Annual Financial REPORT

as at 31 december 2019

Annual Financial REPORT

as at 31 december 2019

RDM

CONTENTS

01 RDM Group At a Glance


THE SHAPE
OF THE
FUTURE

THE CIRCLE IS THE GEOMETRIC SHAPE THAT WE HAVE CHOSEN TO REPRESENT US

The circle summarizes the Group's concept, as we understand it, better than any other shape. And that means not as the algebraic sum of similar yet distant legal entities, but as the ensemble of industrial realities, skills and specializations that, combined, have enabled us to become the second largest European producer of coated recycled cartonboard, as well as the first in Italy, in France and in the Iberian Peninsula, while also producing virgin fibre cartonboard. It also represents the basis of the so-called "**Multi-mill concept**", i.e. the principle by which it is possible to realize the most strategic products in several factories, so as to ensure that supplies are available for our customers independently from the production site in a flexible, punctual manner.

Therefore, this is why the cover image consists of several overlapping circles, which blend and coalesce in harmony - coming together for a common purpose is what defines us.

And, by us, we not only refer to ourselves as a Group, but also in relation to all of our **main stakeholders**. Each of them can be represented by the circles that characterize this Report and that, in fact, incorporate and foster each other.

Our claim is: "Together we shape the Future".

We shape the future. And we do it with simple yet influential materials such as paper and cartonboard, which, unsurprisingly, are at the centre of a real green revolution. The packaging of future decades (even though this trend is an already established reality now) must be sustainable and consistent with the principles of **circular economy**. In this sense, the idea of the circle and the flow of materials returns; these are defined not as waste, but as resources.

Finally, we may quote ourselves: the circles represent our cartonboard reels, i.e. the heart of what we do, with passion and professionalism.

This year's Financial Report illustrates the results of our commitment, which once again testify to how we have been able to "push the bar higher". Once more, together.

LETTER FROM THE CHAIRMAN OF THE BOARD

Dear Sir/Madam,

in presenting the RDM Group's Financial Report for 2019, I invite you to consider not only the economic-financial KPIs that summarise the Group's operating performance, but also the steps taken in terms of Sustainability and Governance.

I believe, in fact, that in a complex and increasingly competitive economic context such as the one in which we operate, an objective and complete assessment - in order for it to be defined as such - must also take into account these aspects, on which the Group is particularly committed. Certainly, the goals that we are achieving confirm that the path we have taken is the right one.

This is true, for example, of the latest acquisitions of PAC Service and RDM Barcelona Cartonboard, in which we achieved results in line with the integration plans formulated during the acquisitions. Consolidated net revenues in 2019 amounted to €701.6 million, which is 15.8% more than the €606 million at 31 December 2018.

But the short-term outlook also remains positive thanks to an enduring demand and the favourable trend in raw material prices and energy costs, despite the evident impact of the very serious health (Coronavirus Disease – COVID-19), economic and financial problems that materialised in the first months of 2020.

In any case, the RDM Group has long been structuring itself to face increasingly complex challenges. Let's think for example - and here we go back to what was said at the beginning - about everything that is being done in terms of sustainability, which - I would like to stress once again - does not represent an opportunity for the RDM Group among many others, but rather a real modus operandi that has always been part of its history.

As Europe's second largest producer of recycled-based coated cardboard, the Group bases its business strategy on the circular economy model, with the awareness and desire to build an economy in harmony with the environment.

But when we talk about Sustainability, we are not only referring to the "greener" issues; on the contrary, we broaden the scope of reference to a concept of quality that includes and satisfies all our main stakeholders. This is why we decided to implement our materiality matrix in 2019, thus deepening the direct dialogue with key stakeholders, in order to know their expectations, both current and future, more precisely; it was an ambitious listening program that involved some of the most important customers, suppliers and investors, and therefore allowed us to strengthen the quality of mutual relations.

In parallel, we launched an online survey, addressed to the same subjects, through which we asked them to indicate the importance of some themes in their relationship with the RDM Group.

The objective is to strengthen stakeholder engagement, a process that will be reinforced in 2020 through a People Survey to be carried out with Group employees, along the lines of the one already carried out in 2017.

As it is evident from all this, our improvement process is a work in progress. It also involves other areas, such as governance, which we are continually refining, since we are aware of just how important these aspects are for shareholders as well.

Chairman of the Board RDM Group
Éric Laflamme

LETTER FROM CEO

Dear Sir/Madam,

in presenting the Financial Report, it seems appropriate to point out that also in 2019 RDM Group has been able to strengthen the two pillars on which its Vision is based: to be the “Partner of Choice” for all its main stakeholders, and at the same time to strengthen the “One Company Culture” based on a single brand, a single strategy and an integrated management approach for all the Group’s mills, sheeting centres, sales offices and headquarter.

This was made possible through a strategy which, in turn, was primarily based on two objectives: efficiency and integration. As far as the former is concerned, the main areas in which we have invested are different and all fundamentally important, even if the main efforts have undoubtedly been focused on raw materials, reject waste reduction and customer service.

The efficiency gains in the use of raw materials (combined with a downward price trend in the supply of paper for recycling) and energy (energy costs were down in 2019 compared to 2018, particularly in the second half of the year) were exactly what allowed to retain significant operating margins.

In fact, in 2019 we achieved an EBITDA margin of 10.3%, a successful confirmation of our path to make double-digit profitability, achieved in 2018, a structurally stable result over time.

With regard to integration, the process mainly concerned RDM Barcelona Cartonboard mill, whose acquisition was finalised on 31 October 2018, although in reality all the mills were involved throughout the so-called multi-mill concept, our main strategic objective. The concept is based on optimizing the production allocation over more plants, so that we can be more efficient in serving customer needs and better managing unbalance cases, mitigating risks in production disruptions, differentiating and reinforcing our market leadership.

All this has allowed us to face in a more structured way the challenges and opportunities encountered in the market, with more results in the recycled cartonboard segment (the Group’s true core business, with an 84% of consolidated turnover), also thanks to a market that has recorded an increase in demand, not seen in the virgin fibres based segment. Our commitment is to continue improving the circular economy recycling efficiency, while succeeding to enter into new sectors and product applications.

An example is the pharmaceutical industry, where, while the virgin fibre has always been its material of choice, now it is starting to test the use of recycled fibre instead. But this substitution trend is even more valid for food packaging, where suitability of food contact cartonboard is becoming more and more important. RDM Group's commitment, in fact, is to guarantee, for an increasing number of products and uses, a recycled cartonboard capable of protecting human health and maintaining the organoleptic characteristics of the contained food. This is our near future challenge.

But this is certainly not the only focus area, other not less demanding challenges are related to the competitiveness in the virgin cartonboard, a segment today characterised by an oversupply. As well as crucial will be our ability to integrate demand with supply, for a better planning and greater operational marginality, something we address through the so-called IBP, an acronym for Integrated Business Planning.

Although the first months of 2020 have already posed additional challenges to what described above, with all the initiatives put in place in the last two years to optimise the operational management of the company,

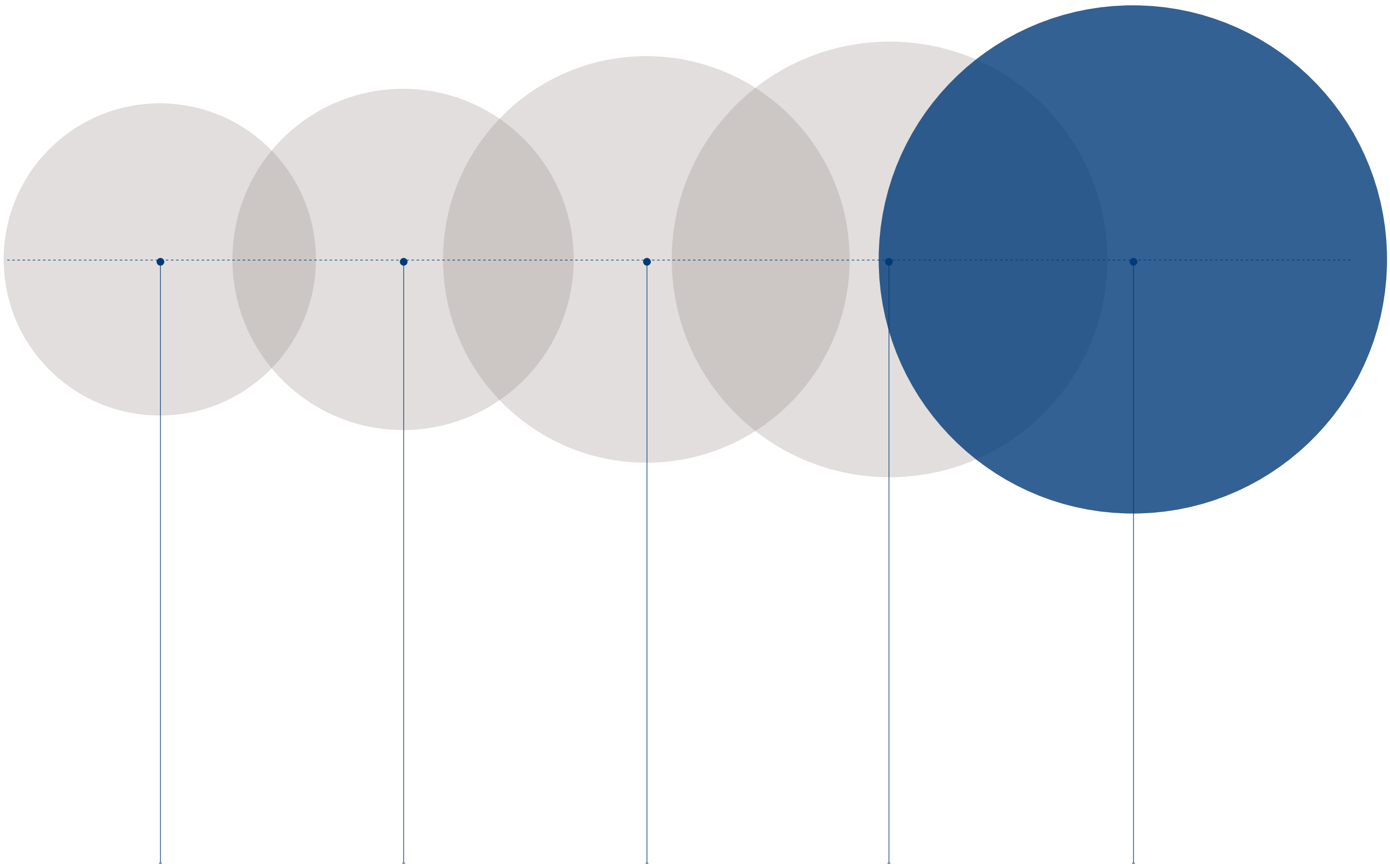
We remain confident we will be able to prove we are on the right track for now and for the future.

RDM Group CEO
Michele Bianchi

FINANCIAL HIGHLIGHTS

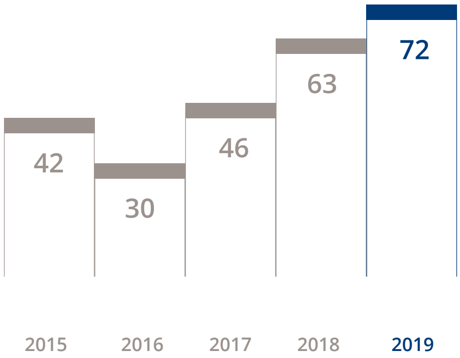
Net Revenues

(Values in millions of Euros)

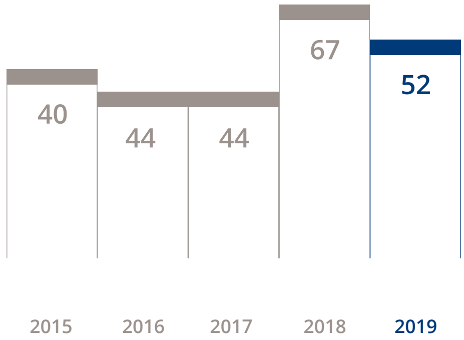


438	478	569	606	702
(2015)	(2016)	(2017)	(2018)	(2019)

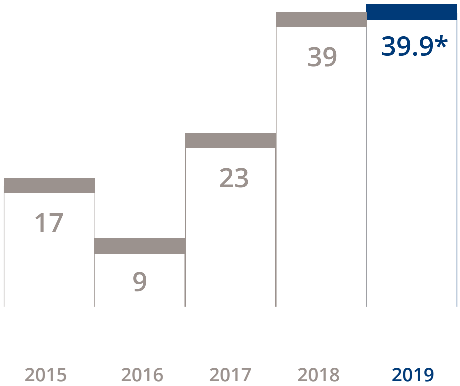
Gross Operating Profit (EBITDA)



Net Financial Debt

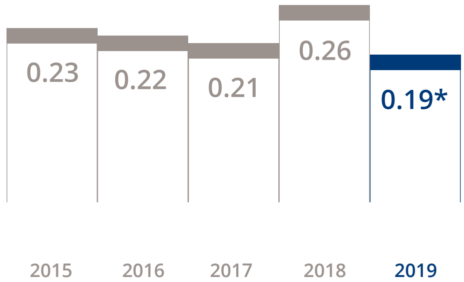


Operating Profit (EBIT)



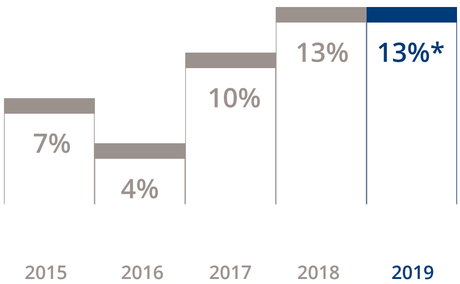
Gearing

Gearing: Debt/(Debt+Equity)

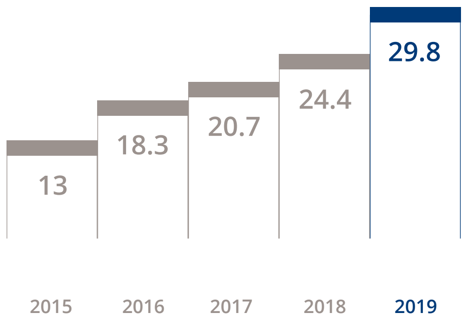


Roce

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



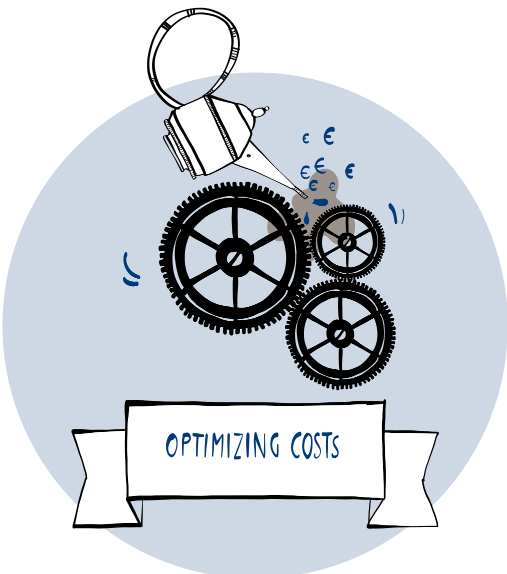
Investments



* These ratios were calculated on the basis of financial data before the write-down of the French subsidiary R.D.M. La Rochette S.A.S. assets

OUR VISION

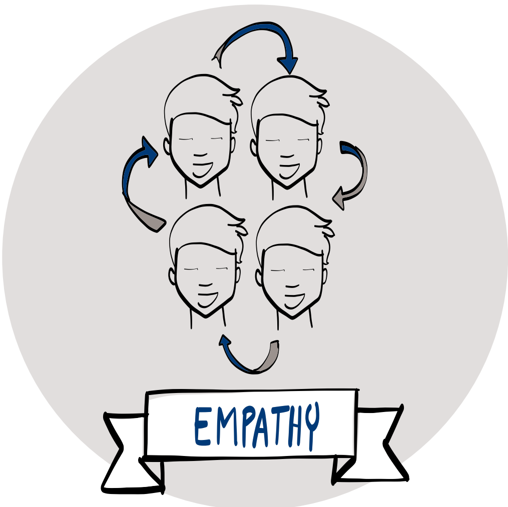
To become the Partner of Choice by



OUR VALUES

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

The awareness of your decisions' effect on others



The attitude of understanding others and creating a connection

The joint to a shared Vision and sense of belonging


TOGETHER
WE SHAPE
THE FUTURE

“Together we shape the Future” is the slogan that RDM Group has chosen to reflect its identity as a major Group that’s still imagining, creating and rewriting its future. A future that’s still waiting to be shaped. A sustainable future.

We’re guided by the idea of **togetherness** because we are aware that only by acting together as “one company” within a network of relationships can we keep on improving what we do and how we do it. We are focused on one brand, one strategy and one integrated management in order to play a leading and active role in a radical shift in the way business is conducted, no longer following a linear model but looking instead to a circular approach. In choosing to use “**we**”, we want to strengthen our sense of the bigger picture in our decision making, with the full awareness that our decisions affect our stakeholders and our business, as reflected in the values we have chosen: Togetherness, Empathy, Group-wide Vision and Responsible decision-making.

We operate in an interconnected context and we in turn firmly believe in the circular economy. A model based on transformation, reuse and recycling, where everything is connected.

“**Shape**” refers to our ability to give new form to our product - cartonboard – a material that is simple in itself, but to which you can give the most sophisticated forms. Just like origami, which reflects the know-how and therefore the tradition and history that give it form; and at the same time the ability to innovate that knowledge into the future.

The **Future** seen as already in progress, a commitment for future generations and the planet and as a business challenge and sustainability challenge. It’s a perspective that is measured on the basis of the objectives we have achieved so far and on our desire to create a virtuous circle where all our stakeholders are an active part.

ITALY

1967
Cartiere del Reno established

1968
Marzabotto (Bo) production site acquired

1985
Ovaro (Ud) production site acquired

1986
Company changes name to **RENO DE MEDICI**

Cartiera Binda De Medici (To) acquired

1997
Merger with S.A.F.F.A. (Mi)

1998
Merger with Sarrio (Spain)

1997
Arnsberg (Germany) production site acquired

1986
Blendecques (France) production site acquired

1985
First European production site acquired at La Rochette (France)

CANADA

1964
Cascades established

OUR HISTORY

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

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

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

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 Acquisition of RDM Barcelona Cartonboard;

1 January 2018 Acquisition of PAC Service

Integration Process

2019

Corporate integration and transformation process continues

Creation of the new "Innovation & Sustainability" Function to facilitate the transformation towards a more sustainable world.

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.

SIGNIFICANT EVENTS

7th - 8th February
24th -25th September

Health & Safety Meeting

Blendecques (France) + Santa Giustina (Italy)

As a result of the constant commitment dedicated to the topic and the constructive approach of comparison and dialogue, in 2019 the Group saw a significant reduction in the Frequency and Severity Rates, which are increasingly moving towards the “Zero Accidents” objective.

Milan Relay Marathon

Milan (Italy)

6 teams consisting of RDM Group employees raced on the streets of Milan on 7 April for the Milan Relay Marathon. Thanks to the success achieved, 2020 will see RDM Group once again involved in the race, as well as a charity program, but this time on an international scale.

7th April

28th -30th May

Packaging Première

Milan (Italy)

Packaging Première is the most important Italian event dedicated to luxury packaging. RDM Group would never be absent from this event, and had a stand specially dedicated to the cartonboard manufactured at the Ovaro Mill, which, in fact, specializes in this type of product specializes in luxury packaging production.

Prima Conference

Prague (Czech Republic)

RDM Group took part in Prima Conference, a significant point of reference for the entire paper industry with a speech dedicated to Innovation & Development, increasingly important topics for the Group.

17th September

19th -20th
September

Ecma

Valletta (Malta)

During the ECMA Annual Congress, RDM Group was awarded the 2019 European Carton Excellence Award. Our ability to respond to the growing demand for more sustainable packaging, such as fibre-based packaging, is crucial.

26-27th
September

Leadership Event

Santa Giustina (Italy)

The annual event that brings together all the RDM Group Management also provided this year with the ideal opportunity to evaluate the transformation process that the Group has put in place, while strengthening its brand identity and its employees' sense of belonging.

27th
September

Customer Day

Santa Giustina (Italy)

For the fiftieth anniversary of the Santa Giustina Mill, RDM Group aimed to dedicate a special event in honour of those involved in achieving this result - its customers. They, in fact, came from all over Europe to visit the mill and to see all the developments that have characterised it in person.

28th
September

Santa Giustina Open Day

Santa Giustina (Italy)

Its first 50 years of history represented a stage that was best celebrated. For this reason, Santa Giustina Mill opened its doors to all citizens, who participated with great enthusiasm, as demonstrated by the almost 1000 people attending the event. To commemorate this occasion, a monograph dedicated to the Plant was created.

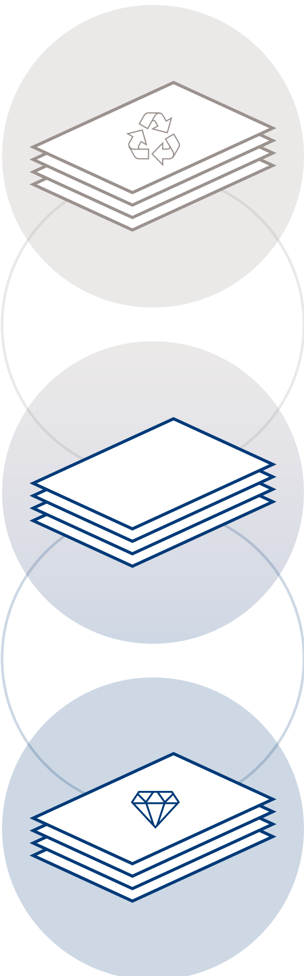
January
December

Best Practice Sharing Meeting

With the aim of sharing best practices within the Group, during the year, several area functions - including Production, Maintenance, TCS, Sustainability, Procurement, Energy - joined together for a constructive exchange of experiences, with a view to continuous improvement.

BUSINESS AREAS

There are three main segments in which the RDM Group operates:



WLC (White Lined Chipboard)

coated recycled cartonboard. RDM Group is the second European manufacturer of coated recycled cartonboard, the first in Italy, in France, and in the Iberian Peninsula

FBB (Folding Box Board)

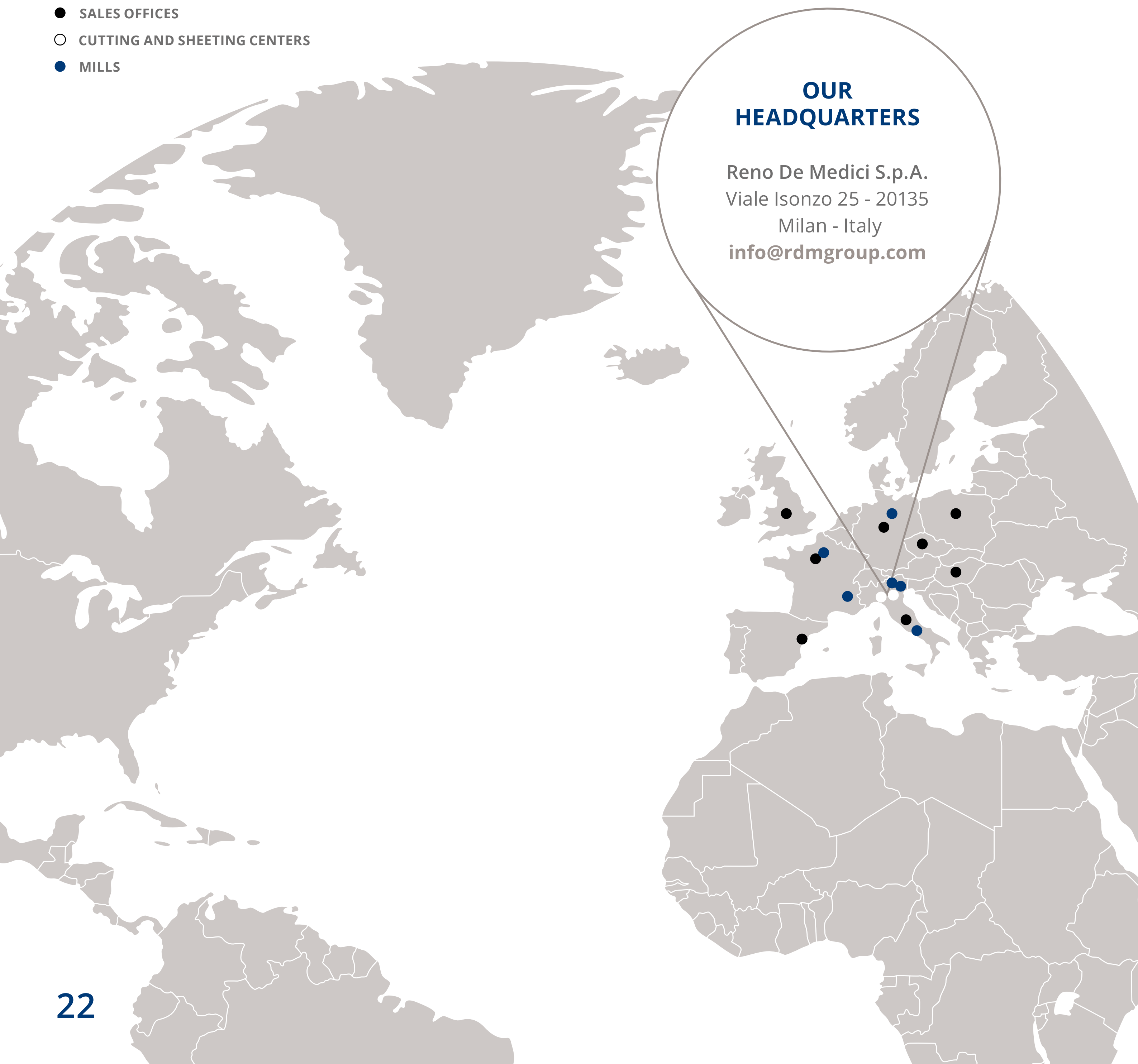
folding virgin fibre cartonboard. The RDM Group operates in this segment through La Rochette Mill

OG GK - UD – UT

cartonboard that is produced at the Ovaro Mill, well suited for specialties and luxury packaging.

GLOBAL PRESENCE

The circle concept is inevitably connected to that of the centre. With this in mind, our 7 mills (including 3 in Italy, 2 in France, 1 in Germany and 1 in Spain), the 2 cutting centres (Magenta and PAC Service) and our sales department support the main European countries, addressing the multiple needs of our customers and ensuring widespread coverage and worldwide sales.



OUR SALES OFFICES

CZECH REPUBLIC & SLOVAKIA
R.D.M. Marketing Czech Republic s.r.o.
Jinonicka 80 - 15800 Prague 5 - Czech Republic
info.praha@rdmgroup.com

FRANCE
R.D.M. Marketing France S.A.S.
7 Rue Fraizier - 932 10 Saint-Denis – France
info.france@rdmgroup.com

GERMANY, AUSTRIA, SWITZERLAND & SCANDINAVIA
R.D.M. Marketing Germany GmbH
Uerdinger Strasse 99 - D-47799 Krefeld - Germany
info.dach@rdmgroup.com

HUNGARY & BOSNIA H., BULGARIA, CROATIA, MACEDONIA, ROMANIA, SERBIA, SLOVENIA
R.D.M. Marketing Hungaria Kft.
Ötvös János u.3 - H-1021 Budapest – Hungary
info.budapest@rdmgroup.com

POLAND, RUSSIA & BELARUS, ESTONIA, LATVIA, LITHUANIA, UKRAINE
R.D.M. Marketing Poland Sp.z.o.o.
Wiśniowy Business Park, budynek D, ul. 1 sierpnia 6, 02-134 Warsaw - Poland
info.warszawa@rdmgroup.com

SPAIN
R.D.M. Marketing Spain S.L.U.
Potassi no. 7, 08755 Castellbisbal, Barcelona - Spain
info.espana@rdmgroup.com

UNITED KINGDOM, IRELAND
R.D.M. Marketing UK Ltd
Unit 7, Hill Top Industrial Estate, West Bromwich, West Midlands GB-B70 0TX – United Kingdom
info.uk@rdmgroup.com

PORTUGAL
RDM Marketing Portugal, Unipessoal Lda
Pcta. D. Nuno Álvares Pereira, 20 – 2º BV
4450 – 218 Matosinhos – Portugal

OVERSEAS
Reno De Medici S.p.A.
Viale Isonzo 25 - 20135 Milan - Italy
info.export@rdmgroup.com

CUTTING AND SHEETING CENTERS

ITALY
R.D.M. Magenta S.r.l.
Viale Caduti Garbagnatesi, 17
20024 Garbagnate Milanese (Mi) - Italy
rdm_magenta@pec.rdmgroup.com

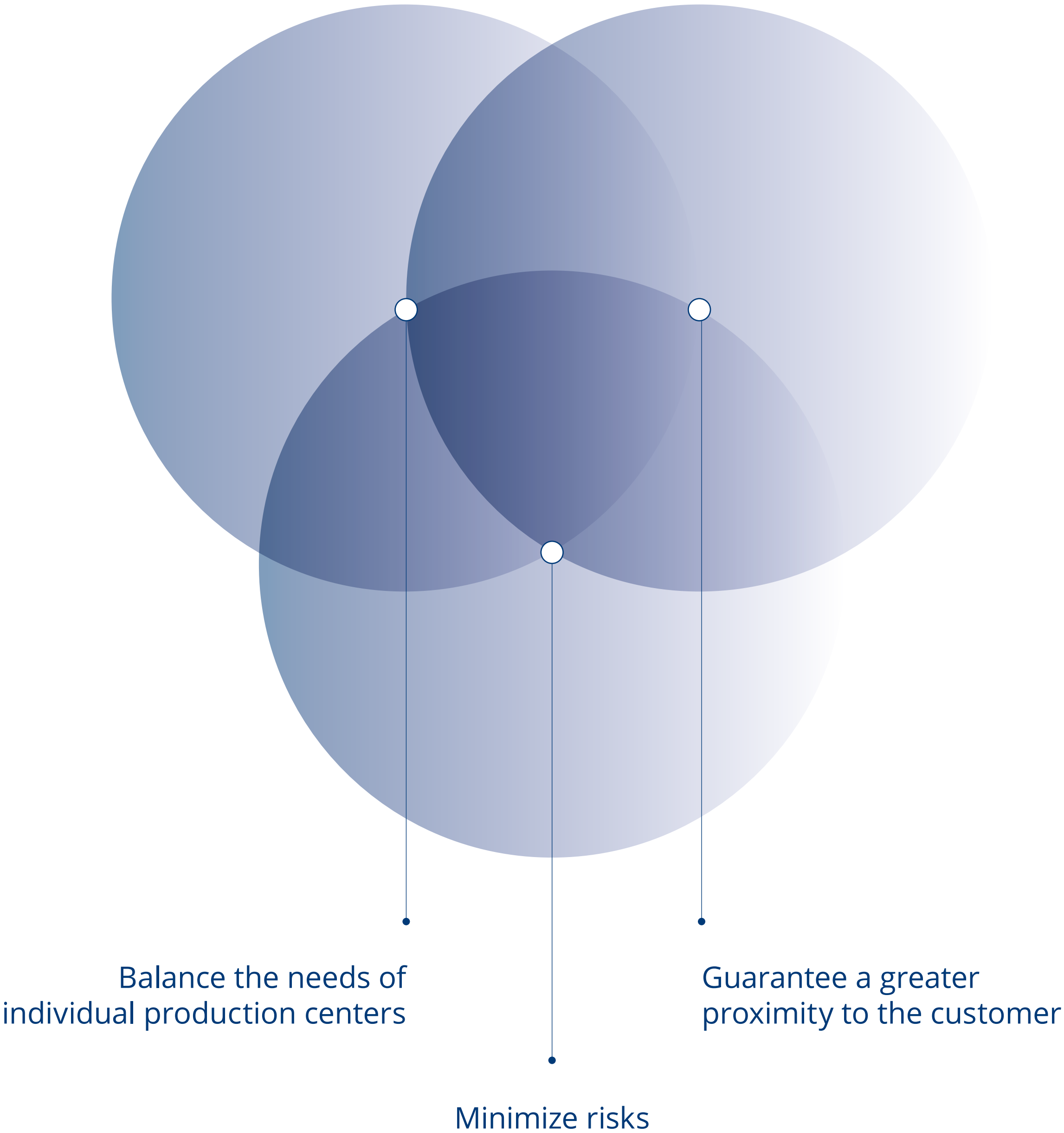
PAC Service S.p.A.
Via Julia, 47
35010 Perarolo di Vigonza (Pd) Italy
ordini@pacservice.it

OUR MILLS

Country	Society	Address	Contact
GERMANY	**R.D.M. ARNSBERG GMBH**	Hellefelder Strasse 51, 59821 Arnsberg	Tel. +49.2931851 Fax. + 49.293185201 info.arnsberg@rdmgroup.com
FRANCE	**R.D.M. LA ROCHETTE S.A.S.**	23, Avenue Maurice Franck, 73110 La Rochette	Tel. +33.0479653232 Fax. +33.0479653231
FRANCE	**RDM BLENDECQUES**	Rue de l'Hermitage CS, 53006 Blendecques 62501 Saint Omer Cedex	Tel. +33.0321388020 Fax. +33.0321388028 contact.blendecques@ rdmgroup.com
ITALY	**R.D.M. OVARO S.P.A.**	Via della Cartiera 27, 33025 Ovaro (UD)	Tel. +39.0433.67241 Fax. +39.0433.67542 rdm_ovaro@pec.rdmgroup.com
ITALY	**RENO DE MEDICI STABILIMENTO DI SANTA GIUSTINA**	Località Campo, 32035 Santa Giustina (Bl)	Tel. +39.0437.8811 Fax. +39.0437.8812/80 info.italia@rdmgroup.com
ITALY	**RENO DE MEDICI STABILIMENTO DI VILLA SANTA LUCIA**	Via Casilina, km 134,5 03030 Villa Santa Lucia (Fr)	Tel. +39.0776.37091 Fax. +39.0776.25976 info.italia@rdmgroup.com
SPAIN	**RDM BARCELONA CARTONBOARD**	Carrer Potassi 7, 08755 Castellbisbal, Barcelona	Tel.: +34 936 311 000 Fax: +34 936 311 053 barcelona@rdmgroup.com

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 - HERMIWHITE
95k tons	**WLC (Specialties)**	OVARO 404, OVARO 407, OVARO 649, OVARO 688, OVARO 704, OVARO 706, OVARO 707, OVARO 719, OVARO 723, OVARO 724, OVARO 726, OVARO 729, OVARO 755, OVARO 786, OVARO 788, OVARO 903, OVARO 904, OVARO 906, OVARO 908, OVARO 918, OVARO 919, OVARO 920, OVARO 922, OVARO 925, OVARO 935, OVARO 9I3, OVARO 93D, OVARO B_, OVARO B0_, OVARO C_
250k tons	**WLC (GD/GT/Liner)**	SERVIBOARD, VINCIAVANA, VINCIBRIGHT, VINCIBRIGHT SPECIAL, VINCICOAT, VINCIWHITE
220k tons	**WLC (Liner)**	VINCIFLEXO, VINCILINER
200k tons	**WLC & FBB (GT/GD, Liner; GC)**	TRIPLEX BLANCO, TRIPLEX GRIS, TRIPLEX GRIS EB, TRIPLEX MADERA

A network of paper mills to:



THE MULTI-MILL CONCEPT

The so-called “**multi-mill concept**” is based on the principle by which it is possible to realize products in multiple mills, so as to ensure that supplies are available for our customers independently from the production site, in a flexible and punctual manner.
This allows RDM Group to strengthen its product portfolio, to ensure greater proximity to the customer, and to provide continuous production notwithstanding changes in market demand and the economic cycles of individual countries.

OUR STAKEHOLDERS

The main stakeholders of RDM Group are:

STAFF AND WORKERS
The people and talents who work in the Group, 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
Citizens living in the territories in which Group facilities are located, families of our employees and workers

Similar to distinct circles that overlap so as to create common areas, RDM Group and its main stakeholders interact regularly to fulfil mutual expectations, needs and interests.

FUTURE GENERATIONS
Subjects that take charge of environmental protection and safeguard, including millennials, environmental associations, scientific community and universities

CUSTOMERS
Companies in the paper and converting sector, packaging factories and other end customers

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

NATIONAL AND INTERNATIONAL INSTITUTIONS
National and international authorities, trade associations, supervisory authorities

COMPETITORS
Companies that produce cellulose-based materials and packaging

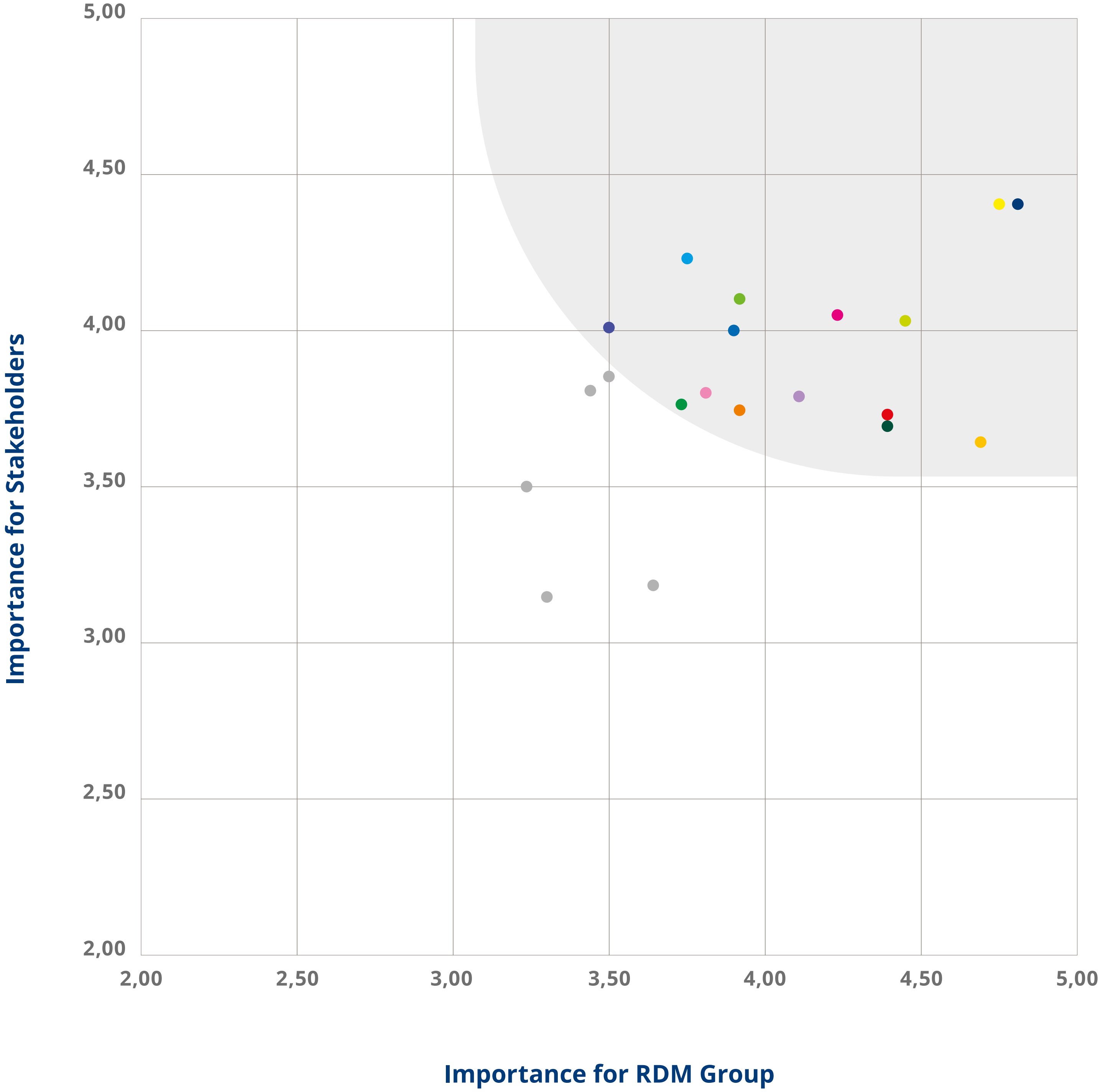
MATERIALITY MATRIX

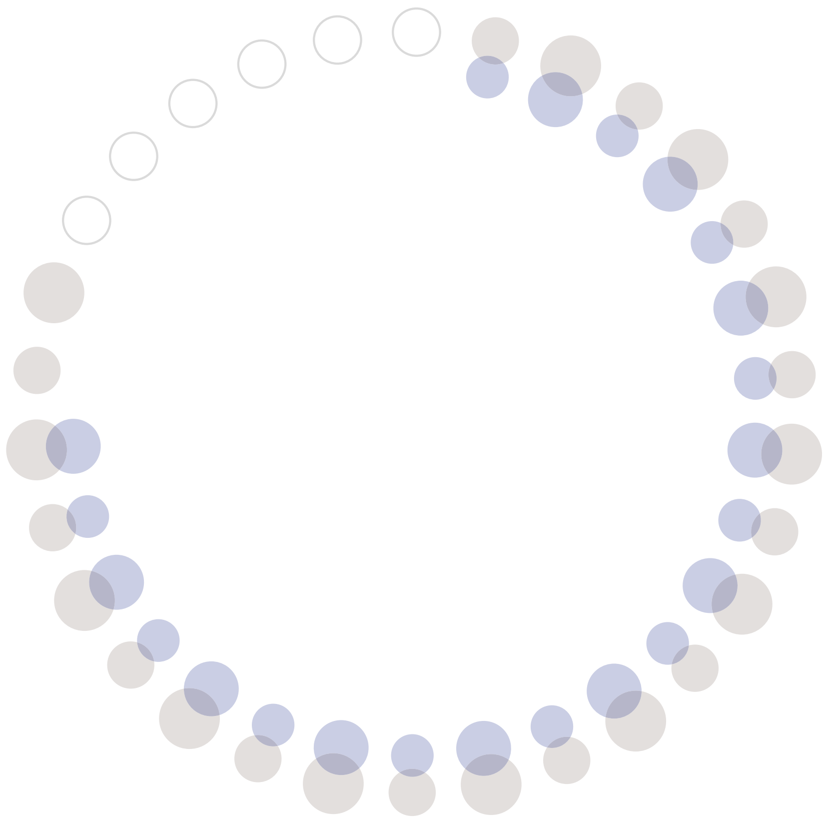
With the aim of strengthening the quality of mutual relations, RDM Group has embarked on an ambitious **listening program** involving some of its most important stakeholders. The project saw the launch of an online survey, where customers, suppliers and investors were asked about the importance of a range of issues in their relationship with RDM Group.

The analysis and assessment process was put in place to get a complete and integrated view of the business that today is RDM Group. In this way, 15 material themes have been identified, which **will constitute the starting point for the definition of the Group's new strategic sustainability guidelines** in order to meet stakeholders' expectations and, at the same time, create a long-term virtuous circle.

Accordingly, the materiality matrix represents the result of this effort, combining what has been expressed by the Group's stakeholders with what has been identified by top management.

- Occupational health and safety
- Energy efficiency and climate change mitigation
- Continuity and integrity of operations
- Financial health
- Circular economy
- Responsible waste management
- Product quality and safety
- Water consumption and discharge
- Promotion of recyclability culture
- Responsible sourcing
- Customer satisfaction
- Compliance, ethics & business integrity
- Product innovation
- Employee management and development
- Respect of human rights


5,00
4,50
4,00
3,50
3,00
2,50
2,00
Importance for Stakeholders
2,00
2,50
3,00
3,50
4,00
4,50
5,00
Importance for RDM Group



79% Fibrous materials used come from recycling

84% Renewable materials

CIRCULAR ECONOMY
FOR RDM GROUP

It is said that the circle is the perfect geometric shape. Without a clearly recognizable beginning and end, all the points that make it up can be considered to act as both and are therefore all equally important.

The absence of corners and edges allows the circle to best represent the concept of cyclicity. It is no coincidence that we speak of **circular economy**.

RDM Group has based its Business Model on the Circular Economy model. The development of technologies and production systems based on the reclamation of recovered fibres renders it possible to limit the supply of virgin raw materials: to quote some of the most significant data pertinent to the Group, approximately **79% of the fibrous materials used come from recycling**, while renewable materials account for 84% of the Group's total consumption.

BUSINESS MODEL

Our business model follows a circular economy model, which replaces the idea of "waste" with "resources", aiming to reduce raw material consumption and increase efficiency in the use of materials.

RDM GROUP

Paper for recycling is mixed with water so as to create a pulp of cellulose fibers. Through a complex treatment and cleaning system, unwanted elements present in the raw materials are eliminated.
The machinery uses an articulated sheet forming system, which presses and dries the fibers to remove the water present in the mixture. Depending on the type of cartonboard, a coating is applied.
The cartonboard, once produced, is rolled into customer reels for direct dispatch or sheeted and packaged in the desired sheet formats.

UPSTREAM

We source our raw material from the industrial and commercial sectors, and from the municipal paper collection, such as cellulosic packaging, newspapers and magazines. For some types of cartonboard, such as the Folding Box Board (FBB), the Group uses virgin fibers from wood raw materials or market pulp.

DOWNSTREAM

RDM Group products are mainly destined for the paperboard converting industry that uses cartonboard to produce final packaging products. After use by the end consumers, more than 80% of the packaging is placed back into fiber material loop, maintaining and developing the sustainable business model of recycled cartonboard.


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

SDGs

With our business and way of working we also contribute to the achievement of the United Nations Sustainable Development Goals (SDGs).

We have identified the goals which we know we can have a direct effect on. We have highlighted how we contribute to each of these chosen SDGs.

Promote occupational health and safety

"Zero Accidents" policy and constant improvement of injury rates.

3 GOOD HEALTH AND WELL-BEING

Promote learning and skills development

We invest in training and develop knowledge sharing and informal learning tools.

4 QUALITY EDUCATION

Protect water ecosystem

We continue with water consumption reduction programs and monitor discharge quality.

6 CLEAN WATER AND SANITATION

Improve energy efficiency of our production process

We have implemented an energy consumption reduction strategy for per ton of cartonboard produced.

7 AFFORDABLE AND CLEAN ENERGY

Promote full and productive employment and decent work for all

We offer job opportunities to over 1,800 people and adopt collective bargaining agreements whenever possible.

8 DECENT WORK AND ECONOMIC GROWTH

Upgrade industrial process to make them more sustainable

In the past 10 years, we have invested almost 190 million euros in engineering and technology upgrades to our plants.

Adopt a sustainable consumption and production model

We have developed a production system based on a circular economy model where 79% of fibrous raw materials come from recycling and where all products are recyclable.

Take urgent action to combat climate change and its impacts

We are reducing greenhouse gas and other polluting emissions per ton of production through energy efficiency programs, changes to our energy mix and environmental impact reduction activities for emissions.

Promote a sustainable management of forest-related resources

For our virgin fibre supplies, we only choose certified raw materials from controlled and sustainable supply chains. 74% of all wood raw material and market pulp are FSC® or PEFC™ certified. 100% of the purchased market pulp is certified material.

Strengthen partnerships for sustainable development

We are members of various associations and working groups, locally and internationally, which support innovation and sustainable development of the fibres based packaging industry and recycling sector.


OMIS
Ton. 16 / 16

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, 2019, compared with those for the previous financial year, relating to the Reno De Medici Group (the "Group" or "RDM Group").

RDM GROUP	**31.12.2019**	**31.12.2018 (*)**
(millions of Euros)		
INCOME STATEMENT (1)		
Revenues from sales	702	606
Gross Operating Profit (EBITDA)	72	63
Depreciation, amortization and write-downs	(42)	(24)
Operating profit (EBIT)	30	39
Profit (loss) for the year	16	28
Group's share of profit (loss) for the year	**16**	**28**
BALANCE SHEET		
- Non-current assets (2)	272	276
- Non-current liabilities, employee benefits and other provisions (3)	(49)	(49)
- Current assets (liabilities) (4)	(11)	(21)
- Working capital (5)	45	57
Net invested capital (NIC) (6)	257	263
Net financial debt (7)	(52)	(67)
Shareholders' equity	205	196
RATIOS		
Gross operating profit / Revenues from sales	10.3%	10.4%
Operating profit / NIC	11.7%	14.8%
Debt ratio (net financial debt / NIC)	20.2%	25.5%

(*) Data include the effect generated by the completion of RDM Barcelona Cartonboard S.A.U.'s Purchase Price Allocation.

(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 consolidated 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".

(4) See RDM Group consolidated financial statements – sum of the following items "Other receivables" net of €147 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".

(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 €147 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”.

The main income statement and statement of financial position items for the year ended as at December 31, 2019 are given below, compared with those for the previous financial year, relating to the financial statements of the parent company.

RDM	**31.12.2019**	**31.12.2018**
(millions of Euros)		
INCOME STATEMENT (8)		
Revenues from sales	223	233
Gross Operating Profit (EBITDA)	34	38
Depreciation, amortization and write-downs	(13)	(12)
Operating profit (EBIT)	21	26
Profit (loss) for the year	16	18
BALANCE SHEET		
- Non-current assets (9)	260	252
- Non-current liabilities, employee benefits and other provisions (10)	(11)	(13)
- Current assets (liabilities) (11)	(3)	(11)
- Working capital (12)	9	18
Net invested capital (NIC) (13)	255	246
Net financial debt (14)	(51)	(55)
Shareholders’ equity	204	191
RATIOS		
Gross operating profit / Revenues from sales	15.2%	16.3%
Operating profit / NIC	8.2%	10.6%
Debt ratio (net financial debt / NIC)	20.0%	22.4%

(8) See RDM financial statements.

(9) See RDM financial statements – total of the item “Non-current assets”.

(10) See RDM 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 €28 thousand relating to an entry of a financial nature classified under the item “Current assets”, net of the items “Other payables”, “Current taxes”, “Employee benefits” and “Short-term provisions for risks and charges”, classified under the item “Current liabilities”.

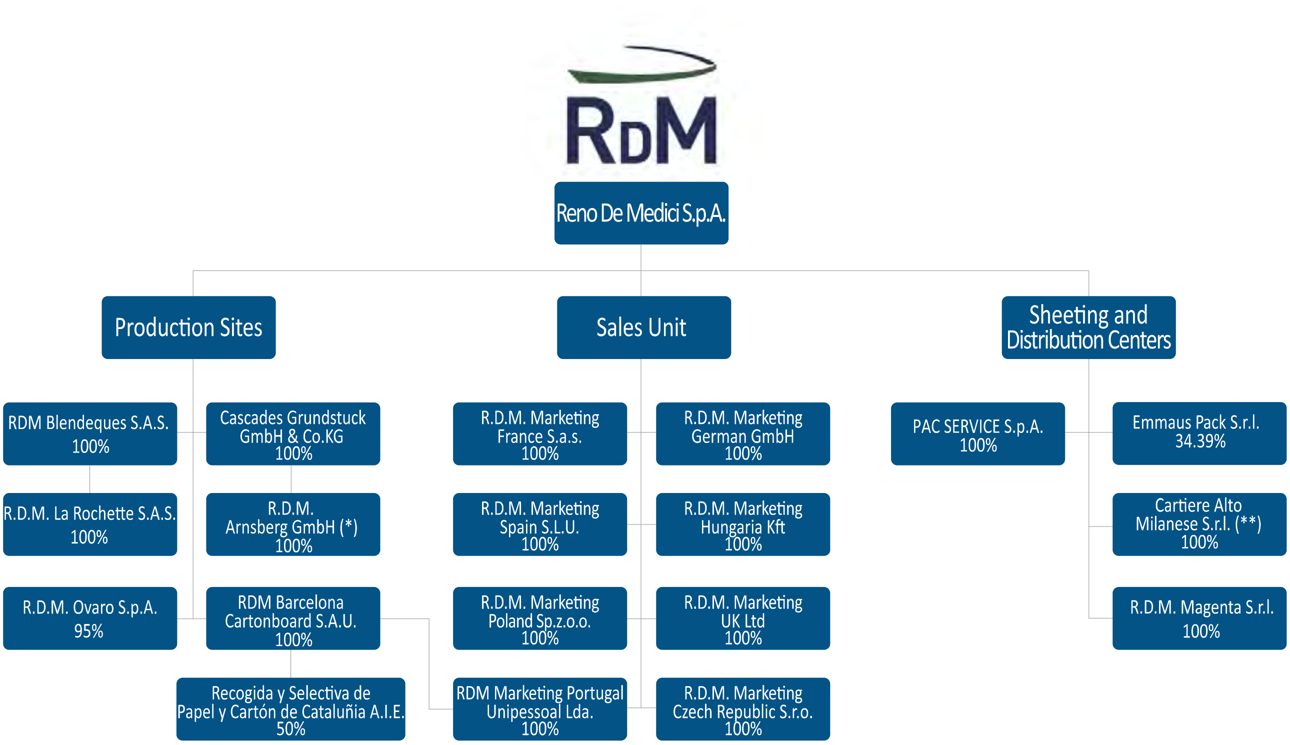
(12) See RDM financial statements – sum of the sub-items “Inventories”, “Trade receivables” and “Receivables from Group companies”, classified under “Current assets”, less the sum of the sub-items “Trade payables” and “Payables to Group companies”, classified under “Current liabilities”.

(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 €28 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”.

GROUP OPERATING COMPANIES AS AT DECEMBER 31, 2019

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



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

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).

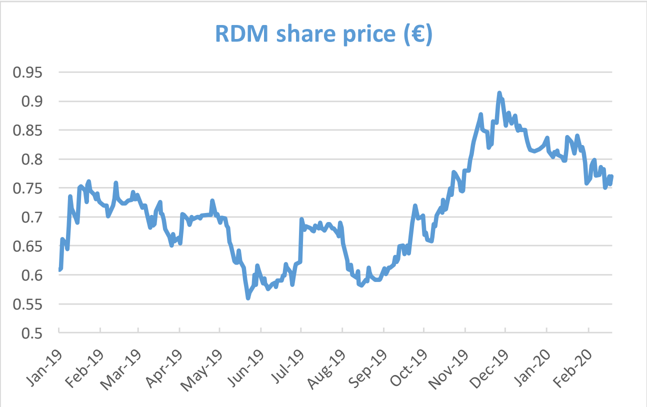
The minimum figure for share trading is 1 Euro.

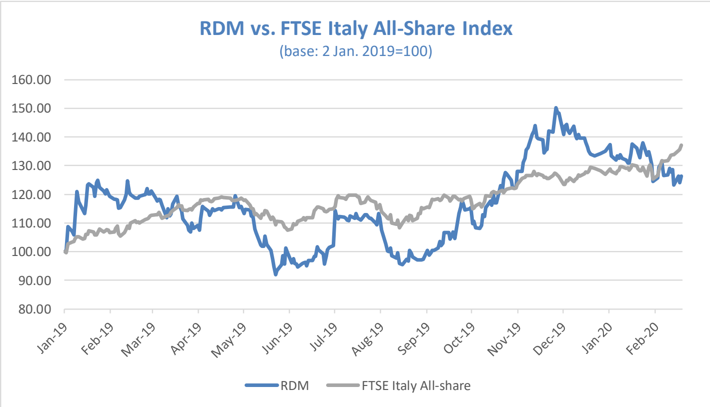
The stock code is:

ISIN: IT0001178299

Alphanumerical code: RM

Performance of the Reno De Medici stock price





Equity markets enjoyed a very positive year in 2019, generally outperforming their long-term historical averages, despite geopolitical uncertainties, relating above all to the trade tensions between the USA and China and the circumstances of the United Kingdom's departure from the European Union. The expansionary monetary policies implemented by central banks to prevent the global slowdown seen in late 2018 from sliding into a recession generated positive expectations on the financial markets. In view of the impetus for corporate earnings growth provided by cheap money, investors were impacted by a scenario of economic recovery and drove up stock prices through their purchases.

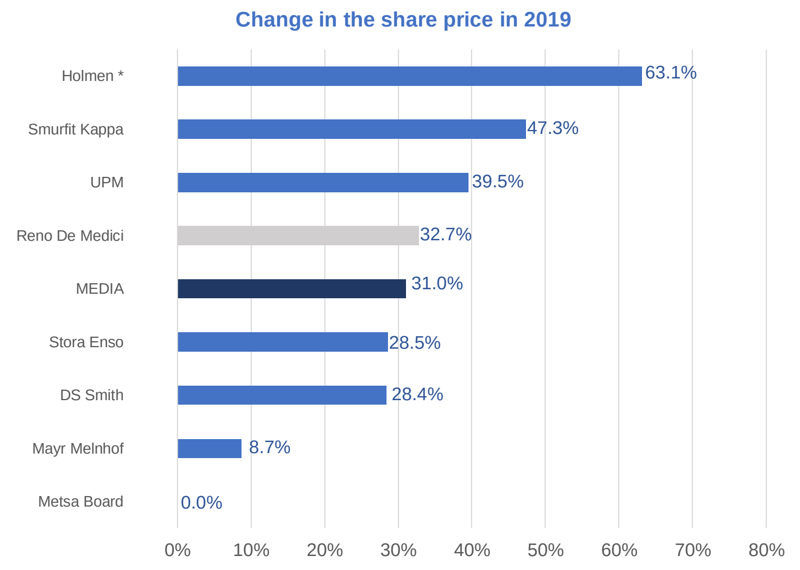
In late 2018 and early 2019, the MSCI All Country World Index increased by 24.0%. In 2019 the FTSE Italy All-Share Index (the Italian exchange index) posted gains of 27.2%, in line with the performances of the main equity markets, while showing volatility spikes during several delicate phases of the Italian government crisis that occurred in the summer, and despite the Italian economy's weak growth in 2019 (+0.1%).

Within this scenario, the price of Reno De Medici shares outperformed the index for the exchange of reference, closing 2019 at €0.823, an increase of 32.7% on the closing price in 2018 (€0.62), driven by the results published during the year, which each quarter confirmed the consistent implementation of the strategy announced.

During the year, a low of €0.56 was reached on May 23, at a time when international trade tension concerns increased, with the President of the United States threatening to impose severe tariffs on imports from China. Reno De Medici shares reached their high for the year of €0.915 on November 27, on the strength of the appreciation of the sound results presented in the Interim Report for the first nine months of the year. The gap between the high (€0.915) and low (€0.56) for 2019 was thus very large: 63.4%.

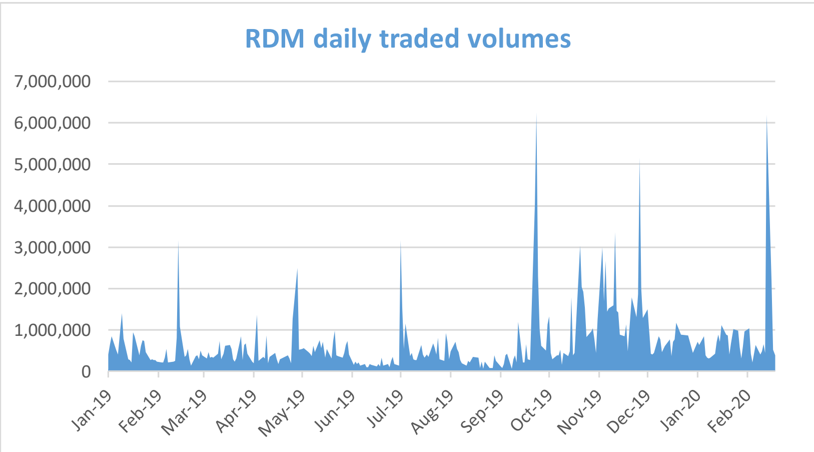
The first months of 2020 saw a correction in the prices of Reno De Medici shares, in a market scenario dominated by the uncertainty of the development of the Covid-19 (Coronavirus) pandemic.

A comparison with the performances of other European companies in the forest, paper and packaging sector shows that Reno De Medici shares also outperformed the average for the panel considered. This average was also significantly buoyed by the brilliant share performances of large players operating in adjacent high-margin sectors. The operator most directly comparable with RDM, i.e., Mayer Melnhof, which however operates in both the cardboard and packaging businesses, in 2019 offered its shareholders a return in terms of capital gains of 8.7%.



(*) In 2019 Holmen more than doubled the book value of their forest holdings.

Trends in volumes from January 2, 2019



In 2019, average volumes of daily trading of Reno De Medici stock on the Milan Stock Exchange stood at 677,467 shares, with trades mainly concentrated in the second half of the year, and in the fourth quarter in particular, when an average of 1,149,087 RDM shares were traded daily. The record for the number of shares traded daily (6.2 million) was reached on September 24, 2019, exceeding the previous record of 5.9 million shares traded on July 10, 2017.

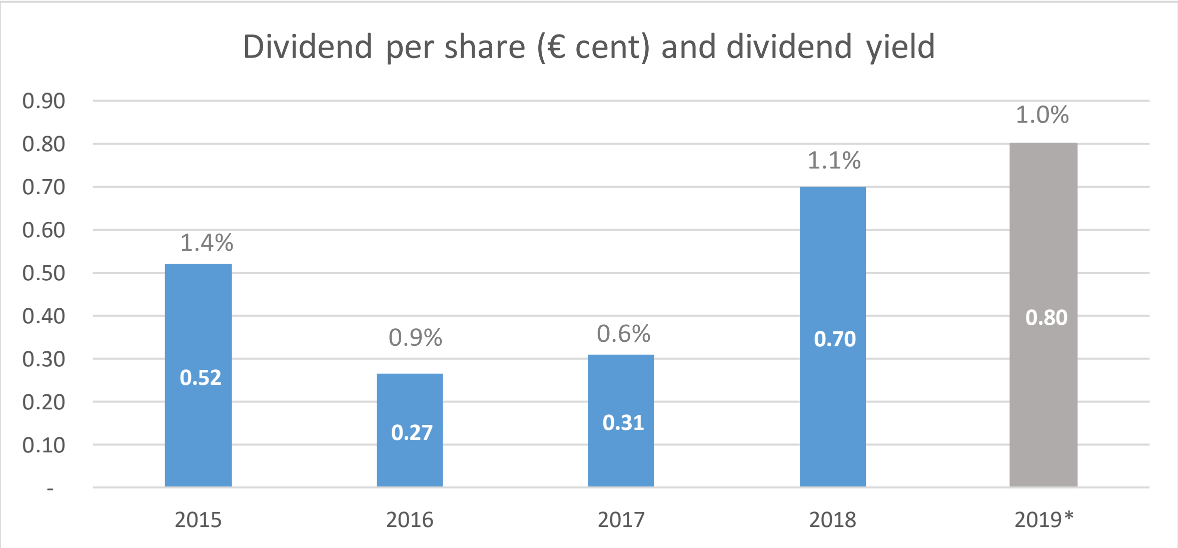
A new high of more than 6 million shares traded was reach on February 14, 2020, when the results for the fourth quarter of 2019 were published.

Dividend

In 2019, a dividend of €0.7 eurocents on the 2018 profit was distributed. On the basis of the share price at the end of 2018 of €0.62, the dividend yield was 1.1%. Considering that in the course of the year the price of the stock climbed by 32.7%, the total shareholder return for the twelve months of 2019, for those who purchased the security at the end of 2018, was 33.8% overall.

On March 16, 2020, the Board of Directors will submit a proposal to the Shareholders' Meeting which will be held on April 29, 2020 to approve the distribution of a dividend for ordinary shares of €0.8 eurocents, with a dividend yield of 1% compared with the price at December 31, 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 2019 reflects the proposal formulated by the Board of Directors on March 16, 2020 which has not yet been approved by the Shareholders' Meeting.

Analyst coverage

At the end of 2019, Reno De Medici stock was covered by two brokers: Intermonte, as Specialist, and MidCap Partners.

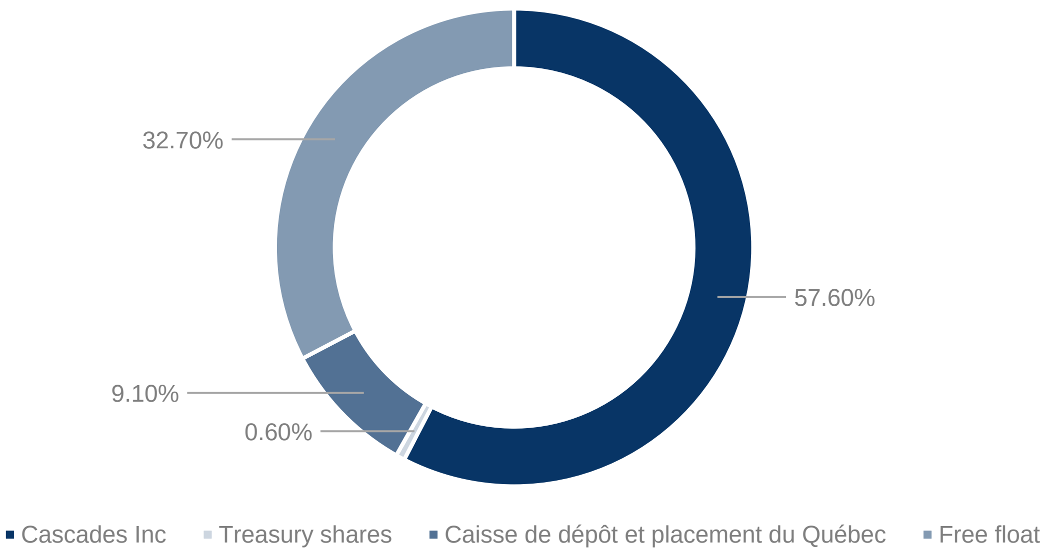
The data updated in relation to the target price and the analysts' recommendations are published on the Company's website. The consensus on the target price stood at €1.04 per share at the end of 2019.

In March 2020, average target price has been revised to €0.94, as analysts' estimates and valuations have taken into account the effects of Covid-19. Both brokerage firms have confirmed positive recommendations on the stock: "Outperform" for Intermonte and "Buy" for MidCap Partners.

Share ownership

The share capital of Reno De Medici as at December 31, 2019 was composed of 377,800,994 shares, 254,741 of which were saving shares, both with no par value. Share capital was €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 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, 2018, there were no changes in institutional shareholders as regard equity investments exceeding 5% of the share capital.

Investor relations activities

In 2019, RDM management met with 121 institutional investors, 43 of them for the first time, at conferences and roadshows in the main European Stock Exchanges (London, Paris, Frankfurt, Madrid and Milan). In addition to participating in the two STAR Conferences in Milan and London, in September the management of Reno De Medici attended the Industrial Day events held at the Milan Stock Exchange.

Field trips were held to the Santa Giustina plant in April and to the Barcelona site in October.

2020 financial calendar

February 14, 2020: Board of Directors' Meeting for the approval of the Interim Report as at December 31, 2019;

March 16, 2020: Board of Directors' Meeting for the approval of the Annual Financial Report 2019;

April 29, 2020 (second call on April 30): Shareholders' Meeting for the approval of the 2019 Financial Statements;

April 29, 2020: Board of Directors' Meeting for the approval of the Interim Report as at March 31, 2020;

July 30, 2020: Board of Directors' Meeting for the approval of the Half-Year Financial Report as at June 30, 2020;

November 4, 2020: Board of Directors' Meeting for the approval of the Interim Report as at September 30, 2020.

03

Directors’ Report on Operations

REFERENCE MARKET AND PERFORMANCE OF ASSETS

The year that has just come to a close was marked by a significant weakening of the main European economies which caused a decline in demand in the Group's main markets, particularly in H1. However, a recovery in WLC (White Lined Chipboard) demand in H2 allowed the Group to close the year with a demand slightly above that of the previous year.

The weak demand generated an overall pressure on selling prices, which declined more markedly in the second half of the year.

At the same time, the general economic situation resulted in a further drop in the cost of raw materials and energy.

Within this general scenario, marked by the weakening of the Group's main markets, RDM closed the year with highly satisfactory results.

In 2019, gross operating profit (EBITDA) amounted to €72.4 million compared with €63.1 million for the previous year, while its ratio to revenues from sales was 10.3%, essentially in line with 10.4% for 2018, despite the decline due to the inclusion of RDM Barcelona Cartonboard S.A.U. in the consolidation scope.

Net profit amounted to €15.6 million compared with €28.4 million for 2018 (restated compared with €27.2 million for 2018 following the completion of RDM Barcelona Cartonboard S.A.U.'s Purchase Price Allocation, in accordance with IFRS 3 – *Business Combination*, which led to the recognition of €1.2 million bargain purchase among equity investments). The decline in net profit despite the increase in EBITDA was tied to several factors: the €3.2 million income from equity investments recorded in 2018; the greater incidence of depreciation and amortization; the higher finance expense chiefly attributable to RDM Barcelona Cartonboard S.A.U.; and the write-downs of the La Rochette plant's fixed assets for a total of €9.5 million, mainly due to the new market conditions.

In particular, it should be noted that Purchase Price Allocation RDM Barcelona Cartonboard S.A.U. was completed in the year ended December 31, 2019 leading to the reduction of the goodwill of the Group and the increase in intangible assets (customer list), resulting in the recognition of the above-mentioned bargain purchase. Comparative figures regarding the financial results at December 31, 2018 have been restated on the basis of the final estimates.

The following table shows a reconciliation between the restated Income Statement and Statement of Financial Position and the statements published in the previous year

	31.12.2018	Adjustment	31.12.2018 restated
Depreciation, amortization and write-downs	(23,777)	(33)	(23,810)
Income (losses) from equity investments	3,192	1,222	4,414
Taxes	(12,914)	8	(12,906)
Profit (loss) for the year	**27,170**	**1,197**	**28,367**
Goodwill	4,845	(456)	4,389
Other intangible assets	13,745	2,172	15,917
Total assets	**504,625**	**1,716**	**506,341**
Shareholders' equity	194,818	1,173	195,991
Deferred taxes	11,004	543	11,547
Total Shareholders' equity and liabilities	**504,625**	**1,716**	**506,341**

Unlike 2018, the results for 2019 include the 12-month income statement data of RDM Barcelona Cartonboard S.A.U. (consolidatd as of October 31, 2018), which contributed to the consolidated result with €8.2 million EBITDA and €0.5 million net loss.

In 2019, the RDM Group continued to implement and consolidate several projects launched during the previous financial year, aimed at mitigating the impact on the Group's profitability caused by the cyclic nature of the sector in which it operates. The most important initiatives are those concerning the optimization of the production mix, the efficiency-based allocation of orders amongst various plants, cost reductions especially for raw materials, as well as price policies applicable in various markets to increase the average value added. These initiatives, which had already yielded important benefits in 2018, continued to a significant extent in 2019 with positive results and will continue in the next year with the aim of achieving and consolidating significant structural profitability enhancements, thus leading to an improved financial position.

The year 2019 also saw the start of the integration of RDM Barcelona Cartonboard S.A.U., which yielded significant synergies in the year and is expected to generated further benefits in 2020. The synergies identified relate to various areas, including sales volumes, selling prices, geographical areas per product served, purchases, production efficiency gains and overheads.

Consolidated net financial debt as at December 31, 2019 amounted to €52 million, down €14.8 million compared with December 2018 (€66.8 million).

This decrease was mainly attributable to the high EBITDA and was achieved despite the application of the new IFRS 16, which had a negative impact of €12.5 million. Without this deduction, the RDM Group's net financial debt would have been €39.5 million, up €27.3 million compared with year-end 2018.

Gearing[1] improved from 0.26 to 0.20.

BUSINESS STRATEGY

The segment in which the RDM Group has been traditionally operating, namely the WLC (White Lined Chipboard – paperboard coated packaging on a recycled base), which accounted for over 84% of consolidated turnover in 2019, recorded a 0.7% increase in total demand compared with the previous year. The increase was fully attributable to the second half of the year, whereas H1 had shown a 0.7% decrease. The change in volumes differed in the Group’s various markets of operation. In European markets, volumes rose in Italy (+0.6%), Spain (+2.5%) and other minor markets, while declining quite markedly in France (-3.9%), the U.K. (-3.2%) and Germany (-2.5%). Demand in overseas markets was in line with the previous year. Net of the increase in volumes due to the inclusion of Barcelona Cartonboard in the consolidation scope, RDM’s growth was slightly below the market’s performance (+0.4%). Almost all RDM’s paper mills either kept pace with the market or, as with Barcelona, Blendecques and Santa Giustina, overperformed it; the overall stronger drop was mainly due to the Villa Santa Lucia and Arnsberg plants. Villa Santa Lucia experienced efficiency and quality issues at the beginning of the year. The problems were resolved in the first quarter of 2019 and volumes began to be recouped in the following quarters. Arnsberg was instead impacted by the weakness of the German market, where the RDM Group’s modest share and the pricing stabilization strategy led to a decline in volumes exceeding that of the market. Mention should also be made of the increase in RDM’s overseas volumes (+5.7%) compared with the market performance (+0.1%), thus validating the strategic decision to offset the decline in volumes against the markets of reference, above all for the Villa Santa Lucia plant.

In order to both protect and increase margins, RDM continues to optimize its order backlog through its new sales organization and to pursue a pricing policy designed to preserve existing margins.

Turning to the main production factors, following the sharp decrease in prices started in September 2017 and the trough in March 2018 of the market’s lowest level since the 2009 crisis, the price of paper for recycling did not change significantly in the subsequent quarters of 2018. In the first half of 2019, the price remained substantially stable with some downward trend. In the second half of 2019, prices again decreased. The downward trend in the price of recycled paper is due to the known restrictions imposed by the Chinese Government on imports of unsorted waste paper and the restrictions on the release of licenses that have created an excess of supply thereby causing a decline in prices. To date, there are no indications of policy changes by the Chinese authorities, which continue to drive towards the goal of zero imports starting from 2021.

[1] Gearing was calculated as the ratio between the net financial position / (net financial position + equity).

The FBB segment (Folding Box Board – cartonboard for folding boxboard based on virgin fibers), which accounted for 16% of consolidated turnover, recorded a decline in market demand of 3.3%, compared with a reduction of 6.6% reported by the RDM Group. The EBITDA margin of the La Rochette plant (5.2% as at December 2019) benefited from the price increase announced at the end of last year, together with the decrease in the cost of virgin raw materials. This allowed the FBB segment, which had been heavily penalized in 2018, to return to profit. Production volumes were slightly lower compared with the previous year. Volumes sold declined (-6.6%), albeit improving in H2 2019 compared with H1 2019. The decrease in volumes was mainly due to a downturn in market performance combined with La Rochette's aggressive pricing policy implemented earlier in the year.

The prices for virgin cellulosic fibers reached their peak in June 2018 (approximately USD 1,230/TON) and stabilized during the subsequent quarters. Starting from December 2018, the prices of both types of virgin fibers began to move downwards and continued to decline in the first quarter of 2019. After relative stability in the second quarter of 2019, prices underwent a further sharp decline in the second half of the year. Short-term forecasts suggest substantial stability until June followed by price stabilization or a reversal of the trend, depending on global demand and economic performance.

The dynamics of selling prices and raw materials led to an average value added in the first nine months of 2019, and though this was far higher than for the same period in the previous year, it remains below the Group's average level.

After the substantial cost increases recorded in 2018 for natural gas, electricity, and coal, energy costs showed a turnaround starting in the last quarter of the previous year. Negative growth expectations led to a halt of the upward trend in the last quarter and to a substantial reduction in prices, especially for gas and coal, in the first nine months of 2019, with a further significant decline in the fourth quarter. Thus, the positive impact in the first half of 2019 was weakened by the medium-term contracts agreed in the previous year. Encouraging trends emerged in the second half of 2019, with unchanged prospects for 2020.

CAPITAL EXPENDITURE

In 2019, the Group's capital expenditure amounted to €29.8 million, compared with €24.4 million in 2018. Among the main capital expenditure in 2019, mention should be made of the refurbishment of parts of the gas turbine and of the winder machine, as well as the new head box at the Barcelona plant, the new sheeter at the cutting center in RDM Magenta, the fiber recovery system in Ovaro and Villa Santa Lucia, the winding machine refurbishment, the board machine and the finishing department in Santa Giustina. In addition, the implementation of the new ERP system continues.

NET FINANCIAL POSITION

Consolidated net financial debt as at December 31, 2019 amounted to €52 million, down €14.8 million compared with €66.8 million as at December 31, 2018.

As mentioned above, the new IFRS 16, which applies from January 1, 2019, requires the recognition of financial liabilities relating to the operating leases and resulted in an additional amount of €12.5 million.

Without this effect, net financial debt improved by €27.3 million compared with December 2018.

Net operating cash flow amounted to around €61 million thanks to the significant EBITDA reported in the year and the improved working capital compared with the previous year.

Revenues from sales amounted to €701.6 million compared with €606 million of the previous year. Net of the consolidation of RDM Barcelona Cartonboard S.A.U. (+€110.9 million), revenues from sales decreased by €15.3 million compared with the previous year. The decrease is attributable to both the decline in selling prices within the WLC segment, particularly in the second half of the year, and the reduced FBB volumes.

The **tons sold** in 2019 by the RDM Group reached 1,174 thousand units, compared with 1,020 thousand sold during the year 2018. The change reflects, on one hand, the tons sold by RDM Barcelona Cartonboard S.A.U., consolidated as of October 31, 2018, and on the other hand, the decrease in like-for-like volumes sold in 2018. This decrease is chiefly attributable to the aforementioned volume reduction recorded by La Rochette plant within the FBB segment.

Compared with 2018, the **average selling prices** showed a decrease in the WLC segment, only partially offset by a strong increase in prices in the FBB segment.

Other revenues amounted to €10.6 million, up €4.3 million compared with the previous year. The aforementioned improvement is mainly attributable to the increase in Energy Efficiency Certificates (also known as "White Certificates") awarded to the Italian plants in 2019 compared with the previous year.

Cost for raw materials and services amounted to €533 million, an increase of €74 million compared with the previous year, as a result of the different scope of consolidation. Net of this effect, which had an impact of €90 million, the average cost of recycled paper, and virgin fibers in particular, was lower than in 2018. The only cost item that increased compared with the previous year was the cost of waste management, attributable to the rising prices.

Personnel costs amounted to €104.1 million, up €13.3 million compared with €90.8 million as at December 31, 2018. The difference is mainly accounted for by the full consolidation of RDM Barcelona Cartonboard S.A.U.

Gross Operating Profit (EBITDA) rose to €72.4 million as at December 31, 2019 compared with €63.1 million of the previous year, and accounted for 10.3% of revenues (10.4% in 2018).

Operating Profit (EBIT) amounted to €30.4 million compared with €39.3 million as at December 31, 2018. Depreciation and amortization and asset write-downs increased by €18.1 million, mainly due to the write-downs of the fixed assets of La Rochette plant for a total amount of €9.5 million and to the change in the scope of consolidation, as well as to the effect of the new IFRS 16, starting January 1, 2019, which requires that costs for operating leases are accounted for as assets (Right of Use) and depreciated.

Net financial expense was €5.4 million, up compared with €2.4 million for 2018. This increase was mainly due to the different scope of consolidation (+€2.4 million) and the financial expense recognized following the adoption of the new IFRS 16, which changed the accounting treatment of operating leases (€0.5 million).

Income from equity investments amounted to €179 thousand compared with €4.4 million for 2018. The change is attributable to the fact that the restated balance at December 31, 2018 included:

- €1.2 million associated with the bargain purchase recognized following the Purchase Price Allocation of RDM Barcelona Cartonboard S.A.U., in compliance with IFRS3;

- €3 million for the acquisition of the remaining shares of PAC Service S.p.A., which took place in 2018, with the consequent valuation at fair value of the investment previously held (33.33%) and valued using the equity method.

The amount allocated for **taxes** was €9.6 million, compared with €12.9 million as at December 31, 2018. The change is attributable to a lower taxable income.

Consolidated net profit for the period was €15.6 million, a decrease compared with €28.4 million as at December 31, 2018. The decrease is due to the write-downs of the La Rochette plant's fixed assets for a total of €9.5 million, the €3.2 million income from equity investments recorded in 2018, the higher financial expense reported in 2019, the bargain purchase amounting to €1.2 million and the lower provision for taxes.

KEY EVENTS OF THE RENO DE MEDICI GROUP

There are no significant facts to be reported.

Other information

Purchase of treasury shares in 2019

In 2019, RDM Group did not buy back any additional treasury shares. Following the purchases made in previous years, the RDM Group holds a total of 2,262,857 treasury shares, or 0.599% of the share capital, thereby achieving the maximum number of shares that can be acquired as per the share buy-back program.

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.

In 2019, market performance was marked by contrasting scenarios. On the one hand, demand in the Group's main markets was quite weak, particularly in the first half of the year, while on the other, the further decrease in raw material costs, only partially offset by a decline in selling prices, led to a good level 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 that resulting from a possible increase in the price of waste paper due to the fact that, after the sharp fall seen in 2018, prices further decline in 2019, mainly due to the decision taken by the Chinese government to continue 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 selling price as quickly as possible and to continue with the policy of optimizing manufacturing recipes.

With regard to energy prices, all of them declined markedly in 2019, particularly gas, electricity and coal, after they reached their high of previous years in 2018. An increase in the prices of the main energy components is therefore likely in the second half of 2020. Within this scenario, 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 in the following section.

Risks related to the Group's results

It should be noted 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, 2019, 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 factoring of trade receivables. As at December 31, 2019, medium- and long-term debt totaled €76.4 million, of which €16.7 million was at an unhedged floating rate. The availability of cash as at December 31, 2019 stood at €40.4 million.

According to the forecasts for 2020, in the Eurozone interest rates will remain at current levels until at least the end of the year.

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, 2019, the net financial debt of the RDM Group was equal to €52 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. As a result of the situation created following the spread of the Covid-19 (Coronavirus) pandemic, based on the information available, the Group cannot rule out that at least some of its customers could have to deal with situations of financial tension with consequences, at least in the short-term, on payment times and credit ratings.

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

The Company is deemed to be adequately capitalized in relation to the reference market and its size.

Concerning to other strategic risks of RDM Group, climate change risks, environmental risks and cyber security risks, please refer to the Consolidated Non Financial Report 2019.

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	31.12.2019	%	31.12.2018 (*)	%
(thousands of Euros)				
Revenues from sales	701,591	100.00%	605,980	**100.00 %**
Operating costs (15)	(643,477)		(555,468)	
Other operating income (expenses) (16)	14,241		12,601	
Gross Operating Profit (EBITDA)	**72,355**	**10.31%**	**63,113**	**10.42 %**
Depreciation, amortization and write-downs	(41,937)		(23,810)	
Operating profit (EBIT)	**30,418**	**4.34%**	**39,303**	**6.49 %**
Net financial income (expense)	(5,374)		(2,444)	
Income (losses) from equity investments	179		4,414	
Taxes	(9,626)		(12,906)	
Profit (loss) for the year	**15,597**	**2.22%**	**28,367**	**4.68 %**
Group's share of profit (loss) for the year	**15,597**	**2.22%**	**28,367**	**4.68 %**

(*) Data include the effect generated by the completion of RDM Barcelona Cartonboard S.A.U.'s Purchase Price Allocation.

(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 revenues from sales by geographic area:

RDM GROUP	31.12.2019	%	31.12.2018	%
(thousands of Euros)				
Areas				
Italy	203,210	29%	200,105	33 %
EU	401,228	57%	333,202	55 %
Non-EU	97,153	14%	72,673	12 %
Total revenues from sales	**701,591**	**100%**	**605,980**	**100 %**

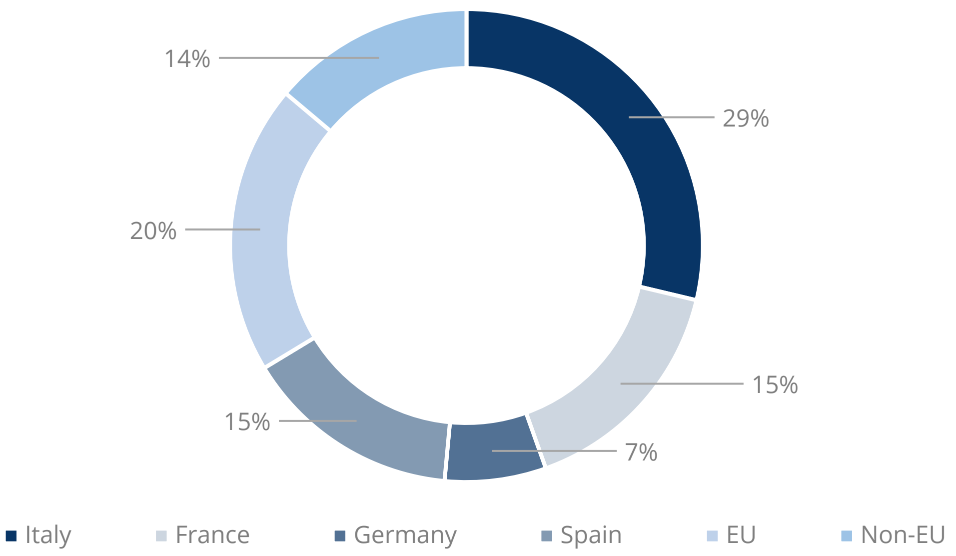


Fig 2.: "Revenues by Geographic Area"

The RDM Group's revenues reached €702 million in 2019. The €95.6 million change compared with the previous year was due to the fact that RDM Barcelona Cartonboard S.A.U. was consolidated on October 31, 2018, and therefore only the revenues related to the last two months of the year had been consolidated as at December 31, 2018. Net of the consolidation of RDM Barcelona Cartonboard (+€110.9 million), the Group's revenues from sales decreased by €15.3 million compared with the previous year. The decrease is attributable to both the decline in selling prices within the WLC segment, particularly in the second half of the year, and the reduced FBB volumes.

EBITDA rose from €63.1 million in 2018 to €72.4 million in 2019, with an increase of €9.2 million. Net of the effect of RDM Barcelona Cartonboard, which amounted to €6.7 million, the increase in EBITDA was €2.5 million. In a context marked by a weak demand, above all in the FBB sector, this increase was mainly attributable to the good margins achieved through the optimization of the production mix, the allocation of orders amongst various plants and the improved cost efficiency, in addition to the positive effect of the applicationof IFRS 16 amounting to €3.4 million.

Consolidated EBIT was positive at €30.4 million, compared with €39.3 million reported in 2018.

RDM GROUP	**31.12.2019**	**31.12.2018 (*)**
(thousands of Euros)		
Net financial expense	(5,374)	(2,444)
Income (losses) from equity investments	179	4,414
Total	**(5,195)**	**1,970**

(*) Data include the effect generated by the completion of the PPA of RDM Barcelona Cartonboard S.A.U.

As at December 31, 2019, net financial expense totaled €5.4 million, improved compared with €2.4 million in 2018. The increase was essentially attributable to the change in the scope of consolidation to include Barcelona Cartonboard S.A.U. (€2.3 million). Considering the same consolidation scope, the increase in net financial expense was due to the application of the new IFRS 16 that led to the recognition of higher interest expense amounting to €0.5 million.

The item "Income (losses) from equity investments" recorded a net profit of €179 thousand compared to €4.4 million in 2018. The change compared with the previous year was due to the bargain purchase (€1.2 million) recognized following the Purchase Price Allocation of the RDM Barcelona Cartonboard S.A.U., in compliance with IFRS 3. In addition, the balance as at December 31, 2018 included also an amount of €3 million associated with the acquisition of the remaining shares of PAC Service S.p.A., which took place in 2018, with the consequent valuation at fair value of the investment previously held (33.33%) and valued using the equity method.

Net profit at the end of 2019 was €15.6 million compared with €28.4 million reported in 2018.

Statement of Financial Position

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

RDM GROUP	31.12.2019	31.12.2018 (*)
(thousands of Euros)		
Trade receivables (17)	77,129	79,969
Inventories	108,948	107,138
Payables to suppliers (18)	(141,209)	(130,409)
Trade working capital	**44,868**	**56,698**
Other current assets (19)	16,405	11,260
Other current liabilities (20)	(25,937)	(29,981)
Non-current assets (21)	272,431	276,288
Non-current liabilities (22)	(8,660)	(11,651)
Invested capital	**299,107**	**302,614**
Employee benefits and other provisions (23)	(41,599)	(39,813)
Net invested capital	**257,508**	**262,801**
Net financial position (24)	52,030	66,810
Shareholders' equity	205,478	195,991
Sources total	**257,508**	**262,801**

(*) Data include the effect generated by the completion of RDM Barcelona Cartonboard S.A.U.'s Purchase Price Allocation.

(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 €147 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”.

(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 €147 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”.

The improvement in net working capital is attributable to the increased efficiency in managing trade receivables and payables.

The €5.1 million increase in “Other current assets” is mainly a result of higher credits for income taxes totaling €2 million, and the change in accrued assets for €2.5 million. It should be noted, in particular, that the item “accrued assets” includes the costs incurred for the demolition of the buildings located at the Magenta plant, net of the advances received in accordance with the preliminary contract for the disposal of the facility signed in late 2018. In light of certain clauses in the above contract, this asset was not classified as available for sale.

The decrease in the item “Other current liabilities” of €4 million was due to the decline in income taxes payables of €6 million, partially offset by the increase in amounts due to employees for deferred monthly installments of €1.4 million.

The decrease in item “Non-current assets” (€3.9 million) was essentially due to the decline in “Other non-current receivable” following the definition of the MAP (Mutual Agreed Procedure) with the German and Italian administrative authorities. On the basis of the agreement reached, the amount receivable of €2.6 million, recognized by the German subsidiary RDM Arnsberg in previous years, was set off against the payment due from the same company. It should also be noted that this item was impacted by the change in tangible fixed assets, as a result of both depreciation for the year and the write-down of the French subsidiary RDM La Rochette S.A.S.’s assets; this reduction was partly offset by the recognition of operating leases under “Rights of use”, following the application of the new IFRS 16 effective from January 1, 2019.

Net financial position

Consolidated net financial debt as at December 31, 2019 stood at €52 million. Despite the negative impact due to the application of the new IFRS 16, which led the said item to worsen by €12.5 million, net financial position improved by €14.8 million, mainly as a result of the higher EBITDA and the improved Net Working Capital. Net of the IFRS 16 effect, net financial position would have stood at €39.5 million.

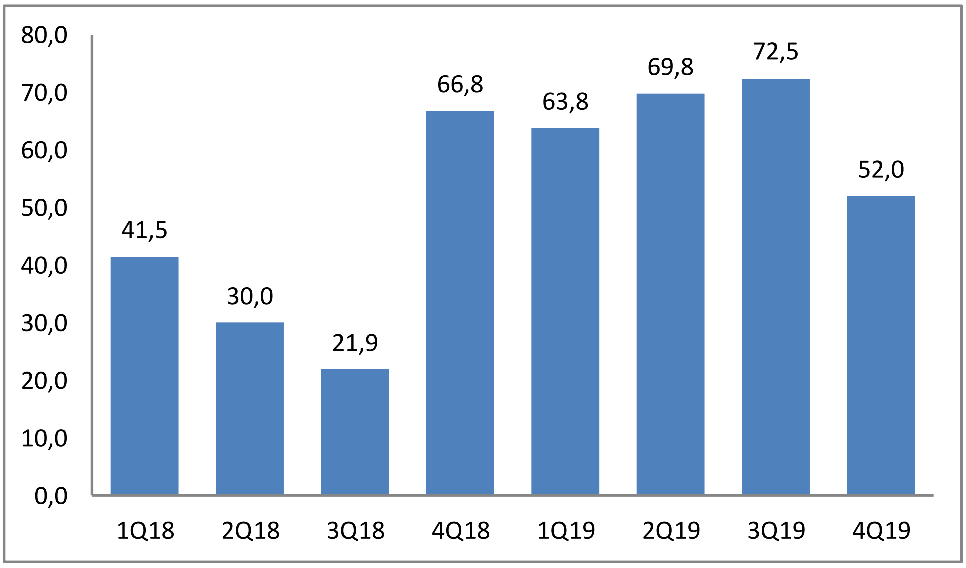


Fig 3.: "2018-2019 Net Financial Position - Quarterly Trend"

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

RDM GROUP	**31.12.2019**	**31.12.2018**	**Change**
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables (25)	40,529	31,686	8,843
Short-term financial payables (26)	(25,610)	(21,854)	(3,756)
Valuation of current portion of derivatives (27)	(2,211)	(296)	(1,915)
Short-term net financial position	**12,708**	**9,536**	**3,172**
Medium-term financial payables (28)	(63,986)	(75,858)	11,872
Valuation of non-current portion of derivatives (29)	(752)	(488)	(264)
Net financial position	**(52,030)**	**(66,810)**	**14,780**

(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 €147 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".

(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".

Research and development activities

The Group conducts 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 while complying with the sustainable requirements inherent in its production cycle.

Worth of mention is also the activity directed at developing new business areas and creating new products; in 2019, it was strengthened by establishing a specific dedicated corporate function.

Capital expenditure

In 2019, the RDM Group's capital expenditure totaled €29.8 million (€24.4 million in 2018).

Capital expenditure was aimed at reducing variable costs, increasing production capacity, and improving safety and quality. The main projects were:

- **Santa Giustina mill (Italy)**: improvement and modernization work was done on the board machine, unwinder and packaging line to increase production capacity;
- **Villa Santa Lucia mill (Italy)**: a new fiber recovery system for cleaning waste was installed;
- **Ovaro mill (Italy)**: installation of new systems and machinery for automating the packaging line for the finished products warehouse was completed. A new washing machine for cleaning waste was also installed;
- **Arnsberg mill (Germany)**: board machine software and equipment were improved and modernized to increase product quality;
- **La Rochette mill (France)**: a new headbox was installed. This investment is aimed at cutting costs and improving quality;
- **Barcelona mill (Spain)**: maintenance work was done on the hot section of the cogeneration plant in order to increase its production capacity;
- **Garbagnate plant (Italy)**: a new automatic sheeter was installed.

The increase in intangible fixed assets in progress is attributable to the development of the project for the implementation of the new ERP system.

Human resources

The RDM Group believes 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 paper production 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 exchange of experiences and best practices is constantly pursued within the Group, fostering constant opportunities for dialog concerning the skills and experiences that allowed the best results to be obtained, with regard to the various production and process contexts, involving the various generations present at the Company.

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, 2019, the Group had 1,766 employees compared with 1,744 as at December 31, 2018.

As at December 31, 2019, the Group headcount included 41 executives, 452 white-collars and 1,273 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, 2019 compared with those of the previous year.

RDM	31.12.2019	31.12.2018
(thousands of Euros)		
Revenues from sales	223,041	233,256
Operating costs (30)	(204,551)	(207,564)
Other operating income (expenses) (31)	15,393	11,856
Gross Operating Profit (EBITDA)	**33,883**	**37,548**
Depreciation, amortization and write-downs	(13,372)	(11,973)
Operating profit (EBIT)	**20,511**	**25,575**
Net financial income (expense)	(976)	(836)
Income (losses) from equity investments	561	317
Taxes	(4,159)	(7,104)
Profit (loss) for the year	**15,937**	**17,952**

(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".

In 2019, revenues amounted to €223 million. The decrease compared with the previous year is fully due to the decline in selling prices, whereas volumes remained essentially in line with 2018.

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

RDM	31.12.2019	%	31.12.2018	%
(thousands of Euros)				
Areas				
Italy	127,577	57%	125,738	54%
EU	45,666	21%	61,682	26%
Rest of the world	49,798	22%	45,836	20%
Total revenues from sales	**223,041**	**100%**	**233,256**	**100%**

As far as the performance of the main production factors is concerned, recycled fibers, after the sharp drop reported in 2018, further declined in 2019. The downward trend in the price of recycled paper is due to the ongoing restrictions imposed by the Chinese Government, effective January 1, 2018, on imports of unsorted waste paper and the restrictions on the release of licenses. This created excess supply in Europe driving prices downwards. The favorable price trend and the more efficient use of fibers led to reduce the ratio of raw material costs to production value (“Revenues from sales” plus “Change in inventories of finished goods”), which declined from 43% to 42%.

With regard to energy components, the price of natural gas and electricity — Reno De Medici S.p.A.’s main source of energy — decreased significantly compared with the previous year. The Company mitigates the volatility of the prices of these commodities by entering into medium-term purchase agreements.

Gross operating profit (EBITDA) declined from €37.5 million in 2018 to €33.8 million in 2019. The effect arising from the adoption of IFRS 16 amounting to €1.2 million.

Operating profit (EBIT) was positive at €20.5 million, compared with €25.6 million reported in 2018.

Net profit amounted to €16 million, after net financial expense of €1 million and equity investments of €0.6 million. Taxes decreased from €7.1 million to €4.2 million, as a result of the decline in taxable profit (€1.1 million) and the use of deferred taxes (€1.8 million).

Statement of Financial Position

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

RDM	31.12.2019	31.12.2018
(thousands of Euros)		
Trade receivables (32)	39,234	41,374
Inventories	31,298	30,989
Trade payables (33)	(61,076)	(53,464)
Trade working capital	**9,456**	**18,899**
Other current assets (34)	4,392	1,874
Other current liabilities (35)	(6,283)	(11,742)
Non-current assets (36)	260,022	252,056
Non-current liabilities (37)	(1,776)	(3,035)
Invested capital	**265,811**	**258,052**
Employee benefits and other provisions (38)	(10,414)	(11,425)
Net invested capital	**255,397**	**246,627**
Net financial position (39)	51,157	55,438
Shareholders' equity	204,240	191,189
Sources total	**255,397**	**246,627**

(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 €28 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".
(36) See RDM financial statements – total of the item "Non-current assets".
(37) See RDM financial statements – sum of the following items of "Non-current liabilities": "Other payables" and "Deferred tax liabilities".
(38) See RDM 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 €28 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".

The improvement in net working capital is attributable to the increased efficiency in managing trade receivables and payables.

The decrease in "Other current liabilities" (€5.5 million) is essentially attributable to the reduction in payables for income taxes amounting to €6 million.

The increase in item "Non-current assets" (€8 million) was due to:

- an increase of €3.1 million in "Equity investments" essentially due to the waive of financial receivables (Cash pooling) towards the subsidiary RDM Magenta S.r.l.;

- recognition of €3.3 million operating leases under the caption “Rights of use” following the adoption of the new IFRS 16 effective from January 1, 2019;

- a decrease of €3.2 million in “Tangible fixed assets” due to depreciation for the year, partially offset by the increases in 2019;

- an increase of €2.2 million in “Intangible fixed assets” due to the recognition of the equity investment in the consortium Interconnector Energy Italia Scarl, classified in that caption in compliance with IFRS 9.

At the end of 2019, about 20% of Net Invested Capital was funded by interest-bearing debt and approximately 80% by shareholders’ equity.

Net financial position

Net financial debt for the Parent Company was €51.2 million, improving compared with €55.4 million as at December 31, 2018.

RDM	31.12.2019	31.12.2018	Change
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables (40)	33,681	27,206	6,475
Short-term financial payables (41)	(45,940)	(32,781)	(13,159)
Valuation of current portion of derivatives (42)	(309)	(221)	(88)
Short-term net financial position	**(12,568)**	**(5,796)**	**(6,772)**
Medium-term financial receivables (43)	0		0
Medium-term financial payables (44)	(38,173)	(49,322)	11,149
Valuation of non-current portion of derivatives (45)	(416)	(320)	(96)
Net financial position	**(51,157)**	**(55,438)**	**4,281**

(40) See RDM financial statements – sum of the item "Cash and cash equivalents", to which €28 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".
(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"
(45) See RDM financial statements – the item "Derivative instruments" classified under "Non-current liabilities".

Reno De Medici S.p.A's net financial debt as at December 31, 2019 stood at €51.2 million. Despite the negative impact due to the application of the new IFRS 16, which led the said item to decrease by €3.4 million, net financial position improved by €4.3 million, mainly as a result of the improved Net Working Capital. Net of the IFRS 16 effect, net financial position would have stood at €47.8 million.

The Company had cash and cash equivalents of €33.7 million. In addition, its borrowings are entirely medium/long term, ensuring that it enjoys the financial stability required for adequately supporting its operations, and for its technical investments in particular, in addition to possible projects designed to take advantage of strategic investment opportunities.

Research and development activities

Please refer to the report on the consolidated figures.

Capital expenditure

In 2019, capital expenditure amounted to €11.5 million (€11.4 million in 2018).

Capital expenditure was aimed at reducing variable costs, increasing production capacity, and improving safety and quality. The main projects were:

- **Santa Giustina mill (Italy)**: improvement and modernization work was done on the board machine, unwinder and packaging line to increase production capacity;

- **Villa Santa Lucia mill (Italy)**: a new fiber recovery system for cleaning waste was installed.

The increase in intangible fixed assets in progress is attributable to the development of the project for the implementation of the new ERP system.

Human resources

The headcount of RDM as at December 31, 2019 stood at 436 staff.

Compared with the previous year, the total number of employees increased by 17 (419 as at December 31, 2018).

As at December 31, 2019, the headcount included 15 executives, 155 white-collars and 266 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.

	2019 Shareholders' equity	2019 Result
(thousands of Euros)		
Reno De Medici S.p.A.	**204,240**	**15,937**
Difference between the carrying amount and the corresponding shares of equity of subsidiaries and associates	3,241	8,820
Dividends received by subsidiaries		(562)
Elimination of gains on disposals to Group companies	(1,043)	
Elimination of allocation of merger deficit	(2,629)	230
Other adjustments on consolidation	1,669	(8,828)
Consolidated Financial Statements	**205,478**	**15,597**

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

	Net financial position 31.12.2019	Net financial position 31.12.2018
(thousands of Euros)		
Net financial position - Reno De Medici S.p.A.	**(51,157)**	**(55,438)**
Cash and cash equivalents and other short-term financial receivables from subsidiaries	6,728	4,351
Other financial receivables from other lenders	(76)	306
Other financial payables from other lenders	(9,097)	
Short-term financial payables from subsidiaries	(9,605)	(8,668)
Medium-/long-term financial payables from subsidiaries	(19,506)	(27,585)
Elimination of short-term financial payables from subsidiaries	44,531	34,027
Elimination of short-term financial receivables from Group companies	(13,848)	(13,803)
Net financial position - RDM Group	**(52,030)**	**(66,810)**

OTHER INFORMATION

Existing disputes and risks

There are no significant risks or disputes underway to be reported.

Tax disputes and risks

The Company had an ongoing tax dispute regarding land registry estimates, initiated in 2016 following the appeal lodged against 17 assessment notices adjusting the land registry revenues in the area of Magenta. In 2019, a settlement agreement was signed and the litigation was finally settled.

In addition, 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 appeal that the Municipality of Cassino lodged against this ruling before the Lazio Regional Tax Commission was accepted. Since on October 24, 2018 Reno De Medici had received a favorable judgment in the first instance, it was able to benefit from the amnesty for pending tax disputes (Article 6 of Legislative Decree No. 119/2018, converted with Law No. 136/2018) by paying the sum of €51,131, equal to 40% of the tax originally sought by the Municipality of Cassino, with all penalties and interest waived in full.

Consolidated non-financial statement

It should be noted that, in compliance with Legislative Decree No. 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. For the Santa Giustina, Villa Santa Lucia and Ovaro mills, the Company has maintained the following certifications: ISO 14001 “Environmental Management System”, ISO 50001 “Energy Management System” and OHSAS 18001/ISO 45001 “Occupational Health and Safety Management System”.

During the year, the Risk Assessment Documents were periodically updated; subcontractors 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 to 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, including by launching an important pilot project on behavioral safety at the S. Giustina plant.

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

Unfortunately, it should be noted that in 2018 a fatal accident had been reported at the Ovaro plant. The Group had followed the related investigation process providing all necessary support, complying with all requirements defined by the local healthcare authority (ASL) and is currently awaiting the notice of conclusion of preliminary investigation.

Treasury Shares

As at December 31, 2019, the share capital of Reno De Medici S.p.A. was represented by 377,800,994 shares without par value broken down into:

- 377,546,217 ordinary shares;

- 254,777 savings shares convertible into 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 2019” in this Report.

Shares held by Directors and Statutory Auditors

In compliance with the provisions of Consob Regulation 11971, as further amended and extended, 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, 2019 is given below:

Name and Surname	Investee company	Number of shares as at December 31, 2018	Number of shares purchased in 2019	Number of shares sold in 2019	Number of shares as at December 31, 2019
Giulio Antonello	Reno De Medici S.p.A.	150,000			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 RDM Marketing;
- sales of cartonboard and raw materials to RDM Ovaro S.p.A.;
- services provided to RDM Ovaro S.p.A., RDM Magenta S.r.l., RDM Blendecques S.A.S., RDM La Rochette S.A.S., RDM Arnsberg GmbH, RDM Barcelona Cartonboard S.A.U., Emmaus Pack S.r.l. (Emmaus), and the foreign subsidiaries RDM Marketing;
- purchases of manufacturing scrap from RDM La Rochette S.A.S.;
- acquisition of cutting services from RDM Magenta S.r.l.;

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

- sales of cartonboard to PAC SERVICE S.p.A and Emmaus Pack S.r.l.;

- the tax consolidation agreement entered into with RDM Ovaro S.p.A. and RDM Magenta S.r.l. under which Reno De Medici S.p.A. is the consolidating company;

- the tax consolidation agreement entered into with RDM Marketing France S.A.S. and RDM La Rochette S.A.S. under which RDM Blendecques S.A.S. is the consolidating company.

More information on the Company's rules on related-party transactions, which were adopted on November 8, 2010 in compliance with Consob Resolution 17221 of March 12, 2010, as subsequently modified and supplemented, can be found in Chapter 12 of the Report on Corporate Governance.

For a quantitative analysis of the transactions undertaken in 2019 between Reno De Medici S.p.A. and its subsidiaries, associates and joint ventures reference should be made to the "Notes" to the financial statements in this Report, as well as to 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 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;

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.

It bears also recalling that as part of the sale of the Ovaro mill to RDM 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 RDM Ovaro S.p.A.

In June 2017, the Parties signed new agreements, whose application entitled Reno De Medici S.p.A. to buy back the 20% stake in RDM Ovaro S.p.A., owned by Friulia, for a total consideration of €2,497,010.95, in four installments of equal amounts, the last two of which will take place in June 2020.

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

SUBSEQUENT EVENTS

Following the seizure order applying to the Cosilam Consortium's purification plant rendered by the competent judicial authority, on February 7, 2020, cardboard production at the Villa Santa Lucia plant was temporarily halted.

On February 28, 2020, the Court of Review of Frosinone issued a judgment overturning the seizure of the water purifier and granting Cosilam use of the system. Consequently, the Villa Santa Lucia plant resumed the production of cartonboard on March 1, 2020.

As is widely known, since January 2020, the national and international scenario has been impacted by the spread of Covid-19 (Coronavirus) and the ensuing restrictive containment measures taken by public authorities in the countries involved. These events — extraordinary in nature and scale — are generating direct and indirect effects on the economy and have triggered a general uncertain context, whose development and the related consequences are not predictable. The potential effects that this phenomenon can have on financial results cannot be estimated at the moment and will be constantly monitored in the coming months. Said so, according to the Government's Decree of March 22, 2020, the operations of RDM Group are regularly running, given the essentiality of products supplied to the food and pharma packaging, and being used to protect goods in online distributions, resulting in a profitability that remains in line with the average of the Group. Therefore, the sensitivity analyses on the forecasts of future economic-financial flows and on the main scenarios used to test the Group's assets have not identified elements that could constitute an impairment loss. In addition, the analysis of the liquidity over the next 12 months, has not identified elements that could mine the going concern of the Group.

OUTLOOK

The 2019 macroeconomic scenario featured the same elements of uncertainty that were pointed out in the Half-year Financial Report, i.e., the Brexit effect and its potential short-term impacts, China-US relations, and the geopolitical situation in some countries (Middle East and South America). This was further complicated by the situation in Turkey, which is one of the markets in which the RDM Group operates. In addition, the macro economic scenario still features serious uncertainties and a rather limited vision due to the Covid-19 pandemic. It is therefore very complicated to try and make any forecasts for commercial, economic and financial results. In this regard, the RDM Group is following the developments concerning the spread of Covid-19 very closely and has adopted all the necessary prevention and control measures, in conjunction with the local authorities and trade union representatives, at all the premises involved. It remains difficult to predict the medium-term impact of these elements on the economic trend in Europe, the main end market of the RDM Group.

RDM Group's short-term outlook remains positive in our core business **White Lined Chipboard (WLC)** thanks to a modest recovery in demand and lower costs of both raw materials and energy. These factors are grounds for positive expectations in terms of profitability despite a competitive and challenging market scenario, particularly with regard to the demand trend. As for our **Folding Boxing Board (FBB)** segment, we are more concerned about demand trend and profitability expectations due to a more competitive market environment.

After the further decline recorded in the fourth quarter, **wastepaper** prices are expected to remain stable despite the continuing import restrictions imposed by the Chinese government.

Following the further decline in prices in the fourth quarter, **virgin fibers** are expected to remain essentially stable in the first half of the year.

Tensions on **selling prices** in the **WLC** segment are expected to continue in the coming quarter, affected to a greater or lesser degree by the weakness of demand, which could lead to a further price decline in several markets. In the **FBB** segment, prices are expected to remain stable, and while the substantial drop in the price of the virgin raw materials may increasingly affect this trend, the segment is expected to continue to show margins far below the Group's average. A reverse trend would only be expected in the event of a significant growth recovery in the main markets in which the Group operates.

The significant decline in **energy prices** reported in 2019, mainly for gas and coal, and the hedging contracts that the Group has recently entered into will generate a far lower ratio of energy costs in the first half of 2020 compared with 2019.

In 2020, the **RDM Group** will continue to pursue its program of initiatives originally launched in 2018-2019. It will strengthen its market leadership, optimize production and improve customer service in order to ensure that the double-digit EBITDA margin achieved in 2018 is structurally stable over time.

One part of the program will continue to leverage the multi-mill integration of RDM **Barcelona Cartonboard**.

Therefore, the above remarks do not take account of the possible negative impacts on performance — which at present are entirely impossible to predict — caused by the health emergency relating to the spread of the Covid-19 virus.

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 adoption of the Code of Corporate Governance of listed companies promoted by Borsa Italiana S.p.A., as well as all 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 Section *Company/Governance/Shareholders' Meeting*, as well as via the authorized storage mechanism"eMarketStorage" (www.emarketstorage.com).

04

Notes to the Consolidated Financial Statements at December 31, 2019

CONSOLIDATED STATEMENT OF INCOME

	Note	12.31.2019	12.31.2018 (*)
(thousands of Euros)			
Revenues from sales	1	701,591	605,980
- of which related parties	*32*	11,752	*12,778*
Other revenues and income	2	10,604	6,319
- of which related parties	*32*	88	*112*
Change in inventories of finished goods	3	3,637	6,282
Cost of raw materials and services	4	(533,446)	(459,415)
- of which related parties	*32*	(103)	*(68)*
Personnel costs	5	(104,132)	(90,847)
Other operating costs	6	(5,899)	(5,206)
Gross operating profit		**72,355**	**63,113**
Depreciation and amortization	7	(31,657)	(23,428)
Write-downs and Revaluations	8	(10,280)	(382)
Operating profit		**30,418**	**39,303**
Financial expense		(5,808)	*(2,508)*
Gains (losses) on foreign exchange		123	*23*
Financial income		311	*41*
Net financial income (expenses)	9	(5,374)	(2,444)
Gains (losses) on investments	10	179	4,414
Taxes	11	(9,626)	(12,906)
Profit (loss) for the year before discontinued operations		**15,597**	**28,367**
Profit (Loss) for the period		**15,597**	**28,367**
Total profit (loss) for the year attributable to:			
- Group		15,597	28,367
- Minority interests			
Average number of shares			
Basic		375,283,384	375,556,686
Diluted		375,283,384	375,556,686
Basic earnings (loss) per ordinary share (Euros)		0.04	0.07
Diluted earnings (loss) per ordinary share (Euros)		0.04	0.07

(*) The data include the effect of the completion of the Purchase Price Allocation on RDM Barcelona Cartonboard S.A.U.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	12.31.2019	12.31.2018 (*)
(thousands of Euros)		
Profit (Loss) for the period	**15,597**	**28,367**
Other components of comprehensive profit (loss)		
Other components that may be transferred to the income statement in subsequent financial periods:	**(419)**	**(232)**
Change in fair value of cash flow hedges	*(431)*	*(255)*
Profit (loss) on translation of financial statements of foreign investee companies	*12*	*23*
Other components that will not be transferred to the income statement in subsequent financial periods:	**(3,082)**	**1,102**
Actuarial gain (loss) on employee benefits	*(3,082)*	*1,102*
Total other components of comprehensive profit (loss)	**(3,501)**	**870**
Total comprehensive profit (loss)	**12,096**	**29,237**
Total comprehensive profit (loss) attributed to:		
- Group	*12,096*	*29,237*
- Minority interests		

(*) The data include the effect of the completion of the Purchase Price Allocation on RDM Barcelona Cartonboard S.A.U.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	12.31.2019	12.31.2018 (*)
(thousands of Euros)			
ASSETS			
Non-current assets			
Tangible fixed assets	12	232,586	245,900
Rights of use	13	12,371	
Goodwill	14	4,389	4,389
Intangible fixed assets	15	13,632	12,351
Intangible assets with an indefinite useful life	15	2,736	3,566
Equity investments	16	810	694
Deferred tax assets	17	389	678
Other receivables	19	5,518	8,710
Total non-current assets		**272,431**	**276,288**
Current assets			
Inventories	20	108,948	107,138
Trade receivables	18	70,317	73,191
Receivables from associates and joint ventures	18	6,812	6,778
Other receivables	19	16,552	11,766
Cash and cash equivalents	21	40,382	31,180
Total current assets		**243,011**	**230,053**
TOTAL ASSETS		**515,442**	**506,341**

(*) The data include the effect of the completion of the Purchase Price Allocation on RDM Barcelona Cartonboard S.A.U.

	Note	12.31.2019	12.31.2018 (*)
(thousands of Euros)			
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		140,000	140,000
Other reserves		27,478	30,081
Retained earnings (losses)		22,403	(2,457)
Profit (Loss) for the period		15,597	28,367
Shareholders' equity attributable to the Group		**205,478**	**195,991**
Minority interests			
Total shareholders' equity	22	**205,478**	**195,991**
Non-current liabilities			
Payables to banks and other lenders	21	63,986	75,858
Derivative instruments	23	752	488
Other payables	24		104
Deferred taxes	25	8,660	11,547
Employee benefits	26	36,410	32,778
Non-current provisions for risks and charges	27	4,221	4,634
Total non-current liabilities		**114,029**	**125,409**
Current liabilities			
Payables to banks and other lenders	21	25,610	20,354
Derivative instruments	23	2,211	296
Trade payables	28	141,209	130,409
- of which related parties	*32*	*2*	*1*
Other payables	24	22,952	22,401
Other payables to associates and joint ventures	24	101	101
Current taxes	29	2,884	8,979
Employee benefits	26	98	212
Current provision for risks and charges	27	870	2,189
Total current liabilities		**195,935**	**184,941**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**515,442**	**506,341**

(*) The data include the effect of the completion of the Purchase Price Allocation on RDM Barcelona Cartonboard S.A.U.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	12.31.2019	12.31.2018 (*)
(thousands of Euros)			
Profit (Loss) for the period		15,597	28,367
Income taxes	11	9,626	12,906
Depreciation and amortization	7	41,937	23,810
Losses (gains) from equity investments	10	(179)	(4,265)
Financial income (expense)	9	5,374	2,444
Capital losses (gains) on sale of fixed assets		(115)	(287)
Change in provisions for in employee benefits and in other provisions including the provision for bad and doubtful receivables		(4,020)	(411)
Change in inventories	19	(1,626)	(4,628)
Change in receivables	17	3,373	12,664
- of which related parties	*31*		*350*
Change in payables	27	5,529	(11,268)
- of which related parties	*31*		*(27)*
Total change in working capital		**7,276**	**(3,232)**
Gross cash flows		**75,496**	**59,332**
Interest (paid) collected in the year		(1,999)	(1,455)
Taxes paid in the year		(12,376)	(5,445)
Cash flow from operating activities		**61,121**	**52,432**
Other equity investments	15	1	
Investment net of disinvestment in tangible and intangible assets	12-14	(29,170)	(24,514)
Change in scope of consolidation			(36,513)
Dividends received		62	103
Cash flow from investing activities		**(29,107)**	**(60,924)**
Dividends paid		(2,633)	(1,172)
Treasury shares			(577)
Change in other financial assets and liabilities and short-term bank debts	20		(5,448)
- of which related parties	31		
Change in medium/long-term loans	20	(20,168)	23,828
Cash flow from financing activities		**(22,801)**	**16,631**
Exchange rate translation differences		**(12)**	**23**
Change in unrestricted cash and cash equivalents		**9,201**	**8,162**
Unrestricted cash and cash equivalents at the beginning of the period		**31,181**	**19,128**
Cash and cash equivalents acquired **			**3,891**
Unrestricted cash and cash equivalents at the end of the period		**40,382**	**31,181**

(*) The data include the effect of the completion of the Purchase Price Allocation on RDM Barcelona Cartonboard S.A.U.

(**) 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

	Share	Treasury shares reserve	Legal reserve	Other reserves	Retained earnings (losses)	Profit (loss) for the period	Hedging reserve	Reserve for "Actuarial gain/(loss)"	Total Shareholders' Equity (Group)	Total Shareholders' Equity (minority shareholders)	Total Shareholders' Equity
(thousands of Euros)											
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 period			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 period						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**
Purchase Price Allocation RDM Barcelona Cartonboard					(24)	1,197			1,173		1,173
Shareholders' equity at 12.31.2018 restated	**140,000**	**(1,060)**	**1,477**	**36,536**	**(2,457)**	**28,367**	**(456)**	**(6,416)**	**195,991**		**195,991**
Dividends distributed						(2,633)			(2,633)		(2,633)
Allocation of profit (loss) for the period			898		24,836	(25,734)					
Purchase of Treasury shares											
Stock Grant reserve											
IFRS 9 reserve					24				24		24
Profit (Loss) for the period						15,597			15,597		15,597
Other components of comprehensive profit (loss)				12			(431)	(3,082)	(3,501)		(3,501)
Total comprehensive profit (loss)				12		15,597	(431)	(3,082)	12,096		12,096
Shareholders' equity at 12.31.2019	**140,000**	**(1,060)**	**2,375**	**36,548**	**22,403**	**15,597**	**(887)**	**(9,498)**	**205,478**		**205,478**

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 sale operations are carried out through a network of agents and the internal sales force under the subsidiary R.D.M Marketing Group.

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 16, 2020.

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 2019 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 38/205. 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”).

In compliance with the Annual Financial Report as at December 31, 2018, the RDM Group applied the same accounting principles with the exception of IFRS 16 which came into force from January 1, 2019. In particular:

- IFRS 16 – Leases: adopted by the Group from January 1, 2019. The new principle establishes a single model for recognizing and valuing lease agreements for the tenant, no longer distinguishing between operating and financial leases and, specifically, for contracts where it is applicable, a right of use asset and a corresponding lease liability is recorded in financial statements.

The Group has chosen to apply the amended retrospective principle without any change to the comparative data. Specifically, for lease agreements previously classified as operating leases, the Group entered into the accounts:

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

b) a right of use equal to the value of the financial liability at the date of transition. The Group 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 starting date of the contract, however, using the discount rate defined at the date of transition.

In adopting IFRS 16, the Group used the exemption granted in paragraph IFRS 16:5(a) in relation to short-term leases for all asset classes with the exception of buildings.

Similarly, the Group used the exemption granted in paragraph IFRS 16:5(b) as far as lease agreements for which the underlying asset is a low-value asset are concerned (namely, the lease agreement underlying assets do not exceed €5,000 when new). The contracts for which the exemption was applied mainly fall under the following categories:

- Computers and telephones;
- Printers.

For these contracts the introduction of IFRS 16 did not involve the recording of the financial assets of the lease and the related right of use, but the rental income was recorded in the income statement on a straight-line basis for the duration of the respective contracts.

The Group used the following practical arrangements set out in IFRS 16:

- Separation of the non-lease components: The Group used the exemption granted by paragraph IFRS 16:15 for all asset categories except buildings. The non-lease components of these assets were not split off and entered into the accounts separately from the lease components, but were considered together with the latter in calculating the financial liability of the lease and the related right of use.
- Portfolio approach: the Group identified contracts with similar characteristics that can be dealt with as a portfolio for the asset category "forklifts (Plant and machinery)".

Overall, as at December 31, 2019, the application of the new principle involved:

- the accounting of a total of €12.4 million under rights of use for tangible and intangible assets;
- the accounting of a financial liability of around €12.5 million;
- with reference to the income statement, rental income of €3.4 million was reversed and increased amortization and depreciation of €3.3 million was recorded and increased financial expense of €517 thousand. The impacts on the EBITDA, operating profit (EBIT) and net profit (loss) of the Group in the period stand, respectively, +€3.4 million, +€130 thousand and -€387 thousand;
- the net financial position worsened to €12.5 million.

The table below outlines the impacts resulting from the adoption of IFRS 16 at the date of transition.

	Impacts at the date of transition
Thousands of Euros	
Assets	
Rights of use on buildings	3,327
Rights of use on plant and machinery	2,020
Rights of use on industrial and commercial equipment	69
Rights of use on other assets	643
Total assets	**6,059**
Liabilities	
Financial liabilities on current portion of leases	2,210
Financial liabilities on non-current portion of leases	3,849
Total liabilities	**6,059**

In order to help with understanding the impacts of the first-time application of the principle, the table below gives a reconciliation between the future commitments relating to lease agreements and the impact of the adoption of IFRS 16 at January 1, 2019.

Reconciliation of lease commitments

€/000	
	January 1, 2019
Operating lease commitments at December 31, 2018	**6,886**
Short term lease income (exemption)	136
Low-value lease income (exemption)	195
Financial liabilities not discounted for leases at January 1, 2019	**6,555**
Effect of discounting	496
Additional financial liabilities for leases due to the transition to IFRS 16 at January 1, 2019	**6,059**

- The document "Annual Improvements to IFRSs: 2015-2017 Cycle" which includes the changes to some principles under the scope of the annual improvement process.
- Amendment to IAS 19 "Plant Amendment, Curtailment or Settlement";
- Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures";
- Amendment to IFRS 9 "Prepayment Features with Negative Compensation";

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:

- "Definition of Material (Amendments to IAS 1 and IAS 8)" document. This document introduced an amendment to the definition of "significant" in IAS 1.
- Amendment to "References to the Conceptual Framework in IFRS Standards"

- Amendment to principles: IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform.

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;
- Amendment to IFRS 3 "Definition of a Business";
- Amendment to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture";

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.

Preparing the consolidated financial statements in accordance with the 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:

Corporate name	Registered office	Assets	Share capital (Eur/000)	Control percentage 12.31.2019		Control percentage 12.31.2018	
				direct	indirect	direct	Indirect
R.D.M. Arnsberg GmbH	Arnsberg (DE)	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 (DE)	Services	28	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	95.00%		90.00%	
R.D.M. La Rochette S.A.S.	La Rochette (FR)	Industrial	4,000		100.00%		100.00%
RDM Barcelona Cartonboard S.A.U.	Barcelona (ES)	Industrial	14,943	100%		100%	
R.D.M. Marketing Portugal Unipessoal Lda.	Lisbon (PT)	Commercial	3		100%		100%
PAC Service S.p.A.	Vigonza (IT)	Industrial	1,000	100%		60%	40%
BELLIM S.r.l.	Vigonza (IT)	Services				100%	
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	20	100.00%			100.00%
R.D.M. Marketing Hungaria Kft.	Budapest (HU)	Commercial	18	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, 2019. In particular:

- the merger by incorporation of BELLIM S.r.l. into the Parent company Reno De Medici S.p.A. was completed on August 1, 2019. The accounting and tax effects began on January 1, 2019, while the legal effects began on September 1, 2019. As a result, PAC Service S.p.A. is wholly owned by Reno De Medici S.p.A.

- on June 21, 2019, through the application of the agreements concluded with Friulia S.p.A. in 2017, Reno De Medici S.p.A. bought back an additional share, equal to 5%, of the investment owned by Friulia S.p.A. in R.D.M. Ovaro S.p.A. Following this transaction, the remaining share still owned by Friulia S.p.A. was 5%, which will be bought back by June 30, 2020. More details on this can be found in the section "Contingent liabilities, commitments, and other guarantees given to third parties".

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

Corporate name	Registered office	Assets	Share capital (Eur/000)	Control percentage 12.31.2019 direct	indirect	12.31.2018 direct	indirect
Associates							
Emmaus Pack S.r.l.	Milan (IT)	Industrial	200	34.39%		34.39%	
Joint ventures							
RECOG.SEL.PAP. Y CART. C., A.I.E.	Barcelona (ES)	Industrial	3		50%		50%

ACCOUNTING PRINCIPLES

Consolidation Principles

The financial position, results and cash flows of 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 distributed 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's component 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 12.31.2019
GBP	0.8945	0.8473	0.8508
PLN	4.3014	4.2726	4.2568
CZK	25.7240	25.4972	25.4080
HUF	320.98	330.71	330.53

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 on which significant influence or joint control is acquired until the date on which 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 assumed through financial lease agreements, for which all the risks and benefits related to ownership are substantially transferred to the Group, are recorded under tangible assets at their current value or, if lower, the current value of the minimum payments due for the lease. A corresponding financial liability representing financial debt due to the lessor is recorded in financial statements.

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 Group. Land is not depreciated, even if acquired together with buildings.

The useful life applied to each category for the purpose of amortization and depreciation is highlighted below:

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 indicator that tangible assets have suffered impairment. If any indicator 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 Group 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 definite 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 useful life applied to each category for the purpose of amortization and depreciation is highlighted below:

Category		Years
Concessions, licenses, trademarks and similar rights	Software licenses	5
Other intangible assets	Miscellaneous multi-year 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 definite 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. Fair value is estimated taking into account the provisions in accounting standard IFRS 13 *Fair Value Measurement*.

In estimating the value in use, expected 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 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.

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.

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 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 Group 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 carried out at amortized cost using the effective interest method.

Revenue recognition

Revenues are recognized where it is probable that the Group 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 Group 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 becomes 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.

The subsidiary RDM Blendecques S.A.S is also part of the national tax consolidation agreement that includes the subsidiaries R.D.M. La Rochette S.A.S. and R.D.M. Marketing France S.A.S. on the basis of French “Article 223a of the 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 makes 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.

The RDM Group conducts impairment testing at least once a year, taking into consideration several impairment indicators identified within the actual Group at the level of individual assets and/or related to the economic and financial performance of certain CGUs.

In view of the changed conditions in the FBB sector in which the French subsidiary R.D.M. La Rochette operates, a sector which has, in recent years, seen a large increase in production capacity and, as a result, the quality of the products, which has greatly reduced the Group's competitiveness in the sector, it was decided to estimate the market value of the amortized assets of R.D.M. La Rochette. Based on the results in the appraisal prepared by an independent expert, some fixed assets were written down by a total value of €9.5 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 segregation of assets for cash-generating units is represented by the individual mills.

The recoverability of carrying amounts at this level of aggregation is tested by comparing the net carrying amount of the Net Invested Capital of the individual Cash Generating Units with the value in 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 coincides with an entire legal entity, as in the case of the foreign companies R.D.M. Arnsberg GmbH, RDM Blendecques S.A.S., R.D.M. La Rochette S.A.S., RDM Barcelona Cartonboard S.A.U. and the Italian companies R.D.M. Ovaro S.p.A. and PAC Service S.p.A., or with the production plants of Santa Giustina (BL) and Villa Santa Lucia (FR), belonging to the Parent company Reno de Medici S.p.A.

An impairment test is conducted annually on the CGU of PAC Service S.p.A., as a result of the goodwill of €4.4 million allocated to it at the time of acquisition. Based on the impairment test conducted, no need for any write-down was identified.

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, variable costs of energy and packaging, the trend in sales prices, margins, capital expenditure and macroeconomic variables.

The Group has used a net rate of 6.72% when discounting cash flows, 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%.

The result of the impairment test, approved by Board of Directors, 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. There has been no need for a write-down following these sensitivity analyses.

Moreover, as indicated in the Directors' Report on Operations, following the spread of Covid-19 (Coronavirus), that has impacted the national and international scenario since January 2020, further sensitivity analyses on the forecasts of future economic-financial flows and on the main scenarios used to test the capital assets have been made. Based on these analyses, any elements have not been identified that could constitute an impairment of cash generating unit.

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.

Notes

Segment Information

Note that from 2018, the segment information has been 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 a better optimization of the product portfolio/geographical mix, has given prominence to the division of corporate performance into the two segments, WLC (white lined chipboard - coated board made of recycled fibers) and FBB (folding box board based on virgin fibers).

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

The reporting used by the directors highlights the results in the two operating segments, WLC, represented by the plants in France, Germany and Spain, which became part of the Group on October 31, 2018, and by all the plants operating in Italy, and FBB in which the company RDM La Rochette S.A.S. operates.

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 operating segments for 2019 and 2018:

Income statement 12.31.2019	WLC	FBB	Unallocated items and adjustments	Consolidated
(thousands of Euros)				
Revenues from sales	**602,151**	**111,896**	**(12,456)**	**701,591**
Intercompany by segment	(10,878)	(1,578)	12,456	
Net sales revenues from third parties	**591,273**	**110,318**	**0**	**701,591**
Gross operating profit	**65,805**	**5,846**	**704**	**72,355**
Depreciation and amortization	(29,330)	(2,275)	(52)	(31,657)
Write-downs and Revaluations	(830)	(9,450)		(10,280)
Operating profit	**35,645**	**(5,879)**	**652**	**30,418**
Net financial income (expenses)	(4,692)	(455)	(227)	(5,374)
Gains (losses) on investments	562		(383)	179
Income taxes	(9,210)	(390)	(26)	(9,626)
Profit (Loss) for the period	**22,305**	**(6,724)**	**16**	**15,597**
Portions of profit (loss) of equity-accounted investments	179			179
Total investments	**23,902**	**2,878**		**26,780**

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	(22,461)	(1,115)	148	(23,428)
Write-downs and Revaluations	(382)			(382)
Operating profit	**41.299**	**(1,445)**	**(551)**	**39,303**
Net financial income (expenses)	(1,869)	(575)		(2,444)
Gains (losses) on investments	317		4,097	4,414
Income taxes	(12,557)	(291)	(58)	(12,906)
Profit (Loss) for the period	**27,190**	**(2,311)**	**3,488**	**28,367**
Portions of profit (loss) of equity-accounted investments	3,192			3,192
Total investments	**18,011**	**4,625**		**22,636**

(*) The data include the effect of the completion of the Purchase Price Allocation on RDM Barcelona Cartonboard S.A.U.

Notes

The changes in the economic data at December 31, 2019 were affected by the fact that the consolidation at December 31, 2018 of the subsidiary RDM Barcelona Cartonboard S.A.U., acquired on October 31, 2018, only included the last two months of the financial year.

Additionally, note that the Purchase Price Allocation of RDM Barcelona Cartonboard S.A.U., which at the time of purchase was recorded based on provisional values and estimates, as allowed by IFRS 3 - Business combination, was completed in 2019. Specifically, the completion of this valuation process involved a reduction in the goodwill of the €0.5 million, an increase in the value of intangible fixed assets (customer list) equal to €2.2 million and the recording of a bargain purchase of €1.2 million under the item Gains (Losses) on investments. As a result, the comparative values, relating to the financial information at December 31, 2018, were restated on the basis of the definitive estimates.

The table below contains the reconciliation of the statement of assets and liabilities and income statement data restated with those published in the previous year.

	12.31.2018	**Adjustment**	**12.31.2018 restated**
Amortization, depreciation and impairment	(23,777)	(33)	(23,810)
Income (Expenses) from investments	3,192	1,222	4,414
Taxes	(12,914)	8	(12,906)
Profit (Loss) for the period	**27,170**	**1,197**	**28,367**
Goodwill	4,845	(456)	4,389
Other intangible fixed assets	13,745	2,172	15,917
Total Assets	**504,625**	**1,716**	**506,341**
Shareholders' equity	194,818	1,173	195,991
Deferred taxes	11,004	543	11,547
Total Shareholders' Equity and Liabilities	**504,625**	**1,716**	**506,341**

1. Revenues from sales

These revenues arise essentially from sales of carton board:

	12.31.2019	**12.31.2018**	**Variation**
(thousands of Euros)			
Revenues from sales	701,591	605,980	95,611
Total revenues from sales	**701,591**	**605,980**	**95,611**

The following table provides a geographical breakdown of sales revenues:

	12.31.2019	12.31.2018	Variation	%
(thousands of Euros)				
Italy	203,210	200,105	3,105	1.5%
European Union	401,228	333,202	68,026	20.4%
Rest of the world	97,153	72,673	24,480	33.7%
Total revenues from sales	**701,591**	**605,980**	**95,611**	**15.8%**

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 €701.6 million in 2019. The increase of €95.6 million compared with the previous year is essentially due to the fact that RDM Barcelona Cartonboard S.A.U. was consolidated from October 31, 2018 and therefore at December 31, 2018 only the revenue relating to the last two months of the year was consolidated. Excluding the consolidation of RDM Barcelona Cartonboard (+€110.9 million), Group revenues decreased compared with the previous year by €15.3 million. The reduction is due both to a fall in sales prices in the WLC segment concentrated in the second part of the year and to a reduction in volumes in the FBB segment.

The revenues of RDM Barcelona Cartonboard S.A.U. include the amount of €33.9 million from the business carried out by the cogeneration power plant annexed to the Spanish plant.

2. Other revenues

Other revenues can be broken down into the following categories:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Grants	897	770	127
Indemnities	154	262	(108)
Energy revenues	6,504	2,809	3,695
Other revenues	3,049	2,478	571
Total	**10,604**	**6,319**	**4,285**

“Grants” essentially include:

- ordinary contributions from Comieco, amounting to €207 thousand, relating to the use of waste paper from public separated waste collection;

- contributions of €664 thousand in favor of 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 the high energy consumption industrial sites.

“Energy revenues” relate to amounts received from certain energy suppliers for joining the “interruption” scheme, and to income from the sale of electricity in 2019. The increase of €3.7 million was mainly due to the increased number of white certificates allocated to the Italian plants in 2019 compared with the previous year.

“Miscellaneous revenues” mainly includes ordinary capital gains of €115 thousand, contingent assets of €1 million and other minor revenue.

3. Change in inventories of finished goods

The change in inventories was negative by €3.6 million compared with a positive change by €6.3 million at December 31, 2018. This difference was due to an increase in the unsold stock of finished products at the end of the year related to weak demand.

4. Cost of raw materials and services

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Cost for raw materials	**302,666**	**279,133**	**23,533**
Purchases of raw materials	301,388	277,720	23,668
Change in inventories of raw materials	1,278	1,413	(135)
Commercial services	**56,601**	**48,676**	**7,925**
Transport	52,159	43,948	8,211
Commission and agents' costs	4,442	4,728	(286)
Industrial services	**148,211**	**109,436**	**38,775**
Energy	98,597	70,122	28,475
Maintenance	20,988	16,737	4,251
Waste disposal	17,350	13,484	3,866
Other industrial services	11,276	9,093	2,183
General services	**24,314**	**18,602**	**5,712**
Insurance	2,458	1,843	615
Legal, notarial, administrative and contractual services	6,909	7,073	(164)
Board of Directors	710	736	(26)
Board of Statutory Auditors	260	241	19
Postal and telecommunication	1,097	802	295
Others	12,880	7,907	4,973
Cost for use of third-party assets	**1,654**	**3,568**	**(1,914)**
Rental and leasing	1,654	3,568	(1,914)
Total	**533,446**	**459,415**	**74,031**

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 item increased by €23.5 million due essentially to the different scope of consolidation of RDM Barcelona Cartonboard S.A.U. where, as it was consolidated from October 31, 2018, the financial statements at December 31, 2018 only included the costs for the last two months. Excluding this effect, standing at €40 million, the cost of raw materials fell following a reduction in the price of waste paper and, especially, virgin fibers.

As far as the performance of the main production factors is concerned, following the substantial decreases in the price of recycled fibers in 2018, they suffered further reductions in 2019. On the other hand, the price of virgin cellulose fibers fell considerably in 2019 compared with the levels reached at the end of 2018.

Service costs increased by €52.4 million. This increase was essentially due, on the one side to the different scope of consolidation, which resulted in an increase in costs of €49.5 million and, on the other hand, to increased costs for waste disposal related to the increase in prices.

With regard to energy components, the prices of natural gas and coal, the main energy sources of the RDM Group, fell significantly compared with the previous year. The positive effect resulting from price dynamics was mitigated by medium-term purchase agreements concluded the previous year.

“Costs for use of third-party assets” at December 31, 2019 fell compared with the previous year, standing at €1.9 million. This reduction was exclusively due to the introduction, from January 1, 2019, of IFRS 16 according to which costs for rentals and leases should be capitalized and recorded in the income statement based on the depreciation method. For more information, refer to the description in the section on accounting principles.

5. Personnel costs

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Wages and salaries	76,453	66,141	10,312
Social security contributions	23,560	21,080	2,480
Allowance for defined-contribution plans	1,714	1,775	(61)
Allowance for defined-benefit plans	857	398	459
Other costs	1,548	1,453	95
Total	**104,132**	**90,847**	**13,285**

Labor costs amounted to €104.1 million, compared with €90.8 million in 2018. The increase of €13.3 million is due to both the different scope of consolidation for €12.3 million and to contractual increases.

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	**12.31.2019**	**12.31.2018**	**Variation**
Executives	41	38	3
White collars	452	444	8
Blue collars	1,273	1,262	11
Total	**1,766**	**1,744**	**22**

Average employees by category	**12.31.2019**	**12.31.2018**	**Variation**
Executives	37	39	(2)
White collars	452	444	8
Blue collars	1,264	1,270	(6)
Total	**1,753**	**1,753**	**0**

6. Other operating costs

	12.31.2019	**12.31.2018**	**Variation**
(thousands of Euros)			
Provisions for risks		40	(40)
Write-downs of current receivables	382	675	(293)
Other operating expenses	5,517	4,491	1,026
Total	**5,899**	**5,206**	**693**

The change of €0.7 million is essentially due to greater contributions and taxed paid, partly offset by lower contributions to the provision for bad and doubtful receivables.

"Miscellaneous operating costs" at December 31, 2019 consists mainly of various taxes incurred by Group companies, membership subscriptions to various trade associations, and various contingent liabilities.

7. Depreciation and amortization

The following table sets out details of the item “Depreciation and amortization”:

	12.31.2019	12.31.2018 (*)	Variation
(thousands of Euros)			
Amortization of intangible assets	1,347	766	581
Depreciation of tangible fixed assets	27,002	22,662	4,340
Depreciation and amortization of Rights of use	3,308		3,308
Total	**31,657**	**23,428**	**8,229**

(*) The data include the effect of the completion of the Purchase Price Allocation on RDM Barcelona Cartonboard S.A.U.

Depreciation and amortization at December 31, 2019 increased compared with the previous year by €8.2 million. This change is due to the different scope of consolidation due to the fact that RDM Barcelona Cartonboard S.A.U. was consolidated from October 31, 2018 (€4.4 million), and to the depreciation and amortization on “rights of use” accounted for from January 1, 2019 in accordance with IFRS 16. These effects were partly offset by the reduction in depreciation and amortization on fully depreciated Group assets.

8. Write-downs

At December 31, 2019, Write-downs stood at €10.3 million and include:

- the write-down of €0.8 million resulting from the impairment test on the perpetual water rights issued in Germany;

- the write-down of some fixed assets of the CGU of R.D.M. La Rochette S.A.S., for an amount of €9.5 million. Please refer to the description in the paragraph “Reduction in value of assets (impairment test)” for more details.

9. Net financial income (expenses)

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Financial income	**311**	**41**	**270**
Interest and other financial income	311	41	270
Financial expense	**(5,808)**	**(2,508)**	**(3,300)**
Interest paid to banks	(799)	(685)	(114)
Loss on derivative financial instruments	(1,871)	(380)	(1,491)
Financial expense on defined-benefit plans	(534)	(432)	(102)
Interest on leased assets (IFRS 16)	(517)		(517)
Expenses, commission and other financial charges	(2,087)	(1,011)	(1,076)
Exchange rate differences	**123**	**23**	**100**
Exchange rate income	1,053	1,152	(99)
Exchange rate expenses	(930)	(1,129)	199
Total	**(5,374)**	**(2,444)**	**(2,930)**

Net Financial Expense at December 31, 2019 amounted to €5.4 million, an increase of €2.9 million compared with December 31, 2018. The increase is essentially due to the change in the scope of consolidation of RDM Barcelona Cartonboard S.A.U., for €2.3 million, which mainly affected the item Expense from derivative instruments. On a like-for-like basis, the increase in financial expense of €0.5 million was recorded following the implementation of the new principle IFRS 16.

The average cost of debt remains at contained levels.

The item “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) on investments

Income from equity investments amounted to €179 thousand, compared with €4.4 million in 2018. The change is due to the fact that the restated balance at December 31, 2018 included:

- €1.2 million: relating to the bargain purchase recorded following the completion of the Purchase Price Allocation on RDM Barcelona Cartonboard S.A.U., in accordance with the provisions of IFRS 3, described previously;

- €3 million: recorded in the previous year relating to the acquisition, which took place in 2018, of the remaining parcel 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.

11. Taxes

	12.31.2019	12.31.2018 (*)	Variation
(thousands of Euros)			
Prepaid tax	1,206	237	969
Current taxes	(10,832)	(13,143)	2,311
Total	**(9,626)**	**(12,906)**	**3,280**

(*) The data include the effect of the completion of the Purchase Price Allocation on RDM Barcelona Cartonboard S.A.U.

Prepaid taxes at December 31, 2019, of €1.2 million, essentially include the recording of the deferred tax liabilities of the subsidiary R.D.M. Ovaro S.p.A. (€0.2 million), the recording of the deferred tax liabilities of the subsidiary RDM Barcelona Cartonboard S.A.U. (€0.6 million) and the recording of deferred tax assets by the Parent company Reno De Medici S.p.A. (€1.2 million) and the subsidiary R.D.M. Arnsberg GmbH (€0.9 million).

The increase of €1 million compared with the previous year, is mainly due to the recording of €1.2 million of deferred tax assets on previous tax losses following the conclusion of MAP 2011-12-13 between Italy and Germany.

Current taxes at December 31, 2019, amount to €10.8 million, down by €2.3 million compared with 2018 mainly due to less taxable income.

More information on “Deferred taxes” can be found in Note 25.

Reconciliation between the theoretical tax burden and the tax burden as per the financial statements (income taxes)

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

For further information please see Note 25 – deferred taxes.

	Taxable amount	%	12.31.2019
(thousands of Euros)			
Profit (loss) before tax	28,256		
Theoretical tax burden		29,7%	**8,392**
Reversal of temporary differences arising in previous years	262		
Temporary differences to be reversed in subsequent years	7,538		
Permanent differences which will not be reversed in the future years	(1,281)		
Total differences	**6,519**		
Use of previous tax losses	(1,909)		
Actual tax burden	**32,866**	**29,7%**	**9,761**

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 base other than the result before taxes.

12. Tangible fixed assets

Changes in tangible assets during 2018 and 2019 are as follows:

	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 as 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		(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 and amortization for the year		(3,345)	(19,140)	(33)	(144)		(22,662)
Decrease in provision for acc. depr./write-downs		35	774	1	27		837
Value as at 31.12.2018							
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 as at 12.31.2018	**43,412**	**39,169**	**150,245**	**87**	**664**	**12,323**	**245,900**

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euros)							
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 as at 12.31.2018	**43,412**	**39,169**	**150,245**	**87**	**664**	**12,323**	**245,900**
Increases	248	725	10,695	55	322	14,735	26,780
Decreases		(22,430)	(13,298)	(326)	(1,191)		(37,245)
Reclassification of cost	1,402	551	11,901		53	(13,907)	
Depreciation and amortization for the year		(3,702)	(23,105)	(17)	(178)		(27,002)
Write-downs for the year		(2,647)	(6,803)				(9,450)
Decrease in provision for acc. depr./write-downs		18,991	13,095	326	1,191		33,603
Value as at 31.12.2019							
Historical cost	45,062	92,524	714,349	1,507	15,065	13,151	881,658
Accumulated depreciation/write-downs		(61,867)	(571,619)	(1,382)	(14,204)		(649,072)
Net book value as at 12.31.2019	**45,062**	**30,657**	**142,730**	**125**	**861**	**13,151**	**232,586**

The item “Land” includes the areas belonging to the production plants of the Parent company Reno De Medici S.p.A., located in 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., the German subsidiary R.D.M. Arnsberg GmbH, the French subsidiaries RDM Blendecques S.A.S. and R.D.M. La Rochette S.A.S. and the Spanish subsidiary RDM Barcelona Cartonboard S.A.U.

“Buildings” mainly includes the value of the mills. 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 2019, the RDM Group’s capital expenditures totaled €26.8 million (€22.6 million in 2018).

The objectives of these investments were to reduce the variable costs, increase the production capacity, and improve the safety and quality, and resulted in the following main interventions:

- **Santa Giustina Mill (Italy)**: improvements to and the modernization of the paper board machine, paper roll unwinder and packing line to increase production capacity;

- **Villa Santa Lucia Mill (Italy)**: installation of new washing equipment to clean scrap;

- **Ovaro Mill (Italy)**: the installation of new equipment and machinery to automate the packing line of the finished products warehouse was concluded. In addition, new washing equipment to clean scrap was installed.

- **Arnsberg Mill (Germany)**: improvements to and modernization of software and the paper board machine were made in order to improve the quality of products;

- **La Rochette Mill (France)**: installation of a new paper machine headbox. This investment was aimed at reducing costs, and improving quality.

- **Barcelona Mill (Spain)**: maintenance operations to the hot section of the cogeneration plant in order to reduce its production capacity.

- **Garbagnate Mill (Italy)**: installation of a new automatic cutter.

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, 2019 amounted to €48 million.

The write-downs for the year refer to the fixed assets of R.D.M. La Rochette S.A.S. More information are reported in the paragraph “Impairment Tests”.

13. Rights of use

This item, which amounts to €12.4 million, refers to the rights of use for leased assets which, following the introduction of IFRS 16, were accounted for under intangible fixed assets. For more information, refer to the description in the section on accounting principles.

	Buildings	**Plant and machinery**	**Industrial and commercial equipment**	**Other assets**	**Software**	**Total**
(thousands of Euros)						
First-time adoption (1.1.2019)	**3,327**	**2,020**	**69**	**643**		**6,059**
Increases	6,591	1,902		550	966	10,009
Decreases	(222)	(38)		(155)		(415)
Reclassification	2	140	(51)	(91)		
Decrease in provision for acc. depr./write-downs	18			8		26
Depreciation and amortization for the year	(1,478)	(1,223)	(8)	(277)	(322)	(3,308)
Value as at 31.12.2019						
Historical cost	9,698	4,024	18	947	966	15,653
Accumulated depreciation/write-downs	(1,460)	(1,223)	(8)	(269)	(322)	(3,282)
Net book value as at 12.31.2019	**8,238**	**2,801**	**10**	**678**	**644**	**12,371**

14. Goodwill

"Goodwill" stands at €4.4 million and refers to the acquisition of PAC Service S.p.A.

As illustrated above, during the year ended December 31, 2019, the valuation processes with regard to the Purchase Price Allocation on RDM Barcelona Cartonboard S.A.U. was completed. This process involved the elimination from comparative figure of goodwill that was provisionally recorded at December 31, 2018 at the time of the purchase of the Spanish subsidiary of €0.5 million.

15. Intangible fixed assets

Changes in intangible assets during 2018 and 2019 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 12.31.2017	**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 period	(724)	(9)		**(733)**	
Net book value as at 12.31.2018	**3,336**	**1,107**	**5,736**	**10,179**	**3,566**

	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 12.31.2018 (*)	**3,336**	**3,279**	**5,736**	**12,351**	**3,566**
Increases	1,844	5	1,182	3,031	
Decreases		(403)		(403)	
Change in scope of consolidation					
Write-downs					(830)
Reclassification of cost	155		(155)		
Amortization for the period	(1,140)	(207)		(1,347)	
Net book value as at 12.31.2019	**4,195**	**2,674**	**6,763**	**13,632**	**2,736**

(*) The data include the effect of the completion of the Purchase Price Allocation on RDM Barcelona Cartonboard S.A.U.

Note that the opening balances were restated following the completion of the valuation process of the Purchase Price Allocation for RDM Barcelona Cartonboard S.A.U. which, as illustrated above, involved the recording of intangible fixed assets of €2.2 million relating to the customer list, whose value was estimated with the help of an independent expert, while the residual useful life was calculated as 11 years.

Intangible fixed assets with a definite useful life stood at €13.6 million, an increase of €1.3 million compared with the previous year is mainly due to:

- An increase in Concessions, licenses and trademarks, following the investment in the consortium Interconnector Energy Italia. Note that the application of the new requirements introduced by IFRS 9 for the classification of equity investments led the Reno De Medici to classify the agreements relating to the investments in Paper Interconnector and Interconnector Energy Italian under "Intangible assets". Given the period in which the expected benefits were estimated, the useful life was calculated as 10 years.

- increase of "asset under construction" is due to the project to implement the new ERP, which started in 2016, equal to €1 million.

"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 date of the financial statements, the Group conducted the impairment test, in accordance with the IAS 36, and accounted for an impearment loss of €830 thousand.

More information are reported in the paragraph "Impairment Tests".

16. Equity investments

(thousands of Euros)	Book value 12.31.2018	Change in scope of consolidation	Reclassification	Investments	Divestments	Elimination of dividends from associates	Write-downs / Revaluations	Book value 12.31.2019
Associates								
Emmaus Pack S.r.l.	262					(62)	179	379
Joint Ventures	**2**							**2**
Other investments								
Scierie De Savoie	340							340
Comieco	25			2				27
Conai	24							24
Other minority investments	41		(3)					38
Total	**694**		**(3)**	**2**		**(62)**	**179**	**810**

The change in "Equity investments" is due to the valuation at equity of the stake held in Emmaus Pack S.r.l., which increased by €179 thousand and partially offset by €62 thousand following the elimination of the dividends received in 2019.

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:

(thousands of Euros)	12.31.2019	12.31.2018
Associates	379	262
Joint ventures	2	2
Total	**381**	**264**

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

(thousands of Euros)	12.31.2019	12.31.2018
Associates	179	5
Total	**179**	**5**

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 RDM Barcelona Cartonboard S.A.U. The investment is held directly by the latter.

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

Below is a summary of the financial information of Recog.sel.pap. y Cart. C., A.I.E. at December 31, 2019 and 2018:

	RECOG.SEL.PAP. Y CART. C., A.I.E.	
	December 31, 2019	**December 31, 2018**
(thousands of Euros)		
Current assets		
Cash and cash equivalents	263	426
Other current assets	106	209
Total current assets	**369**	**635**
Current liabilities		
Payables to banks		
Other current liabilities	360	623
Total current liabilities	**360**	**623**
Non-current assets		
Non-current assets		
Non-current liabilities		
Non-current liabilities		
Shareholders' equity	**9**	**12**

Summary income statement information for Recog.sel.pap. y Cart. C., A.I.E. at December 31, 2019 and 2018 is provided below.

	RECOG.SEL.PAP. Y CART. C., A.I.E.	
	December 31, 2019	**December 31, 2018**
(thousands of Euros)		
Revenue	566	811
Operating costs	(569)	(810)
Gross operating profit	**(3)**	**1**
Current liabilities		
Depreciation, amortization and write-downs		
Operating profit	**(3)**	**1**
Financial income (expense)		
Profit (loss) before tax	**(3)**	**1**
Taxes		
Net profit (loss)	**(3)**	**1**

	RECOG.SEL.PAP. Y CART. C., A.I.E.	
	December 31, 2019	**December 31, 2018**
(thousands of Euros)		
Shareholders' equity at January 1	**12**	**11**
Result for the year	**(3)**	**1**
Capital increase		
Exchange rate translation differences		
Statement of comprehensive income		
Shareholders' equity at December 31	**9**	**12**
% held	**50%**	**50%**
Value of equity investment (*)	**5**	**6**

(*) The equity investment was not in line with the shareholders' equity value

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.

	Emmaus Pack S.r.l.	
	December 31, 2019	**December 31, 2018**
(thousands of Euros)		
Current assets		
Cash and cash equivalents	70	
Current assets	10,099	10,586
Total current assets	**10,169**	**10,586**
Current liabilities		
Payables to banks	641	1,587
Current liabilities	8,174	8,234
Total current liabilities	**8,815**	**9,821**
Non-current assets		
Non-current assets	**1,162**	**1,140**
Non-current liabilities		
Loans	741	447
Non-current liabilities	455	454
Shareholders' equity	**1,320**	**1,104**

Summary income statement information for Emmaus Pack S.r.l. is provided below.

	Emmaus Pack S.r.l.	
	December 31, 2019	**December 31, 2018**
(thousands of Euros)		
Revenue	16,106	16,369
Operating costs	(15,320)	(15,988)
Gross operating profit	**786**	**381**
Depreciation, amortization and write-downs	(76)	(70)
Operating profit	**710**	**311**
Financial income (expense)	(42)	(40)
Profit (loss) before tax	**668**	**271**
Taxes	(172)	(80)
Net profit (loss)	**496**	**191**

	Emmaus Pack S.r.l.	
	December 31, 2019	**December 31, 2018**
(thousands of Euros)		
Shareholders' equity at January 1	**1,004**	**1,113**
Result for the year	496	191
Dividends distributed	(180)	(300)
Shareholders' equity at December 31	**1,320**	**1,004**
Adjusted shareholders' equity (*)	**1,281**	**974**
% held	**34,39%**	**34,39%**
Dividends distributed during the year	**(62)**	**(103)**
Value of equity investment	**379**	**262**

(*) The shareholders' equity was adjusted to bring the value of the equity investment into line as required by IAS/IFRS

17. Deferred tax assets

"Deferred tax assets" included under non-current assets relate to the temporary deductible differences of the Italian subsidiaries: R.D.M. Ovaro S.p.A. (equal to €111 thousand) and PAC Service S.p.A. (equal to €50 thousand).

Please see Note 25 for a detailed description of same and related changes for the year.

18. Trade receivables and receivables from associates and joint ventures

	12.31.2019	**12.31.2018**	**Variation**
(thousands of Euros)			
Trade receivables	70,317	73,191	(2,874)
Receivables from associates and joint ventures	6,812	6,778	34
Current trade receivables	**77,129**	**79,969**	**(2,840)**

The Group uses non-recourse factoring; trade receivables disposed of with due dates after December 31, 2019 totaled €32.1 million (€31.8 million at December 31, 2018).

"Trade receivables" are stated net of €4.6 million of provisions for bad and doubtful receivables.

The table below sets out the changes for the year.

	12.31.2018	Allocation	Release	Use	12.31.2019
(thousands of Euros)					
Provisions for bad and doubtful receivables	6,636	513	(131)	(2,389)	4,629
Total	**6,636**	**513**	**(131)**	**(2,389)**	**4,629**

The item “Receivables from associates and joint ventures” includes the Parent company’s commercial relations with associate Emmaus Pack S.r.l.

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

	12.31.2019	12.31.2018	Variation	%
(thousands of Euros)				
Italy	49,199	49,278	(79)	(0.2%)
European Union	18,386	22,530	(4,144)	(18.4%)
Rest of the world	9,544	8,161	1,383	16.9%
Total	**77,129**	**79,969**	**(2,840)**	**(3.6%)**

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

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

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Guarantee deposits	1,977	1,813	164
Miscellaneous receivables	3,541	6,897	(3,356)
Total	**5,518**	**8,710**	**(3,192)**

The item “Guarantee deposits” essentially includes receivables attributable to deposits in favor of a factoring company (€824 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 item also includes the Guarantee Fund set up at Terna (that operates the electricity grid) totaling €946 thousand.

“Miscellaneous receivables” amounted to €3.5 million at December 31, 2019 and mainly includes €2.4 million relating to the tax credit for competitiveness and the use granted by the French government

(CICE and Participation effort) to the subsidiaries R.D.M. La Rochette S.A.S., equal to €1.9 million, and to RDM Blendecques S.A.S., equal to €0.5 million.

The change compared with the previous year of €3.4 million is essentially due to the fact that the balance at December 31, 2018 included the amount of €2.6 million relating to the deposit made by the subsidiary R.D.M. Arnsberg GmbH for the tax dispute regarding the logo fee. In December 2018, the German Tax Authority and the Italian Tax Authority formulated a proposal, respectively to R.D.M. Arnsberg GmbH and Reno De Medici S.p.A., as a result of the MAP (Mutually Agreed Procedure), consisting of the partial recognition of the costs charged by Reno De Medici S.p.A. for the logo fee. In January 2019, the two companies accepted this proposal and, as a result, the receivable of the subsidiary R.D.M. Arnsberg GmbH was canceled, and a receivable was recorded for deferred tax assets by the Parent company Reno De Medici S.p.A. reducing the payable for deferred tax liabilities.

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

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Tax receivables	7,576	4,491	3,085
Miscellaneous receivables	5,928	6,794	(866)
Prepaid expenses and accrued income	3,048	481	2,567
Total	**16,552**	**11,766**	**4,786**
Other receivables from associates and joint ventures			
Total	**16,552**	**11,766**	**4,786**

The current portion of "Tax receivables", consisting primarily of tax credits, totaled €7.6 million, up compared with the previous year (€4.5 million). The item consists mainly of a VAT credit of €3.4 million, the current portion of the French CICE tax credit of €1.1 million and income tax credits of €2.3 million.

The item "Miscellaneous receivables" at December 31, 2019 essentially includes:

- the current portion of guarantee deposits, equal to €2.2 million (decreased of €128 thousand compared with the previous year), mainly 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 credit of €2.6 million, slightly decreased compared with the previous year, resulting from the acquisition of CO_2 quotas belonging to the German subsidiary R.D.M. Arnsberg GmbH (€2.2 million) and the subsidiary RDM Barcelona Cartonboard S.A.U. (€0.4 million);

- the accounting of prepaid expenses of €3 million. This item includes, among other items, the costs incurred for the demolition of the building located in Magenta based on the preliminary sales agreement signed at the end of 2018 partially offset by the advance payments received by the buyer. As stated previously, given the suspensive clauses in the above-mentioned agreement, those assets were not classified as available for sale at year end.

20. Inventories

The table below provides a breakdown of inventories at December 31, 2019 and December 31, 2018:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Raw and ancillary materials and consumables	57,111	59,137	(2,026)
Provisions for obsolescence of raw materials	(9,471)	(9,670)	199
Finished products and goods	61,332	57,680	3,652
Provisions for obsolescence of finished products	(24)	(9)	(15)
Total	**108,948**	**107,138**	**1,810**

The decrease in inventories of raw materials, equal to €2 million, is mainly due to the fall in purchase prices.

The increase in inventories of finished products, equal to €3.7 million, is due to the increase in stocks as a result of weak demand.

Provisions for obsolescence of raw and ancillary materials and consumables relate mainly to the French mills (Blendecques and La Rochette) and to Spanish mill (Barcelona).

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

21. Net financial position

Net financial position	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Cash	16	17	(1)
Funds available from banks	40,366	31,163	9,203
A. Funds available from banks	**40,382**	**31,180**	**9,202**
Other receivables	147	506	(359)
B. Current financial receivables	**147**	**506**	**(359)**
1. Current payables to banks			
2. Current portion of medium- and long-term loans	*22,706*	*20,255*	*2,451*
3. Other current financial liabilities	*98*	*99*	*(1)*
4. Payables to other lenders for current Rights of use	*2,806*		*2,806*
Payables to banks and other lenders (1+2+3+4)	25,610	20,354	5,256
Other payables to other companies		1,500	(1,500)
Derivatives – current financial liabilities	2,211	296	1,915
C. Current financial debt	**27,821**	**22,150**	**5,671**
D. Net current financial debt (C-A-B)	**(12,708)**	**(9,536)**	**(3,172)**
E. Non-current financial receivables			
Payables to banks and other lenders	54,303	75,858	(21,555)
Payables to other lenders for non-current Rights of use	9,683		9,683
Derivatives – non-current financial liabilities	752	488	264
F. Non-current financial debt	**64,738**	**76,346**	**(11,608)**
G. Net non-current financial debt (F-E)	**64,738**	**76,346**	**(11,608)**
H. Net financial debt (D+G)	**52,030**	**66,810**	**(14,780)**

The consolidated Net Financial Debt at December 31, 2019 was €52 million. In spite of the negative effect due to the implementation of the new principle IFRS 16, which implied an increase of indebtness of €12.5 million, the Net Financial Position improved of €14.8 million, due to the high level of EBITDA and the improvement in Net Working Capital. Net of the effect of IFRS 16, the Net Financial Position would have amounted to €39.5 million.

Significant disbursements included:

- capital expenditures for investments amounting to €26,9 million
- dividends paid totaling €2.6 million;
- the acquisition of a further 5% of the subsidiary R.D.M. Ovaro S.p.A. from Friulia S.p.A. for €0.7 million.

The table below reports, as required from IAS 7 - "Statement of Cash Flow", the variation of the liabilities from financing activities:

			Non-cash transactions		
	12.31.2018	Cash flow (*)	Exchange rate translation differences	Fair Value variation	12.31.2019
(thousands of Euros)					
Current financial receivables	506	(359)			147
Current financial debt	22,150	3,756		1,915	27,821
Non-current financial debt	76,346	(11,872)		264	64,738
Net liabilities from financing activities	97,990	(7,757)		2,179	92,412
Cash and cash equivalents	31,180	9,202			40,382
Net financial debt	66,810	(16,959)		2,179	52,030

(*) Cash and cash equivalent flows reported in the Statement of Cash Flow.

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

	within 12 months	more than 12 months	over 60 months	Total
(thousands of Euros)				
FRIE 1	414	828		1,242
FRIE 2	813	813		1,626
FRIE 3	113	453		566
FRIE 4	136	546	340	1,022
BANCO BPM (Banca Popolare Milano)	2,857	5,714		8,571
INTESA SAN PAOLO (Reno De Medici S.p.A.)	2,000	0		2,000
INTESA SAN PAOLO (RDM Blendecques S.A.S.)	1,667	5,000		6,667
INTESA SAN PAOLO (La Rochette S.A.S.)	1,667	5,000		6,667
CREDEM	753	0		753
UNICREDIT	7,000	28,000		35,000
UNICREDIT	100	152		252
BANQUE PALATINE 376	599	1,357		1,956
BANQUE PALATINE 377	399	911		1,310
AGENCE DE L'EAU	58	111		169
Encelpa	84	3		87
BNL BNP PARIBAS	200	0		200
BE-SPOKEN	0	3,490		3,490
BERIVO	1,095	847		1,942
ENDESA ENERGIA	1,199	900		2,099
KEMIRA	97			97
Friulia (Ovaro Transaction)	685			685
Total nominal debt	**21,936**	**54,125**	**340**	**76,401**
Amortized cost effect	(120)	(162)		(282)
Total debt using the amortized cost method	**21,816**	**53,963**	**340**	**76,119**

The Group's financial indebtedness mainly consists of medium-/long-term loans, which provide the Group with the stability and 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-/long-term debt

– Shareholders' equity/Shareholders' equity 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, 2019 there was compliance with the financial covenants.

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

In 2015, Reno De Medici S.p.A., 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"), requested and obtained waivers from the lending banks.

Note that in 2019 principal repayments totaling €19.5 million were made. The Group has not subscribed new loans during the 2019.

In terms of guarantees, the Parent company loan agreements 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 guarantees, in the total amount of €82.9 million.

On February 21, 2012 a floating-rate loan agreement was signed with Banca Medio Credito Friulia 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 disbursed, and the due date was postponed to July 1, 2022.

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

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

On March 19, 2013 a loan of €6.5 million was made by Banca Medio Credito Friuli-Venezia Giulia S.p.A.; the loan agreement was signed 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 signed 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 covenants subject to annual review. At December 31, 2019, these financial covenants were met.

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 Sunday, June 30, 2019. Installments are paid half-yearly starting Thursday, December 31, 2015. The contract was extinguished on June 30, 2019.

On October 2, 2015, a loan of €20 million was made by Banca Popolare di Milano S.p.A.; the loan agreement was signed 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 covennats subject to annual and half-yearly review. At December 31, 2019, these financial covenants were met.

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 Sunday, June 30, 2019. The contract was extinguished on June 30, 2019.

On November 15, 2016, two loans were provided in favor of 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 supplied to the subsidiary R.D.M. La Rochette S.A.S. requires compliance with several financial covennats subject to annual review. At December 31, 2019, these financial covennats were met. 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 Friuli-Venezia Giulia S.p.A.; the loan agreement was signed 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 signed 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 for €5 million was agreed and supplied by Banque Palatine, divided into two tranches of €3 million and €2 million, respectively. The loan agreement calls for a floating 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 Friuli- Venezia Giulia S.p.A.; the loan agreement was signed 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 signed and the loan of €35 million made by UniCredit S.p.A. The loan was supplied on October 31, 2018, for the closing date of the transaction for the acquisition of RDM Barcelona Cartonboard S.A.U. This was the reason the loan was taken out. The loan agreement calls for a floating rate and a maturity of July 31, 2024. Installments are paid half-yearly starting January 31, 2020.

Following PAC Service S.p.A. joining the scope of consolidation, the existing loan agreements were consolidated. In particular:

- Loan with Credem (7120134), the acquired value of which was €1 million. This agreement calls for a fixed rate and monthly installments. The contract was extinguished on March 6, 2019 as set out in the agreement.

- Loan with Credem (7174193), the acquired value of which was €1 million. This agreement calls for a fixed rate and monthly installments. The contract was extinguished on November 6, 2019 as set out in the agreement.

- Loan with BNL the acquired value of which was €0.5 million. This agreement calls for a fixed rate, half-yearly installments and a maturity of August 18, 2020.

- Loan with UniCredit, the acquired value of which was €0.4 million. This agreement calls for a fixed rate, quarterly installments and a maturity of June 30, 2022.

Following RDM Barcelona Cartonboard S.A.U. joining the scope of consolidation, the existing loan agreements were consolidated. In particular:

- Loan with BE-SPOKEN, the acquired value of which was €3.5 million. This agreement calls for a floating rate, quarterly installments from March 31, 2023 and a maturity of September 30, 2024.

- Loan with Berivo, the acquired value of which was €3.2 million. This agreement calls for a fixed rate, quarterly installments and a maturity of October 2021.

- Loan with Endesa, the acquired value of which was €3.5 million. This 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 some of the loans outstanding at December 31, 2019. More information on the derivative instruments outstanding at December 31, 2019 can be found in Note 23.

22. Shareholders' equity

Changes in shareholders' equity during 2019 are set out in the following table:

Description	Shareholders' equity at 12.31.2018 (*)	Dividends	Allocation of profit (loss) for the year	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 12.31.2019
(thousands of Euros)									
Share capital	140,000								140,000
Legal reserve	1,477		898						2,375
Other reserves:									
Change in consolidation scope reserve	2,758								2,758
Foreign-currency translation reserve	77			12					89
Treasury shares reserve	(1,060)								(1,060)
Available reserve	33,238								33,238
Hedging reserve	(456)					(431)			(887)
Reserve for actuarial gains (losses)	(6,416)				(3,082)				(9,498)
Stock grant reserve	966								966
IFRS 9 reserve	(503)								(503)
Retained earnings (losses)	(2,457)		24,836				24		22,403
Result for the year	28,367	(2,633)	(25,734)					15,597	15,597
Total	**195,991**	**(2,633)**		**12**	**(3,082)**	**(431)**	**24**	**15,597**	**205,478**

(*) The data include the effect of the completion of the Purchase Price Allocation on RDM Barcelona Cartonboard S.A.U.

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.

As of June 2016, the Parent Company launched the plan to purchase treasury shares totaling 2,262,857 on December 31, 2019, with a value of €1,060 thousand. No new treasury shares were purchased in 2019.

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 2019, 3,650 savings shares were converted to ordinary shares. As a result of this, the share capital at December 31, 2019, fully subscribed and paid-up, could be broken down as follows:

	Number	Total value
Ordinary shares	377,546,217	139,905,588.44
Savings shares	254,777	94,411.56
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, 2020, 36 savings shares were converted to ordinary shares with dividend entitlement as of January 1, 2020.

The table below shows the number of outstanding shares at December 31, 2019 and December 31, 2018:

	12.31.2019	12.31.2018	Change
Shares issued	377,800,994	377,800,994	
Treasury shares	2,262,857	2,262,857	
Total shares outstanding	**375,538,137**	**375,538,137**	

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 2019 to holders of savings shares.

In addition, dividends totaling €2.6 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:

	12.31.2019			12.31.2018		
	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	*(618)*	*187*	*(431)*	*(330)*	*75*	*(255)*
Actuarial gain (loss) on employee benefits	*(4,254)*	*1,172*	*(3,082)*	*1,357*	*(255)*	*1,102*
Profit (loss) on translation of financial statements of foreign investee companies	*12*		*12*	*23*		*23*

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

23. Derivative instruments

In order to reduce the variability of borrowing charges and the costs of commodities, interest rate swaps have stipulated on some of the loans and some commodities as at December 31, 2019.

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Derivative instruments (hedge accounting)	752	488	264
Non-current liabilities	**752**	**488**	**264**
Derivative instruments (hedge accounting)	705	296	409
Derivative instruments (no hedge accounting)	1,506		1,506
Current liabilities	**2,211**	**296**	**1,915**
Total	**2,963**	**784**	**2,179**

At December 31, 2019, the fair value of the derivative instruments was negative by €2,963 thousand.

The table below shows the main features of the IRS derivative instruments outstanding at December 31, 2019:

Company	Counterparty	Currency	Due date	Notional value (€/000)	Interest	Liquidation of interest	Fair value of derivative (€/000)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	EUR	06.04.2020	1,500	0.42% fixed	Half-yearly	(6)
					Euribor 6m		
Reno De Medici S.p.A.	Banca Popolare di Milano	EUR	12.30.2022	8,571	0.45% fixed	Half-yearly	(111)
					Euribor 6m		
La Rochette S.A.S.	Intesa San Paolo S.p.A.	EUR	11.15.2023	6,667	0.245% fixed	Half-yearly	(75)
					Euribor 6m		
Reno De Medici S.p.A.	UniCredit S.p.A.	EUR	07.31.2024	35,000	0.385% fixed	Half-yearly	(608)
					Euribor 6m		
				51,738			**(800)**

The table below shows the main features of the commodity swaps outstanding at December 31, 2019:

Company	Counterparty	Currency	Due date	Quantity (MT)	Contract price	Cash settlement	Fair value of derivative (€/000)
R.D.M. Arnsberg GmbH	UniCredit S.p.A.	USD	12.31.2021	24,000	90.4	Monthly	(657)
					USD/MT		
RDM Barcelona Cartonboard S.A.U.	Axpo Iberia S.L.	EUR	12.31.2020	813,312		Monthly	(1,506)
					EUR/MWH		

Commodity swaps were signed during the year by the subsidiary RDM Barcelona Cartonboard S.A.U. to hedge the purchase of gas and sale of energy. In spite of these agreements having been concluded for hedging purposes, they were not recorded under hedge accounting.

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

The table below shows a breakdown of other payables:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Miscellaneous payables		104	(104)
Other non-current payables		**104**	**(104)**
Payables for wages and salaries	11,293	9,893	1,400
Payables to social security institutions	5,713	6,343	(630)
Tax payables	4,087	3,451	636
Miscellaneous payables	1,304	2,175	(871)
Corporate bodies	519	513	6
Accrued liabilities and deferred income	36	26	10
Other current payables	**22,952**	**22,401**	**551**
Other payables to associates and joint ventures	101	101	
Total other payables	**23,053**	**22,502**	**551**

The item "Payables for salaries and wages" mainly comprises payables relating to deferred wages and salaries.

"Payables to social security institutions" relate mainly to social security contributions due on current wages and salaries accrued to employees in December and paid in January 2020, and to provisions for social security contributions due on deferred compensation (employee leave, additional months' salaries paid as a bonus, and overtime).

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

The item "Miscellaneous payables" stood at €1.3 million at December 31, 2019. The change of €0.9 million compared with the previous year is mainly due to the fact that at December 31, 2018, this item included the first payment on account, of €1.5 million, relating to the preliminary sales agreement for the Magenta site. At December 31, 2019 the payments on account were net of the costs incurred for the demolition of the buildings located in Magenta as already mentioned in paragraph 19 "Other receivables and other receivables from associates and joint ventures" in the section on deferrals.

The item "Corporate bodies" includes payables to Statutory Auditors and Directors.

25. Deferred taxes

The table below provides a summary of the calculation of deferred tax assets and liabilities from temporary differences at December 31, 2019:

	2019			2018		
	Temporary differences	Average tax %	Tax effect	Temporary differences	Average tax %	Tax effect
(thousands of Euros)						
Recognized deferred tax assets	**30,043**		**8,447**	**22,126**		**6,222**
Tax losses to carry forward	4,996	24%	1,199			
Inventory write-downs	1,164	30.2%	351	507	27,9%	141
Provision for additional client expenses	1,692	27.9%	472	2,050	27,9%	572
Provision for future charges (IRES)	704	24%	169	1,545	24%	371
Other temporary differences	4,633	25.1%	1,161	10,167	28,6%	2,913
Effect of discounting employee benefits	13,288	31.9%	4,239	4,300	31,9%	1,372
Valuation of derivatives with hedge accounting	684	24.0%	164	554	24%	133
IFRS 9 valuation	1,932	24.0%	464	1,668	24%	400
Deferred tax assets consolidation entries	950	24.0%	228	1,335	24%	320
Recognized deferred taxes	**58,524**		**16,718**	**56,857**		**16,548**
Statutory amortization/depreciation in excess of amount allowed for tax purposes	14,351	27.9%	4,004	15,401	27,9%	4,297
Other temporary differences	1,308	31.1%	407	190	24%	46
Effect of discounting TFR	1,470	24.0%	353	1,523	24%	366
Deferred tax liabilities consolidation entries	41,395	28.9%	11,953	39,743	31,3%	11,839
Net recognized deferred tax (assets) liabilities			**8,271**			**10,326**
- of which deferred tax liabilities			8,660			*11,004*
- (of which deferred tax assets)			(389)			*(678)*
Unrecognized deferred tax assets	**154,411**		**41,531**	**130,139**		**35,150**
Write-downs for extended impairment	21,046	25.4%	5,340	2,687	27,9%	750
Write-downs for bad and doubtful receivables	1,137	24.0%	273	1,160	24%	278
Reportable ROL (reduced working hours)	41,337	24.0%	9,921	39,264	24%	9,423
Effect of discounting employee benefits	627	33.3%	209	627	33,3%	209
Tax losses to carry forward	88,856	28.5%	25,320	84,993	33,3%	24,020
Deferred tax assets on differences in accounting standards	1,408	33.3%	469	1,408	33,3%	469

At December 31, 2019, 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 Group 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 €237.8 million:

	2019
(thousands of Euros)	
RDM Blendecques S.A.S.	25,948
R.D.M. La Rochette S.A.S.	156,364
RDM Barcelona Cartonboard S.A.U.	54,489
R.D.M. Marketing Spain S.L.U.	999
R.D.M. Marketing Poland	23
R.D.M. Marketing UK Ltd	14
Total tax losses	**237,837**

26. Employee benefits

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

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Employee benefits	21,586	17,821	3,765
Employee benefits - TFR	14,824	14,957	(133)
Non-current employee benefits	**36,410**	**32,778**	**3,632**
Employee benefits - TFR	98	212	(114)
Current employee benefits	**98**	**212**	**(114)**
Total	**36,508**	**32,990**	**3,518**

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 the 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	0.37%	0.92%	0.7%
Annual inflation rate	1.20%	1.40%	1.75%
Annual rate of increase in TFR	2.4%	1.75%	2%

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

(thousands of Euros)	
Actuarial assessment of “Employee benefits” at 12.31.2018	**32,778**
Service cost	622
Interest cost	536
Benefits paid	(1,780)
Actuarial Gains/Losses	4,254
Other changes	
Actuarial assessment of “Employee benefits” at 12.31.2019	**36,410**

Sensitivity analysis of the discount rate

The following table shows the balance that the item “Employee Benefits” would have been at December 31, 2019 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%	7,862	+0.08%	21,248	+0.25%	6,319
Non-current employee benefits at December 31, 2019	0.37%	7,992	0.92%	21,586	0.7%	6,503
Reduction of discount rate	-0.25%	8,126	-0.08%	21,925	-0.25%	6,693

27. Non-current and current provisions for risks and charges

The balance at December 31, 2019 was as follows:

Non-current and current provisions for risks and charges	12.31.2018	Increases	Use	Other changes	12.31.2019
(thousands of Euros)					
Provisions for supplementary agents' commission	1,941	340	(9)	(283)	1,989
Non-current provision for future charges	2,693	717	(784)	(394)	2,232
Total non-current provisions for risks and charges	**4,634**	**1,057**	**(793)**	**(677)**	**4,221**
Provisions for supplementary agents' commission	**730**		**(584)**	**(146)**	
Provisions for future charges	1,459	278	(598)	(269)	870
Total current provisions for risks and charges	**2,189**	**278**	**(1,182)**	**(415)**	**870**
Total	**6,823**	**1,335**	**(1,975)**	**(1,092)**	**5,091**

"Provisions for supplementary agents' commission" includes the expenses that the Group 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 €0.8 million was mainly due to the use of the provision for layoffs (€0.6 million) and use of the provision for legal expenses (€0.2 million).

Accruals during the year (€0.7 million) refer mainly to the allocation of a provision for layoffs (€0.2 million), a provision for legal expenses (€0.3 million) and the portion for the year pertaining to the variable remuneration for management.

Other changes, standing at €394 thousand, include the release of the provision for legal expenses where the risk of losing no longer existed.

The short-term portion of the "Provision for future charges" includes the cost of €124 thousand for dismantling several buildings of the Magenta mill and two pending tax disputes regarding local taxes for which the Group deemed appropriate to the prudentially accrue a provision to cover future charges totaling €585 thousand. The change of €589 thousand compared with the previous year is essentially due to the use of the provisions previously set aside for disputes with personnel which were concluded during the year.

The change of Provisions for supplementary agents' commission is wholly due to the termination of agreements with some agents.

28. Trade payables

The balance at December 31, 2019 was as follows:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Trade payables	141,209	130,409	10,800
Total	**141,209**	**130,409**	**10,800**

“Trade payables” recorded in the financial statements were €141 million (€130 million at December 31, 2018) and are wholly due in less than 12 months. They are stated net of trade discounts and adjusted for any returns or rebates agreed with the counterparties.

29. Current taxes

At December 31, 2019 this item consists of the amount payable to tax authorities for current taxes incurred during the year.

30. 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 2019 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.

31. Contingent liabilities and commitments and other guarantees given to third parties

More information on the principal disputes in which the Group 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 €1.3 million issued to the Comieco consortium;
- sureties of €67 thousand issued to the customs authorities;
- a surety of €90 thousand issued to the Province of Milan;
- sureties of €524 thousand issued in connection with property leases;
- a surety in favor of Vetropack, the potential buyer of the Magenta site following the preliminary sales agreement, for a sum of €6.1 million;
- sureties of €424 thousand in favor of Terna S.p.A.;
- sureties of €624 thousand issued in favor of Voith Paper SA;

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 A 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. for a price of €669,134.

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. at the price of €2.5 million. These agreements gave Friulia S.p.A. the right to resell its shareholding in R.D.M. Ovaro S.p.A. to Reno De Medici S.p.A. under certain conditions, *inter alia*, through the exercise of a "put option" to be exercised by June 27, 2017.

In recognition of the success of the partnership and in view of the new investments required to increase the value of the R.D.M. Ovaro S.p.A. and its possible expansion plans, the parties 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 S.p.A., at a total price of €2,497,010.95, in four equal amounts, the first three of which have already been bought back in June 2017, 2018 and 2019; the last share will be bought back by June 30, 2020. Reno De Medici S.p.A. can still exercise the purchase option early.

32. 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.;
- general 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. R.D.M. La Rochette S.A.S., R.D.M. Arnsberg GmbH, RDM Barcelona Cartonboard S.A.U., 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 RDM Blendecques S.A.S., R.D.M. Arnsberg GmbH, R.D.M. Ovaro S.p.A., R.D.M. La Rochette S.A.S., RDM Barcelona Cartonboard S.A.U., 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.;

- the tax consolidation agreement under which Reno De Medici S.p.A. is the consolidating company and 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 of R.D.M. Marketing France S.A.S. and R.D.M. La Rochette SAS.

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.

	2019		2018	
	Directors	**Statutory auditors**	**Directors**	**Statutory auditors**
(thousands of Euros)				
Short-term benefits	938	166	952	166
Post-employment benefits	8		8	
Total	**946**	**166**	**960**	**166**

The compensation not paid yet to directors and auditors amounts to €384 thousand and €166 thousand respectively at December 31, 2019.

Receivables and payables with related parties

The table below lists the payables and receivables at December 31, 2019 and December 31, 2018 with related parties:

December 31, 2019	**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.		6,812				
Recog.Sel.Pap.YCart.C., A.I.E.						101
Cascades CS+				1		
Total		**6,812**		**2**		**101**
Impact on item total		**100%**		**0%**		**100%**

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%**		**0%**		**100%**

Revenues and costs deriving from related-party transactions

The table below details costs and revenues with related parties during 2019 and 2018:

December 31, 2019	Revenues from sales	Other revenues	Financial income
(thousands of Euros)			
Emmaus Pack S.r.l.	11,752	88	
Total	**11,752**	**88**	
Impact on item total	**1,67%**	**0,83%**	

December 31, 2019	Cost of raw materials and services	Financial expense
(thousands of Euros)		
Cascades Canada ULC	94	
Emmaus Pack S.r.l.	8	
ZAR S.r.l.	1	
Total	**103**	
Impact on item total	**0%**	

December 31, 2018	Revenues from sales	Other revenues	Financial income
(thousands of Euros)			
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	
ZAR S.r.l.	(24)	
Recog.Sel.Pap.YCart.C., A.I.E.	101	
Cascades CS+	15	
Total	**169**	
Impact on item total	**0%**	

33. Information on contributions received by the PA or equivalent entities

Article 1, paragraphs 125-129 of Law 124/2017 later integrated by Decree Law 113/2018 (Security) and by Decree Law 135/2018 (Simplification), introduced the framework governing transparency of public funds. The information requested is provided below.

In 2019 the Group received grants, pursuant to Article 1, paragraph 25 of the above-mentioned law, of €50 thousand. The table below contains the data relating to the providers, the amount of the grant received and the reason for the benefit. Note that grants above the threshold of €10,000 with reference to the same provider are reported, as required by the applicable legislation.

Provider	Reason	Grant received
Ministry of the environment	Asbestos tax credit	16,446
Fondimpresa Milano	Training	17,034
Fondimpresa Milano	Training	16,935
		50,415

Lastly, in 2019 the Group received grants that had to be disclosed under the scope of the National State Aid Register, 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, 2019 with the situation as at December 31, 2018, 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.

	12.31.2019		12.31.2018	
	Book value	**Fair value**	**Book value**	**Fair value**
(thousands of Euros)				
Cash and cash equivalents	**40,382**	**40,382**	**31,180**	**31,180**
Loans and receivables	**99,199**	**99,199**	**100,445**	**100,445**
Trade receivables	77,129	77,129	79,969	79,969
Other receivables from associates and joint ventures				
Other receivables	22,070	22,070	20,476	20,476
Available-for-sale financial assets				
Financial liabilities at amortized cost:	**(240,463)**	**(241,152)**	**(249,188)**	**(250,612)**
Unsecured medium- and long-term bank loans at amortized cost	(27,712)	(28,134)	(42,902)	(43,588)
Secured medium- and long-term bank loans at amortized cost	(48,489)	(48,756)	(53,272)	(54,010)
Short-term loans from banks for use of commercial facilities				
Trade payables	(141,209)	(141,209)	(130,409)	(130,409)
Other payables to associates and joint ventures				
Other payables	(23,053)	(23,053)	(22,605)	(22,605)
Financial liabilities at fair value through profit and loss	**(1,506)**	**(1,506)**		
Hedging derivatives	**(1,457)**	**(1,457)**	(784)	(784)
	(103,845)	**(104,534)**	**(118,347)**	**(119,771)**
Unrecognized profits (losses)	**(689)**		**(1,424)**	

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.

Additionally, there is a separate commodity swap contract for the subsidiary R.D.M. Arnsberg GmbH to hedge purchases of coal, the main energy source of that plant.

During the year commodity swap agreements were signed by the subsidiary RDM Barcelona Cartonboard to hedge purchases of gas and sales of electricity. In spite of these agreements having been concluded for hedging purposes, they were not recorded under hedge accounting.

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	12.31.2019	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	**456**		**456**	
Derivative instruments on interest rates	Current derivative instruments	**344**		**344**	
Commodity derivatives	Non-current derivative instruments	**296**		**296**	
Commodity derivatives	Current derivative instruments	**1,867**		**1,867**	

As at December 31, 2019, 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, 2019 and December 31, 2018.

Future flows were discounted on the basis of the same Euro yield curve as at December 31, 2019 and December 31, 2018.

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 at 12.31.2019	Book value	Nominal value at 12.31.2018	Book value
(thousands of Euros)							
Secured medium- and long-term bank loans at amortized cost				**48,712**	**48,435**	**53,611**	**53,212**
Frie 1	Euro	Eur6m	2022	1,242	1,242	1,655	1,655
Frie 2	Euro	Eur6m	2021	1,626	1,626	2,437	2,437
Frie 3	Euro	Eur6m	2024	566	566	680	680
Frie 4	Euro	Eur6m	2027	1,022	1,022	1,090	1,090
Friulia S.p.A.	Euro	Eur6m+spread		685	685	1,320	1,320
Banca Popolare di Milano	Euro	Eur6m+spread	2022	8,571	8,489	11,429	11,307
UniCredit	Euro	Eur6m+spread	2024	35,000	34,805	35,000	34,723
Unsecured medium- and long-term bank loans at amortized cost				**27,689**	**27,684**	**42,893**	**42,864**
Banque Palatine 1067376	Euro	Fixed	2023	1,956	1,956	2,554	2,554
Banque Palatine 1067377	Euro	Fixed	2023	1,310	1,310	1,706	1,706
Banco Popolare	Euro	Eur3m+spread	2019			1,261	1,261
Banca Intesa Sanpaolo	Euro	Eur6m+spread	2020	2,000	1,995	6,000	5,974
Credem	Euro	Eur3m+spread	2020	753	753	1,754	1,754
Cariparma	Euro	Eur6m+spread	2019			875	872
Intesa Sanpaolo	Euro	Eur6m+spread	2023	6,667	6,667	8,333	8,333
Intesa Sanpaolo	Euro	Eur6m+spread	2023	6,667	6,667	8,333	8,333
Agence de l'eau (Blendecques)	Euro		2026	169	169	228	228
Encelpa	Euro		2020	87	87	172	172
BNL	Euro	Eur6m+spread	2020	200	200	400	400
Credito Emiliano	Euro	Fixed	2019			250	250
Credito Emiliano	Euro	Fixed	2019			551	551
UniCredit	Euro	Fixed	2022	252	252	352	352
Berivo	Euro	Fixed	2021	1,942	1,942	2,996	2,996
Endesa	Euro	Fixed	2021	2,099	2,099	3,298	3,298
Kemira	Euro	Fixed	2020	97	97	254	254
Be Spoken	Euro	Eur6m+spread	2024	3,490	3,490	3,490	3,490
Procemex	Euro	Fixed	2019			31	31
Silo Gescompost	Euro	Fixed	2019			55	55
Total medium- and long-term loans				**76,401**	**76,119**	**96,504**	**96,076**
Short-term loans from banks for use of commercial facilities							
Portfolio used	Euro	Euribor+spread	n/a				
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**						
Total interest-bearing liabilities	**Euro**			**76,401**	**76,119**	**96,504**	**96,076**

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 12.31.2018	**456**
Fair value adjustment of cash flow hedge derivatives	618
Tax effect of fair value adjustment of cash flow hedge derivatives	(187)
Transfers to the income statement	
Tax effect of transfers to the income statement	
Reserve 12.31.2019	**887**

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:

	12.31.2019	**12.31.2018**
(thousands of Euros)		
Gross trade receivables	81,758	86,605
- provision for bad and doubtful debts	(4,629)	(6,636)
Total	**77,129**	**79,969**

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, 2019	**more than 60 days**	**from 31 to 60 days**	**from 0 to 30 days**	**Non-overdue receivables**	**Total**
(thousands of Euros)					
Italy	461	105	2,775	45,858	49,199
EU	2,560	1,145	2,721	11,960	18,386
Rest of the world	119	234	1,074	8,117	9,544
Total	**3,140**	**1,484**	**6,570**	**65,935**	**77,129**

	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**

The Group's overdue receivables as at 31 December, 2019 increased compared with the previous year (+€1.7 million). They represent 14.5% of the total portfolio in 2019 compared with 12% 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 and Spanish 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 2019 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, 2019 and December 31, 2018, is reported in the following table:

ECB exchange rates	**12.31.2019**	**12.31.2018**
(per Euro)		
USD	**1.1234**	**1.1450**
GBP	**0.8508**	**0.8945**
CHF	**1.0854**	**1.1269**
CAD	**1.4598**	**1.5605**
CNY	**7.8205**	**7.8751**
CZK	**25.408**	**25.724**
HUF	**330.53**	**320.98**
PLN	**4.2568**	**4.3014**

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.

				12.31.2019				
	USD	**GBP**	**CHF**	**CAD**	**CNY**	**CZK**	**HUF**	**PLN**
(thousands of Euros)								
Trade receivables	5,466	1,912						
Trade payables	(2,573)	(147)				(1)		
Short-term financial loans		(730)						
Cash and cash equivalents	3,645	1,268		1		299	239	107
Exposure	**6,538**	**2,303**		**1**		**298**	**239**	**107**

				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**

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 (at December 31, 2019 and December 31, 2018) 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, 2019 and December 31, 2018 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 (Loss)**	**(thousands of Euros)**	**Profit (Loss)**
December 31, 2019		**December 31, 2019**	
USD	(654)	USD	654
GBP	(230)	GBP	230
CNY		CNY	
CZK	(30)	CZK	30
HUF	(24)	HUF	24
PLN	(11)	PLN	11
Total	**(949)**	**Total**	**949**
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**

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.

	12.31.2019	%	12.31.2018	%
(thousands of Euros)				
Floating-rate medium- and long-term loans	(11,468)	15%	(16,065)	17%
Floating-rate medium- and long-term loans hedged by IRS	(38,715)	51%	(51,738)	54%
Fixed-rate medium- and long-term loans	(4,282)	6%	(7,885)	8%
Total non-current liabilities	**(54,465)**	**72%**	**(75,688)**	**79%**
Floating-rate medium- and long-term loans	(4,596)	6%	(7,412)	8%
Floating-rate medium- and long-term loans hedged by IRS	(13,023)	17%	(7,524)	8%
Fixed-rate medium- and long-term loans	(3,632)	5%	(4,560)	5%
Floating-rate short-term bank loans for use of commercial facilities				
Total current liabilities	**(21,251)**	**28%**	**(19,496)**	**21%**
Total (floating rate)	*(16,064)*	21%	*(23,477)*	25%
Total (fixed rate or hedged floating rate)	*(59,652)*	79%	*(71,707)*	75%
Total	**(75,716)**	**100%**	**(95,184)**	**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, 2019					
Cash flows during the year		**(49)**	**18**		
	Cash flows from derivatives	*289*	*(289)*		
	Floating-rate loans	*(338)*	*307*		
Effectiveness of hedges				515	(515)
Net sensitivity of financial flows		**(49)**	**18**	**515**	**(515)**
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)**

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 a payment flow 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 material is dependent on changes in a quoted index.

In 2018, the Group signed contracts for the supply of natural gas also for 2019, 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 2019 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 2018, 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 price fixing of supply quotas aimed to contain "commodity risk" as described above. The negotiated prices are expressed in Euros per unit of electricity. In 2019 new electricity supply and import agreements for Europe were negotiated for 2020, in conjunction with the subsidiaries operating in France and Spain, so that group production organizations use the same supplier. These agreements were negotiated to a small extent at fixed prices in order to benefit from greatly decreasing prices.

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 at a fixed price and are negotiated at least three months before the supply period, but sometimes for longer periods in relation to the supply period. Electricity is purchased partly 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.

Note that at December 31, 2019, the RDM Group had commodity swap agreements. Specifically, in 2018 the subsidiary R.D.M. Arnsberg GmbH signed at commodity swap agreement to hedge the purchase of coal, the plant's main energy source. In 2019 commodity swap agreements were signed by the subsidiary RDM Barcelona Cartonboard S.A.U. to hedge purchases of gas and sales of energy.

There are no other commodity swap agreements.

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 aimed to measure the cash flows deriving from the various types of financial liability held as at December 31, 2019 and December 31, 2018.

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, 2019	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	**40,382**	**40,382**	40,382				
Trade receivables	**77,129**	**77,129**	77,129				
Other receivables	**22,070**	**22,070**	16,552		5,518		
Medium- and long-term bank loans	**(76,217)**	**(76,891)**	(12,636)	(9,500)	(18,053)	(36,196)	(506)
Rights of use	**(12,490)**	**(12,490)**	(1,467)	(1,339)	(1,989)	(3,650)	(4,045)
Other financial payables (commercial facilities)	**(868)**	**(868)**	(868)				
Other payables	**(23,053)**	**(23,053)**	(23,053)				
Hedging derivative instruments	**(2,963)**	**(2,963)**	(1,889)	(322)	(536)	(216)	
Trade payables	**(141,209)**	**(141,209)**	(141,209)				
Total	**(117,219)**	**(117,893)**	(47,059)	(11,161)	(15,060)	(40,062)	(4,551)

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)

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, 2019 (pursuant to Article 38, paragraph 2 of Legislative Decree 127/91).

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Cardboard 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: 95%

R.D.M. La Rochette S.A.S.

La Rochette – France

Indirect ownership percentage:100% (through RDM Blendecques S.A.S.)

RDM Barcelona Cartonboard S.A.U.

Barcelona – Spain

Direct ownership percentage: 100%

PAC Service S.p.A.

Vigonza - Padua - Italy

Direct ownership percentage: 100%

Services industry – subsidiaries

Cascades Grundstück Gmbh & Co.KG

Arnsberg – Germany

Direct ownership percentage: 100%

R.D.M. Marketing Portugal Unipessoal Lda.

Lisbon – Portugal

Indirect ownership percentage: 100% (through RDM Barcelona Cartonboard S.A.U.)

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 50%

LIST OF INVESTMENTS IN OTHER COMPANIES

Cartonboard sector

Cartonnerie Tunisienne S.A.

Les Berges Du Lac – Tunis

Direct ownership percentage: 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

Interconnector Energy Italia S.C.p.A

Rome - Italy

Consortium share

SUBSEQUENT EVENTS

With reference to subsequent events after the 2019-year end, see the Directors' Report.

CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS

as at December 31, 2019, pursuant to article 81-ter of Consob Regulation 11971 of May 14, 1999 and subsequent amendments and supplements.

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, 2019.

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 Directors' Report 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 16, 2020

Chief Executive Officer	Chief Financial Officer
Michele Bianchi	Luca Rizzo

INDEPENDENT AUDITOR'S REPORT

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: + 39 02 83322111
Fax: + 39 02 83322112
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Reno De Medici S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Reno De Medici S.p.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Reno De Medici S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Recoverability of tangible assets of the CGU RDM La Rochette S.A.S.

Description of the key audit matter	Reno De Medici Group's consolidated financial statements include Euro 232.6 million related to tangible assets as of December 31, 2019, of which Euro 10.7 million related to the cash generating unit (CGU) RDM La Rochette S.A.S. As required by the "IAS 36 Impairment of Assets", the Directors, noting impairment indicators for the CGU RDM La Rochette S.A.S., have carried out the impairment test in order to determine that tangible assets are accounted for in the consolidated financial statements at December 31, 2019 at a value not higher than the recoverable value. In order to assess the recoverable amount of tangible assets of the CGU RDM La Rochette S.A.S., which correspond to the subsidiary RDM La Rochette S.A.S., it was necessary to use the method of fair value less costs of disposal that the Directors determined through the assessment carried out with the support of an independent expert. In particular, the recoverable amount of tangible assets was estimated with the "market approach" method. Based on the impairment test approved by the Board of Directors, the Group accounted for an impairment loss of tangible assets for Euro 9.5 million. Considering the relevance of the amount of tangible assets recorded in the financial statements, the nature of the assessment process adopted by the independent expert, and the need to be supported by our experts, we considered the impairment test of the CGU RDM La Rochette S.A.S. a key audit matter of the audit of the consolidated financial statements of the Group. The "Impairment test" paragraph of the consolidated financial statements states the disclosures related to the impairment test on tangible assets performed by the Directors.
Audit procedures performed	As part of our audit, we have, among others, carried out the following procedures, also with the support of experts of Deloitte's network: • Assessment of the procedures used to determine the fair value of tangible assets of the CGU La Rochette S.A.S., analyzing methods and assumptions considered in the independent expert's appraisal, • Understand the Company's relevant internal controls on the impairment test process; • Evaluation of the competences, capabilities and objectivity of the expert involved by the Directors to prepare the appraisal; • Analysis of the reasonableness of the main assumptions used for the appraisal; • Assessment of the accuracy of data used by the expert to determine the fair value;

Deloitte.

- Review of the correct calculation of the book value of the CGU.

Further, we also examined the adequacy and compliance of the disclosure provided by the Company on the impairment test based on IAS 36 disclosure requirements.

Impaiment test of Goodwill

Description of the key audit matter	Reno De Medici Group's consolidated financial statements include a goodwill of Euro 4.4 million allocated on cash generating unit (CGU) of Pac Service S.p.A. As required by the "IAS 36 Impairment of Assets", the Directors, have carried out the impairment test in order to determine that the goodwill is accounted for in the consolidated financial statements at December 31, 2019 at a value not higher than the recoverable value. The recoverable amount of the abovementioned goodwill was determined using the value in use, based on estimates of cash flows generated by the asset. In particular, the Directors referred to the cash-generating unit (CGU), which correspond to the subsidiary Pac Service S.p.A. The valuation process is complex and based on assumptions concerning, among others, the forecast of expected cash flows of the CGU Pac Service S.p.A., resulting from the plan used for the purposes of the impairment test, and the determination of an appropriate discount rate (WACC) and growth rate (g-rate). In determining cash flow forecasts, the most relevant variables are the estimate of future sales volumes, the expected sales price trend, the variable costs of packing and energy, margins, capital expenditures and other macroeconomic variables. Future expectations and market conditions influence these assumptions. Based on the impairment test approved by the Board of Directors, the Group has not recognized any impairment loss. Considering the relevance of the amount of goodwill in the financial statements, the subjectivity of the estimates relating to the determination of cash flows (DCF) and the key variables of the impairment model, we considered the impairment test a key audit matter of the audit of the consolidated financial statements of the Group. The "Impairment test" paragraph of the consolidated financial statements states the disclosures related to the impairment test, including a sensitivity analysis performed by the Directors, which shows the effects that may occur on the recoverable amount of the assets resulting from the changes in certain key assumptions used for the impairment test.
Audit procedures performed	Preliminarily, we have examined how the Directors determine the value in use of the CGUs by analyzing the methods and assumptions used and considered for the development of the impairment test.

Deloitte.

As part of our audit, we have, among others, carried out the following procedures, also with the support of experts of Deloitte's network:

- understand the Company's relevant internal controls on the impairment test process;
- analysis of the reasonableness of the key assumptions underlying the cash flow calculation; also, through information obtained from the Management;
- analysis of the actual figures compared to the plans in order to assess the nature of the deviations and the reliability of the planning process;
- assessment of the reasonableness of the discount rate (WACC) and growth rate (g-rate);
- review of the mathematical accuracy of the model used to estimate the value in use of the CGUs;
- review of the correct calculation of the book value of the CGUs;
- review of the Directors' sensitivity analysis.

Further, we also examined the adequacy and compliance of the disclosure provided by the Company on the impairment test based on IAS 36 disclosure requirements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Deloitte.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Reno De Medici S.p.A. appointed us on April 27, 2012 as auditors of the Company for the years from December 31, 2012 to December 31, 2020.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

Deloitte.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Reno De Medici S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Reno De Medici Group as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Reno De Medici Group as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Reno De Medici Group as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 54

The Directors of Reno De Medici S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Andrea Restelli
Partner

Milan, Italy
April 6, 2020

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

05

Notes to the Separate Financial Statements at December 31, 2019

STATEMENT OF INCOME

	Note	12.31.2019	12.31.2018
Revenues from sales	1	223,040,665	233,256,383
- of which related parties		*16,664,337*	*18,198,415*
Other revenues	2	15,311,670	10,043,911
- of which related parties		*8,403,214*	*7,349,938*
Change in inventories of finished goods	3	81,762	1,811,865
Cost of raw materials and services	4	(176,769,696)	(179,618,422)
- of which related parties		*(3,462,181)*	*(3,877,287)*
Personnel costs	5	(25,626,394)	(25,826,737)
Other operating costs	6	(2,155,093)	(2,118,971)
Gross operating profit		**33,882,914**	**37,548,029**
Depreciation and amortization	7	(13,371,510)	(11,972,743)
Operating profit		**20,511,404**	**25,575,286**
Financial expense		*(1,599,613)*	*(1,350,092)*
Gains (losses) on foreign exchange		*(43,187)*	*150,998*
Financial income		*666,366*	*362,710*
Net financial income (expenses)	8	(976,434)	(836,384)
Gains (losses) on investments	9	561,902	316,886
Taxes	10	(4,159,421)	(7,103,398)
Profit (Loss) for the period		**15,937,451**	**17,952,390**

STATEMENT OF COMPREHENSIVE INCOME

	Note	12.31.2019	12.31.2018
Profit (Loss) for the period		**15,937,451**	**17,952,390**
Other components of comprehensive profit (loss)			
Other components that may be transferred to the income statement in subsequent financial periods:		**(98,436)**	**(285,893)**
Change in fair value of cash flow hedges	22	(98,436)	(285,893)
Other components that will not be transferred to the income statement in subsequent financial periods:		**(154,640)**	**53,058**
Actuarial gain/(loss) on employee benefits	22	(154,640)	53,058
Total other components of comprehensive profit (loss)		**(253,076)**	**(232,835)**
Total comprehensive profit (loss)		**15,684,375**	**17,719,555**

The change in fair value of cash flow hedges is stated net of the related tax effect.

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	12.31.2019	12.31.2018
Non-current assets			
Tangible fixed assets	11	104,510,206	107,754,695
Rights of use	12	3,343,238	
Intangible fixed assets	13	9,134,443	6,962,430
Investments in subsidiaries	14	141,231,339	135,987,349
Investments in associates, joint ventures and other companies	15	152,454	151,059
Other receivables	16	1,650,251	1,200,590
Total non-current assets		**260,021,931**	**252,056,123**
Current assets			
Inventories	17	31,297,854	30,989,369
Trade receivables	18	25,586,370	27,545,203
Receivables from Group companies	19	13,648,447	13,828,635
Other receivables	16	4,418,213	2,244,964
Other receivables from Group companies	20	13,886,919	13,734,829
Cash and cash equivalents	21	33,652,687	26,835,193
Total current assets		**122,490,490**	**115,178,193**
TOTAL ASSETS		**382,512,421**	**367,234,316**

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	12.31.2019	12.31.2018
Shareholders' equity			
Share capital		140,000,000	140,000,000
Other reserves		48,302,271	33,236,183
Profit (Loss) for the period		15,937,451	17,952,390
Total shareholders' equity	22	**204,239,722**	**191,188,573**
Non-current liabilities			
Payables to banks and other lenders	21	38,172,253	49,321,674
Derivative instruments	23	415,979	320,333
Deferred taxes	25	1,776,363	3,034,785
Employee benefits	26	5,051,236	5,466,765
Non-current provisions for risks and charges	27	4,575,560	4,778,517
Total non-current liabilities		**49,991,391**	**62,922,074**
Current liabilities			
Payables to banks and other lenders	21	14,588,197	10,881,961
Derivative instruments	23	308,614	220,562
Trade payables	28	58,110,503	51,022,838
Payables to Group companies	29	2,965,719	2,441,579
Other payables	24	6,282,619	6,734,804
Other payables to Group companies	30	45,238,567	34,686,732
Current taxes	31		5,954,701
Employee benefits	26	68,161	68,411
Current provision for risks and charges	27	718,928	1,112,081
Total current liabilities		**128,281,308**	**113,123,669**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**382,512,421**	**367,234,316**

STATEMENT OF CASH FLOW

	Note	12.31.2019	12.31.2018
(thousands of Euros)			
Profit (loss) for the year before tax		20,097	25,056
Depreciation and amortization	7	13,371	11,972
Losses (gains) from equity investments	9	(562)	(317)
Financial income (expense)	8	933	987
Capital losses (gains) on sale of fixed assets			(50)
Change in provisions for in employee benefits and in other provisions including the provision for bad and doubtful receivables		(1,069)	(101)
Change in inventories	17	(308)	166
Change in receivables	18	(8,884)	2,332
- of which related parties		*(1,180)*	*(2,376)*
Change in payables	28	9,702	(6,207)
- of which related parties		*158*	*(2,908)*
Total change in working capital		510	(3,709)
Gross cash flows		**33,280**	**33,838**
Interest paid in the year		(866)	(983)
- of which related parties		*(156)*	*(161)*
Interest received in the year		469	363
- of which related parties		*422*	*147*
Taxes paid in the year		(7,249)	(2,729)
Cash flow from operating activities		**25,634**	**30,489**
Investment in other companies	15	(1)	(6)
Investment net of disinvestment in tangible and intangible assets	11-13	(11,543)	(11,369)
Investment net of disinvestment in subsidiaries, joint venture and related parties	14	(670)	(36,980)
Other investments			
Dividends received		562	103
Cash flow from investing activities		**(11,652)**	**(48,252)**
Change in other financial assets and liabilities and short-term bank debts	21	7,496	1,648
- of which related parties		*7,332*	*(2,452)*
Change in medium/long-term loans	21	(12,027)	27,149
Dividends paid		(2,633)	(1,172)
Purchase of Treasury shares			(577)
Cash flow from financing activities		**(7,164)**	**27,048**
Change in unrestricted cash and cash equivalents		**6,818**	**9,285**
Unrestricted cash and cash equivalents at the beginning of the year		**26,835**	**17,550**
Unrestricted cash and cash equivalents at the end of the year		**33,653**	**26,835**

STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY

	Capital	Legal reserve	Profit (loss) for the period	Hedging reserve	Reserve for “Actuarial gain/(loss)”	Other reserves	Total Shareholders’ equity
(thousands of Euros)							
Shareholders’ equity as of 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 period			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 of 12/31/2018	**140,000**	**1,477**	**17,952**	**(421)**	**(1,747)**	**33,928**	**191,189**
Dividend distribution			(2,633)				(2,633)
Allocation of 2018 profit		898	(15,319)			14,421	
Stock Grant reserve							
Purchase of Treasury shares							
IFRS 9							
Merger of R.D.M. Marketing S.r.l.							
Profit (loss) for the period			15,937				15,937
Other components of comprehensive profit (loss)				(98)	(155)		(253)
Total comprehensive profit (loss)			**15,937**	**(98)**	**(155)**		**15,684**
Shareholders’ equity as of 12/31/2019	**140,000**	**2,375**	**15,937**	**(519)**	**(1,902)**	**48,349**	**204,240**

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.

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 16, 2020.

Reno De Medici S.p.A., as Parent company, also prepared the consolidated financial statements of the RDM Group as at December 31, 2019.

The 2019 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").

In compliance with the Annual Financial Report as at December 31, 2018, Reno De Medici has applied the same accounting principles with the exception of IFRS 16 which came into force from January 1, 2019. In particular:

- IFRS 16 – Leases: adopted by the Company from January 1, 2019. The new principle establishes a single model for recognizing and valuing lease agreements for the tenant, no longer distinguishing between operating and financial leases and, specifically, for contracts where it is applicable, a right of use asset and a corresponding lease liability is recorded in financial statements.

The Company has chosen to apply the amended retrospective principle without any change to the comparative data. Specifically, for lease agreements previously classified as operating leases, the Company entered into the accounts:

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

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 starting date of the contract, however, using the discount rate defined at the date of transition.

In adopting IFRS 16, the Company used the exemption granted in paragraph IFRS 16:5(a) in relation to short-term leases for all asset classes with the exception of buildings.

Similarly, the Company used the exemption granted in paragraph IFRS 16:5(b) as far as lease agreements for which the underlying asset is a low-value asset are concerned (namely, the lease agreement underlying assets do not exceed €5,000 when new). The contracts for which the exemption was applied mainly fall under the following categories:

- Computers and telephones;
- Printers.

For these contracts the introduction of IFRS 16 did not involve the recording of the financial assets of the lease and the related right of use, but the rental income was recorded in the income statement on a straight-line basis for the duration of the respective contracts.

The Company used the following practical arrangements set out in IFRS 16:

- Separation of the non-lease components: The Company used the exemption granted by paragraph IFRS 16:15 for all asset categories except buildings. The non-lease components of these assets were not split off and entered into the accounts separately from the lease components, but were considered together with the latter in calculating the financial liability of the lease and the related right of use.
- Portfolio approach: the Company identified contracts with similar characteristics that can be dealt with as a portfolio for the asset category "forklifts (Plant and machinery)".

Overall, as at December 31, 2019, the application of the new principle involved:

- the accouning of a total of €3.3 million under rights of use for tangible and intangible assets;
- the accouning of a financial liability of around €3.4 million;
- with reference to the income statement, rental income of €1.2 million was reversed and increased amortization and depreciation of €1.2 million was recorded and increased financial expense of €158 thousand. The impacts on the EBITDA, operating profit (EBIT) and net profit (loss) in the period stand, respectively, +€1.2 million, +€87 thousand and -€71 thousand;
- the net financial position worsened to €3.4 million.

The table below contains the impacts resulting from the adoption of IFRS 16 at the date of transition.

	Impacts as at the date of transition
Thousands of Euro	
Assets	
Rights of use on buildings	2,017
Rights of use on plants and machinery	791
Rights of use on industrial and commercial equipment	
Rights of use on other assets	188
Total assets	**2,996**
Liabilities	
Financial liabilities on leases, current portion	691
Financial liabilities on leases, non-current portion	2,305
Total liabilities	**2,996**

In order to help with understanding the impacts of the first-time application of the principle, the table below gives a reconciliation between the future commitments relating to lease agreements and the impact of the adoption of IFRS 16 at January 1, 2019.

Reconciliation of Lease commitments	
€/000	
	1 January 2019
Commitments for Operating Leases as at 31 December 2018	**3,394**
Short-term lease fees (exemption)	**87**
Low-value lease fees (exemption)	**77**
Undiscounted Lease Liabilities as at 1 January 2019	**3,230**
Discounting effect	**234**
Additional financial liabilities for Leases due to the transition to IFRS 16 as at 1 January 2019	**2,996**

- The document “Annual Improvements to IFRSs: 2015-2017 Cycle” which includes the changes to some principles under the scope of the annual improvement process:
- Amendment to IAS 19 “Plant Amendment, Curtailment or Settlement”;
- Amendment to IAS 28 “Long-term Interests in Associates and Joint Ventures”;
- Amendment to IFRS 9 “Prepayment Features with Negative Compensation”;

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:

- “Definition of Material (Amendments to IAS 1 and IAS 8)” document. This document introduced an amendment to the definition of “significant” in IAS 1.
- Amendment to “References to the Conceptual Framework in IFRS Standards”
- Amendment to principles: IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform.

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;
- Amendment to IFRS 3 “Definition of a Business”;
- Amendment to IFRS 10 and IAS 28 “Sales or Contribution of Assets between an Investor and its Associate or Joint Venture”;

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 on the going-concern assumption.

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 the 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 assumed through financial lease agreements, for which all the risks and benefits related to ownership are transferred, are recorded under tangible assets at their current value or, if lower, at the present value of the minimum payments due for the lease. A corresponding financial liability representing financial debt due to the lessor is recorded in financial statements.

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 useful life applied to each category for the purpose of amortization and depreciation is highlighted below:

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 indicator that tangible fixed assets have suffered impairment. If any indicator 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 definite 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 useful life applied to each category for the purpose of amortization and depreciation is highlighted below:

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

Intangible assets with an undefinite 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 definite 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 any 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. The fair value is estimated by taking into account the provisions contained in accounting standard IFRS 13 Fair Value Measurement.

In estimating value in use, expected 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 on the separate financial statements exceeds the carrying amount of the investee company's net assets (including any related goodwill) on 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 as 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 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 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 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 carried out 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 on 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 becomes a single taxable base for the group of adhering companies, thereby enabling this company 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 any such indicators exist, the recoverable amount of such assets is estimated to determine the write-down amount.

Reno De Medici conducts impairment testing at least once a year taking into consideration several impairment indicators related to the economic and financial performance of its CGUs and equity investments.

The Parent Company RDM has used the procedure described in IAS 36 to also 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 segregation 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 Net Invested Capital of the individual cash-generating units with the value in 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. It should be noted that for the purpose of the impairment testing of the assets for 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., RDM Barcelona Cartonboard S.A.U., RDM Magenta S.r.l., Cartiera Alto Milanese S.r.l. in liquidation or the mills Santa Giustina (BL) and Villa Santa Lucia (FR), 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.

Specifically, RDM Magenta S.r.l., at the date of financial statement, showed impearment indicators due to loss in the result and to a shareholders' equity of €3.4 million, lower than the book value of the equity investment in the parent company's financial statements, amounting to €6.8 million.

Therefore, in the light of above indicators identified, the Parent company conducted, for the subsidiary R.D.M. Magenta S.r.l., an impairment test from which there was no need for a write-down.

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 energy and packaging, margins, investments and macroeconomic variables.

The Parent company has used a net discount rate, 6.72%, 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%.

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. These sensitivity analyses show that for both impairment tests conducted a change in the aforementioned assumptions could involve the need for write-downs. The same conclusion has been reached following more sensitivity analyses made for the spread of Covid-19 (Coronavirus) that has impacted the national and international scenario since January 2020. More forecast of future economic- financial flows and of the main assumptions used have been made from the Holding.

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.

Notes

1. Revenues from sales

Revenues arise essentially from sales of cartonboard:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Revenues from sales	223,041	233,256	(10,215)
Total revenues from sales	**223,041**	**233,256**	**(10,215)**

In 2019, revenues fell by €10.2 million (-4.38%) due to a fall in sales prices, while volumes remained in line with the previous year.

The geographical breakdown of sales revenues given below which highlights a mix of reference geographical areas is essentially unchanged compared with 2019.

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Italy	127,577	125,738	1,839
European Union	45,666	61. 682	(16,016)
Rest of the world	49,798	45,836	3,962
Total revenues from sales	**223,041**	**233,256**	**(10,215)**

2. Other revenues

Other revenues can be broken down into the following categories:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Grants	228	165	63
Indemnities	116	140	(24)
Ordinary capital gains		50	(50)
Rental income	469	476	(7)
Revenues for services	7,965	7,065	900
Revenues from sales of energy	6,079	1,853	4,226
Other revenues	455	295	160
Total	**15,312**	**10,044**	**5,268**

“Grants” mainly involve ordinary contributions from Comieco in relation to the use of waste paper from public separated waste collection.

“Revenue for services” refers to fees for the general services provided to Group companies.

“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 (white certificates). The increase is mainly due to the increased number of white certificates received in 2019 (+€4.4 million) part of which refers to 2018.

“Other revenues” consist mainly of contingent assets and revenues from non-cartonboard sales.

3. Change in inventories of finished goods

The change in inventories was positive by €82 thousand compared with a positive variation of €1.8 million at December 31, 2018. This change is attributable to the higher physical inventories offset by a lower value.

4. Cost of raw materials and services

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Cost for raw materials	**96,824**	**100,291**	**(3,467)**
Purchase of raw materials	97,051	98,313	(1,262)
Change in inventories of raw materials	(227)	1,978	(2,205)
Commercial services	**22,041**	**21,776**	**265**
Transport	18,385	18,393	(8)
Commission and agents' costs	3,656	3,383	273
Industrial services	**46,475**	**45,423**	**1,052**
Energy	23,182	24,193	(1,011)
Maintenance	2,475	2,737	(262)
Waste disposal	8,864	6,891	1,973
Other industrial services	11,954	11,602	352
General services	**11,118**	**10,933**	**185**
Insurance	716	666	50
Legal, notarial, administrative and contractual services	4,153	4,986	(833)
Board of Directors	591	579	12
Board of Statutory Auditors	166	171	(5)
Postal and telecommunication	714	522	192
Others	4,778	4,009	769
Cost for use of third-party assets	**312**	**1,195**	**(883)**
Rental and leasing	312	1,195	(883)
Total	**176,770**	**179,618**	**(2,848)**

The cost of raw materials and services decreased mainly as a result of the dynamics affecting the price of wastepaper, slightly offset by an increase in the cost of services. The impact of the item on the value of production remains unchanged compared with the previous year ("Revenues from sales" plus the "Change in inventories of finished goods") standing at 79%.

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. As far as the performance of the main production factors is concerned, in 2019 the price of recycled fibers suffered further reductions, following the fell further, after the sharp falls in 2018. This performance was affected by the restrictions imposed by the Chinese government on imports of unsorted paper and restrictions on the issuing of licenses from January 1, 2018. These favorable price dynamics and the more efficient use of fibers, meant that the cost of raw materials had less of an impact on the value of production, which decreased from 43% to 42%.

"Service costs" rose (€79.6 million as at December 31, 2019 against €78.1 million as at December 31, 2018), as well as their weighting as a percentage of value of production which increased slightly from 33% at the end of the previous year to 36%. Specifically, energy costs fell by €1 million following the trend of the price of the main energy procurement sources (natural gas and electricity) and the energy efficiency measures, including the new steam turbine installed at Santa Giustina. Costs for waste disposal increase of €2 million compared with the previous year, as a result of the increase in prices following increasing difficulties in waste management.

Transport costs were in line with the previous year, while there was an increase in costs related to commission and agents' costs (+€273 thousand). Maintenance costs also decreased (-€262 thousand), while the cost of other industrial services increased (+€352 thousand), essentially as a result of the increase in cutting services at the "Magenta Cutting Center".

The reduction in the item legal, notarial, administrative and contractual services (-€833 thousand) is mainly due to the fact that in the previous year this item included the ancillary costs of purchasing Barcelona Cartonboard S.A.U. amounting to €910 thousand.

The "Cost for the use of third-party assets" at December 31, 2019 was distinctly lower compared with the figures at December 31, 2018 (-€883 thousand), following the adoption of IFRS 16.

5. Personnel costs

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Wages and salaries	18,412	17,851	561
Social security contributions	6,201	5,895	306
Allowance for defined-contribution plans	1,138	1,123	15
Other costs	(125)	958	(1,083)
Total	**25,626**	**25,827**	**(201)**

Labor costs slightly decreased compared with the previous year (-€201 thousand).

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 by category	12.31.2019	12.31.2018	Variation
Executives	15	13	2
White collars	155	154	1
Blue collars	266	252	14
Total employees	**436**	**419**	**17**

Average employees by category	12.31.2019	12.31.2018	Variation
Executives	14	14	0
White collars	154	152	2
Blue collars	262	258	4
Total employees	**430**	**424**	**6**

The average number of Company employees in 2019 rose slightly compared with the previous year.

6. Other operating costs

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Write-downs of current receivables	173	181	(8)
Other operating expenses	1,982	1,938	44
Total	**2,155**	**2,119**	**36**

The item “Other operating costs” is in line with the previous year.

“Other operating expenses” 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:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Amortization of intangible assets	566	553	13
Depreciation of tangible fixed assets	11,648	11,420	228
Depreciation and amortization of rights of use	1,158		1,158
Total	**13,372**	**11,973**	**1,399**

The item increased by €1.4 million (11.68%) compared with the previous year. This change is mainly due to the application of the new accounting principle IFRS 16, which applies from January 1, 2019 (€1.2 million).

8. Net financial income (expenses)

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Financial income	**667**	**363**	**304**
Income from subsidiaries and associates	430	324	106
Other income	237	39	198
Financial expense	**(1,600)**	**(1,350)**	**(250)**
Interest paid to subsidiaries and associates	(164)	(158)	(6)
Interest paid to banks	(606)	(666)	60
Loss on derivative financial instruments	(325)	(143)	(182)
Financial expense on defined-benefit plans	(58)	(47)	(11)
Financial interest on leased assets (IFRS 16)	(158)		(158)
Expenses, commission and other financial charges	(289)	(336)	47
Gains (losses) on foreign exchange	**(43)**	**151**	**(194)**
Realized gains (losses) on foreign exchange:			
Realized gains on foreign exchange	425	738	(313)
Realized losses on foreign exchange	(444)	(610)	166
Unrealized gains (losses) on foreign exchange:			
Unrealized gains on foreign exchange	10	37	(27)
Unrealized losses on foreign exchange	(34)	(14)	(20)
Total	**(976)**	**(836)**	**(140)**

Net financial expense increased by €140 thousand mainly due to the increase in gains and losses on foreign exchange which amounted to +€151 thousand, compared with -€43 thousand in the previous year, as a result of the performance of the main currencies to which the Company is exposed. The increase in "Financial expense" was more than offset by an increase in "Financial income".

The average cost of debt remains at contained levels.

The item "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 TFR fund.

9. Gains (losses) on investments

Gains and losses from investments	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Income from equity investments in associates	**62**	**252**	**(190)**
Dividends from Emmaus Pack S.r.l.	62	103	(41)
Income from the sale of Manucor S.p.A. shares		100	(100)
Income from the settlement of Zar S.r.l.		49	(49)
Income from equity investments in subsidiaries	**500**		**500**
Dividends from PAC Service S.p.A.	500		500
Write-ups (write-downs) of investments in subsidiaries and others		**65**	**(65)**
Revaluation of R.D.M. Marketing France S.A.S.		142	(142)
Revaluation of R.D.M. Marketing UK Ltd		148	(148)
Write-down on R.D.M. Marketing Spain S.l.u.		(225)	225
Total	**562**	**317**	**245**

Income from equity investments amounted to €562 thousand, compared with €317 thousand in the previous year. The Company received dividends of €62 thousand from the associate Emmaus Pack S.r.l. and €500 thousand from the subsidiary PAC Service S.p.A.

10. Taxes

Taxes amounted to €4.2 million compared with €7.1 million in the previous year and break down as follows:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Current taxes	**(5,386)**	**(6,488)**	**1,102**
IRAP for the year	(1,052)	(1,274)	222
IRES for the year	(4,259)	(5,043)	784
Adjustment from previous years	241	(15)	256
Income from tax consolidation (IRES)	(316)	(156)	(160)
Deferred taxes	**1,227**	**(615)**	**1,842**
Deferred taxes (IRES)	1,227	(675)	1,902
Deferred taxes (IRAP)		60	(60)
	(4,159)	**(7,103)**	**2,944**

The lower tax burden is mainly due to the decrease in IRES for the year which reflects the decrease in taxable income.

The item "Deferred taxes (IRES)" includes the use of deferred taxes for €1.3 million. For further information, see Note 25.

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 decrease was due to a drop in taxable income, which also resulted in a decrease in IRAP.

The item "Income from tax consolidation (IRES)" refers to the Parent company's compensation of those investee companies that contributed to 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**	**12.31.2019**
(thousands of Euros)			
Profit (loss) before tax	20,097		
Theoretical tax burden		**24.0%**	**4,823**
Reversal of temporary differences arising in previous years	(1,110)		
Temporary differences which will be reversed in future years	2,236		
Permanent differences which will not be reversed in future years	(1,568)		
Total differences	(442)		
Use of the tax losses	(1,909)		
Actual tax burden	**17,746**	**24.0%**	**4,259**

Reconciliation between the theoretical and actual tax burden (IRAP)

IRAP	**Taxable amount**	**% IRAP**	**12.31.2019**
(thousands of Euros)			
Difference between value and cost of production (excluding B9, B10 c), d) and B12 and B13)	45,994		
New 2015 Stability Law labor cost deduction	(24,848)		
Total	21,146		
Theoretical tax burden		**3.90%**	**825**
Permanent differences due to higher regional tax rates	2,767		
Reversal of temporary differences arising in previous years	1,050		
Permanent differences which will not be reversed in future years	2,021		
Total differences	5,838		
Actual tax burden	**26,984**	**3.90%**	**1,052**
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

The changes in tangible fixed assets for 2019 and 2018 are listed below:

	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 period		(2,113)	(9,262)	(18)	(27)		(11,420)
Use of acc. depr./write-downs (1)			615		15		630
Value as at 31.12.2018							
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.

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euros)							
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**
Increases		189	1,379	16	66	7,154	8,804
Decreases (1)		(10,359)	(4,568)	(324)	(654)		(15,905)
Reclassification of cost		23	4,780			(4,803)	
Depreciation for the period		(2,083)	(9,492)	(10)	(63)		(11,648)
Use of acc. depr./write-downs (1)		9,958	4,568	324	654		15,504
Value as at 31.12.2019							
Historical cost	19,165	57,668	314,066	921	7,642	7,829	407,291
Accumulated depreciation/write-downs		(40,935)	(253,672)	(904)	(7,270)		(302,781)
Net book value as at 12.31.2019	**19,165**	**16,733**	**60,394**	**17**	**372**	**7,829**	**104,510**

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

"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" relates mainly to the mills.

The demolition of the majority of the buildings at the Magenta site continued in 2019. Note that the land in Magenta is the subject of a preliminary sales agreement concluded at the end of 2018, but given certain suspensive clauses in the above-mentioned agreement, this asset was not accounted for as available-for-sale.

Investments in tangible fixed assets incurred in 2019 amounted to €8.8 million (€9.6 million in 2018).

The objective of these investments are to reduce the variable costs, increase the production capacity, and improve the safety and quality, and resulted in the following main interventions:

- **Santa Giustina Mill (Italy)**: improvements to and the modernization of the paper board machine, paper roll unwinder and packing line to increase production capacity;

- **Villa Santa Lucia Mill (Italy)**: installation of new washing equipment to clean scrap;

"Reclassification of cost" relates to the entry into service of "Assets under construction" at the end of the previous year.

"Industrial and commercial equipment" consists mainly of assets used in the production process at the various mills. Increases relate principally to miscellaneous purchases of immaterial single amounts.

"Other assets" consist 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, 2019 amounted to €43.6 million.

More information on impairment tests can be found in the above section "Impairment".

12. Rights of use

This item, which stands at €3.3 million, refer to the rights of use for leased assets which, following the implementation of IFRS 16, were accounted for under intangible fixed assets. For more information, refer to the description in the section on accounting principles.

	Buildings	Plant and machinery	Other assets	Software	Total
(thousands of Euros)					
First-time adoption (1.1.2019)	**2,017**	**791**	**188**		**2,996**
Increases		399	207	966	1,572
Decreases	(3)		(68)		(71)
Reclassification					
Depreciation and amortization for the year	(440)	(295)	(101)	(322)	(1,158)
Decrease in provision for acc. depr./write-downs			4		4
Value as at 31.12.2019					
Historical cost	2,014	1,190	327	966	4,497
Accumulated depreciation/write-downs	(440)	(295)	(97)	(322)	(1,154)
Net book value as at 12.31.2019	**1,574**	**895**	**230**	**644**	**3,343**

13. Intangible fixed assets

Changes in intangible assets during 2019 and 2018 were as follows:

Other intangible assets	Concessions, licenses, trademarks and similar rights	Assets under construction	Total
(thousands of Euros)			
Net book value at 12.31.2017	**268**	**3,688**	**3,956**
Increases	93	1,685	1,778
Reclassification of cost	1,781		1,781
Depreciation and amortization for the year	(553)		(553)
Net book value at 12.31.2018	**1,589**	**5,373**	**6,962**

Other intangible assets	Concessions, licenses, trademarks and similar rights	Assets under construction	Total
(thousands of Euros)			
Net book value at 12.31.2018	**1,589**	**5,373**	**6,962**
Increases	1,556	1,182	2,738
Reclassification of cost	155	(155)	
Depreciation and amortization for the year	(566)		(566)
Net book value at 12.31.2019	**2,734**	**6,400**	**9,134**

"Concessions, licenses, trademarks and similar rights" relate to costs incurred for the purchase of software licenses.

"Increases" mainly includes the investment in the consortium Interconnector Energy Italia. The application of the new requirements introduced by IFRS 9 for the classification of equity investments led the Reno De Medici to classify the agreements relating to the investment in Paper Interconnector and Interconnector Energy Italia under "Intangible assets".

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

14. Investments in subsidiaries

Investments in subsidiaries came to €141 million, compared to €136 million in the previous year, and were characterized by the following changes:

	Historical cost 12.31.2018	Provision for losses on investment 12.31.2018	Net book value 12.31.2018	Increase (decrease) in investments	Historical cost 12.31.2019	Increase (decrease) in impairment provision	Provision for losses on investment 12.31.2019	Net book value 12.31.2019
	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	6	3,482			3,482
R.D.M. Ovaro S.p.A.	11,271		11,271	669	11,940			11,940
RDM Blendecques S.A.S.	21,490	(7,509)	13,981	1,410	22,900		(7,509)	15,391
R.D.M. Magenta S.r.l.	3,695		3,695	3,068	6,763			6,763
PAC Service S.p.A.	4,408		4,408	6,126	10,534			10,534
Bellim S.r.l.	6,030		6,030	(6,030)				
RDM Barcelona Cartonboard S.A.U.	36,513		36,513	(5)	36,508			36,508
R.D.M. Marketing France S.A.S.	900		900		900			900
R.D.M. Marketing Germany GmbH	462		462		462			462
R.D.M. Marketing Spain S.l.u.	764	(764)			764		(764)	
R.D.M. Marketing Czech Republic s.r.o.	63		63		63			63
R.D.M. Marketing Poland SP z.o.o.	92		92		92			92
R.D.M. Marketing Hungaria KFT	31		31		31			31
R.D.M. Marketing UK Ltd	2	(2)			2		(2)	
Total	**146,174**	**(10,187)**	**135,987**	**5,244**	**151,418**		**(10,187)**	**141,231**

On June 21, 2019, Reno De Medici S.p.A., in accordance with the agreements signed with Friulia S.p.A., repurchased a further 5% stake of the shareholding owned by Friulia S.p.A. in R.D.M. Ovaro S.p.A. Following this transaction the remaining share owned by Friulia S.p.A. was 5%.

Note that Bellim S.r.l. merged by incorporation on August 1, 2019 with effect in accounting and tax terms from January 1, 2019. The incorporated Company exclusively owned a direct investments of 40% in PAC Service S.p.A., with the remaining 60% owned by Reno De Medici S.p.A. Therefore, following the merger, Reno De Medici S.p.A. acquired direct control of 100% of the subsidiary PAC Service S.p.A., canceling the investment held in Bellim S.r.l. and increasing that held in PAC Service S.p.A.

It should be noted that, during the current year end, the Company waived part of the financial receivables of (€3.1 million) owed by RDM Magenta S.r.l, the sole shareholder, due to the losses reported by the latter.

Lastly, note that the increase of €1.4 million on the equity investment in RDM Blendecques SAS was recorded following the waiver of part of the trade receivable by the Parent company.

The figures for the equity investment held, share capital, shareholders' equity and profit (loss) for 2019 for directly controlled subsidiaries are reported in the table below:

	Registered office	Direct equity investment share	Share capital as at 12.31.2019	Shareholders' equity at 12.31.2019	Result for the year
(thousands of Euros)					
Cartiera Alto Milanese S.r.l. in liquidation	Milan (IT)	100%	12	1,017	57
R.D.M. Arnsberg GmbH	Arnsberg (DE)	94%	5,113	47,881	1,472
Cascades Grundstuck GmbH	Arnsberg (DE)	100%	28	305	(7)
R.D.M. Ovaro S.p.A.	Milan (IT)	95%	12,500	27,569	4,286
RDM Blendecques S.A.S.	Blendecques (FR)	100%	5,037	6,166	1,541
R.D.M. Magenta S.r.l.	Milan (IT)	100%	3,700	3,416	(1,837)
PAC Service S.p.A.	Vigonza (PD)	100%	1,000	11,749	702
RDM Barcelona Cartonboard S.A.U.	Barcelona (ES)	100%	14,943	35,903	(478)
R.D.M. Marketing France S.A.S.	Paris (FR)	100%	337	2,373	700
R.D.M. Marketing Germany GmbH	Krefeld (DE)	100%	210	1,049	72
R.D.M. Marketing Spain S.l.u.	Barcelona (ES)	100%	26	(334)	(653)
R.D.M. Marketing Czech Republic s.r.o.	Prague (CZ)	100%	19	542	182
R.D.M. Marketing Poland SP z.o.o.	Warsaw (PL)	100%	12	861	155
R.D.M. Marketing Hungaria KFT	Budapest (HU)	100%	19	363	75
R.D.M. Marketing UK Ltd	Wednesbury (UK)	100%	1	26	74

R.D.M. Arnsberg GmbH is held directly at 94% and indirectly at 6% through Cascades Grundstück GmbH & Co. KG.

Note that for subsidiaries with shareholders' equity below the book value, the Parent company conducted impairment testing which did not result in any write-down. For more complete information, please refer to the "Impairment testing" section in the accounting standards.

15. 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 12.31.2018	Increases (Decreases)	Book value 12.31.2019
(thousands of Euros)					
Emmaus Pack S.r.l.	Milan (IT)	34.39%	73		73
Total investments in associates and joint ventures			**73**		**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	20	1	21
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
Industria e Università S.r.l.	Varese – Italy	0.19%	25		25
Total investments in other companies			**78**	**1**	**79**
Total investments			**151**	**1**	**152**

Equity investments in other companies are mainly composed of the share of the investment held in Emmaus Pack S.r.l.

They are accounted at cost adjusted for any impairment as their fair value cannot be reliably measured.

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, 2019:

	Emmaus Pack S.r.l.
(thousands of Euros)	
Total assets	11,331
Shareholders' equity	1,320
Other liabilities	10,011
Value of production	16,106
Profit (loss) for the year	496

(*) Figures refer to the consolidated data prepared for equity accounting used in the Reno De Medici Group's consolidated financial statements.

16. Other current and non-current receivables

The table below shows a breakdown of other current and non-current receivables:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Guarantee deposits	1,332	1,184	148
Miscellaneous receivables	318	17	301
Non-current receivables	**1,650**	**1,201**	**449**
Tax receivables	2,401	281	2,120
Miscellaneous receivables	805	1,352	(547)
Prepaid expenses and accrued income	1,184	241	943
Financial receivables	28	371	(343)
Current receivables	**4,418**	**2,245**	**2,173**
Total	**6,068**	**3,446**	**2,622**

There was an increase in "Other receivables" of €2.6 million compared with the previous year, mainly as a result of "Tax receivables" which increased following the decreased in the taxable amount and greater payments on account made in 2019. The VAT receivable at the end of the year just ended also increased compared with the previous year.

In addition, the non-current item includes a deposit to a factoring company (€0.2 million at December 31, 2019, unchanged compared with December 31, 2018) and other guarantee deposits. The item also includes the guarantee fund set up at Terna (that operate the electricity grid) totaling €0.9 million (€0.7

million at December 31, 2018). Non-current miscellaneous receivables included IRES and IRAP provision following the ending of MAP 2011-12-13 between Italy and Germany.

The current part of “Tax receivables” increased by €2.1 million: this increase is mainly due to the VAT receivable and the IRES and IRAP receivable for the year, as mentioned above.

The current part of “Miscellaneous receivables” includes a deposit to a factoring company of €0.8 million compared with €1.1 million in the previous year.

“Accrued income” refers mainly to invoices accounted for the year but relating to the next financial year.

The decrease of €343 thousand in the item “Financial receivables” is due to the receivable from Arpafino S.L.U. of €300 thousand, related to the sale of the Spanish operation Reno De Medici Ibérica S.L.U. which took place on January 27, 2016. This receivable was collected on February 14, 2019.

The remaining current item is composed of the receivable from existing factoring arrangements.

17. Inventories

The table below provides a breakdown of inventories at December 31, 2019:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Raw and ancillary materials and consumables	13,511	13,284	227
Obsolescence provision	(507)	(507)	
Finished products and goods	18,294	18,212	82
Total	**31,298**	**30,989**	**309**

The balance of inventories of “raw and ancillary materials and consumables” was slightly increased (1.71%) compared with the previous year.

With reference to “Finished products and goods”, inventories were in line with the previous year because of an increase in stock volumes were offset by a lower value.

18. Trade receivables

The table below shows the changes in trade receivables from third parties, which amounted to €25.6 million as at December 31, 2019:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Trade receivables	25,586	27,545	(1,959)
Current trade receivables	**25,586**	**27,545**	**(1,959)**

The decrease in receivables compared with the previous year is due mainly to the turnover in the last quarter.

The Company applies non-recourse factoring, which decreased from €18.2 million at December 31, 2018 to €17.5 million at December 31, 2019.

The item is stated net of €2.2 million of provisions for bad and doubtful receivables.

The table below sets out the changes for the year in those provisions:

	12.31.2018	Provisions	Drawings	12.31.2019
(thousands of Euros)				
Provisions for bad and doubtful receivables	2,014	173	(18)	2,169
Total	**2,014**	**173**	**(18)**	**2,169**

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

	12.31.2019	12.31.2018
(thousands of Euros)		
Italy	21,566	21,843
European Union	1,034	2,506
Rest of the world	2,986	3,196
Total	**25,586**	**27,545**

19. Receivables from Group companies

“Receivables from Group companies”, equal to €13.6 million, break down as follows:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Receivables from subsidiaries	7,163	7,411	(248)
Total receivables from subsidiaries	**7,163**	**7,411**	**(248)**
Receivables from associates and joint ventures	6,485	6,418	67
Total receivables from associates and joint ventures	**6,485**	**6,418**	**67**
Total receivables from Group companies	**13,648**	**13,829**	**(181)**

The change in this item is due to the increase in receivables from subsidiaries and associates.

The breakdown of “Receivables from subsidiaries”, recorded in the financial statements as €7.2 million, is given below:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
R.D.M. Magenta S.r.l.	135	131	4
R.D.M. La Rochette S.A.S. operates.	866	909	(43)
R.D.M. Ovaro S.p.A.	785	2,279	(1,494)
R.D.M. Arnsberg GmbH	1,403	812	591
RDM Blendecques S.A.S.	366	437	(71)
PAC Service S.p.A.	2,287	2,321	(34)
RDM Barcelona Cartonboard S.A.U.	739	116	623
R.D.M. Marketing Portugal, Unipessoal	6		6
R.D.M. Marketing France S.A.S.	106	113	(7)
R.D.M. Marketing Germany GmbH	46	57	(11)
R.D.M. Marketing Spain S.l.u.	269	131	138
R.D.M. Marketing Czech Republic s.r.o.	41	20	21
R.D.M. Marketing Poland SP z.o.o.	57	30	27
R.D.M. Marketing Hungaria KFT	28	36	(8)
R.D.M. Marketing UK Ltd	29	19	10
Total	**7,163**	**7,411**	**(248)**

“Receivables from associates and joint ventures” amount to €6.5 million and break down as follows:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Emmaus Pack S.r.l.	6,485	6,418	67
Total receivables from associates and joint ventures	**6,485**	**6,418**	**67**

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.

20. Other receivables from Group companies

These receivables mainly relate to the cash-pooling arrangement with Group companies:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
RDM Blendecques S.A.S.	5,621	7,524	(1,903)
R.D.M. Magenta S.r.l.	1,085	1,028	57
R.D.M. La Rochette S.A.S. operates.	5,104	4,757	347
RDM Barcelona Cartonboard S.A.U.	1,500		1,500
R.D.M. Marketing Spain S.l.u.	338	86	252
R.D.M. Marketing UK Ltd	239	340	(101)
Total receivables from subsidiaries	**13,887**	**13,735**	**152**
Total receivables from Group companies	**13,887**	**13,735**	**152**

This item increased slightly of €152 thousand, even if there were greater variations at the level of the individual companies.

As mentioned in Note 14, at year end, the Company waived part of the financial receivables (€3.1 million) owned from RDM Magenta S.r.l., the sole shareholder, due to the losses reported by the latter.

21. Net financial position

The table below provides a breakdown of the net financial position at December 31, 2019 and 2018:

Net financial position	**12.31.2019**	**12.31.2018**	**Variation**
(thousands of Euros)			
Cash	9	10	(1)
Funds available from banks	33,644	26,825	6,819
A. Funds available from banks	**33,653**	**26,835**	**6,818**
Other receivables from Group companies	13,887	13,735	152
Other financial receivables	28	371	(343)
B. Current financial receivables	**13,915**	**14,106**	**(191)**
1. Current payables to banks	*57*	*53*	*4*
2. Current portion of medium- and long-term loans	*13,489*	*10,829*	*2,660*
3. Other current financial liabilities			
4. Leasing financial liabilities	*1,040*		*1,040*
Payables to banks and other lenders (1+2+3+4)	14,588	10,882	3,706
Other payables to Group companies	45,239	34,687	10,552
Other payables to other companies		947	(947)
Derivatives – current financial liabilities	309	221	88
C. Current financial debt	**60,136**	**46,737**	**13,399**
D. Net current financial debt (C-A-B)	**12,568**	**5,796**	**6,772**
E. Non-current financial receivables			
Payables to banks and other lenders	35,821	49,322	(13,501)
Derivatives – non-current financial liabilities	416	320	96
Leasing loans	2,352		2,352
F. Non-current financial debt	**38,589**	**49,642**	**(11,053)**
G. Net non-current financial debt (F-E)	**38,589**	**49,642**	**(11,053)**
H. Net financial debt (D+G)	**51,157**	**55,438**	**(4,281)**

Net financial debt was €51.2 million at December 31, 2019 (compared with €55.4 million at December 31, 2018). In fact, net operating cash flow, positive for €25.6 million, was absorbed by some specific disbursements, for a total amount of €14.3 million, which include dividends paid and the purchase of treasury shares for €2.6 million and the buyback of part of the share owned by Friulia S.p.A. in R.D.M. Ovaro S.p.A. from for €0.7 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 lending are shown below, pursuant to IAS 7 “Financial Statement”:

			Non-cash transactions		
	12.31.2018	Cash flow (*)	Exchange rate translation differences	Fair Value variation	12.31.2019
(thousands of Euros)					
Current financial receivables	**14,106**	(191)			**13,915**
Current financial debt	**46,737**	13,311		88	**60,136**
Non-current financial debt	**49,642**	(11,149)		96	**38,589**
Net liabilities from financing activities	**82,273**	**2,253**		**184**	**84,810**
Cash and cash equivalents	**26,835**	6,818			**33,653**
Net financial debt	**55,438**	**(4,465)**		**184**	**51,157**

(*) Cash and cash equivalent flows reported in the Statement of Cash Flow.

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

	within 12 months	more than 12 months	over 60 months	Total
(thousands of Euros)				
Banco BPM	2,857	5,714		8,571
Banca Intesa	2,000			2,000
Credem	754			754
Banque Palatine 376	599	1,358		1,957
Banque Palatine 377	399	911		1,310
UniCredit	7,000	28,000		35,000
Total nominal debt	**13,609**	**35,983**		**49,592**
Amortized cost effect	(120)	(162)		(282)
Total debt using the amortized cost method	**13,489**	**35,821**		**49,310**

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 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 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, 2019 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.

Note that in 2019 principal repayments totaling €11.0 million were made.

In terms of guarantees, 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 signed 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 covenants subject to annual review. At December 31, 2019, these financial covenants were met.

On July 31, 2015, a loan of €7 million was made by Cariparma S.p.A.; the loan agreement was signed on July 31, 2015. The loan agreement calls for a floating rate and a maturity of June 30, 2019.

On October 2, 2015, a loan of €20 million was made by Banca Popolare di Milano S.p.A.; the loan agreement was signed 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 covenants subject to annual and half-yearly review. At December 31, 2019, these financial covenants were met.

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.

On August 2, 2017, a loan of €3 million was made by Credito Emiliano S.p.A.; the loan agreement was signed 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 for €5 million was agreed and supplied by Banque Palatine, divided into two tranches of €3 million and €2 million, respectively. The loan agreement calls for a floating rate and a maturity of February 5, 2023. Installments were paid quarterly starting May 5, 2018.

On July 30, 2018, a loan agreement was signed and the loan of €35 million made by UniCredit S.p.A. The loan was supplied on October 31, 2018, for the closing date of the transaction for the acquisition of RDM

Barcelona Cartonboard S.A.U. 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, 2019. More information on outstanding derivative instruments can be found in Note 23.

22. Shareholders' equity

Changes in shareholders' equity during 2019 are set out in the following table:

Description	Shareholders' equity at 12.31.2018	Allocation of the profit	Dividend distribution	Actuarial gain (loss)	*Hedge accounting*	Profit (loss) for the year	Shareholders' equity at 12.31.2019
(thousands of Euros)							
Share capital	140,000						140,000
Treasury shares reserve	(1,059)						(1,059)
Legal reserve	1,477	898					2,375
Other reserves:							
- Available reserve	32,064	14,421					46,485
- Stock grant reserve	966						966
- Hedging reserve	(421)				(98)		(519)
- Ovaro sale reserve	3,105						3,105
- Reserve for actuarial gains (losses)	(1,747)			(155)			(1,902)
IFRS 9 reserve	(1,267)						(1,267)
- Merger reserve for R.D.M. Marketing S.r.l.	119						119
Result for the year	17,952	(15,319)	(2,633)			15,937	15,937
Total	**191,189**	**0**	**(2,633)**	**(155)**	**(98)**	**15,937**	**204,240**

The Shareholders' Meeting of April 30, 2019 resolved to allocate the Company's 2018 profit of €17,952,390.18 as follows:

- €897,619.50 to the legal reserve pursuant to Article 2430 of the Italian Civil Code;
- €6,242.04 as a dividend to be distributed for the 254,777 savings shares;
- €2,626,983.52a dividend to be distributed for the 375,283,360 ordinary shares;
- €14,421,545.12 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 2019, 3,650 savings shares were converted to ordinary shares. As a result of this, the share capital at December 31, 2019, fully subscribed and paid-up, could be broken down as follows:

	Number	Total value
Ordinary shares	377,546,217	139,905,588.44
Savings shares	254,777	94,411.56
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 1-29, 2020, 36 savings shares were converted into ordinary shares with dividend entitlement as of January 1, 2019.

The table below shows the number of outstanding shares as at December 31, 2019 and December 31, 2018:

	12.31.2019	12.31.2018	Change
Shares issued	377,800,994	377,800,994	
Treasury shares	2,262,857	2,262,857	
Total shares outstanding	**375,538,137**	**375,538,137**	

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 €6,242.04 were distributed in 2019 to holders of savings shares.

In addition, dividends totaling €2,626,983.52 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 12.31.2019	Possibilities of use (*)	Available portion	Summary of uses 2018 – 2017 – 2016 to cover losses	Summary of uses 2018 – 2017 – 2016 for other reasons
(thousands of Euros)					
Share capital	140,000				
Of which treasury shares					
Legal reserve	2,375	B			
Other reserves:					
- Available reserve	46,485	A,B,C	46,485		
- Treasury shares reserve	(1,059)				
- Hedging reserve	(519)				
- Reserve for sale of Ovaro business unit	3,105				
- Reserve for actuarial gains (losses)	(1,902)				
- Stock Grant Reserve	966				
- IFRS 9 Reserve	(1,267)				
- Merger reserve for R.D.M. Marketing S.r.l.	119				
Total	**188,303**				

(*) 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:

	12.31.2019			12.31.2018		
	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	*(129)*	*31*	*(98)*	*(376)*	*90*	*(286)*
Actuarial gain (loss)	*(155)*		*(155)*	*53*		*53*

23. 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, 2019.

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Derivative instruments (hedge accounting)	416	320	96
Non-current liabilities	**416**	**320**	**96**
Derivative instruments (hedge accounting)	309	221	88
Current liabilities	**309**	**221**	**88**
Total	**725**	**541**	**184**

As at December 31, 2019, the derivative instruments in the form of interest rates swaps (IRS) had a negative fair value of €725 thousand.

The table below shows the main features of the derivative instruments outstanding as at December 31, 2019:

Company	Counterparty	Currency	Due date	Notional value (€/000)	Interest	Liquidation of interest	Fair value of derivative (€/000)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	EUR	06.04.2020	1,500	0.42% fixed	Half-yearly	(6)
					Euribor 6m		
Reno De Medici S.p.A.	Banca Popolare di Milano	EUR	12.30.2022	8,571	0.45% fixed	Half-yearly	(111)
					Euribor 6m		
Reno De Medici S.p.A.	UniCredit S.p.A.	EUR	07.31.2024	35,000	0.385% fixed	Half-yearly	(608)
					Euribor 6m		
				45,071			**(725)**

24. Other current and non-current payables

The table below provides a breakdown of other current and non-current payables:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Payables for wages and salaries	2,333	2,256	77
Payables to social security institutions	2,283	2,159	124
Tax payables	823	614	209
Other payables	417	1,262	(845)
Company bodies	427	418	9
Accrued liabilities and deferred income		26	(26)
Other current payables	**6,283**	**6,735**	**(452)**
Total other payables	**6,283**	**6,735**	**(452)**

"Other current payables" amounted to €6.3 million as at December 31, 2019 and were lower than in the previous year. Specifically, miscellaneous payables, which in 2018 included the first payment on account (€947 thousand) relating to the preliminary sales agreement for the Magenta land, were lower.

"Payables to social security institutions" relate mainly to social security contributions due on current wages and salaries accrued to employees in December and paid in January 2020, and to provisions for social security contributions due on deferred compensation (employee leave, additional months' salaries paid as a bonus, and overtime). This item increased as a result of higher contributions due on current and deferred compensation.

"Tax payables" increased compared with the previous year. This item includes withholding tax due on remuneration paid to employees in December, and miscellaneous tax payables.

25. Deferred taxes

The year-end balance of net deferred tax liabilities is provided below:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Deferred taxes	1,776	3,035	(1,259)
Total deferred taxes	**1,776**	**3,035**	**(1,259)**

The table below provides a summary of the calculation of deferred tax assets and liabilities from temporary differences as at December 31, 2019:

Taxes	12.31.2019			12.31.2018		
	Temporary differences	Tax %	Tax effect	Temporary differences	Tax %	Tax effect
(thousands of Euros)						
Recognized deferred tax assets	**10,536**		**2,613**	**6,567**		**1,675**
Tax losses to carry forward	4,996	24.00%	1,199			
Inventory write-downs	507	27.90%	141	507	27.90%	141
Provision for future charges (IRES)	672	24.00%	161	1,336	24.00%	321
Provision for additional client expenses	1,692	27.90%	472	2,050	27.90%	572
Other temporary differences IRES	317	24.00%	76	452	24.00%	108
IFRS 9 valuation	1,668	24.00%	400	1,668	24.00%	400
Valuation of derivatives with hedge accounting	684	24.00%	164	554	24.00%	133
Recognized deferred taxes	**15,954**		**4,389**	**17,114**		**4,709**
Statutory amortization/depreciation in excess of amount allowed for tax purposes	14,351	27.90%	4,004	15,401	27.90%	4,297
Other temporary differences IRES	133	24.00%	32	190	24.00%	46
Misalignment of TFR for IFRS application	1,470	24.00%	353	1,523	24.00%	366
Net recognized deferred tax (assets) liabilities			**1,776**			**3,034**
Unrecognized deferred tax assets	**13,055**		**3,243**	**33,180**		**8,068**
Write-downs for extended impairment	2,687	27.90%	750	2,687	27.90%	750
Reportable ROL (reduced working hours)	9,231	24.00%	2,215	29,333	24.00%	7,040
Write-downs for bad and doubtful receivables	1,137	24.00%	278	1,160	24.00%	278

Tax assets and liabilities for deferred taxes are offset when permitted by law. In the year just ended, a payable was recorded for IRES and IRAP taxes of €1.8 million compared with €3 million as at December 31, 2018. This change is mainly due to the recording of €1.2 million of deferred tax assets on previous tax losses following the ending of MAP 2011-12-13 between Italy and Germany.

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.

26. Employee benefits

The following table compares balances as at December 31, 2019 and December 31, 2018:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Employee benefits - TFR	5,051	5,467	(416)
Non-current employee benefits	**5,051**	**5,467**	**(416)**
Employee benefits - TFR	68	68	
Current employee benefits	**68**	**68**	
Total	**5,119**	**5,535**	**(416)**

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, 2019.

The actuary used the following demographic assumptions for the calculation:

- Table RG48 (source: Italian General Accounting Service) was used to estimate mortality among employees subject to the assessment;
- 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	0.37%
Annual inflation rate	1.20%
Annual rate of increase in TFR	2.40%

Changes in the actuarial value of employee benefits are provided below:

	Employee benefits
(thousands of Euros)	
Actuarial assessment of "Employee benefits "at 12.31.2018	**5,535**
Interest cost	58
Benefits paid	(629)
Actuarial gains (losses)	155
Actuarial assessment of "Employee benefits "at 12.31.2019	**5,119**

27. Non-current and current provisions for risks and charges

The balance at December 31, 2019 was as follows:

	12.31.2018	Allocation	Utilizations and releases	12.31.2019
(thousands of Euros)				
Provisions for future charges	2,240	262	(639)	1,863
Provisions for supplementary agents' commission	1,591	316		1,907
Provision for impairment losses	239			239
Financial assets impairment provision IFRS 9	709		(142)	567
Non-current provisions for risks and charges	**4,779**	**578**	**(781)**	**4,576**
Provision for future charges	737	120	(138)	719
Provisions for supplementary agents' commission	375		(375)	
Current provision for risks and charges	**1,112**	**120**	**(513)**	**719**
Total	**5,891**	**698**	**(1,294)**	**5,295**

"Provision for risks and charges" decreased in 2019 following the utilization of €1.3 million, partly offset by a provision of €700 thousand. The utilization and release of €639 thousand refers to the settlement of disputes and redundancy procedures, as well as to the utilization of the provision for supplementary agents' commission for €375 thousand.

28. Trade payables

"Trade payables" to third parties accounted in the financial statements were of €58.1 million (€51.0 million as at December 31, 2018) and are due within 12 months. They are stated net of trade discounts and adjusted for any returns or rebates agreed with the counterparties.

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Trade payables	58,111	51,023	7,088
Current trade payables	**58,111**	**51,023**	**7,088**

The increase in payables is mainly due to the operating activities.

29. Payables to Group companies

Payables to Group companies result from trade transactions carried out with Group companies and are set by normal market conditions.

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Payables to subsidiaries	2,966	2,442	524
Payables to subsidiaries	**2,966**	**2,442**	**524**
Total payables to Group companies	**2,966**	**2,442**	**524**

Below is a breakdown of payables to subsidiaries classified under "Current liabilities":

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
R.D.M. Marketing Portugal, Unipessoal	17		17
R.D.M. Magenta S.r.l.	1,084	640	444
R.D.M. La Rochette S.A.S. operates.	40	601	(561)
R.D.M. Ovaro S.p.A.	255	86	169
R.D.M. Arnsberg GmbH	152	118	34
R.D.M. Marketing France S.A.S.	593	449	144
R.D.M. Marketing Germany GmbH	123	170	(47)
R.D.M. Marketing Czech Republic s.r.o.	323	165	158
R.D.M. Marketing Poland SP z.o.o.	299	122	177
R.D.M. Marketing Hungaria KFT	19	21	(2)
R.D.M. Marketing UK Ltd	60	70	(10)
PAC Service	1		1
Total payables to subsidiaries	**2,966**	**2,442**	**524**

30. 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:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Cartiera Alto Milanese S.r.l. in liquidation	1,021	895	126
R.D.M. Arnsberg GmbH	25,826	17,010	8,816
RDM Blendecques S.A.S.	52	1	51
R.D.M. Ovaro S.p.A.	13,513	12,643	870
R.D.M. La Rochette S.A.S. operates.	78	232	(154)
Pac Service S.p.A.	192		192
R.D.M. Marketing France S.A.S.	2,785	2,363	422
R.D.M. Marketing Germany GmbH	1,076	812	264
R.D.M. Marketing Czech Republic s.r.o.	102	101	1
R.D.M. Marketing Poland SP z.o.o.	432	432	
R.D.M. Marketing Hungaria KFT	162	198	(36)
Total other current payables to Group companies	**45,239**	**34,687**	**10,552**

Other payables to Group companies increased following the merger by incorporation of R.D.M. Marketing S.r.l. and its subsidiaries. The changes in the other items are related to the performance of each subsidiary.

31. Current taxes

This item is the amount owed to tax authorities for IRES applicable to the year just ended, net of payments on account.

At the end of 2019, following the settlement of accounts on an historical basis and the decrease in the taxable amount, the Company recorded a tax receivable rather than a payable for current taxes. Refer to Note 16.

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Current taxes		5,955	(5,955)
Total taxes		**5,955**	**(5,955)**

32. 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 2019, 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.

33. 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 €1.2 million issued to the Comieco consortium;

- sureties of €67 thousand issued to 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;
- sureties of €424 thousand issued in favor of Terna S.p.A.;
- a surety in favor of Vetropack, the potential buyer of the Magenta site following the preliminary sales agreement, for €6.1 million;

There are mortgages on the Ovaro (UD) mill properties for a total of €13.7 million guaranteeing three 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 at December 31, 2019 was €3.2 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. at the price of €2.5 million. These agreements gave Friulia S.p.A. the right to resell its shareholding in R.D.M. Ovaro S.p.A. to Reno De Medici S.p.A. under certain conditions, *inter alia*, through the exercise of a "put option" to be exercised by June 27, 2017.

In recognition of the success of the partnership and in view of the new investments required to increase the value of the R.D.M. Ovaro S.p.A. and its possible expansion plans, the parties 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, at a total price of €2,497,010.95, in four equal amounts, the first three of which have already been bought back in June 2017, 2018 and 2019; the last share will be bought back by June 30, 2020. Reno De Medici S.p.A. can still exercise the purchase option early.

34. Related-Party Transactions

For details on the transaction, see the section "Main transactions of the Reno De Medici Group in 2019" 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, 2019” attached to these financial statements and the section entitled “Information on related-party transactions” in the Directors’ Report.

35. Information on contributions received by the PA or equivalent entities

Article 1, paragraphs 125-129 of Law 124/2017 later integrated by Decree Law 113/2018 (Security) and by Decree Law 135/2018 (Simplification), introduced the framework governing transparency of public funds. The information requested is provided below.

In 2019 the Company received contributions, pursuant to Article 1, paragraph 25 of the above-mentioned law of €33 thousand. The table below contains the data relating to the providers, the amount of the grant received and the reason for the benefit. Note that grants above the threshold of €10,000 with reference to the same provider are reported, as required by the applicable legislation.

Provider	Reason	Grant received
		Amounts in Euros
Ministry of the environment	Asbestos tax credit	16,446
Fondimpresa Milano	Training	17,034
		33,480

Finally, in 2019 the Company received grants which had to be disclosed under the scope of the National State Aid Register, 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, 2019 with the situation as at December 31, 2018, 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.

	12.31.2019		12.31.2018	
	Book value	**Fair value**	**Book value**	**Fair value**
(thousands of Euros)				
Cash and cash equivalents	**33,653**	**33,653**	**26,835**	**26,835**
Loans and receivables	**59,189**	**59,189**	**58,555**	**58,555**
Trade receivables	39,234	39,234	40,156	40,156
Other receivables from Group companies	13,887	13,887	14,953	14,953
Other receivables	6,068	6,068	3,446	3,446
Financial liabilities at amortized cost:	**(162,190)**	**(162,888)**	**(155,090)**	**(156,988)**
Unsecured medium- and long-term bank loans at amortized cost	(6,021)	(6,063)	(14,135)	(14,284)
Secured medium- and long-term bank loans at amortized cost	(43,571)	(44,227)	(46,069)	(47,818)
Short-term loans from banks for use of commercial facilities				
Trade payables	(61,076)	(61,076)	(53,464)	(53,464)
Other payables to Group companies	(45,239)	(45,239)	(34,687)	(34,687)
Other payables	(6,283)	(6,283)	(6,735)	(6,735)
Hedging derivatives	**(725)**	**(725)**	**(541)**	**(541)**
	(70,073)	**(70,771)**	**(70,241)**	**(72,139)**
Unrecognized Profit	**698**		**1,898**	

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 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 nonexistent for the asset or liability subject to measurement, the inputs are non-observable.

	Classification	12.31.2019	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	416		416	
Derivative instruments on interest rates	Current derivative instruments	309		309	

As at December 31, 2019, 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, 2019 and December 31, 2018.

Future flows were discounted on the basis of the same Euro yield curve as at December 31, 2019 and December 31, 2018.

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 at 12.31.2019	Book value	Nominal value at 12.31.2018	Book value
(thousands of Euros)							
Secured medium- and long-term bank loans at amortized cost				**43,571**	**43,294**	**46,429**	**46,030**
Banca Popolare di Milano	Euro	Eur6m+spread	2022	8,571	8,489	11,429	11,307
UniCredit	Euro	Eur6m+spread	2024	35,000	34,805	35,000	34,723
Unsecured bank loans at amortized cost				**6,021**	**6,016**	**14,150**	**14,121**
Banque Palatine 376	Euro	Fixed	2023	1,957	1,957	2,554	2,554
Banque Palatine 377	Euro	Fixed	2023	1,310	1,310	1,706	1,706
Banco Popolare	Euro	Eur3m+spread	2019			1,261	1,261
Banca Intesa Sanpaolo	Euro	Eur6m+spread	2020	2,000	1,995	6,000	5,974
Credem	Euro	Eur3m+spread	2020	754	754	1,754	1,754
Cariparma	Euro	Eur6m+spread	2019			875	872
Total medium- and long-term loans	Euro			**49,592**	**49,310**	**60,579**	**60,151**
Total short-term loans	**Euro**						
Total interest-bearing liabilities	**Euro**			**49,592**	**49,310**	**60,579**	**60,151**

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 12.31.2018	**421**
Fair value adjustment of cash flow hedge derivatives	129
Tax effect of fair value adjustment of cash flow hedge derivatives	(31)
Transfers to the income statement	
Tax effect of transfers to the income statement	
Reserve 12.31.2019	**519**

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:

	12.31.2019	**12.31.2018**
(thousands of Euros)		
Gross trade receivables	41,403	42,170
- provision for bad and doubtful debts	(2,169)	(2,014)
Total	**39,234**	**40,156**

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, 2019	**more than 60 days**	**from 31 to 60 days**	**from 0 to 30 days**	**Non-overdue receivables**	**Total**
(thousands of Euros)					
Italy	687	73	979	29,932	31,671
EU	460	165	1,871	1,404	3,900
Rest of the world	68	26	311	3,258	3,663
Total	**1,215**	**264**	**3,161**	**34,594**	**39,234**

	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**

The Parent company's overdue receivables as at December 31, 2019 improved in absolute terms from €5.1 million to €4.6 million. They represent 11.8% of the total portfolio compared with 12.7% 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 2019 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 2019 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, 2019 and December 31, 2018, is reported in the following table.

ECB exchange rates	12.31.2019	12.31.2018
(per Euro)		
USD	**1.1234**	**1.145**
GBP	**0.8508**	**0.8945**
CHF	**1.0854**	**1.1269**
CAD	**1.4598**	**1.5605**
CNY	**7.8205**	**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.

	12.31.2019				12.31.2018				
	USD	**GBP**	**CHF**	**CAD**	**USD**	**GBP**	**CHF**	**CAD**	**CNY**
(thousands of Euros)									
Trade receivables	3,140	67			1,914	9			27
Trade payables	(1,004)	(36)			(901)	(43)	(1)		
Cash pooling with subsidiaries	(119)	30			1,340	(397)			
Cash and cash equivalents	3,569	495		1	828	673		1	
Net exposure	**5,586**	**556**		**1**	**3,181**	**242**	**(1)**	**1**	**27**

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 (at December 31, 2019 and December 31, 2018) 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, 2019 and December 31, 2018 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/ (Loss)**	**(thousands of Euros)**	**Profit/(Loss)**
December 31, 2019		**December 31, 2019**	
USD	(559)	USD	559
GBP	(56)	GBP	56
CHF		CHF	
CAD		CAD	
CNY		CNY	
Total	**(615)**	**Total**	**615**

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**

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.

	12.31.2019	%	12.31.2018	%
(thousands of Euros)				
Floating-rate medium- and long-term loans			(1,253)	2.5%
Floating-rate medium- and long-term loans hedged by IRS	(33,714)	36%	(45,071)	90.9%
Fixed-rate medium- and long-term loans	(2,269)	2%	(3,267)	6.6%
Total non-current liabilities	**(35,983)**	**38%**	**(49,591)**	**52.4%**
Floating-rate medium- and long-term loans	(1,253)	1%	(4,138)	9.2%
Floating-rate medium- and long-term loans hedged by IRS	(11,357)	12%	(5,857)	13%
Fixed-rate medium- and long-term loans	(999)	1%	(992)	2.2%
Floating-rate cash pooling with subsidiaries and joint ventures	(45,239)	48%	(34,688)	75.6%
Total current liabilities	**(58,848)**	**62%**	**(45,675)**	**47.6%**
Total (floating rate)	(1,253)	1%	(5,391)	5.7%
Total (fixed rate or hedged floating rate)	(93,578)	*99%*	(89,875)	*94.3%*
Total	**(94,831)**	**100%**	**(95,266)**	**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 as at the date on which the financial statements were prepared.

		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, 2019					
Cash flows during the year		**(109)**	**78**		
	Cash flows from derivatives	*250*	*(250)*		
	Intercompany current account	*(100)*	*100*		
	Floating-rate loans	*(259)*	*228*		
Effectiveness of hedges				455	(455)
Net sensitivity of financial flows		**(109)**	**78**	**455**	**(455)**
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)**

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 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 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 material is dependent on changes in a quoted index.

In 2018, the Group signed contracts for the supply of natural gas also for 2019, 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 supplies relating the last quarter of 2019 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 2018, 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 price fixing of supply quotas aimed to contain “commodity risk” as described above. The negotiated prices are expressed in Euros per unit of electricity. In 2019 new electricity supply and import agreements for Europe were negotiated for 2020, in conjunction with the subsidiaries operating in France and Spain, so that group production organizations use the same supplier. These agreements were negotiated to a small extent at fixed prices in order to benefit from greatly decreasing prices.

As of December 31, 2019 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 RDM’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 total requirements at a fixed price and are negotiated at least three months before the supply period, but sometimes for longer periods in relation to the supply period. Electricity is purchased partly 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 Parent company aims to diversify its suppliers and its supply markets.

The Parent company 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 aimed to measure the cash flows deriving from the various types of financial liability held as at December 31, 2019 and December 31, 2018.

Depending on their nature, financial liabilities were separated into non-derivative and derivative financial liabilities. Given the different accounting treatments, it was deemed appropriate for the latter to be 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, 2019	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	**33,653**	**33,653**	33,653				
Trade receivables	**39,234**	**39,234**	39,234				
Other receivables from Group companies	**13,887**	**13,887**	13,887				
Other receivables	**6,068**	**6,068**	4,418		1,650		
Medium- and long-term bank loans	**(49,367)**	**(50,290)**	(8,083)	(5,756)	(11,068)	(25,383)	
Rights of use	**(3,392)**	**(3,392)**	(520)	(520)	(843)	(1,196)	(313)
Other payables to Group companies	**(45,239)**	**(45,239)**	(45,239)				
Financial payables to subsidiaries							
Hedging derivatives	**(725)**	**(725)**	(171)	(138)	(216)	(200)	
Non-hedging derivatives							
Trade payables	**(61,076)**	**(61,076)**	(61,076)				
Other payables	**(6,283)**	**(6,283)**	(6,283)				
Total	**(73,240)**	**(74,163)**	**(30,180)**	**(6,414)**	**(10,477)**	**(26,779)**	**(313)**

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)
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)**

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.

ANNEXES

The following information that is an integral part of the notes to the financial statements is provided in the notes below

Annex A: Details of related-party and intragroup relations as at December 31, 2019

Annex B: Information pursuant to Article 149-duodecies of the Consob Issuers' Regulation

ANNEX A - DETAILS OF RELATED-PARTY AND INTRAGROUP TRANSACTIONS AS AT DECEMBER 31, 2019

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

Details of transactions in 2019 and 2018 with companies controlled directly and indirectly, associate companies and joint ventures are listed below. Transactions between Reno De Medici S.p.A. and other Group companies, in the production and financial spheres and in the provision of services are regulated under normal market conditions taking into account the quality of the goods and services supplied.

Intragroup receivables and payables

	Current assets			Current liabilities	
	Receivables from subsidiaries		Receivables from joint ventures and associates	Payables to subsidiaries	
12/31/2019	**trade** (1)	**financial** (2)	**trade** (1)	**trade** (3)	**financial** (4)
(thousands of Euros)					
Cartiera Alto Milanese S.r.l. in liquidation					1,021
Emmaus Pack S.r.l.			6,485		
PAC SERVICE S.p.A.	2,287			1	192
RDM Blendecques S.A.S.	366	5,621			52
R.D.M. Ovaro S.p.A.	785			255	13,513
R.D.M. Arnsberg GmbH	1,403			152	25,826
R.D.M. La Rochette S.A.S.	866	5,104		40	78
R.D.M. Magenta S.r.l.	135	1,085		1,084	
RDM Barcelona Cartonboard S.A.U.	739	1,500			
R.D.M. Marketing France S.A.S.	106			593	2,785
R.D.M. Marketing Germany GmbH	46			123	1,076
R.D.M. Marketing Spain S.l.u.	269	338			
R.D.M. Marketing Czech Republic s.r.o.	41			323	102
R.D.M. Marketing Poland SP z.o.o.	57			299	432
R.D.M. Marketing Hungaria KFT	28			19	162
R.D.M. Marketing UK Ltd	29	239		60	
R.D.M. Marketing Portugal, Unipessoal Lda	6			17	
Total	**7,163**	**13,887**	**6,485**	**2,966**	**45,239**

(1) See Statement of Financial Position - total of the item “Receivables from Group companies classified under “Current assets”

(2) See Statement of Financial Position - total of the item “Other receivables from Group companies” - classified under “Current assets”

(3) See Statement of Financial Position - total of the item “Payables to Group companies” classified under “Current liabilities”

(4) See Statement of Financial Position - total of the item “Other payables to Group companies” classified under “Non-current liabilities”

	Current assets			Current liabilities	
	Receivables from subsidiaries		Receivables from joint ventures and associates	Payables to subsidiaries	
12/31/2018	trade (1)	financial (2)	trade (1)	trade (3)	financial (4)
(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	
RDM 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 Republic 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**

(1) See the Statement of financial position - total of the item “Receivables from Group companies” classified under “Current assets”

(2) See the Statement of financial position - total of the item “Other receivables from Group companies” classified under “Current assets”

(3) See the Statement of financial position - total of the item “Other payables to Group companies” classified under “Current liabilities”

(4) See the Statement of financial position - total of the item “Other payables to Group companies” classified under “Non-current liabilities”

Intragroup revenues

12/31/2019	Revenues from sales [1]	Other revenues [2]	Financial income
(thousands of Euros)			
PAC Service S.p.A.	5,470		
RDM Blendecques S.A.S.		1,443	189
R.D.M. Ovaro S.p.A.	114	1,112	
R.D.M. Arnsberg GmbH	172	3,037	
R.D.M. Magenta S.r.l.	14	117	31
R.D.M. La Rochette S.A.S.		1,861	181
Emmaus Pack S.r.l.	10,829	87	
RDM Barcelona Cartonboard S.A.U.	65	396	18
R.D.M. Marketing France S.A.S.		106	
R.D.M. Marketing Germany GmbH		46	
R.D.M. Marketing Spain S.l.u.		42	3
R.D.M. Marketing Czech Republic s.r.o.		41	
R.D.M. Marketing Poland SP z.o.o.		52	
R.D.M. Marketing Hungaria KFT		28	
R.D.M. Marketing UK Ltd		29	8
R.D.M. Marketing Portugal, Unipessoal Lda		6	
Total	**16,664**	**8,403**	**430**

(1) See Statement of Income - the item “Revenues from sales - of which related parties” including “Revenues from sales” intragroup and from other related parties

(2) See Statement of Income - the item “Other revenues and income - of which related parties” including “Other revenues and income” intragroup and from related parties

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	
RDM 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 Republic 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**

(1) See the Income statement - the item “Revenues from sales - related parties” including “Revenues from sales - intragroup and from other related parties”

(2) See the Income statement - the item “Other revenues and income - related parties” including “Other revenues and income” intragroup and from other related-parties

Intragroup costs

	Cost of raw materials and services [1]		Financial expense
12/31/2019	**raw materials**	**services**	
(thousands of Euros)			
PAC Service S.p.A.		11	
RDM Blendecques S.A.S.		(1,173)	2
R.D.M. Ovaro S.p.A.	(1,969)	(645)	128
R.D.M. Arnsberg GmbH		(1,946)	23
R.D.M. Magenta S.r.l.		4,964	
R.D.M. La Rochette S.A.S.	202	(1,870)	6
Emmaus Pack S.r.l.	8		
R.D.M. Marketing France S.A.S.		2,481	3
RDM Barcelona Cartonboard S.A.U.		(1,386)	
R.D.M. Marketing Germany GmbH		1,015	1
R.D.M. Marketing Spain S.l.u.		1,270	
R.D.M. Marketing Czech Republic s.r.o.		684	
R.D.M. Marketing Poland SP z.o.o.		865	1
R.D.M. Marketing Hungaria KFT		275	
R.D.M. Marketing UK Ltd		439	
R.D.M. Marketing Portugal, Unipessoal Lda		207	
Total	**(1,759)**	**5,221**	**164**

(1) See the Income statement - the item “Costs of raw materials and services - related parties” including the “Cost of raw materials and services” intragroup and from other related-parties

	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.		588	
R.D.M. Marketing Czech Republic 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**

(1) See the Income statement - the item "Costs of raw materials and services - related parties" including the "Cost of raw materials and services" intragroup and from other related-parties

RECEIVABLES, PAYABLES COSTS AND REVENUES WITH OTHER RELATED PARTIES

Receivables and payables with other related parties

The table below lists the payables and receivables at December 31, 2019 and December 31, 2018 with related parties:

	Current liabilities
12/31/2019	**Payables to third-party suppliers**
(thousands of Euros)	
Cascades Groupe Produits	1
Total	**1**
Impact on item total	**0.0%**

	Current liabilities
12/31/2018	**Payables to third-party suppliers**
(thousands of Euros)	
Cascades Groupe Produits	1
Total	**1**
Impact on item total	**0.0%**

Revenues and costs with other related parties

Note that in 2018 and 2019 no costs and revenues with related parties were realized.

ANNEX B: INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF THE CONSOB ISSUERS' REGULATION

The following statement, prepared pursuant to Article 149-duodecies of the Consob Issuers' Regulation, highlights the considerations pertaining to 2019 for auditing services and for other services provided by the independent auditors Deloitte & Touche S.p.A. and by organizations belonging to its network (Deloitte Network).

DESCRIPTION	Company providing the service	Recipient	Fees for financial year 2019
			(thousands of Euros)
Auditing of accounts	*Deloitte & Touche S.p.A.*	*Capogruppo Reno De Medici S.p.A.*	*225*
	Deloitte & Touche S.p.A.	*Italian subsidiaries*	*52*
	Network Deloitte	*Foreign subsidiaries*	*155*
Other auditing services	*Deloitte & Touche S.p.A.*	*Capogruppo Reno De Medici S.p.A.*	*53*
	Deloitte & Touche S.p.A.	*Italian subsidiaries*	*19*
	Network Deloitte	*Foreign subsidiaries*	*11*
Advisory services	*Network Deloitte*	*Foreign subsidiaries*	
Total			***515***

CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

at December 31, 2019, pursuant to article 81-ter of Consob Regulation 11971 of May 14, 1999 and subsequent amendments and supplements.

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 separate financial statements for the period from January 1 to December 31, 2019.

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 Directors' Report 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 16, 2020

Chief Executive Officer	Chief Financial Officer
Michele Bianchi	Luca Rizzo

BOARD OF STATUTORY AUDITOR'S REPORT

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING CALLED TO APPROVE THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019 PURSUANT TO ARTICLE 153 of LEGISLATIVE DECREE 58/98 AND ARTICLE 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL CODE

*****

To the ordinary shareholders' meeting of Reno De Medici S.p.A.

Dear Shareholders,

first of all, we should like to remind you that pursuant to Article 14 of Legislative Decree 39/2010, Deloitte & Touche S.p.A. is responsible for conducting the official audit of the accounts, as appointed by the shareholders' meeting of April 27, 2012, for each of the financial years in the period 2012-2020.

In the year ended December 31, 2019, we conducted the supervisory activity based on the rules of the Italian Civil Code, Articles 148 et seq. of Legislative Decree 58 of February 24, 1998 as well as Legislative Decree 39/2010 in the capacity of the Internal Control and Audit Committee, also taking into account the guidelines in the Consob communications, on the subject of corporate control and the guidelines in the Code of Corporate Governance as well as in accordance with the standards of behavior of the Board of Statutory Auditors recommended by *the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (Association of Chartered Accountants).

We have supervised compliance with the law and the articles of association.

The directors have provided adequate information on the activities carried out on a quarterly basis at least, and on the transactions that have an economic, financial or balance sheet significance carried out by the Company and subsidiaries, as well as on the overall operating performance and the events that have been of greater importance in determining the operating result.

For our part, we have verified that the actions approved and implemented conformed with the law and the articles of association and were not manifestly ill-advised, reckless, in conflict of interest or incompatible with the resolutions approved by the shareholders' meeting or such that would compromise the integrity of the company's assets. The same considerations are valid with regard to the resolutions of the shareholders' meeting, which we have regularly attended.

We proceeded to exchange information with the corresponding body of the subsidiaries. We found no evidence of atypical and/or unusual transactions with Group companies, with other related-parties or with third parties.

Under the scope of our responsibilities, we monitored the adequacy of the Company's organizational structure, in compliance with the principles of correct administration and the adequacy of the provisions issued by the Company to subsidiaries, pursuant to Article 114, paragraph 2 of Legislative Decree 58/98. We have no specific observations in this regard.

Specifically, as far as the deliberative processes of the Board of Directors are concerned, we ascertained, also through direct participation in board meetings, the conformity of the management decisions taken by the directors with the law and the articles of association. The regular operating results as well as aspects relating the most significant transactions were analyzed at Board of Director's meetings and discussed in great detail.

During the year, the Board of Directors adopted the Group's Privacy Manual and appointed a Data Protection Officer.

We monitored the adequacy and the operation of the internal control system by obtaining information from the managers of the competent functions, examining corporate documents and analyzing the results of the work carried out by the Independent Auditors, the Head of the Internal Audit Department and by taking part in the meetings of the Control and Risk Committee, established within the Board of Directors, pursuant to the Code of Corporate Governance and we have no specific observations to make in this regard.

We also exchanged information with the Oversight Body appointed pursuant to and in accordance with Legislative Decree 231/01. The Oversight Body informed the Board of Statutory Auditors about the supervisory activities on the compliance and operation of the Model, updating and disclosure and understanding of it in within the company. We have no specific observations in this regard.

In this regard, note that during the year the Board of Directors approved the updated version of the Organizational Model and the Code of Ethics adopted by the Company and the Group.

We also monitored the adequacy and the operation of the administrative-accounting system as well as the reliability of the latter to correctly represent management-related issues, by obtaining information from the managers of the competent functions, the party responsible for the statutory audit, as well as by examining corporate documents; we have no specific observations in this regard.

RDM's CEO and CFO certified the following for the 2019 separate financial statements in a dedicated statement: (i) the adequacy with regard to the characteristics of the business and the effective application of the administrative and accounting procedures for the creation of the actual financial statements, reporting that no significant issues emerged in this regard; (ii) the conformity of the contents of the financial statements to the applicable international accounting standards endorsed by the European Union pursuant to (EC) Regulation 1606/2002; (iii) correlation between the financial statements in question and the figures reported in the relevant accounting books and records and their suitability to provide and true and accurate representation of the balance sheet, income statement and financial situation of the Company; (iv) that the Report on Operations, that accompanies the financial statements, includes a reliable analysis of the performance and operating profit, as well as the situation of the Company, together with a description of the main risks and uncertainties to which the latter is exposed. A similar certification report was prepared for the consolidated financial statements for 2019.

In our capacity as the Internal Control and Audit Committee, pursuant to Article 19 of Legislative Decree 39/10 we monitored the financial information and preparation of the Company's financial statements process, including through the examination of the results of the verification activities carried out by the Head of the Internal Audit Department with regard to the adequacy and the practical application of the internal control system adopted by the Company, to guarantee the reliability of the financial reporting process.

The findings made it possible to confirm the overall adequacy of the internal control and risk management system in order to guarantee the reliability of the financial reporting for the financial year 2019.

As required by Article 16 of Legislative Decree 39 of 1.27.2010, the Independent Auditors exercised exclusive control over:

- the regular bookkeeping and the correct reporting of management-related issues in the accounting records;
- the consistency of the financial statements with the results of the accounting records and conformity with the rules governing them.

The Independent Auditors also verified the conformity of the consolidated non-financial statement pursuant to Article 3, paragraph 10 of Legislative Decree 254/16.

We held regular meetings with representatives of the Independent Auditors, pursuant to Article 150, paragraph 3 of Legislative Decree 58/98, and no significant data or information emerged which needs to be highlighted in this report.

Under the scope of the supervision of the statutory audit of the annual accounts and the consolidated accounts, we examined the Group's Audit Plan as at December 31, 2019, prepared by the Independent Auditors, which highlights the significant risks identified in relation to the main areas of the financial statements and we supervised the effectiveness of the statutory audit process and acquired information on the general extent and planning of the audit. We have no specific observations in this regard.

We monitored the practical methods for the implementation of the Corporate Governance system, laid down by the Code of Corporate Governance adopted by the Company, in compliance with the one suggested by Borsa Italiana S.p.A.

In this area, taking into consideration the opinions expressed by the Board of Directors and the Control and Risk Committee, the Board of Statutory Auditors has verified (i) that the verification criteria and procedures adopted by the actual Board to evaluate the existence of the requirements of integrity, independence and enforceability of its members were applied correctly and (ii) the adequacy, with regard to the requirements and the operating status of the Company, of the dimensions, composition and operation of the Board and its committees.

In 2019 the Board of Statutory Auditors proceeded with the so-called self-assessment of the independence of its members - which was complied with - and it also conducted the self-assessment of its composition and operation, evaluating them to be adequate, including in the light of gender differentiation, experience and expertise within, ensuring the continuing effective operation of the body.

We have verified compliance with the laws concerning the preparation of the year-end financial statements and the consolidated financial statements as at December 31, 2019 - prepared in accordance with the IFRS international accounting standards, issued by the IASB and endorsed by the European Union, applicable as at 12.31.2019 - and the Directors' Report, through direct checks and information received from the Independent Auditors.

With reference to checking any losses in value of assets, impairment tests, pursuant to accounting principle IAS 36, as expressly indicated in the joint Banca d'Italia/Consob/ISVAP document No. 4 of March 3, 2010, before the approval of the draft financial statements as at 12.31.2019, at the meeting of February 14, 2020, the directors approved the results of the impairment test and checked that they comply with the requirements of the reference accounting principle. Following the results of the impairment test, as described in the Report on Operations and the Notes to the Financial Statements, the directors wrote down several assets of the indirect subsidiary RDM La Rochette S.A.S. for a total of €9.5 million.

In their Report, which also includes the information required by Legislative Decree 32/2007, the directors provide extensive information with regard to the operating performance and the events which featured in the financial year, illustrating the activities carried out in the various geographical areas in which the Company operates.

In referring expressly to the information provided by the directors, we wish to point out that in 2019 the RDM Group continued with the implementation and consolidation of numerous projects started in the previous year, including the integration of RDM Barcelona Cartonboard S.A.U., aimed at mitigating the impact of the cyclical nature of the profitability of the sector to which the Group belongs. The results of this subsidiary for the first financial year are involved in full in the consolidated financial statements of the RDM Group.

The directors also reported that in 2020 the RDM Group will continue with the program of initiatives launched in the previous two-year period, leveraging, among other things, the integration of RDM Barcelona Cartonboard from a multi mill perspective.

Also note that the first-time application of IFRS 16 resulted in a greater financial debt of around €12.5 million.

With reference to the contents of the paragraph "Significant events after the year-end", note the shutdown from February 7 to February 28, 2020 of the Villa Santa Lucia mill, following the confiscation, later rescinded, of the water purification plant owned by the Cosilam consortium by the competent judicial authority.

Also, in the same paragraph the directors pointed out that, from January 2020, the national and international scenario featured the spread of the Coronavirus COVID-19 and the consequent restrictive measures to contain the pandemic implemented by the public authorities in the countries involved. These circumstances, extraordinary by nature and extent, had direct and indirect repercussions on economic activity and created a situation of general uncertainty, the developments and effects of which cannot be predicted. As far as the RDM Group is concerned, the directors wish to point out that the activities of the RDM Group are continuing as normal.

In addition, in the Directors' Report and the Notes to the consolidated and draft financial statements, the directors adequately listed and described the transactions which took place with Group companies and other related-parties, highlighting the ordinary nature of the typical activity of each party concerned under the scope of the typical activity as well as the characteristics and the amounts.

Specifically, in the Report on Operations, the directors reported that there were no transactions with related parties, pursuant to law, concluded in the reporting period that materially affected the financial position or results of Companies.

The Notes to the consolidated and draft financial statements included special synoptic tables summarizing the nature and the economic and financial effects of related-party transactions, including intragroup ones. Specifically, those transactions have a 7.4% impact on revenues for the period and 1.67% on consolidated revenues and are, by nature, mainly commercial.

On the basis of the checks conducted so far on related-party transactions, it is believed that, also based on the new Related-Party Transactions Regulation, approved during the year, they are inherent to the realization of the business objective, in line with market practice and they do not appear contrary to the interest of the Company.

The Directors' Report contains a specific section on Corporate Governance and the ownership structure, prepared pursuant to Article 123-*bis* of Legislative Decree 58/98 and

Article 89-*bis* of the Issuers' Regulation. In this respect the directors feel there are no problems that need to be brought to your attention.

On March 16, 2020, at the proposal of the Remuneration Committee, the directors approved the Remuneration Report pursuant to Article 123-*ter* of Legislative Decree 58/98 and Article 84-*quater* of Consob Regulation No. 11971/1999. This Report breaks down into two sections, prepared in conformity with Appendix 3A, Schedule 7-*bis* of the Issuers' Regulation.

The first section illustrates the principles and the aims of the remuneration policy which the Group intends to adopt in 2020 and the procedures relating to the adoption and the implementation of this policy, and is subject to the non-binding approval of the Shareholders' Meeting called for the approval of the financial statements as at December 31, 2019.

The second section analytically illustrates, in table form as well, the final figures for the policy implemented in 2019 with regard to directors, auditors and senior managers with strategic responsibilities, as well as the equity investments they hold in the Company's share capital. Note that in 2019 there was only one senior manager with strategic responsibilities, the Chief Executive Officer of the Company.

We supervised the statutory audit of the draft financial statements and the consolidated financial statements conducted by the independent auditors Deloitte & Touche S.p.A.

On April 6, 2020, Deloitte & Touche S.p.A issued Reports on the consolidated financial statements and draft financial statements as at 12.31.2019 pursuant to Article 14 of Legislative Decree 39/10 and Article 10 of EU Regulation No. 537/2014, both without findings, from the examination of which we have noted that:

- in the opinion of the Independent Auditors, the financial statements provide a true and accurate representation of the balance sheet, income statement and financial position of the Company and the Group as at 12.31.2019, the financial performance and cash flows in conformity with the International Financial Reporting Standards adopted by the European Union as well as the provisions issued for the implementation of Article 9 of Legislative Decree 38/05.;
- the Independent Auditors have certified the consistency of the Directors' Report and some of the specific information in the Report on Corporate Governance and the ownership structure with the draft and consolidated financial statements as well as

their conformity with the rules of law. With reference to the possible identification of significant errors, the Independent Auditors stated it had nothing to report.

In the above-mentioned reports Deloitte & Touche S.p.A. explained the following key aspects of the audit:

Consolidated Financial Statements

- Recoverability of the values of the tangible fixed assets of the CGU RDM La Rochette S.A.S., highlighting that at the end of the impairment test conducted with the help of an independent expert, using the fair value method minus the sales costs and approved by the Board of Directors, the Group recorded impairment of €9.5 million for tangible fixed assets;
- Impairment test on the goodwill allocated to the CGU Pac Service S.p.A., highlighting that following the impairment test, conducted using the value in use and approved by the Board of Directors, the Group did not record any impairment of these assets.

Separate Financial Statements

- Recoverability of the value of the Equity investment in RDM Magenta S.r.l., highlighting that following the impairment test, conducted using the value in use and approved by the Board of Directors, the Group did not record any impairment of these assets.

Additionally, the Report on the consolidated financial statements contains the Declaration pursuant to Article 4 of the Consob Regulation implementing Legislative Decree 254/2016, with regard to the approval of the directors of the Consolidated non-financial declaration as at 12.31.2019.

Still on April 6, 2020, the Independent Auditors also sent us, in our capacity as Internal Control and Audit Committee, the "Additional report" pursuant to Article 11 of EU Regulation No. 537/2014.

In the above-mentioned report, the Independent Auditors confirmed that, during the course of the normal performance of their activities, they did not come across any shortcomings in the internal control system in relation to the financial reporting system that needed to be brought to the attention of the Internal Control and Audit Committee.

In addition to what it states under the key aspects of the Audit Reports mentioned above, the auditors have indicated the following issues deemed significant that emerged during the audit activities: (i) the analysis of the existing loan agreements and underlying covenants; (ii) the checks on the impairment test on the values of the intangible assets with an indefinite useful life (water rights) recorded in the consolidated financial statements; (iii) the business combination of RDM Barcelona Cartonboard S.A.U. accounting the effects of the finalization of the purchase price allocation; (iv) sales analysis of the Magenta property complex and related accounting effects and (v) evaluation of the impacts resulting from COVID-19 on the RDM Group.

Pursuant to Article 11 of EU Regulation No. 537/2014 and Article 19, paragraph 1, letter a) of Legislative Decree 39/2010, we shall be responsible for sending the Additional Report to the directors, together with the outcome of the audit conducted by Deloitte & Touche S.p.A.

As set out in Article 19 of Legislative Decree 39/10, in our capacity as the Internal Control and Audit Committee, we have monitored the independence of the Independent Auditors, specifically as far as the provision of non-auditing services are concerned.

Pursuant to Article 6 paragraph 2), letter a) of European Regulation 537/2014 and as required by paragraph 17, letter a) of ISA Italia 260 Auditing Standard, Deloitte & Touche confirmed that, in the period from January 1, 2019 until the date of communication (April 6, 2020), the Independent Auditors complied with the principles of the issuer of ethics pursuant to Articles 9 and 9-*bis* of Legislative Decree 39/2010 and did not encounter situations which compromised independence pursuant to Articles 10 and 17 of Legislative Decree 39/2010 and Articles 4 and 5 of European Regulation 537/2014.

The Independent Auditors also confirmed, pursuant to paragraph 17, letter b) of the ISA Italia 260 Auditing Standard that there were no relations or other aspects with the Company that could reasonably have an effect on independence and that the requirements of Article 6, paragraph 2, letter b) of European Regulation 537/2014 were complied with.

As far as the total amount of the charges debited to the Company and its subsidiaries in the period between January 1, 2019 and December 31, 2019 for auditing services and other services provided by Deloitte S.p.A. and entities belonging to its network is concerned, the Independent Auditors refer to the table of charges in the draft financial statements pursuant to Article 149-*duodecies* of the Issuers' Regulation.

Following the checks conducted, the Board of Statutory Auditors believes it can confirm the independence of the Independent Auditors.

In compliance with Legislative Decree 254/2016, the Company prepared the Consolidated non-financial declaration (hereinafter the DNF) in a separate report, providing details in the Directors' Report and indicating the section of the Group's website where is it published, pursuant to Article 5, paragraph 3, letter b) of the above-mentioned decree.

In this regard, the control function role attributed to the Board of Statutory Auditors is explained in the monitoring of the compliance of the provisions of said Decree, under the scope of the responsibilities institutionally attributed to it by the regulation, with the obligation to report back to the meeting in the Annual Report.

In 2019, we took steps, through special meetings with the competent function of the Group, to monitor the progress of the direct activities for the preparation of the DNF, in order to verify the compliance of the obligations laid down by the specific regulations and the adequacy of the planning of functional activities in compliance with the related obligations. On the same issue, we met with the Independent Auditors Deloitte & Touche S.p.A., with a limited assurance engagement for the DNF relating to the year ended December 31, 2019.

Also note that, on April 6, 2020, the Independent Auditors sent us their Report pursuant to Article 3, paragraph 10 of Legislative Decree 254/2016 and Article 5 of Consob Regulation No. 20267 on the DNF approved by the Board of Directors on March 16, 2020, from the examination of which we noted that, based on the work carried out, no issues came to the attention of the latter which led them to believe that the DNF of the Reno De Medici Group for the year ended December 31, 2019 was not prepared, as far as all significant aspects are concerned, in conformity with the requirements of Articles 3 and 4 of the Decree and the GRI Standards. In addition, in the "Other aspects" paragraph, the Independent Auditors pointed out that the comparative data presented in the DNF in relation to the years prior to the year ended December 31, 2017 had not been verified.

In consideration of the above, the Board of Statutory Auditors, under the scope of carrying out the functions assigned to it, acknowledges that it monitored the compliance of the provisions in Legislative Decree 254 of December 30, 2016, with special reference to the preparation process and the contents of the Non-financial declaration prepared by the Company and it had no observations to make.

During the supervisory activities conducted and also based on the information obtained by the Independent Auditors, no omissions and/or reprehensible actions and/or irregularities or, in any event, significant events that would require reporting to the control bodies or mentioning in this report were found.

The supervisory activity described above was conducted in the board meetings and by taking part in the meetings of the Board of Directors, as well as the meetings of the internal committees through the exchange of information with the Oversight Body, pursuant to Legislative Decree 231/2001, having also listened to the opinion of the Head of the Internal Audit Department. Specifically, note the following:

- the Control and Risk Committee, established pursuant to the Code of Corporate Governance, in its half-yearly reports on the activities conducted in 2019, pointed out:
  - i) the adequacy of the internal control and risk management system in relation to the characteristics of the business. The Company actually adopted suitable safeguards in relation to the risk areas identified in order to implement appropriate adjustments to its governance and organizational structure, paying attention to corporate changes;
  - ii) essential compliance with the procedures and protocols adopted or the adoption of compliant behavior, with the exception of several anomalies for which corrective actions have been identified;
  - iii) the adjustment process, by the individual corporate functions involved at any given time, to the suggestions and the realization of the intervention actions indicated, following the checks conducted by Internal Audit.
- the Oversight Body appointed pursuant to and in accordance with Legislative Decree 231/01, completed its annual report on 2019 reporting that, based on the information available, there were no breaches of the Model.
- In its annual report, the Head of the Internal Audit Department, established pursuant to the Code of Corporate Governance, evaluated the control and risk management system as being adequate, operational and functional overall and capable of mitigating and preventing risks that could hinder and/or have significant effects on the financial reporting objectives among other things. Lastly, the Head of the Internal Audit Department pointed out that management reacted proactively to any critical

areas and/or shortcomings that emerged, implementing adequate, effective, and prompt corrective actions as a whole.

There were no allegations pursuant to Article 2408 of the Italian Civil Code or complaints by third parties, nor did the Board of Statutory Auditors have to avail itself of the power to convene the Board of Directors or the Shareholders' Meeting.

During the year, the Board was also called upon to express its mandatory opinion with regard to determining the compensation of the CEO, pursuant to Article 2389, paragraph 3 of the Italian Civil Code.

During the year, 6 meetings of the Board of Directors were held, with the participation of the Board of Statutory Auditors, 1 meeting of the Remuneration Committee, 5 meetings of the Control and Risk Committee, 3 meetings of the Related-Parties Committee plus 1 meeting of the Appointments Committee. In 2019 the Board of Statutory Auditors met 12 times with the meetings lasting an average of 3 hours.

Based on the above, as well as taking into consideration the contents of the report prepared by the statutory auditor of the separate consolidated financial statements (as well as the one on the consolidated financial statements) and taking note of the statements issued jointly by the CEO and the CFO, the Board of Statutory Auditors, as far as their responsibility is concerned, does not find grounds to prevent the approval of the financial statements for the year ended 12.31.2019, as well as with regard to the proposal for the allocation of the operating profit formulated by the Board of Directors which also includes the distribution of dividends.

Milan, April 6, 2020

BOARD OF STATUTORY AUDITORS.

Signed Giancarlo Russo Corvace (Chairman)

Signed Giovanni Maria Conti

Signed Tiziana Masolini

12

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: + 39 02 83322111
Fax: + 39 02 83322112
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Reno De Medici S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Reno De Medici S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2019, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

2

Recoverability on the investment in RDM Magenta S.r.l.

Description of the key audit matter	The Company's financial statements as of December 31, 2019 include Euro 141.2 million related to investments in subsidiaries, of which Euro 6.8 million related to RDM Magenta S.r.l. As required by the "IAS 36 Impairment of Assets", the Directors, noting impairment indicators, have carried out the impairment test in order to determine that the investment is accounted for in the financial statements at December 31, 2019 at a value not higher than the recoverable value. The recoverable amounts of the abovementioned investment in RDM Magenta S.r.l. were determined using the value in use, based on estimates of cash flows generated by the assets. To test the recoverable amount, the Directors also considered cash flows less the estimated costs to sell determined based on the preliminary sales agreement of land and buildings owned by RDM Magenta S.r.l., signed in November 2018, for their disposal. The valuation process is complex and based on assumptions concerning, among others, the forecast of expected cash flows of the investment, resulting from the plan used for the purposes of the impairment test, and the determination of an appropriate discount rate (WACC) and growth rate (g-rate). In determining cash flow forecasts, the most relevant variables are the estimate of future sales volumes, the expected sales price trend, the variable costs of packing and energy, margins, capital expenditures and other macroeconomic variables. Future expectations and market conditions influence these assumptions. Based on the impairment test approved by the Board of Directors, the Directors assessed that the carrying value of the investment in RDM Magenta S.r.l. is lower than the recoverable value and therefore no impairment losses were recognized. Considering the relevance of the amount of investment accounted for in the financial statements, the subjectivity of the estimates related to the determination of cash flows (DCF), and the key variables of the impairment model, we considered the impairment test as a key audit matter of the Company's financial statements. The "Impairment test" paragraph of the financial statements of Reno De Medici S.p.A. states the disclosures related to the impairment test, including a sensitivity analysis on the recoverable value of the investment in RDM Magenta S.r.l. performed by the Directors.
Audit procedures performed	Preliminarily, we have examined how the Directors determine the value in use of the investment by analyzing the methods and assumptions used and considered for the development of the impairment test. As part of our audit, we have, among others, carried out the following procedures, also with the support of experts of Deloitte's network: • understand the Company's relevant internal controls on the impairment test process;

Deloitte.

3

- analysis of the reasonableness of the key assumptions underlying the cash flow calculation; also, through the analysis of industry's data and information obtained from the Management;
- analysis of the actual figures compared to the plans in order to assess the nature of the deviations and the reliability of the planning process;
- assessment of the reasonableness of the discount rate (WACC) and growth rate (g-rate);
- review of the mathematical accuracy of the model used to estimate the value in use of the investment;
- review of the correct calculation of the book value of the investment;
- review of the Directors' sensitivity analysis performed by the Directors;
- analysis of the preliminary sales agreement used by the Directors to determine cash flows generated by the sale of land and buildings of RDM Magenta S.r.l.;
- analysis of the estimate made by the Directors relating to the cost to sell of the land and buildings referred to in the previous point.

Further, we also examined the adequacy and compliance of the disclosure provided by the Company on the impairment test based on IAS 36 disclosure requirements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Deloitte.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Reno De Medici S.p.A. appointed us on April 27, 2012 as auditors of the Company for the years from December 31, 2012 to December 31, 2020.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

Deloitte.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Reno De Medici S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Reno De Medici S.p.A. as at December 31, 2019, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Reno De Medici S.p.A. as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Reno De Medici S.p.A. as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Andrea Restelli
Partner

Milan, Italy
April 6, 2020

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

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 Financial Statements for the financial year as at December 31, 2019, which we hereby submit for your approval, close with a net profit of €15,937,450.85.

The Board of Directors hereby proposes to make the following resolutions:

First Resolution

"The Ordinary Shareholders' Meeting of Reno De Medici S.p.A.:

- having considered the Board of Directors' Report on Operations;

- having considered the Reports of the Board of Statutory Auditors and Auditing Firm, Deloitte & Touche S.p.A.

hereby resolves

- to approve the Board of Directors' Report on Operations and Separate Financial Statements of Reno de Medici S.p.A. as at December 31, 2019 in all of their parts and results.

Second Resolution

"The Ordinary Shareholders' meeting of Reno De Medici S.p.A.:

- having considered the proposal of the Board of Directors

hereby resolves

- to allocate the net profit for the financial year ended December 31, 2019, amounting to €15,937,50.85, as follows:

- € 796,872.54 to the legal reserve, pursuant to Article 2430 of the Italian Civil Code;

- €0.0245 by way of a privileged dividend - in accordance with Article 22 of the Articles of Association – in favor of each savings share outstanding as at the record date of the dividend, as determined below;

- €0.008 by way of a dividend in favor of each ordinary share outstanding as at the dividend record date, as determined below, acknowledging that it is less than the maximum dividend of 3% of €0.49

provided for by Article 22, paragraph 2, section a), of the Articles of Association, as a dividend due to ordinary shares, once the preferential dividend of savings shares has been paid;

- as regards the residual profit – net of the allocation to the legal reserve and the dividend distributions referred to above - allocated to the “Available Reserve”;

- to establish that the dividend will be paid on May 13, 2020, for each ordinary share entitled to dividends and for each savings share entitled to dividends, with an ex-dividend date of May 11, 2019 and record date of May 12, 2020.

Milan, March 16, 2020

On behalf of the Board of Directors

The Chairman

Statements summarizing the essential data of the latest financial statements of the subsidiaries, associates and joint ventures of the Reno de Medici Group

Pursuant to Article 2429, paragraphs three and four, of the Italian Civil Code, the statements summarizing the essential data as at December 31, 2019 of the RDM Group subsidiaries and associates is listed below:

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.

RDM Barcelona Cartonboard S.A.U.

R.D.M. Marketing Portugal Unipessoal Lda.

R.D.M. Marketing Germany GmbH

R.D.M. 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

Registered office in Milan – Viale Isonzo, 25

Share capital 12,000

Statement of financial position

(thousands of Euros)		
Assets	**12.31.2019**	**12.31.2018**
Non-current assets		54
Current assets	1,032	906
TOTAL ASSETS	**1,032**	**960**
Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	1,017	960
Provisions for risks and charges		
Payables	15	
TOTAL LIABILITIES	**1,032**	**960**

Income Statement

(thousands of Euros)		
	12.31.2019	**12.31.2018**
Value of production	126	
Costs of production	(15)	(2)
Operating profit	**111**	**(2)**
Financial income (expense)		
Profit (loss) before tax	**111**	**(2)**
Tax for the year	(54)	
Profit (loss) for the year	**57**	**(2)**

Cascades Grundstück GmbH & Co.KG

Registered office in Arnsberg – Hellefelder Street, 51

Share capital Euro 28,000

Statement of financial position

(thousands of Euros)

Assets	**12.31.2019**	**12.31.2018**
Non-current assets	307	307
Current assets	3	1
TOTAL ASSETS	**310**	**308**

Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	305	304
Provisions for risks and charges		
TFR		
Payables	5	4
TOTAL LIABILITIES	**310**	**308**

Income Statement

(thousands of Euros)

	12.31.2019	**12.31.2018**
Value of production		
Costs of production	(7)	(5)
Operating profit	**(7)**	**(5)**
Financial income (expense)		
Profit (loss) before tax	**(7)**	**(5)**
Tax for the year		
Profit (loss) for the year	**(7)**	**(5)**

RDM Blendecques S.A.S.

Registered office in Blendecques – Rue de L'Hermitage B.P. 53006

Share capital Euro 5,037,000

Statement of financial position

(thousands of Euros)

Assets	**12.31.2019**	**12.31.2018**
Non-current assets	20,141	22,237
Current assets	13,768	14,223
TOTAL ASSETS	**33,909**	**36,460**

Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	5,416	4,779
Provisions for risks and charges	150	
TFR	2,532	2,428
Payables	25,811	29,253
TOTAL LIABILITIES	**33,909**	**36,460**

Income Statement

(thousands of Euros)

	12.31.2019	**12.31.2018**
Value of production	59,280	57,073
Costs of production	(57,968)	(58,458)
Operating profit	**1,312**	**(1,385)**
Financial income (expense)	(295)	(347)
Gains and (losses) from investments	(2,159)	
Profit (loss) before tax	**(1,142)**	**(1,732)**
Tax for the year	524	(434)
Profit (loss) for the year	**(618)**	**(2,166)**

R.D.M. La Rochette S.A.S.

Registered office in La Rochette – Av. Maurice Franck 23

Share capital Euro 4,000,000

Statement of financial position

(thousands of Euros)

Assets	**12.31.2019**	**12.31.2018**
Non-current assets	14,498	22,981
Current assets	33,706	30,826
TOTAL ASSETS	**48,204**	**53,807**

Liabilities	**12.31.2019**	**12.31.2018**
Shareholders’ equity	9,166	16,096
Provisions for risks and charges	78	115
TFR	3,643	3,414
Payables	35,317	34,182
TOTAL LIABILITIES	**48,204**	**53,807**

Income Statement

(thousands of Euros)

	12.31.2019	**12.31.2018**
Value of production	113,158	117,100
Costs of production	(119,037)	(118,546)
Operating profit	**(5,879)**	**(1,446)**
Financial income (expense)	(455)	(575)
Gains and (losses) from investments		
Profit (loss) before tax	**(6,334)**	**(2,021)**
Tax for the year	(390)	(291)
Profit (loss) for the year	**(6,724)**	**(2,312)**

R.D.M. Arnsberg GmbH

Registered office in Arnsberg – Hellefelder Street, 51

Share capital Euro 5,112,919

Statement of financial position

(thousands of Euros)

Assets	**12.31.2019**	**12.31.2018**
Non-current assets	41,964	48,756
Current assets	51,448	44,439
TOTAL ASSETS	**93,412**	**93,195**

Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	47,881	49,165
TFR	21,586	17,821
Payables	23,945	26,209
TOTAL LIABILITIES	**93,412**	**93,195**

Income Statement

(thousands of Euros)

	12.31.2019	**12.31.2018**
Value of production	115,664	119,805
Costs of production	(110,470)	(113,097)
Operating profit	**5,194**	**6,708**
Financial income (expense)	(496)	(420)
Profit (loss) before tax	**4,698**	**6,288**
Tax for the year	(3,226)	(2,571)
Profit (loss) for the year	**1,472**	**3,717**

RDM Barcelona Cartonboard S.A.U.

Registered office in Barcelona - Carrer Potassi, 7

Share capital Euro 14,943,233

Statement of financial position

(thousands of Euros)

Assets	**12.31.2019**	**12.31.2018**
Non-current assets	52,710	49,794
Current assets	36,015	32,898
TOTAL ASSETS	**88,725**	**82,692**

Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	35,903	36,380
Provisions for risks and charges		275
Payables	52,822	46,037
TOTAL LIABILITIES	**88,725**	**82,692**

Income Statement

(thousands of Euros)

	12.31.2019	**12.31.2018**
Value of production	133,315	22,220
Costs of production	(130,641)	(21,514)
Operating profit	**2,674**	**706**
Financial income (expense)	(2,579)	(204)
Profit (loss) before tax	**95**	**502**
Tax for the year	(573)	(179)
Profit (loss) for the year	**(478)**	**323**

R.D.M. Marketing Portugal Unipessoal Lda.

Registered office in Matosinhos – Praceta D. Nuno Álvares Pereira 20 SL BV

Share capital Euro 3,000

Statement of financial position		
(thousands of Euros)		
Assets	**12.31.2019**	**12.31.2018**
Non-current assets	37	1
Current assets	122	51
TOTAL ASSETS	**159**	**52**
Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	42	23
Payables	117	29
TOTAL LIABILITIES	**159**	**52**

Income Statement		
(thousands of Euros)		
	12.31.2019	**12.31.2018**
Value of production	256	196
Costs of production	(235)	(181)
Operating profit	**21**	**15**
Financial income (expense)	(2)	
Profit (loss) before tax	**19**	**15**
Tax for the year		(4)
Profit (loss) for the year	**19**	**11**

R.D.M. Magenta S.r.l.

Registered office in Milan – Viale Isonzo, 25

Share capital Euro 3,700,000

Statement of financial position

(thousands of Euros)		
Assets	**12.31.2019**	**12.31.2018**
Non-current assets	9,544	5,352
Current assets	3,070	856
TOTAL ASSETS	**12,614**	**6,208**
Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	3,416	2,202
TFR	992	1,127
Provisions for risks and charges	86	53
Payables	8,120	2,826
TOTAL LIABILITIES	**12,614**	**6,208**

Income Statement

(thousands of Euros)		
	12.31.2019	**12.31.2018**
Value of production	5,033	4,996
Costs of production	(7,064)	(5,966)
Operating profit	**(2,031)**	**(970)**
Financial income (expense)	(261)	(25)
Profit (loss) before tax	**(2,292)**	**(995)**
Tax for the year	455	199
Profit (loss) for the year	**1,837**	**(796)**

Reno De Medici Ovaro S.p.A.

Registered office in Milan – Viale Isonzo, 25

Share capital Euro 12,500,000

Statement of financial position

(thousands of Euros)

Assets	12.31.2019	12.31.2018
Non-current assets	13,120	12,267
Current assets	32,844	31,403
TOTAL ASSETS	**45,964**	**43,670**

Liabilities	12.31.2019	12.31.2018
Shareholders' equity	27,569	23,265
Provisions for risks and charges	32	209
TFR	1,783	1,716
Payables	16,580	18,480
TOTAL LIABILITIES	**45,964**	**43,670**

Income Statement

(thousands of Euros)

	12.31.2019	12.31.2018
Value of production	46,962	47,302
Costs of production	(41,213)	(40,418)
Operating profit	**5,749**	**6,884**
Financial income (expense)		21
Profit (loss) before tax	**5,749**	**6,905**
Tax for the year	(1,463)	(1,716)
Profit (loss) for the year	**4,286**	**5,189**

R.D.M. Marketing France S.A.S.

Registered office in La Défense Cedex - Paris

Share capital Euro 337,000

Statement of financial position

(thousands of Euros)

Assets	**12.31.2019**	**12.31.2018**
Non-current assets	396	8
Current assets	3,414	2,855
TOTAL ASSETS	**3,810**	**2,863**

Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	2,373	1,699
TFR	328	285
Payables	1,109	879
TOTAL LIABILITIES	**3,810**	**2,863**

Income Statement

(thousands of Euros)

	12.31.2019	**12.31.2018**
Value of production	2,481	2,628
Costs of production	(1,437)	(1,339)
Operating profit	**1,044**	**1,289**
Financial income (expense)	(6)	2
Profit (loss) before tax	**1,038**	**1,291**
Tax for the year	(338)	(91)
Profit (loss) for the year	**700**	**1,200**

R.D.M. Marketing Germany GmbH

Registered office in Uerdinger Strasse - Krefeld

Share capital Euro 210,000

Statement of financial position		
(thousands of Euros)		
Assets	**12.31.2019**	**12.31.2018**
Non-current assets	94	
Current assets	1,338	1,279
TOTAL ASSETS	**1,432**	**1,279**
Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	1,049	977
Payables	383	302
TOTAL LIABILITIES	**1,432**	**1,279**

Income Statement		
(thousands of Euros)		
	12.31.2019	**12.31.2018**
Value of production	1,016	1,230
Costs of production	(907)	(744)
Operating profit	**109**	**486**
Financial income (expense)	(2)	1
Profit (loss) before tax	**107**	**487**
Tax for the year	(35)	(159)
Profit (loss) for the year	**72**	**328**

R.D.M. Marketing Spain S.L.U.

Registered office in C/Selva – El Prat de Llobregat

Share capital Euro 25,916

Statement of financial position

(thousands of Euros)

Assets	**12.31.2019**	**12.31.2018**
Non-current assets	38	8
Current assets	629	875
TOTAL ASSETS	**667**	**883**

Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	(333)	320
Payables	1,000	563
TOTAL LIABILITIES	**667**	**883**

Income Statement

(thousands of Euros)

	12.31.2019	**12.31.2018**
Value of production	1,279	840
Costs of production	(1,928)	(975)
Operating profit	**(649)**	**(135)**
Financial income (expense)	(4)	(2)
Profit (loss) before tax	**(653)**	**(137)**
Tax for the year		
Profit (loss) for the year	**(653)**	**(137)**

R.D.M. Marketing Czech Republic s.r.o.

Registered office in Jinonickà

Share capital Euro 19,679

Statement of financial position

(thousands of Euros)

Assets	**12.31.2019**	**12.31.2018**
Non-current assets	8	1
Current assets	732	496
TOTAL ASSETS	**740**	**497**

Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	542	356
Payables	198	141
TOTAL LIABILITIES	**740**	**497**

Income Statement

(thousands of Euros)

	12.31.2019	**12.31.2018**
Value of production	751	677
Costs of production	(503)	(453)
Operating profit	**248**	**224**
Financial income (expense)	(20)	(17)
Profit (loss) before tax	**228**	**207**
Tax for the year	(47)	(43)
Profit (loss) for the year	**181**	**164**

R.D.M. Marketing Poland SP z.o.o.

Registered office in Altowa - Warsaw

Share capital Euro 11,746

Statement of financial position		
(thousands of Euros)		
Assets	**12.31.2019**	**12.31.2018**
Non-current assets	441	
Current assets	962	837
TOTAL ASSETS	**1,403**	**837**
Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	861	706
Payables	542	131
TOTAL LIABILITIES	**1,403**	**837**

Income Statement		
(thousands of Euros)		
	12.31.2019	**12.31.2018**
Value of production	941	768
Costs of production	(726)	(353)
Operating profit	**215**	**415**
Financial income (expense)	(26)	1
Profit (loss) before tax	**189**	**416**
Tax for the year	(35)	(58)
Profit (loss) for the year	**154**	**358**

R.D.M. Marketing Hungaria KFT

Registered office in Otvos Janos - Budapest

Share capital Euro 18,153

Statement of financial position

(thousands of Euros)

Assets	**12.31.2019**	**12.31.2018**
Non-current assets	30	2
Current assets	422	365
TOTAL ASSETS	**452**	**367**

Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	363	298
Payables	89	69
TOTAL LIABILITIES	**452**	**367**

Income Statement

(thousands of Euros)

	12.31.2019	**12.31.2018**
Value of production	272	270
Costs of production	(182)	(194)
Operating profit	**90**	**76**
Financial income (expense)	(4)	(8)
Profit (loss) before tax	**86**	**68**
Tax for the year	(11)	(12)
Profit (loss) for the year	**75**	**56**

R.D.M. Marketing UK

Registered office in West Bromwich - Wednesbury

Share capital Euro 1

Statement of financial position

(thousands of Euros)		
Assets	**12.31.2019**	**12.31.2018**
Non-current assets	60	10
Current assets	356	327
TOTAL ASSETS	**416**	**337**

Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	26	(47)
TFR	18	2
Payables	372	382
TOTAL LIABILITIES	**416**	**337**

Income Statement

(thousands of Euros)		
	12.31.2019	**12.31.2018**
Value of production	455	433
Costs of production	(368)	(271)
Operating profit	**87**	**162**
Financial income (expense)	(12)	(14)
Profit (loss) before tax	**75**	**148**
Tax for the year		
Profit (loss) for the year	**75**	**148**

PAC Service S.p.A.

Registered office in Vigonza (PD) – Via Julia, 47

Share capital Euro 1,000,000

Statement of financial position

(thousands of Euros)		
Assets	**12.31.2019**	**12.31.2018**
Fixed assets	5,956	6,279
Current assets	11,643	12,255
TOTAL ASSETS	**17,599**	**18,534**
Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	11,749	11,564
Provisions for risks and charges	158	151
TFR	507	519
Payables	5,185	6,300
TOTAL LIABILITIES	**17,599**	**18,534**

Income Statement

(thousands of Euros)		
	12.31.2019	**12.31.2018**
Value of production	22,082	21,243
Costs of production	(21,123)	(19,947)
Operating profit	**959**	**1,296**
Financial income (expense)	(9)	(19)
Profit (loss) before tax	**950**	**1,277**
Tax for the year	(248)	(398)
Profit (loss) for the year	**702**	**879**

Emmaus Pack S.r.l.

Registered office in Milan – Viale Isonzo, 25

Share capital Euro 200,000

Statement of financial position

(thousands of Euros)		
Assets	**12.31.2019**	**12.31.2018**
Fixed assets	1,162	1,140
Current assets	10,169	10,587
TOTAL ASSETS	**11,331**	**11,727**

Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	1,320	1,004
Provisions for risks and charges	157	115
TFR	332	339
Payables	9,522	10,269
TOTAL LIABILITIES	**11,331**	**11,727**

Income Statement

(thousands of Euros)		
	12.31.2019	**12.31.2018**
Value of production	16,106	16,370
Costs of production	(15,396)	(16,058)
Operating profit	**710**	**312**
Financial income (expense)	(42)	(41)
Profit (loss) before tax	**668**	**271**
Tax for the year	(172)	(80)
Profit (loss) for the year	**496**	**191**

RECOG.SEL.PAP. Y CART. C., A.I.E.

Registered office in Barcelona – Spain

Share capital Euro 3,005

Statement of financial position		
(thousands of Euros)		
Assets	**12.31.2019**	**12.31.2018**
Non-current assets		
Current assets	369	635
TOTAL ASSETS	**369**	**635**

Liabilities	**12.31.2019**	**12.31.2018**
Shareholders' equity	9	12
Payables	360	623
TOTAL LIABILITIES	**369**	**635**

Income Statement		
(thousands of Euros)		
	12.31.2019	**12.31.2018**
Value of production	566	811
Costs of production	(569)	(810)
Operating profit	**(3)**	**1**
Financial income (expense)		
Profit (loss) before tax	**(3)**	**1**
Tax for the year		
Profit (loss) for the year	**(3)**	**1**

Concept & Design: SERVIFLAB
Stampa: SERVIF

Reno De Medici S.p.A.
Viale Isonzo, 25
20135 Milano

Share Capital Euro 140,000.000,00
Fiscal Code and VAT 00883670150

info.italia@rdmgroup.com
www.rdmgroup.com