Other non-current receivables".
(44) See RDM financial statements – sum of the item "Payables to banks and other lenders" and "Other payables to Group companies" classified under "Non-current liabilities".
(45) See RDM financial statements – the item "Derivative instruments" classified under "Non-current liabilities".

Net financial debt was €55.4 million as at December 31, 2018, representing a decrease (€20.8 million) compared with December 31, 2017. The operating net cash flow of €30.5 million was in fact absorbed by some specific outgoings totaling around €38.8 million. These outlays include: dividends paid and the purchase of treasury shares for €1.7 million; the payment of the purchase price for the acquisition of 100% of Barcelona Cartonboard for €36.5 million; the buyback of part of the stake owned by Friulia S.p.A. in R.D.M. Ovaro S.p.A. for €0.6 million.

The Company has significant €27 million cash and cash equivalents and also a financial debt based entirely on medium and long-term loans, which guarantee the stability of financial sources which is needed to adequately support operations, and specifically capital expenditure, as well as possible projects to take advantage of strategic investment opportunities.

Research and development activities

Please refer to the report on the consolidated figures.

Investments

Capital expenditures in 2018 amounted to €11.4 million (€8.7 million in 2017).

The goals of these investments were to reduce variable costs, increase production capacity, improve safety and quality, and the main projects were:

- Santa Giustina Mill, a new paper winding machine was installed with the aim of optimizing the production process and cutting variable costs;

- Villa Santa Lucia Mill, improvement and modernization operations involving plant and machinery. Additionally, the project for the installation of a new automatic rewinder was completed;

The increase in intangible assets in progress is due to the advancement of the project to implement the new ERP, which started in 2016.

Human resources

The headcount of RDM as at December 31, 2018 stood at 419 people.

Compared with the previous year, the total number of employees increased by 14 (405 as at December 31, 2017).

As at December 31, 2018, the headcount included 13 executives, 154 white-collars and 252 blue-collars.

For training and professional development activities, please refer to the paragraph on the Group “Human Resources” in this Report.

RECONCILIATION BETWEEN THE GROUP'S RESULT FOR THE YEAR AND SHAREHOLDERS' EQUITY AND THOSE OF THE PARENT COMPANY RENO DE MEDICI S.P.A.

	2018 Shareholders' equity	2018 Result
(thousands of Euros)		
Reno De Medici S.p.A.	**191,189**	**17,952**
Difference between the carrying amount and the corresponding shares of equity of subsidiaries and associates	(1,229)	6,927
Dividends received by subsidiaries		(103)
Elimination of gains on disposals to Group companies	(1,043)	
Elimination of allocation of merger deficit	(2,859)	*230*
Change of scope of consolidation	7,055	*2,777*
Other adjustments on consolidation	1,705	(613)
Consolidated Financial Statements	**194,818**	**27,170**

RECONCILIATION BETWEEN THE GROUP'S NET FINANCIAL POSITION AND THAT OF THE PARENT COMPANY RENO DE MEDICI S.P.A.

	Net financial position 12.31.2018	Net financial position 12.31.2017
(thousands of Euros)		
Net financial position - Reno De Medici S.p.A.	**(55,438)**	**(34,687)**
Cash and cash equivalents and other short-term financial receivables from subsidiaries	4,351	1,578
Other financial receivables from other lenders	306	92
Short-term financial payables from subsidiaries	(8,668)	(4,896)
Medium-/long-term financial payables from subsidiaries	(27,585)	(23,827)
Elimination of short-term financial payables from subsidiaries	34,027	24,083
Elimination of medium-/long-term financial payables to subsidiaries		
Elimination of short-term financial receivables from Group companies	(13,803)	(6,417)
Net financial position - RDM Group	**(66,810)**	**(44,074)**

OTHER INFORMATION

Existing disputes and risks

No existing risks and disputes found.

Tax disputes and risks

The Company has an ongoing tax dispute regarding land registry estimates, initiated in 2016 following the challenging of 17 assessment notices involving the adjustment of the cadastral revenue of the Magenta area and which continued in 2017 and 2018 with the challenging of another 3 assessment notices also involving the adjustment of other revenues in the Magenta area. The Company won in the court of the first instance and the challenge against the rulings of the Revenue Agency - Land is currently pending before the court of the second instance. The Company prudentially decided to increase the specific existing provision by around €205 thousand, also taking into account the continuation of the dispute before the Lombardy Regional Tax Commission.

Further, on December 27, 2016, a tax case was initiated at the Frosinone Provincial Tax Commission against an assessment notice relating to TARSU (waste tax) involving Mazal Global Solution S.r.l., the concessionaire of the Villa Santa Lucia municipality for assessment and collection services. On September 25, 2017, the Frosinone Provincial Tax Commission issued a ruling based on which the appeal lodged by Reno De Medici S.p.A. was accepted. The Municipality of Cassino lodged an appeal against this ruling before the Lazio Regional Tax Commission. The appeal process has reached the decision stage. The Company, given the complexity of the issue, and in the presence of a history characterized by different applications of the regulations, has prudently posted a provision of €276 thousand.

Consolidated non-financial statement

Note that, in compliance with Legislative Decree 254/2016, the RDM Group prepared a consolidated statement of a non-financial nature. This document has not been inserted into this Director's Report. Instead, in accordance with Article 5, paragraph 3, b) of the above-mentioned decree, a separate report is available on the Group's website in the section:

- Company > Investor relations > Financial Statements and Reports > 2019

Environment and safety

Throughout the year, RDM continued its commitment to achieving and maintaining adequate environmental, safety and quality standards. The Company has maintained ISO 14000, OHSAS 18001:2008 and ISO 50001 ("Energy Management System") certification for the Santa Giustina, Villa Santa Lucia and Ovaro mills.

During the year the Risk Assessment Documents were periodically updated; sub-contractors added to the production processes were subjected to careful examination and assessment of their professionalism and technical reliability; staff received periodic training and refresher courses on workplace health and safety.

The RDM Group has also renewed its commitment the sustainability of its production process and the health and safety of it workers by:

- seeking to manage natural and energy resources correctly in order to reduce environmental impact;
- continually improving environmental and OHS performance;
- looking for compatible environmental technologies when establishing new investments;
- fostering a safety culture in all working groups.

However, in spite of this commitment and the improvement activities under way, there was a fatal accident in one of our mills. The investigation into the events is still in progress. Reno De Medici S.p.A. has not been subject to a verdict with legal force (res judicata) for injury (straightforward, serious and/or extremely serious) and/or death following accidents in the workplace.

There are no significant developments to report on the preventive confiscation of the second landfill site at the Villa Santa Lucia (FR) mill ordered by the Rome Court of First Instance on January 18, 2016.

Treasury Shares

As at December 31, 2018, the share capital of Reno De Medici S.p.A. was represented by 377,800,994 shares without par value broken down into:

- 377,542,567 ordinary shares
- 258,427 savings shares convertible to ordinary shares at the request of shareholders in February and September each year.

On the same date, RDM held 2,262,857 ordinary treasury shares, equal to 0.599% of shares with voting rights. For more information on treasury shares, see "Acquisition of Treasury Shares in 2018" in this Report.

Shares held by Directors and Statutory Auditors

In compliance with the provisions of Consob Regulation 11971 and later amendments and additions, the information regarding shares held by Reno De Medici Directors and Statutory Auditors in Reno De Medici S.p.A. and its subsidiaries as at December 31, 2018 is given below:

Name and Surname	Investee company	Number of shares as at December 31, 2017	Number of shares purchased in 2018	Number of shares sold in 2018	Number of shares as at December 31, 2018
Giulio Antonello	Reno De Medici S.p.A.	610,375		(460,375)	150,000

Information on relations with subsidiaries, associates and joint ventures

Transactions between the Parent Company and its subsidiaries, associates and joint ventures are part of normal business management in the context of the ordinary operations conducted by each party concerned, and are regulated and concluded at market conditions.

RDM's transactions with its subsidiaries and associates refer mainly to:

- commercial promotion and marketing services with the foreign subsidiaries R.D.M. Marketing;
- sales of cartonboard and raw materials to R.D.M. Ovaro S.p.A.;

- services provided to R.D.M. Ovaro S.p.A., R.D.M. Magenta S.r.l., RDM Blendecques S.A.S., R.D.M. La Rochette S.A.S., R.D.M. Arnsberg GmbH, Emmaus Pack S.r.l. (Emmaus) and the foreign subsidiaries R.D.M. Marketing;

- purchases of manufacturing scrap from R.D.M. La Rochette S.A.S.;

- acquisition of cutting services from R.D.M. Magenta S.r.l.;

- interest expense and/or income in relation to cash pooling and loan arrangements with R.D.M. Blendecques S.A.S., R.D.M. Arnsberg GmbH, R.D.M. Ovaro S.p.A., R.D.M. La Rochette S.A.S., R.D.M. Magenta S.r.l. and the foreign subsidiaries R.D.M. Marketing;

- sales of cartonboard to Pac Service S.p.A. and Emmaus Pack S.r.l.;

- purchase of waste paper from ZAR S.r.l. in liquidation;

- the tax consolidation agreement under which Reno De Medici S.p.A. is the consolidating company, to which R.D.M. Ovaro S.p.A. and R.D.M. Magenta S.r.l.

- the tax consolidation agreement under which RDM Blendecques S.A.S. is the consolidating company to which R.D.M. La Rochette S.A.S., R.D.M. Marketing France S.A.S.

More information on the Company's rules on related-party transactions, which were adopted on November 8, 2010 and conform to Consob Resolution no. 17221 of March 12, 2010, as subsequently modified and supplemented, can be found in Chapter 12 of the Report on Corporate Governance.

Please refer to the "Notes" in the financial statements in this Report for a quantitative analysis of the transactions undertaken in 2018 between Reno De Medici S.p.A. and its subsidiaries, associates and joint ventures, as well as the paragraph "Related-Party Transactions" for a better explanation of the relations listed above.

Information about transactions with related parties

With regard to the provisions of Article 5, paragraph 8 and Article 13, paragraph 3 of the "Regulations containing provisions relating to transactions with related parties" adopted by Consob through Resolution no. 17221 of March 12, 2010 ("Consob Regulations"), during the reporting period:

a) there were no transactions concluded with related parties qualifying as transactions of greater importance pursuant to the Consob Regulations and the Procedures adopted by Reno De Medici S.p.A. in accordance with Article 4 of the Regulations;

b) no transactions were concluded with related parties which had a considerable influence on the statement of financial position or the results of the company, pursuant to law with the exception of the acquisition by Reno De Medici S.p.A. of the remaining 66.67% stake in PAC Service S.p.A. The company was fully consolidated from January 1, 2018, the date that the acquisition transaction took effect;

c) there were no changes or developments of related-party transactions described in the last Annual Report that had a material effect on the financial position or results of the company during the reporting period.

In general, business relationships with related parties are conducted under normal market conditions, and the same applies to interest-bearing payables and receivables not regulated by specific contractual terms and conditions.

In addition to the companies with which RDM has direct and indirect equity relations, related parties include all such entities as defined by IFRS.

Note that as part of the sale of the Ovaro mill to R.D.M. Ovaro S.p.A., Reno De Medici S.p.A. and FRIULIA S.p.A. respectively obtained a call option, exercisable between June 27, 2014 and June 27, 2017, and a put option, exercisable between June 27, 2015 and June 27, 2017, on FRIULIA S.p.A.'s stake in R.D.M. Ovaro S.p.A.

In June 2017, the Parties signed new agreements, through the application of which Reno De Medici S.p.A. is buying back the 20% stake in R.D.M. Ovaro S.p.A., owned by Friulia, at a total price of €2,497,010.95, in four installments of equal amounts, the last two of which will take place in June 2019 and 2020.

For more information, see "Main operations of the Reno De Medici Group" in this Report.

SUBSEQUENT EVENTS

No significant events took place after the year-end.

OUTLOOK

The general macro-economic scenario for 2019 presents many elements of uncertainty, including the effect of Brexit, relations between China and the USA, the geopolitical situation of some countries (Turkey and Venezuela) and the upcoming European elections. It is difficult to predict the impact of these elements on the European economic performance, which is the main end market for RDM Group.

In both sectors where RDM Group operates**, White Lined Chipboard (WLC) and Folding Box Board (FBB)**, the short-term outlook remains moderately positive. On the one hand, there is a contraction in demand that already occurred in the last quarter of 2018; on the other, the difference between raw materials cost and sales prices, though decreasing, remains at satisfying levels.

The prices of **waste paper** should remain stable in the first part of the year, in a general context characterised by the persisting restrictions imposed by the Chinese Government on importations.

As regards **virgin fibers**, it is expected that prices, following the trend recorded in the final months of 2018, will continue to fall slightly.

In terms of **sales prices**, for the **WLC** sector, the first quarter of 2019 is facing some price challenges, while in the **FBB** sector the price increases, announced at the end of 2018, will be implemented in the first part of 2019.

The development expected for **energy prices** in the first part of 2019 sees a decline from the maximum levels reached during 2018.

RDM Group will continue, in the 2019-2020 two-year period, to pursue the program of initiatives previously started in 2018, strengthening its leadership, optimizing production and improving the service offered to customers, in order to make the profitability levels achieved in 2018 structurally stable over the economic business cycle. One part of the program will include the “multi-mill” integration of Barcelona Cartonboard which will fully contribute to the results in 2019, including potential synergies captures.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE (ARTICLE 123-*BIS* OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998)

The Report on corporate governance and ownership structure containing the information on Reno De Medici S.p.A.'s affiliation to the Code of Corporate Governance of listed companies promoted by Borsa Italiana S.p.A., as well as the further information pursuant to paragraphs 1 and 2 of Article 123-bis of Legislative Decree No. 58 of February 24, 1998, is published, together with this Directors' Report, on the website www.rdmgroup.com in the Section Company/Governance/Shareholders' Meeting as well as via the authorized storage mechanism "eMarketStorage" (wwww.emarketstorage.com).

04

Notes to the Consolidated Financial Statements at December 31, 2018

CONSOLIDATED STATEMENT OF INCOME

	Note	12.31.2018	12.31.2017
(thousands of Euros)			
Revenues from sales	1	605,980	569,089
- of which related parties	*31*	*12,778*	*21,305*
Other revenues	2	6,319	8,870
- of which related parties	*31*	*112*	*515*
Change in inventories of finished goods	3	6,282	(3,489)
Cost of raw materials and services	4	(459,415)	(438,096)
- of which related parties	*31*	*(68)*	*(4,502)*
Personnel costs	5	(90,847)	(87,282)
Other operating costs	6	(5,206)	(3,279)
Gross operating profit		**63,113**	**45,813**
Depreciation and amortization	7	(23,395)	(22,332)
Write-downs	8	(382)	0
Operating profit		**39,336**	**23,481**
Financial expense		*(2,508)*	*(2,610)*
Gains (losses) on foreign exchange		*23*	*(602)*
Financial income		*41*	*81*
Net Financial income (expense)	9	(2,444)	(3,131)
Gains (losses) from investments	10	3,192	446
Taxes	11	(12,914)	(6,228)
Profit (loss) for the year before discontinued operations		**27,170**	**14,568**
Profit (loss) for the year		**27,170**	**14,568**
Total profit (loss) for the year attributable to:			
- Group		27,170	14,568
- Minority interests		0	0
Average number of shares			
Basic		375,556,686	377,534,217
Diluted		375,556,686	377,534,217
Basic earnings (loss) per ordinary share (Euros)		0.07	0.04
Diluted earnings (loss) per ordinary share (Euros)		0.07	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	12.31.2018	12.31.2017
(thousands of Euros)		
Profit (loss) for the year	**27,170**	**14,568**
Other components of comprehensive profit (loss)		
Other components that may be transferred to the income statement in subsequent financial periods:	**(232)**	**146**
Change in fair value of cash flow hedges	*(255)*	*112*
Profit (loss) on translation of financial statements of foreign investee companies	*23*	*34*
Other components that will not be transferred to the income statement in subsequent financial periods:	**1,102**	**(562)**
Actuarial gain (loss) on employee benefits	*1,102*	*(562)*
Total other components of comprehensive profit (loss)	**870**	**(416)**
Total comprehensive profit (loss)	**28,040**	**14,152**
Total comprenhensive profit (loss) attributed to:		
- Group	*28,040*	*14,152*
- Minority interests		

All values in the table are stated net of related tax effects.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	12.31.2018	12.31.2017
(thousands of Euros)			
ASSETS			
Non-current assets			
Tangible assets	12	245,900	192,570
Goodwill	13	4,845	
Intangible assets	14	10,179	4,613
Intangible assets with an indefinite useful life	14	3,566	3,948
Equity investments	15	694	4,577
Deferred tax assets	16	678	1,256
Other receivables	18	8,710	17,764
Total non-current assets		**274,572**	**224,728**
Current assets			
Inventories	19	107,138	83,659
Trade receivables	17	73,191	63,736
- of which related parties	*31*		*350*
Receivables from associates and joint ventures	17	6,778	7,126
Other receivables	18	11,766	11,204
Other receivables from associates and joint ventures	18		
Cash and cash equivalents	20	31,180	19,128
Total current assets		**230,053**	**184,853**
TOTAL ASSETS		**504,625**	**409,581**

	Note	12.31.2018	12.31.2017
(thousands of Euros)			
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		140,000	140,000
Other reserves		30,018	19,363
Retained earnings (losses)		(2,370)	(5,466)
Profit (loss) for the year		27,170	14,568
Shareholders' equity attributable to the Group		**194,818**	**168,465**
Minority interests			
Total shareholders' equity	21	**194,818**	**168,465**
Non-current liabilities			
Payables to banks and other lenders	20	75,858	44,277
Derivative instruments	22	488	138
Other payables	23	104	26
Deferred taxes liabilities	24	11,004	8,924
Employee benefits	25	32,778	33,950
Non-current provisions for risks and charges	26	4,634	4,701
Total non-current liabilities		**124,866**	**92,016**
Current liabilities			
Payables to banks and other lenders	20	20,354	19,512
Derivative instruments	22	296	133
Trade payables	27	130,409	105,027
- of which related parties	*31*	*1*	*28*
Payables to associates and joint ventures	27		952
Other payables	23	22,401	20,777
Other payables to associates and joint ventures	23	101	
Current taxes	28	8,979	1,501
Employee benefits	25	212	141
Current provisions for risks and charges	26	2,189	1,057
Total current liabilities		**184,941**	**149,100**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**504,625**	**409,581**

CONSOLIDATED STATEMENT OF CASH FLOW

	Note	12.31.2018	12.31.2017
(thousands of Euros)			
Profit (loss) for the year		27,170	14,568
Taxes	11	12,914	6,228
Depreciation and amortization	7	23,777	22,332
Losses (gains) from investments	10	(3,043)	(446)
Financial (income) expenses	9	2,444	2,530
Capital losses (gains) on sale of fixed assets		(287)	179
Change in provisions for in employee benefits and in other provisions including the provision for bad and doubtful receivables		(411)	(1,586)
Change in inventories	19	(4,628)	(592)
Change in trade receivables	17	12,664	(5,604)
- of which related parties	*31*	*350*	*(442)*
Change in trade payables	27	(11,268)	2,380
- of which related parties	*31*	*(27)*	*360*
Total change in working capital		**(3,232)**	**(3,816)**
Gross cash flows		**59,332**	**39,989**
Interest paid in the year		(1,455)	(1,696)
Taxes paid in the year		(5,445)	(4,115)
Cash flows from operating activities		**52,432**	**34,178**
Other equity investments	15		(1,742)
Investment net of disinvestment in tangible and intangible assets	12-14	(24,514)	(20,573)
Change in scope of consolidation		(36,513)	(10,050)
Other investments			
Dividends received		103	120
Cash flows from investing activities		**(60,924)**	**(32,245)**
Dividends paid		(1,172)	(1,003)
Treasury shares		(577)	(301)
Change in other financial assets and liabilities and short-term bank debts	20	(5,448)	2,591
- of which related parties	31		*4*
Change in medium/long-term loans	20	23,828	(13,457)
Cash flows from financing activities		**16,631**	**(12,170)**
Exchange rate translation differences		**23**	**34**
Change in unrestricted cash and cash equivalents		**8,162**	**(10,203)**
Unrestricted cash and cash equivalents at the beginning of the period		**19,128**	**29,331**
Cash and cash equivalents acquired (*)		**3,891**	
Unrestricted cash and cash equivalents at the end of the period		**31,181**	**19,128**

(*) The item cash and cash equivalents acquired refers to the balance of cash and cash equivalents of PAC Service S.p.A. at January 1, 2018 and Barcelona Cartonboard S.A.U. at October 31, 2018.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(thousands of Euros)	Share capital	Treasury shares reserve	Legal reserve	Other reserves	Retained earnings (losses)	Profit (loss) for the year	Hedging reserve	Reserve for "Actuarial gain/(loss)"	Total Shareholders' Equity (Group)	Total Shareholders' Equity (minority shareholders)	Total shareholders' equity
Shareholders' equity at 12.31.2016	**140,000**	**(182)**	**619**	**20,725**	**(1,809)**	**3,132**	**(313)**	**(6,956)**	**155,216**		**155,216**
Dividends distributed						(1,003)			(1,003)		(1,003)
Allocation of profit (loss) for the year			340	5,446	(3,657)	(2,129)					
Purchase of treasury shares		(301)							(301)		(301)
Stock Grant Reserve				401					401		401
Profit (loss) for the year						14,568			14,568		14,568
Other components of comprehensive profit (loss)				34			112	(562)	(416)		(416)
Total comprehensive profit (loss)				34		14,568	112	(562)	14,152		14,152
Shareholders' equity at 12.31.2017	**140,000**	**(483)**	**959**	**26,606**	**(5,466)**	**14,568**	**(201)**	**(7,518)**	**168,465**		**168,465**
Dividends distributed						(1,172)			(1,172)		(1,172)
Allocation of profit (loss) for the year			518	9,845	3,033	(13,396)					
Purchase of treasury shares		(577)							(577)		(577)
Stock Grant Reserve				565					565		565
IFRS 9 Reserve				(503)					(503)		(503)
Profit (loss) for the year						27,170			27,170		27,170
Other components of comprehensive profit (loss)				23			(255)	1,102	870		870
Total comprehensive profit (loss)				23		27,170	(255)	1,102	28,040		28,040
Shareholders' equity at 12.31.2018	**140,000**	**(1,060)**	**1,477**	**36,536**	**(2,433)**	**27,170**	**(456)**	**(6,416)**	**194,818**		**194,818**

NOTES TO THE FINANCIAL STATEMENTS

Structure and content

Reno De Medici S.p.A. is a company which is established as a legal entity under Italian law. The RDM Group operates mainly in Europe and the business of the Group is the production and distribution of carton board for packaging made from both recycled fibers and virgin fibers. Distribution and sales operations are carried out through a network of agents and the internal sales force under the subsidiary R.D.M. Marketing.

Reno De Medici S.p.A. has its registered office in Milan, Italy.

The shares of the Parent company Reno De Medici S.p.A. are listed on the Star segment of Borsa Italiana S.p.A. and on the Madrid stock exchange.

The consolidated financial statements of the RDM Group were approved and authorized for publication by the Board of Directors of Reno De Medici S.p.A. on March 18, 2019.

The consolidated financial statements of the RDM Group are presented in Euros (rounded to the nearest thousand), as this is the prevailing currency in the countries where the Group carries out most of its activities. Subsidiaries are included in the consolidated financial statements on the basis of the principles described in the section “Accounting Principles”.

The 2018 consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board and approved by the European Union, and on the basis of provisions issued to implement Article 9 of Legislative Decree 38/2005. IFRS also includes all revised international accounting standards (“IAS”), all interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), including those previously issued by the Standing Interpretations Committee (“SIC”).

Compared with the Annual Financial Report as at December 31, 2017, the RDM Group applied the same accounting standards with the exception of the new standards IFRS 9 and IFRS 15 which came into force with effect from January 1, 2018. In particular:

- IFRS 15 “Revenue from Contracts with Customers” came into effect from January 1, 2018. The adoption of this principle had no effect on the financial statements;

- IFRS 9 “Financial Instruments”: this standard replaced IAS 39 with effect from the financial years beginning January 1, 2018 and (i) amended the classification and evaluation model of financial assets basing it on the characteristics of the financial instrument and the business model adopted by the company which, for the RDM Group, is the Held-to-collect and sell model; (ii) introduced a new write-down method for financial assets which takes expected losses into account ("expected credit losses"); and (iii) amended the provisions with regard to hedge accounting.

1. Transitional arrangements

The comparative data for the first year of application were not restated, in line with the simplified approach of IFRS 9. As a result:

- all the differences between the book value of the financial assets and liabilities as at December 31, 2017 and January 1, 2018 were recorded in the opening shareholders' equity;

- the financial assets kept the previous classification in the comparison period;

- the effects of write-downs of financial assets were not calculated in the comparison period;

- the company decided to continue to apply the rules of IAS 39 to hedge accounting as allowed under the new IFRS 9.

2. Main impacts

2.1 Classification and measurement

The main impacts from the new classification and measurement requirements involve minority interests and the placement of trade receivables in the new categories of "held-to-collect" and "held-to-collect and sell".

The Group's minority interests classified according to IAS 39 in the Available for Sale category were reclassified in the category of assets measured at fair value transiting from the income statement. The application of the new requirements introduced through IFRS 9 for the classification of equity investments led the Group to analyze the requirements of the agreements relating to the company Consortile Paper Interconnector. Following the analysis conducted and taking into consideration the value of the electricity purchase contract related to the investment made, the equity investment was reclassified under the item Intangible Fixed Assets.

Taking into consideration the Group's business model, trade receivables were classified in the "held-to-collect" and "held -to-collect and sell" categories which involve the measurement at fair value offset with the other components of the comprehensive income statement.

(*thousands of Euros*)		IFRS 9 categories					
IAS 39 categories	Financial statements balance 12.31.2017	Held to collect	Held to collect and sell	Other	Fair Value without reversal to the Income Statement	Fair value gross reserve 01.01.2018	Fair value net reserve 01.01.2018
Equity investments	**4,577**			4,577			
Other receivables	**28,968**	28,968					
Trade receivables	**63,736**	60,014	3,722				
Receivables from associates and joint ventures	**7,126**	7,126					
Cash and cash equivalents	**19,128**	19,128					
Payables to banks and other lenders	**63,789**	63,789					
Derivative instruments	**271**			271			
Other payables	**20,803**	20,803					
Trade payables	**105,027**	105,027					
Payables to associates and joint ventures	**952**	952					

2.2 Write-downs

The retrospective application of the provisions of the impairment model of IFRS 9 to all financial assets involved had an impact of €503 thousand (net of tax) recorded in the opening shareholders' equity as at January 1, 2018.

2.3 Hedge accounting

As indicated previously, the company decided to continue to apply the rules of IAS 39 to hedge accounting as allowed under the new IFRS 9.

2.4 Summary of the impacts on the changes in the Group's shareholders' equity (excluding tax) as at January 1, 2018:

(thousands of Euros net of tax)	**Shareholders' equity**
Shareholders' equity as at January 1, 2018	**168,465**
Write-down of trade receivables	(451)
Write-down of other financial assets	(52)
Shareholders' equity restated as at January 1, 2018	**167,962**

Accounting principles, amendments and interpretations effective from January 1, 2018, specifying any impact that each of these may have on these consolidated financial statements:

- The document "Annual Improvements to IFRSs: 2014-2016 Cycle" which partially integrate existing standards;

- Amendment to IFRS 2 which contains several clarifications with regard to the accounting of the effects of vesting conditions in the case of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the accounting of the changes to the terms and conditions of a share-based payment which change its classification from cash-settled to equity-settled.

- Transfers of Investment Property - Amendment to IAS 40;

- IFRIC 22 - "Foreign Currency Transactions and Advance Consideration";

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union but not yet obligatorily applicable and not subject to early adoption by the Group:

- IFRS 16 - Leases. This principle is intended to replace IAS 17 – Leases as well as IFRIC 4 - Determining Whether an Arrangement Contains a Lease, SIC-15 - Operating Leases - Incentives and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new principle redefines the lease and introduces a control (right-of-use) criterion to distinguish leases from service agreements. The principle will apply from January 1, 2019 but early application is permitted.

The Company completed the preliminary assessment project of the potential impacts resulting from the application of the new principle at the transition date (January 1, 2019). This process was broken down into various phases, including the full mapping of contracts potentially suitable to contain a lease and their analysis in order to understand the main clauses significant for the purpose of IFRS 16.

The implementation process of the principle is in the process of being completed, which involves the setting of an IT infrastructure aimed at the accounting management of the principle and the alignment of the administrative processes and monitoring of the critical areas that the principle focuses on. This process is expected to be completed in early 2019.

The Company decided to apply the amended principle retrospectively. Specifically, with regard to lease agreements previously classified as operating, the Company will record:

a) a financial liability, equal to the current value of remaining future payments at the date of transition, discounted using the incremental borrowing rate applicable at the date of transition for each agreement;

b) a right of use equal to the value of the financial liability at the date of transition. The Company decided to calculate the right of use equal to the net book value that it would have had if the principle had been applied from the start date of the contract using, however, the discount rate defined at the date of transition.

For these contracts, the amount of the right of use and the financial liability was estimated at €5 million.

In adopting IFRS 16, the Company intends to avail itself of the exemption granted by paragraph IFRS 16 5 (a) with regard to short-term leases for all classes of assets except for buildings.

Similarly, the Company intends to avail itself of the exemption granted by IFRS 16 5 (b) as far as lease agreements for which the underlying asset is a low-value asset are concerned (in other words the assets underlying the lease agreement are not worth more than €5,000 when new). The contracts for which the exemption was applied mainly fall into the following categories:

- Computers and telephones;
- Printers.

For these contracts the introduction of IFRS 16 will not involve the recognition of the financial liability of the lease and the related right of use, but the rent will be reported in the income statement on a linear basis for the duration of the respective agreements.

The Company intends to use the following practical devices provided for by IFRS 16:

- *Separation of non-lease components:* the Company intends to avail itself of the exemption granted by IFRS 16 15 for all categories of assets with the exception of buildings. The non-lease components of these assets will not be spun off and recorded separately from the lease components, but they will be considered together with the latter in calculating the financial liabilities of the lease and the related right of use.

- *Portfolio approach:* the Company has identified contracts with similar characteristics which can be treated as a portfolio for the following category of assets:

    - Fork-lift trucks (Plant and machinery)

    - Prepayment Features with Negative Compensation - Amendment to IFRS 9;

As at the date of this Annual Financial Report, the competent bodies of the European Union had not yet completed the approval process required for the adoption of the following accounting standards and amendments:

- IFRS 17 – Insurance Contracts, which is intended to replace IFRS 4 – Insurance Contracts;

- Long-term Interests in Associates and Joint Ventures - Amendment to IAS 28;

- Amendment to IFRS 3 “Definition of a Business”;

- Amendment to IAS 19 “Plant Amendment, Curtailment or Settlement”;

- Sales or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28;

- The document “Annual Improvements to IFRSs: 2015-2017 Cycle” which includes the changes to some principles under the scope of the annual improvement process.

- Definition of Materials Document (Amendments to IAS 1 and IAS 8). This document introduced a change to the definition of “significant” in standard IAS 1.

The financial statements are prepared on a historical cost basis with the exception of derivative financial instruments and financial assets held for sale, which are recognized at fair value, and financial liabilities, which are recognized at amortized cost. The carrying amount of hedged assets and liabilities which are qualified for hedge accounting is adjusted to take into account changes in the fair value due to hedged risks.

The financial statements were prepared with clarity and truthfully and accurately represent the RDM Group’s results, assets and liabilities, and cash flows. The financial statements were prepared on the going-concern assumption. The Directors considered it appropriate to assume the business was a going-concern because, in their judgment, no uncertainties have emerged relating to events or circumstances which, taken into consideration individually or as a whole, could give rise to doubts concerning business continuity.

Preparing the consolidated financial statements in accordance with IFRS may require the use of specific estimates and valuations, as well as management’s reasonable judgment in applying accounting policies. More complex matters and/or those that require greater use of assumptions and estimates are discussed in the section “Estimates and Valuations”.

The Group has chosen to present the structure and content of its consolidated financial statements in the following manner:

- the consolidated statement of financial position is presented with separate sections for assets, liabilities and shareholders’ equity. Assets and liabilities are then presented on the basis of their classification as current, non-current or held for sale;

- the consolidated income statement is presented in a vertical format with items broken down by nature, as this provides reliable and more relevant information than a classification by function;

- the consolidated statement of comprehensive income is presented separately from the consolidated income statement, and each item is shown net of the tax effect;

- the consolidated statement of cash flows is presented using the indirect method;

- the consolidated statement of changes in shareholders’ equity is presented by showing separately the profit or loss for the year and any income and expense recognized directly in equity and not in the income statement, in accordance with specific IAS/IFRS requirements. It also shows separately the transactions with shareholders.

Scope of consolidation

The consolidated financial statements include the financial statements of all subsidiaries, from the date on which control is acquired until the date that such control ceases to exist.

The accounting period and the reporting date of the consolidated financial statements correspond to those of the Parent company and of all the entities included in the scope of consolidation.

The following table provides a list of subsidiaries consolidated on a line-by-line basis with the respective percentage holdings:

			Capital	Control percentage			
Corporate name	**Registered office**	**Business**	**activity**	**12.31.2018**		**12.31.2017**	
			(Eur/1000)	**direct**	**indirect**	**direct**	**indirect**
R.D.M. Arnsberg GmbH	Arnsberg (G)	Industrial	5,113	94.00%	6.00%	94.00%	6.00%
RDM Blendecques S.A.S.	Blendecques (FR)	Industrial	5,037	100.00%		100.00%	
Cartiera Alto Milanese S.r.l. in liquidation	Milan (IT)	Commercial	12	100.00%		100.00%	
Cascades Grundstück GmbH & Co. KG	Arnsberg (G)	Services	22	100.00%		100.00%	
R.D.M. Magenta S.r.l.	Milan (IT)	Industrial	3,700	100.00%		100.00%	
R.D.M. Ovaro S.p.A.	Milan (IT)	Industrial	12,500	90.00%		85.00%	
R.D.M. La Rochette S.A.S.	La Rochette (FR)	Industrial	4,000		100.00%		100.00%
Barcelona Cartonboard S.A.U.	Barcelona (ES)	Industrial	14,943	100%			
BCN Carton Portugal Unipessoal Lda.	Lisbonl (PT)	Commercial	3		100%		
PAC Service S.p.A.	Vigonza (IT)	Industrial	1,000	60%	40%		
BELLIM S.r.l.	Vigonza (IT)	Services	10	100%			
R.D.M. Marketing S.r.l.	Milan (IT)	Commercial				100.00%	
R.D.M. Marketing France S.A.S.	Saint-Denis (FR)	Commercial	337	100.00%			100.00%
R.D.M. Marketing Germany GmbH	Krefeld (DE)	Commercial	210	100.00%			100.00%
R.D.M. Marketing Spain S.L.U.	El Prat de Llobregat (ES)	Commercial	26	100.00%			100.00%
R.D.M. Marketing UK Ltd	Wednesbury (UK)	Commercial		100.00%			100.00%
R.D.M. Marketing Czech Republic s.r.o.	Prague (CZ)	Commercial	19	100.00%			100.00%
R.D.M. Marketing Hungaria Kft.	Budapest (HU)	Commercial	19	100.00%			100.00%
R.D.M. Marketing Poland Sp. z o.o.	Warsaw (PL)	Commercial	12	100.00%			100.00%

The scope of consolidation changed on December 31, 2018. In particular:

- on February 12, 2018, the merger of R.D.M. Marketing S.r.l with and into the Parent Company Reno De Medici S.p.A. was completed;

- on January 1, 2018, the acquisition of 66.67% of PAC Service S.p.A. became effective therefore, from this date, the above-mentioned company was consolidated on a line-by-line basis;

- on June 19, 2018, in application of the agreements entered into with Friulia S.p.A. in 2017, Reno De Medici S.p.A. bought back a further stake of 5%, at a price of €646,418, of the investment owned by Friulia S.p.A. in R.D.M. Ovaro S.p.A. Following this transaction, the residual share still owned by Friulia S.p.A. was equal to 10% and it will be bought back in two equal shares on June 30, 2019 and June 30, 2020. More details on this can be found in the section "Contingent liabilities, commitments, and other guarantees given to third parties";

- on October 31, 2018, Reno De Medici S.p.A. finalized an agreement with the German private equity fund Quantum Capital Partners for the acquisition of 100% of Barcelona Cartonboard S.A.U., a company under Spanish law and the seventh largest European player in the white lined chipboard sector. From that date, the above-mentioned company will be consolidated on a line-by-line basis;

- following the acquisition of Barcelona Cartonboard S.A.U., the company BCN Carton Portugal Unipessoal Lda, a wholly-owned subsidiary, also came under the scope of consolidation.

The business combination transactions carried out in 2018 are described below:

PAC Service S.p.A.: on December 19, 2017, Reno De Medici exercised its legal right of first refusal to purchase the residual 66.67% of PAC Service S.p.A. for a consideration of €10 million.

The effects of the acquisition began on January 1, 2018; from that date Reno De Medici S.p.A. controls the company and, therefore, the investment in PAC Service S.p.A., classified until December 31, 2017 as an associate company and accounted with the equity method, was consolidated line by line pursuant to the provisions of accounting principle IFRS 10 - Consolidated financial statements.

The acquisition of control of Pac Service S.p.A. is a business combination transaction achieved in stages, recognized in accordance with IFRS 3 - Business combinations. At the date of acquisition of control:

(i) the value of the investment previously held (33.33%) was adjusted to the fair value (€5 million), allocating the difference compared with the previous book value (€2 million) to the income statement as income from investments (€3 million);

(ii) the individual assets acquired and liabilities assumed were measured at fair value;

(iii) goodwill, equal to €4.3 million, resulting from the difference between the acquisition value of 100% of PAC Service S.p.A., equal to €15.1 million and the fair value of the net assets acquired, equal to €10.7 million.

To determine the fair value of tangible fixed assets it was decided to adopt the market approach, making use the appraisals conducted by an independent expert. At the acquisition date, the value assigned to tangible fixed assets was €5.2 million and deferred taxes equal to €0.7 million.

The fair values of the assets and liabilities of PAC Service S.p.A. at the acquisition date are summarized below. The respective tax effects for each asset or liability measured at fair value were also accounted for as assets for deferred tax assets and the deferred tax provision for liabilities.

	PAC SERVICE S.P.A.
STATEMENT OF FINANCIAL POSITION	**January 1, 2018**
(thousands of euro)	
Non-current assets	
Tangible fixed assets	5,537
Intangible fixed assets	11
Equity investments	4
Deferred tax assets	44
Other receivables	425
Total non-current assets	**6,021**
Current assets	
Inventories	4,163
Trade receivables	7,182
Other receivables	321
Cash and cash equivalents (A)	2,719
Total current assets	**14,385**
TOTAL ASSETS	**20,406**

(thousands of euro)	**January 1, 2018**
Shareholders' equity	**10,685**
Non-current liabilities	
Payables to banks and other lenders (B)	1,583
Deferred tax liabilities	692
Employee benefits	593
Non-current provisions for risks and charges	140
Total non-current liabilities	**3,008**
Current liabilities	
Payables to banks and other lenders (C)	1,510
Trade payables	4,771
Other payables	432
Total current liabilities	**6,713**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**20,406**

Fair value of net assets acquired (D)	**10,685**
Purchase price (E)	10,050
Fair value of assets previously held (33.33%) (F)	5,024
Goodwill (G=E+F-D)	**4,389**
Consideration paid (H)	(10,050)
Purchase price net of cash and cash equivalents acquired (L= H-A)	**(7,331)**

Contribution to the income statement at the acquisition date (thousands of euro)	
Revenues of sales (*)	21,095
EBITDA	**1,735**
Depreciation, amortization and write-downs	438
Operating profit	**1,297**

(*) Including transactions with RDM Group companies

Barcelona Cartonboard S.A.U.: On July 2, 2018, Reno De Medici S.p.A. concluded a preliminary agreement with the German private equity fund Quantum Capital Partners for the purchase of 100% of Barcelona Cartonboard S.A.U., a Spanish Company, the seventh largest European player in the white lined chipboard sector. The transaction was finalised on October 31, 2018; the company was fully consolidated from that date. The acquisition costs associated to the transaction amount to €910 thousand, and mainly consist of legal and advisory costs.

Founded in 1967, Barcelona Cartonboard S.A.U. operates in the business of coated board made from recycled fibers (WLC - White Lined Chipboard). With its headquarters and production plant in Castellbisbal, Catalonia, the company has an annual production capacity of 180,000 tonnes and a staff of around 230 employees.

Specifically, Barcelona Cartonboard S.A.U. is the largest producer of cardboard in Spain, one of the most important paper mills in southern Europe and the seventh largest in Europe in the WLC sector.

In the latest financial year ended December 31, 2017, the company recorded (under Spanish accounting standards) revenues from sales of €122.3 million, EBITDA of €5.1 million and a net profit of €1.4 million. At December 31, 2017, the net financial debt amounted at €11.5 million.

The acquisition of Barcelona Cartoboard S.A.U. will allow the RDM Group to strengthen its presence in a well-known market, to optimize its product portfolio and to further improve the level of service to existing and new customers. In effect, thanks to the proximity of the Barcelona plant to several of the major European converters, strategic customers can be reached very quickly.

The acquisition of control of Barcelona Cartonboard S.A.U. is a business combination transaction, recognized in accordance with IFRS 3 - Business combinations. At the date of acquisition of control, the following was arranged:

(i) the individual assets acquired and liabilities assumed were measured at fair value;

(ii) goodwill, equal to €0.5 million, resulting from the difference between the purchase price of 100% of Barcelona Cartonboard S.A.U., equal to €36.5 million and the fair value of the net assets acquired, equal to €36 million, was recorded under assets. The purchase price will be subject to adjustment according to the purchase agreement. The purchase price is based on an enterprise value of €46.4 million and an NFP estimated at about €9.9 million at the time of acquisition.

To determine the fair value of tangible fixed assets it was decided to adopt the market approach, making use the appraisals conducted by an independent expert. At the acquisition date, the value assigned to tangible fixed assets was €47.8 million. The greater value, equal to €31.5 million, allocated to the above-mentioned tangible fixed assets, generated the recording in the financial statements of deferred taxes of €2.2 million.

The acquisition was financed by Reno De Medici S.p.A. mainly through recourse to specific financial loan.

In accordance with the provisions of IFRS 3 - Business combinations, the fair value of the assets and liabilities acquired was determined on a provisional basis, because at the date of the consolidated financial statements several valuation processes involving the current assets, liabilities and the identification of contingent assets and liabilities have not yet been finalized. These values could undergo changes within 12 months of the acquisition date.

The provisional fair values of the assets and liabilities of Barcelona Cartonboard S.A.U. at the date of acquisition, which represent the management's best estimate, are summarized below. The respective tax effects for each liability or asset measured at fair value were also accounted for as deferred tax assets or as deferred tax provision.

	BARCELONA CARTONBOARD S.A.U.
STATEMENT OF FINANCIAL POSITION	**October 31, 2018**
(thousands of euro)	
Non-current assets	
Tangible fixed assets	47,827
Intangible fixed assets	2,312
Equity investments	5
Other receivables	89
Total non-current assets	**50,233**
Current assets	
Inventories	14,180
Trade receivables	15,932
Other receivables	878
Cash and cash equivalents (A)	1,172
Total current assets	**32,162**
TOTAL ASSETS	**82,395**

(thousands of euro)	**October 31, 2018**
Shareholders' equity	**36,056**
Non-current liabilities	
Payables to banks and other lenders (B)	8,073
Deferred tax liabilities	2,238
Non-current provisions for risks and charges	262
Other non-current payables	104
Total non-current liabilities	**10,677**
Current liabilities	
Payables to banks and other lenders (C)	2,555
Trade payables	29,693
Other payables	3,076
Current provisions for risks and charges	338
Total current liabilities	**35,662**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**82,395**

Fair value of net assets acquired (D)	**36,056**
Goodwill (E=F-D)	**456**
Purchase price (F)	**36,512**
Consideration paid (G)	(36,512)
Purchase price net of cash and cash equivalents acquired (I= G-A)	**(35,340)**

Contribution to the income statement at the acquisition date (thousands of euro)	
Revenues of sales	21,874
EBITDA	**1,499**
Depreciation, amortization and write-downs	793
Operating profit	**706**

At the closing date of the financial statements the Company had conducted the impairment test, after which no write-down was necessary.

More information can be found in the section “Impairment Tests”.

The following table provides a list of associates and joint ventures valued at equity:

Corporate name	Registered office	Business	Capital activity (Eur/1000)	Control percentage 12.31.2018 direct	Control percentage 12.31.2018 indirect	Control percentage 12.31.2017 direct	Control percentage 12.31.2017 indirect
Associates							
Pac Service S.p.A.	Vigonza (I)	Industrial	1000			33.33%	
Emmaus Pack S.r.l.	Milan (I)	Industrial	200	34.39%		34.39%	
Joint ventures							
RECOG.SEL.PAP. Y CART. C., A.I.E.	Barcelona (S)	Industrial	3		50%		
ZAR S.r.l. in liquidation	Silea (I)	Industrial				33.33%	
Manucor S.p.A.	Milan (I)	Industrial				22.75%	

Note that, the companies consolidated through the equity method underwent the following changes:

- On January 1, 2018, Zar S.r.l. in liquidation was placed into voluntary receivership after its shareholders decided they were no longer interested in the business being run as a company. The liquidation process was concluded in December 2018 and therefore the company closed down permanently;

- on March 28, 2018 the stake of 22.75% in Manucor S.p.A. was sold;

- the company RECOG.SEL.PAP. Y CART. C., A.I.E. is 50% owned by Barcelona Cartonboard S.A.U..

ACCOUNTING PRINCIPLES

Consolidation Principles

The financial position, results and cash flows of the RDM Group include the financial position, results and cash flows of Reno De Medici S.p.A. and of the companies over which it has the right to exercise control. The definition of control is not based solely on the concept of legal ownership. According to IFRS 10 the definition of control is based on three elements: (a) power over the business purchased; (b) exposure or rights, at variable returns resulting from involvement with the latter; (c) capacity to utilize the power to influence the amount of these returns. IFRS 10 stipulates that in order to evaluate whether it has control over the acquired business, an investor should focus only on activities that materially affect returns and rights which are substantial, i.e. can be exercised in practice when important decisions have to be taken with regard to the acquired business. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is acquired until the date that such control ceases to exist. The portions of shareholders' equity and profit or loss attributable to minority interests are shown separately in the consolidated statement of financial position, consolidated income statement, and consolidated statement of comprehensive income.

The main consolidation principles adopted are as follows:

- the carrying amount of each investment consolidated on a line-by-line basis is eliminated against the related equity, with the assets, liabilities, income and expense of the subsidiary being added to those of the Parent Company, regardless of the size of the investment; the shares of subsidiaries' capital and reserves and of subsidiaries' profit or loss attributable to minority interests are shown separately in the consolidated statement of financial position and the consolidated income statement;

- the acquisition of subsidiaries is accounted for using the purchase method as provided for by IFRS 3 (Revised) (see "Business Combinations");

- all balances and transactions between Group companies are eliminated, as are any profits and losses (unless losses indicate an impairment of the sold asset requiring recognition) arising from commercial or financial intragroup transactions not yet realized with third parties;

- any increases or decreases in a subsidiary's equity arising from its post-acquisition results are recorded upon elimination in the "Retained earnings (losses)" equity reserve;

- dividends paid by Group companies were eliminated from the income statement upon consolidation;

- In the event of loss of control, the Group will eliminate the assets and liabilities of the subsidiary, any third-party interests, and the other components of equity relative to the subsidiaries. The profit or loss from the loss of control will be recognized in the profit or loss for the year. Any equity interest maintained in the former subsidiary will be measured at fair value on the date that control is lost. Measurement will subsequently be through the equity method.

Consolidation of Foreign Companies

The financial statements of each Group company are prepared in the currency of the economic area in which it mainly operates (the functional currency).

All non-Euro assets and liabilities of foreign companies within the scope of consolidation are translated using the exchange rates as at the reporting date (the current-rate method). Income and expenses are translated at the average rate for the year. The exchange differences resulting from the use of this approach are recognized in a dedicated equity reserve in “Other components of comprehensive income” until the disposal of the investment.

The exchange rates used to translate into Euros the financial statements of companies within the scope of consolidation are set out in the table below.

Currency	Start-of-period exchange rate	Average exchange rate	Exchange rate at period end 12.31.2018
GBP	0.8872	0.8847	0.8945
PLN	4.1770	4.2615	4.3014
CZK	25.5350	25.6470	25.7240
HUF	310.33	318.8897	320.98

Equity investments

This item includes equity investments in associates and joint ventures, valued using the equity method, and investments in other companies valued at cost.

The consolidated financial statements include the Group’s share of the results of associates in which its investments are valued with equity method, from the date that significant influence or joint control is acquired until the date that it ceases to exist. The

Group's share of unrealized profits from transactions between Group companies is eliminated. Unrealized losses from transactions between Group companies are eliminated unless they represent actual impairment of the asset sold.

Losses in excess of shareholders' equity are accounted for insofar as the investor has a commitment to the investee to abide by legal or constructive obligations or in any other way to cover its losses.

Associates

Associates refer to those companies in which the Group exercises a significant influence, which is assumed to exist when the investment is between 20% and 50% of the voting rights.

Joint Ventures

Joint ventures are companies which feature a joint control agreement in which the participants have a right to a portion of the net assets or the economic results arising from the agreement. Joint ventures are valued through equity method using the Group's accounting principles.

Business combinations

Business combinations are accounted for using the acquisition method. Under this method, the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred and liabilities assumed by the Group and the equity instruments issued in exchange for control of the acquiree. Acquisition-related costs are generally recognized in the income statement at the time they are incurred.

The assets acquired and the liabilities assumed are recognized at their fair value as at the acquisition date.

Goodwill is measured as the excess of the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the income statement as a bargain purchase gain.

At the acquisition date, non-controlling interest is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice between the two methods is made on a transaction-by-transaction basis.

Any contingent consideration arrangement in the business combination is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination in order to determine goodwill. Subsequent changes in the fair value are recognized in the income statement.

Tangible fixed assets

Tangible fixed assets are stated at their original cost of purchase, production or contribution, including directly incurred accessory costs required to bring an asset into a condition for use. Cost is reduced by accumulated depreciation and any impairment.

Costs for improvements, modernization and transformation incurred after the initial recognition of the asset acquired or produced internally are ascribed to fixed assets and depreciated across their useful life, provided they derive from separate analytical accounting measurements and when it is probable that the future economic benefits expected from the asset will increase.

Replacement costs of identifiable components of complex assets are ascribed to fixed assets and depreciated across their useful life. The residual value of the replaced component is ascribed to the income statement. Maintenance and repair costs are ascribed to the income statement in the year they are incurred.

Assets acquired under finance leases, which essentially assign to the Group all the risks and rewards of ownership, are recognized as tangible fixed assets at the lower of their current value and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as financial debt.

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets, determined on the basis of the period during which the asset will be used by the company. Land is not depreciated, even if acquired together with buildings.

The table below shows a breakdown by category of useful life for amortization purposes:

Category		Years
Buildings	Industrial buildings	40 - 33
	Small structures	20
Plant and machinery	General plant and machinery	25 - 5
	Specific plant and machinery	25 - 5
Industrial and commercial equipment	Miscellaneous equipment	5 – 4
Other assets	Furniture and ordinary office machines	12 - 8
	Electronic office machines	6 - 5
	Means of internal transport	5
	Motor vehicles	6 - 4

The Group checks at least once a year if there is any indication that tangible assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss, as described in the section "Impairment" below.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognized when the recoverable amount is lower than the carrying amount. If the reasons for previous write-downs no longer exist, the assets are revalued at the lower of the recoverable value and the previous book value net of depreciation that would have been recorded in the absence of a write-down, with the adjustment being made on the income statement.

ASSETS/LIABILITIES HELD FOR SALE

Assets and liabilities and groups of assets and liabilities whose carrying amount will be recovered principally through a sale rather than through continuing use are presented separately from other assets and liabilities in the statement of financial position. These assets and liabilities are classified as "Assets held for sale" and are valued at the lower value between their carrying amount and their fair value less costs to sell. Profits or losses, net of related tax effects, resulting from the valuation or sale of these assets and liabilities, are recorded under a dedicated item in the income statement.

Intangible fixed assets

Intangible assets consist of identifiable assets without physical substance which are controlled by the Group and from which future economic benefits are expected.

Intangible assets are recognized when the cost of an asset can be measured reliably, in accordance with IAS 38 Intangible Assets.

Intangible assets with a finite useful life are measured at cost and amortized on a straight-line basis over their useful life, i.e. the estimated period during which the asset will be used by the Group.

The table below shows a breakdown by category of useful life for amortization purposes:

Category		Years
Concessions, licenses, trademarks and similar rights	Software licenses	5
Other intangible assets	Miscellaneous deferred charges	12 - 5

Intangible assets with an undefined useful life are not amortized but are subject to impairment testing at least once a year, as explained in the “Impairment” section below. An intangible asset is considered to have an undefined useful life when there is no foreseeable limit to the period over which the asset is expected to generate positive cash flows for the Group.

Impairment

At each reporting date, the Group reviews the carrying amount of its tangible and intangible assets with a finite useful life to assess whether there are any signs that these assets may have lost value (impairment indicators). If any such signs exist, the Group estimates the recoverable amount of such assets to determine the write-down amount (impairment test). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of a binding sale agreement, fair value is estimated on the basis of values expressed by an active market, by recent transactions, or on the basis of the best available information to reflect the amount that might be obtained by selling the asset.

In calculating value in use, estimated future cash flows are discounted to present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the estimated recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The resulting impairment loss is recognized in the income statement.

When there is no longer any reason for an impairment loss to be recognized, the carrying amount of an asset (or cash-generating unit) is increased to a new carrying amount based on its estimated recoverable value, which may not exceed the net carrying amount that would have been determined if no impairment loss had been recognized. The reversal of the impairment loss is recognized in the income statement.

Goodwill and intangible assets with an indefinite useful life are tested for impairment on an annual basis, or more frequently if there is any indication that an asset may be impaired.

Derivative instruments

Derivative instruments consist of assets and liabilities measured at fair value.

In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only if all of the following apply:

- the hedging relationship is formally designated and documented at its inception;
- the hedge is expected to be highly effective;
- effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

When derivative instruments qualify for hedge accounting, the following accounting treatment applies:

- for a fair-value hedge (e.g. where a derivative instrument is designated as a hedge of the exposure to changes in the fair value of assets or liabilities yielding or bearing a fixed rate), the derivative instrument is measured at fair value and any gain or loss is recognized in the income statement. At the same time, the carrying amount of the hedged assets or liabilities is adjusted to reflect the changes in fair value with respect to the hedged risk;

- for a cash flow hedge (e.g. where a derivative instrument is designated as a hedge of the exposure to variability in the cash flows of assets or liabilities due to variations in exchange rates), the changes in fair value of the instruments are initially recognized in a dedicated equity reserve in “Other components of comprehensive income” and are subsequently reclassified to the income statement in line with the effects of the hedged transaction on profit or loss.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of the derivative instrument are recognized immediately in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments which are explicitly designated as available for sale or cannot be classified in any of the preceding categories, and which are included in non-current assets unless it is management’s intention to sell them in the 12 months following the reporting date.

Available-for-sale financial assets, which consist of investments in other companies and other non-current financial assets, are measured at fair value with changes recorded in equity. Where there is objective evidence that a financial asset is impaired significantly or for an extended period, the impairment loss is recognized in the income statement even if the asset has not been sold. Where fair value cannot be reliably measured, equity investments are measured at cost and adjusted for any impairment losses.

Trade and other receivables

Trade and other receivables are initially measured at the fair value of the amount to be received. Subsequent adjustments are made to account for any write-downs. Non-current trade and other receivables are subsequently measured at amortized cost.

Inventories

Inventories are measured at the lower of purchase or production cost, determined on a weighted-average basis, and estimated realizable value, determined from market trends.

In the case of raw materials, market value means replacement cost; for finished goods and semi-finished goods, market value means net realizable value (net of the costs necessary to make the sale) representing the amount that the Group would expect to obtain from the sale of these goods as part of its normal business.

Cash and cash equivalents

This item consists of available cash on hand and bank deposits, shares in liquid funds and other highly liquid securities which can be readily converted into cash and which are subject to an insignificant risk of change in value.

Employee benefits

The benefits subsequent to the termination of the employment relationship are based on plans that, depending on their features, are either defined-contribution plans or defined-benefit plans.

In defined-contribution plans, such as the TFR (severance pay) accrued after the 2007 Italian Finance Law came into force, the obligation of the Company, limited to the payment of a contribution to the State, or to an asset or to a separate legal entity ("fund"), is determined based on contributions owing after any amounts already paid.

Defined-benefit plans, such as TFR accrued before the 2007 Italian Finance Law came into force, are plans for benefits subsequent to the termination of the employment relationship that are a future obligation and for which the Company bears the relevant actuarial and investment risks. The TFR fund is measured at the actuarial value of the liability of the Company, in accordance with current legislation and with the national collective and company-specific labor agreements. The actuarial valuation, based on demographic, financial and turnover assumptions, is entrusted to independent actuaries. From January 1, 2012, actuarial gains/losses are recorded under "Other Components of Comprehensive Income" in accordance with the new IAS 19 following early adoption thereof, instead of transiting from the income statement.

Provisions for risks and charges

The Group records provisions for risks and charges when it has a legal or constructive obligation, arising from a past event, where it is probable that a cost will be incurred to fulfill that obligation and when a reliable estimate of the amount can be made. Provisions are measured at the best estimate of the amount that, at the reporting date, the Group could reasonably expect to pay to extinguish the obligation or transfer it to a third party.

Where resources are expected to be used beyond the following financial year, the liability is recorded at actuarial value, as determined by discounting expected cash flows at a rate that also takes into account the cost of borrowing and the risk of the liability.

Provisions for supplementary agents' commission represent the calculation of liabilities based on actuarial techniques performed by independent actuaries.

Changes in estimates are recognized in the income statement of the period in which the change occurs.

The costs that the Company expects to incur to carry out restructuring plans are recorded in the financial year in which the Group formally defined such plans and gave to the entities concerned a valid expectation that the restructuring will take place.

The risks where a liability is merely possible are described in the section “Contingent Liabilities, Commitments and Other Guarantees Given to Third Parties”, but no provision is made.

Payables to banks and other lenders

This item includes financial liabilities made up of bank loans, bonds and payables to other lenders, including payables arising from finance leases. Payables to banks and other lenders are measured at amortized cost.

Financial liabilities are initially recognized at cost, represented by the fair value of the amount received net of accessory loan arrangement charges. After initial recording, loans are subsequently measured at amortized cost, which is calculated using the effective interest method taking into account issue costs and any settlement discount or premium.

Trade and other payables

These liabilities are initially measured at the fair value of the amount to be paid. Subsequent measurement is at amortized cost using the effective interest method.

Revenue recognition

Revenues are recognized where it is probable that the Company will obtain the economic benefits associated with the sale of goods or provision of services, and where the relevant amount can be reliably determined. Revenues are recorded at the fair value of the consideration received or expected, taking into account any volume of other commercial discounts and premiums.

As regards the sale of goods, revenues are recognized when the Company has transferred to the purchaser the main risks and benefits of ownership.

As regards the provision of services, revenues are recognized at the time the services are rendered.

Taxes

Current income taxes are based on an estimate of the taxable income for the year and on current legislation in the countries where the Group operates. The expected liability, net of any payments in advance or withholding tax incurred, is recognized under “Current taxes”.

Deferred tax assets and liabilities reflect the temporary differences between the carrying amount of an asset or liability and its tax base.

“Deferred tax liabilities” consist of deferred tax liabilities arising from temporary differences which will be taxed in future years in accordance with prevailing tax legislation.

“Deferred tax assets” consist of taxes which, despite being recoverable in future years, refer to the current year and are recognized where it is probable that future taxable income will be sufficient to absorb their recovery.

Deferred tax liabilities were offset by deferred tax assets where conditions specified in IAS 12 were met, notably where the two items relate to income taxes levied by the same tax authority and where there is a legally enforceable right to offset in this manner.

Income taxes are recognized in the income statement unless they relate to items directly credited or charged to shareholders' equity, in which case the tax effect is recognized directly in that item.

Deferred tax assets are recognized for the carry-forward of unused tax losses where it is probable that future taxable income will be available against which the unused tax losses can be used.

Reno De Medici S.p.A. and some of its Italian subsidiaries (R.D.M. Ovaro S.p.A. and R.D.M. Magenta S.r.l.) participated in the national tax consolidation scheme pursuant to Article 117 et seq. of the Consolidated Income Tax Act (TUIR). The Company acts as the consolidating company and determines a single taxable base for the group of adhering companies, thereby enabling this group to offset taxable income against tax losses in a single tax return. Each company participating in the national tax consolidation agreement transfers its taxable income or tax loss to the consolidating company: as a consequence of this transfer, Reno De Medici S.p.A. recognizes a receivable or a payable corresponding to IRES (corporate income tax), net of any payments on account, from or to the participating company, depending on whether it contributes taxable income or a tax loss.

At the start of this year, the subsidiary RDM Blendecques S.A.S also participated in the tax consolidation, which includes the subsidiary R.D.M. Marketing France S.A.S. based on Article 223a of the French General Tax Code.

Foreign exchange differences

Transactions in foreign currencies are recorded using the exchange rate on the date of the transaction. Assets and liabilities denominated in foreign currencies are converted into Euros using the exchange rate on the reporting date, with the relevant gain or loss recorded on the income statement.

Dividends

Dividends are recognized at the date on which their distribution is approved by shareholders.

Treasury shares

The treasury shares repurchased are recognized at cost and deducted from the shareholders' equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement.

Earnings Per Share

Basic earnings per share are defined as the ratio between the Group's result for the period attributable to the shares and the weighted number of shares outstanding during the financial year.

Diluted earnings per share are calculated by taking into account the effect of all the potential ordinary shares with dilutive effect. In the case of the RDM Group, this is equal to the basic earnings per share.

Financial Instruments and Risk Management

With regard to the disclosure required by IFRS 7 - Financial Instruments: Disclosures, which requires extensive disclosures to be made in connection with the nature of credit, liquidity and market risks and the way in which these risks are managed, reference is made to the "Financial Instruments and Risk Management" section of the Notes to the Consolidated Financial Statements.

Estimates and Valuations

The preparation of the financial statements and the related notes in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. The estimates and assumptions used are based on experience and other factors that are considered to be relevant. Actual results could differ from those estimates.

Estimates are used to measure any provisions for doubtful receivables, inventory obsolescence, depreciation and amortization, write-downs, employee benefits, restructuring funds, taxes, other provisions, funds, and valuations of derivative instruments.

Estimates and assumptions are reviewed periodically, and the effects of any changes are recognized in the income statement in the period in which the estimate is revised (if the revision affects only that period) or in the period of the revision and future periods (if the revision affects both current and future periods). In this respect, the situation caused by the present economic and financial crisis has led to the need to make assumptions regarding future performance which are characterized by significant uncertainty; as a consequence, therefore, actual results next year may differ from the estimates. Although not foreseeable at present, this could have a significant effect on the carrying amounts of the items in question as shown in this Report.

VALUATION METHODS

The valuation methods and the main assumptions used by management in applying accounting standards which relate to the future development of operations are described below. These methods and assumptions may have significant effects on the amounts recognized in the consolidated financial statements, meaning that adjustments may need to be made in future years, with similarly significant effects on these amounts.

Fair value of derivative contracts and financial instruments

The fair value of financial instruments which are not listed on a regulated market is determined by employing various valuation techniques. In this respect, the RDM Group uses those techniques which it believes are the most reasonable in connection with the specific financial instruments that have to be valued, and it adopts assumptions and makes estimates based on market conditions at the reporting date.

Taxes

The overall determination of tax expense may require the use of estimates and valuations, including those relating to any specific tax liabilities which may not be determinable at the time the individual transactions are carried out. In addition, in order to calculate deferred tax assets, the RDM Group employs estimates and valuations which also take into account expectations of future events.

Impairment tests

At each reporting date, the Group reviews the carrying amount of its tangible and intangible assets to assess whether there are any impairment indicators. If any such indicators exist, the recoverable amount of such assets is estimated to determine the write-down amount.

At least once a year, the RDM Group carries out impairment testing taking into consideration several impairment indicators measured in the actual Group and linked to the economic and financial performance of some CGUs. Also note that from 2018 onwards the goodwill figures were allocated to the two new CGUs: Pac Service S.p.A. (€4.3 million) and Barcelona Cartonboard S.A.U. (€0.5 million).

The RDM Group has used the procedure described in IAS 36 to identify the cash-generating units representing the smallest identifiable groups of assets which generate cash flows that are largely independent within the consolidated financial statements.

The lowest aggregation of assets for cash-generating units is represented by the individual mills.

The recoverability of carrying amounts is tested by comparing the net carrying amount of the Net Invested Capital of the individual cash-generating units with the value of use represented by the current value of the estimated future cash flows from the continuing use of the assets making up the cash-generating units and that of their terminal value.

The impairment test relating to the Cash Generating Units (CGU) is carried out from the Asset Side perspective, estimating the operating value or the enterprise value of the CGUs. Note that the scope of the CGUs corresponds to a complete legal entity, as in the case of foreign companies R.D.M. Arnsberg GmbH, RDM Blendecques S.A.S., R.D.M. La Rochette S.A.S., Barcelona Cartonboard S.A.U. and the Italian companies R.D.M. Ovaro S.p.A. and PAC Service S.p.A., or the mills of Santa Giustina (BL) and Villa Santa Lucia (FR) belonging to the Parent Company Reno de Medici S.p.A.

The main assumptions used by the Group in measuring the recoverable amount (value in use) are:

a) estimates of future operating cash flows;

b) the discount rate;

c) the final growth rate.

In making these forecasts, RDM Group used assumptions based on the following key variables: the estimate of future sales volumes, the trend in sales prices, the variable costs of fibrous and chemical materials, margins, capital expenditures and macroeconomic variables.

The Group has used the same net rate, 6.74%, for all cash-generating units when discounting cash flows, a rate which reflects current market assessments and also takes into account the specific risks of the sector.

During the development of the impairment test, the terminal value was determined by using a growth rate (g rate) of 1.5%.

Based on the impairment tests, approved by the Board of Directors, no need for impairment emerged. With reference to the Magenta area, in order to determine the recoverability of the assets relating to the Non-operating-Mill of Magenta, it was used the fair value less costs to sell method of the land and buildings (current market value) instead of value in use, and this was determined based on the preliminary contract, signed in November 2018, which relates the sale of the entire area. Note that, in the light of several suspensive conditions and clauses provided for in the above-mentioned agreement, this sale cannot be considered realized at the date of the financial statements and the related assets were not classified as held for sale.

The result of the impairment test is based on information currently available and estimates regarding changes in a series of variables. For this reason, based on the recommendations included in Joint Document no. 4 of the Bank of Italy, Consob and ISVAP of March 4, 2010, the Group prepared sensitivity analyses on the results of the tests, basing these on changes in the underlying assumptions (use of the growth rate in calculating the terminal value and discount rate) that affect the value in use of the cash generating units. The sensitivity analyses showed that:

- A decrease of 0.5 percentage points in the above-mentioned variables compared with the “base case” would not cause any impairment;

- A scenario (which at the present time is not foreseeable) involving a simultaneous increase in the WACC to a level greater than 7% - a value that has not been employed in the last five years - and a reduction in the “g rate” to below the rate of inflation would cause limited impairment of about €0.6 million of the assets related to the CGU of RDM Blendecques and about €0.6 million of the assets related to the CGU of R.D.M. La Rochette S.A.S.

Considering that recoverable amounts are calculated on the basis of estimates of future growth, the Group cannot be certain that a revision of these estimates, and the resulting adjustment to values, will not be required. The Group will continually monitor the changing situation in order to make any necessary revision to the assumptions underlying the estimates.

Business plans were thus amended for the impairment testing of cash-generating units, in order to take account of the current economic and financial situation and of the uncertainties weighing on all the main variables of the business.

Notes

Segment Information

The segment information compared with the previous year was updated on the basis of the new production and commercial strategies implemented by the RDM Group. Specifically, the harmonization of the product characteristics from a multi mill perspective, which allows the improvement of the product portfolio / geographical mix, made the division by company performance in the two sectors WLC, coated board made from recycled fibers, and FBB cardboard for folding boxes made from virgin fibers, predominant.

The following segment information has therefore been prepared in the light of the new strategy described above.

The reports used by directors show results in two operating sectors: WLC, represented by mills located in France, in Germany and in Spain, which became part of the Group from October 31, 2018, and by all the mills operating in Italy, and FBB in which the company R.D.M. La Rochette S.A.S.

The Group assesses the performance of its operating segments, both level one and level two, on the basis of gross operating profit, operating profit and the profit/(loss) for the year.

Displayed revenues by segment are those earned directly by or attributable to the segment and arising from ordinary operations; they include revenues from transactions with third parties and revenues from transactions with other segments, measured at market prices. Segment costs are the costs of segment operations incurred with third parties and with other operating segments, or those directly attributable to the segment. Costs incurred with other segments are measured at market prices.

The economic measure of the results achieved by each operating segment is the profit or loss for the year; within that result, operating profit and gross operating profit are specifically highlighted.

As part of the way in which the Group is managed, financial income and expense are continually monitored and measured by the treasury function of the parent company Reno De Medici S.p.A., where, from an operating standpoint, all decisions of a financial nature are also made.

There is no need to reconcile the segment valuations contained in this section with the figures included in the financial statements in this report, as all the displayed income components are measured using the same accounting policies adopted for the preparation of the Group’s consolidated financial statements. Unallocated items and adjustments include intersegment balances relating to intercompany transactions and the effects of discontinued operations.

The following table provides profit and loss data by geographical area for 2018 and 2017:

Income Statement 12.31.2018	**WLC**	**FBB**	**Unallocated items and adjustments**	**Consolidated**
(thousands of Euros)				
Revenues from sales	**502,967**	**115,800**	**(12,787)**	**605,980**
Intercompany by segment	(11,359)	(1,428)	12,787	
Net sales revenues from third parties	**491,608**	**114,372**		**605,980**
Gross operating profit	**64,142**	**(330)**	**(699)**	**63,113**
Depreciation and amortization	(22,428)	(1,115)	148	(23,395)
Write-downs	(382)			(382)
Operating profit	**41,332**	**(1,445)**	**(551)**	**39,336**
Net Financial income (expense)	(1,869)	(575)		(2,444)
Gains (losses) from investments	317		2,875	3,192
Taxes	(12,565)	(291)	(58)	(12,914)
Profit (loss) for the year before discontinued operations	**27,215**	**(2,311)**	**2,266**	**27,170**
Profit (loss) for the year	**27,215**	**(2,311)**	**2,266**	**27,170**
Portions of profit or loss of equity-accounted investments	3,193			3,192
Total investments	**18,011**	**4,625**		**22,636**

Income Statement 12.31.2017	WLC	FBB	Unallocated items and adjustments	Consolidated
(thousands of Euros)				
Revenues from sales	**461,654**	**113,592**	**(6,157)**	**569,089**
Intercompany by segment	(5,854)	(303)	6,157	
Net sales revenues from third parties	**455,800**	**113,289**	**0**	**569,089**
Gross operating profit	**40,982**	**4,831**	**0**	**45,813**
Depreciation and amortization	(21,600)	(879)	147	(22,332)
Operating profit	**19,382**	**3,952**	**147**	**23,481**
Net Financial income (expense)	(2,627)	(407)	(97)	(3,131)
Gains (losses) from investments	2,409	15	(1,978)	446
Taxes	(5,804)	(348)	(76)	(6,228)
Profit (loss) for the year before discontinued operations	**13,360**	**3,212**	**(2,004)**	**14,568**
Profit (loss) for the year	**13,360**	**3,212**	**(2,004)**	**14,568**
Portions of profit or loss of equity-accounted investments	431	15		446
Total investments	**13,965**	**4,331**		**18,296**

Note

It is hereby noted that:

- the changes in the balance sheet and income statement balances as at December 31, 2018 reflect the entry into the scope of consolidation of the acquired company Barcelona Cartonboard S.A.U. and the change in the consolidation criterion for PAC Service S.p.A. from consolidation at equity to full consolidation.

The table below shows the Statement of financial position of Barcelona Cartonboard S.A.U. and PAC Service S.p.A. at the acquisition date.

	Barcelona Cartonboard S.A.U.	**PAC Service S.p.A.**
	10.31.2018	**01.01.2018**
Trade receivables	15,933	7,182
Inventories	14,180	4,163
Trade payables	(29,693)	(4,771)
Net working capital	**420**	**6,574**
Other current assets	878	321
Other current liabilities	(3,415)	(432)
Fixed assets	50,144	5,552
Other non-current assets	89	469
Other non-current liabilities	(2,342)	(692)
Invested capital	**45,774**	**11,792**
Employee benefits and other provisions	(262)	(733)
Net invested capital	**45,512**	**11,059**
Net financial position	**(9,456)**	**(374)**
Shareholders' equity	**(36,056)**	**(10,685)**

The information required by IFRS 3, sections 59 and 61 is given in Note 13 “Goodwill”.

1. Revenues from sales

Revenues arise essentially from sales of carton board:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Revenues from sales	605,980	569,089	36,891
Total revenues from sales	**605,980**	**569,089**	**36,891**

The following table provides a geographical breakdown of sales revenues:

	12.31.2018	12.31.2017	Variation	%
(thousands of Euros)				
Italy	200,105	186,140	13,965	7.5%
EU	333,202	312,403	20,799	6.7%
Rest of the world	72,673	70,546	2,127	3.0%
Total revenues from sales	**605,980**	**569,089**	**36,891**	**6.5%**

Revenues from the sale of carton board for packaging depend on the general state of the economies of the markets in which sales are made, particularly the end-user demand for consumer goods; revenues are not affected by specific seasonal factors during the year.

There are, however, seasonal effects in the production and sale of products as a result of variations in the calendar, such as if there is a high number of public holidays and/or periods of vacation in a particular month or accounting period that may typically recur in the main countries supplied (e.g. August and December).

Revenues of the RDM Group reached €606 million in 2018. The change of €37 million from the previous year was mainly due to the different scope of consolidation of PAC Service S.p.A. (+€21.1 million, before intercompany eliminations) and Barcelona Cartonboard S.A.U. (+€21.9 million). The revenues for the latter include the fees for the activities carried out by the cogeneration plant attached to the Spanish plant which account for €6.5 million. Excluding the different consolidation scope, revenues from sales remained stable compared with the previous year.

2. Other revenues

Other revenues may be analyzed as follows:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Grants	770	1,227	(457)
Indemnities	262	66	196
Energy revenues	2,809	5,467	(2,658)
Other revenues	2,478	2,110	368
Total	**6,319**	**8,870**	**(2,551)**

"Grants" essentially include:

- ordinary contributions from Comieco, amounting to €121 thousand, relating to the use of waste paper from public separated waste collection;

- contributions of €597 thousand to the French subsidiary, R.D.M. La Rochette S.A.S. and the German subsidiary R.D.M. Arnsberg GmbH, in accordance with the respective local regulations supporting the competitiveness of industrial sites and high energy consumption.

"Energy revenues" relate to amounts received from certain energy suppliers for joining the "interruption" scheme, and to income from the sale of electricity in 2018. The decrease of €2.7 million was due mainly to the lower number of white (energy savings) certificates received in 2018 for Italian mills compared with the previous year.

"Miscellaneous revenues" mainly include ordinary capital gains of €287 thousand, contingent assets of €481 thousand, commissions on sales made by R.D.M. Marketing Spain S.L.U. on behalf of a third-party company, equal to €252 thousand, and other lesser revenues.

3. Change in inventories of finished goods

The change in inventories was positive for €6.3 million compared with a negative change by €3.5 million as at December 31, 2017. This change was attributable to the increase in warehouse inventories of finished products at the end of the year and the line-by-line consolidation of the companies Barcelona Cartonboard S.A.U and PAC Service S.p.A (for a total of €1.6 million).

4. Cost of raw materials and services

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Costs for raw materials	**279,133**	**279,960**	**(827)**
Purchase of raw materials	277,720	282,722	(5,002)
Change in inventories of raw material	1,413	(2,762)	4,175
Commercial services	**48,676**	**46,943**	**1,733**
Transport	43,948	43,333	615
Commission and agents' costs	4,728	3,610	1,118
Industrial services	**109,436**	**92,328**	**17,108**
Energy	70,122	55,562	14,560
Maintenance	16,737	15,519	1,218
Waste Disposal	13,484	11,595	1,889
Other industrial services	9,093	9,652	(559)
General services	**18,602**	**15,750**	**2,852**
Insurance	1,843	1,978	(135)
Legal, notarial, administrative and contractual services	7,073	5,707	1,366
Board of Directors	736	657	79
Board of Statutory Auditors	241	202	39
Postal and telecommunication	802	795	7
Other costs	7,907	6,411	1,496
Cost for use of third-party assets	**3,568**	**3,115**	**453**
Rental and leasing	3,568	3,115	453
Total	**459,415**	**438,096**	**21,319**

The “Cost of raw materials” refers mainly to the purchase of products used to make pulp (waste paper, wood paste, cellulose and chemicals) and for packaging.

The caption decreased slightly, standing at €827 thousand, due essentially to the combined effect of the difference scope of consolidation (+€20 million) on the one side and of the fall in the cost of raw materials on the other side.

As far as the performance of the main production factors is concerned, in 2018 the price of recycled fibers fell considerably from September 2017 and continued to do so throughout the first quarter of 2018, reaching the lowest level recorded by the market since the 2009 crisis in March. Average prices then stabilized in subsequent quarters. On the other hand, the price of virgin cellulose fibers in 2018 continued to rise, both in the so-called short fibers segment and the long fibers segment.

Service costs increased by €21.7 million. This increase was essentially due on the one side to the different scope of consolidation which caused an overall increase in costs of €11.9 million and, on the other side, to higher energy costs of €8.8 million.

With regard to energy components, the unit price of natural gas, which is the main source of energy for the RDM Group, increased significantly compared with the previous year. There was also an increase in the price of coal, which is the main fuel used at the Arnsberg mill.

“Costs for the use of third-party assets” as at December 31, 2018 increased to €453 thousand, compared with the previous year; this increase was essentially due to the increase in plant and machinery rental and leasing costs. The different scope of consolidation for the two new subsidiaries contributed in total to greater costs of €114 thousand.

5. Personnel costs

	12.31.2018	**12.31.2017**	**Variation**
(thousands of Euros)			
Wages and salaries	66,141	62,797	3,344
Social security contributions	21,080	20,489	591
Allowance for defined-contribution plans	1,775	1,727	48
Allowance for defined-benefit plans	398	371	27
Other costs	1,453	1,898	(445)
Total	**90,847**	**87,282**	**3,565**

Labor costs amounted to €90.8 million, compared with €87.3 million in 2017. The increase of €3.6 million is due, partly to the different scope of consolidation, which caused an overall increase in costs of €3.8 million, and to contractual increases, and, on the other side, to the fact that the balance as at December 31, 2017, included restructuring costs of €1.2 million, relating to the restructuring of the commercial organization.

The following tables provide a breakdown by category of the number of RDM Group employees at the end of the year and the average number of employees during the year:

Employees by category	12.31.2018	12.31.2017	Variation
Executives	38	20	18
White-collars	444	421	22
Blue-collars	1,262	1,046	217
Total	**1,744**	**1,487**	**257**

Average employees by category	12.31.2018	12.31.2017	Variation
Executives	39	19	20
White-collars	444	420	24
Blue-collars	1,270	1,075	195
Total	**1,753**	**1,514**	**239**

6. Other operating costs

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Provisions for risks	40	30	10
Write-downs of current receivables	675	325	350
Other operating expenses	4,491	2,924	1,567
Total	**5,206**	**3,279**	**1,927**

Compared with December 31, 2017, greater provisions of €350 thousand were made for doubtful receivables.

“Miscellaneous operating costs” at December 31, 2018 consist mainly of various taxes incurred by Group companies, membership subscriptions to various trade associations, and various contingent liabilities. The change of €1.6 million was essentially due to the fact that the figure recorded as at December 31, 2017 included the benefit, equal to €1.1 million, of the reversal of the provision for the contribution for the promotion of renewable energy sources, which was set up in 2015 on the assumption that the contribution should also be applied to self-generated energy. The reversal of the provision comes pursuant to the Italian Energy Authority's Resolution 276/2017 of April 21, which definitively clarified the terms of cancellation of this specific type of contribution.

7. Amortization and depreciation

The following table sets out details of the caption "Depreciation and amortization":

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Amortization of intangible assets	733	253	480
Depreciation of tangible fixed assets	22,662	22,079	583
Total	**23,395**	**22,332**	**1,063**

Amortization and depreciation as at December 31, 2018 increased compared with the previous year by €1.1 million. This change is due to the different scope of consolidation (+€1.2 million), partly offset by the reduction in the amortization and depreciation on group assets fully amortized.

8. Write-downs

As at December 31, 2018, the write-down of €382 thousand refers to the loss in value from the impairment test carried out on concessions, with an unlimited duration, issued in Germany on the right to use water, as required by IAS 36.

9. Net financial income (expense)

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Financial income	**41**	**81**	**(40)**
Interest and other financial income	41	81	(40)
Financial expense	**(2,508)**	**(2,610)**	**102**
Interest paid to banks	(685)	(769)	84
Loss on derivative financial instruments	(380)	(225)	(155)
Financial expense on defined-benefit plans	(432)	(495)	63
Expenses, commission and other financial charges	(1,011)	(1,121)	110
Exchange rate differences	**23**	**(602)**	**625**
Exchange rate income	1,152	1,007	145
Exchange rate expenses	(1,129)	(1,609)	480
Total	**(2,444)**	**(3,131)**	**687**

Net Financial Expense stood at €2.4 million as at December 31, 2018, a decrease of €0.7 million compared with December 31, 2017. The reduction is essentially due to the reporting as at December 31, 2018 of positive foreign exchange differences amounting to €23 thousand compared with the negative foreign exchange difference recorded in the previous year, of €602 thousand, as a result of a slight revaluation of the US dollar.

The average cost of borrowing remains at contained levels.

The caption “Financial expense on defined-benefit plans” refers to the financial component of the provision for the year solely with respect to interest costs.

10. Gains (losses) from investments

Income from equity investments totaled €3.2 million as at December 31, 2018, mainly due to:

- measurement at fair value of the equity investment previously held (33.33%) in the company PAC Service S.p.A. following the acquisition of the remaining block of shares, which caused the recording of a gain amounting to €3 million;

- recording of a capital loss of €100 thousand from the sale of the equity investment in Manucor S.p.A..

11. Taxes

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Deferred taxes	229	(2,005)	2,234
Current taxes	(13,143)	(4,223)	(8,920)
Total	**(12,914)**	**(6,228)**	**(6,686)**

As at December 31, 2018 deferred tax liabilities totaling €229 thousand largely reflected the release of deferred tax liabilities of the Parent Company Reno De Medici S.p.A. (€0.6 million), the recording of deferred tax liabilities pertaining to the subsidiary R.D.M. Ovaro S.p.A. (€0.1 million), the recording of deferred tax liabilities pertaining to the subsidiary Barcellona Cartonboard S.A.U. (€0.2 million), and the release of deferred taxes pertaining to the subsidiary R.D.M. Arnsberg GmbH (€1.2 million).

The change compared with the previous year, equal to €2.2 million, is essentially due to the use of prepaid taxes on previous tax losses by the Parent Company Reno De Medici S.p.A. in 2018.

Current taxes as at December 31, 2018 amount to €13 million, up by €8.9 million compared with 2017 due mainly to greater taxable income.

More information on “Deferred taxes” can be found in Note 24.

Reconciliation between the theoretical and actual tax burden (income taxes)

The table below shows the reconciliation between the theoretical and the actual tax burden.

For further information please see Note 24 – deferred taxes.

	Taxable amount	%	12.31.2018
(thousands of Euros)			
Profit (loss) before tax	37,077		
Theoretical tax burden		29.7%	**11,012**
Reversal of temporary differences arising in previous years	1,788		
Temporary differences to be reversed in subsequent years	2,268		
Permanent differences which will not be reversed in future years	(154)		
Total differences	**3,902**		
Use of provision tax losses	(4,577)		
Actual tax burden	**36,402**	**29.7%**	**10,811**

Reconciliation between the theoretical and actual tax burden (IRAP)

The impact of IRAP (regional production tax) has not been taken into account to avoid any distorting effect, since this tax is valid only for Italian companies and commensurate with a tax basis other than the result before taxes.

12. Tangible fixed assets

Changes in tangible assets during 2017 and 2018 are as follows:

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euros)							
Historical cost	21,172	107,074	662,676	1,661	15,411	5,252	813,246
Accumulated depreciation/write-downs	(28)	(70,840)	(529,100)	(1,604)	(15,041)		(616,613)
Net book value as at 12.31.2016	**21,144**	**36,234**	**133,576**	**57**	**370**	**5,252**	**196,633**
Increases		599	7,938		99	9,660	18,296
Decreases (1)	(50)	(227)	(4,790)	(4)	(87)		(5,158)
Reclassification of cost		167	6,960	35	(1)	(7,127)	34
Depreciation for the year		(3,216)	(18,713)	(35)	(115)		(22,079)
Decrease in accumulated depreciation/write-downs (1)	28	210	4,570		70		4,878
Reclassification of accumulated depreciation				(20)	(14)		(34)
Value as at 12.31.2017							
Historical cost	21,122	107,613	672,784	1,692	15,422	7,785	826,418
Accumulated depreciation/write-downs (1)		(73,846)	(543,243)	(1,659)	(15,100)		(633,848)
Net book value as at 12.31.2017	**21,122**	**33,767**	**129,541**	**33**	**322**	**7,785**	**192,570**

(1) The two items involve, respectively, the decrease in the historical cost and the turnaround of the accumulated depreciation following the disposal of assets that took place during the course of the year.

	Land	Buildings	Plant and Machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euros)							
Historical cost	21,122	107,613	672,784	1,692	15,422	7,785	826,418
Accumulated depreciation/write-downs		(73,846)	(543,243)	(1,659)	(15,100)		(633,848)
Net book value at 12.31.2017	**21,122**	**33,767**	**129,541**	**33**	**322**	**7,785**	**192,570**
Increases	223	856	8,211	8	323	13,016	22,637
Decreases (1)		(35)	(775)	(2)	(33)		(845)
Reclassification of cost	44	1,513	8,000		36	(9,593)	
Change in consolidation of the historical cost	22,023	6,378	23,634	80	133	1,115	53,363
Depreciation for the year		(3,345)	(19,140)	(33)	(144)		(22,662)
Decrease in accumulated depreciation/write-downs (1)		35	774	1	27		837
Value at 12.31.2018							
Historical cost	43,412	116,325	711,854	1,778	15,881	12,323	901,573
Accumulated depreciation/write-downs		(77,156)	(561,609)	(1,691)	(15,217)		(655,673)
Net book value at 12.31.2018	**43,412**	**39,169**	**150,245**	**87**	**664**	**12,323**	**245,900**

“Land” includes the relevant areas of the mills belonging to the Parent Company Reno De Medici S.p.A., at Santa Giustina (BL) and Villa Santa Lucia (FR), of the Italian subsidiaries R.D.M. Ovaro S.p.A., R.D.M. Magenta S.r.l. and PAC Service S.p.A., of the German subsidiary R.D.M. Arnsberg GmbH, of the French subsidiaries RDM Blendecques S.A.S. and R.D.M. La Rochette S.A.S. and of the newly acquired Barcelona Cartonboard S.A.U.

“Buildings” mainly includes the value of the mills owned. The increases for the year relate to improvements made to properties owned.

“Plant and Machinery” relates to specific and general manufacturing plants and machinery.

In 2018, the RDM Group’s capital expenditures totaled €22.6 million (€18.3 million in 2017).

The goals of these investments were to reduce variable costs, increase production capacity, improve safety and quality, and the main projects were:

- **Santa Giustina Mill (Italy)**: a new paper winding machine was installed with the aim of optimizing the production process and cutting variable costs;

- **Villa Santa Lucia Mill (Italy)**: improvement and modernization operations involving plant and machinery. Additionally, the project for the installation of a new automatic rewinder was completed;

- **Arnsberg Mill (Germania)**: a new headbox was installed. This investment was aimed at reducing pulp costs, and improving quality.

- **La Rochette Mill (France)**: energy efficiency measures involving the new air heater;

- **Pac Service Mill (Italy)**: a new paper cutter was installed.

Investments at the remaining mills concerned improvements and/or upgrades to plant and machinery."

"Industrial and commercial equipment" consists mainly of assets used in the production process at the various mills.

"Other assets" consist mostly of electronic office machines and office furniture, fixtures, and fittings.

Property rights (mortgages and liens) totaling €206.6 million and relating to owned property, plant, and machinery are pledged in favor of banks as security on loans for which the outstanding balance as at December 31, 2018 amounted to €52.3 million.

At the closing date of the financial statements the Company had conducted the impairment test, after which no write-down was necessary.

More information can be found in the section "Impairment Tests".

13. Goodwill

Goodwill amounted to €4.8 million and refers to the newly acquired companies: PAC Service S.p.A., for €4.3 million and Barcelona Cartonboard S.A.U. for €0.5 million. For more information, refer to the description in the paragraph "Scope of consolidation".

14. Intangible fixed assets

Changes in intangible assets during 2017 and 2018 are as follows:

	Concessions, licenses, trademarks and similar rights	Other	Assets under construction	Total intangible assets with a finite useful life	Intangible assets with an indefinite useful life
(thousands of Euros)					
Net book value as at 12.31.2016	**642**	**31**	**1,820**	**2,493**	**3,948**
Increases	99	2	2,272	**2,373**	
Decreases					
Reclassification of cost	41		(41)		
Amortization for the year	(247)	(6)		**(253)**	
Net book value as at 12.31.2017	**535**	**27**	**4,051**	**4,613**	**3,948**

	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total intangible assets with a finite useful life	Intangible assets with an indefinite useful life
(thousands of Euros)					
Net book value at 12.31.2017	**535**	**27**	**4,051**	**4,613**	**3,948**
Increases	111	403	1,685	**2,199**	
Decreases					
Change in scope of consolidation	1,631	691	2	**2,324**	
Write-downs					(382)
Reclassification of cost	1,783	(5)	(2)	**1,776**	
Amortization for the year	(724)	(9)		**(733)**	
Net book value at 12.31.2018	**3,336**	**1,107**	**5,736**	**10,179**	**3,566**

Intangible assets with a defined useful life stand at €10.2 million, a significant increase over the previous year, equal to €5.7 million and mainly due to:

- the change in the scope of consolidation, equal to €2.3 million recorded mainly by the new subsidiary Barcelona Cartonboard S.A.U. and relating to costs incurred to implement the SAP application;

- the increase in intangible assets in progress is due to the advancement of the project to implement the new ERP, which started in 2016, equal to €1.7 million;

- reclassification of Equity investments in the consortium Paper Interconnector, equal to €1.8 million. Note that the application of the new requirements introduced by IFRS 9 for the classification of investments led the Group to analyze the requirements of the agreements relating to the investment in Paper Interconnector. Based on the analysis conducted and taking into consideration the value of the electricity purchase contract related to the investment made, the equity investment was reclassified under the item Intangible Fixed Assets.

"Intangible assets with an indefinite useful life" refer to the valuation of concessions granted in Germany in relation to water rights with an indefinite useful life. At the closing date of the financial statements, the Group conducted an impairment test in accordance with the provisions of IAS 36, reporting a loss in value of €382 thousand.

More information can be found in the section "Impairment Tests".

15. Equity investments

	Book value at 12.31.17	Change in scope of consolidation	Reclassification	Investments	Divestments	Elimination of associates dividends	Write-downs / Revaluations	Book value at 12.31.18
(thousands of Euros)								
Associates								
PAC SERVICE S.p.A.	1,976	(1,976)						
Emmaus Pack S.r.l.	370					(103)	(5)	262
Joint Ventures								
ZAR S.r.l.	30				(30)			
Other investments								
Scierie De Savoie	340							340
Paper Interconnector	1,773		(1,781)	8				
Comieco	30				(5)			25
Conai	24							24
Other minority investments	34	5		4				43
Total	**4,577**	**(1,971)**	**(1,781)**	**12**	**(35)**	**(103)**	**(5)**	**694**

The change in equity investments of €3.9 million is mainly due to the following factors:

- change in the consolidation method of the investment in PAC Service S.p.A. (€2 million) from the equity method to full consolidation method;

- decrease in the equity investment in the consortium Paper Interconnector S.c.r.l. of €1.8 million; refer to Note 14 "Intangible fixed assets";

- the valuation at equity of the investment in Emmaus Pack S.r.l. (- €5 thousand) and the elimination of the dividends received from the latter in 2018 (-€103 thousand).

The information required by IFRS 12 for equity-accounted investments is provided below.

The value of equity-accounted investments in the statement of financial position is as follows:

	12.31.2018	12.31.2017
(thousands of Euros)		
Associates	262	2,346
Joint ventures		30
Total	**262**	**2,376**

The decrease in the value of the equity investments in associates is due mainly to change in the consolidation method of the company PAC Service S.p.A., as reported in the previous paragraph.

The change in investments in joint ventures, on the other hand, is due to:

- the sale of the equity investment in Manucor S.p.A. by the Parent Company Reno De Medici S.p.A., on March 28, 2018. Since the investment in question had been fully written down in previous years, the gain resulting from its sale was immaterial;

- the company Zar S.r.l. being placed into voluntary receivership on January 1, 2018 after its shareholders decided they were no longer interested in the business being run as a company. The liquidation process was concluded in December 2018 and therefore the entire equity investment owned as at December 31, 2017 (equal to 33.33%) was zeroed.

The impact of equity accounting on the income statement for the period is as follows:

	12.31.2018	12.31.2017
(thousands of Euros)		
Associates	5	552
Joint ventures		
Total	**5**	**552**

Investments in joint ventures

Company	Country	% held	Nature of relationship	Measurement method
RECOG.SEL.PAP. Y CART. C., A.I.E.	Spain	50%	Note 1	Equity

Note 1: The company supplies the raw and semi-processed materials used in the production process of the company Barcelona Cartonboard S.A.U. The equity investment is held directly by the latter.

There are no contingent liabilities related to the Group's investment in these companies.

A summary of the financial information of Recog.sel.pap. y Cart. C., A.I.E as at December 31, 2018 and Manucor S.p.A and ZAR S.r.l. as at December 31, 2017 is provided below:

	RECOG.SEL.PAP. Y CART. C., A.I.E.		Manucor S.p.A.		ZAR S.r.l.	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
(thousands of Euros)						
Current assets						
Cash and cash equivalents	426			773		58
Other current assets	209			37,509		1,443
Total current assets	**635**			**38,282**		**1,501**
Current liabilities						
Bank debts				20,928		
Other current liabilities	623			30,917		1,195
Total current liabilities	**623**			**51,845**		**1,195**
Non-current assets						
Non-current assets				**45,092**		
Non-current liabilities						
Non-current liabilities				31,156		
Shareholders' equity	**12**			**373**		**306**

Summary income statement information for Recog.sel.pap. y Cart. C., A.I.E as at December 31, 2018 and Manucor S.p.A and ZAR S.r.l. as at December 31, 2017 is provided below:

	RECOG.SEL.PAP. Y CART. C., A.I.E.		Manucor S.p.A.		ZAR S.r.l.	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
(thousands of Euros)						
Revenues	811			141,173		18,324
Operating costs	(810)			(139,014)		(18,294)
Gross operating profit	**1**			**2,159**		**30**
Current liabilities				(8,350)		
Depreciation, amortization and write-downs						
Operating profit	**1**			**(6,191)**		**30**
Financial income (expense)				(1,853)		
Profit (loss) before taxes	**1**			**(8,044)**		**30**
Taxes				381		(9)
Net profit (loss)	**1**			**(7,663)**		**21**

	RECOG.SEL.PAP. Y CART. C., A.I.E.		Manucor S.p.A.		ZAR S.r.l.	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
(thousands of Euros)						
Shareholders' equity at January 1	**11**			**8,034**		**285**
Profit (loss) for the year	**1**			(7,663)		21
Capital increase						
Foreign exchange differences						
Statement of comprehensive income				2		
Shareholders' equity at December 31	**12**			**373**		**306**
% held	**50%**			**22.75%**		**33.33%**
Value of equity investment	**6**			**0**		**102**

Investments in associates

Company	Country	% held	Nature of relationship	Measurement method
Emmaus Pack S.r.l.	Italy	34.39%	Note 1	Equity

Note 1: The Group supplies Emmaus Pack S.r.l. with the raw materials and semi-finished goods used in the production process of the investee company.

There are no contingent liabilities related to the Group's investment in Emmaus Pack S.r.l.

Below is a summary of the financial information of Emmaus Pack S.r.l.: With regard to PAC Service S.p.A., only the data as at December 31, 2017, following its acquisition are reported:

	PAC SERVICE S.p.A. (*)		Emmaus Pack S.r.l.	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
(thousands of Euros)				
Current assets				
Cash and cash equivalents		2,719		53
Current assets		11,432	10,586	10,391
Total current assets		**14,151**	**10,586**	**10,444**
Current liabilities				
Bank debts		1,398	1,587	511
Current liabilities		5,144	8,234	8,619
Total current liabilities		**6,542**	**9,821**	**9,130**
Non-current assets				
Non-current assets		**3,237**	**1,140**	**654**
Non-current liabilities				
Loans		1,553	447	427
Non-current liabilities		726	454	428
Shareholders' equity		**8,567**	**1,104**	**1,113**

(*) The company is no longer included under "Equity investments in associates" following its acquisition, with effect from January 1, 2018 and the consequent change in the consolidation method from the Shareholders' equity method to the full consolidation method.

Summary income statement information for Emmaus Pack S.r.l. is provided below. With regard to PAC Service S.p.A., only the data as at December 31, 2017, following its acquisition are reported:

	PAC SERVICE S.p.A. (*)		Emmaus Pack S.r.l.	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
(thousands of Euros)				
Revenues		22,237	16,369	16,406
Operating costs		(20,199)	(15,988)	(15,808)
Gross operating profit		**2,038**	**381**	**598**
Depreciation, amortization and write-downs		(133)	(70)	(39)
Operating profit		**1,905**	**311**	**559**
Financial income (expense)		224	(40)	(41)
Profit (loss) before taxes		**2,129**	**271**	**518**
Taxes		(584)	(80)	(211)
Net profit (loss)		**1,545**	**191**	**307**

(*) The company is no longer included under "Equity investments in associates" following its acquisition, with effect from January 1, 2018 and the consequent change in the consolidation method from the Shareholders' equity method to the full consolidation method.

	PAC SERVICE S.p.A. (*)		Emmaus Pack S.r.l.	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
(thousands of Euros)				
Shareholders' equity at January 1		**7,023**	**1,113**	**1,156**
Profit (loss) for the year		1,545	191	307
Dividends distributed			(300)	(350)
Shareholders' equity at December 31		**8,567**	**1,004**	**1,113**
Adjusted shareholders' equity (**)		**5,929**	**974**	**1,073**
% held		**33.33%**	**34.39%**	**34.39%**
Dividends distributed during the year			**(103)**	**(120)**
Value of equity investment		**1,976**	**262**	**370**

(*) The company is no longer included under "Equity investments in associates" following its acquisition, with effect from January 1, 2018 and the consequent change in the consolidation method from the Shareholders' equity method to the full consolidation method.

(**) Shareholders' equity was adjusted to adapt the value of the equity investment as required by IAS/IFRS standards.

16. Deferred tax assets

“Deferred taxes” included under non-current assets relates to the temporary deductible differences of the Italian subsidiaries: R.D.M. Ovaro S.p.A. (equal to €478thousand), Cartiera Alto Milanese S.r.l. in liquidation (equal to €54 thousand) and PAC Service S.p.A. (equal to €44 thousand).

Please see Note 24 for a detailed description of same and related changes for the year.

17. Trade receivables and receivables from associates and joint ventures

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Trade receivables	73,191	63,736	9,455
Receivables from associates and joint ventures	6,778	7,126	(348)
Current trade receivables	**79,969**	**70,862**	**9,107**

The Company uses non-recourse factoring; trade receivables disposed of wich due dates after December 31, 2018 totaled €31.8 million (€26.3 million at December 31, 2017). The increase is mainly due to the French company joining the factoring program R.D.M. La Rochette S.A.S.

“Trade receivables” are stated net of €6.6 million of provisions for bad and doubtful receivables.

The changes for the year are indicated in the table below:

	12.31.2017	Change in the scope of consolidation	Allocation	Use	IFRS 9	12.31.2018
(thousands of Euros)						
Bad debts provision	3,020	2,742	740	(388)	522	6,636
Total	**3,020**	**2,742**	**740**	**(388)**	**522**	**6,636**

The caption “Receivables from associates and joint ventures” includes the Parent company Reno De Medici S.p.A.’s commercial relations with associate Emmaus Pack S.r.l.

The table below provides a breakdown of current trade receivables by geographical area:

	12.31.2018	12.31.2017	Variation	%
(thousands of Euros)				
Italy	49,278	51,137	(1,859)	-3.6%
EU	22,530	10,648	11,882	111.6%
Rest of the world	8,161	9,077	(916)	-10.1%
Total	**79,969**	**70,862**	**9,107**	**12.9%**

18. Other receivables and other receivables from associates and joint ventures

The breakdown of non-current "Other receivables" are given in the table below:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Guarantee deposits	1,813	1,155	658
Other receivables	6,897	16,609	(9,712)
Total	**8,710**	**17,764**	**(9,054)**

The caption "Guarantee deposits" essentially includes receivables attributable to deposits in favor of a factoring company (€856 thousand) in accordance with the provisions of agreements signed by the parent company Reno de Medici S.p.A. and by the subsidiaries RDM Blendecques S.A.S. and R.D.M. La Rochette S.A.S. This caption also includes the Guarantee Fund set up at Terna (the network operator) totaling €701 thousand.

As at December 31, 2018, the caption "Miscellaneous receivables" totaled €6.9 million and comprised mainly:

- €2.6 million relating to the deposit made by the subsidiary R.D.M. Arnsberg GmbH for the tax dispute regarding the logo fee. The subsidiary has prudently decided to transfer the full amount of taxes, plus interest, to the German National and Local Tax Offices, the full amount of taxes, plus interest, which were taken over during the 2011-2013 assessment in relation to the charge of the so-called "Logo Fee", even in the presence of the MAP (Mutual Agreed Procedure), which is launched at the end of December 2016. In December 2018, the two administrative authorities involved, Germany and Italy, formulated a proposal, relating, respectively to R.D.M. Arnsberg GmnH and Reno De Medici S.p.A., as a result of the MAP procedure, consisting of the partial recognition of the logo fee charged by Italy. In January 2019, the two companies accepted this proposal. Note that, the amount of the above-mentioned deposit that would be finally due in Germany based on the acceptance of the MAP procedure, will be substantially recovered in Italy according to that procedure.

- €3.4 million relating to the competitiveness and employment tax credit awarded by the French government (CICE and Participation effort) to the subsidiaries R.D.M. La Rochette S.A.S., equal to €2.9 million, and to RDM Blendecques S.A.S., equal to €0.5 million.

The breakdown of current "Other receivables" is given in the table below:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Tax receivables	4,491	5,768	(1,277)
Other receivables	6,794	4,702	2,092
Accrued and deferred assets	481	734	(253)
Total	**11,766**	**11,204**	**562**
Other receivables from associates and joint ventures			
Total	**11,766**	**11,204**	**562**

The current portion of "Tax receivables", consisting primarily of tax credits, totaled €4.5 million, down slightly from €5.8 million a year earlier. The caption consists mainly of €2.8 million in VAT credit, the current portion of the French CICE tax credit equal to €1.2 million and credits for income taxes equal to €0.3 million.

The caption "Other receivables" as at December 31, 2018 essentially includes:

- the current portion of guarantee deposits, equal to €2.3 million, up by €437 thousand compared with the previous, in favor of a factoring company in accordance with the provisions of agreements signed by the Parent company Reno De Medici S.p.A. and the subsidiaries RDM Blendecques S.A.S. and R.D.M. La Rochette S.A.S.;

- the current receivables of €2.8 million, an increase of €2 million compared with the previous year, arising from the sale of CO2 quotas belonging to the German subsidiary R.D.M. Arnsberg GmbH;

- the residuable credit, equal to €300 thousand, with regard to Arpafino S.L.U. resulting from the sale of the Spanish operation Reno De Medici Ibérica S.A. The receivable was collected on February 14, 2019.

19. Inventories

The table below provides a breakdown of inventories as at December 31, 2018 and December 31, 2017:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Raw materials, consumables and supplies	59,137	50,069	9,068
Obsolescence provision	(9,670)	(7,565)	(2,105)
Finished products and goods	57,680	41,188	16,492
Obsolescence provision	(9)	(33)	24
Total	**107,138**	**83,659**	**23,479**

The increase in inventories of raw materials and finished products, equal to €23.5 million is mainly due to the new companies entering the scope of consolidation, which generated an increase of €19.2 million, and the combined effect of more physical stocks and higher unit prices.

Provisions for obsolescence of raw and ancillary materials and consumables relate mainly to the French mills (Blendecques and La Rochette) and the newly acquired Barcelona Cartonboard S.A.U. In 2018 a use of €0.5 million was reported.

An explanation of the change in inventories of finished goods can be found in Note 3.

20. Net financial position

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Cash	17	13	4
Funds available from banks	31,163	19,115	12,048
A. Cash and cash equivalents	**31,180**	**19,128**	**12,052**
Other financial receivables	506	858	(352)
B. Current financial receivables	**506**	**858**	**(352)**
1. Current bank debts		*2,000*	*(2,000)*
2. Current portion of medium and long-term loans	*20,255*	*17,447*	*2,808*
3. Debts to other financing entities	*99*	*65*	*34*
Debts to banks and other financing lenders (1+2+3)	20,354	19,512	842
Other debts to other companies	1,500		1,500
Derivatives - current financial liabilities	296	133	163
C. Current financial debt	**22,150**	**19,645**	**2,505**
D. Net current financial debt (C-A-B)	**(9,536)**	**(341)**	**(9,195)**
E. Non-current financial receivables	**0**	**0**	**0**
Debts to banks and other financing lenders	75,858	44,277	31,581
Derivatives - non-current financial liabilities	488	138	350
F. Non-current financial debt	**76,346**	**44,415**	**31,931**
G. Net non-current financial debt (F-E)	**76,346**	**44,415**	**31,931**
H. Net financial debt (D+G)	**66,810**	**44,074**	**22,736**

Consolidated net financial debt as of December 31, 2018 was €66.8 million, compared with €44.1 million as at December 31, 2017. In addition to the normal dynamics of working capital associated with the positive performance in the year, the operating cash flow generated in 2018, equal to €52.4 million, was positively affected by the increase in the use of the factoring program following the entry of the French affiliate R.D.M. La Rochette S.A.S. Significant outgoings include:

- Disbursements for investments of €25.8 million

- The payment of the purchase price for Barcelona Cartonboard S.A.U. totaling €36.5 million with the assumption of the debt of €9.7 million on the purchase date. The ancillary costs stood at €0.9 million in total;

- Dividends paid and acquisition of treasury shares for a total of €1.7 million;

- The acquisition of a further 5% of the subsidiary R.D.M. Ovaro S.p.A. from Friulia S.p.A. for €0.6 million.

The changes in liabilities resulting from financing activities are reported below pursuant to IAS 7 "Statement of Cash Flows".

			Non-monetary flows			
	12.31.2017	Monetary Flow (*)	Change in scope of consolidation(**)	Foreign exchange differences	Change in Fair Value	12.31.2018
(thousands of Euros)						
Current financial receivables	**858**	(352)				**506**
Current financial debt	**19,645**	(1,920)	4,065		360	**22,150**
Non-current financial debt	**44,415**	21,925	9,656		350	**76,346**
Net liabilities from financing activities	**63,202**	**19,849**	**14,229**	**0**	**710**	**97,990**
Cash and cash equivalents	**19,128**	8,161	3,891			**31,180**
Net financial debt	**44,074**	**(11,688)**	**10,338**	**0**	**710**	**66,810**

(*) Flows of cash and cash equivalents reported in the statement of cash flows

(**) The change in the scope of consolidation refers to the acquisition of the remaining 66.67% of PAC Service S.p.A. and 100% of Barcelona Cartonboard S.A.U.

The table below shows outstanding medium- and long-term loans, broken down by due date and recorded at nominal value:

	within 12 months	over 12 months	over 60 months	Total
(thousands of Euros)				
FRIE 1	414	1,241		1,655
FRIE 2	813	1,625		2,438
FRIE 3	113	454	113	680
FRIE 4	68	545	477	1,090
BANCO BPM (Banco Popolare)	1,262			1,262
BANCO BPM (Banca Popolare Milano)	2,857	8,572		11,429
INTESA SAN PAOLO (Reno De Medici S.p.A.)	4,000	2,000		6,000
INTESA SAN PAOLO (RDM Blendecques S.A.S.)	1,667	6,666		8,333
INTESA SAN PAOLO (La Rochette S.A.S.)	1,667	6,666		8,333
CARIPARMA	875			875
CREDEM	1,001	753		1,754
CREDEM 7120134	250			250
CREDEM 7174193	551			551
UNICREDIT		28,000	7,000	35,000
UNICREDIT	100	252		352
BANQUE PALATINE 376	597	1,957		2,554
BANQUE PALATINE 377	395	1,311		1,706
AGENCE DE L'EAU	58	170		228
ENCELPA	85	87		172
BNL PNP PARIBAS	200	200		400
BE-SPOKEN		3,490		3,490
BERIVO	1,095	1,901		2,996
ENDESA ENERGIA	1,199	2,099		3,298
KEMIRA	145	109		254
PROCEMEX	31			31
SILO GESCOM	55			55
Friulia (Ovaro Transaction)	880	440		1,320
Total nominal debt	**20,378**	**68,538**	**7,590**	**96,506**
Amortized cost effect	(158)	(270)		(428)
Total debt using the amortized cost method	**20,220**	**68,268**	**7,590**	**96,078**

The Group's financial indebtedness now mainly consists of long-term loans, which provide the Group with the stability of the necessary financial sources to adequately support its operations, and, in particular, capital expenditure, as well as possible projects to take advantage of strategic investment opportunities.

Some loans require certain financial covenants to be respected based on the following ratios:

– Net financial position/Shareholders' equity

– Net financial position/Gross operating profit

– Gross operating profit/Net financial expense

– Shareholders' equity/Medium-term debt

– Shareholders' equity/Shareholders' equity as at December 31, 2016

The financial parameters are calculated half-yearly or annually, depending on the loan, based on the figures of the Group's consolidated financial statements. The half-year calculations of the Group' s gross operating profit and net financial expense are based on the 12-month period ending on the last day of the half year concerned.

In the event of non-compliance with the financial covenants in the loan agreements, the lending banks may terminate such agreements: as at December 31, 2018 there was compliance with the financial covenants.

Lastly, the new loans provide for constraints and commitments incumbent upon the RDM Group including a restriction on the disposal of core assets and extraordinary finance transactions.

Note that in 2015, Reno De Medici S.p.A., set up an "Available reserve" through the voluntary reduction of the share capital, pursuant to Article 2445 of the Italian Civil Code (as described in detail in section 19 "Shareholders' equity"), Reno De Medici S.p.A. requested and obtained waivers from the lending banks.

Note that principal repayments were made in 2018 totaling €20.1 million and new loans totaling €41.1 million were received, in addition to the increase of €13.5 million for the loans for the acquisition of PAC Service S.p.A. and Barcelona Cartonboard S.A.U.

In terms of collateral, the Parent company loan agreement requires, inter alia, RDM to provide mortgages on mills, in the total amount of €123.7 million.

Special liens on mills' plant and machinery are given as collateral, in the total amount of €82.9 million.

On February 21, 2012 a floating-rate loan agreement was signed with Banca Medio Credito Friuli Venezia Giulia S.p.A. for €5 million, of which €1.5 million was provided on May 21, 2012. The loan agreement expires on January 1, 2022. The repayments will be in half-yearly installments.

On February 22, 2013 a second tranche of €0.6 million was paid, and the due date was postponed to July 1, 2022.

A third tranche of €0.9 million was paid on June 12, 2014.

The fourth and final tranche of €0.6 million was paid on December 21, 2015.

On March 19, 2013 a loan of €6.5 million was made by Banca Medio Credito Friulia Venezia Giulia S.p.A.; the loan agreement was executed on October 23, 2012. The loan agreement calls for a floating rate and a maturity of July 1, 2021. Installments are paid half-yearly starting January 1, 2014.

On June 4, 2015, a loan of €20 million was made by Intesa San Paolo S.p.A.; the loan agreement was executed on June 4, 2015. The loan agreement calls for a floating rate and a maturity of June 4, 2020. Installments are paid half-yearly starting December 4, 2015. This loan requires compliance with several financial parameters subject to annual review. As at December 31, 2018, these financial parameters had been complied with.

On July 31, 2015, a loan of €7 million was signed and supplied by Cariparma S.p.A. The loan agreement calls for a floating rate and a maturity of June 30, 2019. Installments are paid half-yearly starting December 31, 2015. This loan requires compliance with several financial parameters subject to annual review. As at December 31, 2018, these financial parameters had been complied with.

On October 2, 2015, a loan of €20 million was made by Banca Popolare di Milano S.p.A.; the loan agreement was executed on September 16, 2015. The loan agreement calls for a floating rate and a maturity of December 31, 2022. Installments are paid half-yearly starting June 30, 2016. This loan requires compliance with several financial parameters subject to annual and half-yearly review. As at December 31, 2018, these financial parameters had been complied with.

On June 23, 2016, a loan of €7.5 million was made by Banco Popolare. The loan agreement calls for a floating rate and a maturity of June 30, 2019. Installments were paid quarterly starting September 30, 2016.

On November 15, 2016, two loans were made to the subsidiaries RDM Blendecques S.A.S. and R.D.M. La Rochette S.A.S., of €10 million each by Intesa San Paolo Paris. The loan agreements, which were signed on October 31, 2016, call for a floating rate and a maturity of November 15, 2023. Installments are paid half-yearly starting May 15, 2018. The loan made to the subsidiary R.D.M. La Rochette S.A.S. requires compliance with several financial parameters subject to annual review. As at December 31, 2018, these financial parameters had been complied with. The Parent company Reno De Medici S.p.A. issued a guarantee to secure this loan.

On December 16, 2016, a loan of €0.9 million was made by Banca Medio Credito Friulia Venezia Giulia S.p.A.; the loan agreement was executed on December 9, 2014. The loan agreement calls for a floating rate and a maturity of July 1, 2024. Installments are paid half-yearly starting January 1, 2017.

On August 2, 2017, a loan agreement was executed and the loan of €3 million made by Credito Emiliano S.p.A. The loan agreement calls for a floating rate and a maturity of August 2, 2020. Installments were paid quarterly starting November 2, 2017.

On February 5, 2018, a loan agreement was concluded and disbursed for €5 million with Banque Palatine, divided into two tranches of €3 million and €2 million, respectively. The loan agreement calls for a fixed rate and a maturity of February 5, 2023. Installments were paid quarterly starting May 5, 2018.

On July 9, 2018 a loan of €1.1 million was made by Banca Medio Credito Friulia Venezia Giulia S.p.A.; the loan agreement was executed on September 21, 2018. The loan agreement calls for a floating rate and a maturity of January 1, 2027. Installments are paid half-yearly starting July 1, 2019.

On July 30, 2018, a loan agreement was concluded for €35 million with UniCredit S.p.A. It was disbursed on October 31, 2018, the date on which the transaction for the purchase of Barcelona Cartonboard S.A.U. was finalized, which was the purpose of the loan. The loan agreement calls for a floating rate and a maturity of July 31, 2024. Installments are paid half-yearly starting January 31, 2020.

With the line by line consolidation of PAC Service S.p.A., the following loan agreements were consolidated. In particular:

- Loan with Credem (7120134), whose purchase value was €1 million. The loan agreement calls for a fixed rate, monthly installments and a maturity of March 6, 2019.

- Loan with Credem (7174193), whose purchase value was €1 million. The loan agreement calls for a fixed rate, monthly installments and a maturity of November 6, 2019.

- Loan with BNL, whose purchase value was €0.5 million. The loan agreement calls for a fixed rate, half-yearly installments and a maturity of August 18, 2020.

- Loan with UniCredit whose purchase value was €0.4 million. The loan agreement calls for a fixed rate, quarterly installments and a maturity of June 30, 2022.

With the line by line consolidation of Barcelona Cartonboard S.A.u., the following loan agreements were consolidated. In particular:

- Loan with BE-SPOKEN whose purchase value was €3.5 million. The loan agreement calls for a floating rate, quarterly installments from March 31, 2023 and a maturity of September 30, 2024.

- Loan with Berivo whose purchase value was €3.2 million. The loan agreement calls for a fixed rate, quarterly installments and a maturity of October 2021.

- Loan with Endesa whose purchase value was €3.5 million. The loan agreement calls for a fixed rate, monthly installments and a maturity of September 2021.

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at December 31, 2018: More information on the derivative instruments outstanding at December 31, 2018 can be found in Note 22.

21. Shareholders' equity

Changes in shareholders' equity during 2018 are set out in the following table:

Description	Shareholders' equity at 12.31.2017	Purchase of Treasury shares	Voluntary capital reduction pursuant to Article 2445	Dividends	Allocation of profit (loss) for the year	Stock grant reserve	Profit (loss) on translation of financial statements of foreign investee companies	Actuarial gain (loss)	Hedge accounting	IFRS 9 Reserve	Profit (loss) for the year	Shareholders' equity at 12.31. 2018
(thousands of Euros)												
Share capital	140,000											140,000
Legal reserve	959				518							1,477
Other reserves:												
Change in consolidation scope reserve	2,758											2,758
Foreign-currency translation reserve	54						23					77
Treasury share reserve	(483)	(577)										(1,060)
Available reserve	23,393				9,845							33,238
Hedging reserve	(201)								(255)			(456)
Reserve for actuarial gains (losses)	(7,518)							1,102				(6,416)
Stock grant reserve	401					565						966
IFRS 9 Reserve										(503)		(503)
Retained earnings (losses)	(5,466)				3,033							(2,433)
Profit (loss) for the year	14,568			(1,172)	(13,396)						27,170	27,170
Total	**168,465**	**(577)**		**(1,172)**		**565**	**23**	**1,102**	**(255)**	**(503)**	**27,170**	**194,818**

Note that on November 2, 2015, the Shareholders' Meeting of Reno De Medici S.p.A. had approved, inter alia, subject to the amendment of the By-Laws, the creation of an "Available reserve" through voluntary reduction of capital pursuant to Article 2445 of the Italian Civil Code in the amount of €10,399,255.80. The purpose of this operation, which took effect on February 29, 2016, included the purchase and sale of treasury shares as a tool for stabilizing the share price.

A program to purchase and sell treasury shares, not to exceed one-fifth of the share capital, was authorized at the same meeting.

In respect of the above operations, waivers were received from the lending banks in accordance with the provisions of the loan agreements.

The Company launched the plan to purchase treasury shares in June 2016. By December 31, 2018, the treasury shares purchased numbered 2,262,857 for a total of €1,060 thousand, an increase compared with €483 thousand (equal to 1,434,159 as at December 31, 2017).

In accordance with Article 5 of the Company's By-Laws, holders of savings shares may convert such shares to ordinary shares in February and September each year. In 2018, 10,658 savings shares were converted to ordinary shares. As a result of this, the share capital as at December 31, 2018, fully subscribed and paid-up, could be broken down as follows:

	Number	Total value
Ordinary shares	377,542,567	139,904,235.88
Savings shares	258,427	95,764.12
Total	**377,800,994**	**140,000,000.00**

The Extraordinary Shareholders' Meeting held on September 2, 2013 resolved to eliminate the nominal value of shares.

During the period February 1-28, 2019, 3,650 savings shares were converted to ordinary shares with dividend entitlement as of January 1, 2019.

The table below shows the number of outstanding shares as at December 31, 2018 and December 31, 2017:

	12.31.2018	12.31.2017	Change
Shares issued	377,800,994	377,800,994	
Treasury shares	2,262,857	1,434,159	828,698
Total shares outstanding	**375,538,137**	**376,366,835**	**(828,698)**

With reference to the savings shares, the By-Laws of the Parent company Reno De Medici S.p.A. require that if a dividend of less than 5% of the value €0.49 is assigned to the savings shares in a financial year, the difference is calculated as an increase in the privileged dividend in the next two financial years. Dividends totaling €6 thousand were distributed in 2018 to holders of savings shares.

In addition, dividends totaling €1.2 million were distributed to holders of ordinary shares.

The table below shows the tax effect relating to the components of comprehensive income pertaining to the Group:

	12.31.2018			12.31.2017		
	Gross value	Tax (charge) benefit	Net value	Gross value	Tax (charge) benefit	Net value
(thousands of Euros)						
Change in fair value of cash flow hedges	*(330)*	*75*	*(255)*	*148*	*(36)*	*112*
Actuarial gain (loss) on employee benefits	*1,357*	*(255)*	*1,102*	*(886)*	*324*	*(562)*
Profit (loss) on translation of financial statements of foreign investee companies	*23*		*23*	*34*		*34*

All the figures in the table are presented net of the tax effect.

22. Derivative instruments

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at December 31, 2018:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Derivative instruments (hedge accounting)	488	138	350
Non-current liabilities	**488**	**138**	**350**
Derivative instruments (hedge accounting)	296	133	163
Current liabilities	**296**	**133**	**163**
Total	**784**	**271**	**513**

As at December 31, 2018, derivative instruments had a negative fair value of €784 thousand.

Note that in 2018 a new interest rate swap was concluded on a loan granted by UniCredit S.p.A., also in 2018, in favor of Reno de Medici S.p.A.

A commodity swap was entered into during the year by the subsidiary R.D.M. Arnsberg GmbH to hedge purchases of coal, the main energy source of that plant.

The table below shows the main features of the interest rate swaps outstanding as at December 31, 2018:

Company	**Counterparty**	**Currency**	**Due date**	**Notional value (€/000)**	**Interest**	**Settlement of interest**	**Fair value of derivative (€/000)**
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	EUR	06.04.2020	4,500	0.42% fixed	Half-yearly	(27)
					Euribor 6m		
Reno De Medici S.p.A.	Banca Popolare di Milano	EUR	12.30.2022	11,429	0.45% fixed	Half-yearly	(137)
					Euribor 6m		
La Rochette S.A.S.	Intesa San Paolo S.p.A.	EUR	11.15.2023	8,333	0.245% fixed	Half-yearly	(54)
					Euribor 6m		
Reno De Medici S.p.A.	UniCredit S.p.A.	EUR	07.31.2024	35,000	0.385% fixed	Half-yearly	(377)
					Euribor 6m		
				59,262			**(595)**

The table below shows the main features of the commodity swaps outstanding as at December 31, 2018:

Company	**Counterparty**	**Currency**	**Due date**	**Quantity (MT)**	**Contractual price**	**Differential settlement**	**Fair value of derivative (€/000)**
R.D.M. Arnsberg GmbH	UniCredit S.p.A.	USD	12.31.2021	36,000	90.4	Monthly	(189)
					USD/MT		
				36,000			**(189)**

23. Other payables and other payables to associates and joint ventures

The table below shows a breakdown of other payables:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Other non-current payables	104		104
Deferred income		26	(26)
Other non-current payables	**104**	**26**	**78**
Employees' liabilities	9,893	7,728	2,165
Payable to social security authorities	6,343	5,993	350
Tax payables	3,451	5,381	(1,930)
Other non-current payables	2,175	1,137	1,038
Corporate Boards	513	486	27
Deferred income	26	52	(26)
Other current payables	**22,401**	**20,777**	**1,624**
Other payables to associates and joint ventures	101		101
Total other payables	**22,502**	**20,777**	**1,725**

The caption "Payables to employees" mainly comprises payables relating to deferred wages and salaries.

"Payables to social security authorities" relate mainly to social security contributions due on current wages and salaries accrued to employees in December and paid in January 2019, and to provisions for social security contributions due on deferred compensation (employee leave, additional months' salaries paid as a bonus, and overtime).

"Tax payables" relate to withholding tax due on remuneration paid to employees in December, and to VAT payables.

The caption "Miscellaneous payables" stood at €2.2 million as at December 31, 2018. The change compared with the previous year, equal to €1 million, is mainly due to the receipt of the first payment on account, of €1.5 million, relating to the preliminary sales agreement for the Magenta site.

The caption "Corporate Boards" includes payables to Statutory Auditors and Directors.

24. Deferred tax liabilities

The table below provides a summary of the calculation of deferred tax assets and liabilities from temporary differences as at December 31, 2018:

	2018			2017		
	Temporary differences	Average tax %	Tax effect	Temporary differences	Average tax %	Tax effect
(thousands of Euros)						
Recognized deferred tax assets	**22,126**		**6,222**	**26,629**		**6,864**
Tax losses to carry forward				3,932	24%	944
Inventory write-downs	507	27.9%	141	507	27.9%	141
Leaving Indemnity Agents' Provision	2,050	27.9%	572			
Provision for future charges (IRES)	1,545	24%	371	1,812	24%	435
Other temporary differences	10,167	28,6%	2.913	10,586	27.6%	2,919
Other temporary differences (IRAP)		3.9%		2,130	3.9%	83
Effect of discounting employee benefits	4,300	31.9%	1.372	6,367	31.9%	2,031
Valuation of derivatives with hedge accounting	554	24%	133	178	24%	43
Valuation of IFRS 9	1,668	24%	400			
Deferred tax assets consolidation entries	1,335	24%	320	1,117	24%	268
Recognized deferred taxes	**56,857**		**16,548**	**47,304**		**14,532**
Amortization / depreciation in excess of amount allowed for tax purposes	15,401	27,9%	4,297	16,979	27.9%	4,737
Other temporary differences	190	24%	46	56	25%	14
Effect of discounting TFR	1,523	24%	366	1,547	24%	371
Deferred tax liabilities consolidation entries	39,743	31.3%	11,839	28,722	32.8%	9,410
Net recognized deferred tax (assets) liabilities			**10.326**			**7,668**
- of which deferred tax liabilities			*11.004*			*8,924*
- (of which deferred tax assets)			*(678)*			*(1,256)*
Unrecognized deferred tax assets	**130,139**		**35,150**	**58,378**		**16,778**
Write-downs for extended impairment	2,687	27.9%	750	2,687	27.9%	750
Write-downs for bad and doubtful receivables	1,160	24%	278	1,137	24%	273
Reportable ROL (reduced working hours)	39,264	24%	9,423	26,021	24%	6,245
Effect of discounting employee benefits	627	33.3%	209	677	33.3%	226
Tax losses to carry forward	84,993	33.3%	24,020	26,082	33.3%	8,693
Deferred tax assets on differences in accounting standards	1,408	33.3%	469	1,774	33.3%	591

As at December 31, 2018, deferred tax liabilities were offset by deferred tax assets where conditions specified in IAS 12 were met, notably where the two items relate to income taxes levied by the same tax authority and where there is a legally enforceable right to offset in this manner.

Deferred tax assets are recognized where it is probable that the Company will have taxable income in the future, including the deferral of taxable temporary differences to future years, which will allow the utilization of deductible temporary differences or tax losses carried forward.

The table below shows a breakdown of the Group's tax losses for a total of €240.2 million:

	2018
(thousands of Euros)	
RDM Blendecques S.A.S.	33,282
R.D.M La Rochette S.A.S.	155,221
Barcelona Cartonboard S.A.U.	51,261
R.D.M. Marketing Spain S.A.U.	347
R.D.M. Marketing Poland	15
R.D.M. Marketing UK Ltd	88
Total tax losses	**240,214**

25. Employee benefits

The table below shows a breakdown of current and non-current employee benefits:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Employee benefits	17,821	18,434	(613)
Employee benefits - TFR	14,957	15,516	(559)
Non-current employee benefits	**32,778**	**33,950**	**(1,172)**
Employee benefits - TFR	212	141	71
Current employee benefits	**212**	**141**	**71**
Total	**32,990**	**34,091**	**(1,101)**

Following the legislative changes in previous years regarding the TFR, the Group has continued to recognize its obligations accrued as at December 31, 2006 in accordance with rules for defined-benefit plans, while it recognizes its obligations for amounts accruing from January 1, 2007, due to supplementary pension funds or the treasury fund of INPS (Italian social security institute), on the basis of the contributions due during the period.

The economic and financial assumptions used were as follows:

	Italy	Germany	France
Annual discount rate	1.13%	1.90%	1.60%
Annual inflation rate	1.50%	1.90%	1.75%
Annual rate of increase in TFR	2.625%	1.75%	2%

The table below shows changes in non-current liabilities during the year:

	12.31.2018
(thousands of Euros)	
Actuarial assessment of “Employee benefits” at 12.31.2017	**33,950**
Service cost	678
Interest Cost	432
Benefits paid	(1,612)
Actuarial Gains/Losses	687
Other changes	(1,357)
Actuarial assessment of “Employee benefits” at 12.31.2018	**32,778**

Sensitivity analysis of the discount rate

The following table shows the balance that the caption “Employee Benefits” would have as at December 31, 2018 in the event of a change to the discount rate shown at the reporting date.

Thousands of Euros	Italy		Germany		France	
Increase of discount rate	+0.25%	8,311	+0.25%	17,190	+0.25%	5,960
Non-current employee benefits as at December 31, 2018	1.13%	8,451	1.9%	17,821	1.6%	6,126
Reduction of discount rate	-0.25%	8,593	-0.25%	18,489	-0.25%	6,301

26. Non-current and current provisions for risks and charges

The balance as at December 31, 2018 was as follows:

Non-current and current provisions for risks and charges	12.31.2017	Change in scope of consolidation	Increases	Use	Other changes	12.31.2018
(thousands of Euros)						
Leaving Indemnity Agents' Provision	1,982	326	151	(4)	(514)	1,941
Non-current provision for future charges	2,719	76	701	(551)	(252)	2,693
Total non-current provisions for risks and charges	**4,701**	**402**	**852**	**(555)**	**(766)**	**4,634**
Provision for future charges	1,057	338	848	(278)	224	2,189
Total current provisions for risks and charges	**1,057**	**338**	**848**	**(278)**	**224**	**2,189**
Total	**5,758**	**740**	**1,700**	**(833)**	**(542)**	**6,823**

"Provisions for supplementary agents' commission" includes the expenses that the company is obliged to pay to agents on conclusion of the mandate. This liability includes the discounting based on actuarial techniques as required by IAS 19.

With regard to the long-term portion of the "Provision for future charges", utilization during the period of €0.6 million was mainly due use of the provision for layoffs (€0.2 million) and use of the provision for legal expenses (€0.3 million).

The provision for the year (€0.9 million) refers mainly to the provision of a layoff fund (€0.5 million) and to the share pertaining to the year for variable remuneration for management.

The other changes, equal to €766 thousand, include the release of a provision, worth €252 thousand, reported in previous years for lawsuits with suppliers for which the risk of an adverse outcome of the legal proceedings no longer exists and the reclassification from long-term to short-term of the provision for the supplementary commission for agents whose contracts have been terminated at the end of 2018 but where the compensation will be settled in early 2019 (€375 thousand).

The short-term portion of the "Provision for future charges" includes the costs of €124 thousand to dismantle several buildings of the Magenta mill, two pending tax disputes regarding local taxes for which it was deemed appropriate to prudentially set aside a provision to cover future charges totaling €603 thousand, employee disputes totaling €449 thousand and the provisions for supplementary agents' commission for those whose contracts were terminated at the end of 2018 or will be terminated in 2019 equal to €730 thousand.

27. Trade payables and payables to associates and joint ventures

The balance as at December 31, 2018 was as follows:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Trade payables	130,409	105,027	25,382
Trade payables to associates and joint ventures		952	(952)
Total	**130,409**	**105,979**	**24,430**

"Trade payables" recorded in the financial statements were €130 million (€106 million as at December 31, 2017) and are all due in less than 12 months. The change of €24 million was essentially due to the change in the scope of consolidation. They are stated net of trade discounts and adjusted for any returns or rebates agreed with the counterparties.

"Payables to associates and joint ventures" stood at zero. The balance as at December 31, 2017 of €1 million mainly included trade payables with regard to ZAR S.r.l. in liquidation (€532 thousand), which was shut down in December 2018, and PAC Service S.p.A. (€420 thousand) which was consolidated through the full consolidation method from January 1, 2018.

28. Current taxes

As at December 31, 2018 this item consists of the amount payable to tax authorities for current taxes incurred during the year.

29. Non-recurring transactions and abnormal and/or unusual transactions

Significant non-recurring events and transactions

The effects of non-recurring transactions, as defined by Consob Communication DEM/6064293, are shown in the income statement.

The Group's financial position, results and cash flows have not been affected by any non-recurring transactions. This refers to transactions or events which do not occur frequently as part of normal operations.

Positions or transactions deriving from abnormal and/or unusual transactions

In 2018 the Group did not carry out any atypical and/or unusual transactions as defined by the referenced Consob Communication DEM/6064293. These are defined as transactions which, in terms of their significance, relevance, nature of counterparties, purpose, procedure for determining the transfer price and timing, could raise doubts with respect to:

- the completeness and accuracy of the information provided in the financial statements;
- conflicts of interest;
- the safeguarding of company assets;
- the protection of minority shareholders.

30. Contingent liabilities and commitments and other guarantees given to third parties

More information on the principal disputes in which the Company is involved can be found in the "Other information" section of the Directors' Report.

Commitments and guarantees given to third parties include:

- sureties of €6.6 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;
- sureties of €2.2 million issued to the Comieco consortium;
- sureties of €67 thousand issued in favor of the customs authorities;
- a surety of €90 thousand issued in favor of the Province of Milan;
- a surety of €128 thousand issued in connection with property leases;

- a surety of €1.8 million issued in favor of Vetropack, the potential purchaser of the Magenta site, following the preliminary sales agreement;

- sureties of €424 thousand issued in favor of Terna S.p.A.;

- a surety of €57 thousand issued in favor of the revenue agency for Cartiera Alto Milanese in liquidation S.r.l.;

Note that as part of the sale of the Ovaro mill to R.D.M. Ovaro S.p.A., Reno De Medici S.p.A. and FRIULIA S.p.A. respectively obtained a call option, exercisable between June 27, 2014 and June 27, 2017, and a put option, exercisable between June 27, 2015 and June 27, 2017, on FRIULIA S.p.A.'s stake in R.D.M. Ovaro S.p.A.

In June 2017, Reno De Medici S.p.A. and Friulia S.p.A. redefined the shareholders' agreements signed on June 27, 2012, in the context of the acquisition by Friulia of a 20% share of R.D.M. Ovaro S.p.A., for a price of €2.5 million. These agreements, inter alia, give Friulia S.p.A. the right to sell its investment in R.D.M. Ovaro S.p.A. to Reno De Medici S.p.A. under certain conditions, by exercising a put option by June 27, 2017.

The Parties, having recognized the success of the partnership, in view of the new investments necessary to grow the value of R.D.M. Ovaro S.p.A. and its potential expansion plans, agreed that the extension of the partnership was advantageous for the Subsidiary.

Therefore, the Parties signed new agreements, through the application of which Reno De Medici S.p.A. is buying back the 20% stake in R.D.M. Ovaro S.p.A. owned by Friulia, for a total price of €2,497,010.95 in four equal shares, the first two of which were already bought on June 15, 2017 and June 30, 2018 and the remaining two portions will be bought on June 30, 2019 and June 30, 2020. Reno De Medici S.p.A. can still exercise the call option at an earlier time.

31. Related-Party Transactions

- Transactions with subsidiaries, associates and joint ventures

Transactions between the Parent company and its subsidiaries, associates and joint ventures are part of normal business management in the context of the ordinary operations conducted by each party concerned, and are regulated and concluded at market conditions.

RDM's transactions with its subsidiaries and associates refer mainly to:

- commercial promotion and marketing services with the foreign subsidiaries R.D.M. Marketing;
- sales of cartonboard and raw materials to R.D.M. Ovaro S.p.A.;
- services provided to R.D.M. Ovaro S.p.A., R.D.M. Magenta S.r.l., RDM Blendecques S.A.S., R.D.M. La Rochette S.A.S., R.D.M. Arnsberg GmbH, Emmaus Pack S.r.l. (Emmaus) and the foreign subsidiaries R.D.M. Marketing;
- purchases of manufacturing scrap from R.D.M. La Rochette S.A.S.;
- purchases of cutting services from R.D.M. Magenta S.r.l.;
- interest expense and/or income in relation to cash pooling and loan arrangements with R.D.M. Blendecques S.A.S., R.D.M. Arnsberg GmbH, R.D.M. Ovaro S.p.A., R.D.M. La Rochette S.A.S., R.D.M. Magenta S.r.l. and the foreign subsidiaries R.D.M. Marketing;
- sales of cartonboard to Pac Service S.p.A. and Emmaus Pack S.r.l.;
- purchase of waste paper from ZAR S.r.l. in liquidation;
- the tax consolidation agreement under which Reno De Medici S.p.A. is the consolidating company, to which R.D.M. Ovaro S.p.A. and R.D.M. Magenta S.r.l. belong;
- the tax consolidation agreement under which RDM Blendecques S.A.S. is the consolidating company to which R.D.M. Marketing France S.A.S. belongs

More information on the Company's rules on related-party transactions, which were adopted on November 8, 2010 and conform to Consob Resolution no. 17221 of March 12, 2010, as subsequently modified and supplemented, can be found in Chapter 12 of the Report on Corporate Governance.

- Other related parties

There have been no transactions with related parties of an unusual or abnormal nature, not part of normal business management or such as to prejudice the Group's financial position, income or cash flows.

Transactions with related parties are part of normal business management in the context of the ordinary operations conducted by each party concerned.

In general, business relationships with related parties are conducted under normal market conditions, and the same applies to interest-bearing payables and receivables not regulated by specific contractual terms and conditions.

In addition to the companies with which Reno De Medici S.p.A. has direct and indirect equity relations, related parties include all such entities as defined by IFRS.

Breakdown of Related-Party Transactions

The additional disclosures on related-party transactions, as required by Consob Communication 6064293 of July 28, 2006, are provided below.

	2018		2017	
	Directors	**Statutory auditors**	**Directors**	**Statutory auditors**
(thousands of Euros)				
Short-term benefits	952	166	769	166
Post-employment benefits	8		6	
Total	**960**	**166**	**775**	**166**

The compensation not paid yet to directors and auditors amounts to €384 thousand and €166 thousand respectively as at December 31, 2018.

Receivables and payables with related parties

The table below provides a breakdown of receivables and payables with related parties as at December 31, 2018 and as at December 31, 2017:

December 31, 2018	**Current assets**			**Current liabilities**		
	Trade receivables	**Receivables from associates and joint ventures**	**Other receivables from associates and joint ventures**	**Trade payables**	**Payables to associates and joint ventures**	**Other payables to associates and joint ventures**
(thousands of Euros)						
Cascades Groupe Produits				1		
Emmaus Pack S.r.l.		6,778				
Recog.Sel.Pap. YCart.C. A.I.E.						101
Total		**6,778**		**1**		**101**
Impact on item total		**100%**		**100%**		**100%**

December 31, 2017	**Current assets**			**Current liabilities**		
	Trade receivables	**Receivables from associates and joint ventures**	**Other receivables from associates and joint ventures**	**Trade payables**	**Payables to associates and joint ventures**	**Other payables to associates and joint ventures**
(thousands of Euros)						
Cascades CS+				3		
Cascades Inc.	348			24		
Cascades Rollpack	2					
Cascades Groupe Produits				1		
Emmaus Pack S.r.l.		7,126				
PAC SERVICE S.p.A.					420	
ZAR SRL					532	
Total	**350**	**7,126**		**28**	**952**	
Impact on item total	**0.5%**	**100%**		**0%**	**100%**	

Revenues and costs deriving from related-party transactions

The table below details costs and revenues with related parties during 2018 and 2017:

December 31, 2018	Revenues from sales	Other revenues	Financial income
(thousands of Euros)			
Cascades Asia Ltd			
Cascades Inc.			
Emmaus Pack S.r.l.	12,778	102	
Cascades Rollpack		10	
Total	**12,778**	**112**	
Impact on item total	**2.1%**	**1.8%**	

December 31, 2018	Cost of raw materials and services	Financial expense
(thousands of Euros)		
Cascades Canada ULC	77	
Cascades Inc.		
ZAR SRL	(24)	
Red. Imm. S.r.l.		
Cascades Rollpack		
Recog.Sel.Pap.YCart.C., A.I.E.	101	
Cascades CS+	15	
Total	**169**	
Impact on item total	**0%**	

December 31, 2017	Revenues from sales	Other revenues	Financial income
(thousands of Euros)			
Cascades Asia Ltd	3,347	67	
Cascades Inc.		348	
Emmaus Pack S.r.l.	12,843	95	
PAC SERVICE S.p.A.	5,115		
Cascades Rollpack		5	
Total	**21,305**	**515**	
Impact on item total	**3.7%**	**5.8%**	

December 31, 2017	Cost of raw materials and services	Financial expense
(thousands of Euros)		
Cascades Canada ULC	32	
Cascades Inc.	1	
ZAR SRL	4,432	
Red. Imm. S.r.l.	20	
Cascades Rollpack	2	
Cascades CS+	15	
Total	**4,502**	
Impact on item total	**1%**	

32. Information relating to contributions received from the Public Administration or equivalent parties

Article 1, paragraphs 125-129 of Law no. 124/2017 later supplemented by Decree Law no. 113/2018 (Security) and Decree Law no. 135/2018 (Simplification), introduced the framework on the transparency of public disbursements. The information required is provided below.

In 2018, the Group received contributions, pursuant to Article 1, paragraph 25 of the above-mentioned law, equal to €37 thousand. The table below contains the data on the parties making disbursements, the amount of the contributions received and the explanation related to the benefit. Note that contributions above the level of €10,000 are reported with reference to said Lender, as required by applicable law.

Lender	Purpose	Contribution received
Ministry of the Environment	Asbestos tax credit	16,446
Fondimpresa Milano	Training	20,626
Fondimpresa Milano	Training	12,580
		49,652

Lastly, in 2018 the Group received contributions which had to be published under the scope of the National Register of State Aid which should be referred to.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The analysis and disclosures required by IFRS 7 – Financial Instruments: Disclosures are provided below.

This analysis compares the situation at the reporting date December 31, 2018 with the situation as at December 31, 2017, and it refers to the RDM Group's consolidated financial statements.

All figures are stated in thousands of Euros.

The section below provides information about the impact of financial instruments on the statement of financial position and on the income statement.

Impact of Financial Instruments on the Statement of Financial Position

The table below shows the carrying amount of each type of financial asset and liability in the consolidated statement of financial position.

	12.31.2018		12.31.2017	
	Book value	**Fair value**	**Book value**	**Fair value**
(thousands of Euros)				
Cash and cash equivalents	**31,180**	**31,180**	**19,128**	**19,128**
Loans and receivables	**100,445**	**100,445**	**89,780**	**89,780**
Trade receivables	79,969	79,969	70,862	70,862
Other receivables from associates and joint ventures				
Other receivables	20,476	20,476	18,918	18,918
Available-for-sale financial assets				
Financial liabilities at amortized cost	**(249,188)**	**(250,612)**	**(190,571)**	**(191,541)**
Unsecured medium- and long-term bank loans at amortized cost	(42,902)	(43,588)	(39,641)	(38,234)
Secured medium- and long-term bank loans at amortized cost	(53,272)	(54,010)	(22,148)	(24,526)
Short-term loans from banks for use of commercial facilities			(2,000)	(2,000)
Trade payables	(130,409)	(130,409)	(105,979)	(105,979)
Other payables to associates and joint ventures				
Other payables	(22,605)	(22,605)	(20,803)	(20,803)
Financial liabilities at fair value through profit and loss	(**784**)	(**784**)	(**271**)	(**271**)
Hedging derivatives	(784)	(784)	(271)	(271)
	(118,347)	**(119,771)**	**(81,934)**	**(82,904)**
Unrecognized profits (losses)	**(1,424)**		**(970)**	

Having examined the financial models and criteria used to estimate the fair values of the above-mentioned financial instruments, further details are provided below on the individual items.

Derivative instruments

In general, the fair value of derivatives is calculated according to mathematical models using directly observable input data (such as an interest rate curve).

The Group’s only derivative instruments indexed to interest rates are interest rate swaps. A discounted cash flow model is used to measure these instruments, whereby the fair value of a derivative is given by the algebraic sum of the present values of future cash flows estimated on the basis of the risk-free curve of deposit rates, futures and swaps at the reporting date.

A commodity swap was entered into during the year by the subsidiary R.D.M. Arnsberg GmbH to hedge purchases of coal, the main energy source of that plant.

The reference international accounting standard (IFRS 13) identifies a measurement hierarchy based on three levels:

- level 1: inputs used in measurements are represented by quoted prices in active markets for identical assets and liabilities to those subject to measurement;
- level 2: inputs other than quoted prices included in level 1 that are observable for the financial asset or liability, both directly (prices) and indirectly (derived from prices);
- level 3: in the event that observable inputs are not available, and therefore market activity is light or non-existent for the asset or liability subject to measurement, the inputs are non-observable.

	Classification	12.31.2018	Fair value as at the date of the financial statements based on:		
			Level 1	Level 2	Level 3
(thousands of Euros)					
Derivative instruments on interest rates	Non-current derivative instruments	342		342	
Derivative instruments on interest rates	Current derivative instruments	253		253	
Commodity derivatives	Non-current derivative instruments	146		146	
Commodity derivatives	Current derivative instruments	43		43	

As at December 31, 2018, the Group did not hold any foreign-exchange derivative instruments.

Loans

The aggregate under review consists of all medium- and long-term loans. These were measured by calculating the net present value of the future flows generated by the financial instrument, taking into account the principal repayment plan defined in the loan agreements.

In the case of indexed loans, future interest rates were estimated by calculating the forward rates implicit in the quoted Euro deposit rates, futures and swaps risk-free curve as at December 31, 2018 and December 31, 2017.

Future flows were discounted on the basis of the same Euro yield curve as at December 31, 2018 and December 31, 2017.

Loan Repayment Plans, Terms and Conditions

The terms and conditions of the loans are summarized in the table below.

	Currency	Nominal interest rate	Year of maturity	Nominal value as at 12.31.2018	Book value	Nominal value as at 12.31.2017	Book value
(thousands of Euros)							
Secured medium- and long-term bank loans at amortized cost				**53,611**	**53,212**	**22,309**	**22,120**
Frie 1	Euro	Eur6m	2022	1,655	1,655	2,069	2,069
Frie 2	Euro	Eur6m	2021	2,437	2,437	3,250	3,250
Frie 3	Euro	Eur6m	2024	680	680	793	793
Frie 4	Euro	Eur6m	2027	1,090	1,090		
Friulia S.p.A.	Euro	Eur6m+spread		1,320	1,320	1,911	1,911
Banca Popolare di Milano	Euro	Eur6m+spread	2022	11,429	11,307	14,286	14,096
UniCredit	Euro	Eur6m+spread	2024	35,000	34,723		
Unsecured medium- and long-term bank loans at amortized cost				**42,893**	**42,864**	**39,689**	**39,602**
Banque Palatine 1067376	Euro	Fixed	2023	2,554	2,554		
Banque Palatine 1067377	Euro	Fixed	2023	1,706	1,706		
Banco Popolare	Euro	Eur3m+spread	2019	1,261	1,261	3,771	3,771
Banca Intesa Sanpaolo	Euro	Eur6m+spread	2020	6,000	5,974	10,000	9,930
Credem	Euro	Eur3m+spread	2020	1,754	1,754	2,751	2,751
Cariparma	Euro	Eur6m+spread	2019	875	872	2,625	2,608
Intesa Sanpaolo	Euro	Eur6m+spread	2023	8,333	8,333	10,000	10,000
Intesa Sanpaolo	Euro	Eur6m+spread	2023	8,333	8,333	10,000	10,000
Agence de l'eau (Blendecques)	Euro		2026	228	228	286	286
Encelpa	Euro		2020	172	172	256	256
BNL	Euro	Eur6m+spread	2020	400	400		
Credito Emiliano	Euro	Fixed	2019	250	250		
Credito Emiliano	Euro	Fixed	2019	551	551		
UniCredit	Euro	Fixed	2022	352	352		
Berivo	Euro	Fixed	2021	2,996	2,996		
Endesa	Euro	Fixed	2021	3,298	3,298		
Kemira	Euro	Fixed	2020	254	254		
Be Spoken	Euro	Eur6m+spread	2024	3,490	3,490		
Procemex	Euro	Fixed	2019	31	31		
Silo Gescompost	Euro	Fixed	2019	55	55		
Total medium- and long-term loans				**96,504**	**96,076**	**61,998**	**61,722**
Short-term loans from banks for use of commercial facilities						**2,000**	**2,000**
Used portfolio	Euro	Euribor+spread	n/a			2,000	2,000
Pre-paid invoices	Euro	Euribor+spread	n/a				
Export loans	Euro	Euribor+spread	n/a				
Import loans	Euro	Euribor+spread	n/a				
Total short-term loans	**Euro**					**2,000**	**2,000**
Total interest-bearing liabilities	**Euro**			**96,504**	**96,076**	**63,998**	**63,722**

Other Financial Instruments

The fair value of receivables from customers, payables to suppliers and other financial assets and liabilities falling due contractually during the year has not been calculated, insofar as the book value of the financial instrument is virtually the same.

Other Information

The table below provides a breakdown of changes in the equity hedging reserve.

(thousands of Euros)	
Reserve 12.31.2017	**200**
Fair value adjustment of cash flow hedge derivatives	330
Tax effect of fair value adjustment of cash flow hedge derivatives	(75)
Transfers to the income statement	
Tax effect of transfers to the income statement	
Reserve 12.31.2018	**455**

Credit Risk

This section describes in both quantitative and qualitative terms the exposure to credit risk and the way in which this is managed.

Risk Exposure

Core business exposure to credit risk at the reporting date was as follows:

	12.31.2018	**12.31.2017**
(thousands of Euros)		
Gross trade receivables	86,605	73,882
- provision for bad and doubtful receivables	(6,636)	(3,020)
Total	**79,969**	**70,862**

Overdue or Impaired Financial Assets

The table below provides a breakdown of the seniority of trade receivables, net of individual write-downs, as at the reporting date:

	Overdue receivables				
December 31, 2018	**more than 60 days**	**from 31 to 60 days**	**from 0 to 30 days**	**Non-overdue receivables**	**Total**
(thousands of Euros)					
Italy	331	180	2,323	46,444	49,278
EU	495	214	4,811	17,010	22,530
Rest of the world		135	993	7,033	8,161
Total	**826**	**529**	**8,127**	**70,487**	**79,969**

	Overdue receivables				
December 31, 2017	**more than 60 days**	**from 31 to 60 days**	**from 0 to 30 days**	**Non-overdue receivables**	**Total**
(thousands of Euros)					
Italy	588	13	3,833	46,703	51,137
EU	212	221	3,725	6,489	10,647
Rest of the world	179	12	675	8,212	9,078
Total	**979**	**246**	**8,233**	**61,405**	**70,862**

The Group's overdue receivables as at December 31, 2018 remain in line with the previous year (€9.5 million). They represent 12% of the total portfolio in 2018 compared with 13% reported in the previous year.

How Credit Risk is Managed

As a general rule, the Group's commercial risk management policy is to insure all client receivables, excluding those of the Parent company's Italian customers, with leading insurance companies. Any uninsured or non-insurable positions, in particular those with Italian customers, are constantly monitored by the appropriate Corporate Functions.

The Parent company and French subsidiaries have also entered into non-recourse receivable assignment agreements.

The internal procedures for carrying out a creditworthiness assessment involve collecting and analyzing qualitative and quantitative information, and the use of external databases and commercial information. The policies adopted have so far enabled losses on receivables to be limited.

Market Risk

Market risk is defined as the risk that the fair value or the cash flows associated with a financial instrument will fluctuate because of changes in market variables such as exchange rates, interest rates, commodity prices, and stock prices.

The market risk to which the Group was exposed during the year may be broken down as follows:

- currency risk;
- interest rate risk;
- commodity risk.

The scale of these risks and the way in which they are managed is described below.

Currency risk

The Group's exposure to currency risk derives from:

- trade receivables/payables denominated in currencies other than the functional currency of the financial statements;
- cash and cash equivalents held in foreign-currency current accounts;

Other than the Euro, which is the functional currency, the main currencies in which the Group carries out its commercial activities are the United States dollar and the British pound. Exposure to other currencies is negligible.

In terms of exposure to currency risk, in 2018 the Group managed the marginal imbalance between investments and funds in the same currency by using a natural-hedging approach and by carefully and continually monitoring market conditions; as a result, it was not deemed necessary to resort to hedging derivatives.

The Group's exposure in euros, based on the official ECB exchange rates as at December 31, 2018 and December 31, 2017, is reported in the following table:

ECB exchange rates	12.31.2018	12.31.2017
(per Euro)		
USD	1.1450	1.1993
GBP	0.8945	0.8872
CHF	1.1269	1.1702
CAD	1.5605	1.5039
CNY	7.8751	7.8044
CZK	25.724	25.535
HUF	320.98	310.33
PLN	4.3014	4.177

The table below provides a breakdown of the consolidated exposure to currency risk, based on the notional amount of the exposure expressed in thousands of euros.

	12.31.2018							
	USD	GBP	CHF	CAD	CNY	CZK	HUF	PLN
(thousands of Euros)								
Trade receivables	3,927	558			27	1		
Trade payables	(4,541)	(291)	(1)			(2)	(5)	(1)
Cash and cash equivalents	(272)	1,533		1		143	138	257
Exposure	**(886)**	**1,800**	**(1)**	**1**	**27**	**142**	**133**	**256**

	12.31.2017						
	USD	GBP	CHF	CAD	CZK	HUF	PLN
(thousands of Euros)							
Trade receivables	4,524	1,898					156
Trade payables	(3,024)	(417)					(148)
Cash and cash equivalents	3,274	1,595	2	1	36	239	243
Exposure	**4,774**	**3,076**	**2**	**1**	**36**	**239**	**251**

Sensitivity Analysis of Currency Risk

In order to measure the possible effects of changes in the reporting-date exchange rates on the statement of financial position and income statement, assumptions were made (as at December 31, 2018 and December 31, 2017) as to variations in the value of the Euro against the major foreign currencies.

Specifically, two scenarios were used: a 10% appreciation and a 10% depreciation of the Euro against the other currencies. For each of the two scenarios, the gain or loss arising from transactions outstanding as at December 31, 2018 and December 31, 2017 was then calculated. In this way, it was possible to determine the effect on the income statement and on shareholders' equity had the market exchange rates been subject to the assumed changes.

The tables below provide a summary of the results of this analysis, indicating the additional effect on the actual figures recognized at the reporting date. These re-measurements based on changes in the exchange rate affect profit or loss for the year.

10% appreciation of the Euro		**10% depreciation of the Euro**	
(thousands of Euros)	**Profit or loss**	**(thousands of Euros)**	**Profit or loss**
December 31, 2018		**December 31, 2018**	
USD	89	USD	(89)
GBP	(180)	GBP	180
CNY	(3)	CNY	3
CZK	(14)	CZK	14
HUF	(13)	HUF	13
PLN	(26)	PLN	26
Total	**(147)**	**Total**	**147**
December 31, 2017		**December 31, 2017**	
USD	(477)	USD	477
GBP	(308)	GBP	308
CZK	(4)	CZK	4
HUF	(24)	HUF	24
PLN	(25)	PLN	25
Total	**(838)**	**Total**	**838**

How Currency Risk is Managed

The main objective of the Group's currency-risk management policy is to limit the exposure to foreign currency arising from exporting finished goods to, and importing raw materials from, foreign markets. The following guidelines are used in pursuing this policy:

- inflows and outflows in the same currency are offset (natural hedging);

- recourse is made to forward sales or to export loans in the same currency. These transactions were arranged by using a notional amount and due date that correspond to those of the expected cash flows (if the amount is significant), so that any changes in the cash flows arising from the forward transactions, as the result of the appreciation or depreciation of the Euro against the other currencies, are substantially offset by a corresponding change in the expected cash flows of the underlying positions;

- forward sales are hedged. There were no outstanding transactions of this type at the reporting date.

As a general rule, the currency-risk management policy recommends maximizing the use of natural hedging and, in any case, excludes recourse to transactions involving complex derivatives, e.g. those with barriers.

The Administration and Finance Department of the Group is responsible for monitoring currency risk and recommends suitable currency-risk hedging strategies to keep exposure within the limits agreed with senior management.

Interest Rate Risk

Financial liabilities exposing the Group to interest rate risk are, for the most part, floating-rate medium- and long-term loans.

The table below sets out the positions that are subject to interest rate risk, separating fixed-rate from floating-rate exposure in terms of the nominal value of the financial instruments.

However, the exposure to interest rate risk arising from loans is partially mitigated by entering into interest rate swap agreements designed to hedge the volatility of future cash flows indexed to market rates.

	12.31.2018	%	12.31.2017	%
(thousands of Euros)				
Floating-rate medium- and long-term loans	(16,065)	16.9%	(18,497)	30.8%
Floating-rate medium- and long-term loans hedged by IRS	(51,738)	54.3%	(24,262)	40.4%
Fixed-rate medium- and long-term loans	(7,885)	8.3%	(399)	0.7%
Total non-current liabilities	**(75,688)**	**79.5%**	**(43,158)**	**71.8%**
Floating-rate medium- and long-term loans	(7,412)	7.8%	(9,263)	15.4%
Floating-rate medium- and long-term loans hedged by IRS	(7,524)	7.9%	(7,524)	12.5%
Fixed-rate medium- and long-term loans	(4,560)	4.8%	(142)	0.2%
Floating-rate short-term bank loans for use of commercial facilities				
Total current liabilities	**(19,496)**	**20.5%**	**(16,929)**	**28.2%**
Total (floating rate)	*(23,477)*	24.7%	*(27,759)*	46.2%
Total (fixed rate or hedged floating rate)	*(71,707)*	75.3%	*(32,328)*	53.8%
Total	**(95,184)**	**100.0%**	**(60,087)**	**100.0%**

Sensitivity Analysis of Interest Rate Risk

A sensitivity analysis of the financial instruments exposed to interest rate risk was performed upon preparation of the financial statements. The following assumptions were used in the model:

- for bank current-account exposure and spreads settled by interest rate swaps, financial income/expense was recalculated by applying +/-50 bps to the interest rate payable, multiplied by the carrying amounts and for a period equal to the financial year;

- for loans with a repayment plan, the change in financial expense was calculated by applying +/-50 bps to the loan interest rate payable at each refixing date, multiplied by the outstanding principal during the year;

- the change in the fair value of interest rate swaps at the reporting date was calculated by applying +/-50 bps to the Euro risk-free curve of deposit rates, futures and swaps at the reporting date.

		Profit (loss)		Shareholders' equity	
		Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
(thousands of Euros)					
December 31, 2018					
Cash flows during the year		**(126)**	**108**		
	Cash flows from derivatives	*178*	*(178)*		
	Floating-rate loans	*(304)*	*286*		
Effectiveness of hedges				785	(785)
Net sensitivity of financial flows		**(126)**	**108**	**785**	**(785)**
December 31, 2017					
Cash flows during the year		**(91)**	**72**		
	Cash flows from derivatives	*182*	*(182)*		
	Floating-rate loans	*(273)*	*254*		
Effectiveness of hedges				339	(339)
Net sensitivity of financial flows		**(91)**	**72**	**339**	**(339)**

An analysis of these scenarios demonstrated that changes in interest rates had little impact on the income statement and shareholders' equity. Cash flow hedges considerably restrict the impact on financial expense recognized in the income statement.

How Interest Rate Risk is Managed

The Group uses various debt instruments according to the nature of its financial requirements. In particular, it uses short-term debt to fund working capital requirements and medium- and long-term financing to cover investments in the core business.

The techniques used most often are:

- advances for short-term requirements;

- loans for medium- and long-term requirements. These instruments, which are arranged with leading banks, are mainly indexed to floating rates that are subject to revision every three or six months.

The Group's current risk management policy aims to reduce the variability of the financial expense incurred on its debt and of the related effects on the profit or loss. The practical objectives in terms of risk management therefore involve stabilizing the cash flows linked to the cost of servicing debt in line with budget forecasts.

From an operating standpoint, the Group sets about achieving this goal by using derivatives in the form of interest rate swaps (IRS).

In line with the features of the transactions carried out and its risk management objectives, the Group has decided to structure its hedging relations using a cash flow hedge approach.

Specifically, the hedging relations involve converting floating-rate loan payments to fixed-rate payments. This is carried out by using interest rate swaps (IRS), under which the Group receives a flow of payments from the counterparty bank at the same floating rate as its debt, less the spread. In exchange, the Group makes payments at a fixed rate. The consolidated position (debt + IRS) is therefore a fixed-rate liability of which the amount of financial expense is certain (the aim of cash flow hedging).

The present hedging policy excludes the recourse to transactions involving complex derivatives.

As at the reporting date, the risk of variability in cash flows linked to floating-rate debt was mainly hedged by derivative financial instruments.

Commodity Risk

In terms of the nature of the business carried out by RDM Group, commodity risk is the risk that the profit for the year will be reduced by incurring higher costs to purchase raw materials for the mills. This risk is part of the broader category of market risk, specifically where the cost of the raw materials is dependent on changes in a quoted index.

In 2017, the Group signed contracts for the supply of natural gas also for 2018, operating mainly on a quarterly and annual basis, negotiating fixed unit prices for each of the individual quarters of supply. This allowed for a significant reduction in "commodity risk" for the first part of the year and a partial reduction for the last quarter. The quotas relating the last quarter were negotiated and confirmed over the year in order to meet the mills' requirements, while benefiting from the decreasing prices for energy commodities. All prices are expressed in Euros per volume unit, with subsequent adjustments to the content of primary energy contained in it.

At the end of November 2017, the Group signed contracts for the supply of electricity at a price indexed according to the prices of certain continental energy markets, in some cases by providing fixing operations following the conclusion of contracts by utilizing appropriate clauses in their contracts. Supply quotas at a price indexed relating to reference markets are negotiated with spreads fixed with respect to these prices. The aim of fixing the supply prices is to contain commodity risk. as described above. The negotiated prices are expressed in Euros per unit of electricity. In 2018 several agreements for the supply of electricity were extended, with part of the excess withdrawals purchased and the deliveries sold agreed at fixed prices for 2019.

A sensitivity analysis was not performed on this category of risk because, as at the date of preparing the financial statements, it was not considered material in terms of its impact on the income statement and on the Group’s business margins.

How Commodity Risk is Managed

The nature of the Group’s business involves exposure to fluctuations in the prices of electricity, natural gas and certain chemical products derived from petroleum (such as latexes) and fibrous raw materials.

Natural gas supply contracts are usually agreed for shares of the total requirement and are negotiated at a fixed price at least three months, but sometimes longer, before the supply period. Electricity is purchased at a fixed price, and partially indexed according to the values of continental electricity markets as published by the bodies responsible for these markets.

In order to contain possible price pressure on raw materials, the Group aims to diversify its suppliers and its supply markets.

A commodity swap was entered into during the year by the subsidiary R.D.M. Arnsberg GmbH to hedge purchases of coal, the main energy source of that plant. There are no other derivative contracts on commodities.

Liquidity risk

Liquidity risk can take the form of difficulty in obtaining the funds required to satisfy scheduled contractual commitments at market conditions.

This may mean there are insufficient resources available to meet financial obligations under the agreed terms and conditions and at the pre-determined due dates, or it may mean the business is required to settle its financial liabilities earlier than the scheduled due date.

For each contract maturity date, the analysis is aimed at measuring the cash flows deriving from the various types of financial liability held as at December 31, 2018 and December 31, 2017.

Depending on their nature, financial liabilities were separated into non-derivative and derivative financial liabilities. Given the different accounting treatments, the latter were subdivided into liabilities where the derivative had been formally designated as a hedge, and had turned out to be effective, or liabilities where the derivative was not subject to hedge accounting.

The main assumptions relating to the Group's financial requirements that were used to carry out the analyses were as follows:

- cash flows are not discounted;

- cash flows are allocated to their respective time bands on the basis of the first possible payment date provided for by the contractual terms and conditions (the worst-case scenario);

- all instruments held at the reporting date for which payments have been contractually designated are included; planned future commitments that have not yet been recognized in the financial statements are not included;

- if the amount payable is not fixed (e.g. future interest payments), financial liabilities are measured at market terms and conditions at the reporting date;

- cash flows also include the interest that the Group will pay up to the due date of the debt, measured at the reporting date and calculated on the basis of market forward interest rates.

December 31, 2018	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
(thousands of Euros)							
Cash and cash equivalents	**31,180**	**31,180**	31,180				
Trade receivables	**79,969**	**79,969**	79,969				
Other receivables	**20,476**	**20,476**	11,766		8,710		
Medium- and long-term bank loans	**(96,174)**	**(97,598)**	(10,594)	(8,163)	(21,814)	(48,099)	(8,928)
Other payables	**(22,605)**	**(22,605)**	(21,001)	(1,500)	(104)		
Hedging derivative instruments	**(784)**	**(784)**	(163)	(203)	(324)	(128)	32
Trade payables	**(130,409)**	**(130,409)**	(130,409)				
Total	**(118,347)**	**(119,771)**	(39,252)	(9,866)	(13,532)	(48,227)	(8,894)

December 31, 2017	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
(thousands of Euros)							
Cash and cash equivalents	**19,128**	**19,128**	19,128				
Trade receivables	**70,862**	**70,862**	70,862				
Other receivables	**18,918**	**18,918**	11,204		7,714		
Medium- and long-term bank loans	**(63,789)**	**(64,759)**	(10,861)	(8,839)	(16,310)	(24,899)	(3,850)
Other payables	**(20,803)**	**(20,803)**	(20,725)	(52)	(26)		
Hedging derivative instruments	**(271)**	**(271)**	(120)	(95)	(117)	50	11
Trade payables	**(105,979)**	**(105,979)**	(105,979)				
Total	**(81,934)**	**(82,904)**	(36,491)	(8,986)	(8,739)	(24,849)	(3,839)

The first section of the table compares the book value of the financial liabilities with the total value of cash flows that – given the market conditions at the reporting date – are expected to be received from or paid to counterparties. The second section of the table shows a breakdown by time period of the total cash flows, which make up the item "Contractual financial flows".

How Liquidity Risk is Managed

The Group's financial activity is centered largely on Reno De Medici S.p.A., which, on the basis of well-established practice inspired by prudence and stakeholder protection, negotiates credit facilities with banks and continually monitors the cash flows of the individual Group companies.

The Group's management policies involve continually monitoring liquidity risk with a view to mitigating said risk by maintaining sufficient liquidity and/or short-term deposits with prime counterparties and by having access to short-term credit facilities backed mainly by receivables from domestic and foreign clients.

OTHER INFORMATION

Equity investments in subsidiaries, associates and joint venture as at December 31, 2017 (pursuant to Article 38, paragraph 2 of Legislative Decree 127/91).

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Cartonboard industry – subsidiaries

R.D.M. Arnsberg GmbH

Arnsberg – Germany

Direct ownership percentage: 94%

Indirect ownership 6% (through Cascades Grundstück GmbH & Co.KG).

RDM Blendecques S.A.S.

Blendecques – France

Direct ownership percentage: 100%

Cartiera Alto Milanese S.r.l. in liquidation

Milan - Italy

Direct ownership percentage: 100%

R.D.M. Magenta S.r.l.

Milan – Italy

Direct ownership percentage: 100%

R.D.M. Ovaro S.p.A.

Milan – Italy

Direct ownership percentage: 90%

R.D.M. La Rochette S.A.S.

La Rochette – France

Indirect ownership percentage: 100% (through RDM Blendecques S.A.S.)

Barcelona Cartonboard S.A.U.

Barcelona – Spain

Direct ownership percentage: 100% (from October 31, 2018)

PAC Service S.p.A.

Vigonza - Padua - Italy

Direct ownership percentage: 60% (from January 1, 2018)

Indirect ownership percentage: 40% (through Bellim S.r.l.)

Services industry – subsidiaries

Cascades Grundstück Gmbh & Co.KG

Arnsberg – Germany

Direct ownership percentage: 100%

BELLIM S.r.l.

Vigonza - Padua - Italy

Direct ownership percentage: 100% (from January 1, 2018)

BCN Carton Portugal Unipessoal Lda.

Lisbon – Portugal

Direct ownership percentage: 100%

R.D.M. Marketing Germany GmbH

Krefeld – Germany

Direct ownership percentage: 100%

RDM Marketing France S.A.S.

Paris – France

Direct ownership percentage: 100%

R.D.M. Marketing Spain S.L.U.

Prat de Llobregat - Barcelona - Spain

Direct ownership percentage: 100%

R.D.M. Marketing UK Limited

Wednesbury – United Kingdom

Direct ownership percentage: 100%

R.D.M. Marketing Czech Republic S.r.o.

Prague – Czech Republic

Direct ownership percentage: 100%

R.D.M. Marketing Hungaria Kft.

Budapest - Hungary

Direct ownership percentage: 100%

R.D.M. Marketing Poland SP z.o.o.

Warsaw - Poland

Direct ownership percentage: 100%

LIST OF EQUITY-ACCOUNTED INVESTMENTS

Cartonboard sector and other industrial production

Emmaus Pack S.r.l.

Milan – Italy

Direct ownership percentage: 34.39%

Recogida Sel.Pap.YCart.C. A.I.E.

Barcelona – Spain

Indirect ownership percentage 50%

LIST OF INVESTMENTS IN OTHER COMPANIES

Cartonboard sector

Cartonnerie Tunisienne S.A.

Les Berges Du Lac – Tunis

Direct ownership 5.274%

Consortiums

Gas Intensive S.c.r.l.

Milan - Italy

Consortium share

Comieco

Milan - Italy

Consortium share

Conai

Milan - Italy

Consortium share

Consorzio Filiera Carta

Frosinone – Italy

Consortium share

C.I.A.C. S.c.r.l.

Valpenga (TO) – Italy

Consortium share

Idroenergia S.c.r.l.

Aosta – Italy

Consortium share

Paper Interconnector

Milan – Italy

Consortium share

Università Carlo Cattaneo

Castellanza (VA) – Italy

Consortium share

SUBSEQUENT EVENTS

With reference to subsequent events after the 2018 year end, see the Directors' Report.

CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS

as at December 31, 2018 pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and later amendments and additions.

1. The undersigned, Michele Bianchi, as CEO and Luca Rizzo, as the Financial Reporting Executive of Reno De Medici S.p.A., certify, considering the provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998:

- the suitability for the characteristics of the business and
- the effective implementation

of the administrative and accounting procedures pertaining to the preparation of the year-end consolidated financial statements for the period from January 1 to December 31, 2018.

2. No significant issues have emerged in this regard.

3. It is further certified that

3.1 the consolidated financial statements:

a) were prepared in accordance with the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002;

b) are consistent with the figures reported in the relevant accounting books and records;

c) are able to provide a true and fair view of the financial position, the results and the cash flows of the issuer and of the companies whose accounts have been consolidated;

3.2. The comprises a reliable analysis of operating performance and results, as well as of the situation of the issuer and of the companies whose accounts have been consolidated, together with a description of the major risks and uncertainties to which they are exposed.

Milan, March 18, 2019

Chief Executive Officer	Chief Financial Officer
Michele Bianchi	Luca Rizzo

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

05

Notes to the Separate Financial Statements at December 31, 2018

INCOME STATEMENT

	Note	12.31.2018	12.31.2017
Revenues from sales	1	233,256,383	236,195,898
- of which related parties		*18,198,415*	*19,873,340*
Other revenues	2	10,043,911	10,237,310
- of which related parties		*7,349,938*	*5,351,306*
Change in inventories of finished goods	3	1,811,865	(3,340,516)
Cost of raw materials and services	4	(179,618,422)	(190,807,748)
- of which related parties		*(3,877,287)*	*(13,741,497)*
Personnel costs	5	(25,826,737)	(23,928,086)
Other operating costs	6	(2,118,971)	(1,081,866)
Gross operating profit		**37,548,029**	**27,274,992**
Depreciation and amortization	7	(11,972,743)	(11,478,462)
Operating profit		**25,575,286**	**15,796,530**
Financial expense		*(1,350,092)*	*(1,606,832)*
Gains (losses) on foreign exchange		*150,998*	*(334,822)*
Financial income		*362,710*	*353,760*
Net Financial income (expense)	8	(836,384)	(1,587,894)
Gains (losses) from investments	9	316,886	408,596
Taxes	10	(7,103,398)	(4,254,979)
Profit (loss) for the year		**17,952,390**	**10,362,253**

STATEMENT OF COMPREHENSIVE INCOME

	Note	12.31.2018	12.31.2017
Profit (Loss) for the year		**17,952,390**	**10,362,253**
Other components of the comprehensive income			
Other components that may be transferred to the income statement in subsequent financial periods:		**(285,893)**	**109,971**
Change in fair value of cash flow hedges	21	(285,893)	109,971
Other components that will not be transferred to the income statement in subsequent financial periods:		**53,058**	**23,522**
Actuarial gain/(loss) on employee benefits	21	53,058	23,522
Total other components of the comprehensive income		**(232,835)**	**133,493**
Total comprehensive profit (loss)		**17,719,555**	**10,495,746**

The change in fair value of cash flow hedges is stated net of the related tax effect.

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	12.31.2018	12.31.2017
Non-current assets			
Tangible assets	11	107,754,695	109,527,291
Intangible assets	12	6,962,430	3,956,483
Investments in Subsidiaries	13	135,987,349	84,925,234
Investments in Associates, Joint Ventures and Other Companies	14	151,059	2,344,078
Other receivables	15	1,200,590	11,024,521
Total non-current assets		**252,056,123**	**211,777,607**
Current assets			
Inventories	16	30,989,369	31,155,111
Trade receivables	17	27,545,203	32,857,383
Receivables from Group companies	18	13,828,635	9,062,719
Other receivables	15	2,244,964	3,288,670
Other receivables from Group companies	19	13,734,829	6,417,532
Cash and cash equivalents	20	26,835,193	17,550,312
Total current assets		**115,178,193**	**100,331,727**
TOTAL ASSETS		**367,234,316**	**312,109,334**

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	12.31.2018	12.31.2017
Shareholders' equity			
Share capital		140,000,000	140,000,000
Other reserves		33,236,183	25,438,661
Profit (loss) for the year		17,952,390	10,362,253
Total shareholders' equity	21	**191,188,573**	**175,800,914**
Non-current liabilities			
Payables to banks and other lenders	20	49,321,674	21,164,406
Derivative instruments	22	320,333	60,273
Other payables	23		26,051
Deferred taxes liabilities	24	3,034,785	3,447,349
Employee benefits	25	5,466,765	5,486,018
Non-current provisions for risks and charges	26	4,778,517	2,218,944
Total non-current liabilities		**62,922,074**	**32,403,041**
Current liabilities			
Payables to banks and other lenders	20	10,881,961	14,006,480
Derivative instruments	22	220,562	108,326
Trade payables	27	51,022,838	55,159,799
Payables to Group companies	28	2,441,579	3,796,480
Other payables	23	6,734,804	5,020,842
Other payables to Group companies	29	34,686,732	24,081,598
Current taxes	30	5,954,701	954,429
Employee benefits	25	68,411	7,121
Current provisions for risks and charges	26	1,112,081	770,304
Total current liabilities		**113,123,669**	**103,905,379**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**367,234,316**	**312,109,334**

STATEMENT OF CASH FLOWS

	Note	12.31.2018	12.31.2017
(thousands of Euros)			
Profit (loss) for the year before taxes		25,056	14,617
Amortization and depreciation		11,972	11,478
Losses (gains) from equity investments		(317)	(409)
Financial income (expense)		987	1,253
Capital losses (gains) on sale of fixed assets		(50)	(37)
Change in provisions for employee benefits and in other provisions, including the provision for bad and doubtful receivables		(101)	(533)
Change in inventories		166	1,421
Change in receivables		2,332	(4,130)
- of which related parties		*(2,376)*	*(231)*
Change in payables		(6,207)	180
- of which related parties		*(2,908)*	*(365)*
Total change in working capital		(3,709)	(2,529)
Gross cash flows		**33,838**	**23,840**
Interest paid in the year		(983)	(1,030)
- of which related parties		*(161)*	*(112)*
Interest received in the year		363	120
- of which related parties		*147*	*94*
Taxes paid in the year		(2,729)	(696)
Cash flow from operating activities		**30,489**	**22,234**
Investment in other companies		(6)	(1,758)
Investment net of disinvestment in tangible and intangible assets		(11,369)	(8,663)
Investment net of disinvestment in subsidiaries, joint venture and related parties		(36,980)	(627)
Other investments			(10,050)
Dividends received		103	120
Cash flows from investing activities		**(48,252)**	**(20,978)**
Change in other financial assets and liabilities and short-term payables to banks		1,648	(230)
- of which related parties		*(2,452)*	*(1,926)*
Change in medium-/long-term loans		27,149	(10,273)
Dividends paid		(1,172)	(1,003)
Purchase of treasury shares		(577)	(301)
Cash flow from financing activities		**27,048**	**(11,807)**
Change in unrestricted cash and cash equivalents		**9,285**	**(10,551)**
Unrestricted cash and cash equivalents at the beginning of the year		**17,550**	**28,101**
Unrestricted cash and cash equivalents at end of the year		**26,835**	**17,550**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Capital	Legal reserve	Profit (loss) for the year	Hedging reserve	Reserve for actuarial gain/(loss)	Other reserves	Total Shareholders' Equity
(thousands of Euros)							
Shareholders' equity as at 12-31-2016	**140,000**	**619**	**6,789**	**(245)**	**(1,824)**	**20,870**	**166,209**
Dividend distribution			(1,003)				(1,003)
Allocation of 2016 profit		340	(5,786)			5,446	
Stock Grant reserve						401	401
Purchase of treasury shares						(301)	(301)
Rounding						(1)	(1)
Profit (loss) for the year			10,362				10,362
Other components of comprehensive profit (loss)				110	24		134
Total comprehensive profit (loss)			**10,362**	**110**	**24**		**10,496**
Shareholders' equity as at 12-31-2017	**140,000**	**959**	**10,362**	**(135)**	**(1,800)**	**26,415**	**175,801**
Dividend distribution			(1,172)				(1,172)
Allocation of 2017 profit		518	(9,190)			8,672	
Stock Grant reserve						565	565
Purchase of treasury shares						(576)	(576)
IFRS 9						(1,267)	(1,267)
Merger of R.D.M. Marketing S.r.l.						119	119
Profit (loss) for the year			17,952				17,952
Other components of comprehensive profit (loss)				(286)	53		(233)
Total comprehensive profit (loss)			**17,952**	**(286)**	**53**		**17,719**
Shareholders' equity as at 12-31-2018	**140,000**	**1,477**	**17,952**	**(421)**	**(1,747)**	**33,928**	**191,189**

NOTES TO THE FINANCIAL STATEMENTS

Structure and content

Reno De Medici S.p.A. is a company established as a legal entity under Italian law, which operates mainly in Italy. The business of the Company is the production and distribution of cartonboard for packaging made mainly from recycled fibers. Distribution and sale operations are carried out through a network of agents under the subsidiary R.D.M. Marketing S.r.l., a company which merged by incorporation on April 1, 2018 with effect for accounting and tax purposes from January 1, 2018.

Reno De Medici S.p.A. has its registered office in Milan, Italy.

Reno De Medici S.p.A.'s shares are listed on the Star segment of Borsa Italiana S.p.A. and on the Madrid stock exchange.

Reno De Medici S.p.A.'s draft separate financial statements were approved and authorized for publication by its Board of Directors on March 18, 2019.

Reno De Medici S.p.A., as Parent company, also prepared the consolidated financial statements of the RDM Group as at December 31, 2018.

The 2018 separate financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and approved by the European Union, and on the basis of provisions issued to implement Article 9 of Legislative Decree 38/2005. IFRS also includes all revised international accounting standards ("IAS"), all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee ("SIC").

Compared with the Annual Financial Report as at December 31, 2017, Reno De Medici applied the same accounting standards with the exception of the new standards IFRS 9 and IFRS 15 which came into force with effect from January 1, 2018. In particular:

- IFRS 15 "Revenue from Contracts with Customers" came into effect from January 1, 2018. The adoption of this principle had no effect on the financial statements;

- IFRS 9 "Financial Instruments": this principle replaced IAS 39, with effect from the financial years starting January 1, 2018, and (i) changed the classification and measurement model for financial assets basing it on the characteristics of the financial instrument and the business model adopted by the business which, for the Company, is the so-called Held-to-collect and Held-to-collect and sell model;

(ii) introduced a new method for the impairment of financial assets which takes expected losses into account (expected credit losses); and (iii) changed the arrangements for hedge accounting.

1. Transitional arrangements

The comparative data for the first year of application were not restated, in line with the simplified approach of IFRS 9. As a result:

- all the differences between the book value of the financial assets and liabilities as at December 31, 2017 and those as at January 1, 2018 were recorded in the opening shareholders' equity;

- the financial assets kept the previous classification in the comparison period;

- the effects of write-downs of financial assets were not calculated in the comparison period;

- the company decided to continue to apply the rules of IAS 39 to hedge accounting as allowed under the new IFRS 9.

2. Main impacts

2.1 Classification and measurement

The main impacts resulting from the new classification and measurement requirements involve minority interests and the placement of trade receivables in the new categories of "held-to-collect" and "held-to-collect and sell".

The minority interests of Reno De Medici classified according to IAS 39 in the Available for Sale category were reclassified in the category of assets measured at fair value transiting from the income statement. The application of the new requirements introduced through IFRS 9 for the classification of equity investments led Reno De Medici to analyze the requirements of the agreements relating to the consortium Paper Interconnector. Following the analysis conducted and taking into consideration the value of the electricity purchase contract related to the investment made, the equity investment was reclassified in the caption Intangible Fixed Assets.

Taking into consideration the business model of Reno De Medici, trade receivables were classified in the "held-to-collect" and "held -to-collect and sell" categories which involve the measurement at fair value offset with the other components of the comprehensive income statement.

(*thousands of Euros*)		IFRS 9 categories					
IAS 39 categories	Financial statements balance 12.31.2017	Held to collect	Held to collect and sell	Other	Fair Value without reversal to the Income Statement	Fair value gross reserve 01.01.2018	Fair value net reserve 01.01.2018
Equity investments	**87,269**			87,269			
Other receivables	**20,731**	20,731					
Trade receivables	**32,857**	29,252	3,605				
Receivables from Group companies	**9,063**	9,063					
Cash and cash equivalents	**17,550**	17,550					
Payables to banks and other lenders	**35,171**	35,171					
Derivative instruments	**169**			169			
Other payables	**29,128**	29,128					
Trade payables	**55,160**	55,160					
Payables to Group companies	**3,796**	3,796					

2.2 Write-downs

The retrospective application of the provisions of the impairment model of IFRS 9 to all financial assets involved had an impact of €1,267 thousand (net of tax) recorded in the opening shareholders' equity as at January 1, 2018.

2.3 Hedge accounting

As indicated previously, the company decided to continue to apply the rules of IAS 39 to hedge accounting as allowed under the new IFRS 9.

2.4 Summary of the impacts on the changes in the shareholders' equity of Reno De Medici S.p.A. (excluding tax) as at January 1, 2018:

(thousands of Euros net of tax)	**Shareholders' equity**
Shareholders' equity as at January 1, 2018	**175,801**
Write-down of trade receivables	(197)
Write-down of other financial assets	(25)
Cash Pooling write-down	(399)
Risk provision for guarantees issued on Group loans	(646)
Shareholders' equity restated as at January 1, 2018	**174,534**

Accounting principles, amendments and interpretations effective from January 1, 2018, specifying any impact that each of these may have on these financial statements of Reno De Medici S.p.A.:

- The document "Annual Improvements to IFRSs: 2014-2016 Cycle" which partially integrate existing standards;

- Amendment to IFRS 2 which contains several clarifications with regard to the accounting of the effects of vesting conditions in the case of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the accounting of the changes to the terms and conditions of a share-based payment which change its classification from cash-settled to equity-settled.

- Transfers of Investment Property - Amendment to IAS 40;

- IFRIC 22 - "Foreign Currency Transactions and Advance Consideration";

The IFRS and IFRIC accounting standards, amendments and interpretations standardized by the European Union not yet obligatorily applicable and not subject to early adoption by Reno De Medici S.p.A. are as follows:

- IFRS 16 - Leases. This principle is intended to replace IAS 17 – Leases as well as IFRIC 4 - Determining Whether an Arrangement Contains a Lease, SIC-15 - Operating Leases - Incentives and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new principle redefines the lease and introduces a control (right-of-use) criterion to distinguish leases from service agreements. The principle will apply from January 1, 2019 but early application is permitted only for Companies that have already applied IFRS 15.

The Company completed the preliminary assessment project of the potential impacts resulting from the application of the new principle at the transition date (January 1, 2019). This process was broken down into various phases, including the full mapping of contracts potentially suitable to contain a lease and their analysis in order to understand the main clauses significant for the purpose of IFRS 16.

The implementation process of the principle is in the process of being completed, which involves the setting of an IT infrastructure aimed at the accounting management of the principle and the alignment of the administrative processes and monitoring of the critical areas that the principle focuses on. This process is expected to be completed in early 2019.

The Company decided to apply the principle retrospectively. Specifically, with regard to lease agreements previously classified as operating, the Company will record:

a) a financial liability, equal to the current value of remaining future payments at the date of transition, discounted using the incremental borrowing rate applicable at the date of transition for each agreement;

b) a right of use equal to the value of the financial liability at the date of transition. The Company decided to calculate the right of use equal to the net book value that it would have had if the principle had been applied from the start date of the contract using, however, the discount rate defined at the date of transition.

For these contracts, the amount of the right of use and the financial liabilities were estimated at €1.7 million.

In adopting IFRS 16, the Company intends to avail itself of the exemption granted by paragraph IFRS 16.5 (a) with regard to *short-term lease* for all classes of assets except buildings.

Similarly, the Company intends to avail itself of the exemption granted by IFRS 16 5 (b) as far as lease agreements for which the underlying asset is a *low-value asset* are concerned (in other words the assets underlying the lease agreement are not worth more than €5,000 when new). The contracts for which the exemption was applied mainly fall into the following categories:

- Computers and telephones;

- Printers.

For these contracts the introduction of IFRS 16 will not involve the recognition of the financial liability of the lease and the related right of use, but the rent will be reported in the income statement on a linear basis for the duration of the respective agreements.

The Company intends to use the following practical devices provided for by IFRS 16:

- *Separation of non-lease components:* the Company intends to avail itself of the exemption granted by IFRS 16 15 for all categories of assets with the exception of buildings. The *non-lease components* of these assets will not be spun off and recorded separately from the *lease components*, but they will be considered together with the latter in calculating the financial liabilities of the lease and the related right of use.

- *Portfolio approach:* the Company has identified contracts with similar characteristics which can be treated as a portfolio for the following categories of assets:

    - Fork-lift trucks (Plant and machinery)

    - Prepayment Features with Negative Compensation - Amendment to IFRS 9;

As at the date of this Annual Financial Report, the competent bodies of the European Union had not yet completed the approval process required for the adoption of the following accounting standards and amendments:

- IFRS 17 – Insurance Contracts, which is intended to replace IFRS 4 – Insurance Contracts;
- Long-term Interests in Associates and Joint Ventures - Amendment to IAS 28;
- Amendment to IFRS 3 “Definition of a Business”;
- Amendment to IAS 19 “Plant Amendment, Curtailment or Settlement”;
- The document “Annual Improvements to IFRSs: 2015-2017 Cycle” which includes the changes to some principles under the scope of the annual improvement process.

The financial statements are prepared on a historical cost basis with the exception of derivative financial instruments and financial assets held for sale, which are recognized at fair value, and financial liabilities, which are recognized at amortized cost. The carrying amount of hedged assets and liabilities which qualify for hedge accounting is adjusted to take into account changes in the fair value of the hedged risks.

The financial statements were prepared on the going-concern assumption. In this respect, despite operating in a persistently difficult economic and financial environment, the Company's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist about its ability to continue as a going concern.

Preparing the separate financial statements in accordance with IFRS may require the use of specific estimates and valuations, as well as management's reasonable judgment in applying accounting policies. More complex matters and/or those that require greater use of assumptions and estimates are discussed in the section "Estimates and Valuations".

Reno De Medici has chosen to present the structure and content of its separate financial statements in the following manner:

- the statement of financial position is presented with separate sections for assets, liabilities and shareholders' equity. Assets and liabilities are then presented on the basis of their classification as current, non-current or held for sale;

- the income statement is presented in a vertical format with items broken down by nature, as this provides reliable and more relevant information than a classification by function;

- the statement of comprehensive income is presented separately from the income statement, and each item is shown net of the tax effect;

- the statement of cash flows is presented using the indirect method;

- the statement of changes in shareholders' equity is presented by showing the profit or loss for the year separately and any income and expense recognized directly in equity and not in the income statement, in accordance with specific IAS/IFRS requirements. It also shows transactions with Shareholders separately.

ACCOUNTING PRINCIPLES

Tangible fixed assets

Tangible fixed assets are stated at their original cost of purchase, production or contribution, including directly incurred accessory costs required to bring an asset into a condition for use. Cost is reduced by accumulated depreciation and any impairment.

Costs for improvements, modernization and transformation incurred after the initial recognition of the asset acquired or produced internally are ascribed to fixed assets and depreciated across their useful life, provided they derive from separate analytical accounting measurements and when it is probable that the future economic benefits expected from the asset will increase.

Replacement costs of identifiable components of complex assets are ascribed to fixed assets and depreciated across their useful life. The residual value of the replaced component is ascribed to the income statement. Maintenance and repair costs are ascribed to the income statement in the year they are incurred.

Assets acquired under finance leases, which essentially assign to the Group all the risks and rewards of ownership, are recognized as tangible fixed assets at the lower of their current value and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as financial debt.

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets, determined on the basis of the period during which the asset will be used by the Company. Land is not depreciated, even if acquired together with buildings.

The table below shows a breakdown by category of useful life for depreciation purposes:

Category		Years
Buildings		
	Industrial buildings	33
	Small structures	20
Plant and machinery		
	General plant and machinery	20 – 10 - 5
	Specific plant and machinery	20 – 10 - 5
Industrial and commercial equipment		
	Miscellaneous equipment	5
Other assets		
	Furniture and ordinary office machines	8
	Electronic office machines	5
	Means of internal transport	5
	Motor vehicles	4

The Company checks at least once a year if there is any indication that tangible fixed assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss, as described in the section “Impairment”.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognized when the recoverable amount is lower than the carrying amount. If the reasons for previous write-downs no longer exist, the assets are revalued at the lower of the recoverable value and the previous book value net of depreciation that would have been recorded in the absence of a write-down, with the adjustment being made on the income statement.

Assets held for sale

“Assets held for sale” consist of non-current assets whose carrying amount will be recovered principally through a sale rather than through continuing use. Assets held for sale are stated at the lower of their carrying amount and their fair value less costs to sell and are not depreciated.

Intangible fixed assets

Intangible assets consist of identifiable assets without physical substance which are controlled by the Company and from which future economic benefits are expected.

Intangible assets are recognized when the cost of an asset can be measured reliably, in accordance with IAS 38 Intangible Assets.

Intangible assets with a finite useful life are measured at cost and amortized on a straight-line basis over their useful life, i.e. the estimated period during which the asset will be used by the Company.

The table below shows a breakdown by category of useful life for depreciation purposes:

Category		Years
Concessions, licenses, trademarks and similar rights	Software licenses	5
Other intangible assets	Miscellaneous deferred charges	12 - 5

Intangible assets with an indefinite useful life are not amortized but are subject to impairment testing at least once a year, as explained in the “Impairment” section below. An intangible asset is considered to have an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Company.

Impairment

At each reporting date, the Company reviews the carrying amount of its tangible and intangible assets with a finite useful life to assess whether there are any signs that these assets may have lost value (impairment indicators). If any such signs exist, the Company estimates the recoverable amount of such assets to determine the write-down amount (impairment test). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of a binding sale agreement, fair value is estimated on the basis of values expressed by an active market, by recent transactions, or on the basis of the best available information to reflect the amount that might be obtained by selling the asset.

In calculating value in use, estimated future cash flows are discounted to present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the estimated recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The resulting impairment loss is recognized in the income statement.

When there is no longer any reason for an impairment loss to be recognized, the carrying amount of an asset (or cash-generating unit) is increased to a new carrying amount based on its estimated recoverable value, which may not exceed the net carrying amount that would have been determined if no impairment loss had been recognized. The reversal of the impairment loss is recognized in the income statement.

Goodwill and intangible assets with an indefinite useful life are tested for impairment on an annual basis, or more frequently if there is any indication that an asset may be impaired.

Investments in subsidiaries, associates and joint ventures, and other companies

Investments in subsidiaries, associates and joint ventures are measured at cost and undergo testing to determine the extent of any impairment losses, as described in the "Impairment" section above.

The test is conducted whenever there are indicators of likely impairment losses in equity investments.

With regard to equity investments in subsidiaries, associates and joint ventures, where the investee company has distributed dividends, the following situations are also considered to be impairment indicators:

- the book value of the equity investment in the separate financial statements exceeds the carrying amount of the investee company's net assets (including any related goodwill) in the consolidated financial statements;

- the dividend exceeds the comprehensive profits (statement of comprehensive income) of the investee company in the period to which the dividend applies;

- the recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Specifically, when considering the existence of possible impairment of equity investments in subsidiaries and associates, since these are holdings for which a reliable market value (fair value less costs to sell) cannot be determined, the recoverable amount was defined as value in use, i.e. the present value of cash flows estimated with reference to the forecast results of the investee companies and to the estimated value of a hypothetical ultimate disposal in accordance with IAS 28 (paragraph 33).

When it is necessary to proceed with a write-down, this is charged to the income statement for the year in which it was measured.

When the impairment of an asset is subsequently eliminated or reduced, the carrying amount of the asset is increased to the new estimate of the recoverable amount and may not exceed the value that would have been determined if no impairment had occurred. The reversal of the impairment is recognized immediately on the income statement.

Equity investments in other companies are measured at fair value with changes recorded in shareholders' equity. Where there is objective evidence that a financial asset is impaired significantly or for an extended period, the impairment loss is recognized in the income statement even if the investment has not been sold. Where fair value cannot be reliably measured, equity investments are measured at cost and adjusted for any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments which are explicitly designated as available for sale or cannot be classified in any of the preceding categories, and which are included in non-current assets unless it is management's intention to sell them in the 12 months following the reporting date.

Available-for-sale financial assets, which consist of investments in other companies and other non-current financial assets, are measured at fair value with changes recorded in equity. Where there is objective evidence that a financial asset is impaired significantly or for an extended period, the impairment loss is recognized in the income statement even if the asset has not been sold. Where fair value cannot be reliably measured, equity investments are measured at cost as adjusted for any impairment losses.

Derivative instruments

Derivative instruments consist of assets and liabilities measured at fair value.

In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only if all of the following apply:

- the hedging relationship is formally designated and documented at its inception;
- the hedge is expected to be highly effective;
- effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

When derivative instruments qualify for hedge accounting, the following accounting treatment applies:

- for a fair-value hedge (e.g. where a derivative instrument is designated as a hedge of the exposure to changes in the fair value of assets or liabilities yielding or bearing a fixed rate), the derivative instrument is measured at fair value and any gain or loss is recognized in the income statement. At the same time, the carrying amount of the hedged assets or liabilities is adjusted to reflect the changes in fair value with respect to the hedged risk;
- for a cash flow hedge (e.g. where a derivative instrument is designated as a hedge of the exposure to variability in the cash flows of assets or liabilities due to variations in exchange rates), the changes in fair value of the instrument are initially recognized in a dedicated equity reserve in “Other components of comprehensive income” and are subsequently reclassified to the income statement in line with the effects of the hedged transaction on profit or loss.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately in the income statement.

Trade and other receivables

Trade and other receivables are initially measured at the fair value of the amount to be received. Subsequent adjustments are made to account for any write-downs. Non-current trade and other receivables are subsequently measured at amortized cost.

Inventories

Inventories are measured at the lower of purchase or production cost, determined on a weighted-average basis, and estimated realizable value, determined from market trends.

In the case of raw materials, market value means replacement cost; for finished goods and semi-finished goods, market value means net realizable value (net of the costs necessary to make the sale), representing the amount that the Company would expect to obtain from the sale of these goods as part of its normal business.

Cash and cash equivalents

This caption consists of available cash on hand and bank deposits, shares in liquid funds and other highly liquid securities which can be readily converted into cash and which are subject to an insignificant risk of change in value.

Employee benefits

The benefits subsequent to the termination of the employment relationship are based on plans that, depending on their features, are either defined-contribution plans or defined-benefit plans.

In defined-contribution plans, such as the TFR (severance pay) accrued after the 2007 Italian Finance Law came into force, the obligation of the Company, limited to the payment of a contribution to the State, or to an asset or to a separate legal entity (“fund”), is determined based on contributions owing after any amounts already paid.

Defined-benefit plans, such as TFR accrued before the 2007 Italian Finance Law came into force, are plans for benefits subsequent to the termination of the employment relationship that are a future obligation and for which the Company bears the relevant actuarial and investment risks. The TFR fund is measured at the actuarial value of the liability of the Company, in accordance with current legislation and with the national collective and company-specific labor agreements. The actuarial valuation, based on demographic, financial and turnover assumptions, is entrusted to independent actuaries. From January 1, 2012, actuarial gains and losses were recorded under "Other components of comprehensive income" according to the requirements of the new IAS 19 instead of transiting from the income statement.

Provisions for risks and charges

The Company records provisions for risks and charges when it has a legal or constructive obligation, arising from a past event, where it is probable that a cost will be incurred to fulfill that obligation and when a reliable estimate of the amount can be made. Provisions are measured at the best estimate of the amount which, at the reporting date, the Company could reasonably expect to pay to extinguish the obligation or transfer it to a third party.

Where resources are expected to be used beyond the following financial year, the liability is recorded at actuarial value, as determined by discounting expected cash flows at a rate that also takes into account the cost of borrowing and the risk of the liability.

Changes in estimates are recognized in the income statement of the period in which the change occurs.

The costs that the Company expects to incur to carry out restructuring plans are recorded in the financial year in which the Company formally defined such plans and gave to the entities concerned a valid expectation that the restructuring will take place.

The risks where a liability is merely possible are described in the section "Contingent Liabilities, Commitments and Other Guarantees Given to Third Parties", but no provision is made.

Payables to banks and other lenders

This caption includes financial liabilities made up of bank loans, bonds and payables to other lenders, including payables arising from finance leases. Payables to banks and other lenders are measured at amortized cost.

Financial liabilities are initially recognized at cost, represented by the fair value of the amount received net of accessory loan arrangement charges. After initial recording, loans are subsequently measured at amortized cost, which is calculated using the effective interest method taking into account issue costs and any settlement discount or premium.

Trade and other payables

These liabilities are initially measured at the fair value of the amount to be paid. Subsequent measurement is at amortized cost using the effective interest method.

Recognition of revenues

Revenues are recognized where it is probable that the Company will obtain the economic benefits associated with the sale of goods or provision of services, and where the relevant amount can be reliably determined. Revenues are recorded at the fair value of the consideration received or expected, taking into account any volume of other commercial discounts and premiums.

As regards the sale of goods, revenues are recognized when the Company has transferred to the purchaser the main risks and benefits of ownership.

As regards the provision of services, revenues are recognized at the time the services are rendered.

Taxes

Current income taxes are based on an estimate of the taxable income for the year and on applicable rates and legislation. The expected liability, net of any payments on account or withholding tax incurred, is recognized in the statement of financial position under “Current taxes”, or under “Other receivables” if, during the year, the Company has paid more on account than its tax liability.

Reno De Medici S.p.A. and some of its Italian subsidiaries (R.D.M. Ovaro S.p.A. and R.D.M. Magenta S.r.l.) participated in the national tax consolidation scheme pursuant to Article 117 et seq. of the Consolidated Income Tax Act (TUIR). The Company acts as the consolidating company and determines a single taxable base for the group of adhering companies, thereby enabling this group to offset taxable income against tax losses in a single tax return. Each company participating in the national tax consolidation agreement transfers its taxable income or tax loss to the consolidating company: as a consequence of this transfer, Reno De Medici S.p.A. recognizes a receivable or a payable corresponding to IRES (corporate income tax), net of any payments on account, from or to the participating company, depending on whether it contributes taxable income or a tax loss.

Deferred tax assets and liabilities reflect the temporary differences between the carrying amount of an asset or liability and its tax base. “Deferred tax liabilities” consist of deferred tax liabilities arising from temporary differences which will be taxed in future years in accordance with prevailing tax legislation. “Deferred tax assets” consist of taxes which, despite being recoverable in future years, refer to the current year and are recognized where it is probable that future taxable income will be sufficient to absorb their recovery.

Deferred tax liabilities were offset by deferred tax assets where conditions specified in IAS 12 were met, notably where the two items relate to income taxes levied by the same tax authority and where there is a legally enforceable right to offset in this manner.

Income taxes are recognized in the income statement unless they relate to items directly credited or charged to shareholders’ equity, in which case the tax effect is recognized directly in that item.

Deferred tax assets are recognized for the carry-forward of unused tax losses where it is probable that future taxable income will be available against which the unused tax losses can be used.

Foreign exchange differences

Transactions in foreign currencies are recorded using the exchange rate on the date of the transaction. Assets and liabilities denominated in foreign currencies are converted into Euros using the exchange rate on the reporting date, with the relevant gain or loss recorded on the income statement.

Dividends

Dividends are recognized at the date on which their distribution is approved by the Shareholders’ Meeting.

Treasury shares

The treasury shares repurchased are recognized at cost and deducted from the shareholders' equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement.

Financial Instruments and Risk Management

With regard to the disclosure required by IFRS 7 - Financial Instruments: Disclosures which requires extensive disclosures to be made in connection with the nature of credit, liquidity and market risks and the way in which these risks are managed, reference is made to the "Financial Instruments and Risk Management" section in the Notes below.

Estimates and Valuations

The preparation of the financial statements and the related notes in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. The estimates and assumptions used are based on experience and other factors that are considered to be relevant. Actual results could differ from those estimates.

Estimates are used to measure any provisions for doubtful receivables, inventory obsolescence, depreciation and amortization, write-downs, employee benefits, restructuring funds, taxes, other provisions, funds, and valuations of derivative instruments.

Estimates and assumptions are reviewed periodically, and the effects of any changes are recognized in the income statement in the period in which the estimate is revised (if the revision affects only that period) or in the period of the revision and future periods (if the revision affects both current and future periods). In this respect, the situation caused by the present economic and financial crisis has led to the need to make assumptions regarding future performance which are characterized by significant uncertainty; as a consequence, therefore, actual results next year may differ from the estimates. Although not foreseeable at present, this could have a significant effect on the carrying amounts of the items in question as shown in this Report.

VALUATION METHODS

The valuation methods and the main assumptions used by management in applying accounting standards which relate to the future development of operations are described below. These methods and assumptions may have significant effects on the amounts recognized in the separate financial statements, with the resulting risk that adjustments may need to be made in future years, with similarly significant effects on these amounts.

Fair value of derivative contracts and financial instruments

The fair value of financial instruments which are not listed on a regulated market is determined by employing various valuation techniques. In this respect, the Company uses those techniques which it believes are the most reasonable in connection with the specific financial instruments that have to be valued and adopts assumptions and makes estimates based on market conditions at the reporting date.

Taxes

The overall determination of tax expense may require the use of estimates and valuations, including those relating to any specific tax liabilities which may not be determinable at the time the individual transactions are carried out. In addition, in order to calculate deferred tax assets, the Company employs estimates and valuations which also take into account expectations of future events.

Impairment tests

At each reporting date, the Parent company reviews the carrying amount of its tangible and intangible assets and equity investments to assess whether there are any impairment indicators. If such indicators exist, the recoverable amount of such assets is estimated to determine the write-down amount.

At least once a year, Reno De Medici carries out impairment testing taking into consideration several impairment indicators linked to the economic and financial of some CGUs.

The Parent Company RDM S.p.A. has used the procedure described in IAS 36 to identify the cash-generating units representing the smallest identifiable groups of assets which generate cash flows that are largely independent within the consolidated financial statements.

The lowest aggregation of assets for cash-generating units is represented by the individual mills.

The recoverability of carrying amounts is tested by comparing the net book value of the individual cash-generating units with the present value of the estimated future cash flows from the continuing use of the assets making up the cash-generating units and that of their terminal value.

The impairment test relating to the Cash Generating Units (CGU) is carried out from the Asset Side perspective, estimating the operating value or the enterprise value of the CGUs. Note that for the purpose of the impairment tests on the assets of the financial statements, the scope of the CGUs corresponds to a complete legal entity/investment as in the case of the companies R.D.M. Arnsberg GmbH, RDM Ovaro S.p.A., PAC Service S.p.A., Barcelona Cartonboard S.A.U., RDM Magenta S.r.l., Cartiera Alto Milanese S.r.l. in liquidation, or the Santa Giustina (BL) mill and the Villa Santa Lucia (FR) mill belonging to the Parent Company Reno de Medici S.p.A. The investment in RDM Blendecques S.A.S. also includes the investment in R.D.M. La Rochette S.A.S.

The main assumptions used by the Parent company in measuring the recoverable amount (value in use) are:

a) estimates of future operating cash flows;

b) the discount rate;

c) the final growth rate.

In making these forecasts, the Parent company used assumptions based on the following key variables: the estimate of future sales volumes, the trend in sales prices, the variable costs of fibrous and chemical materials, margins, investments and macroeconomic variables.

The Parent company has used the same net discount rate, 6.74%, for all cash-generating units when discounting cash flows, a rate which reflects current market assessments and also takes into account the specific risks of the sector.

During the development of the impairment test, the terminal value was determined by using a growth rate (g rate) of 1.5%.

No need for impairment emerged based on the test performed approved by the Board of Directors. With reference to the investments in R.D.M. Marketing, no impairment testing is carried out because they are, commercial company at the service of the Group. With regard to the equity investment in R.D.M. Magenta S.r.l., in order to determine the recoverability of the investment, it was used the fair value less cost to sell method of land and buildings (current market value) instead of value in use, and this was determined based on the preliminary agreement, signed in November 2018, which includes the sale of the entire area. A similar approach has been used for the non-operating part of Magenta mill. Note that, in the light of several suspensive conditions and clauses provided for in the above-mentioned agreement, this sale cannot be considered realized at the date of the financial statements and the related assets were not classified as held for sale.

In addition, on the basis of the recommendations included in Joint Document no. 4 of the Bank of Italy, Consob (the Italian stock exchange regulator) and ISVAP (the Italian insurance regulator) of March 4, 2010, the Parent company prepared sensitivity analyses on the results of the tests, basing these on changes in the underlying assumptions (the use of the growth rate in calculating the terminal value and the discount rate) that affect the value in use of the cash-generating units.

Considering that recoverable amounts are calculated on the basis of estimates of future growth, the Parent company cannot be certain that a revision of these estimates, and the resulting adjustment to values, will not be required. The Parent company will continually monitor the changing situation in order to make any necessary revision to the assumptions underlying the estimates.

Business plans were thus amended for the impairment testing of cash-generating units and equity investments, in order to take account of the current economic and financial situation and of the uncertainties weighing on all the main variables of the business.

In this respect, however, the present valuations may need to be revised if the crisis continues or worsens.

Notes

1. Revenues from sales

Note that on February 12, 2018 the merger by incorporation into Reno De Medici S.p.A. of the subsidiary R.D.M. Marketing S.r.l. was completed whose accounting and tax effects will start on January 1, 2018.

Following the above transaction all assets and liabilities were transferred to the parent company. The merger, equal to €119 thousand, surplus was recorded in the shareholders' equity. The balance sheets, at the effective date, are reported in the table below and in the notes to the Balance Sheet.

R.D.M. Marketing S.r.l.	January 1, 2018
(thousands of Euros)	
Payables to suppliers	(4,691,618)
Trade receivables	3,695,782
Trade working capital	**(995,836)**
Other current liabilities	(419,931)
Other current assets	3,283,045
Non-current assets	1,779,831
Invested capital	**4,642,945**
Employee benefits	(447,744)
Provision for future risks and charges	(2,471,441)
Net invested capital	**(2,919,185)**
Total incorporated net assets	**727,924**

Revenues arise essentially from sales of cartonboard:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Revenues from sales	233,256	236,196	(2,940)
Total revenues from sales	**233,256**	**236,196**	**(2,940)**

Revenues fell slightly by €2.9 million (-1.24%) in 2018, due essentially to a fall in sales volumes almost entirely offset by an increase in sales prices.

The geographical breakdown of sales revenues given below highlights a mix of reference geographical areas that is essentially unchanged compared with 2017.

	12.31.2018	12.31.2017	Change
(thousands of Euros)			
Italy	125,738	127,680	(1,942)
European Union	61,682	61,898	(216)
Rest of the world	45,836	46,618	(782)
Total revenues from sales	**233,256**	**236,196**	**(2,940)**

2. Other revenues

Other revenues may be analyzed as follows:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Grants	165	183	(18)
Indemnities	140	37	103
Ordinary capital gains	50	37	13
Rental income	476	453	23
Revenues from services	7,065	5,128	1,937
Revenues from sales of energy	1,853	3,985	(2,132)
Other revenues	295	414	(119)
Total	**10,044**	**10,237**	**(193)**

“Grants” mainly involve ordinary contributions from Comieco in relation to the use of waste paper from public separated waste recycling.

“Revenue for services” refers to fees for the general services provided to Group companies, and its increase is due mainly to the extension of the logo fee to the French subsidiary R.D.M. La Rochette S.A.S. and to the merger by incorporation of R.D.M. Marketing S.r.l into Reno De Medici S.p.A.

“Revenues from sales of energy” relate to revenues received from certain energy suppliers for joining the “interruption” scheme, as well as the allocation of energy efficiency certificates, which fell by €1.4 million.

"Other revenues" consist mainly of extraordinary income, in the form of collections from creditors' arrangement procedures and revenues from non-cartonboard sales.

3. Change in inventories of finished goods

Inventories were up by €1.8 million compared with the negative figure of €3.3 million as at December 31, 2017. This change is attributable to greater physical stock mainly because of lower sales volumes traded towards the end of 2018.

4. Cost of raw materials and services

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Costs for raw materials	**100,291**	**115,172**	**(14,881)**
Purchase of raw materials	98,313	116,944	(18,631)
Change in inventories of raw materials	1,978	(1,772)	3,750
Commercial services	**21,776**	**24,844**	**(3,068)**
Transports	18,393	19,441	(1,048)
Commission and agents' costs	3,383	5,403	(2,020)
Industrial services	**45,423**	**41,977**	**3,446**
Energy	24,193	20,753	3,440
Maintenance	2,737	2,359	378
Waste Disposal	6,891	5,898	993
Other industrial services	11,602	12,967	(1,365)
General services	**10,933**	**8,051**	**2,882**
Insurance	666	758	(92)
Legal, notarial, administrative and contractual services	4,986	3,472	1,514
Board of Directors	579	514	65
Board of Statutory Auditors	171	166	5
Postal and telecommunication	522	511	11
Other costs	4,009	2,630	1,379
Cost for use of third-party assets	**1,195**	**764**	**431**
Rental and leasing	1,195	764	431
Total	**179,618**	**190,808**	**(11,190)**

The costs of raw materials and services decreased mainly thanks to the dynamics of the price of waste paper, slightly offset by an increase in the cost of services. The impact of the caption on the value of production ("Revenues from sales" plus the "Change in inventories of finished goods") went from 82% to 76%, a fall of 6 percentage points.

The "Purchase of raw materials" refers mainly to the purchase of products used to make pulp (waste paper, wood paste, cellulose and chemicals) and for packaging. As far as the performance of the main factors of production is concerned, in 2018 the cost of pulp raw materials was considerably lower than the previous year, following the restrictions imposed by the Chinese government on unsorted paper and restrictions on issuing licenses. These price dynamics, together with lower production, meant that overall the impact of costs for raw materials on the value of production as defined above decreased from 49% to 43%, a fall of 6 percentage points.

“Service costs” rose (€78.1 million as at December 31, 2018 against €74.9 million as at December 31, 2017), as well as their weighting as a percentage of value of production increased from 32% at the end of the previous year to 33%. Specifically, energy costs increased by €3.4 million following the price rises in the main sources of energy procurement (natural gas and electricity), partly offset by the energy efficiencies achieved, including the new steam turbine installed at Santa Giustina in spite of the fall in quantities produced. Costs for waste disposal also increased as a result of the price rises as a result of the increasing difficulties in waste management. The Company is investing in technologically cutting-edge solutions to reduce the amount of waste produced, increasing the percentage recovery of fiber.

On the other hand, transport costs and commission costs decreased following lower volumes traded. Other industrial services also decreased, first and foremost the cutting services provided at the Magenta Cutting Center as a result of the spin-off of this business unit from September 1, 2016.

Lastly, in the financial year ending, the ancillary costs of the acquisition of Barcelona Cartonboard S.A.U., equal to €910 thousand, were also recorded.

“Costs for use of third-party assets” as at December 31, 2018 increased compared with the figures reported as at December 31, 2017, mainly as a result of the rise in expenses related to the rental of machinery.

5. Personnel costs

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Wages and salaries	17,851	16,893	958
Social security contributions	5,895	5,511	384
Allowance for defined-contribution plans	1,123	1,054	69
Other costs	958	470	488
Total	**25,827**	**23,928**	**1,899**

Labor costs increased by €1.9 million following the merger by incorporation of the subsidiary RDM Marketing S.r.l., the increase in the layoff fund and the provision for the 2017-2019 Stock Grant Plan for the CEO.

The following tables provide a breakdown by category of the number of employees at the end of the year and the average number of employees during the year:

Employees per category	12.31.2018	12.31.2017	Change
Executives	13	11	2
White collars	154	137	16
Blue collars	252	257	(4)
Total	**419**	**405**	**14**

Average employees per category	12.31.2018	12.31.2017	Change
Executives	14	11	3
White collars	152	135	17
Blue collars	258	267	(9)
Total	**424**	**413**	**11**

The average headcount of the Company in 2017 did not include employees of the subsidiary R.D.M. Marketing S.r.l., which merged by incorporation at the beginning of 2018.

6. Other operating costs

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Write-downs of current receivables	181	239	(58)
Other operating expenses	1,938	843	1,095
Total	**2,119**	**1,082**	**1,037**

The caption “Other operating costs” increased by 96% compared with the previous year, which benefited from the reversal of the provision for the promotion of renewable energy sources, set up in 2015, on the assumption that the contribution should also be applied to self-generated energy, following Resolution no. 276 of April 21, 2017, through which the Italian Energy Authority definitively clarified that the surcharge would be canceled.

“Miscellaneous operating costs” consists mainly of various taxes incurred by the Company, and membership subscriptions to various industrial and trade associations.

7. Depreciation and amortization

The table below breaks this item down into amortization of intangible assets and depreciation of tangible fixed assets:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Amortization of intangible assets	553	129	424
Depreciation of tangible fixed assets	11,420	11,349	71
Total	**11,973**	**11,478**	**495**

This caption is in line with the previous year because the completion of the amortization/depreciation of some assets was offset by the beginning of amortization/depreciation of assets entering into service during the last few years.

The increase in amortization/depreciation on intangible fixed assets is a result of the reclassification of the investment in the consortium Paper Interconnector S.p.A. from “Investments” to “Intangible fixed assets”, following the application of the new requirements introduced by IFRS 9.

8. Net financial income (expense)

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Financial income	**363**	**354**	**9**
Income from subsidiaries and associates	324	275	49
Other income	39	79	(40)
Financial expense	**(1,350)**	**(1,607)**	**257**
Interest paid to subsidiaries and associates	(158)	(95)	(63)
Interest paid to banks	(666)	(683)	17
Loss on derivative financial instruments	(143)	(177)	34
Financial expense on defined-benefit plans	(47)	(49)	2
Expenses, commission and other financial charges	(336)	(603)	267
Gains (losses) on foreign exchange	**151**	**(335)**	**486**
Realized gains (losses) on foreign exchange:			
Realized gains on foreign exchange	738	519	219
Realized losses on foreign exchange	(610)	(813)	203
Unrealized gains (losses) on foreign exchange:			
Unrealized gains on foreign exchange	37	44	(7)
Unrealized losses on foreign exchange	(14)	(85)	71
Total	**(836)**	**(1,588)**	**752**

Net financial expense improved by €752 thousand due mainly to the net decrease in foreign exchange gains and losses which went from a negative figure of €335 thousand to a positive figure of €151 thousand as a result of a slight revaluation of the US dollar. Interest on loans and other financial costs also fell.

The average cost of borrowing remains at contained levels.

The caption “Financial expense on defined-benefit plans” refers to the interest cost relating to the provision at the start of the period and the changes during the year; this element is conceptually similar to the net revaluation of the employees benefits fund.

9. Gains (losses) from investments

Gains and losses from investments	12.31.2018	12.31.2017	Change
(thousands of Euros)			
Income from equity investments in associates	**252**	**121**	**131**
Dividends from Emmaus Pack S.r.l.	103	121	(18)
Income from the sale of Manucor S.p.A. shares	100		100
Income from the termination of Zar S.r.l.	49		49
Write-ups (write-downs) of investments in subsidiaries and others	**65**	**288**	**(223)**
Write-up- of R.D.M. Marketing S.r.l.		409	(409)
Write-down of other companies		(121)	121
Write-up of R.D.M. Marketing France S.A.S.	142		142
Write-up of R.D.M. Marketing UK Ltd	148		148
Write-down of R.D.M. Marketing Spain S.l.u.	(225)		(225)
Total	**317**	**409**	**(92)**

Income from equity investments amounted to €317 thousand, compared with €409 thousand in the previous year. The change is due mainly to the write-up of the subsidiaries R.D.M. Marketing France and UK following the disappearance of the reasons for which they were previously written down in relation to R.D.M. Marketing S.r.l now merged into Reno De Medici S.p.A. These write-ups were partly offset by the write-down of R.D.M. Marketing Spain S.l.u. was written down following the reported losses.

The revenue from the sale of shares held in Manucor S.p.A. and the income from the termination of Zar S.r.l., which was placed into liquidation from January 1, 2018, were recorded.

10. Taxes

Taxes amounted to €7.1 million compared with €4.3 million in the previous year and break down as follows:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Current taxes	**(6,488)**	**(1,037)**	**(5,451)**
IRAP for the year	(1,274)	(837)	(437)
IRES for the year	(5,043)	(752)	(4,291)
Adjustment from previous years	(15)	46	(61)
Income from tax consolidation (IRES)	(156)	506	(662)
Deferred taxes	**(615)**	**(3,218)**	**2,603**
Deferred taxes (IRES)	(675)	(3,236)	2,561
Deferred taxes (IRAP)	60	18	42
Total	**(7,103)**	**(4,255)**	**(2,848)**

The greater fiscal cost is mainly due to the increase of the Italian tax (so called IRES) for the year which reflects the rise in taxable income and the full use in 2018 of the Company's previous tax losses.

The caption "Deferred taxes (IRES)" includes the use of deferred taxes of €0.4 million. For further information, see Note 24.

IRES for the year represents the tax relating to Reno De Medici S.p.A., which takes account of the national fiscal consolidation result. Its increase was due to a rise in taxable income, which also resulted in increase of IRAP, as well as the extinction of previous tax losses.

"Income from tax consolidation (IRES)" refers to subsidiaries' immediate recognition of the benefit from using the past losses of Reno De Medici S.p.A. offset by the Parent company's compensation of those investee companies that contributed a tax loss in the year just ended.

Reconciliation between the theoretical and actual tax burden (IRES)

The table below shows the reconciliation between the theoretical and actual IRES burden.

For the current period, Reno De Medici reported positive taxable income at the individual company level and at the level of tax consolidation.

IRES	Taxable amount	% IRES	12.31.2018
(thousands of Euros)			
Profit (loss) before tax	25,055		
Theoretical tax burden		**24.0%**	**6,013**
Reversal of temporary differences arising in previous years	(1,230)		
Temporary differences which will be reversed in future years	1,993		
Permanent differences which will not be reversed in future years	(229)		
Total differences	534		
Use of previous tax losses	(4,577)		
Actual tax burden	**21,012**	**24.0%**	**5,043**

Reconciliation between the theoretical and actual tax burden (IRAP)

IRAP	Taxable amount	% IRAP	12.31.2018
(thousands of Euros)			
Difference between value and cost of production (excluding B9, B10 c), d) and B12 and B13)	51,683		
New 2015 Stability Law labor cost deduction	(24,560)		
Total	27,123		
Theoretical tax burden		**3.90%**	**1,058**
Permanent differences due to higher regional tax rates	2,614		
Reversal of temporary differences arising in previous years	1,868		
Permanent differences which will not be reversed in future years	1,050		
Total differences	5,532		
Actual tax burden	32,655	**3.90%**	**1,274**
Effective tax rate		**4.70%**	

“Permanent differences due to higher regional tax rates” refers to the application of the higher rate of 4.82% to the net value of production in the Lazio region.

11. Tangible fixed assets

Changes in tangible assets during 2018 and 2017 are as follows:

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euros)							
Historical cost	19,215	66,585	303,321	1,229	7,958	2,470	400,778
Accumulated depreciation/write-downs	(28)	(44,579)	(232,627)	(1,172)	(7,840)		(286,246)
Net book value as at 12.31.2016	**19,187**	**22,006**	**70,694**	**57**	**118**	**2,470**	**114,532**
Increases		367	1,747		12	4,251	6,377
Decreases [1]	(50)		(1,716)		(15)		(1,781)
Reclassification of cost		167	1,721			(1,888)	
Depreciation for the year		(2,118)	(9,179)	(28)	(24)		(11,349)
Use of acc.depr./write-downs [1]	28		1,705		15		1,748
Value as at 12.31.2017							
Historical cost	19,165	67,119	305,073	1,229	7,955	4,833	405,374
Accumulated depreciation/write-downs		(46,697)	(240,101)	(1,200)	(7,849)		(295,847)
Net book value as at 12.31.2017	**19,165**	**20,422**	**64,972**	**29**	**106**	**4,833**	**109,527**

[1] The two items involve, respectively, the decrease in the historical cost and the turnaround of the accumulated depreciation following the disposal of assets that took place during the course of the year.

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euros)							
Historical cost	19,165	67,119	305,073	1,229	7,955	4,833	405,374
Accumulated depreciation/write-downs		(46,697)	(240,101)	(1,200)	(7,849)		(295,847)
Net book value as at 12.31.2017	**19,165**	**20,422**	**64,972**	**29**	**106**	**4,833**	**109,527**
Increases		696	4,333		290	4,329	9,648
Decreases [(1)]			(615)		(15)		(630)
Reclassification of cost			3,684			(3,684)	
Depreciation for the year		(2,113)	(9,262)	(18)	(27)		(11,420)
Use of acc.depr./write-downs [(1)]			615		15		630
Value as at 12.31.2018							
Historical cost	19,165	67,815	312,475	1,229	8,230	5,478	414,392
Accumulated depreciation/write-downs		(48,810)	(248,748)	(1,218)	(7,861)		(306,637)
Net book value as at 12.31.2018	**19,165**	**19,005**	**63,727**	**11**	**369**	**5,478**	**107,755**

[(1)] The two items involve, respectively, the decrease in the historical cost and the turnaround of the accumulated depreciation following the disposal of assets that took place during the course of the year.

Following the sale of the Ovaro business unit in 2012, tangible assets from the mill were transferred to R.D.M. Ovaro S.p.A. with the exception of land and buildings, which continue to be owned by RDM.

With effect from September 1, 2016 the company conferred the business unit composed of the Magenta Cutting Center on R.D.M. Magenta S.r.l., transferring assets with a net value of €5.9 million.

“Land” includes the areas pertaining to mills at Magenta (MI) - for the part not involving the cutting center - Santa Giustina (BL), Villa Santa Lucia (FR).

“Buildings” mainly includes the value of the mills owned.

Investments in tangible fixed assets incurred in 2018 amounted to €9.6 million (€6.4 million in 2017).

The goals of these investments were to reduce variable costs, increase production capacity, improve safety and quality, and the main projects were:

- **Santa Giustina Mill (Italy)**: a new paper winding machine was installed with the aim of optimizing the production process and cutting variable costs;

- **Villa Santa Lucia** Mill **(Italy)**: improvement and modernization operations involving plant and machinery. Additionally, the project for the installation of a new automatic rewinder was completed;

"Reclassification of cost" relates to the entry into service of "Assets under construction" at the end of the previous year.

"Industrial and commercial equipment" includes mainly of assets used in the production process at the various mills. Increases relate principally to miscellaneous purchases of immaterial single amounts.

"Other assets" includes mostly of electronic office machines and office furniture, fixtures, and fittings.

Property rights (mortgages and liens) totaling €184.8 million related to owned property, are pledged in favor of banks as security on loans for which the outstanding balance as at December 31, 2018 amounted to €46.4 million.

More information on impairment tests can be found in the above section "Impairment".

12. Intangible fixed assets

Changes in intangible assets during 2018 and 2017 were as follows:

Other intangible assets	Concessions, licenses, trademarks and similar rights	Assets under construction	Total
(thousands of Euros)			
Net book value at 12.31.2016	**272**	**1,457**	**1,729**
Increases	84	2,272	2,356
Reclassification of cost	41	(41)	
Amortization for the year	(129)		(129)
Net book value at 12.31.2017	**268**	**3,688**	**3,956**

Other intangible assets	Concessions, licenses, trademarks and similar rights	Assets under construction	Total
(thousands of Euros)			
Net book value at 12.31.2017	**268**	**3,688**	**3,956**
Increases	93	1,685	1,778
Reclassification of cost	1,781		1,781
Amortization for the year	(553)		(553)
Net book value at 12.31.2018	**1,589**	**5,373**	**6,962**

“Concessions, licenses, trademarks and similar rights” relate to costs incurred for the purchase of software licenses.

“Reclassification of cost” relates to the reclassification from “Equity investments” of the investment of €1.8 million in the consortium Paper Interconnector S.p.A. Note that the application of the new requirements introduced through IFRS 9 for the classification of equity investments led Reno De Medici to analyze the requirements of the agreements relating to the investment in Paper Interconnector. Based on the analysis conducted and taking into consideration the value of the electricity purchase contract related to the investment made, the equity investment was reclassified under the item Intangible Fixed Assets.

The increase in intangible fixed assets in progress is due to the advancement of the project to implement the new ERP, which started in 2016.

13. Investments in subsidiaries

Investments in subsidiaries came to €136 million, compared with €84.9 million in the previous year, and were characterized by the following changes:

	Historical cost 12.31.2017	Provision for losses on investment 12.31.2017	Net book value 12.31.2017	Increase (decrease) in investments	Historical cost 12.31.2018	Increase (decrease) in impairment provision	Provision for losses on investment 12.31.2018	Net book value 12.31.2018
	A	B	C=A+B	D	E=A+D	F	G=B+F	H=E+G
(thousands of Euros)								
Cartiera Alto Milanese S.p.A. in liquidation	2,864	(1,912)	952		2,864		(1,912)	952
R.D.M. Arnsberg GmbH	54,113		54,113		54,113			54,113
Cascades Grundstuck GmbH	3,476		3,476		3,476			3,476
R.D.M. Ovaro S.p.A.	10,624		10,624	647	11,271			11,271
RDM Blendecques S.A.S.	18,965	(7,509)	11,456	2,525	21,490		(7,509)	13,981
R.D.M. Magenta S.r.l.	3,695		3,695		3,695			3,695
PAC Service S.p.A.				4,408	4,408			4,408
Bellim S.r.l.				6,030	6,030			6,030
Barcelona Cartonboard S.A.U.				36,513	36,513			36,513
R.D.M. Marketing S.r.l.	782	(173)	609	(782)		173		0
R.D.M. Marketing France S.A.S.				900	900			900
R.D.M. Marketing Germany Gmbh				462	462			462
R.D.M. Marketing Spain S.l.u.				764	764	(764)	(764)	
R.D.M. Marketing Czech Rep. s.r.o.				63	63			63
R.D.M. Marketing Poland Sp z.o.o.				92	92			92
R.D.M. Marketing Hungaria KFT				31	31			31
R.D.M. Marketing UK Ltd				2	2	(2)	(2)	
Total	**94,519**	**(9,594)**	**84,925**	**51,655**	**146,174**	**(593)**	**(10,187)**	**135,987**

The caption increased in 2018 as a result of the acquisition of Barcelona Cartonboard S.A.U. and PAC Service S.p.A. as well as the merger of R.D.M. Marketing S.r.l.

Specifically, on July 2, 2018, Reno De Medici S.p.A. concluded a preliminary agreement with the German private equity fund Quantum Capital Partners for the acquisition of 100% of Barcelona Cartonboard S.A.U., a company under Spanish law and the seventh largest European player in the white lined chipboard sector. The transaction was concluded on October 31, 2018. The price of the investment, equal to €36.5 million, is based on an enterprise value of €46.4 million and an NFP estimated at around €9.9 million at the time of acquisition. The acquisition costs associated with the transaction amount to €910 thousand, and mainly consist of legal and advisory costs.

Founded in 1967, Barcelona Cartonboard S.A.U. operates in the sector of white lined chipboard produced from recycled fibers (WLC - White Lined Chipboard). With its headquarters and production plant in Castellbisbal, Catalonia, the company boasts an annual production capacity of 180,000 tons and employees around 233 people.

Also, on December 19, 2017, Reno De Medici exercised its right of first refusal provided by law to acquire the residual stake of 66.67% of PAC Service S.p.A. for a consideration of €10 million.

The effects of the acquisition started on January 1, 2018; from that date Reno De Medici S.p.A. gained control of the company and, therefore, the equity investment in PAC Service S.p.A., classified until December 31, 2017 as an associate was reclassified under equity investments in subsidiaries.

Following the merger by incorporation of the subsidiary R.D.M. Marketing S.r.l. completed on February 12, 2018, with effect in accounting and fiscal terms from January 1, 2018, Reno De Medici S.p.A. gained 100% direct control of the foreign subsidiaries formerly belonging to R.D.M. Marketing S.r.l.

During the year, the Company waived part of the trade and financial receivables (€1.3 and €1.2 million, respectively) due from RDM Blendecques S.A.S.

The equity investments held in R.D.M. Marketing UK Ltd and R.D.M. Marketing France S.A.S., were also written up by €290 thousand because the conditions for the write-downs in previous years were no longer met. On the other hand, the equity investment in R.D.M. Marketing Spain S.l.u. was written down, for €225 thousand, following the reported losses.

The figures for the equity investment held, share capital, shareholders' equity and profit (loss) in 2018 for subsidiaries are reported in the following table:

	Registered office	Direct equity investment share	Share capital as at 12.31.2018	Shareholders' equity at 12.31.2018	Result for the year
(thousands of Euros)					
Cartiera Alto Milanese S.r.l. in liquidation	Milan (IT)	100%	12	960	(3)
R.D.M. Arnsberg GmbH	Arnsberg (G)	94%	5,113	49,165	3,716
Cascades Grundstuck GmbH	Arnsberg (G)	100%	22	304	(5)
R.D.M. Ovaro S.p.A.	Milan (IT)	90%	12,500	23,265	5,188
RDM Blendecques S.A.S.	Blendecques (FR)	100%	5,037	4,779	(2,165)
R.D.M. Magenta S.r.l.	Milan (IT)	100%	3,700	2,202	(796)
PAC Service S.p.A.	Vigonza (PD)	60%	1,000	11,564	879
Bellim S.r.l.	Vigonza (PD)	100%	10	452	(6)
Barcelona Cartonboard S.A.U.	Barcelona (ES)	100%	14,943	36,380	324
R.D.M. Marketing France S.A.S.	Paris (FR)	100%	337	1,699	1,200
R.D.M. Marketing Germany Gmbh	Kreffeld (DE)	100%	210	977	328
R.D.M. Marketing Spain S.l.u.	Barcelona (ES)	100%	26	320	(137)
R.D.M. Marketing Czech Rep. s.r.o.	Prague (CZ)	100%	19	356	165
R.D.M. Marketing Poland Sp z.o.o.	Warsaw (PL)	100%	12	706	362
R.D.M. Marketing Hungaria KFT	Budapest (HU)	100%	19	298	57
R.D.M. Marketing UK Ltd	Wednesbury (UK)	100%	0	(47)	149

Reno De Medici Arnsberg GmbH is held directly at 94% and indirectly at 6% through Cascades Grundstück GmbH & Co.KG.

PAC Service S.p.A. is controlled directly for 60% and the remaining 40% through Bellim S.r.l.

Note that for subsidiaries where the shareholders' equity is lower than the book value, the Parent Company carried out impairment testing from which no impairment emerged. For more complete information, refer to the "Impairment tests" paragraph in the accounting principles.

14. Investments in associates, joint ventures and other companies

The table below shows investments in associates, joint ventures and other companies broken down by type of investment:

	Registered office	Investment share	Book value 12.31.2017	Increases (decreases)	Book value 12.31.2018
(thousands of Euros)					
Emmaus Pack S.r.l.	Milan (IT)	34.39%	73		73
Manucor S.p.A.	Milan (IT)	22.75%			
PAC SERVICE S.p.A.	Vigonza (IT)	33.33%	387	(387)	
Zar S.r.l.	Silea (IT)	33.33%	30	(30)	
Total investments in associates and joint ventures			**490**	**(417)**	**73**
C.I.A.C. S.c.r.l.	Valpenga (TO) – Italy	Consortium share	1		1
Cartonnerie Tunisienne S.A.	Les Berges Du Lac (Tunis)	5.27%			
Comieco	Milan – Italy	Consortium share	23	(3)	20
Conai	Milan – Italy	Consortium share	23		23
Consorzio Filiera Carta	Isola del Liri (Fr) – Italy	Consortium share	7		7
Gas Intensive S.c.r.l.	Milan – Italy	Consortium share	1		1
Idroenergia S.c.r.l.	Aosta – Italy	Consortium share	1		1
Paper Interconnector S.c.r.l.	Milan – Italy	Consortium share	1,773	(1,773)	
Industria e Università S.r.l.	Varese – Italy	0.19%	25		25
Total investments in other companies			**1,854**	**(1,776)**	**78**
Total investments			**2,344**	**(2,193)**	**151**

Investments in other companies, which mainly consist of the investment in Emmaus Pack S.r.l. and other minor items relating primarily to investments in consortia, are accounted at cost adjusted for any impairment, as their fair value cannot be reliably measured.

On January 1, 2018 the acquisition of 66.67% of the share capital held on PAC Service S.p.A. became effective, therefore the equity investment was reclassified from Equity investments in associate companies to Equity investments in subsidiaries.

The application of the new requirements introduced through IFRS 9 for the classification of equity investments led Reno De Medici to analyze the requirements of the agreements relating to the investment in Paper Interconnector. Based on the analysis conducted and taking into consideration the value of the electricity purchase contract related to the investment made, the equity investment was reclassified under the caption Intangible Fixed Assets.

The revenue from the sale of shares held in Manucor S.p.A. and the termination of Zar S.r.l. which was placed into liquidation from January 1, 2018 were recorded.

The table below summarizes the key figures from the statement of financial position and the income statement of Emmaus Pack S.r.l. as at December 31, 2018:

	Emmaus Pack S.r.l.
(thousands of Euros)	
Total assets	11,727
Shareholders' equity	1,004
Other liabilities	10,723
Value of production	16,370
Profit (loss) for the year	191

(*) The figures refer to the consolidated data prepared for equity accounting used in the Reno De Medici Group's consolidated financial statements.

15. Other current and non-current receivables

The table below shows a breakdown of other current and non-current receivables:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Guarantee deposits	1,184	959	225
Other receivables	17	10,066	(10,049)
Non-current receivables	**1,201**	**11,025**	**(9,824)**
Tax receivables	281	834	(553)
Other receivables	1,352	1,144	208
Accrued and deferred assets	241	545	(304)
Financial receivables	371	766	(395)
Current receivables	**2,245**	**3,289**	**(1,044)**
Total	**3,446**	**14,314**	**(10,868)**

The net decrease in “Other receivables” is a result of the acquisition, for €10 million, which took place on December 19, 2017, of the residual stake of 66.67% in PAC Service S.p.A., which took effect from January 1, 2018.

The non-current portion of receivables also includes receivables from companies in liquidation as well as a deposit in favor of a factoring company (€0.2 million as at December 31, 2018 compared with €0.3 million as at December 31, 2017) and other guarantee deposits. The caption also includes the guarantee fund set up at Terna (the network operator) totaling €0.7 million (€0.5 million as at December 31, 2017).

The current portion of “Tax receivables” decreased following the fall in VAT credit, the main component of the caption.

The current portion of “Miscellaneous receivables” includes a deposit in favor of a factoring company for €1.1 million in line with the previous year.

“Accrued income” refers mainly to invoices accounted for the year but relating to the next financial year.

“Financial receivables” included the receivable from Arpafino S.L.U., equal to €300 thousand, for the sale of the Spanish unit Reno De Medici Ibérica S.L.U. which took place on January 27, 2016. This receivable was collected in full on February 14, 2019.

The remaining current item is made up of the receivable due from existing factoring arrangements.

16. Inventories

The table below provides a breakdown of inventories as at December 31, 2018:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Raw materials, consumables and supplies	13,284	15,262	(1,978)
Obsolescence provision	(507)	(507)	
Finished products and goods	18,212	16,400	1,812
Total	**30,989**	**31,155**	**(166)**

The balance of “Raw materials consumables and supplies” decreased (-12.9%) compared with the previous year due to the lower cost of stocks, in particular of waste paper.

With regard to “finished goods and goods”, note that the increase in stocks (+11%) is mainly due to the lower volumes sold and dispatched compared with those produced.

17. Trade receivables

The table below shows the changes in trade receivables from third parties, which amounted to €27.5 million as at December 31, 2018:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Trade receivables	27,545	32,857	(5,312)
Current trade receivables	**27,545**	**32,857**	**(5,312)**

The decrease in receivables compared with the previous year is due mainly to turnover in the last quarter.

The Company applies non-recourse factoring, which went from €21.1 million as at December 31, 2017 to €18.2 million as at December 31, 2018.

The caption is stated net of €2 million of provisions for bad and doubtful receivables. The table below sets out the changes for the year in those provisions:

	12.31.2017	IFRS 9 Provisions	Uses	12.31.2018
(thousands of Euros)				
Provisions for bad and doubtful receivables	1,888	259 181	(314)	2,014
Total	**1,888**	**259 181**	**(314)**	**2,014**

The table below provides a breakdown of current trade receivables by geographical area:

	12.31.2018	12.31.2017
(thousands of Euros)		
Italy	21,843	26,878
European Union	2,506	659
Rest of the world	3,196	5,320
Total	**27,545**	**32,857**

18. Receivables from Group companies

"Receivables from Group companies", equal to €13.9 million, break down as follows:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Receivables from subsidiaries	7,411	2,360	5,051
Total receivables from subsidiaries	**7,411**	**2,360**	**5,051**
Receivables from associates and joint ventures	6,418	6,703	(285)
Total receivables from associates and joint ventures	**6,418**	**6,703**	**(285)**
Total receivables from Group companies	**13,829**	**9,063**	**4,766**

The change in the components of the caption is due to the increase in receivables from subsidiaries and the reclassification of trade receivable from PAC Service S.p.A. following the acquisition of full control from January 1, 2018.

"Receivables from subsidiaries", equal to €7.4 million, break down as follows:

	12.31.2018	12.31.2017	Change
(thousands of Euros)			
R.D.M. Magenta S.r.l.	131	178	(47)
R.D.M. La Rochette S.A.S.	909	140	769
RDM Ovaro S.p.A.	2,279	882	1,397
R.D.M. Arnsberg GmbH	812	538	274
RDM Blendecques S.A.S.	437	361	76
PAC Service S.p.A.	2,321		2,321
Barcelona Cartonboard S.a.u.	116		116
R.D.M. Marketing S.r.l.		261	(261)
R.D.M. Marketing France S.A.S.	113		113
R.D.M. Marketing Germany GmbH	57		57
R.D.M. Marketing Spain S.l.u.	131		131
R.D.M. Marketing Czech Rep. s.r.o.	20		20
R.D.M. Marketing Poland Sp z.o.o.	30		30
R.D.M. Marketing Hungaria KFT	36		36
R.D.M. Marketing UK Ltd	19		19
Total	**7,411**	**2,360**	**5,051**

The increase in the caption, in addition to the reclassification of the receivable from PAC Service S.p.A. is also due to the receivable from joining the tax consolidation scheme.

This amount went from €624 thousand at the end of 2017 (of which €524 thousand pertains to R.D.M. Ovaro S.p.A. and €100 thousand to R.D.M. Marketing S.r.l.) to €1.2 million pertaining to R.D.M. Ovaro S.p.A. alone following the increase in the taxable income of the subsidiary.

"Receivables from associates and joint ventures" amount to €6.4 million and break down as follows:

	12.31.2018	12.31.2017	Change
(thousands of Euros)			
Emmaus Pack S.r.l.	6,418	6,703	(285)
Total receivables from associates and joint ventures	**6,418**	**6,703**	**(285)**

These receivables, which result from commercial relations and relations connected to the provision of services by the Company to its subsidiaries and associates, are settled under normal market conditions.

19. Other receivables from Group companies

These receivables mainly relate to the cash-pooling arrangement with Group companies:

	12.31.2018	12.31.2017	Change
(thousands of Euros)			
RDM Blendecques S.A.S.	7,524	5,928	1,596
R.D.M. Magenta S.r.l.	1,028	489	539
R.D.M. La Rochette S.A.S.	4,757		4,757
R.D.M. Marketing Spain S.l.u.	86		86
R.D.M. Marketing UK Ltd	340		340
Total receivables from subsidiaries	**13,735**	**6,417**	**7,318**
Total receivables from Group companies	**13,735**	**6,417**	**7,318**

The increase of €7.3 million in this caption mainly reflects the operating performance of the French subsidiaries R.D.M. Blendecques S.A.S. and RDM La Rochette S.A.S.

20. Net financial position

The table below provides a breakdown of the net financial position as at December 31, 2018 and 2017:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Cash	10	9	1
Funds available from banks	26,825	17,541	9,284
A. Cash and cash equivalents	**26,835**	**17,550**	**9,285**
Other receivables from Group companies	13,735	6,418	7,317
Other financial receivables	371	766	(395)
B. Current financial receivables	**14,106**	**7,184**	**6,922**
1. Current bank debts	*53*	*2,014*	*(1,961)*
2. Current portion of medium and long-term loans	*10,829*	*11,992*	*(1,163)*
3. Debts to other financing entities			
Debts to banks and other financing lenders (1+2+3)	10,882	14,006	(3,124)
Other payables to Group companies	34,687	24,082	10,605
Other debts to other companies	947		947
Derivatives - current financial liabilities	221	108	113
C. Current financial debt	**46,737**	**38,196**	**8,541**
D. Net current financial debt (C-A-B)	**5,796**	**13,462**	**(7,666)**
Non-current financial receivables			
Non-current derivative financial instruments			
E. Non-current financial receivables	**0**	**0**	**0**
Debts to banks and other financing lenders	49,322	21,164	28,158
Derivatives non-current financial liabilities	320	60	260
F. Non-current financial debt	**49,642**	**21,224**	**28,418**
G. Net non-current financial debt (F-E)	**49,642**	**21,224**	**28,418**
H. Net financial debt (D+G)	**55,438**	**34,686**	**20,752**

Net financial debt was €55.4 million as at December 31, 2018 (compared with €34.7 million as at December 31, 2017. The operating net cash flow of €30.5 million was in fact offset by some specific outgoings totaling €38.8 million and including: the price of acquiring

100% of Barcelona Cartonboard S.A.U. (€36.5million); dividend payments and treasury share purchases (€1.7 million); the repurchase of a portion of the stake held by Friulia S.p.A. in R.D.M. Ovaro S.p.A. for €0.6 million.

“Other receivables from Group companies” and “Other payables to Group companies” consist of financial balances resulting from cash-pooling transactions carried out as part of the Group’s centralized financial management.

The changes in liabilities resulting from financing activities are reported below pursuant to IAS 7 “Statement of Cash Flows”.

			Non-monetary flows		
	12.31.2017	Monetary Flow (*)	Foreign exchange differences	Change in Fair Value	12.31.2018
(thousands of Euros)					
Current financial receivables	7,184	7,321		(399)	14,106
Current financial debt	38,196	8,281		260	46,737
Non-current financial debt	21,224	28,158		260	49,642
Net liabilities from financing activities	52,236	29,118	0	919	82,273
Cash and cash equivalents	17,550	9,285			26,835
Net financial debt	34,686	19,833	0	919	55,438

(*) Flows of cash and cash equivalents reported in the statement of cash flows.

The table below shows outstanding medium- and long-term loans, broken down by due date and recorded at nominal value:

	within 12 months	over 12 months	over 60 months	Total
(thousands of Euros)				
Banco BPM (Banco Popolare)	1,262			1,262
Banco BPM (Banca Popolare Milano)	2,857	8,572		11,429
Banca Intesa	4,000	2,000		6,000
Cariparma	875			875
Credem	1,001	753		1,754
Banca Palatine 376	597	1,957		2,554
Banca Palatine 377	395	1,310		1,705
UniCredit		28,000	7,000	35,000
Total nominal debt	**10,987**	**42,592**	**7,000**	**60,579**
Amortized cost effect	(158)	(270)		(428)
Total debt using the amortized cost method	**10,829**	**42,322**	**7,000**	**60,151**

The Company's financial debt is currently based on long-term loans, which guarantee the stability for the financial sources which is needed to adequately support operations, and specifically capital expenditure, as well as possible projects to take advantage of strategic investment opportunities.

These new loans require certain financial covenants to be respected based on the following ratios:

– Net financial position/Shareholders' equity

– Net financial position/Gross operating profit

– Gross operating profit/Net financial expense

–Shareholders' equity/Medium-/long-term debt

– Shareholders' equity/Shareholders' equity as at December 31, 2016

The financial parameters are calculated half-yearly or annually, depending on the loan, based on the figures of the Group's consolidated financial statements. The half-year calculations of the Group' s gross operating profit and net financial expense are based on the 12-month period ending on the last day of the half year concerned.

In the event of non-compliance with the financial covenants in the loan agreements, the lending banks may terminate such agreements: as at December 31, 2018 there was compliance with the financial covenants.

Lastly, the new loans provide for constraints and commitments incumbent upon RDM including a restriction on the disposal of core assets and extraordinary finance transactions.

In 2015, after setting up an “Available reserve” through the voluntary reduction of capital pursuant to Article 2445 of the Italian Civil Code (as described in detail in section 19 “Shareholders’ equity”), Reno De Medici S.p.A. requested and obtained waivers from the lending banks.

During 2018, there were principal repayments of €12.9 million in total, and new loans were disbursed for a total amount of €40 million.

In terms of collateral, the Parent company loan agreement requires, inter alia, RDM to provide mortgages and liens on mills, in the total amount of €171.2 million.

On June 4, 2015, a loan of €20 million was made by Intesa San Paolo S.p.A.; the loan agreement was executed on June 4, 2015. The loan agreement calls for a floating rate and a maturity of June 4, 2020. Installments are paid half-yearly starting December 4, 2015. This loan requires compliance with several financial parameters subject to annual review. As at December 31, 2018, these financial parameters had been complied with.

On July 31, 2015, a loan of €7 million was made by Cariparma S.p.A.; the loan agreement was executed on July 31, 2015. The loan agreement calls for a floating rate and a maturity of June 30, 2019. Installments are paid half-yearly starting December 31, 2015. This loan requires compliance with several financial parameters subject to annual review. As at December 31, 2018, these financial parameters had been complied with.

On October 2, 2015, a loan of €20 million was made by Banca Popolare di Milano S.p.A.; the loan agreement was executed on September 16, 2015. The loan agreement calls for a floating rate and a maturity of December 31, 2022. Installments are paid half-yearly starting June 30, 2016. This loan requires compliance with several financial parameters subject to annual and half-yearly review. As at December 31, 2018, these financial parameters had been complied with.

On June 23, 2016, a loan of €7.5 million was made by Banco Popolare. The loan agreement calls for a floating rate and a maturity of June 30, 2019. Installments were paid quarterly starting September 30, 2016.

On August 2, 2017, a loan of €3 million was made by Credito Emiliano S.p.A.; the loan agreement was executed on August 2, 2017. The loan agreement calls for a floating rate and a maturity of August 2, 2020. Installments were paid quarterly starting November 2, 2017.

On February 5, 2018, a loan agreement was concluded and disbursed for €5 million with Banque Palatine, divided into two tranches of €3 million and €2 million, respectively. The loan agreement calls for a fixed rate and a maturity of February 5, 2023. Installments were paid quarterly starting May 5, 2018.

On July 30, 2018, a loan agreement was concluded for €35 million with UniCredit S.p.A. It was disbursed on October 31, 2018, the date on which the transaction for the purchase of Barcelona Cartonboard S.A.U. was finalized, which was the purpose of the loan. The loan agreement calls for a floating rate and a maturity of July 31, 2024. Installments are paid half-yearly starting January 31, 2020.

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at December 31, 2018: More information on outstanding derivative instruments can be found in Note 22.

21. Shareholders' equity

Changes in shareholders' equity during 2018 are set out in the following table:

Description	Shareholders' equity as at 12.31.2017	Allocation of the profit	Dividend distribution	Purchase of treasury shares	Stock grant	Actuarial gain (loss)	*Hedge accounting*	*IFRS 9*	Merger	Rounding	Profit (loss) for the year	Shareholders' equity as at 12.31.2018
(thousands of Euros)												
Share capital	140,000											140,000
Treasury shares reserve	(483)			(576)								(1,059)
Legal reserve	959	518										1,477
Other reserves:												
- Available reserve	23,392	8,672										32,064
Stock grant reserve	401				565							966
- Hedging reserve	(135)						(286)					(421)
Ovaro sale reserve	3,105											3,105
- Reserve for actuarial gains (losses)	(1,800)					53						(1,747)
- IFRS 9 Reserve								(1,267)				(1,267)
- Merger reserve for R.D.M. Marketing S.r.l.									119			119
Result for the year	10,362	(9,190)	(1,172)								17,952	17,952
Total	**175,801**	**0**	**(1,172)**	**(576)**	**565**	**53**	**(286)**	**(1,267)**	**119**	**0**	**17,952**	**191,189**

The Shareholders' Meeting of April 30, 2018 resolved to allocate the Company's 2017 profit of €10,362,253.37 as follows:

- €518,112.67 to the legal reserve pursuant to Article 2430 of the Italian Civil Code;
- €6,455.68 as a dividend to be distributed for the 263,497 savings shares;
- €1,165,920.35 as a dividend to be distributed for the 376,103,338 ordinary shares;
- €8,671,764.67 to the "Available reserve".

In accordance with Article 5 of the Company's By-Laws, holders of savings shares may convert such shares to ordinary shares in February and September each year. In 2018, 10,658 savings shares were converted to ordinary shares. As a result of this, the share capital as at December 31, 2018, fully subscribed and paid-up, could be broken down as follows:

	Number	Total value
Ordinary shares	377,542,567	139,904,235.88
Savings shares	258,427	95,764.12
Total	**377,800,994**	**140,000,000.00**

The Extraordinary Shareholders' Meeting held on September 2, 2013 resolved to eliminate the nominal value of shares.

During the period February 1-28, 2019, 3,650 savings shares were converted into ordinary shares with dividend entitlement as of January 1, 2018.

The table below shows the number of outstanding shares as at December 31, 2018 and December 31, 2017:

	12.31.2018	12.31.2017	Change
Shares issued	377,800,994	377,800,994	
Treasury shares	2,262,857	1,434,519	828,338
Total shares outstanding	**375,538,137**	**376,366,475**	**(828,338)**

With reference to the savings shares, the Reno De Medici S.p.A. By-Laws require that if a dividend of less than 5% of the value €0.49 is assigned to the savings shares in a financial year, the difference is calculated as an increase in the privileged dividend in the next two financial years. Dividends totaling €6,455.68 were distributed in 2018 to holders of savings shares.

In addition, dividends totaling €1,165,920.35 were distributed to holders of ordinary shares.

The table below provides a breakdown of each item of shareholders' equity by availability, origin and use in previous years, as required by Article 2427, no. 7-bis of the Italian Civil Code:

Description	Amount as at 12.31.2018	Possibilities of use (*)	Available portion	Summary of uses 2017 – 2016 – 2015 to cover losses	Summary of uses 2017 – 2016 – 2015 for other reasons
(thousands of Euros)					
Share capital	140,000			(34,723)	(10,399)
Of which treasury shares					
Legal reserve	1,477	B		(614)	
Other reserves:					
- Available reserve	32,064	A,B,C	32,064	(1,150)	10,399
- Treasury shares reserve	(1,059)				
- Hedging reserve	(421)				
- Reserve for sale of Ovaro business unit	3,105				
- Reserve for actuarial gains (losses)	(1,747)				
- Stock Grant Reserve	966				
- IFRS 9 Reserve	(1,267)				
- Merger reserve for R.D.M. Marketing S.r.l.	119				
Previous retained profits (losses)				36,487	
Total	**173,237**				

(*) A) to increase share capital
B) to cover losses
C) to distribute to shareholders

The table below shows the tax effect relating to the components of comprehensive income:

	12.31.2018 Gross value	12.31.2018 Tax (charge) benefit	12.31.2018 Net value	12.31.2017 Gross value	12.31.2017 Tax (charge) benefit	12.31.2017 Net value
(thousands of Euros)						
Change in fair value of cash flow hedges	*(376)*	*90*	*(286)*	*145*	*(35)*	*110*
"Actuarial gain/(loss)"	*53*		*53*	*24*		*24*

22. Derivative instruments

In order to reduce the variability of borrowing charges, (interest rate swaps) have been taken out on the loans outstanding as at December 31, 2018:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Derivative instruments (hedge accounting)	320	60	260
Non-current liabilities	**320**	**60**	**260**
Derivative instruments (hedge accounting)	221	108	113
Current liabilities	**221**	**108**	**113**
Total	**541**	**168**	**373**

As at December 31, 2018, the derivative instruments in the form of interest rates swaps had a negative fair value of €541 thousand.

The table below shows the main features of the derivative instruments outstanding as at December 31, 2018:

Company	Counterparty	Currency	Due date	Notional value (€/000)	Interest	Settlement of interest	Fair value of derivative (€/000)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	EUR	06.04.2020	4,500	0.42% fixed	Half-yearly	(27)
					Euribor 6m		
Reno De Medici S.p.A.	Banca Popolare di Milano	EUR	12.30.2022	11,429	0.45% fixed	Half-yearly	(137)
					Euribor 6m		
Reno De Medici S.p.A.	UniCredit S.p.A.	EUR	07.31.2024	35,000	0.385% fixed	Half-yearly	(377)
					Euribor 6m		
				50,929			**(541)**

23. Other current and non-current payables

The table below provides a breakdown of other current and non-current payables:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Deferred income		26	(26)
Other non-current payables		**26**	**(26)**
Employees' liabilities	2,256	1,728	528
Payable to social security authorities	2,159	1,885	274
Tax payables	614	631	(17)
Other non-current payables	1,262	319	943
Corporate Boards	418	405	13
Deferred income	26	52	(26)
Other current payables	**6,735**	**5,020**	**1,715**
Total other payables	**6,735**	**5,046**	**1,689**

As at December 31, 2017, the non-current portion of the caption "Other payables" totaled €26 thousand and refers to the non-current portion of the contribution pertaining to Law 488 relating to the Villa Santa Lucia mill.

"Other current payables" amounted to €6.7 million as at December 31, 2018 and were higher than in the previous year. Specifically, the first payment on account (€947 thousand) relating to the preliminary sales agreement for the Magenta site was received and the payables to personnel and social security authorities increased due to the revision of the variable remuneration and agreements relating to productivity bonuses.

"Payables to social security authorities" relate mainly to social security contributions due on current wages and salaries accrued to employees in December and paid in January 2019, and to provisions for social security contributions due on deferred compensation (employee leave, additional months' salaries paid as a bonus, and overtime). This caption increased as a result of higher contributions on both current and deferred compensation.

"Tax payables" relate to withholding tax due on remuneration paid to employees in December, and to miscellaneous tax payables. This item is essentially in line with the balance as at December 31, 2017.

"Accrued expenses" refers to the contribution under Law 488 relating to the Villa Santa Lucia mill, pertaining to the next financial year.

24. Deferred tax liabilities

The year-end balance of net deferred tax liabilities is provided below:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Non-current liabilities	3,035	3,447	(412)
Total deferred tax liabilities	**3,035**	**3,447**	**(412)**

The table below provides a summary of the calculation of deferred tax assets and liabilities from temporary differences as at December 31, 2018:

Taxes	12.31.2018			12.31.2017		
	Temporary differences	Tax %	Tax effect	Temporary differences	Tax %	Tax effect
(thousands of Euros)						
Recognized deferred tax assets	**6,567**		**1,675**	**6,923**		**1,673**
Tax losses to carry forward				3,932	24.00%	944
Inventory write-downs	507	27.90%	141	507	27.90%	141
Provision for future charges (IRES)	1,336	24.00%	321	1,722	24.00%	413
Provision for supplementary customer allowances	2,050	27.90%	572			
Other temporary differences - IRAP				42	3.90%	2
Other temporary differences - IRES	452	24.00%	108	542	24.00%	130
IFRS 9 Valuation	1,668	24.00%	400			
Valuation of derivatives with hedge accounting	554	24.00%	133	178	24.00%	43
Recognized deferred taxes	**17,114**		**4,709**	**18,575**		**5,120**
Amortization / depreciation in excess of amount allowed for tax purposes	15,401	27.90%	4,297	16,979	27.90%	4,737
Other temporary differences - IRES	190	24.00%	46	49	24.00%	12
Misalignment of TFR for IFRS application	1,523	24.00%	366	1,547	24.00%	371
Net recognized deferred tax (assets) liabilities			**3,034**			**3,447**
Unrecognized deferred tax assets	**33,180**		**8,068**	**22,282**		**5,453**
Write-downs for extended impairment	2,687	27.90%	750	2,687	27.90%	750
Reportable ROL (reduced working hours)	29,333	24.00%	7,040	18,458	24.00%	4,430
Write-downs for bad and doubtful receivables	1,160	24.00%	278	1,137	24.00%	273
Unrecognized deferred tax assets						

Tax assets and liabilities for deferred taxes are offset when permitted by law. A payable for net deferred IRES and IRAP tax liabilities of €3 million was recorded at the year-end, compared with €3.4 million as at December 31, 2017 following the use of IRES deferred taxes (€0.4 million) recorded as the difference between statutory and fiscal depreciation. As far as deferred tax assets on the other hand are concerned, note that they are in line with the previous year because the use of IRES deferred tax assets recorded in previous tax losses by the Parent Company (€0.9 million) was totally offset by the recording of deferred tax assets following the adoption of new accounting principle IFRS 9 and the merger by incorporation of the provision for supplementary customer allowances pertaining to R.D.M. Marketing S.r.l.

The origin of these deferred tax liabilities lies mostly in the excess of the statutory carrying amounts of certain tangible asset items over their tax bases. This situation arose following the allocation of the deficit that emerged during the 1998 merger and the effects of the transition to IFRS. Deferred tax liabilities therefore represent the future tax expense that will be incurred by the Company as a consequence of the fact that a portion of annually accounted depreciation will not be deductible from taxable income calculated for IRES and IRAP purposes.

Deferred tax assets are recognized where it is probable that the Company will have taxable income in the future, including the deferral of taxable temporary differences to future years, which will allow the utilization of deductible temporary differences.

25. Employee benefits

The following table compares balances as at December 31, 2018 and December 31, 2017:

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Employee benefits - TFR	5,467	5,486	(19)
Non-current employee benefits	**5,467**	**5,486**	**(19)**
Employee benefits - TFR	68	7	61
Current employee benefits	**68**	**7**	**61**
Total	**5,535**	**5,493**	**42**

Following the legislative changes in previous years regarding the TFR, the Company has continued to recognize its obligation accrued as at December 31, 2006 in accordance with rules for defined-benefit plans, while it recognizes its obligations for amounts accruing from January 1, 2007, due to supplementary pension funds or the treasury fund of the INPS (Italian social security institute), on the basis of the contributions due during the period.

Based on IAS 19, the calculation of an independent actuary using information provided by the Company was used for the actuarial assessment of the TFR as at December 31, 2018.

The actuary used the following demographic assumptions for the calculation:

- Table RG48 was used to estimate mortality among employees subject to the assessment (source: Italian General Accounting Service);

- An INPS table broken down by age and sex was used to estimate disability among employees subject to the assessment;

- The assumption of meeting the minimum requirements established by Mandatory General Insurance was used to estimate the retirement requirement;

- An annual rate of 5.00% was used for the probability of leaving the company for reasons other than death;

- An annual percentage of 3.00% was assumed as the probability of TFR advances.

The economic and financial assumptions used were as follows:

	Italy
Annual discount rate	1.13%
Annual inflation rate	1.50%
Annual rate of increase in TFR	2.625%

Changes in the actuarial value of employee benefits are provided below:

	Employee benefits
(thousands of Euros)	
Actuarial assessment of "Employee benefits" as at 12.31.2017	**5,493**
Interest cost	47
Incorporation of R.D.M. Marketing S.r.l. net of benefits paid	48
Actuarial gains (losses)	(53)
Actuarial assessment of "Employee benefits" as at 12.31.2018	**5,535**

26. Non-current and current provisions for risks and charges

The balance as at December 31, 2018 was as follows:

	12.31.2017	Merger of R.D.M. Marketing Group	Impact on January 1, 2018 of IFRS 9	Reclassification	Provisions	Uses	12.31.2018
(thousands of Euros)							
Provision for risk and charges	2,219			(42)	549	(486)	2,240
Leaving Indemnity Agents' Provision		1,960		(333)	10	(46)	1,591
Equity investment write-down provision		529				(290)	239
Financial assets write-down provision IFRS 9			851			(142)	709
Non-current provision for risks and charges	**2,219**	**2,489**	**851**	**(375)**	**559**	**(964)**	**4,779**
Provision for risk and charges	770				205	(238)	737
Leaving Indemnity Agents' Provision				375			375
Current provision for risks and charges	**770**			**375**	**205**	**(238)**	**1,112**
Total	**2,989**	**2,489**	**851**		**764**	**(1,202)**	**5,891**

The caption "Provision for risks and charges" increased in 2018 as a result of the inclusion of the provision for supplementary customer allowances and the equity investment write-down provision as a result of the merger by incorporation of R.D.M. Marketing S.r.l. A provision of €709 thousand was also established following the adoption of new accounting principle IFRS 9. As far as the provision for future charges is concerned, note the use of €303 thousand following the settlement of disputes and the allocation to the layoff fund (€0.3 million).

The short-term portion of the "Provision for future charges" includes charges to dismantle several buildings of the Magenta mill and two pending tax disputes regarding local taxes for which the Company deemed it appropriate to prudentially increase the provision to cover future charges totaling €600 thousand.

27. Trade payables

“Trade payables” to third-party suppliers accounted in the financial statements were €51 million (€55.2 million as at December 31, 2017) and are due within 12 months. They are stated net of trade discounts and adjusted for any returns or rebates agreed with the counterparties.

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Trade payables	51,023	55,160	(4,137)
Current trade payables	**51,023**	**55,160**	**(4,137)**

The decrease in payables is mainly due to the normal dynamics of working capital and the lower cost of raw materials.

28. Payables to Group companies

Payables to Group companies result from trade transactions carried out with Group companies and are set by normal market conditions.

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Payables to subsidiaries	2,442	2,931	(489)
Total payables to subsidiaries	**2,442**	**2,931**	**(489)**
Payables to associates and joint ventures		866	(866)
Total payables to associates and joint ventures	**0**	**866**	**(866)**
Total payables to Group companies	**2,442**	**3,797**	**(1,355)**

Below is a breakdown of payables to subsidiaries classified under “Current liabilities”:

	12.31.2018	12.31.2017	Change
(thousands of Euros)			
R.D.M. Marketing S.r.l.		2,181	(2,181)
R.D.M. Magenta S.r.l.	640	467	173
R.D.M. La Rochette S.A.S.	601	265	336
R.D.M. Ovaro S.p.A.	86	18	68
R.D.M. Arnsberg GmbH	118		118
R.D.M. Marketing France S.A.S.	449		449
R.D.M. Marketing Germany GmbH	170		170
R.D.M. Marketing Czech Rep. s.r.o.	165		165
R.D.M. Marketing Poland Sp z.o.o.	122		122
R.D.M. Marketing Hungaria KFT	21		21
R.D.M. Marketing UK Ltd	70		70
Total payables to subsidiaries	**2,442**	**2,931**	**(489)**

“Payables to associates and joint ventures” as at December 31, 2017 included the payable to PAC SERVICE S.p.A. representing the accrued premium.

Note that ZAR S.r.l. ceased trading in 2018.

	12.31.2018	12.31.2017	Change
(thousands of Euros)			
PAC Service S.p.A.		420	(420)
Total payables to associates		**420**	**(420)**
Zar S.r.l.		446	(446)
Total payables to joint ventures		**446**	**(446)**
Total payables to associates and joint ventures		**866**	**(866)**

29. Other payables to Group companies

“Other payables to Group companies” represent the amount owed to subsidiaries or joint ventures for cash pooling, and they are classified only under current liabilities.

The current portion of financial payables is detailed below:

	12.31.2018	12.31.2017	Change
(thousands of Euros)			
Cartiera Alto Milanese S.r.l. in liquidation	895	911	(16)
R.D.M. Arnsberg GmbH	17,010	10,871	6,139
RDM Blendecques S.A.S.	1		1
R.D.M. Ovaro S.p.A.	12,643	7,978	4,665
R.D.M. La Rochette S.A.S.	232	2,286	(2,054)
R.D.M. Marketing S.r.l.		2,036	(2,036)
R.D.M. Marketing France S.A.S.	2,363		2,363
R.D.M. Marketing Germany GmbH	812		812
R.D.M. Marketing Czech Rep. s.r.o.	101		101
R.D.M. Marketing Poland Sp z.o.o.	432		432
R.D.M. Marketing Hungaria KFT	198		198
Total other current payables to Group companies	**34,687**	**24,082**	**10,605**

Other payables to Group companies increased following the merger by incorporation of R.D.M. Marketing S.r.l. and hence of its subsidiaries. The changes in the other items are related to the performance of each subsidiary.

30. Current taxes

This caption is the amount owed to tax authorities for IRES applicable to the year just ended, net of payments on account. The increase is due to the increase in the taxable income of the companies participating in the national tax consolidation scheme and the full use in 2018 of the Company's previous tax losses.

	12.31.2018	12.31.2017	Variation
(thousands of Euros)			
Current taxes	5,955	954	5,001
Total current taxes	**5,955**	**954**	**5,001**

31. Non-recurring transactions and abnormal and/or unusual transactions

Significant non-recurring events and transactions

The effects of non-recurring transactions, as defined by Consob communication DEM/6064293, are shown in the income statement and described in the notes to the financial statements in relation to the relevant items.

The financial position, results and cash flows of Reno De Medici S.p.A. have not been affected by any significant non-recurring events or transactions. This refers to transactions or events which do not occur frequently as part of normal operations.

Positions or transactions deriving from abnormal and/or unusual transactions

In 2018, the Company did not carry out any atypical and/or unusual transactions as defined by the referenced Consob Communication DEM/6064293. These are defined as transactions which, in terms of their significance, relevance, nature of counterparties, purpose, procedure for determining the transfer price and timing, could raise doubts with respect to:

- the completeness and accuracy of the information provided in the financial statements;
- conflicts of interest;
- the safeguarding of company assets;
- the protection of minority shareholders.

32. Contingent liabilities and commitments and other guarantees given to third parties

More information on the principal disputes in which the Company is involved can be found in the “Other information” section of the Directors’ Report.

Commitments and guarantees given to third parties include:

- sureties of €6.6 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;

- sureties of €2.2 million issued to the Comieco consortium;
- sureties of €67 thousand issued in favor of the customs authorities;
- a surety of €90 thousand issued in favor of the Province of Milan;
- a surety of €128 thousand issued in connection with property leases;
- a surety of €424 thousand issued in favor of Terna S.p.A.;
- a surety of €57 thousand issued in favor of the revenue agency for Cartiera Alto Milanese in liquidation S.r.l.;
- a surety issued in favor of Vetropack, the potential purchaser of the Magenta site, following the preliminary sales agreement for €1.8 million;

There are mortgages on the Ovaro (UD) mill properties for a total of €13.7 million guaranteeing four loans granted to the subsidiary R.D.M. Ovaro S.p.A. by Banca Mediocredito del Friuli Venezia Giulia S.p.A., the residual value of which, as at December 31, 2018, was €4.2 million.

As part of the sale of the Ovaro mill to R.D.M. Ovaro S.p.A., Reno De Medici S.p.A. and FRIULIA S.p.A respectively obtained a call option, exercisable between June 27, 2014 and June 27, 2017, and a put option, exercisable between June 27, 2015 and June 27, 2017, on FRIULIA S.p.A.'s stake in R.D.M. Ovaro S.p.A.

In June 2017, Reno De Medici S.p.A. and Friulia S.p.A. redefined the shareholders' agreements signed on June 27, 2012, in the context of the acquisition by Friulia of a 20% share of R.D.M. Ovaro S.p.A., for a price of €2.5 million. These agreements, inter alia, give Friulia S.p.A. the right to sell its investment in R.D.M. Ovaro S.p.A. to Reno De Medici S.p.A. under certain conditions, by exercising a put option by June 27, 2017.

The Parties, having recognized the success of the partnership, in view of the new investments necessary to grow the value of R.D.M. Ovaro S.p.A. and its potential expansion plans, agreed that the extension of the partnership would be advantageous for the Subsidiary.

Therefore, the Parties signed new agreements, through the application of which Reno De Medici S.p.A. is buying back the 20% stake in R.D.M. Ovaro S.p.A. owned by Friulia, for a total price of €2,497,010.95 in four equal shares, the first two of which were already bought on June 15, 2017 and June 30, 2018 and the remaining two portions will be bought on June 30, 2019 and June 30, 2020. Reno De Medici S.p.A. can still exercise the call option at an earlier time.

33. Related-Party Transactions

For details on the transaction, see the section "Main transactions of the Reno De Medici Group in 2018" in the Directors' Report.

For information on the related-party transactions specified in IAS 24 and Consob Communication 6064293 of July 28, 2006, see Annex A "Details of related-party and intragroup transactions as at December 31, 2018" attached to these financial statements and the section entitled "Information on related-party transactions" in the Directors' Report.

34. Information relating to contributions received from the Public Authority or equivalent parties

Article 1, paragraphs 125-129 of Law no. 124/2017 later supplemented by Decree Law no. 113/2018 (Security) and Decree Law no. 135/2018 (Simplification), introduced the framework on the transparency of public disbursements. The information required is provided below.

In 2018, the company received contributions, pursuant to Article 1, paragraph 25 of the above-mentioned law, equal to €37 thousand. The table below contains the data on the parties making disbursements, the amount of the contributions received and the explanation related to the benefit. Note that contributions above the level of €10,000 are reported with reference to said party making the disbursement, as required by applicable law.

Party making the disbursement	Purpose	Contribution received
Ministry of the Environment	Asbestos tax credit	16,446
Fondimpresa Milano	Training	20,626
		37,072

Lastly, in 2018 the company received contributions which had to be published under the scope of the National Register of State Aid which should be referred to.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The analysis and disclosures required by IFRS 7 – "Financial Instruments: Disclosures are provided below".

This analysis compares the situation at the reporting date as at December 31, 2018 with the situation as at December 31, 2017, and it refers to the Parent company's separate financial statements.

All figures are stated in thousands of Euros.

The section below provides information about the impact of financial instruments on the statement of financial position and on the income statement.

Impact of Financial Instruments on the Statement of Financial Position

The table below shows the book value of each type of financial asset and liability in the separate statement of financial position.

	12.31.2018		12.31.2017	
	Book value	Fair value	Book value	Fair value
(thousands of Euros)				
Cash and cash equivalents	**26,835**	**26,835**	**17,550**	**17,550**
Loans and receivables	**58,555**	**58,555**	**52,601**	**52,601**
Trade receivables	40,156	40,156	41,295	41,295
Other receivables from Group companies	14,953	14,953	7,042	7,042
Other receivables	3,446	3,446	4,264	4,264
Financial liabilities at amortized cost	**(155,090)**	**(156,988)**	**(123,243)**	**(124,599)**
Unsecured medium- and long-term bank loans at amortized cost	(14,135)	(14,284)	(19,060)	(16,643)
Secured medium- and long-term bank loans at amortized cost	(46,069)	(47,818)	(14,098)	(17,871)
Short-term loans from banks for use of commercial facilities			(2,000)	(2,000)
Trade payables	(53,464)	(53,464)	(58,956)	(58,956)
Other payables to Group companies	(34,687)	(34,687)	(24,082)	(24,082)
Other payables	(6,735)	(6,735)	(5,047)	(5,047)
Hedging derivatives	**(541)**	**(541)**	**(168)**	**(168)**
	(70,241)	**(72,139)**	**(53,260)**	**(54,616)**
Unrecognized profits (losses)	**1,898**		**1,356**	

Having examined the financial models and criteria used to estimate the fair values of the above-mentioned financial instruments, further details are provided below on the individual items.

Derivative instruments

In general, the fair value of derivatives is calculated according to mathematical models using directly observable input data (such as an interest rate curve).

The Parent Company's only derivative instruments indexed to interest rates are interest rate swaps. A discounted cash flow model is used to measure these instruments, whereby the fair value of a derivative is given by the algebraic sum of the present values of future cash flows estimated on the basis of the risk-free curve of deposit rates, futures and swaps at the reporting date.

The reference international accounting standard (IFRS 13) identifies a measurement hierarchy based on three levels:

- level 1: inputs used in measurements are represented by quoted prices in active markets for identical assets and liabilities to those subject to measurement;
- level 2: inputs other than quoted prices included in level 1 that are observable for the financial asset or liability, both directly (prices) and indirectly (derived from prices);
- level 3: in the event that observable inputs are not available, and therefore market activity is light or non-existent for the asset or liability subject to measurement, the inputs are non-observable.

	Classification	12.31.2018	Fair value as at the date of the financial statements based on:		
			Level 1	Level 2	Level 3
(thousands of Euros)					
Derivative instruments on interest rates	Non-current derivative instruments	320		320	
Derivative instruments on interest rates	Current derivative instruments	221		221	

As at December 31, 2018, the Parent company did not hold any foreign-exchange derivative instruments or any derivative instruments indexed to commodity prices.

Loans

The aggregate under review consists of all medium- and long-term loans. These were measured by calculating the net present value of the future flows generated by the financial instrument, taking into account the principal repayment plan defined in the loan agreements.

In the case of indexed loans, future interest rates were estimated by calculating the forward rates implicit in the quoted Euro deposit rates, futures and swaps risk-free curve as at December 31, 2018 and December 31, 2017.

Future flows were discounted on the basis of the same Euro yield curve as at December 31, 2018 and December 31, 2017.

Loan Repayment Plans, Terms and Conditions

The terms and conditions of the loans are summarized in the table below.

	Currency	Nominal interest rate	Year of maturity	Nominal value as at 12.31.2018	Book value	Nominal value as at 12.31.2017	Book value
(thousands of Euros)							
Secured medium- and long-term bank loans at amortized cost				**46,429**	**46,030**	**14,286**	**14,096**
Banca Popolare di Milano	Euro	Eur6m+spread	2022	11,429	11,307	14,286	14,096
UniCredit	Euro	Eur6m+spread	2024	35,000	34,723		
Unsecured bank loans at amortized cost				**14,150**	**14,121**	**19,147**	**19,060**
Banque Palatine 376	Euro	Fixed	2023	2,554	2,554		
Banque Palatine 377	Euro	Fixed	2023	1,706	1,706		
Banco Popolare	Euro	Eur3m+spread	2019	1,261	1,261	3,771	3,771
Banca Intesa Sanpaolo	Euro	Eur6m+spread	2020	6,000	5,974	10,000	9,930
Credem	Euro	Eur3m+spread	2020	1,754	1,754	2,751	2,751
Cariparma	Euro	Eur6m+spread	2019	875	872	2,625	2,608
Total medium- and long-term loans	Euro			**60,579**	**60,151**	**33,433**	**33,156**
Short-term loans from banks for use of commercial facilities						**2,000**	**2,000**
Used portfolio	Euro	Euribor+spread	n/a			2,000	2,000
Pre-paid invoices	Euro	Euribor+spread	n/a			-	-
Export loans	Euro	Euribor+spread	n/a			-	-
Import loans	Euro	Euribor+spread	n/a			-	-
Total short-term loans	**Euro**					**2,000**	**2,000**
Total interest-bearing liabilities	**Euro**			**60,579**	**60,151**	**35,433**	**35,156**

Other Financial Instruments

The fair value of receivables from customers, payables to suppliers and other financial assets and liabilities falling due contractually during the year has not been calculated, insofar as the book value of the financial instrument is virtually the same.

Other Information

The table below provides a breakdown of changes in the shareholders' equity hedging reserve.

(thousands of Euros)	
Reserve 12.31.2017	**135**
Fair value adjustment of cash flow hedge derivatives	376
Tax effect of fair value adjustment of cash flow hedge derivatives	(90)
Transfers to the income statement	
Tax effect of transfers to the income statement	
Reserve 12.31.2018	**421**

Hedge accounting is the release of the related reserve when the cash flows from outstanding loans appear, while fair value is the provision to the reserve.

Credit Risk

This section describes in both quantitative and qualitative terms the exposure to credit risk and the way in which this is managed.

Risk Exposure

Core business exposure to credit risk at the reporting date was as follows:

	12.31.2018	12.31.2017
(thousands of Euros)		
Gross trade receivables	42,170	43,183
- provision for bad and doubtful debts	(2,014)	(1,888)
Total	**40,156**	**41,295**

Overdue or Impaired Financial Assets

The table below provides a breakdown of the seniority of trade receivables, net of individual write-downs, as at the reporting date:

	Overdue receivables				
December 31, 2018	**more than 60 days**	**from 31 to 60 days**	**from 0 to 30 days**	**Non-overdue receivables**	**Total**
(thousands of Euros)					
Italy	151	124	1,078	30,422	31,775
EU	544	219	2,378	2,044	5,185
Rest of the world	12	91	508	2,585	3,196
Total	**707**	**434**	**3,964**	**35,051**	**40,156**

	Overdue receivables				
December 31, 2017	**more than 60 days**	**from 31 to 60 days**	**from 0 to 30 days**	**Non-overdue receivables**	**Total**
(thousands of Euros)					
Italy	494	16	1,552	32,250	34,312
EU	190	15	1,407	34	1,646
Rest of the world	79		231	5,027	5,337
Total	**763**	**31**	**3,190**	**37,311**	**41,295**

The Parent Company's overdue receivables as at December 31, 2018 worsened in absolute terms from €4 million to €5 million. They represent 12.1% of the total portfolio compared with 9.6% reported in the previous year.

How Credit Risk is Managed

As a general rule, the commercial risk management policy is to insure all client receivables, excluding those of Italian customers, with leading insurance companies. Any uninsured or non-insurable positions, in particular those with Italian customers, are constantly monitored by the appropriate Corporate Functions.

In addition, non-recourse receivable assignment agreements have been entered into.

The internal procedures for carrying out a creditworthiness assessment involve collecting and analyzing qualitative and quantitative information, and the use of external databases and commercial information. To date, the policies used have made it possible to limit receivable-related losses, which in 2018 were zero.

Market Risk

Market risk is defined as the risk that the fair value or the cash flows associated with a financial instrument will fluctuate because of changes in market variables such as exchange rates, interest rates, commodity prices, and stock prices.

The market risk to which the Parent company was exposed during the year may be broken down as follows:

- currency risk;
- interest rate risk;
- commodity risk.

The scale of these risks and the way in which they are managed is described below.

Currency risk

The Parent company's exposure to currency risk derives from:

- trade receivables/payables denominated in currencies other than the functional currency of the financial statements;
- cash and cash equivalents held in foreign-currency current accounts;

Other than the Euro, which is the functional currency, the main currencies in which the Parent company carries out its commercial activities are the United States dollar and the British pound. Exposure to other currencies is negligible.

In terms of exposure to currency risk, in 2018 the Parent company managed the marginal imbalance between investments and funds in the same currency by using a natural-hedging approach and by carefully and continually monitoring market conditions; as a result, it was not deemed necessary to resort to hedging derivatives.

The Parent company's exposure in euros, based on the official ECB exchange rates as at December 31, 2018 and December 31, 2017, is reported in the following table.

ECB exchange rates	12.31.2018	12.31.2017
(per Euro)		
USD	1.145	1.1993
GBP	0.8945	0.8872
CHF	1.1269	1.1702
CAD	1.5605	1.5039
CNY	7.8751	

The table below provides a breakdown of the Parent Company's exposure to currency risk stated in its separate financial statements, based on the notional amount of the exposure expressed in thousands of Euros:

	12.31.2018					12.31.2017			
	USD	GBP	CHF	CAD	CNY	USD	GBP	CHF	CAD
(thousands of Euros)									
Trade receivables	1,914	9			27	3,116	23		
Trade payables	(901)	(43)	(1)			(1,106)	(45)		
Cash pooling with subsidiaries	1,340	(397)				(377)	(389)		
Cash and cash equivalents	828	673		1		2,897	540	2	1
Net exposure	**3,181**	**242**	**(1)**	**1**	**27**	**4,530**	**129**	**2**	**1**

Sensitivity Analysis of Currency Risk

In order to measure the possible effects of changes in the reporting-date exchange rates on the statement of financial position and income statement, assumptions were made (as at December 31, 2018 and December 31, 2017) as to variations in the value of the Euro against the major foreign currencies.

Specifically, two scenarios were used: a 10% appreciation and a 10% depreciation of the Euro against the other currencies. For each of the two scenarios, the gain or loss arising from transactions outstanding as at December 31, 2018 and December 31, 2017 was then calculated. In this way, it was possible to determine the effect on the income statement and on shareholders' equity had the market exchange rates been subject to the assumed changes.

The tables below provide a summary of the results of this analysis, indicating the additional effect on the actual figures recognized at the reporting date. These re-measurements based on changes in the exchange rate affect profit or loss for the year.

10% appreciation of the Euro		**10% depreciation of the Euro**	
(thousands of Euros)	**Profit or loss**	**(thousands of Euros)**	**Profit or loss**
December 31, 2018		**December 31, 2018**	
USD	(318)	USD	318
GBP	(24)	GBP	24
CHF		CHF	
CAD		CAD	
CNY	(3)	CNY	3
Total	**(345)**	**Total**	**345**

December 31, 2017		**December 31, 2017**	
USD	(453)	USD	453
GBP	(13)	GBP	13
CHF		CHF	
CAD		CAD	
Total	**(466)**	**Total**	**466**

How Currency Risk is Managed

The main objective of the Parent Company's currency-risk management policy is to limit the exposure to foreign currency arising from exporting finished goods to and importing raw materials from foreign markets. The following guidelines are used in pursuing this policy:

- inflows and outflows in the same currency are offset (natural hedging);

- recourse is made to forward sales or to export loans in the same currency. These transactions were arranged by using a notional amount and due date that correspond to those of the expected cash flows (if the amount is significant), so that any changes in the cash flows arising from the forward transactions, as the result of the appreciation or depreciation of the Euro against the other currencies, are substantially offset by a corresponding change in the expected cash flows of the underlying positions;

- forward sales are hedged. There were no outstanding transactions of this type at the reporting date.

As a general rule, the currency-risk management policy recommends maximizing the use of natural hedging and, in any case, excludes recourse to transactions involving complex derivatives, e.g. those with barriers.

RDM's Administration and Finance Department is responsible for monitoring currency risk and recommends suitable currency-risk hedging strategies to keep exposure within the limits agreed with senior management.

Interest Rate Risk

Financial liabilities exposing the Parent company to interest rate risk are, for the most part, floating-rate medium- and long-term loans.

The table below sets out the positions that are subject to interest rate risk, separating fixed-rate from floating-rate exposure in terms of the nominal value of the financial instruments.

However, the exposure to interest rate risk arising from loans is partially mitigated by entering into interest rate swap agreements designed to hedge the volatility of future cash flows indexed to market rates.

	12.31.2018	%	12.31.2017	%
(thousands of Euros)				
Floating-rate medium- and long-term loans	(1,253)	2.5%	(5,391)	9.4%
Floating-rate medium- and long-term loans hedged by IRS	(45,071)	90.9%	(15,929)	27.7%
Fixed-rate medium- and long-term loans	(3,267)	6.6%		
Fixed-rate medium- and long-term loans - subsidiaries				
Total non-current liabilities	**(49,591)**	**52.4%**	**(21,320)**	**37.1%**
Floating-rate medium- and long-term loans	(4,138)	9.2%	(6,256)	10.9%
Floating-rate medium- and long-term loans hedged by IRS	(5,857)	13%	(5,857)	10.2%
Fixed-rate medium- and long-term loans	(992)	2.2%		
Floating-rate cash pooling with subsidiaries and joint ventures	(34,688)	75.6%	(24,082)	41.9%
Total current liabilities	**(45,675)**	**47.6%**	**(36,195)**	**62.9%**
Total (floating rate)	(5,391)	*5.7%*	(11,647)	*20.3%*
Total (fixed rate or hedged floating rate)	(89,875)	*94.3%*	(45,867)	*79.7%*
Total	**(95,266)**	**100%**	**(57,515)**	**100%**

Sensitivity Analysis of Interest Rate Risk

A sensitivity analysis of the financial instruments exposed to interest rate risk was performed upon preparation of the financial statements. The following assumptions were used in the model:

- for bank current-account exposure and spreads settled by interest rate swaps, financial income/expense was recalculated by applying +/-50 bps to the interest rate payable, multiplied by the carrying amounts and for a period equal to the financial year;

- for loans with a repayment plan, the change in financial expense was calculated by applying +/-50 bps to the loan interest rate payable at each refixing date, multiplied by the outstanding principal during the year;

- the change in the fair value of interest rate swaps at the reporting date was calculated by applying +/-50 bps to the Euro risk-free curve of deposit rates, futures and swaps at the reporting date.

		Profit (loss)		Shareholders' equity	
		Increase of 50 bps	**Decrease of 50 bps**	**Increase of 50 bps**	**Decrease of 50 bps**
(thousands of Euros)					
December 31, 2018					
Cash flows during the year		**(176)**	**158**		
	Cash flows from derivatives	*131*	*(131)*		
	Intercompany current account	*(100)*	*100*		
	Floating-rate loans	*(207)*	*189*		
Effectiveness of hedges				689	(689)
Net sensitivity of financial flows		**(176)**	**158**	**689**	**(689)**
December 31, 2017					
Cash flows during the year		**(177)**	**157**		
	Cash flows from derivatives	*83*	*(83)*		
	Intercompany current account	*(88)*	*88*		
	Floating-rate loans	*(172)*	*152*		
Effectiveness of hedges				199	(199)
Net sensitivity of financial flows		**(177)**	**157**	**199**	**(199)**

An analysis of these scenarios demonstrated that changes in interest rates had little impact on the income statement and shareholders' equity. Cash flow hedges considerably restrict the impact on financial expense recognized in the income statement.

How Interest Rate Risk is Managed

The Parent company uses various debt instruments according to the nature of its financial requirements. In particular, it uses short-term debt to fund working capital requirements and medium- and long-term financing to cover investments in the core business.

The techniques used most often are:

- advances for short-term requirements;
- loans for medium- and long-term requirements. These instruments, which are arranged with leading banks, are mainly indexed to floating rates that are subject to revision every three or six months.

The Parent Company's current risk management policy aims to reduce the variability of the financial expense incurred on its debt and of the related effects on results. The practical objectives in terms of risk management therefore involve stabilizing the cash flows linked to the cost of servicing debt in line with budget forecasts.

From an operating standpoint, the Parent Company sets about achieving this goal by using derivatives in the form of Interest Rate Swaps (IRS).

In line with the features of the transactions carried out and its risk management objectives, the Parent Company has decided to structure its hedging relations using a Cash Flow Hedge approach.

Specifically, the hedging relations involve converting floating-rate loan payments to fixed-rate payments. This is carried out by using Interest Rate Swaps (IRS), under which the Parent Company receives a flow of payments from the counterparty bank at the same floating rate as its debt, less the spread. In exchange, the Parent company makes a payment flow at a fixed rate. The position (debt + IRS) in the separate financial statements is therefore a fixed-rate liability of which the amount of financial expense is certain (the aim of Cash Flow Hedging).

The present hedging policy excludes the recourse to transactions involving complex derivatives.

As at the reporting date, the risk of variability in cash flows linked to floating-rate debt was mainly hedged by derivative financial instruments.

Commodity Risk

In terms of the nature of the business carried out by RDM, commodity risk is the risk that the profit for the year will be reduced by incurring higher costs to purchase raw materials for the mills. This risk is part of the broader category of market risk, specifically where the cost of the raw materials is dependent on changes in a quoted index.

In 2017, the Group signed contracts for the supply of natural gas also for 2018, operating mainly on a quarterly and annual basis, negotiating fixed unit prices for each of the individual quarters of supply. This allowed for a significant reduction in “commodity risk” for the first part of the year and a partial reduction for the last quarter. The quotas relating the last quarter were negotiated and confirmed over the year in order to meet the mills’ requirements, while benefiting from the decreasing prices for energy commodities. All prices are expressed in Euros per volume unit, with subsequent adjustments to the content of primary energy contained in it.

At the end of November 2017, the Group signed contracts for the supply of electricity at a price indexed according to the prices of certain continental energy markets, in some cases by providing fixing operations following the conclusion of contracts by utilizing appropriate clauses in their contracts. Supply quotas at a price indexed relating to reference markets are negotiated with spreads fixed with respect to these prices. The aim of fixing the supply prices is to contain commodity risk as described above. The negotiated prices are expressed in Euros per unit of electricity. In 2018 several agreements for the supply of electricity were extended, with part of the excess withdrawals purchased and the deliveries sold agreed at fixed prices for 2019.

As of December 31, 2018 there were no specific derivative hedging instruments for the commodity risk.

A sensitivity analysis was not performed on this category of risk because, as at the date of preparing the financial statements, it was not considered material in terms of its impact on the income statement and on the Group’s business margins.

How Commodity Risk is Managed

The nature of the Parent company’s business involves exposure to fluctuations in the price of electricity, natural gas and certain chemical products derived from petroleum (such as latexes) and fibrous raw materials.

Natural gas supply contracts are usually agreed for shares of the total requirement and are negotiated at a fixed price at least three months, but sometimes longer, before the supply period. Electricity is purchased at a fixed price, and partially indexed according to the values of continental electricity markets as published by the bodies responsible for these markets.

In order to contain possible price pressure on raw materials, the Group aims to diversify its suppliers and its supply markets.

The Group does not currently use derivative instruments, even if there is a possibility to enter into technical forms of hedging with leading banks.

Liquidity risk

Liquidity risk can take the form of difficulty in obtaining the funds required to satisfy scheduled contractual commitments at market conditions.

This may mean there are insufficient resources available to meet financial obligations under the agreed terms and conditions and at the pre-determined due dates, or it may mean the business is required to settle its financial liabilities earlier than the scheduled due date.

For each contract maturity date, the analysis is aimed at measuring the cash flows deriving from the various types of financial liability held as at December 31, 2018 and December 31, 2017.

Depending on their nature, financial liabilities were separated into non-derivative and derivative financial liabilities. Given the different accounting treatments, the latter were subdivided into liabilities where the derivative had been formally designated as a hedge, and had turned out to be effective, or liabilities where the derivative was not subject to hedge accounting.

The main assumptions relating to the Parent company's financial requirements that were used to carry out the analyses were as follows:

- cash flows are not discounted;

- cash flows are allocated to their respective time bands on the basis of the first possible payment date provided for by the contractual terms and conditions (the worst-case scenario);

- all instruments held at the reporting date for which payments have been contractually designated are included; planned future commitments that have not yet been recognized in the financial statements are not included;

- if the amount payable is not fixed (e.g. future interest payments), financial liabilities are measured at market terms and conditions at the reporting date;

- cash flows also include the interest that the Parent company will pay up to the due date of the debt, measured at the reporting date and calculated on the basis of forward market interest rates.

December 31, 2018	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
(thousands of Euros)							
Cash and cash equivalents	**26,835**	**26,835**	26,835				
Trade receivables	**40,156**	**40,156**	40,156				
Other receivables from Group companies	**14,953**	**14,953**	14,953				
Other receivables	**3,446**	**3,446**	2,254		1,192		
Medium- and long-term bank loans	**(60,204)**	**(62,102)**	(6,792)	(4,564)	(13,965)	(29,697)	(7,084)
Short-term loans from banks for use of commercial facilities							
Other payables to Group companies	**(34,687)**	**(34,687)**	(34,687)				
Financial payables to subsidiaries							
Hedging derivatives	**(541)**	**(541)**	(104)	(139)	(223)	(99)	24
Non-hedging derivatives							
Trade payables	**(53,464)**	**(53,464)**	(53,464)				
Other payables	**(6,735)**	**(6,735)**	(6,735)				
Total	**(70,241)**	**(72,139)**	**(17,584)**	**(4,703)**	**(12,996)**	**(29,796)**	**(7,060)**

December 31, 2017	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
(thousands of Euros)							
Cash and cash equivalents	**17,550**	**17,550**	17,550				
Trade receivables	**41,295**	**41,295**	41,295				
Other receivables from Group companies	**7,042**	**7,042**	7,042				
Other receivables	**4,264**	**4,264**	3,289		975		
Medium- and long-term bank loans	**(33,170)**	**(34,514)**	(6,266)	(6,238)	(10,290)	(11,720)	
Short-term loans from banks for use of commercial facilities	**(2,000)**	**(2,000)**	(2,000)				
Other payables to Group companies	**(24,082)**	**(24,082)**	(24,082)				
Financial payables to subsidiaries							
Hedging derivatives	**(168)**	**(168)**	(64)	(50)	(61)	7	
Non-hedging derivatives							
Trade payables	**(58,956)**	**(58,956)**	(58,956)				
Other payables	**(5,047)**	**(5,047)**	(4,969)	(52)	(26)		
Total	**(53,272)**	**(54,616)**	**(27,161)**	**(6,340)**	**(9,402)**	**(11,713)**	

The first section of the table compares the book value of the financial liabilities with the total value of cash flows that – given the market conditions at the reporting date – are expected to be received from or paid to counterparties. The second section of the table shows a breakdown by time period of the total cash flows, which make up the item “Contractual financial flows”.

How Liquidity Risk is Managed

The Group’s financial activity is centered largely on the Parent Company Reno De Medici S.p.A., which, on the basis of well-established practice inspired by prudence and stakeholder protection, negotiates credit facilities with banks and continually monitors the cash flows of the individual Group companies.

The Group’s management policies involve continually monitoring liquidity risk with a view to mitigating said risk by maintaining sufficient liquidity and/or short-term deposits with prime counterparties and by having access to short-term credit facilities backed mainly by receivables from domestic and foreign clients.

APPENDICES

The appendices contain the following information, which constitutes an integral part of the explanatory notes

Appendix A: Details of related-party and intragroup transactions as at December 31, 2018

Appendix B: Information pursuant to Article 149-duodecies of the Consob Issuers' Regulations

APPENDIX A – DETAILS OF RELATED-PARTY AND INTRAGROUP TRANSACTIONS AS AT 31 DECEMBER 2018

The additional disclosures on related-party transactions, as required by Consob Communication 6064293 of July 28, 2006, are provided below.

RECEIVABLES, PAYABLES, COSTS AND REVENUES WITH GROUP COMPANIES

The table below lists the details of the transactions carried out during 2018 and 2017 with direct and indirect subsidiaries, with associated companies and joint ventures. Transactions carried out between Reno De Medici S.p.A. and other Group companies in the field of production, finance and in the provision of services, are regulated under market conditions, taking into account the quality of goods and services provided.

Intragroup receivables and payables

	Current assets			Current liabilities	
	Receivables from subsidiaries		Receivables from joint ventures and associated companies	Payables from subsidiaries	
12-31-18	**trade** (1)	**financial** (2)	**trade** (1)	**trade** (4)	**financial** (5)
(thousands of Euros)					
Cartiera Alto Milanese S.r.l. in liquidation					895
Emmaus Pack S.r.l.			6,418		
PAC SERVICE S.p.A.	2,321				
RDM Blendecques S.A.S.	437	7,524			1
R.D.M. Ovaro S.p.A.	2,279			86	12,643
R.D.M. Arnsberg GmbH	812			118	17,010
R.D.M. La Rochette S.A.S.	909	4,757		601	232
R.D.M. Magenta S.r.l.	131	1,028		640	
Barcelona Cartonboard S.A.U.	116				
R.D.M. Marketing France S.A.S.	113			449	2.363
R.D.M. Marketing Germany GmbH	57			170	812
R.D.M. Marketing Spain S.l.u.	131	86			
R.D.M. Marketing Czech Rep. s.r.o.	20			165	101
R.D.M. Marketing Poland Sp z.o.o.	30			122	432
R.D.M. Marketing Hungaria KFT	36			21	198
R.D.M. Marketing UK Ltd	19	340		70	
Total	**7,411**	**13,735**	**6,418**	**2,442**	**34,687**

12-31-2018	Current assets				Current liabilities			
	Receivables from subsidiaries		Receivables from joint ventures and associated companies		Payables to subsidiaries		Payables to joint ventures and associated companies	
	trade (1)	financial (2)	trade (1)	financial (2)	trade (4)	financial (5)	trade (4)	financial
(thousands of Euros)								
R.D.M. Marketing S.r.l.	261				2,181	2,036		
Cartiera Alto Milanese S.r.l. in liquidation						911		
Emmaus Pack S.r.l.			6,703					
PAC SERVICE S.p.A.					420			
RDM Blendecques S.A.S.	361	5,928						
R.D.M. Ovaro S.p.A.	882				18	7,978		
R.D.M. Arnsberg GmbH	538					10,871		
R.D.M. La Rochette S.A.S.	140				264	2,286		
R.D.M. Magenta S.r.l.	178	489			467			
ZAR S.r.l.					446			
Total	**2,360**	**6,417**	**6,703**	**-**	**3,796**	**24,082**	**-**	**-**

(1) See the Statement of Financial Position – total for the item “Receivables from Group companies” classified among “Current assets”

(2) See the Statement of Financial Position – total for the item “Other receivables from Group companies” classified among “Current assets”

(3) See the Statement of Financial Position – total for the item “Other payables to Group companies” classified among “Non-current liabilities”

(4) See the Statement of Financial Position – total for the item “Payables to Group companies” classified among “Current liabilities”

Intragroup revenues

12-31-2018	Revenues from sales (1)	Other revenues (2)	Financial income
(thousands of Euros)			
PAC Service S.p.A.	5,181		
RDM Blendecques S.A.S.		1,344	192
R.D.M. Ovaro S.p.A.	1,159	908	
R.D.M. Arnsberg GmbH	2	2,809	
R.D.M. Magenta S.r.l.		122	13
R.D.M. La Rochette S.A.S.		1,776	103
Emmaus Pack S.r.l.	11,739	102	
Barcelona Cartonboard S.A.U.	117		
R.D.M. Marketing France S.A.S.		113	
R.D.M. Marketing Germany GmbH		57	
R.D.M. Marketing Spain S.l.u.		34	1
R.D.M. Marketing Czech Rep. s.r.o.		20	
R.D.M. Marketing Poland Sp z.o.o.		30	
R.D.M. Marketing Hungaria KFT		16	
R.D.M. Marketing UK Ltd		19	14
Total	**18,198**	**7,350**	**323**

12-31-2017	Revenues from sales (1)	Other revenues (2)	Financial income
(thousands of Euros)			
R.D.M. Marketing S.r.l.		408	
Emmaus Pack S.r.l.	11,509	95	
PAC SERVICE S.p.A.	5,115		
RDM Blendecques S.A.S.		1,203	192
R.D.M. Ovaro S.p.A.	268	728	
R.D.M. Arnsberg GmbH		2,644	
R.D.M. Magenta S.r.l.		133	2
R.D.M. La Rochette S.A.S.		140	81
Total	**16,892**	**5,351**	**275**

(1) See the income statement – the item “Revenues from sales – of which related parties” includes intragroup “Revenues from sales” and “Revenues from sales” with other related parties

(2) See the income statement – the item “Other revenues and income – of which related-parties” includes intragroup “Other revenues and income” and “Other revenues and income” with other related parties

Intragroup costs

	Cost of raw materials and services (1)		Financial expense
12-31-2018	raw materials	services	
(thousands of Euros)			
RDM Blendecques S.A.S.		(1,.149)	1
R.D.M. Ovaro S.p.A.	(2,398)	(653)	121
R.D.M. Arnsberg GmbH	28	(2.340)	23
R.D.M. Magenta S.r.l.		4.907	
ZAR S.r.l.	(24)		
R.D.M. La Rochette S.A.S.	1,019	(2,019)	9
R.D.M. Marketing France S.A.S.		2,620	2
R.D.M. Marketing Germany GmbH		1,230	1
R.D.M. Marketing Spain S.l.u.			
R.D.M. Marketing Czech Rep. s.r.o.		594	
R.D.M. Marketing Poland Sp z.o.o.		768	
R.D.M. Marketing Hungaria KFT		268	
R.D.M. Marketing UK Ltd		438	
Total	**(1,375)**	**5,252**	**157**

	Cost of raw materials and services (1)		Financial expense
12-31-17	raw materials	services	
(thousands of Euros)			
R.D.M. Marketing S.r.l.		5,407	2
RDM Blendecques S.A.S.			1
R.D.M. Ovaro S.p.A.	12		65
R.D.M. Arnsberg GmbH			12
R.D.M. Magenta S.r.l.		5,574	
ZAR S.r.l.	2,322		
R.D.M. La Rochette S.A.S.	419		15
Total	**2,753**	**10,981**	**95**

(1) See the income statement – the item “Cost of raw materials and services – of which related parties” includes the intragroup “Cost of raw materials and services” and the “Cost of raw materials and services” with other related parties

RECEIVABLES, PAYABLES, COSTS AND REVENUES WITH OTHER RELATED PARTIES

Receivables and payables with other related parties

The table below provides a breakdown of receivables and payables with related parties as at December 31, 2018 and as at December 31, 2017:

	Current liabilities
12-31-18	**Payables to third-party suppliers**
(thousands of Euros)	
Cascades Groupe Produits Spec.	1
Total	**1**
Impact on item total	**0.0%**

	Current liabilities
12-31-2017	**Payables to third-party suppliers**
(thousands of Euros)	
Cascades Groupe Produits Spec.	1
Total	**1**
Impact on item total	**0.0%**

(1) See the Statement of Financial Position – total of item “Other payables” classified in “Non-current liabilities”

Revenues and Costs with Other Related Parties

The table below details costs and revenues with related parties during 2017 because there were no changes in 2018:

12-31-2017	**Revenues from sales** (1)
(thousands of Euros)	
Cascades Asia Ltd	2,982
Total	**2,982**
Impact on item total	**1.3%**

(1) See the income statement – the item “Revenues from sales – of which related parties” includes intragroup “Revenues from sales” and “Revenues from sales” with other related parties.

12-31-2017	Cost of raw materials and services (1)
(thousands of Euros)	
Cascades Canada Ulc	6
Cascades Inc.	1
Total	**7**
Impact on item total	**0.0%**

(1) See the income statement – the item "Cost of raw materials and services – of which related parties" includes the intragroup "Cost of raw materials and services" and the "Cost of raw materials and services" with other related parties

APPENDIX B – INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB ISSUER'S REGULATION

The table below, prepared pursuant to Article 149-duodecies of the Consob Issuer's Regulation, reports the fees charged in 2018 for auditing services and for various audits carried out by the auditing firm Deloitte & Touche S.p.A. and by entities belonging to its network (Network Deloitte).

DESCRIPTION	Service provider company	Recipient	Fees for 2018
			(thousands of Euros)
Statutory Audits of Accounts	*Deloitte & Touche S.p.A*	*Parent company Reno De Medici S.p.A.*	*240*
	Deloitte & Touche S.p.A	*Italian Subsidiaries*	*42*
	Network Deloitte	*Foreign Subsidiaries*	*173*
Other auditing services	*Deloitte & Touche S.p.A*	*Parent company Reno De Medici S.p.A.*	*58*
	Deloitte & Touche S.p.A.	*Italian Subsidiaries*	*10*
	Network Deloitte	*Foreign Subsidiaries*	*55*
Consulting services	*Network Deloitte*	*Foreign Subsidiaries*	*68*
Total			***646***

CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

as at December 31, 2017 pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and later amendments and additions.

1. The undersigned, Michele Bianchi, as CEO and Luca Rizzo, as the Financial Reporting Executive of Reno De Medici S.p.A., certify, considering the provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998:

- the suitability for the characteristics of the business and
- the effective implementation

of the administrative and accounting procedures pertaining to the preparation of the year-end financial statements for the period from January 1 to December 31, 2018.

2. No significant issues have emerged in this regard.

3. It is further certified that

3.1. the separate financial statements:

a) were prepared in accordance with the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002;

b) are consistent with the figures reported in the relevant accounting books and records;

c) are able to provide a true and fair view of the financial position, the results and the cash flows of the issuer and of the companies whose accounts have been consolidated;

3.2. The comprises a reliable analysis of operating performance and results, as well as of the situation of the issuer and of the companies whose accounts have been consolidated, together with a description of the major risks and uncertainties to which they are exposed.

Milan, March 18, 2019

Chief Executive Officer	Chief Financial Officer
Michele Bianchi	Luca Rizzo

BOARD OF STATUTORY AUDITOR'S REPORT

Non è possibile visualizzare l'immagine collegata. Il file potrebbe essere stato spostato, rinominato o eliminato. Verificare che il collegamento punti al file e al percorso corretti.

INDEPENDENT AUDITOR'S REPORT

06

Proposed Resolutions

Summary tables of the key figures from the most recent financial statements of the subsidiaries, associates and joint ventures of the Reno De Medici Group

PROPOSED RESOLUTIONS

Dear Shareholders,

The separate financial statements as at December 31, 2018, which we submit for your approval, report a net profit of € 17,952,390.18.

The Board of Directors asks you to pass the following resolutions:

First resolution

"The Ordinary Shareholders' Meeting of Reno De Medici S.p.A.:

- having examined the Board of Directors' Report;

- having examined the reports of the Board of Statutory Auditors and the Independent Auditors, Deloitte & Touche S.p.A.

resolves

- to approve the Board of Directors' Report and the separate financial statements of Reno de Medici S.p.A. as at December 31, 2018, in all parts and respects.

Second resolution

"The Ordinary Shareholders' Meeting of Reno De Medici S.p.A.:

- having examined the proposal of the Board of Directors;

resolves

- to allocate net profit for the year ended December 31, 2018 totaling €17,952,390.18 as follows:

- €897,619.50 to be allocated to the legal reserve pursuant to article 2430 of the Italian Civil Code;

- €0.0245 as a preferred dividend in accordance with article 22 of the Articles of Association for each savings share outstanding as at the dividend record date as specified below;

- €0.007 which represents a dividend for each ordinary share outstanding as at the dividend record date, as specified below; we note that this is lower than the maximum dividend of 3% of €0.49 provided by article 22, paragraph 2.a) of the articles of association, as the dividend payable on the ordinary shares once the preferred dividend for the savings shares has been paid;

- the remaining profit, less the allocation to the legal reserve and the dividend distributions indicated above, is to be allocated to the "Available reserve";

- to establish that the payment of the dividend shall take place on May 15, 2019, for each ordinary share with rights and for each savings share with rights, with the ex-coupon date of May 13, 2019 and the record date on May 14, 2019.

Milan, March 18, 2019

On behalf of the Board of Directors

The Chairman

Summary tables of the key figures from the most recent financial statements of the subsidiaries, associates and joint ventures of the Reno De Medici Group

In accordance with Article 2429, paragraphs 3 and 4, of the Italian Civil Code, summary tables of the key figures of RDM Group subsidiaries and associates as at December 31, 2018, as listed below, are attached hereto.

Subsidiaries

Included in the scope of consolidation

Cartiera Alto Milanese S.r.l. in liquidation

Cascades Grundstück Gmbh & Co.KG

RDM Blendecques S.A.S.

R.D.M. Ovaro S.p.A.

R.D.M. Arnsberg GmbH

R.D.M. Magenta S.r.l.

R.D.M. La Rochette S.A.S.

PAC Service S.p.A.

BELLIM S.r.l.

Barcelona Cartonboard S.A.U.

BCN Carton Portugal Unipessoal Lda.

R.D.M. Marketing Germany GmbH

RDM Marketing France S.A.S.

R.D.M. Marketing Spain S.L.U.

R.D.M. Marketing UK Limited

R.D.M. Marketing Czech Republic S.r.o.

R.D.M. Marketing Hungaria Kft.

R.D.M. Marketing Poland SP z.o.o.

Associates

Emmaus Pack S.r.l.

Joint Ventures

RECOG.SEL.PAP. Y CART. C., A.I.E.

Cartiera Alto Milanese S.r.l. in liquidation

Headquarters in Milan - Viale Isonzo, 25

Share capital €12,000

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets	54	54
Current assets	906	922
TOTAL ASSETS	**960**	**976**
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	960	963
Provisions for risks and charges		
Payables		13
TOTAL LIABILITIES	**960**	**976**

Income statement		
(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production		4
Cost of production	(2)	(12)
Operating profit	**(2)**	**(8)**
Financial income (expense)		
Profit (loss) before tax	**(2)**	**(8)**
Taxes for the year		
Profit (loss) for the year	**(2)**	**(8)**

Cascades Grundstück Gmbh & Co.KG

Headquarters in Arnsberg - Hellefelder Street, 51

Share capital €22,000

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets	307	307
Current assets	1	3
TOTAL ASSETS	**308**	**310**
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	304	306
Provisions for risks and charges		
TFR		
Payables	4	4
TOTAL LIABILITIES	**308**	**310**

Income statement		
(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production		
Cost of production	(5)	(5)
Operating profit	**(5)**	**(5)**
Financial income (expense)		
Profit (loss) before tax	**(5)**	**(5)**
Taxes for the year		
Profit (loss) for the year	**(5)**	**(5)**

RDM Blendecques S.A.S.

Registered office in Blendecques – Rue de L'Hermitage B.P. 53006

Share Capital €5,037,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets	22,237	22,832
Current assets	14,223	13,579
TOTAL ASSETS	**36,460**	**36,411**
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	4,779	4,350
Provisions for risks and charges		
TFR	2,428	2,548
Payables	29,253	29,513
TOTAL LIABILITIES	**36,460**	**36,411**

Income statement

(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production	57,073	52,940
Cost of production	(58,458)	(56,205)
Operating profit	**(1,385)**	**(3,265)**
Financial income (expense)	(347)	(485)
Gains (losses) from investments		2,000
Profit (loss) before tax	**(1,732)**	**(1,750)**
Taxes for the year	(434)	188
Discontinued operations		
Profit (loss) for the year	**(2,166)**	**(1,562)**

R.D.M. La Rochette S.A.S.

Registered office in La Rochette – Av. Maurice Franck 23

Share capital €4,000,000

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets	22,981	19,132
Current assets	30,826	35,948
TOTAL ASSETS	**53,807**	**55,080**
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	16,096	17,988
Provisions for risks and charges	115	115
TFR	3,414	3,659
Payables	34,182	33,318
TOTAL LIABILITIES	**53,807**	**55,080**

Income statement		
(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production	117,100	114,356
Cost of production	(118,546)	(110,404)
Operating profit	**(1,446)**	**3,952**
Financial income (expense)	(575)	(407)
Gains (losses) from investments		15
Profit (loss) before tax	**(2,021)**	**3,560**
Taxes for the year	(291)	(348)
Discontinued operations		
Profit (loss) for the year	**(2,312)**	**3,212**

R.D.M. Arnsberg GmbH

Headquarters in Arnsberg - Hellefelder Street, 51

Share capital €5,112,919

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets	48,756	50,553
Current assets	44,439	36,473
TOTAL ASSETS	**93,195**	**87,026**
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	49,165	44,995
TFR	17,821	18,435
Payables	26,209	23,596
TOTAL LIABILITIES	**93,195**	**87,026**

Income statement

(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production	119,805	123,985
Cost of production	(113,097)	(122,830)
Operating profit	**6,708**	**1,155**
Financial income (expense)	(420)	(423)
Profit (loss) before tax	**6,288**	**732**
Taxes for the year	(2,571)	(239)
Profit (loss) for the year	**3,717**	**493**

Barcelona Cartonboard S.A.U.

Headquarters in Barcelona - Carrer Potassi, 7

Share Capital €14,943,233

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets	49,794	
Current assets	32,898	
TOTAL ASSETS	**82,692**	
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	36,380	
Provisions for risks and charges	275	
Payables	46,037	
TOTAL LIABILITIES	**82,692**	

Income statement		
(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production	22,220	
Cost of production	(21,514)	
Operating profit	**706**	
Financial income (expense)	(204)	
Profit (loss) before tax	**502**	
Taxes for the year	(179)	
Profit (loss) for the year	**323**	

BCN Carton Portugal Unipessoal Lda.

Headquarters in Matosinhos – Praceta D. Nuno Álvares Pereira 20 SL BV

Share capital €3,000

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets	1	
Current assets	51	
TOTAL ASSETS	**52**	
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	23	
Payables	29	
TOTAL LIABILITIES	**52**	

Income statement		
(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production	196	
Cost of production	(181)	
Operating profit	**15**	
Financial income (expense)		
Profit (loss) before tax	**15**	
Taxes for the year	(4)	
Profit (loss) for the year	**11**	

R.D.M. Magenta S.r.l.

Headquarters in Milan - Viale Isonzo, 25

Share capital €3,700,000

Statement of Financial Position

(thousands of Euros)

Assets	**12.31.2018**	**12.31.2017**
Non-current assets	5,352	5,405
Current assets	856	695
TOTAL ASSETS	**6,208**	**6,100**

Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	2,202	2,988
TFR	1,127	1,176
Provisions for risks and charges	53	84
Payables	2,826	1,852
TOTAL LIABILITIES	**6,208**	**6,100**

Income statement

(thousands of Euros)

	12.31.2018	**12.31.2017**
Value of production	4,996	5,581
Cost of production	(5,966)	(6,368)
Operating profit	**(970)**	**(787)**
Financial income (expense)	(25)	(14)
Profit (loss) before tax	**(995)**	**(801)**
Taxes for the year	199	171
Profit (loss) for the year	**(796)**	**(630)**

Reno De Medici Ovaro S.p.A.

Headquarters in Milan - Viale Isonzo, 25

Share capital €12,500,000

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets	12,267	11,850
Current assets	31,403	26,903
TOTAL ASSETS	**43,670**	**38,753**
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	23,265	18,320
Provisions for risks and charges	209	90
TFR	1,716	1,925
Payables	18,480	18,418
TOTAL LIABILITIES	**43,670**	**38,753**

Income statement		
(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production	47,302	46,200
Cost of production	(40,418)	(41,782)
Operating profit	**6,884**	**4,418**
Financial income (expense)	21	(50)
Profit (loss) before tax	**6,905**	**4,368**
Taxes for the year	(1,716)	(1,057)
Profit (loss) for the year	**5,189**	**3,311**

R.D.M. Marketing S.r.l.

Headquarters in Milan - Viale Isonzo, 25

Share capital €200,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets		1,780
Current assets		7,005
TOTAL ASSETS		**8,785**

Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity		644
Provisions for risks and charges		2,617
TFR		412
Payables		5,112
TOTAL LIABILITIES		**8,785**

Income statement

(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production		12,513
Cost of production		(11,849)
Operating profit		**664**
Financial income (expense)		(20)
Gains (losses) from investments		8
Profit (loss) before tax		**652**
Taxes for the year		(162)
Profit (loss) for the year		**490**

R.D.M. Marketing France S.A.S.

Registered office in La Défense Cedex - Paris

Share capital €337,000

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets	8	16
Current assets	2,855	1,884
TOTAL ASSETS	**2,863**	**1,900**
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	1,699	498
TFR	285	271
Payables	879	1,131
TOTAL LIABILITIES	**2,863**	**1,900**

Income statement		
(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production	2,628	2,929
Cost of production	(1,339)	(2,738)
Operating profit	**1,289**	**191**
Financial income (expense)	2	1
Profit (loss) before tax	**1,291**	**192**
Taxes for the year	(91)	(333)
Profit (loss) for the year	**1,200**	**(141)**

R.D.M. Marketing Germany G.M.B.H.

Registered office in Uerdinger Strasse - Krefeld

Share capital €210,000

Statement of Financial Position

(thousands of Euros)

Assets	**12.31.2018**	**12.31.2017**
Non-current assets		
Current assets	1,279	791
TOTAL ASSETS	**1,279**	**791**

Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	977	649
Payables	302	142
TOTAL LIABILITIES	**1,279**	**791**

Income statement

(thousands of Euros)

	12.31.2018	**12.31.2017**
Value of production	1,230	945
Cost of production	(744)	(702)
Operating profit	**486**	**243**
Financial income (expense)	1	
Profit (loss) before tax	**487**	**243**
Taxes for the year	(159)	(70)
Profit (loss) for the year	**328**	**173**

R.D.M. Marketing Spain S.L.U.

Registered office in C/Selva – El Prat de Llobregat

Share capital €25,916

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets	8	8
Current assets	875	705
TOTAL ASSETS	**883**	**713**
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	320	456
Payables	563	257
TOTAL LIABILITIES	**883**	**713**

Income statement		
(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production	840	1,013
Cost of production	(975)	(824)
Operating profit	**(135)**	**189**
Financial income (expense)	(2)	(1)
Profit (loss) before tax	**(137)**	**188**
Taxes for the year		
Profit (loss) for the year	**(137)**	**188**

R.D.M. Marketing Czech Republic s.r.o.

Registered office in Jinonickà

Share capital €19,495

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets	1	
Current assets	496	295
TOTAL ASSETS	**497**	**295**
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	356	193
Payables	141	102
TOTAL LIABILITIES	**497**	**295**

Income statement		
(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production	677	514
Cost of production	(453)	(475)
Operating profit	**224**	**39**
Financial income (expense)	(17)	(13)
Profit (loss) before tax	**207**	**26**
Taxes for the year	(43)	(7)
Profit (loss) for the year	**164**	**19**

R.D.M. Marketing Poland SP z.o.o.

Registered office in Altowa – Warsaw

Share capital €11,733

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets		
Current assets	837	544
TOTAL ASSETS	**837**	**544**
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	706	351
Payables	131	193
TOTAL LIABILITIES	**837**	**544**

Income statement		
(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production	768	618
Cost of production	(353)	(433)
Operating profit	**415**	**185**
Financial income (expense)	1	(13)
Profit (loss) before tax	**416**	**172**
Taxes for the year	(58)	(27)
Profit (loss) for the year	**358**	**145**

R.D.M. Marketing Hungaria KFT

Registered office in Otvos Janos - Budapest

Share capital €18,815

Statement of Financial Position

(thousands of Euros)

Assets	**12.31.2018**	**12.31.2017**
Non-current assets	2	2
Current assets	365	318
TOTAL ASSETS	**367**	**320**

Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	298	246
Payables	69	74
TOTAL LIABILITIES	**367**	**320**

Income statement

(thousands of Euros)

	12.31.2018	**12.31.2017**
Value of production	270	319
Cost of production	(194)	(242)
Operating profit	**76**	**77**
Financial income (expense)	(8)	(7)
Profit (loss) before tax	**68**	**70**
Taxes for the year	(12)	(12)
Profit (loss) for the year	**56**	**58**

R.D.M. Marketing UK

Registered office in West Bromwich – Wednesbury

Share capital €1

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets	10	16
Current assets	327	478
TOTAL ASSETS	**337**	**494**
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	(47)	(196)
TFR	2	3
Payables	382	687
TOTAL LIABILITIES	**337**	**494**

Income statement

(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production	433	608
Cost of production	(271)	(359)
Operating profit	**162**	**249**
Financial income (expense)	(14)	(15)
Profit (loss) before tax	**148**	**234**
Taxes for the year		
Profit (loss) for the year	**148**	**234**

PAC Service S.p.A.

Headquarters in Vigonza (PD) – Via Julia, 47

Share capital €1,000,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets	6,279	3,237
Current assets	12,255	14,151
TOTAL ASSETS	**18,534**	**17,388**
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	11,564	8,567
Provisions for risks and charges	151	147
TFR	519	576
Payables	6,300	8,098
TOTAL LIABILITIES	**18,534**	**17,388**

Income statement

(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production	21,243	22,237
Cost of production	(19,947)	(20,332)
Operating profit	**1,296**	**1,905**
Financial income (expense)	(19)	224
Profit (loss) before tax	**1,277**	**2,129**
Taxes for the year	(398)	(584)
Profit (loss) for the year	**879**	**1,545**

BELLIM S.R.L.

Headquarters in Vigonza (PD) – Via Julia, 47

Share capital €10,000

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets	549	
Current assets	5	
TOTAL ASSETS	**554**	
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	452	
Payables	102	
TOTAL LIABILITIES	**554**	

Income statement		
(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production		
Cost of production	(6)	
Operating profit	**(6)**	
Financial income (expense)		
Profit (loss) before tax	**(6)**	
Taxes for the year		
Profit (loss) for the year	**(6)**	

Manucor S.p.A.

Headquarters in Milan – Via Durini, 16/18

Share capital €10,000,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets		45,092
Current assets		38,282
TOTAL ASSETS		**83,374**
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity		373
Non-current liabilities		31,156
Current liabilities		51,845
TOTAL LIABILITIES		**83,374**

Income statement

(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production		141,173
Cost of production		(147,364)
Operating profit		**(6,191)**
Financial income (expense)		(1,853)
Profit (loss) before tax		**(8,044)**
Taxes for the year		381
Profit (loss) for the year		**(7,663)**

Emmaus Pack S.r.l.

Headquarters in Milan - Viale Isonzo, 25

Share capital €200,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets	1,140	654
Current assets	10,587	10,444
TOTAL ASSETS	**11,727**	**11,098**
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	1,004	1,113
Provisions for risks and charges	115	109
TFR	339	319
Payables	10,269	9,557
TOTAL LIABILITIES	**11,727**	**11,098**

Income statement

(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production	16,370	16,406
Cost of production	(16,058)	(15,847)
Operating profit	**312**	**559**
Financial income (expense)	(41)	(41)
Profit (loss) before tax	**271**	**518**
Taxes for the year	(80)	(211)
Profit (loss) for the year	**191**	**307**

Zar S.r.l.

Headquarters in Milan

Share capital €90,000

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets		
Current assets		1,501
TOTAL ASSETS		**1,501**

Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity		306
Payables		1,195
TOTAL LIABILITIES		**1,501**

Income statement		
(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production		18,324
Cost of production		(18,294)
Operating profit		**30**
Financial income (expense)		
Profit (loss) before tax		**30**
Taxes for the year		(9)
Profit (loss) for the year		**21**

RECOG.SEL.PAP. Y CART. C., A.I.E.

Registered office in Barcelona - Spain

Share capital €3,000

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2018**	**12.31.2017**
Non-current assets		
Current assets	635	
TOTAL ASSETS	**635**	
Liabilities and shareholders' equity	**12.31.2018**	**12.31.2017**
Shareholders' equity	12	
Payables	623	
TOTAL LIABILITIES	**635**	

Income statement		
(thousands of Euros)		
	12.31.2018	**12.31.2017**
Value of production	811	
Cost of production	(810)	
Operating profit	**1**	
Financial income (expense)		
Profit (loss) before tax	**1**	
Taxes for the year		
Profit (loss) for the year	**1**	

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