Annual Financial Report

as at 31 December 2020

Annual Financial Report 2020

Reno De Medici S.p.A.
Viale Isonzo 25 / 20135 Milan, Italy
Share capital Euro: 140.000.000
Code and Vat Number: 00883670150

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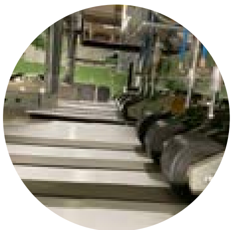
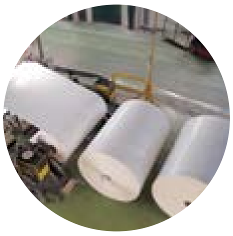
01. RDM Group at a Glance





TOGETHER WE SHAPE THE FUTURE

is the motto that we, RDM Group, have adopted for ourselves to represent what we do and how we do it.

"**Together**" is RDM Group's baseline: we operate according to the "One Company culture" principle. This means all entities of the Group share one brand and one strategy. The word "together" also refers to the all-important relationship with our reference stakeholders. This is why "togetherness" was chosen as one of the four group values.

"**We**" reinforces the concept of our overall vision, which is so clearly represented by the other three values as well: "Empathy," "Group-wide Vision," and "Responsible decision-making," acknowledging that the decisions we make also affect others.

"**Shape**" alludes to what we make, cartonboard, a material that is simple in itself, but can be given the most sophisticated forms.

"**The Future**" is the direction in which RDM Group looks.

THE SHAPE OF THE FUTURE

The circle is the geometric shape we have chosen to represent our Group.

RDM Group is not just the sum of related legal entities, albeit distant from each other, but is the result of different industrial realities, skills and specializations which are well blended together. This blend allows us to be Europe's second manufacturer of coated recycled board, as well as the first in Italy, France and the Iberian Peninsula, in addition to a manufacturer of cartonboard from virgin fibers.

The circles in this Report, starting with the one on the coverinvite readers to learn more and continue on the pages inside. They are circles that merge and integrate with each other, thus reinforcing the "multi-mill concept", a principle by which we can manufacture the Group's most strategic products in multiple mills so as to ensure that our customers are provided with products in a flexible and timely manner.

The circle is also the geometric figure par excellence of the Circular Economy: we shape the future with simple yet important materials, such as paper and cartonboard, which, not surprisingly, are at the center of a real green revolution. Finally, a self-quotation: the circles accurately represent our cardboard reels, namely, the heart of what we do, with passion and professionalism.

This year's Financial Report chronicles the results of our efforts, which, once again, testify how we have been able to "set the bar higher," once again, together.

Letter from the Chairman

Dear All,

as I present you with RDM Group's Financial Report for the year 2020, the word "resilience" encapsulates and sparks my thoughts.

Had we known a year ago what was about to happen, we would probably have been terrified and unable to develop well thought-out plans B and alternative, workaround plans. In this respect, 2020 has surely molded us, making us more aware of all of our available resources, some of which were also unexpected and absolutely unknown to us.

Please allow me to say that I am proud to have witnessed the determination and power that RDM Group has been able to harness to face this pandemic, the lockdowns, and the overall economic and social crisis that followed.

In this regard, much deserved thanks go to our men and women who, even in the hardest and most painful of times, have provided their undivided dedication and commitment to the Group.

They have made it possible for us to ensure seamless production; none of the Group plants ever stopped production due to this ongoing medical emergency, not even for one day. I would like to comment on this, because it represented an outstanding added value for our clients.

How did we accomplish this?
I will reiterate that it was all possible, thanks to the commitment and professionalism of our dedicated staff, who immediately complied with the most stringent safety protocols, at times, even anticipating the respective provisions issued by the various Government Authorities of EU countries.

Unfortunately, as I write this letter to you, we may not yet state that we have finally won this terrible war that the world has suddenly had to face. However, there is a silver lining. From now on, we will surely look onto the future with brand new eyes.

I am specifically referring to certain topics that had been deemed of secondary, almost subordinate relevance until now. Here is where a word comes to play, around which my entire line of reasoning unravels: sustainability. This word has been much used and abused, despite its recent minting. I'd defy any company today, to honestly admit that they are not sustainable. This is why companies risk becoming the exact opposite: to define oneself as such without actually following up on it.

Here is where my heartfelt pride kicks in again: sustainability is intrinsic to RDM group, it is part of our DNA, it is essential and deeply-seated in our business model, we may very well say that it is our core.

As it is often the case for companies that are able to anticipate future trends and scenarios (providing that sustainability shall constitute not just a trend, but the future itself), RDM Group has already raised the bar by defining its own sustainability goals for 2020 - 2030, which will be detailed in the Sustainability Report.

As you will see, we are ambitious, but we must be for the benefit of our main Stakeholders. Our Corporate Governance is especially dedicated to growth opportunities and potential.

After all, this is how we are able to improve and move forward, becoming the authentic "Partner of Choice" as stated in our vision.

Chairman of the Board RDM Group
Éric Laflamme

Letter from the CEO

Dear All,

by writing this letter, I take the chance to stop and reflect on these last 12 months and I don't think it's an overstatement to say that we have all been deeply touched by this past year. Our entire economic structure and society at large have been highly impacted as well.

As I assess the past year, I think we need to keep one basic thing in mind: 2020 was a difficult year, a terribly difficult year, so much so that it probably could be considered as a sort of ground zero from various standpoints. However, this does not imply that it necessarily had negative implications. It is quite the contrary.

I am an optimist by nature and tend to also see the positive side of things. In light of all of the above, it must objectively be noted that, in 2020, RDM Group sustained an incredible growth, achieving in a few months what a company is normally able to achieve in a much longer time period.

In this regard, the first thing I would like to emphasize is that RDM Group has finally become aware that cartonboard paper and the overall packaging, from a simple material that would usually go unnoticed, have suddenly become, at least to those who are not industry experts, essential, must-have items, so much so that the RDM Group has been included in the essential material supply chain industry.

This means that RDM Group plants have continued production, creating value for the actual Group and its main Stakeholders, including during the more restrictive lock-down period.

This Financial Report clearly outlines positive, solid, Group operating results for the fourth year in a row, therefore, confirming our ability to achieve structurally sound and resilient profit margins.

Furthermore, these results also confirm a sound growth program, which I implemented promptly after my arrival at RDM Group exactly four years ago.

Our mergers and acquisitions process actually showcases our growth as a group. It was during 2020 that we announced the acquisition of one of the main European players in the coated cartonboard sector, Papelera del Principado S.A. ("Paprinsa"). This will clearly consolidate our leadership on the Iberian market, enhancing our synergy with Barcelona Cartonboard, our subsidiary company acquired in 2018.

As far as leadership, RDM Group signed the binding contract for the sale of its 100% interest in R.D.M. La Rochette S.A.S.. As a strategy, we decided to take

the opportunity to leave the FBB business, namely, the cartonboard production segment based on virgin fiber, to consolidate our WLC market position instead, namely, coated recycled cartonboard. This was done in the light of the multi-mill concept, which allows production flexibility amongst mills, thereby providing a prompt and effective solution to our clients' needs.

I would also like to point out that our external growth program is, nonetheless, also guided and supported by a similar ambitious internal corporate plan. In this regard, we specifically rely on three pillars on which we are building the foundations of our future.

The first pillar consists of the actual consolidation of the Iberian hub with the acquisition of Barcelona Cartonboard in 2018 and of Paprinsa, whose closing is expected in the first half of 2021. The second pillar is the launching of a state of the art digitalization program that will involve all the main productive areas in the Group, thereby debunking the false myth that depicts the paper sector as not being cutting-edge. Lastly, the third pillar comprises lean manufacturing, namely, a management system whose goal is to minimize waste and optimize production efficiency. Furthermore, since we are talking about development and improvement, please allow me to briefly refer to our implementation of the change management program. It fosters greater nurturing of our talents and of our internal staff, making us more and more appealing in the industry.

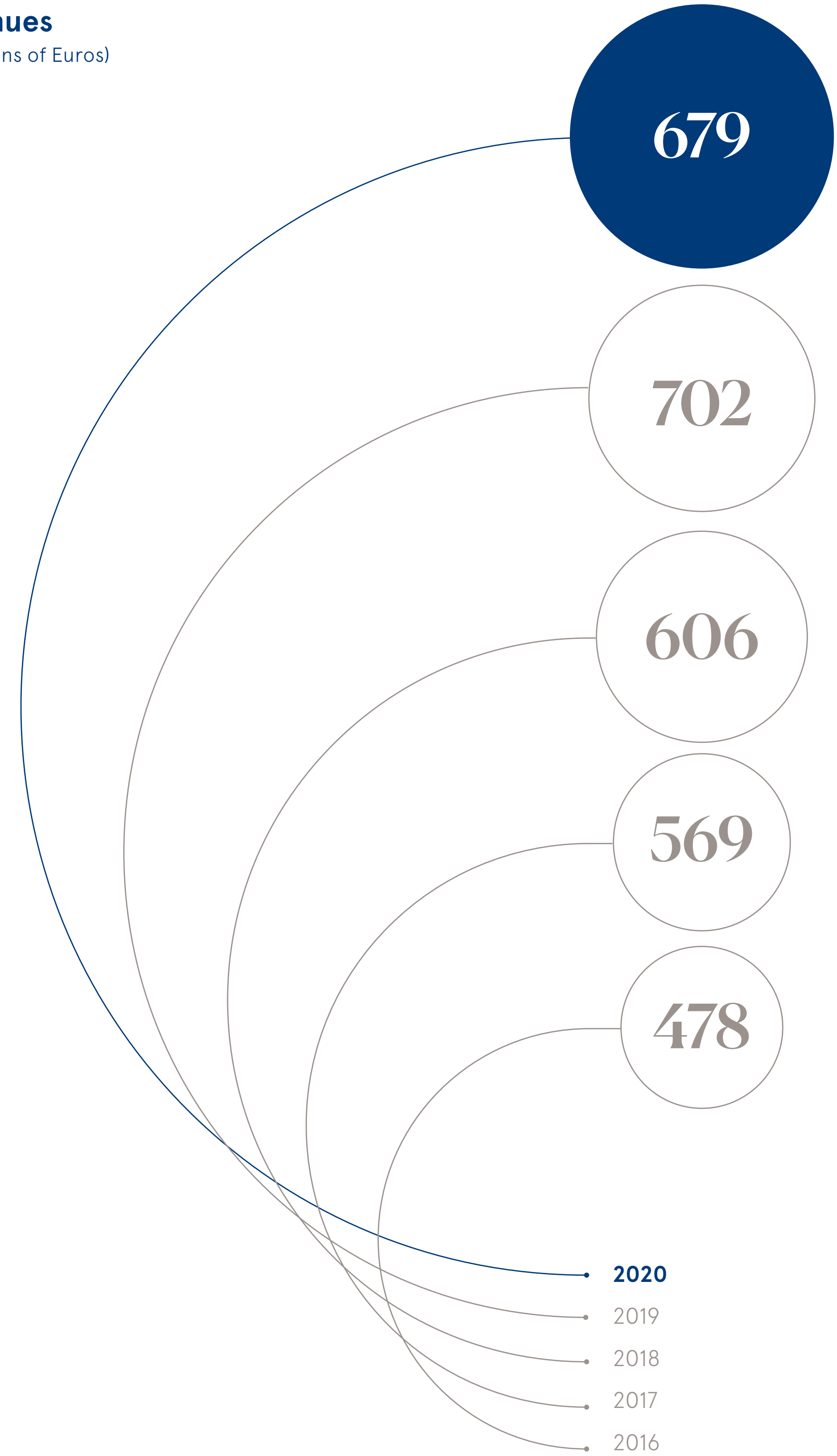
As you may gather from these few lines of mine, we are used to always looking ahead to the future, as we are well aware that we should be stimulated rather than feel limited by future opportunities and challenges ahead.

As I stated in the beginning of this letter, 2020 was a difficult year. That's a fact. It is also a fact that now we are stronger and more aware of our potential, looking to the future with renewed optimism.

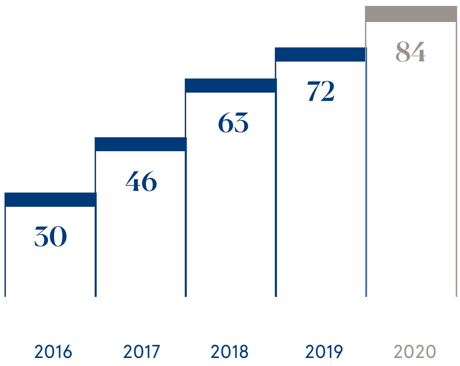
CEO RDM Group
Michele Bianchi

Financial Highlights

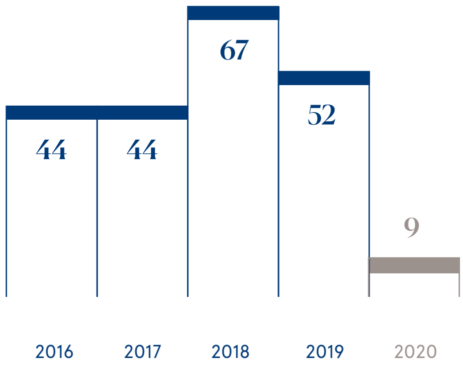
Net Revenues
Values in millions of Euros)



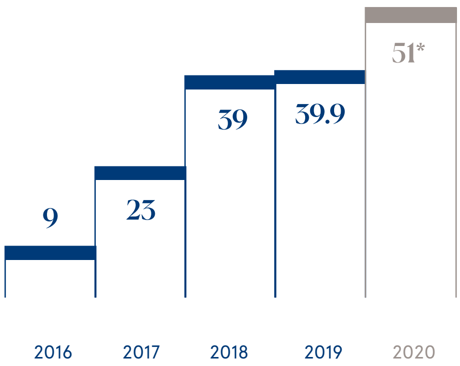
Gross Operating Profit (EBITDA)



Net Financial Debt

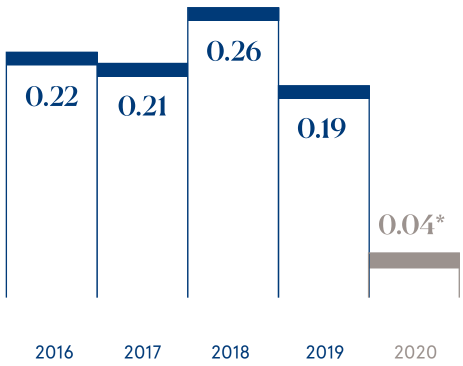


Operating Profit (EBIT)



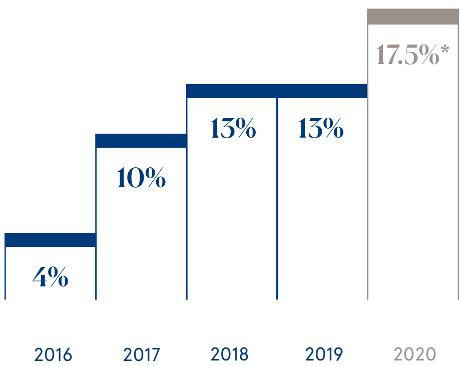
Gearing

Gearing: Debt/(Debt+Equity)

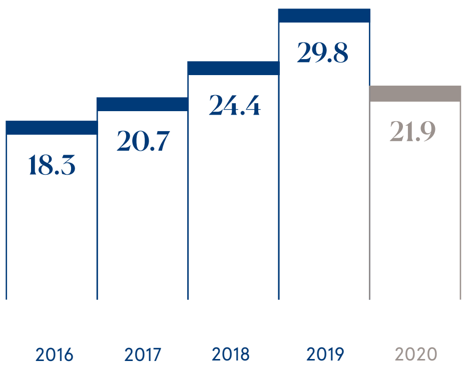


Roce

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



Investments

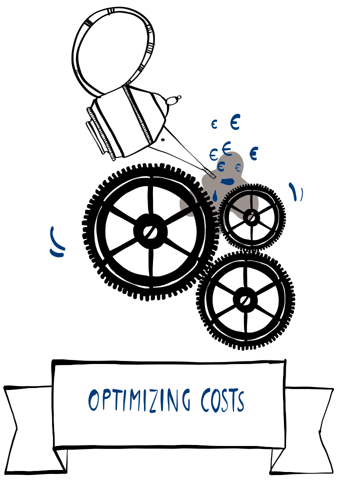


* These ratios were calculated on the basis of financial data before the write-down of the French subsidiary R.D.M. La Rochette S.A.S. assets.

Vision

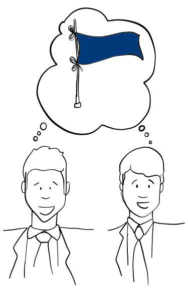
Our identity is built on a clear **Vision** that guides all our activities, today and tomorrow, and that represents the optimal combination between our business and the expectations of our Stakeholders.

Our ambition is to be **Partner of Choice of all key Stakeholders** with **3 strategic goals** in mind: to offer excellent products and services, to optimize costs and to maximize the satisfaction of our key Stakeholders.



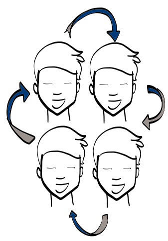
The ability of the entire Group to pursue the Vision we have adopted and thus achieve the goals we have set ourselves is the result of the deep-rooted values that guide the actions of all of us. We work together, sharing our best practices in order to achieve the Group's full potential. **As a multinational Group, our activities create sustainable value for our Stakeholders and the communities in which we operate: we want to be the partner of choice in the development of sustainable products and activities.**

Values



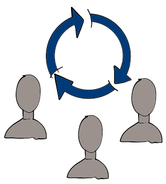
GROUP-WIDE VISION

The capacity to build a vision that leads to the success of the Group.



EMPATHY

The attitude of understanding others and being empathetic with them.



RESPONSIBLE DECISION-MAKING

The awareness that decisions have effects on others also.

TOGETHERNESS

The mix between a shared vision and a sense of belonging.

History

Five beginnings, from 1964 to today, have enabled us to present ourselves as Partner of Choice

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)

CANADA

- **1964** — **Cascades established**
- **1985** — First European production site acquired at La Rochette (France)
- **1986** — Blendecques (France) production site acquired
- **1997** — Arnsberg (Germany) production site acquired

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 fiber based products.

2008

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

Production sites grouped under the **Reno De Medici** brand

2016

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

A single Group with a new strategy and integrated management

2017

Governance restructuring

New Vision and Values. The objective is to present ourselves as the "**Partner of Choice**"

2018

Acquisition of **RDM Barcelona Cartonboard**

Acquisition of **PAC Service**

Integration process

2020

The business integration and transformation process continues

RDM Group signs the preliminary agreements for the acquisition of **Paprinsa**

2021

RDM Group signs the binding contract to sell 100% of **RDM La Rochette S.A.S.**

Milestones 2020

4-5 February
8 October

Health & Safety Meeting
Barcelona (Spain) + Virtual Event

In 2020, RDM Group, again, pledged its commitment to employee safety. Two events dedicated to this area, during which mill managers, safety managers, HR and other key functions had the opportunity to discuss this issue, are particularly significant in terms of this commitment. We are pleased to announce that the ambitious, "Zero accidents," objective for the Villa Santa Lucia mill and the PAC Service cutting sheeting center was achieved, while an important behavior based safety pilot project was launched at Santa Giustina mill.

February

Covid-19 Pandemic

The first signs of the coronavirus, which we have all come to know as COVID-19 and has inevitably marked 2020, begin to spread. As part of the packaging supply chain deemed necessary for the production of essential goods, RDM Group was able to ensure the full continuity of the supply chain. This was made possible by immediately introducing all necessary precautionary measures to limit the risk of infection, guaranteeing the health and safety of employees while relying on their commitment and professionalism.

24 September

Leadership Event
Virtual Event

RDM Group did not want to sacrifice the annual event that provides an opportunity for all our management to come together. We thus held the event virtually. The event provided an ideal opportunity to discuss the strategy undertaken to make RDM Group an increasingly modern and competitive entity, especially within the delicate situation caused by the COVID-19 pandemic in 2020.

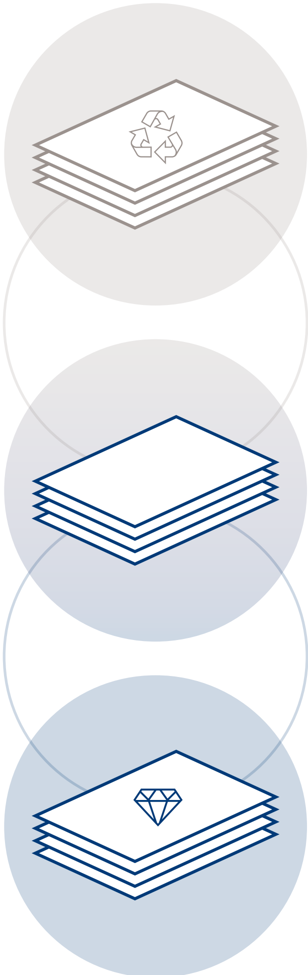
January
December

Best Practice Sharing Meeting

With the aim of sharing best practices within the Group, during the course of the year, various departments – including Production, Maintenance, Technical Customer Service, Sustainability, HR, Procurement, Communications and Energy – met regularly to benchmark and strengthen their identity within the Group, aiming to pursue the goal of continuous improvement.

Business areas

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



WHITE LINED CHIPBOARD (WLC)

coated cartonboard for packaging made of recycled fibers.

FOLDING BOX BOARD* (FBB)

coated cartonboard for folding boxes made of virgin fibers.

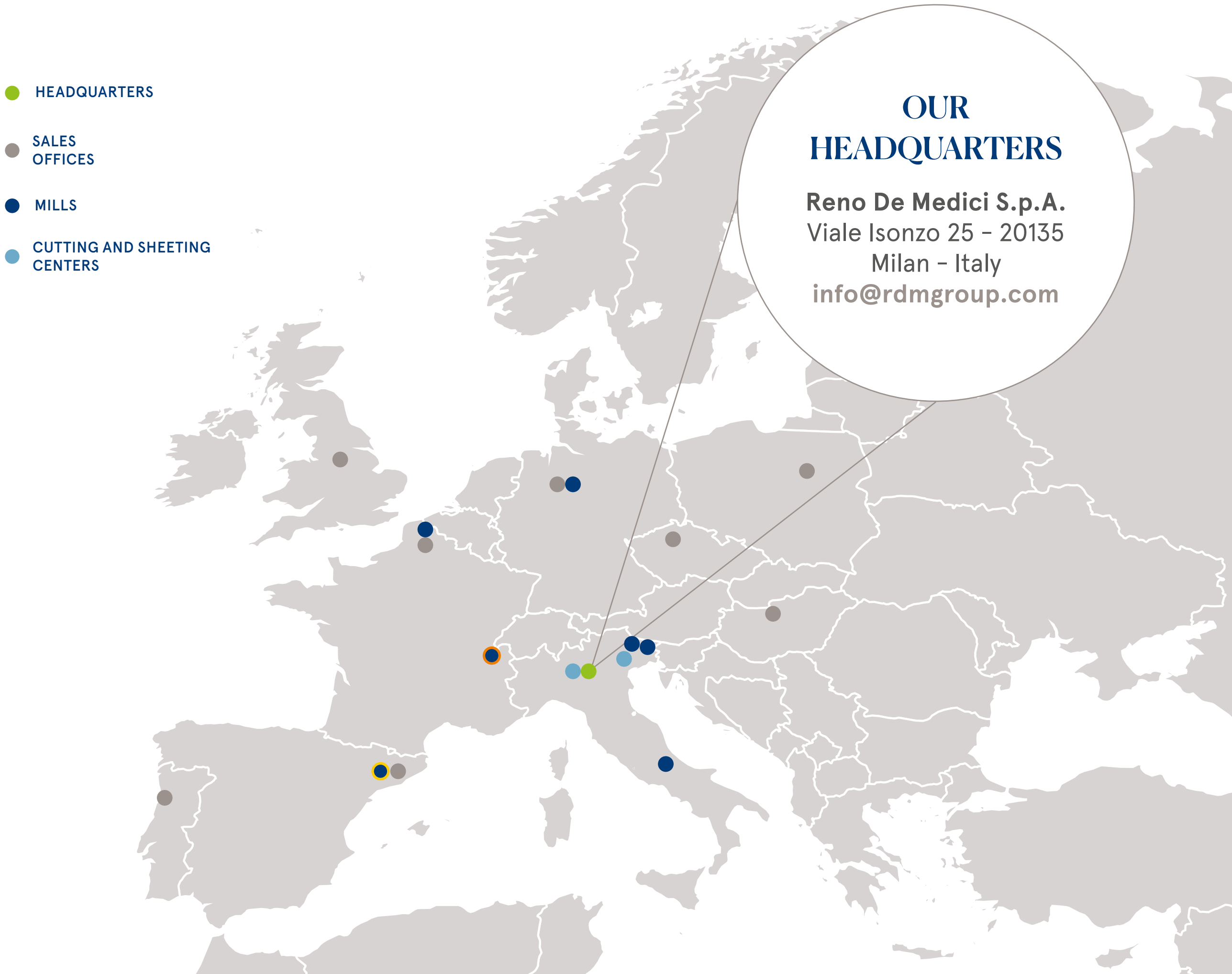
SPECIALTIES (OG GK – UD – UT)

cartonboard, often in high grammage qualities, well suited to specialty products, luxury packaging and the publishing market.

* In February 2021, RDM Group accepted a binding offer to sell the of La Rochette. As a result, the Group will exit the Folding Box Board segment.

Global presence

The circular concept is inevitably connected to that of centre, which for us corresponds to Milan, where our headquarters are located. With this in mind, our seven mills (including 3 in Italy, 2 in France, 1 in Germany and 1 in Spain), the two sheeting centers (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.



Paprinsa

The preliminary agreement to purchase 100% of Paprinsa's share capital was signed on 30 September 2020.

La Rochette

The option agreement for the sale of 100% of the share capital of La Rochette was signed on February 16, 2021. La Rochette is the Group's only mill that produces cartonboard from virgin fibers. The binding sales agreement is expected to be signed during the first half of 2021.

OUR SALES OFFICES

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ordini@pacservice.it

OUR MILLS

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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

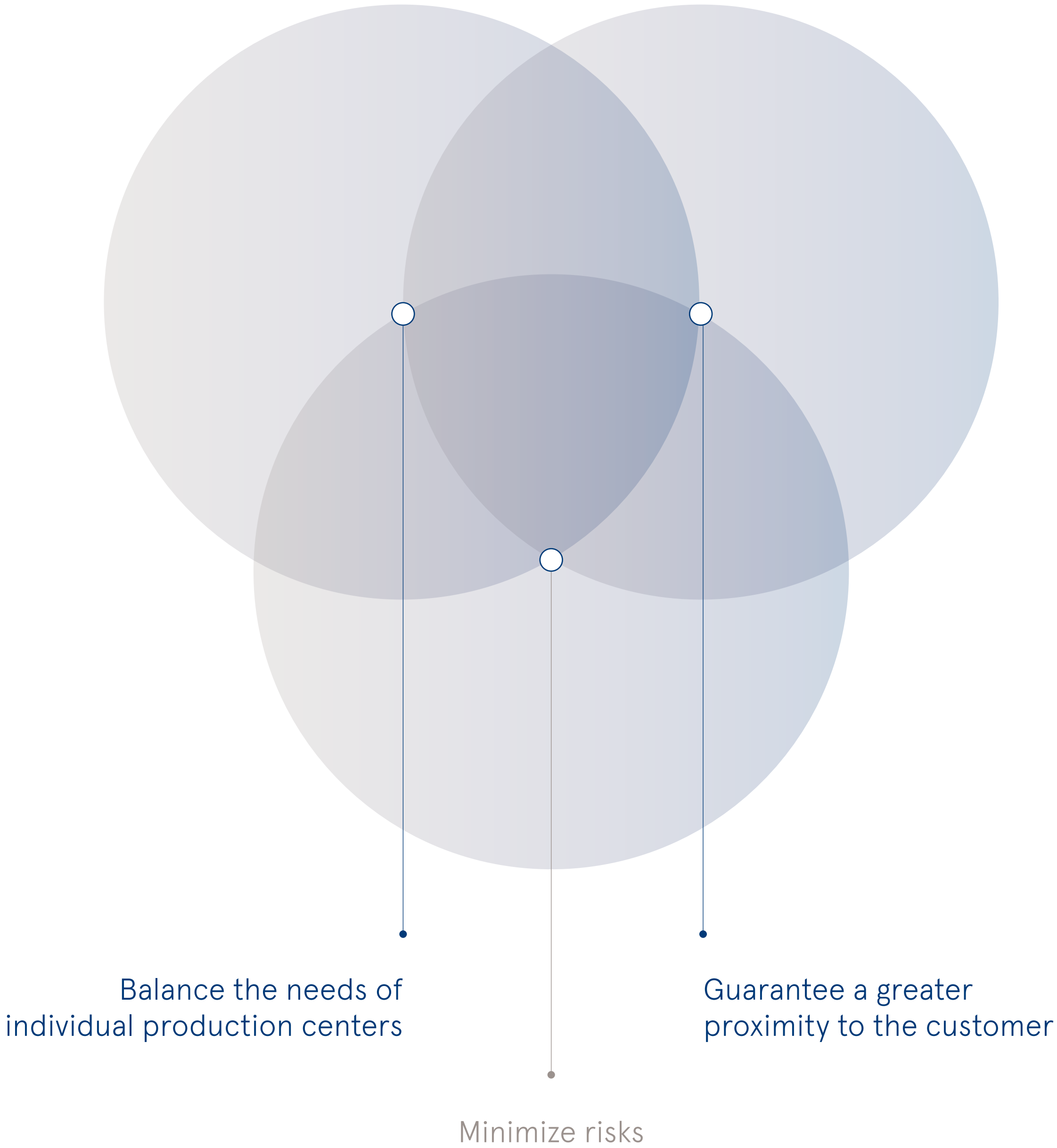
Production Capacity	Segments	Products
220k tons	WLC (Liner)	FLEXOLINER - SERVILINER
165k tons	FBB (GC)	ROCHBLANC – ROCHCOAT – ROCHCOAT BLANC – ROCHFREEZE - ROCHPERLE
110k tons	WLC (GD/GT)	BLANC II GREY – HERMICOAT – HERMIWHITE - HERMIKRAFT
95k tons	WLC (Specialties)	OVARO 404, OVARO 407, OVARO 649, OVARO 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_, OVARO C19
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

THE MULTI-MIL CONCEPT

The "**multi-mill concept**" is based on the principle by which it is possible to produce 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 despite changes in market demand and the economic cycles of individual countries.

A network of paper mills to:



The circle of our Stakeholders

The constant and effective dialogue with our Stakeholders, internal and external, is crucial to better address the challenges posed by the external context.

FUTURE GENERATIONS

Subjects that take charge of environmental protection and safeguard, including millennials, environmental NGOs, scientific community and universities

EMPLOYEES AND COLLABORATORS

The people 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 and the financial community

LOCAL COMMUNITIES

Citizens living in the territories in which the Group's facilities are located, families of our employees and collaborators

CUSTOMERS

Companies in the converting and printing 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

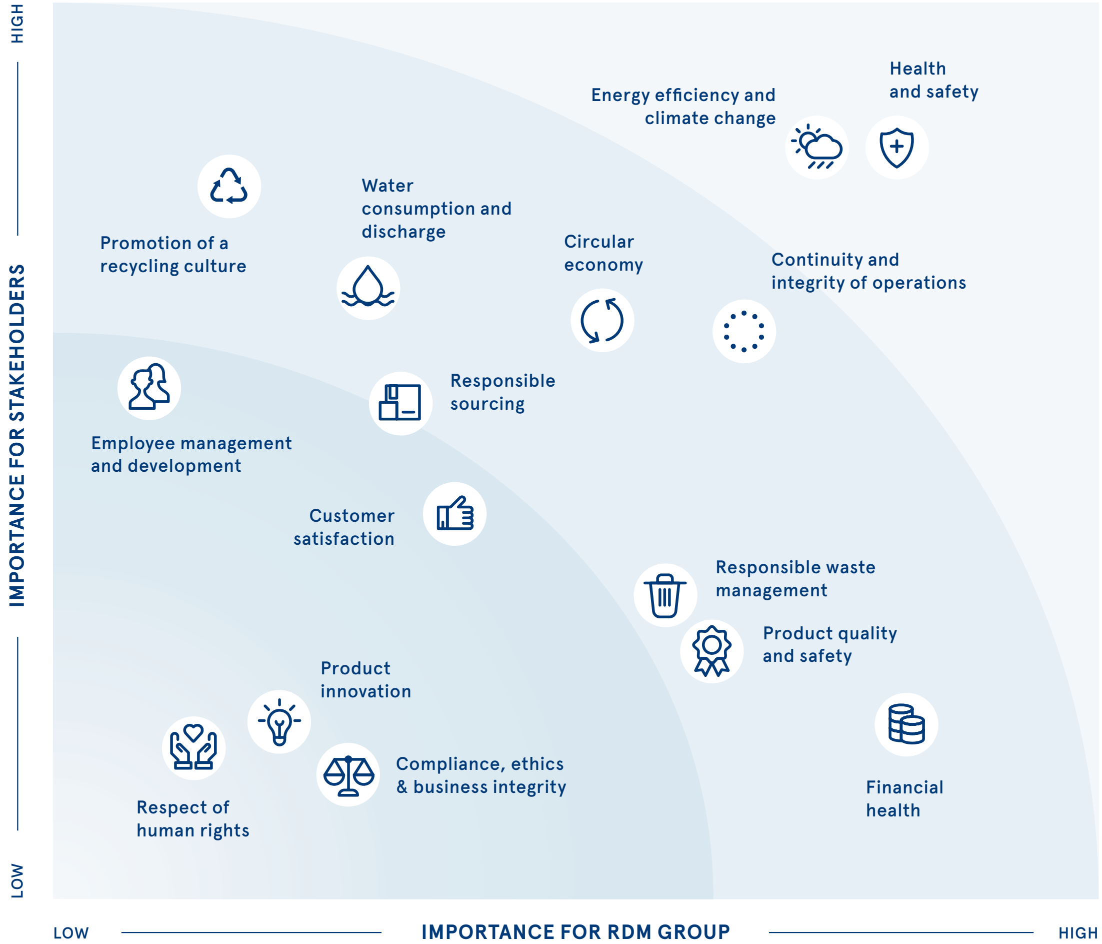
National and international authorities, trade associations, supervisory authorities

COMPETITORS

Companies that produce fiber-based materials and packaging

Materiality Matrix

The Materiality Matrix is the result of an engagement activity that analyzed the current and future expectations of our Stakeholders including key customers, suppliers and investors. The assessment process included several dimensions of analysis, such as risks, opportunities, strategy and market trends, in order to build a balanced analysis able to reflect the topics of greatest relevance and priority. This dialogue, along with the engagement of the company's top management, resulted in the identification of fifteen material topics.



The most recent update of the Matrix was in December 2019. In light of the Covid-19 emergency and its related impacts, the Materiality Matrix was reviewed by our CEO, who confirmed its validity, pointing out that the most important topics were also those of greater centrality in the management of the pandemic.

Priorities according to our Stakeholders

BUILD ALLIANCES
to optimize the value chain

DEVELOP RELATIONSHIPS
oriented to the concept of "strategic sourcing"

PROMOTE KNOWLEDGE
and raise public awareness on paper and paperboard recycling

DEVELOP NEW SOLUTIONS
and applications for fiber-based packaging

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. In fact, all our products are fully recyclable, enabling them to be once again turned into packaging at a later date. Investments in technologies and production processes are focused on the transformation of recovered fibers: some of the most significant data concerning the Group is that 78% of the fibrous material used in our production comes from recycling, while over 84% of all the material used consists of renewable materials.

Business model: our virtuous circle

Our business model follows a circular economy model, which replaces the concept of waste with that of a resource, aiming to optimize with increasing efficiency the use of materials. The RDM Group cartonboard is fully recyclable and is designed to be returned to the virtuous circle of the circular economy through recovery and recycling after its use.

Our model starts with a process of sourcing paper for recycling (PfR). Our technologies and production systems transform the paper for recycling giving the recycled fibers a new life, whether they come from urban recycling or from industrial and commercial sectors.

THE RDM GROUP PROCESS

Fiber-based raw materials are mixed with water to create a cellulose fiber suspension. Through a complex purification system, the impurities (e.g. sand, metals and plastics) present in the raw materials are eliminated. The board machine consists of a linear consecutive system of sheet forming, pressing and drying intended to remove the water from the fiber suspension. Depending on the type of cartonboard, a coating layer is applied. Once produced, the cartonboard is rolled into special reels for direct dispatch or cut into sheets and packaged onto pallets.

UPSTREAM

We purchase paper for recycling (PfR) from the industrial and commercial sectors and from city collections, such as fiber-based packaging, newspapers and magazines. For some types of cartonboard, such as Folding Box Board (FBB), the Group uses virgin fiber pulp purchased from third parties or produced internally on site from ground wood raw materials.

DOWNSTREAM

RDM Group products are mainly intended for the converting and printing industry that use cartonboard to make the packaging of products placed on the market. Clipping and scraps of the converting and printing processes are collected and delivered back to the mill directly or through sorting facilities as raw materials. For products put on the market, after use by the end consumer, more than 80% of the packaging is reintroduced into the virtuous cycle of recycling, thus feeding the sustainable business model of recycled cartonboard.

Overall, **78%** of the fiber-based raw materials used in our production comes from paper and cartonboard for recycling and over **84%** of all material used is made up from renewable materials. Our products are designed to be renewable, recyclable and are in the end actually recycled!

RDM Group is currently active also in the virgin fiber cartonboard (FBB) market, supplied for end product packaging mainly intended for the food and pharmaceutical sectors. Virgin fibers are sometimes also used to supplement recycled fibers to give cartonboard specific physical and mechanical characteristics.

Our contribution to the UN 2030 Agenda

Through our activities and the way we work, we contribute to the achievement of the United Nations Sustainable Development Goals (SDGs), among which we have identified the goals on which we know we can have a direct effect on. For each of the chosen SDGs, we have clarified our contribution.

SDG 3 PROMOTE OCCUPATIONAL HEALTH AND SAFETY

We adopt a "Zero Accident" policy and work towards continuous improvement in injury rates.

SDG 4 PROMOTING LEARNING AND SKILLS DEVELOPMENT

We invest in training, enhancing knowledge sharing and informal learning tools.

SDG 6 PROTECT WATER ECOSYSTEMS

We continue water withdrawal reduction programs and monitor discharge quality.

SDG 7 INCREASE ENERGY EFFICIENCY OF OPERATIONS

We pursue a strategy of reducing energy consumption per ton of cartonboard produced.

SDG 8 PROMOTE FULL EMPLOYMENT AND DECENT WORK

We offer employment opportunities to over 1,800 people, adopting where possible national collective agreements.

SDG 9 MODERNIZING INDUSTRIAL PROCESSES TO MAKE THEM MORE SUSTAINABLE

We have invested over 190 million euros in the last 10 years in plant and technological modernization.

SDG 12 ADOPT SUSTAINABLE PATTERNS OF PRODUCTION AND CONSUMPTION

We have developed a production system based on a circular economy model where 78% of fiber-based raw materials come from recycling and all products are fully recyclable.

SDG 13 TAKE ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

Reduce emissions of greenhouse gases and other pollutants per ton of production through energy efficiency programs, energy mix revisions and emission mitigation efforts.

SDG 15 PROMOTES SUSTAINABLE MANAGEMENT OF FOREST RESOURCES

For the procurement of virgin fibers we choose certified raw materials from controlled and sustainable supply chains. Overall, 73% of all ground wood raw materials and virgin pulp purchased are certified according to FSC® or PEFC or FSC® control wood. 100% of virgin market pulp purchased externally comes from certified and/or controlled sources.

SDG 17 STRENGTHENING PARTNERSHIPS FOR SUSTAINABLE DEVELOPMENT

We join several associations and working groups, locally and internationally, that support innovation and sustainable development of the fiber-based packaging industry and recycling sector.

Our Sustainability Plan 2020 – 2030

In RDM Group we are of course aware that the world is experiencing a crucial phase characterized by numerous global challenges. The ability of a company to respond to these challenges is a sign of both resilience and vision.

Sustainability Goals to 2030

	Goal	Baseline 2020	Target 2030
	Reduce scope 1 and scope 2 CO_2 equivalent emissions per ton of net saleable production	0.50 tCO_2e/ton	-30% by 2030
	Increase the proportion of waste sent for recovery	73%	90% by 2030
	Reduce the total amount of waste generated per ton of net saleable production	181 kg/ton	-20% by 2030
	Reduce water discharges per ton of net saleable production	11.06 m^3/ton	-20% by 2030

The baselines for climate change, water and waste targets do not include the mill of La Rochette, as it is part of a sale agreement in 2021.

Our way of approaching the present with a view to the future finds its foundation in our circular economy model. Starting from this model, at the beginning of 2021 RDM Group defined its long-term sustainability goals. Today's megatrends - sustainability, digitalization and automation - require courageous choices characterized by a long-term vision. Therefore, RDM Group has defined 2030 as the time horizon of its sustainability longterm goals.

We have decided to focus on precise objectives of great relevance to our business and society as a whole. We believe that their pursuit can bring the achievement of other environmental, social, ethical and economic attainments. This is possible through a dedicated and clear investment plan that has the ambition to propose to our Stakeholders a long-term partnership centered on a sustainable development agenda.

Goal	Baseline 2020	Target 2030
Key suppliers assessed and qualified according to ESG criteria for all relevant product categories	New assessment to be started	100% by 2025
Implementing a behavior-based safety program in production all sites	1 site	All sites by 2023
Increase the employee advocacy rate	3.98	4.50 by 2030
Increase the percentage of women employed by RDM Group	9.5%	+30% by 2030

02. Summary data and general information


SMC
SMC

Boards 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 31 December 2020, compared with those for the previous financial year, relating to the Reno De Medici Group (the "Group" or "RDM Group").

RDM GROUP [1]	**12.31.2020**	**12.31.2019**
(millions of Euros)		
INCOME STATEMENT		
Revenues from sales	679	702
Gross operating profit (EBITDA)	84	72
Depreciation, amortization and write-downs	(37)	(42)
Operating profit (EBIT)	47	30
Profit (loss) for the year	34	16
Group's share of profit (loss) for the year	**34**	**16**
BALANCE SHEET		
- Non-current assets [2]	264	272
- Non current liabilities, employee benefits and other provisions [3]	(50)	(49)
- Current assets (liabilities) [4]	(9)	(11)
- Working capital [5]	38	45
Net invested capital (NIC) [6]	243	257
Net financial debt [7]	(9)	(52)
Shareholders' equity	234	205
RATIOS		
Gross operating profit / Revenues from sales	12.3%	10.3%
Operating profit / NIC	19.3%	11.7%
Debt ratio (net financial debt / NIC)	3.7%	20.2%

[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 €243 thousand relating to an entry of a financial nature classified under the item "Current assets" and net of the following items "Other payables", "Current taxes", "Employee benefits", Short-term provisions for risks and charges" and "Other payables to associates and joint ventures" 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 sub-items "Cash and cash equivalents", "Other receivables from associates and joint ventures" and "Derivative instruments" classified under "Current assets", to which €243 thousand is added relating to an entry of a financial nature included under the item "Other receivables", less the sum of the sub-items "Payables to banks and other lenders" and "Derivative instruments", classified under "Non-current liabilities", and "Payables to banks and other lenders" and "Derivative instruments" classified under "Current liabilities".

The main income statement and statement of financial position items for the year ended as at 31 December 2020 are given below, compared with those for the previous financial year, relating to the financial statements of the parent company.

RDM [8]	12.31.2020	12.31.2019
(millions of Euros)		
INCOME STATEMENT		
Revenues from sales	216	223
Gross operating profit (EBITDA)	39	34
Depreciation, amortization and write-downs	(15)	(13)
Operating profit (EBIT)	24	21
Profit (loss) for the year	23	16
BALANCE SHEET		
- Non-current assets [9]	254	260
- Non current liabilities, employee benefits and other provisions [10]	(11)	(11)
- Current assets (liabilities) [11]	(5)	(3)
- Working capital [12]	16	9
Net invested capital (NIC) [13]	254	255
Net financial debt [14]	(31)	(51)
Shareholders' equity	223	204
RATIOS		
Gross operating profit / Revenues from sales	18.1%	15.2%
Operating profit / NIC	9.4%	8.2%
Debt ratio (net financial debt / NIC)	12.2%	20.0%

[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 €53 thousand relating to an entry of a financial nature classified under the item "Current assets" and net of the items "Other payables", "Current taxes", "Employee benefits" and "Short-term provisions for risks and charges", classified under the item "Current liabilities".

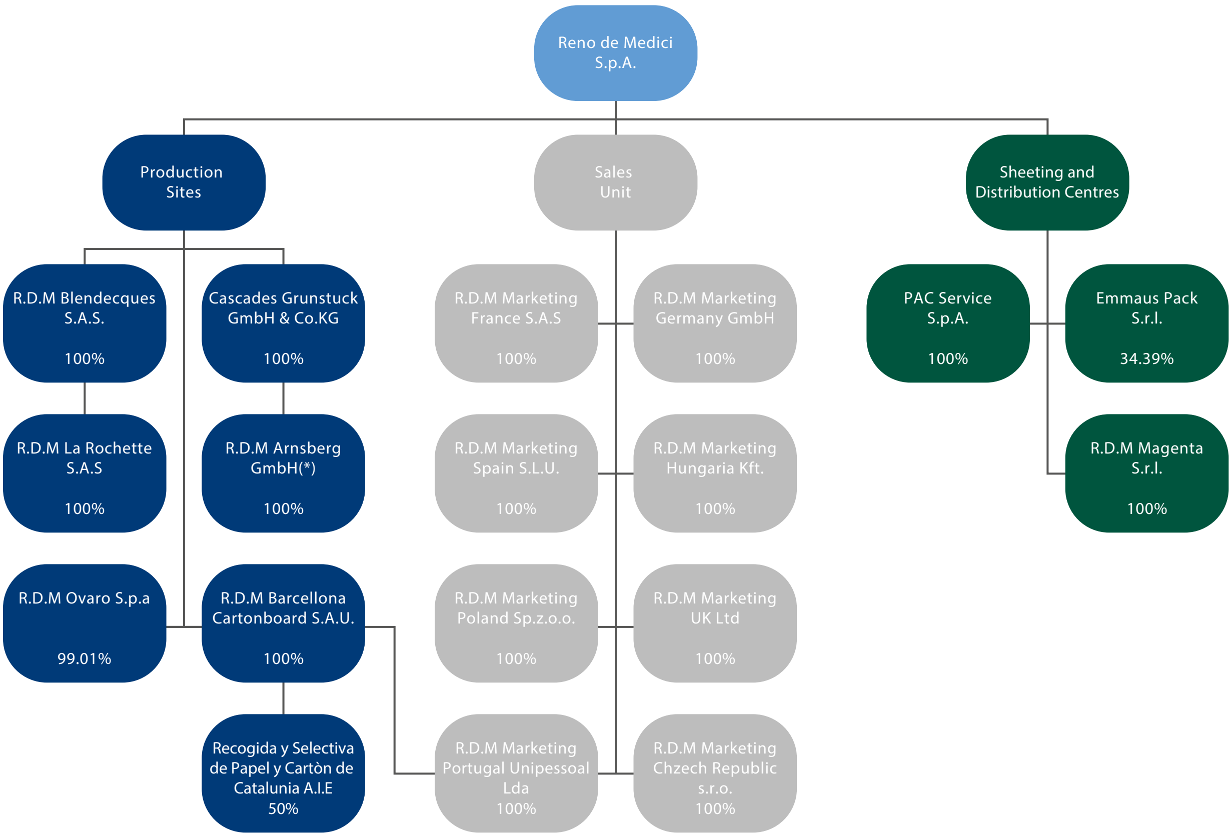
[12] See RDM financial statements – sum of the sub-items "Inventories", "Trade receivables" and "Receivables from Group companies", classified under "Current assets", less the sum of the sub-items "Trade payables" and "Payables to Group companies", classified under "Current liabilities".

[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 €53 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", "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 31 december 2020

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.

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.

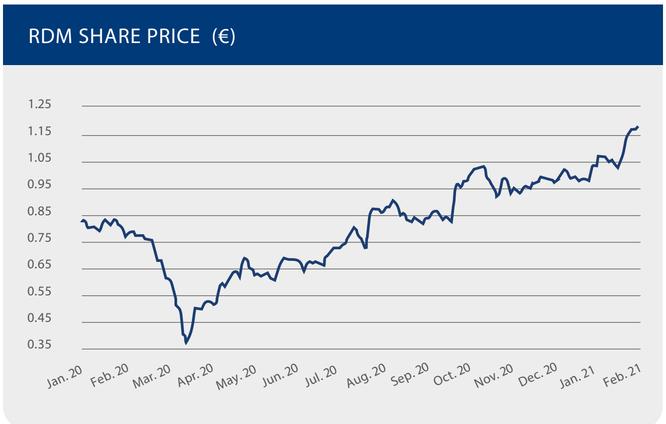
Under the scope of the Italian listing, Reno De Medici is a component of the STAR segment (Segmento Titoli con Alti Requisiti). The companies listed on the STAR segment commit to comply with stringent requirements in terms of liquidity, transparency and Corporate Governance.

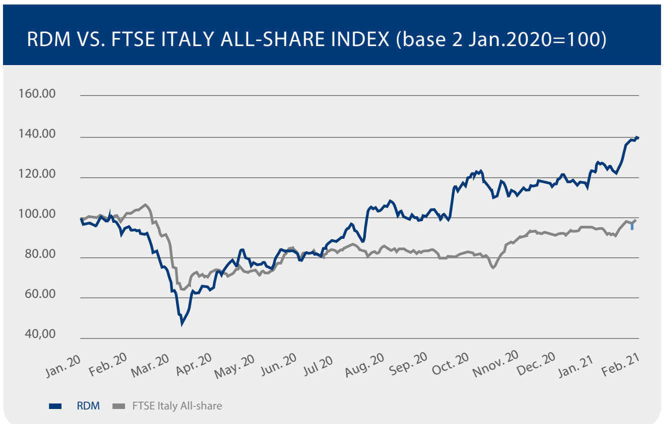
The minimum figure for share trading is 1 Euro.

The ISIN code of the share: IT0001178299

Alphanumerical code: RM

PERFORMANCE OF THE RENO DE MEDICI STOCK PRICE





2020 was a year characterised by great uncertainty and volatility. Equity markets had to contend with the heavy economic effect of the Covid-19 pandemic caused by the severe restrictions adopted to contain the contagion. Following the general collapse in share prices that took place between February and March 2020, the combination of expansive monetary and fiscal policies announced in Europe and the US led investors to look forward to a future economic recovery. Going forward from mid-March, therefore, the equity markets reversed the trend and started to rise again Stock market valuations, which only underwent a temporary correction in October with the arrival of the second wave of the virus, were being driven by minimum interest rates and the gradually improving company profit estimates.

Irrespective of news of new severe lockdowns throughout Europe from October onwards, operators in the financial markets continued to show optimism over the medium to long term. As the year closed, therefore, the announcement of the launch of vaccination campaigns, the American presidential election results and the trade agreements reached regarding the United Kingdom's exit from the European Union have once again fueled the interest in investing in shares.

Between the end of 2019 and early 2020, the MSCI All Country World Index therefore recorded an increase of 14.3%. In the same time frame, the FTSE Italy All-Share Index, composed of the listed Italian stocks, has instead suffered a contraction of 5.6%, as a reflection of the heavy recession that the months of tight lockdown have caused in Italy.

The Reno De Medici stock, during the first weeks of the pandemic-induced crisis, underwent a broader correction than that of the Italian Stock Market Index, reaching its lowest of the year at €0.37 on 16 March 2020. In the face of the lockdown announcements, as in general for the entire industrial sector, the trend in the RDM share price was in fact fuelled by fears of a possible collapse in demand and possible supply chain interruptions. The announcement that the cardboard production of the RDM Group mills would certainly continue in all Europe - being among the essential activities as part of the food and pharmaceutical packaging supply chain - helped to support the recovery trend of the RDM stock price, along with the good fundamentals confirmed by the results published on a quarterly basis during the year.

Starting from the low of 16 March, a rising trend took shape, which led the stock price to record a maximum €1.03 on 20 October, and then close the year at €0.97: a level that indicates an increase of 17.9% compared to the closing price of 2019 (€0.82) and a clear outperformance of the index of the Italian stock market.

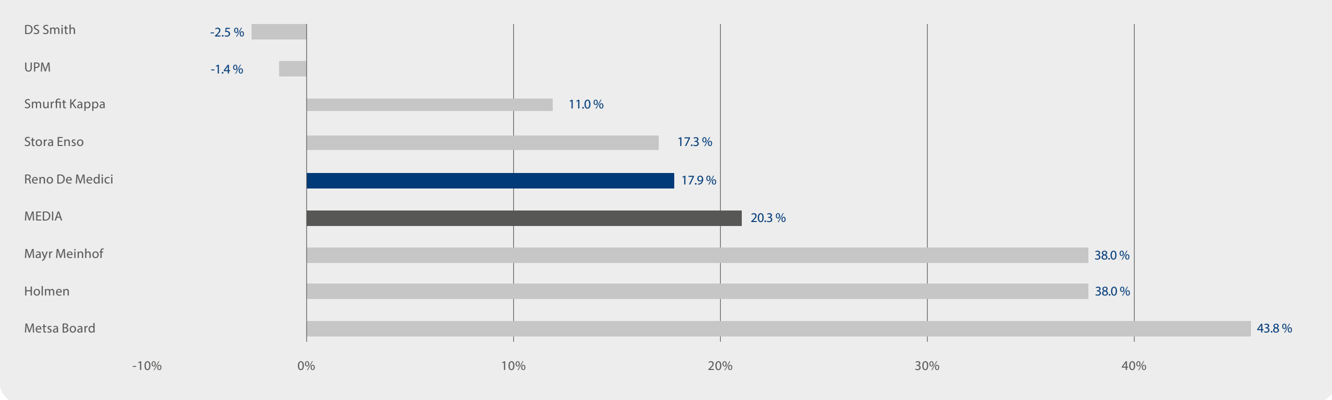
The Reno De Medici share price has put in a sign of further increases during the first weeks of 2021, in a scenario where the expectations are for a generalised economic recovery in the medium to long term, depending on the progress of the vaccine administration programme and, with specific regard to the Italian context, the framework of trust enjoyed by professor Mario Draghi's new government. Regardless of the continuing restrictions, also due to the rapid spread of new virus variants and the vaccination plan delays, the market is in fact focused on assessing the ability of the various economies to implement effective growth strategies, leveraging funds from The Next Generation EU programme.

STOCK EXCHANGE COMPARISON WITH OTHER EUROPEAN COMPANIES IN THE SECTOR

In comparison with the stock market performance of a panel of other European companies in the "Forest, Paper and Packaging" (FPP) sector, Reno De Medici demonstrates a performance substantially in line with the average. However, a certain polarisation in the annual price changes of the other seven securities considered is to be noted. In fact, certain players operating in segments characterised by strong demand dynamics and higher operating margins contribute to determining the average figure.

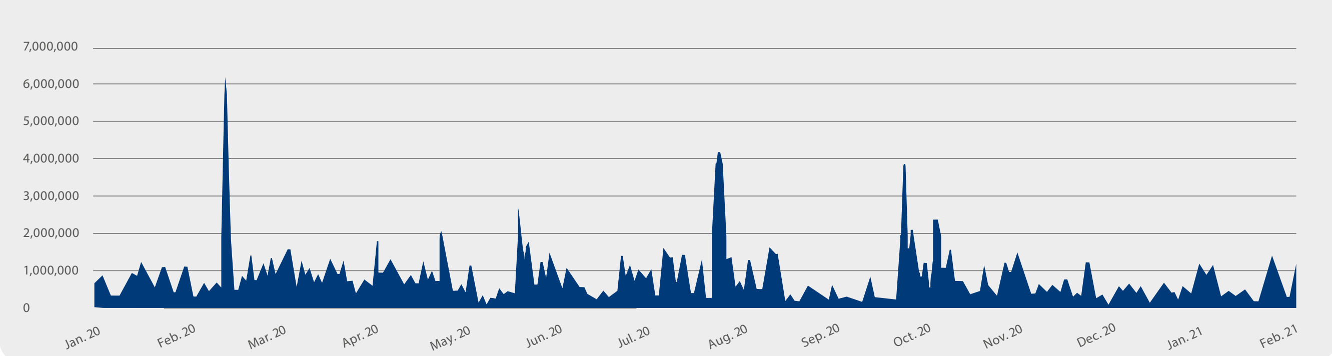
During 2020, the sector in general saw a positive rerating, which on average are translated into a significant growth in the multiples pursuant to which securities are traded on the stock exchange. Investors have especially rewarded the Forest Paper and Packaging sector for certain long-term themes that benefit all companies: from the replacement of plastic with materials with less of an environmental impact (plastic-to-paper replacement) to that of the greater penetration of e-commerce, which lockdowns have accelerated. More specifically, the operators integrated upstream have been favored, also due to the reassessments implemented on forests, and those operating in the containerboard segment, and therefore related to the world of packaging in corrugated carton; on the other hand, operators who are more exposed on the graphic paper business have instead been penalized Investors have shown appreciation in the FPP sector for investments dedicated to fuelling growth, especially in the direction of eco-sustainable solutions, and those dedicated to improving manufacturing efficiency through automation and digitalisation.

CHANGE IN THE SHARE PRICE IN 2020 (12/31/2019 - 12/31/2020)



TRENDS IN VOLUMES FROM THURSDAY, JANUARY 2, 2020

RDM DAILY TRADED VOLUME



In 2020, the average daily trading volumes of the Reno De Medici stock on the Milan Stock Exchange amounted to 766 thousand shares: a substantially stable level compared to the 783 thousand shares traded on average in the 2019 sessions. During the first half of 2020, there was a greater trading concentration, with average volumes of 799 thousand shares, compared to 745 thousand in the second part of the year. The maximum number of daily shares traded (6.2 million shares) was reached on 14 February 2020, when the results for the fourth quarter of 2019 were published. Other peaks, around 4 million shares traded, were recorded on 31 July 2020, in the wake of the publication of the first half's results, and on 1 October 2020, with the announcement of the Paprinsa acquisition.

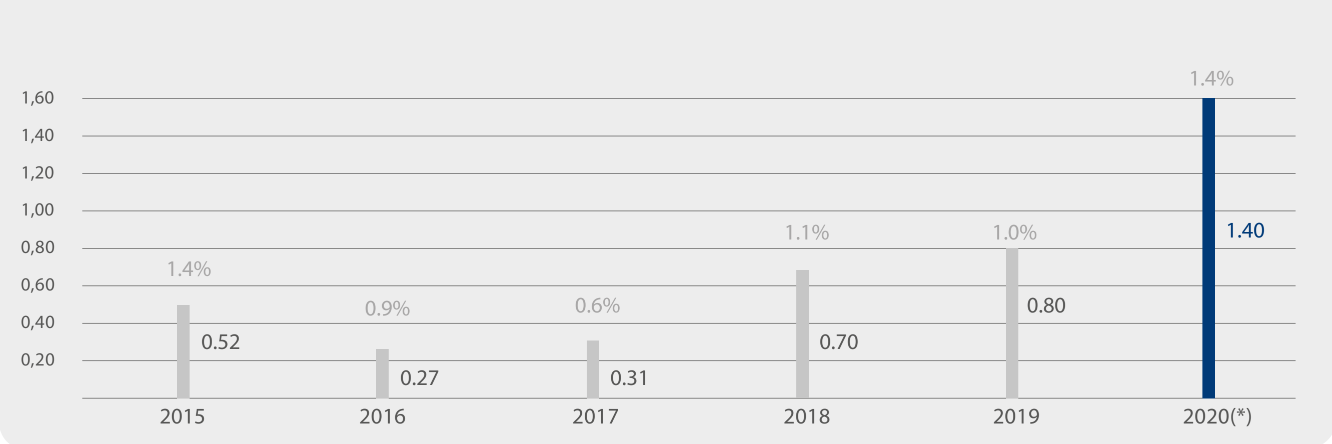
DIVIDEND

In 2020, a dividend of €0.8 eurocents on the 2019 profit was distributed. On the basis of the share price at the end of 2019 of €0.8230, the dividend yield was 1.0%. Considering that in the course of the year the price of the stock climbed by 17.9%, the total shareholder return for the twelve months of 2020, for those who purchased the security at the end of 2019, was 18.7% overall.

On March 19, 2021, the Board of Directors submitted a proposal to the Shareholders' Meeting which will be held on April 29, 2021 to approve the distribution of a dividend for ordinary shares of €1.4 eurocents, with a dividend yield of 1.4% compared with the price at December 31, 2020.

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:

DIVIDEND PER SHARE (€ cent) AND DIVIDEND YIELD



* The dividend relating to 2020 reflects the proposal formulated by the Board of Directors on 19 March 2021 which has not yet been approved by the Shareholders' Meeting.

ANALYST COVERAGE

At the end of the 2020, the Reno De Medici security is covered by two brokers: Intermonte, which is also a Specialist on the security, and MidCap Partners. Starting from April 2021, Banca IMI was appointed Specialist of the company, succeeding Intermonte.

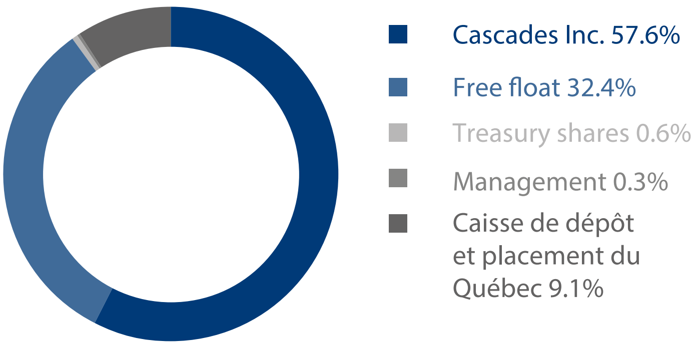
The data updated in relation to the target price and the analysts' recommendations are published on the Company's website. The consensus on the target price stood at €1.35 per share at the end of 2020.

In March 2021, average target price has been revised to €1.43, as Midcap Partners revised their estimations upwards. Both brokerage houses maintained positive recommendations on the security: Outperform for Intermonte and Buy for MidCap Partners.

SHARE OWNERSHIP

The share capital of Reno De Medici as at December 31, 2020 was composed of 377,800,994 shares, 249,105 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 2019, there were no changes in institutional shareholders as regard equity investments exceeding 5% of the share capital.

INVESTOR RELATIONS ACTIVITIES

In 2020, RDM management met 129 institutional investors, 38 of them for the first time, at virtual conferences 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 March the management of Reno De Medici attended the meetings of the virtual JP Morgan Conference with UK and USA investors.

2021 financial calendar

February 15, 2021: Board of Directors' Meeting for the approval of the Interim Report as at December 31, 2020;

March 19, 2021: Board of Directors' Meeting for the approval of the 2020 Annual Financial Report;

April 29, 2021 (April 30 on second call): Shareholders' Meeting for the approval of the 2020 Financial Statements;

April 29, 2021: Board of Directors' Meeting for the approval of the Interim Report as at March 31, 2021;

August 02, 2021: Board of Directors' Meeting for the approval of the Half-Year Financial Report as at June 30, 2021;

November 4, 2021: Board of Directors' Meeting for the approval of the Interim Report as at September 30, 2021.

03. Directors' Report on Operations

Reference market and report on operations

The year 2020 that has just ended was undoubtedly characterized by the Covid-19 emergency, with two waves and their restrictive measures concentrated mainly in the second and fourth quarter of the year. The pandemic emergency has led to a considerable worsening of the macroeconomic framework and an inevitable recessive effect that struck all the countries where the Group operates.

Despite the criticality of the general macroeconomic environment, sales volumes of the RDM Group in 2020 have reported a slight increase compared to the previous year with different dynamics in the quarters. The second quarter was marked by a sharp increase in demand linked to the increase in stocks on the part of customers as a result of the fears of possible interruptions in production, with an opposite effect in the third quarter. In the fourth quarter, in coincidence with the second wave of the pandemic, the volumes shipped have not undergone significant variations, closing with a slight increase compared to the last year.

The main explanation of the evolution of demand in 2020 can be found in the fact that the majority of end-users of the Group's products is concentrated in sectors, in particular in food and pharmaceutical industries, which were strategic in the emergency situation and have recorded a substantial stability of volumes with different dynamics in various quarters. It should also be stressed that the sector dedicated luxury packaging, in which the paper mill of Ovaro operates, after a particularly negative first part of the year as a result of the Covid-19 emergency, has made a recovery in the second half of the year thanks to the gradual recovery of Asian markets.

In such a situation the ability of the Group to maintain unchanged its production level with all paper mills operating at full speed was fundamental, especially during the two waves pandemic, adopting all necessary measures to safeguard the safety and health of employees, which has always been a primary objective of the Group.

The year 2020 has confirmed the strategic importance of products and markets supplied by the Group, distinguished by cyclic dynamics very relevant in the past and increasingly turning toward future expansions in the eco-sustainable packaging sector.

In this extremely difficult general context, the RDM Group, thanks to the maintenance of volumes shipped in line with the previous year and thanks to the improvement of the contribution margin, has ended the year 2020 with excellent results.

During the year 2020 the EBITDA amounted in fact to €83.8 million compared to €72.4 million in the same period of the previous year, while its impact on sale revenues reached 12.3%, with a substantial increase compared to the previous year (10.3%).

The net profit for the financial year 2020 is equal to €33.6 million, against €15.6 million in 2019. The increase is mainly due to the greater level of EBITDA reached, while the other items of the income statement (depreciation and financial charges and fees) are cumulatively in line with the same period of the previous year. The net profit was negatively impacted by the devaluation of the fixed assets of the R.D.M. subsidiary La Rochette S.A.S. and of the land located in Boffalora sopra Ticino (former Cartiera di Magenta), respectively for €3.7 million and €1.5 million. For further information regarding these devaluations, see the paragraph "Significant events after the end of the year".

Even during the year 2020, the RDM Group continued the initiatives directed at obtaining efficiencies and synergies in order to consolidate, after the significant benefits obtained during the financial years 2018 and 2019, the improvements in terms of structural profitability with consequent improvement of the financial position. These initiatives are oriented at increasing the efficiency in the production area, reduction of costs and optimization of sales in terms of price and added value. The initiatives have become more relevant in the current context in order to cope with possible adverse effects arising from the Covid-19 emergency and in particular the consequences linked to the negative growth prospects of economies.

The process of integration of RDM Barcelona Cartonboard S.A.U., which yielded significant synergies in the last year and is expected to generate further benefits in 2020, continued in 2021. The synergies identified relate to various areas, including sales volumes, selling prices, geographical areas per product served, purchases, production efficiency gains and overheads. Synergies are substantially in line with those expected from the integration plans with a negative effect for the part resulting from energy charges fixed by the Spanish governmental authorities on electricity co-generation plants.

Consolidated net financial debt as at 31 December 2020 amounted to €8.9 million, down €43.2 million compared with December 2019 (€52 million).

The decrease of the indebtedness is mainly due to the high level of EBITDA, a decrease of the level of circulating capital, mainly resulting from the decrease in stocks. The cash flows have been impacted very marginally in the year 2020 by the Covid-19 emergency relative to non-payments or payment delays on the part of customers.

Gearing improved from 0.20 to 0.04.

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 83% of consolidated turnover in 2020, recorded a demand globally in line (-0.1%) compared with the previous year. The trend of demand, as already described, has had different dynamics during the year following the two different waves of the pandemic emergency. During the second wave in the fourth quarter of 2020 demand has remained substantially stable, unlike what happened during the first phase of the emergency.

The change in volumes differed in the Group's various markets of operation. In European markets, volumes rose in France (+5.8%), Northern Europe (+3.1%), Germany (+2.3%) and other minor markets, while declining quite markedly in Spain (-7.1%) and in Italy (-5.1%). The overseas markets have in turn posted a considerable decrease (- 9.1%) compared to the previous year also as a result of the decrease in insurance coverage of customers linked to the higher risk of many countries. The RDM Group has posted a limited growth in line with the market (+0.2%), despite the stop of the production to the paper mill in Villa Santa Lucia, from February 7 to March 1, as a result of the seizure of the water purifier belonging to the Cosilam consortium by the competent judicial authorities for reasons not attributable in any way attributable to the paper mill. The effect of the lack of production was partially mitigated in terms of volumes shipped by the use of stocks of finished products and by the relocation of orders to other paper mills of the Group. The Ovaro paper mill is another one that has recorded a weak demand in the first half of the year, with the consequent need to program shutdowns. The explanation lies in the lower exposure toward strategic sectors, since the Ovaro paper mill operates for the most part in sectors such as luxury or school products, which have substantially stopped the production during the most acute phase of the emergency. The decrease in volumes was anyway contained, and in the second part of the year was lower than in the first part of the financial year, as a result of the resumption of production activities in all sectors, in which Ovaro operates. It must be stressed how RDM has recorded volumes higher than the trend of the market in the main reference markets: Italy (+0.8%), Spain (-4.8%) and France (+6.7%).

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

As regards the main factors of production, the price of scrap paper, after strong price decreases in the previous two years, has made a further significant decrease in the first quarter of 2020. 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. On the other hand, the Covid-19 emergency resulted in a strong and sudden rise in prices starting from the middle of March, mainly due to the decrease of the offer as a result of the temporary closure of some sectors and the decrease of citizens' collection. This phenomenon was observe throughout Europe and then spread on a global level. The recovery of many productive activities, together with low demand in many paper sectors, has determined a new downward trend starting from July. However, in the fourth quarter of 2020 there was a new increase in prices, supported by an increased demand coming primarily from the containerboard sector.

The FBB segment (Folding Box Board – cartonboard for folding boxboard based on virgin fibers), which accounted for 17% of consolidated turnover, recorded an increase in market demand of 5%, compared with an increase of 8.3% reported by the RDM Group. The increase of the market is mainly due to the same factors already described for the WLC segment, i.e. the essential character of products, and the increase in demand after a decline in the previous year. The La Rochette paper mill has recorded an increase in volumes greatly superior to the market in 2020. The EBITDA margin of the La Rochette plant has improved compared to the previous year and continues to benefit from the increase of sale prices obtained in 2019 as well as the level of the cost of raw material after strong decreases that occurred in the last year. The good level of added value, together with the greater volumes produced and sold, has allowed the achievement of a result in the high range of typical profitability of the plant during the year 2020, although still below the average of the Group.

As regards virgin cellulose fibers, the purchase prices, after the peak recorded in the course of the financial year 2018 and the subsequent strong reduction in 2019, remained substantially stable for both types of virgin fibers in the course of the financial year 2020.

The costs of energy, after the substantial increase in 2018, a growth which occurred in all main sources of energy supply, i.e. natural gas, electricity, coal, have recorded a strong reversal of the trend in the financial year 2019. In the year 2019 it was not possible to fully benefit from the reduction of prices since the Group uses coverage with medium-term contracts for a large part of its gas needs, which represents the main source of supply. The year 2020 has benefited in full of the price reduction that occurred in 2019. The Covid-19 emergency has resulted in a further decrease in prices of the main sources of supply, to the exclusion of CO2, during the year 2020. The benefit for the RDM Group in the first nine months of 2020 was as usual limited by the presence of existing medium-term contracts, while there was a further positive impact in the last quarter. The combined effect of price trends and policies covering the Group has resulted in a significant reduction of costs of energy with respect to the previous year.

Capital expenditure

In 2020, the Group's capital expenditure amounted to €21.9 million, compared with €29.8 million in 2019. Compared to the same period of the last year, the investments were affected by the Covid-19 emergency, with consequent slowing of the same due to the limited mobility and not by factors of a financial nature. The main investments include the preparation of slurries and the intervention on the gas turbine of Villa Santa Lucia, the first step of a new boiler at Santa Giustina, the adaptation of the water disposal system at La Rochette. It is also indicated that the implementation of the new ERP continues for all the companies of the group, and in particular that the important result of the first "go live" that occurred on November 1 at the Ovaro plant has been achieved.

Net financial position

Consolidated net financial debt as at 31 December 2020 amounted to €8.9 million, down €43.2 million compared with €52 million as at 31 December 2019.

The improvement in the financial position is mainly due to the high EBIDTA achieved with a marginal benefit from the decrease in working capital following the reduction in inventories, especially of finished goods. One should note the negative impact of approximately €3 million deriving from new lease agreements entered into that fall within the scope of application of the IFRS 16 accounting standard. The financial position and, in particular, customer collections were only partially impacted by the Covid -19 emergency with an increase in the level of overdue receivables limited.

Reported among other financial transactions are dividend payments (€3 million) and the purchase of shares of R.D.M. Ovaro S.p.A. from Friulia S.p.A. (€0.7 million).

Consolidated results

Revenues from Sales were €679 million, compared to €702 million of the prior year. The decrease compared to the previous year, equal to €22.1 million, is due to the reduction in average sales prices, both in the WLC as well as the FBB segments. The tons sold by the RDM Group as of December 31, 2020 reached 1,184 thousand units, compared with 1,174 thousand sold during the year 2019.

Other revenues amounted to €12.7 million, up €2.1 million compared with the previous year. This increase is due mainly to higher contributions received from certain foreign subsidiaries, which sustain the competitiveness of industrial sites with high energy consumption, in agreement with the respective local regulations.

Cost for raw materials and services amounted to €485 million, a decrease of €49 million compared with the previous year. The entry has been affected by an average cost of fibers, both recycled and virgin, lower than that recorded in 2019. Energy costs have recorded a strong reduction, in particular the gas that represents the main energy source used by the RDM Group.

Personnel costs amounted to €108 million, up €3.9 million compared with €104 million as at 31 December 2019. This change is due to contractual increases and productivity gains, as well as to the share pertaining to the 2020-2022 incentive plans for top management based on performance phantom shares and stock grants.

At 31 December 2020 the **EBITDA** reached €83.8 million, with an increase compared to the €72.4 million of the previous year with an incidence on revenues of 12.3% compared to 10.3% of 2019.

Operating Profit (EBIT) amounted to €47 million compared with €30.4 million as at 31 December 2019. The largest increase compared to the EBITDA is due mainly to lower writedowns recorded in the course of the financial year 2020. In particular, writedowns were recorded for a total value equal to €5.2 million, of which: 1.5 million relating to a land located in Boffalora sopra Ticino owned by Reno de Medici S.p.A. and 3.7 million relating to fixed assets of the La Rochette plant.

At 31 December 2019 the EBIT included writedowns equal to €10.3 million relating principally to fixed assets of the Rochette plant (€9.5 million).

Net financial expense was €1.2 million, down compared with €5.4 million in 2019. The change is essentially due to the financial income recorded following the valuation at December 31, 2020 of the derivatives subscribed by the Spanish subsidiary, to hedge its purchases of gas and electricity. In spite of these agreements having been concluded for hedging purposes, they were not recorded under hedge accounting.

Income from equity investments amounted to €271 thousand and are related to the revaluation of the investment in the Emmaus Pack S.r.l. Company valued using the equity method.

The amount allocated for **taxes** was €12.4 million, compared with €9.6 million as at 31 December 2019. The variation is linked to the greater taxable income generated by some companies that have past tax losses.

Consolidated net profit was €33.6 million, an increase compared with €15.6 million as at 31 December 2019. The substantial increase is mainly due to the higher level of EBITDA and lower writedowns recorded at 31 December 2020.

Key events of the Reno De Medici group

The year 2020 was characterized by the Covid-19 emergency and the consequent containment measures imposed by governments within and outside the EU. These measures have led to consequences of very diversified nature and impact in different sectors of the economy. As regards the RDM Group, as already reported in the Annual Financial Report 2019, in the light of the DPCM of March 22, 2020, the finished products were considered essential in that they are mainly at the service of the food and pharmaceutical industry. This has resulted in the almost full operation of the Group's paper mills, with the exception of the paper mill of Ovaro, during both pandemic waves of the second and fourth quarter, with the achievement of margin levels above expectations. Despite the fears of a decline in volumes, also the fourth quarter has registered a slight increase of margin levels compared to the previous year, allowing to achieve an excellent result, together with the maintenance of good contribution margins. The same paper mill of Ovaro, despite having recording a decrease of volumes in the third quarter, is catching up with respect to the first part of the year thanks to the reopening of its destination sectors.

During the financial year 2020, the cash flows showed a positive trend, leading to an improvement in the Net Financial Position of €43.2 million; in the light of the results obtained, while elements of uncertainty regarding possible deferred financial effects of Covid-19 emergency remain, at the moment there are no elements that would suggest significant negative effects on the cash flows in the short to medium term.

In this context and in the light of the new emergency situation that arose, the Directors are continuing to monitor the macroeconomic context and the evolution of markets of reference. Scenarios envisaged after the beginning of the pandemic are being continuously updated in order to verify the possible consequences on the level of volumes, any production stops and the level of profitability. The volume trends in the fourth quarter of 2020 during the second wave of pandemic permit to rule out the occurrence of elements with a strong criticality in the short term, also in the case of new restrictions introduced by the authorities following the new rise in infections.

In relation to the Covid-19 emergency, the RDM Group analyzed 2021 budget data and the 2022 - 2023 plans and found no items that may be classified as impairment indicators of the cash generating units and other capital assets at December 31, 2020.

On February 7 the paper mill at Villa Santa Lucia was forced to interrupt the production activity as a result of the seizure of water purifier belonging to the Cosilam consortium on the part of the competent judicial authorities, in no way attributable to the paper mill itself. On March 1 the paper mill has been able to resume the productive activity as a result of the release of the plant, since the appeal was granted by the Court of Review. The RDM Group is considering all possible alternatives for the future with regard to water treatment and dependency from the purifier belonging to the consortium.

On 15 June 2020, in accordance with the agreements signed with Friulia S.p.A. in 2017, Reno De Medici S.p.A. repurchased, at a price of €692,682, the last stake, equal to 5%, of the shareholding owned by Friulia S.p.A. in R.D.M. Ovaro S.p.A. After this transaction, the company R.D.M. Ovaro S.p.A. is wholly owned by Reno De Medici S.p.A. In order to keep the partnership with Friulia S.p.A., on December 16, 2020 the Shareholders' Meeting of R.D.M. Ovaro S.p.A. resolved to increase the overall share capital to €12,625,000 through the issue of 125,000 preference shares that were subscribed by the "Finanziaria Regionale Friuli-Venezia Giulia - Joint Stock Company - FRIULIA S.p.A." ("Friulia"). After this transaction, Friulia S.p.A. acquired a 0.99% stake in R.D.M. Ovaro S.p.A.

On September 30, 2020 the subsidiary RDM Barcelona Cartonboard SAU has signed four preliminary contracts of purchase of 100% of the share capital of four companies of Spanish law. The acquisition relates to one of the main European players in the sector of the coated cardstock, Papelera del Principado S.A. and three smaller companies. The provisional price provided for the acquisition of the four companies is based on an overall "Enterprise value" of €31.2 million, calculated on a pro forma EBITDA for 2020 of €5.2 million and on an NPF estimated at approximately €20 million. The closing of the operation is expected by the second quarter of 2021 and is subject to the fulfillment of certain conditions precedent.

Other information

AUTHORIZATION TO BUY AND SELL TREASURY SHARES

Following the expiry of the term of the previous authorization granted by the Shareholders' Meeting of 29 April 2019, the Shareholders' Meeting of 29 April 2020 adopted the resolutions authorizing the purchase and sale of ordinary treasury shares pursuant to Articles 2357 and 2357-ter of the Italian Civil Code. The main elements of the Plan authorized by the Shareholders' Meeting are provided below:

Rationale

- to sell the treasury shares purchased, or which are already in the portfolio, also in consideration of the allotment of these shares in the context of the Stock Grant Plan reserved for the CEO of the Company as established by the Shareholders' Meeting held on April 28, 2017 in accordance with Article 114-bis of the TUF;
- to use the treasury shares purchased, or which are already in the portfolio, to service any further Stock Grant Plans - including the 2020–2022 Stock Grant Plan - as well as any additional compensation plans based on financial instruments pursuant to Article 114-bis of the TUF, reserved for Reno De Medici S.p.A. Directors and/or employees as well as for any programs for allotment of free shares to shareholders;
- to avail itself of investment or disinvestment opportunities (based on available liquidity) if this is deemed to be strategic by the Board of Directors;
- to satisfy any obligations arising from financial instruments issued by the Company, subsidiaries or third parties;
- to pursue any activities in support of market liquidity.

Duration

Until the Shareholders' Meeting convenes to approve the 2020 Financial Statements and, in any case, for no longer than 18 months from the date of the authorization resolution. The authorization to dispose of treasury shares is not subject to time limits.

Maximum number of shares that can be purchased

The authorization refers to the purchase, on one or more occasions, of a maximum number of ordinary shares with no par value which - taking into account the treasury shares already held by the Company and the shares that may be acquired by subsidiaries - does not exceed 10% of the total share capital.

Any purchase transactions would be conducted up to the distributable profits and available reserves resulting from the last financial statements approved at the time each transaction is executed.

Purchase procedure/minimum and maximum price

The purchases would be made on regulated markets pursuant to Article 132 of Legislative Decree No. 58 of 24 February 1998 and Article 144-bis, paragraph 1, letter B of Consob Regulation 11971/99 according to operating procedures established in the regulations for the organization and management of those markets, which do not allow offers to buy to be directly combined with predetermined offers to sell.

The minimum and maximum purchase price is a unit price that does not differ by more than 10%, upwards or downwards, from the reference price recorded on the Mercato Telematico Azionario which is organized and managed by Borsa Italiana S.p.A. in the stock exchange session prior to each individual purchase transaction.

With regard to daily prices and volumes, the purchase transactions would be conducted in compliance with the trading terms and conditions provided by the Delegated Regulation (EU) No. 1052 of 8 March 2016, and more specifically:

- shares cannot be purchased at a price greater than the higher price of the price of the last independent transaction and the price of the highest current independent purchase offer in the trading venue where the purchase is made; and

- in terms of volume, the daily purchases are not to exceed 25% of the average daily volume of Reno De Medici shares traded in the 20 trading days prior to the purchase dates.

STOCK GRANT PLAN FOR THE THREE-YEAR PERIOD 2017/2018/2019 RESERVED FOR THE CEO. VERIFICATION OF THE ACHIEVEMENT OF THE PERFORMANCE OBJECTIVES FOR THE FINANCIAL YEAR 2019

During the first six-month period, with the support of the Remuneration Committee, the Board of Directors ascertained the achievement of the performance objectives set for the 2019 financial year in relation to the Stock Grant Plan for the three-year period 2017/2018/2019 reserved for the CEO, as established by the Shareholders' Meeting of 28 April 2017 pursuant to Article 114-bis of the TUF. Furthermore, having reached the end of the Plan's three-year reference period, the Board of Directors, with the support of the Remuneration Committee, has ascertained the achievement of the performance objectives set for the three years and, on 30 April 2020, the total of the shares provided by the same Plan, and established as 2,262,857, were allocated to the CEO.

For more details on the Plan, please see the prospectus drafted pursuant to Article 84-bis of Consob's Issuers Regulation 11971/1999, which is available at www.rdmgroup.com and via the authorized storage facility eMarketStorage.com

PURCHASE OF TREASURY SHARES IN 2020

In 2020, in compliance with the authorization granted on 29 April 2020 by the Ordinary Shareholders' Meeting pursuant to Article 2357 of the Italian Civil Code, Reno de Medici S.p.A. purchased a total of 2,070,000 ordinary treasury shares at an average unit price of €0.74 for a total amount of €1,537,726.

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

Following the purchases made during the six-month period, Reno De Medici holds a total of 2,070,000 treasury shares equal to 0.55% of the share capital.

During the reference period, no treasury shares were offloaded and no Reno De Medici shares were purchased by its subsidiaries.

Note that on 30 April 2020, 2,262,857 shares of Reno De Medici S.p.A. were allocated to the CEO, as provided by the three-year Stock Grant Plan which was concluded with the approval of the financial statements at 31 December 2019.

LONG-TERM INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS IN FAVOUR OF THE CEO AND THE COMPANY'S KEY MANAGEMENT PERSONNEL

The Shareholders' Meeting, held on 29 April 2020, approved:
- the "2020-2022 Stock Grant Plan" which granted to each of the indicated beneficiaries, i.e., the CEO and Key Management Personnel, the right to receive a maximum of 2,070,000 ordinary shares of the Company, at the end of the performance period and subject to the achievement of certain performance objectives to be identified for each year of the three-year period 2020-2022, subject to the beneficiaries maintaining their respective offices/working relationships in the Company;
- the "2020-2022 Phantom Stock Grant Plan" regarding the free allocation of a maximum of 2,070,000 Phantom Stock Grants which grant to each of the indicated beneficiaries, i.e., the CEO and Managers with Strategic Responsibilities, the right to receive a cash bonus from the Company, at the end of the performance period and subject to the achievement of certain performance objectives to be identified for each year of the three-year period 2020-2022, provided the beneficiaries maintain their respective offices/working relationships in the Company.

The Plans' goal, among other things, is to align the beneficiaries' interests with the main objective of creating value for the company and the group over the medium and long-term period. The Plans provide a way of supplementing the fixed portion of the remuneration with a variable performance-related component, in line with best market practices.

For more details on the Plans, please see the prospectuses drafted pursuant to Article 84-bis of Consob's Issuers Regulation 11971/1999, which are available at www.rdmgroup.com and via the authorized storage facility eMarketStorage.com

Main risks and uncertainties to which Reno De Medici S.p.A. and the group are exposed

Risks associated with the general economic conditions

Like all industrial operators, the Group is exposed to the risks associated with the general macroeconomic environment.

The 2020 financial year was characterized by the Covid-19 emergency which caused, especially in the first pandemic wave, the temporary closure of many production sectors and a consequent recessionary effect that has not yet manifested in its entirety. As the sector in which the Group operates is highly exposed to strategic productive sectors, mainly the food and pharmaceutical industries, there were no negative trends in terms of volume in FY 2020. This, together with the improvement in contribution margins, enabled the achievement of an excellent profitability level. The general economic situation and the continuation of the health emergency indicate that possible negative effects on volumes cannot be excluded. Given that the risk cannot be eliminated though it is significantly diminished compared to the beginning of the emergency, the price dynamics of sales of the main raw materials and the actions put in place by the Group will make it possible to mitigate the effects of this risk.

As far as raw materials are concerned, the main risk, identified starting from 2018, is that there may be an increase in the price of waste paper following the sharp drop in prices seen in 2018, which continued into 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. The Covid-19 emergency led to a sharp rise in prices in April and May, with a subsequent downward trend towards pre-crisis figures. A new increase took place at the end of 2020 following the increase in demand that was mainly due to the corrugated cardboard sector. As already took place in May, the Group believes it can offset any raw material price increases by adjusting the sales prices of its products.

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. The 2020 price increase forecasts were canceled by the Covid-19 health emergency, which has indeed resulted in a further decline in all energy components. 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 "Credit Risk" section, to which the reader is referred.

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 favourable credit market conditions, despite the recent health emergency.

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 31 December 2020, the Group had cash available and essentially does not use short-term lines of credit, except in the context of programs for the non-recourse factoring of trade receivables. As at 31 December 2020, medium- and long-term debt totalled €55.4 million, of which €12.4 million at an unhedged floating rate. At 31 December 2020, cash and cash equivalents stood at €63 million.

According to the forecasts for 2021, 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 fulfil 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 31 December 2020, the net financial debt of the RDM Group was equal to €8.9 million, with wide margins to satisfy all reasonable financial requirements.

Credit risk

Credit risk is the exposure of 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 with the ensuing 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, even if during the entire 2020 financial year this risk did not actually manifest itself. 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 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.

Risks related to climate change

The paper manufacturing process is energy intensive and contributes to the emission of greenhouse gases, the main cause of climate change. We adopt energy management systems (ISO 50001) for several of the Group's mills, certified by accredited third-party bodies. We are particularly sensitive to these issues and have therefore started a process of transition towards production processes and energy sources with a lower environmental impact. The use of high-efficiency co-generation plants, greater energy efficiency and the use of cleaner fuels also enable us to contain the risks of volatility in the purchase price of emission allowances under the Emission Trading System (EU-ETS). The presence of mills in locations potentially subject to climate change events such as rising river flows and increased frequency and intensity of storms exposes us to potential risks of disruption to operations. To reduce the impacts associated with the occurrence of natural disasters, including fires, we have implemented a prevention program that involves conducting third-party audits to assess exposure to this type of risk and identifying specific action plans for each of the Group's board mills.

Cyber security

Cybersecurity has been a global priority area for several years. Cybersecurity risks also have a potentially significant effect on the Group and are continuously monitored. The migration of IT infrastructures to the cloud as well as the scale of cyber-attacks, the nature of which is constantly changing, not only affect IT infrastructures and business operations but can lead to possible breaches or theft of sensitive and personal data. To ensure business continuity, we have implemented an IT security management and control system to prevent the loss of relevant and personal data and information across the Group, including backup systems and cloud servers, and we adopt advanced systems to prevent unauthorized access to corporate databases.

Risks related to epidemics and pandemics

In recent years, the world has had to deal with an increasing number of epidemics and infectious diseases. Given the absence of a true comprehensive emergency response plan, countries have had to deal with the Covid-19 crisis in a reactive manner. RDM Group responded promptly to governmental indications, assessing risks, preparing all necessary protocols to prevent contagion and setting up vigilance committees on the correct application of internal procedures. Thanks to this way of managing the Covid-19 emergency, no Group mill or site has seen an outbreak of Coronavirus infection. The proper management of the emergency allowed the Group to define emergency rules and procedures for possible future epidemiological or pandemic crises. The rigorous management of infectious risks has allowed RDM Group to reliably play the role of "essential" player, providing a continuous support of the food and pharmaceutical supply chain, the two key sectors in emergency management and most served by RDM Group board mills.

The RDM group's operating results, financial position and cash flows

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

Operating results

RDM GROUP	12.31.2020	%	12.31.2019	%
(thousands of Euros)				
Revenues from sales	679,461	100.00%	701,591	100.00%
Operating cost [15]	(597,911)		(643,477)	
Other operating income (expense) [16]	2,261		14,241	
Gross operating profit (EBITDA)	**83,811**	**12.33%**	**72,355**	**10.31%**
Depreciation, amortization and write-downs	(36,860)		(41,937)	
Operating profit (EBIT)	**46,951**	**6.91%**	**30,418**	**4.34%**
Net Financial income (expense)	(1,231)		(5,374)	
Gains (losses) on investments	271		179	
Taxes	(12,440)		(9,626)	
Profit (loss) for the year	**33,551**	**4.94%**	**15,597**	**2.22%**
Group's share of profit (loss) for the year	**33,551**	**4.94%**	**15,597**	**2.22%**

[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	12.31.2020	%	12.31.2019	%
(thousands of Euros)				
Areas				
Italy	201,973	30%	203,210	29%
European Union	386,705	57%	401,228	57%
Rest of the world	90,783	13%	97,153	14%
Total revenues from sales	**679,461**	**100%**	**701,591**	**100%**

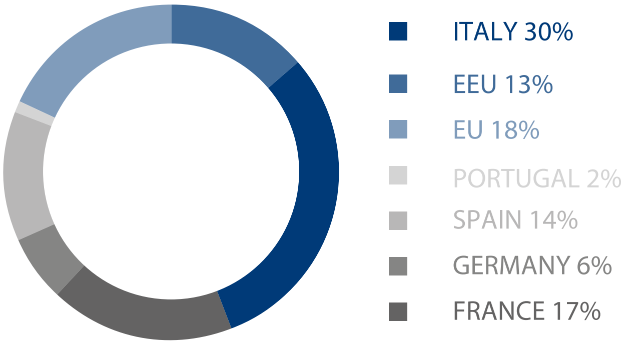


Fig 2.: "Revenues by Geographic Area"

Revenues from Sales were €679.5 million, compared to €701.6 million of the prior year. The decrease compared to the previous year, equal to €22.1 million, is due to the reduction in average sales prices, both in the WLC as well as the FBB segments.

EBITDA rose from €72.4 million in 2019 to €83.8 million in 2020, a €11.5 million increase. The EBITDA margin stood at 12.3%, an increase compared to the 10.3% recorded in 2019.

Consolidated EBIT was positive at €47 million, an increase compared with €30.4 million at the end of December 2019. The item benefits from lower write-downs for €5.1 million.

RDM GROUP	12.31.2020	12.31.2019
(thousands of Euros)		
Net Financial income (expense)	(1,231)	(5,374)
Gains (losses) on investments	271	179
Total	**(960)**	**(5,195)**

Net financial expense was €1.2 million, down compared with €5.4 million in 2019. The change is essentially due to the financial income recorded following the valuation at 31 December 2020 of the derivatives subscribed by the Spanish subsidiary, to hedge its purchases of gas and electricity. In spite of these agreements having been concluded for hedging purposes, they were not recorded under hedge accounting.

The item "Gains (Losses) from investments" records a net profit of €271 thousand compared to €179 thousand in 2019 and refers exclusively to the revaluation of the investment in Emmaus Pack S.r.l. valued using the equity method.

Net profit at the end of 2020 was €33.6 million compared with €15.6 million reported in 2019.

Statement of Financial Position

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

RDM GROUP	12.31.2020	12.31.2019
(thousands of Euros)		
Trade receivables [17]	66,231	77,129
Inventories	102,231	108,948
Payables to suppliers [18]	(130,811)	(141,209)
Trade working capital	**37,651**	**44,868**
Other current assets [19]	18,530	16,405
Other current liabilities [20]	(25,752)	(25,937)
Non-current assets [21]	264,065	272,431
Non-current liabilities [22]	(7,231)	(8,660)
Invested capital	**287,263**	**299,107**
Employee benefits and other provisions [23]	(44,264)	(41,599)
Net invested capital	**242,999**	**257,508**
Net financial position [24]	8,872	52,030
Shareholders' equity	234,127	205,478
Total sources	**242,999**	**257,508**

[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 – "Other receivables", net of €243 thousand relating to an entry of a financial nature.

[20] See RDM Group consolidated financial statements – sum of the sub-items "Other payables", "Other payables to associates and joint ventures" and "Current taxes", classified under "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 "Long-term 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 sub-items "Cash and cash equivalents", "Other receivables from associates and joint ventures" and "Derivative instruments" classified under "Current assets", to which €243 thousand is added relating to an entry of a financial nature included under the item "Other receivables" less the sum of the sub-items "Payables to banks and other lenders" and "Derivative instruments", classified under "Non-current liabilities", and "Payables to banks and other lenders" and "Derivative instruments", classified under "Current liabilities".

The change in net working capital reflects the normal dynamics related to receipts and payments.

The increase in the item "Other current assets" of €2.1 million was mainly due to the increase in prepaid expenses of €4.5 million, partially offset by the reduction in tax receivables. It is noted in particular that the prepaid expenses item includes the costs incurred for the demolition of the buildings at the Boffalora sopra Ticino site (formerly the Magenta Paper Mill), which were incurred when the sale of the land was completed, net of the advances received from the counterparty, Vetropack S.r.l. The above-mentioned land, based on specific suspensive clauses contained in the preliminary sales agreement signed in 2018, was not immediately available for sale as of December 31, 2020, based on IFRS 5. Because of the new agreements that took place between the parties and in light of the authorization issued by the competent authorities reclaim the land, the land was sold on February 11, 2021.

The decrease in the item "Non-current assets", equal to €8.4 million, is essentially due to the offset effect of the €11.8 million reduction in tangible non-current assets, on the one hand and the €2.8 million increase in Rights of Use on the other.

Net financial position

Consolidated net financial debt as at 31 December 2020 amounted to €8.9 million, down €43.2 million compared with €52 million as at 31 December 2019. The improvement in the financial position is mainly due to the high EBITDA achieved with a marginal benefit from the decrease in working capital. One should note the negative impact of approximately €3 million deriving from new lease agreements entered into that fall within the scope of application of the IFRS 16 accounting standard. Reported among other financial transactions are dividend payments (€3 million) and the purchase of shares of R.D.M. Ovaro S.p.A. from Friulia S.p.A. (€0.7 million).

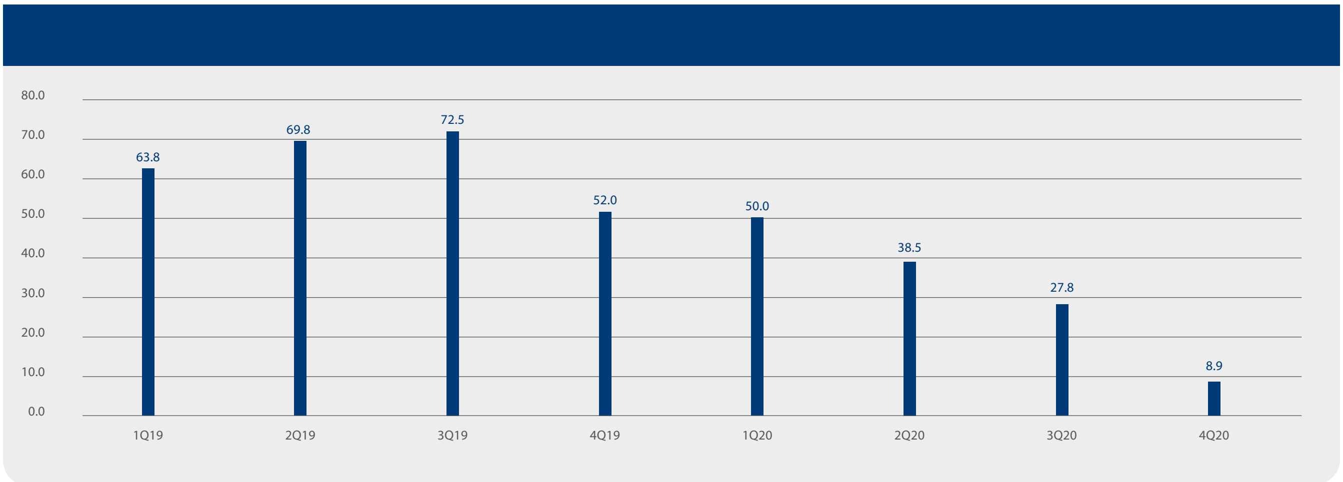


Fig. 3.: "2019–2020 Net Financial Position - Quarterly Trend"

The table below shows the variation of the Net Financial Position compared to the previous year:

RDM GROUP	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables [25]	63,228	40,529	22,699
Short-term financial payables [26]	(21,062)	(25,610)	4,548
Valuation of current portion of derivatives [27]	195	(2,211)	2,406
Short-term net financial position	**42,361**	**12,708**	**29,653**
Medium-term financial payables [28]	(50,845)	(63,986)	13,141
Valuation of non current portion of derivatives [29]	(388)	(752)	364
Net financial position	**(8,872)**	**(52,030)**	**43,158**

[25] See RDM Group consolidated financial statements – sum of the sub-items "Cash and cash equivalents" and "Other receivables from associates and joint ventures", classified under "Current assets", to which €243 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 assets" net of 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 has always pursued research and development activities on an ongoing basis to ensure the constant technological renewal of production processes and product innovation. Our products are made from recycled raw materials for cardboard production based on recycling, promoting a circular economy model and a sustainable production process. These purposes are achieved through a synergistic collaboration among our Product Innovation and Development department, the production team, the most important European research centres in the industry and through partnerships with some of our customers.

Investments

In 2020, the RDM Group's capital expenditures totalled €21.9 million (€29.8 million in 2019).

The objectives 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)**: work began on the construction of a Steam Boiler which will be completed in August 2021;
- **Villa Santa Lucia Mill (Italy)**: installation of a new gas turbine. The boiler modernization work has started and this will complete the plant reconstruction project. Moreover, work has begun to improve the pulp preparation plant with the aim of increasing the quality of the finished product;
- **Ovaro Mill (Italy)**: maintenance interventions performed to improve plant safety;
- **La Rochette Mill (France)**: work began on the construction of a new wastewater control plant. The system will be completed during the first half of 2021;
- **Barcelona Mill (Spain)**: work began on the construction of a new pulp preparation plant;

The increase in intangible fixed assets in progress is attributable to the development of the project for the implementation of the new ERP system. It should be noted that November 1st was the go-live date of the new ERP in R.D.M. Ovaro S.p.A.

Human resources

The RDM Group believes that human resources constitute a crucial element for its business: we cannot continue to create sustainable value without the skilled labour of the people who work in our mills and offices. It is in the interest and commitment of the entire RDM Group to create and constantly maintain the necessary conditions so that each employee's skills and knowledge may continue to grow. For this purpose, we use forms of mentoring in order to transfer skills and know-how from senior to more junior workers, so that the skills and corporate values can be passed down and remain within the Group; similarly, we provide specific programs aimed at the acquisition of new skills to ensure the Group's strategic development and to encourage the development of skills and ensure that individuals reach their full potential. Thanks to the training plans, the monitoring of their effectiveness and a skills assessment process, we map the talents that are present in the company and target our training investments.

"One Company" is our "leitmotif" and this is the reason we encourage teamwork, the comparison between different generations and cultures, and the sharing of experiences, visions and strategies.

We listen to our Staff with periodic "people surveys" for the formulation of our management policies, seeking to introduce, where possible, new ways of working, such as smart-working, to help reconcile personal and work needs. As at 31 December 2020, the Group had 1,729 employees compared with 1,766 as at 31 December 2019.

As at December 31, 2020, the Group headcount included 40 executives, 443 white-collars and 1,246 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 31 December 2020 compared with those of the previous year.

RDM	12.31.2020	12.31.2019
(thousands of Euros)		
Revenues from sales	216,451	223,041
Operating cost [30]	(191,757)	(204,551)
Other operating income (expense) [31]	14,563	15,393
Gross operating profit (EBITDA)	**39,257**	**33,883**
Depreciation, amortization and write-downs	(14,953)	(13,372)
Operating profit (EBIT)	**24,304**	**20,511**
Net Financial income (expense)	(59)	(976)
Gains (losses) on investments	6,337	561
Taxes	(7,836)	(4,159)
Profit (loss) for the year	**22,746**	**15,937**

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

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

Revenues reached €216.5 million in 2020. The decrease compared to the previous year was mainly due to the decrease in sales prices. Volumes remained broadly in line with the previous year.

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

RDM	12.31.2020	%	12.31.2019	%
(thousands of Euros)				
Areas				
Italy	128,241	59%	127,577	57%
European Union	42,426	20%	45,666	20%
Rest of the world	45,784	21%	49,798	22%
Total	**216,451**	**100%**	**223,041**	**100%**

As regards the trends of the main factors of production, in 2020 the price of recycled fibres was lower than in 2019. More specifically, their trend in the course of the year just ended was characterised by a start of the year, with minimum values reached at the end of 2019 and then demonstrating sudden increases in April and May, due to the decrease of supply determined by the measures put in place by various Countries to contain the spread of the Covid-19 pandemic. In the second part of the year the trend reversed as a consequence of the increase in the supply of waste paper linked to the reopening of many industrial and commercial businesses and the growing demand in the containerboard sector, determined by the growth in e-commerce.

The favorable price trend led to a reduction in the ratio of raw material costs to production value (total of "Revenues from sales" and "Change in inventories of finished goods"), which declined from 43% to 40%.

Energy costs decreased by €2.4 million compared with the fiscal year 2019, as during 2020, Reno De Medici S.p.A. continued to increasingly reap the benefits of its forward purchase policy for natural gas, its primary source of energy supply. Moreover, during 2020, the Company continued its energy efficiency program, with the first step of replacing the boiler at Santa Giustina and revamping the cogeneration mill at Villa Santa Lucia.

EBITDA rose from €33.9 million in 2019 to €39.3 million in 2020.

Operating profit (EBIT) was positive at €24.3 million, compared with €20.5 million reported in 2019.

Net profit amounted to €22.7 million, after net income from equity investments of €6.3 million. The tax item increased from €4.2 million to €7.8 million as a result of the increase in taxable amount income.

Statement of Financial Position

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

RDM	12.31.2020	12.31.2019
(thousands of Euros)		
Trade receivables [32]	43,521	39,234
Inventories	31,696	31,298
Trade payables [33]	(59,197)	(61,076)
Trade working capital	**16,020**	**9,456**
Other current assets [34]	6,271	4,392
Other current liabilities [35]	(10,104)	(6,283)
Non-current assets [36]	253,940	260,022
Non-current liabilities [37]	(943)	(1,776)
Invested capital	**265,184**	**265,811**
Employee benefits and other provisions [38]	(11,006)	(10,414)
Net invested capital	**254,178**	**255,397**
Net financial position [39]	31,170	51,157
Shareholders' equity	223,008	204,240
Total sources	**254,178**	**255,397**

[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 item "Other receivables", net of €53 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 "Long-term 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 €53 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 change in working capital reflects the normal dynamics related to receipts and payments.

The increase in the item "Other current assets" of €1.9 million was mainly due to the increase in prepaid expenses of €3.5 million, partially offset by the reduction in tax receivables. It is noted in particular that the prepaid expenses item includes the costs incurred for the demolition of the buildings at the Boffalora sopra Ticino site (formerly the Magenta Paper Mill), which were incurred when the sale of the land was completed, net of the advances received from the counterparty, Vetropack S.r.l. The above-mentioned land, based on specific suspensive clauses contained in the preliminary sales agreement signed in 2018, was not immediately available for sale as of December 31, 2020, based on IFRS 5. Because of the new agreements that took place between the parties and in light of the authorization issued by the competent authorities reclaim the land, the land was sold on February 11, 2021.

The increase in "Other current liabilities" (€3.8 million) is essentially attributable to the increase in payables for income taxes amounting to €3.3 million.

The decrease in item "Non-current assets" (€6.1 million) was due to:
- the decrease in the item "Tangible non-current assets", equal to €3.2 million, due to the increases of the year, equal to €9.7 million, offset by €11.4 million of depreciation for the financial year and a write-down, of €1.5 million, relating to the land located in Boffalora sopra Ticino (formerly Cartiera di Magenta).
- the €1.3 million increase in the item "Intangible non-current assets", due to the €2 million increase in the year that was partially offset by amortization of €0.7 million for the financial year.
- decrease in the item "Equity investments in subsidiaries", equal to €4.2 million, mainly due to the write-down of the equity investment in the subsidiary R.D.M. Magenta S.r.l.

At the end of 2020, about 12% of Net Invested Capital was funded by interest-bearing debt and approximately 88% by shareholders' equity.

Net financial position

Net financial debt for the Parent Company was €31.2 million, improving compared with €51.2 million as at 31 December 2019.

RDM	12.31.2020	12.31.2019	Change
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables [40]	59,612	33,681	25,931
Short-term financial payables [41]	(62,969)	(45,940)	(17,029)
Valuation of current portion of derivatives [42]	(272)	(309)	37
Short-term net financial position	**(3,629)**	**(12,568)**	**8,939**
Medium-term financial payables [43]	(27,185)	(38,173)	10,988
Valuation of non current portion of derivatives [44]	(356)	(416)	60
Net financial position	**(31,170)**	**(51,157)**	**19,987**

[40] See RDM financial statements – sum of the item "Cash and cash equivalents", to which €53 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] See RDM financial statements – detailed item "Payables to banks and other lenders".

[44] See RDM financial statements – the item "Derivative instruments" classified under "Non-current liabilities".

Net financial debt was €31.2 million at December 31, 2020 compared with €51.2 million at December 31, 2019. Net operating cash-flow, with €25.1 million in assets, was taken up by certain specific expenses, for a total amount of €5.3 million, which include: dividends remitted for €3 million and the purchase of treasury shares in the amount of €0.5 million and the buyback of a portion of the share owned by Friulia S.p.A. in R.D.M. Ovaro S.p.A. from for €0.7 million.

The Company had cash and cash equivalents of €59.6 million. In addition, it has only medium/long term borrowings, which provides it with the financial stability required for adequately supporting its operations, the technical investments in particular, in addition to potential projects designed to take advantage of strategic investment opportunities.

Research and development activities

Please refer to the report on the consolidated figures.

Investments

Capital expenditures in 2020 amount to €11.8 million (€11.5 million in 2019).

The objectives 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)**: work began on the construction of a Steam Boiler which will be completed in August 2021;
- **Villa Santa Lucia Mill (Italy)**: installation of a new gas turbine. The boiler modernization work has started and this will complete the plant reconstruction project. Moreover, work has begun to improve the pulp preparation plant with the aim of increasing the quality of the finished product.

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, 2020 stood at 429 staff.

Compared with the previous year, the total number of employees decreased by 7 (436 as at 31 December 2019).

As at December 31, 2020, the headcount included 15 executives, 153 white-collars and 261 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.

	2020 Shareholders' equity	2020 Result
(thousands of Euros)		
Reno De Medici S.p.A.	**223,008**	**22,746**
Difference between the carrying amount and the corresponding shares of equity in subsidiaries and associates	8,248	21,803
Dividends received by subsidiaries		(10,637)
Elimination of gains on disposals to Group companies	(1,043)	
Elimination of allocation of merger deficit	(2,399)	230
Write-down on R.D.M. La Rochette S.A.S.	(3,673)	(3,673)
Reversal of the write-down of the equity investment (R.D.M. Magenta S.r.l.);		4,365
Other consolidation adjustments	9,986	(1,283)
Consolidated Financial Statements	**234,127**	**33,551**

Reconciliation between the Group's net financial position and that of the parent company Reno De Medici S.p.A.

	Net financial position 12.31.2020	Net financial position 12.31.2019
(thousands of Euros)		
Net financial position - Reno De Medici S.p.A.	**(31,170)**	**(51,157)**
Cash and cash equivalents and other short-term financial receivables from subsidiaries	3,425	6,728
Other financial receivables from other lenders	(361)	(76)
Other financial payables from other lenders	(12,337)	(9,097)
Short-term financial payables from subsidiaries	(6,288)	(9,605)
Medium-/long-term financial payables from subsidiaries	(13,225)	(19,506)
Elimination of short-term financial payables from subsidiaries	56,219	44,531
Elimination of short-term financial receivables from Group companies	(5,135)	(13,848)
Net financial position - RDM Group	**(8,872)**	**(52,030)**

Other information

Existing disputes and risks

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

Tax disputes and risks

It should be noted that there is a pending litigation with the Municipality of Cassino (Frosinone) on the subject of Tari (Waste Disposal Taxes) and special Waste, in particular, three Notices of Assessment for the years 2013-2014-2015 have been appealed. In this connection, for the above-mentioned years, the local authority disregarding the original *Tarsu* (Solid Urban Waste Disposal Tax) Complaint lodged by Reno De Medici S.p.A. in 2006, has ascertained a higher taxable surface area of the Plant located in Cassino in relation to the surface area stated by the actual Company.

With reference to 2013, the Frosinone Province Tax Commission voided the respective municipal assessment notice pending judgment under appeal, still pending before the Lazio Regional Tax Commission, where Reno De Medici S.p.A. entered an appearance before the Court filing a counterclaim with a Cross Appeal.

With reference to 2014 and 2015, Reno De Medici S.p.A. filed a cumulative charges appeal before the Frosinone Province Tax Commission objecting the municipal notices of findings; the proceeding is pending and the Court decision is also pending.

Consolidated non-financial statement

It should be noted that, in compliance with Legislative Decree No. 254/2016, the RDM Group prepared a consolidated non-financial statement. 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 >2020.

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 ISO 45001 "Occupational Health and Safety Management System".

The Santa Giustina mill obtained, for the first time, the EN 15593 certification "Packaging - Management of hygiene in the production of packaging for foodstuffs"

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.

All the mills were audited for correct application of the protocol for the prevention of Covid-19 contagion risk. No non-compliance was detected through these audits.

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 scheduling new investments;
- fostering a safety culture in all working groups, including by launching an important pilot project on behavioral safety at the Santa Giustina mill (B-BS).

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

Regarding the fatal accident that occurred in 2018 at the Ovaro mill, preliminary investigations have ended. The first hearing set to decide on the request for remand for trial made by the Public Prosecutor has been postponed to 15 June 2021 pending negotiations between the injured parties and the insurance company on a damage settlement.

Treasury Shares

As at 31 December 2020, the share capital of Reno De Medici S.p.A. was represented by 377,800,994 shares without par value broken down into:
- 377,551,889 ordinary shares
- 249,105 savings shares convertible to ordinary shares at the request of shareholders in February and September each year.

On the same date, RDM held 2,070,000 ordinary treasury shares, equal to 0.55% of shares with voting rights. For more information on treasury shares, see "Acquisition of Treasury Shares in 2020" 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 31 December 2020 is given below:

Name and Surname	Investee company	Number of shares as at 31 December 2019	Number of shares purchased in 2020	Number of shares sold in 2020	Number of shares as at 31 December 2020
Michele Bianchi (*)	Reno De Medici S.p.A.		2,262,857	1,000,000	1,262,857
Giulio Antonello	Reno De Medici S.p.A.	150,000			150,000

(*) Following the achievement of the objectives defined in the Stock Grant Plan for the three-year period 2017/2018/2019, the Board of Directors of March 16, 2020 authorized the free allocation of 2,262,857 shares of Reno De Medici S.p.A. to Mr. Michele Bianchi.

Information on relations with subsidiaries, associates and joint ventures

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

RDM's transactions with its subsidiaries and associates refer mainly to:
- commercial promotion and marketing services with the foreign subsidiaries R.D.M. Marketing;
- sales of cartonboard and raw materials to R.D.M. Ovaro S.p.A.;
- 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., PAC Service S.p.A. and marketing companies 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. belong;
- 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 PAC Service S.p.A., and the marketing companies 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. is a participant company. 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 and R.D.M. is a participant company. Marketing France S.A.S. and R.D.M. La Rochette S.A.S.

More information on the Company's rules on related-party transactions, which were adopted on November 8, 2010 and conform to Consob Resolution no. 17221 of 12 March 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 2020 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 12 March 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.

On 15 June 2020, in accordance with the agreements signed with Friulia S.p.A. in 2017, Reno De Medici S.p.A. repurchased, at a price of €692,682, the last stake, equal to 5%, of the shareholding owned by Friulia S.p.A. in R.D.M. Ovaro S.p.A. After this transaction, the company R.D.M. Ovaro S.p.A. is wholly owned by Reno De Medici S.p.A.

In order to keep the partnership with Friulia S.p.A., on December 16, 2020 the Shareholders' Meeting of R.D.M. Ovaro S.p.A. resolved to increase the overall share capital to €12,625,000 through the issue of 125,000 preference shares that were subscribed by the "Finanziaria Regionale Friuli-Venezia Giulia - Joint Stock Company - FRIULIA S.p.A." ("Friulia"). After this transaction, Friulia S.p.A. acquired a 0.99% stake in R.D.M. Ovaro S.p.A.

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

Subsequent events

On February 15, the Board of Directors of Reno De Medici S.p.A. Evaluated favorably an irrevocable offer, received by its subsidiary RDM Blendecques S.A.S., for the assignment of the 100% of the share capital, of R.D.M. La Rochette S.A.S.

At the same date, RDM Blendecques S.A.S. has therefore signed the contract of sale option of R.D.M. La Rochette S.A.S., wholly owned by it.

The signing of the option contract involves the assumption of exclusivity for the entire duration of the offer by RDMS Blendecques S.A.S. and the initiation of labor law and trade union procedures provided of the French legislation, at the outcome of which a binding contract can be signed for the sale of 100% of the share capital of R.D.M. La Rochette S.A.S., whose conclusion is expected in the first half of 2021.

The above mentioned irrevocable offer attributed to R.D.M. La Rochette S.A.S. an Enterprise Value of €28.8 million and provides a final price, with the financial indebtedness and other adjustments deducted, of about €11 million (Equity Value). The offer includes also a variable price "earnout" component on higher EBITDA realized, as compared with the reference one, in the next three years. The offer also provides that at the date of closing the final price will be adjusted on the basis of variations of the financial position and of the working capital with respect to the values set between the parties.

The operation will have no material impact on 2021 results of the RDM Group since the 2020 budget already includes a devaluation of €3.7 million in order to align the book value of assets relating to the CGU La Rochette to their market value.

A definitive agreement for the sale of land in Boffalora sopra Ticino to the Vetropack was signed on 11 February. The price of the sale was determined at €13 million. This operation will not have important impacts on the results of the 2021 since a devaluation equal to €1.5 million has already been entered in the budget at 31 December 2020.

Outlook

The current situation is still characterized by the second wave of the health emergency, whose duration and possible effects are obviously difficult to predict.

The new health crisis clearly makes it even more difficult to predict the duration of recession caused by the beginning of the pandemic in March 2020 and its effects on the global economy. On the other hand, we still have to understand what positive effects may be brought by interventions in support of the economy implemented by the European Union and the possible effects on the current recession.

The good trend of volumes in the course of the financial year 2020, mainly due to the essential character of our products, the capacity to cope with the emergency and ensure business continuity demonstrated up to now and finally the positive trend in volumes in the fourth quarter of 2020 in full second wave of the pandemic, lead us to exclude negative effects in the first part of the year in terms of volumes.

In the core business of the Group RDM, White Lined Chipboard (WLC), the outlook in the short term (the first quarter of 2021) is characterized by the uncertainties arising from the development of sales prices and of main variable costs. The prices of scrap paper, after the strong increase in the second quarter of 2020 due to the decrease of the collection, and the decrease in the third quarter of 2020, have recorded a further increase in the last quarter of 2020, substantially caused by an increase in demand linked to the starting of production capacity in paper for corrugated cardboard and by the recovery of the economy in Asian countries. In the face of the increase in the price of scrap paper and of the main energy components, an increase in sales prices was announced in January 2021, the effect of which would be visible only from the month of March 2021. The first quarter 2021 could then be negatively affected by a lower level of added value compared to 2020, but that we hope this can be recovered and compensated for in the course of the year thanks to the increases in the price of the finished product that were implemented.

As regards the Folding Box Board (FBB) sector, basically the same considerations made for the WLC sector apply and, here too, the prices of the raw material are registering increases in line with the inflation recorded by all commodities. The increase in raw material prices could lead to a reduction of the value added in relation to the expectations also for the FBB sector. Therefore, it will be dutiful to review pricing policies of the finished product if necessary and continue to work on production efficiency.

As regards energy prices, we are witnessing a generalized increase at the end of the financial year 2020, after the reductions recorded in the course of 2019, and the further reduction of the main components of energy used by the Group (electricity, gas and coal) in 2020, once again linked to the Covid-19 emergency, which has led to the closure of many productive sectors and the fall in the price of oil. The negative effect will still be partly mitigated by the coverage of consumption of gas, which represents the main source of supply of the group.

The RDM Group will continue along its own strategic route, with a focus on three specific lines of action designed to improve its performance in the medium-long term:

- Revision of the program to integrate RDM Barcelona Cartonboard and the announced acquisition of Paprinsa in Spain to capture the full benefits of synergies in multi mill optics;
- Strengthening of the operational efficiencies through Lean Manufacturing programs, including the customer service level;
- The implementation of the company computerization plan.

In the course of the financial year 2020 the RDM Group has not suffered from particular adverse effects due to lost revenue from customers, but is still considering all possible actions necessary to mitigate any possible future effects on net financial position, which at the moment is still very solid and confirms an excellent cash generation trend.

Report on corporate governance and on the ownership structure (article 123-*bis* of legislative decree no. 58 of 24 february 1998)

The Report on Corporate Governance and Ownership Structure, which contains information on Reno De Medici S.p.A.'s compliance with the Corporate Governance Code for listed companies issued by Borsa Italiana S.p.A., as well as the additional information required by paragraphs 1 and 2 of Article 123-bis of Legislative Decree No. 58 of 24 February 1998, can be found, together with this Report, in the Company/Governance/Shareholders' Meeting section of the website www.rdmgroup.com and on the authorized storage system, "eMarketStorage" (www.emarketstorage.com).

04. Reno De Medici Group Consolidated Financial Statements as at December 31, 2020

Consolidated statement of income

	Note	12.31.2020	12.31.2019
(thousands of Euros)			
Revenues from sales	1	679,461	701,591
- of which related parties	32	*12,046*	*11,752*
Other revenues and income	2	12,725	10,604
- of which related parties	32	*80*	*88*
Change in inventories of finished goods	3	(10,464)	3,637
Cost of raw materials and services	4	(484,547)	(533,446)
- of which related parties	32	*(69)*	*(103)*
Personnel costs	5	(108,016)	(104,132)
Other operating costs	6	(5,348)	(5,899)
Gross operating profit		**83,811**	**72,355**
Depreciation and amortization	7	(31,672)	(31,657)
Write-downs and revaluations	8	(5,188)	(10,280)
Operating profit		**46,951**	**30,418**
Financial expense		*(2,952)*	*(5,808)*
Gains (losses) on foreign exchange		*(575)*	*123*
Financial income		*2,296*	*311*
Net Financial income (expense)	9	(1,231)	(5,374)
Gains (losses) on investments	10	271	179
Taxes	11	(12,440)	(9,626)
Profit (loss) for the year before discontinued operations		**33,551**	**15,597**
Profit (loss) for the year		**33,551**	**15,597**
Total profit (loss) for the year attributable to:			
- Group		33,551	15,597
- Minority interests			
Average number of shares			
Basic		375,421,052	375,283,384
Diluted		375,421,052	375,283,384
Basic earning (loss) per ordinary share (Euros)		0.09	0.04
Diluted earning (loss) per ordinary share (Euros)		0.09	0.04

Consolidated statement of comprehensive income

	12.31.2020	12.31.2019
(thousands of Euros)		
Profit (loss) for the year	**33,551**	**15,597**
Other components of comprehensive profit (loss)		
Other components that may be transferred to the income statement in subsequent financial years:	**214**	**(419)**
Change in fair value of cash flow hedges	*339*	*(431)*
Profit (loss) on translation of financial statements of foreign investee companies	*(125)*	*12*
Other components that will not be transferred to the income statement in subsequent financial years:	**(1,172)**	**(3,082)**
Actuarial gain (loss) on employee benefits	*(1,172)*	*(3,082)*
Total other components of comprehensive profit (loss)	**(958)**	**(3,501)**
Total comprehensive profit (loss)	**32,593**	**12,096**
Total comprenhensive profit (loss) attributable to:		
- Group	*32,593*	*12,096*
- Minority interests		

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

Consolidated statement of financial position

	Note	12.31.2020	12.31.2019
(thousands of Euros)			
ASSETS			
Non-current assets			
Tangible fixed assets	12	220,745	232,586
Right-of-use asset	13	15,166	12,371
Goodwill	14	4,389	4,389
Intangible fixed assets	15	14,013	13,632
Intangible assets with an indefinite useful life	15	2,736	2,736
Equity investments	16	950	810
Deferred tax assets	17	243	389
Other receivables	19	5,823	5,518
Total non-current assets		**264,065**	**272,431**
Current assets			
Inventories	20	102,231	108,948
Trade receivables	18	59,959	70,317
Receivables from associates and joint ventures	18	6,272	6,812
Other receivables	19	18,774	16,552
Derivative instruments	23	712	
Cash and cash equivalents	21	62,985	40,382
Total current assets		**250,933**	**243,011**
TOTAL ASSETS		**514,998**	**515,442**

	Note	12.31.2020	12.31.2019
(thousands of Euros)			
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		140,000	140,000
Other reserves		26,400	27,478
Retained earnings (losses)		34,176	22,403
Profit (loss) for the year		33,551	15,597
Shareholders' equity attributable to the Group		**234,127**	**205,478**
Total shareholders' equity	22	**234,127**	**205,478**
Non-current liabilities			
Payables to banks and other lenders	21	50,845	63,986
Derivative instruments	23	388	752
Deferred taxes	25	7,231	8,660
Employee benefits	26	37,245	36,410
Non-current provisions for risks and charges	27	5,380	4,221
Total non-current liabilities		**101,089**	**114,029**
Current liabilities			
Payables to banks and other lenders	21	21,062	25,610
Derivative instruments	23	517	2,211
Trade payables	28	130,811	141,209
- of which related parties	32	*1*	*2*
Other payables	24	23,205	22,952
Other payables to associates and joint ventures	24	101	101
Current taxes	29	2,447	2,884
Employee benefits	26	113	98
Current provisions for risks and charges	27	1,526	870
Total current liabilities		**179,782**	**195,935**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**514,998**	**515,442**

Consolidated statement of cash flow

	Note	12.31.2020	12.31.2019
(thousands of Euros)			
Profit (Loss) for the year before taxes		45,991	15,597
Depreciation, amortization and write-downs	7-8	36,860	41,937
Losses (gains) from equity investments	10	(271)	(179)
Financial expense (income)	9	1,231	5,374
Capital losses (gains) on sale of fixed assets		32	(115)
Change in provisions for in employee benefits and in other provisions including the provision for bad and doubtful receivables		1,017	(4,020)
Change in inventories	20	7,205	(1,626)
Change in receivables	18	7,120	3,373
- of which related parties		*540*	*(34)*
Change in payables	28	(12,526)	5,529
Total change in working capital		**1,799**	**7,276**
Gross cash flows		**86,659**	**75,496**
Interest (paid) collected in the year		(2,349)	(1,999)
Taxes paid in the year		(11,610)	(12,376)
Cash flow from operating activities		**72,700**	**61,121**
Other equity investments	16	(7)	1
Investment net of disinvestment in tangible and intangible assets	12-15	(21,904)	(29,170)
Dividends received		138	62
Cash flow from investing activities		**(21,773)**	**(29,107)**
Dividends paid		(3,027)	(2,633)
Treasury shares		(478)	
Change in medium/long-term loans	21	(24,728)	(20,168)
Cash flow from financing activities		**(28,233)**	**(22,801)**
Exchange rate translation differences		**(91)**	**(12)**
Change in unrestricted cash and cash equivalents		**22,603**	**9,201**
Unrestricted cash and cash equivalents at the beginning of the year		**40,382**	**31,181**
Unrestricted cash and cash equivalents at the end of the year		**62,985**	**40,382**

Consolidated statement of shareholders' equity

	Share capital	Treasury shares reserve	Legal reserve	Other reserves
(thousands of Euros)				
Shareholders' equity at 12.31.2018 restated	**140,000**	**(1,060)**	**1,477**	**36,536**
Dividends distributed				
Allocation of profit (loss) for the year			898	
IFRS 9 Reserve				
Profit (loss) for the year				
Other components of comprehensive profit (loss)				12
Total comprehensive profit (loss)				12
Shareholders' equity at 12.31.2019	**140,000**	**(1,060)**	**2,375**	**36,548**
Dividends distributed				
Allocation of profit (loss) for the year			797	
Purchase of treasury shares less the shares assigned		(479)		
Stock Grant Reserve				(438)
Profit (loss) for the year				
Other components of comprehensive profit (loss)				(125)
Total comprehensive profit (loss)				(125)
Shareholders' equity at 12.31.2020	**140,000**	**(1,539)**	**3,172**	**35,985**

Retained earnings (losses)	Profit (loss) for the year	Hedging reserve	Reserve for "Actuarial gain/ (loss)"	Total Shareholders' Equity (Group)	Total Shareholders' Equity (minority shareholders)	Total shareholders' equity
(2,457)	**28,367**	**(456)**	**(6,416)**	**195,991**		**195,991**
	(2,633)			(2,633)		(2,633)
24,836	(25,734)					
24				24		24
	15,597			15,597		15,597
		(431)	(3,082)	(3,501)		(3,501)
	15,597	(431)	(3,082)	12,096		12,096
22,403	**15,597**	**(887)**	**(9,498)**	**205,478**		**205,478**
	(3,027)			(3,027)		(3,027)
11,773	(12,570)					
				(479)		(479)
				(438)		(438)
	33,551			33,551		33,551
		339	(1,172)	(958)		(958)
	33,551	339	(1,172)	32,593		32,593
34,176	**33,551**	**(548)**	**(10,670)**	**234,127**		**234,127**

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 19, 2021.

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 2020 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").

The RDM Group applied the same accounting principles as for the Annual Financial Report at December 31, 2019.

ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FROM JANUARY 1, 2020 SPECIFYING ANY IMPACT IN THESE SEPARATE FINANCIAL STATEMENTS FOR EACH OF THEM:

- "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;
- Amendment to IFRS 3 "Definition of a Business";
- Amendment to IFRS 16; "Covid-19 Related Rent Concessions".

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:

- Amendment to IFRS 4; "Extension of the Temporary Exemption from Applying IFRS 9";
- Amendments to IFRS 9, IFRS 39, IFRS 7, IFRS 4, IFRS 16: "Interest Rate Benchmark Reform—Phase 2".

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 IAS 1: "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current";
- Amendment to IFRS 3; "Business Combinations;
- Amendment to IAS 16: "Property, Plant and Equipment;
- Amendment to IAS 37: "Provisions, Contingent Liabilities and Contingent Assets."
- IFRS 14 – Regulatory Deferral Accounts;
- Annual Improvements 2018-2020: Amendments were made to IFRS 1 - "First-time Adoption of International Financial Reporting Standards", IFRS 9 - "Financial Instruments", IAS 41 - "Agriculture" and Illustrative Examples of IFRS 16 - "Leases".

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/1000)	Control percentage 12.31.2020		Control percentage 12.31.2019	
				direct	indirect	direct	indirect
R.D.M. Arnsberg GmbH	Arnsberg (DE)	Industrial	5,113	94%	6%	94%	6%
RDM Blendecques S.A.S.	Blendecques (FR)	Industrial	5,037	100%		100%	
Cartiera Alto Milanese S.r.l. in liquidation	Milan (IT)	Commercial				100%	
Cascades Grundstück GmbH & Co. KG	Arnsberg (DE)	Services	33	100%		100%	
R.D.M. Magenta S.r.l.	Milan (IT)	Industrial	3,700	100%		100%	
R.D.M. Ovaro S.p.A.	Milan (IT)	Industrial	12,625	99.01%		95%	
R.D.M. La Rochette S.A.S.	La Rochette (FR)	Industrial	4,000		100%		100%
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%		100%	
R.D.M. Marketing France S.A.S.	Saint-Denis (FR)	Commercial	337	100%		100%	
R.D.M. Marketing Germany GmbH	Krefeld (DE)	Commercial	210	100%		100%	
R.D.M. Marketing Spain S.L.U.	El Prat de Llobregat (ES)	Commercial	26	100%		100%	
R.D.M. Marketing UK Ltd	Wednesbury (UK)	Commercial		100%		100%	
R.D.M. Marketing Czech Republic s.r.o.	Prague (CZ)	Commercial	19	100%		100%	
R.D.M. Marketing Hungaria Kft.	Budapest (HU)	Commercial	16	100%		100%	
R.D.M. Marketing Poland Sp. z o.o.	Warsaw (PL)	Commercial	11	100%		100%	

The scope of consolidation changed on December 31, 2020.

- On 15 June 2020, in accordance with the agreements signed with Friulia S.p.A. in 2017, Reno De Medici S.p.A. repurchased, at a price of €692,682, the last stake, equal to 5%, of the shareholding owned by Friulia S.p.A. in R.D.M. Ovaro S.p.A. After this transaction, the company R.D.M. Ovaro S.p.A. is wholly owned by Reno De Medici S.p.A.

In order to keep the partnership with Friulia S.p.A., on December 16, 2020 the Shareholders' Meeting of R.D.M. Ovaro S.p.A. resolved to increase the overall share capital to €12,625,000 through the issue of 125,000 preference shares that were subscribed by the "Finanziaria Regionale Friuli-Venezia Giulia - Joint Stock Company - FRIULIA S.p.A." ("Friulia"). After this transaction, Friulia S.p.A. acquired a 0.99% stake in R.D.M. Ovaro S.p.A.

More details on this can be found in the section "Contingent liabilities, commitments, and other guarantees given to third parties".

On November 10, 2020, the company liquidator Cartiera Alto Milanese S.r.l. under liquidation canceled it from the Company Register.

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

Corporate name	Registered office	Assets	Share capital (Eur/1000)	Control percentage 12.31.2020 direct	Control percentage 12.31.2020 indirect	Control percentage 12.31.2019 direct	Control percentage 12.31.2019 indirect
Associates							
Emmaus Pack S.r.l.	Milano (I)	Industriale	200	34.39%		34.39%	
Joint ventures							
RECOG.SEL.PAP. Y CART. C., A.I.E.	Barcellona (S)	Industriale	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 affiliated are prepared in the currency of the economic area they mainly operate in (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 12.31.2020
GBP	0.8508	0.9062	0.8990
PLN	4.2568	4.4786	4.5597
CZK	25.4080	26.3114	26.2420
HUF	330.53	359.01	363.89

EQUITY INVESTMENTS

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

The consolidated financial statements include the Group's share of the results of associates in which its investments are valued with equity method, from the date that significant influence or joint control is acquired until the date that it ceases to exist. The Group's share of unrealized profits from transactions between Group companies is eliminated. Unrealized losses from transactions between Group companies are eliminated unless they represent actual impairment of the asset sold.

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

ASSOCIATES

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

JOINT VENTURES

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

BUSINESS COMBINATIONS

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

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

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

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

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

TANGIBLE FIXED ASSETS

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

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

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

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

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

The 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 indication that tangible assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss, as described in the section "Impairment" below.

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

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

RIGHTS OF USE

"Rights of use" is recorded under assets on the effective lease date, which is the date a lessor makes the underlying asset available to the lessee. This item is initially measured at cost and includes the initial measurement of the Financial liability for leased assets. The Right of Use is systematically amortized each financial year on the basis of the contractual duration. The commencement of amortization occurs on the effective date of the lease.

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

The recoverable amount is the higher of fair value less costs to sell and value in use. The fair value is estimated by taking into account the provisions contained 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 Company expects to incur to carry out restructuring plans are recorded in the financial year in which the Group formally defined such plans and gave to the entities concerned a valid expectation that the restructuring will take place.

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

PAYABLES TO BANKS AND OTHER LENDERS

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

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

TRADE AND OTHER PAYABLES

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

REVENUE RECOGNITION

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

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

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

TAXES

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

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

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

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

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

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

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

Reno De Medici S.p.A. and some of its Italian subsidiaries (R.D.M. Ovaro S.p.A. and R.D.M. Magenta S.r.l.) participated in the national tax consolidation scheme pursuant to Article 117 et seq. of the Consolidated Income Tax Act (TUIR). The Company acts as the consolidating company and 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 document required by IFRS 7 tenet "Financial Instruments: Supplementary Information", which requires extensive disclosures about the nature of credit, liquidity and market risks and how these risks are managed, reference is made to the "Financial Instruments and Risk Management" section of the Explanatory 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. Additionally, in order to calculate deferred tax assets, the RDM Group employs estimates and valuations which also take into account expectations of future events.

IMPAIRMENT TESTS

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

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 (CGU) 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., 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.

It should be noted that as at December 31, 2020 no impairment indicators were identified and therefore the company did not prepare any impairment test. However, against the signing of an option contract for the sale of R.D.M.. La Rochette S.A.S., held through the subsidiary RDM Blendecques S.AS., wrote down some of tangible assets related to the subsidiary subject to options for a total of EUR 3.7 million in order to align its carrying amount using the fair value method deduced from the sale costs. This value represents the best estimate of the directors on the basis of the data that was available on the date of the valuation, including the variable components of the sale price earn out) determined on the higher EBITDA realized in financial years 2021-2023, compared with the reference value.

Additionally, an impairment test is conducted annually on the PAC Service S.p.A. CGU 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 6.04% 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, 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 units.

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

The following segment information has been prepared on the basis of the reports that company management uses and reviews to assess performance and to make its main strategic decisions.

The RDM Group's business is divided into two sectors, white lined chipboard (WLC) based on recycled fibers and folding box board (FBB) based on virgin fibers.

The reporting used by the directors highlights the results in the two operating segments, WLC, represented by the plants in France, Germany and Spain, 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. The unallocated items and adjustments include amounts deriving from intra-group transactions among the different sectors.

The following table provides profit and loss data by operating segments for 2020 and 2019:

Income statement 12.31.2020	WLC	FBB	Unallocated items and adjustments	Consolidated
(thousands of Euros)				
Revenues from sales	**575,046**	**115,888**	**(11,473)**	**679,461**
Intercompany by segment	(10,740)	(733)	11,473	
Revenues from sales from third parties	**564,306**	**115,155**		**679,461**
Gross operating profit	**73,562**	**10,290**	**(41)**	**83,811**
Depreciation and amortization	(29,952)	(1,666)	(54)	(31,672)
Write-downs and revaluations	(1,515)		(3,673)	(5,188)
Operating profit	**42,095**	**8,624**	**(3,768)**	**46,951**
Net Financial income (expense)	357	(364)	(1,224)	(1,231)
Gains (losses) on investments	6,337		(6,066)	271
Taxes	(11,380)	(993)	(67)	(12,440)
Profit (loss) for the year	**37,409**	**7,267**	**(11,125)**	**33,551**
Portions of profit or loss of equity-accounted investments	271			271
Total investments	**16,659**	**3,188**		**19,847**

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	
Revenues from sales from third parties	**591,273**	**110,318**		**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 (expense)	(4,692)	(455)	(227)	(5,374)
Gains (losses) on investments	562		(383)	179
Other income (expense)	(9,210)	(390)	(26)	(9,626)
Taxes	**22,305**	**(6,724)**	**16**	**15,597**
Portions of profit or loss of equity-accounted investments	179			179
Total investments	**23,902**	**2,878**		**26,780**

Notes

1. REVENUES FROM SALES

These revenues arise essentially from the sale of cartonboard:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Revenues from sales	679,461	701,591	(22,130)
Total	**679,461**	**701,591**	**(22,130)**

The following table provides a geographical breakdown of sales revenues:

	12.31.2020	12.31.2019	Variation	%
(thousands of Euros)				
Italy	201,973	203,210	(1,237)	-1%
European Union	386,705	401,228	(14,523)	-4%
Rest of the world	90,783	97,153	(6,370)	-7%
Total revenues from sales	**679,461**	**701,591**	**(22,130)**	**-3%**

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 €679 million in 2020. The change compared with the previous year, equal to EUR 22.1 million, is essentially due to the decrease in average sales prices on account in WLC and FBB.

2. OTHER REVENUES

Other revenues can be broken down into the following categories:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Grants	2,070	897	1,173
Indemnities	171	154	17
Energy revenues	7,507	6,504	1,003
Other revenues	2,977	3,049	(72)
Total	**12,725**	**10,604**	**2,121**

"Grants" essentially include:

- ordinary contributions from Comieco, amounting to EUR 184 thousand, relating to the use of waste paper from public separated waste collection;
- contributions of EUR 1.9 million in favor of the French subsidiary R.D.M. La Rochette S.A.S. and the German subsidiary R.D.M. Arnsberg GmbH, and the Spanish subsidiary RDM Barcelona Cartonboard S.A.U., 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, to income from the sale of electricity in 2020, and the energy-efficiency certificates (so-called 'white certificates') assigned to Italian mills over the 2020.

"Other revenues" mainly includes contingent assets of EUR 1.8 million and other minor revenue.

3. CHANGE IN INVENTORIES OF FINISHED GOODS

The change in inventories was negative for EUR 10.5 million compared with positive 3.6 million at December 31, 2019. This change is due to an increase in demand deriving from a greater supply of stocks by customers, following fears of possible production stoppages as a result of the Covid emergency.

4. COST OF RAW MATERIALS AND SERVICES

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Cost for raw materials	**271,895**	**302,666**	**(30,771)**
Purchases of raw materials	275,935	301,388	(25,453)
Change in inventories of raw materials	(4,040)	1,278	(5,318)
Commercial services	**57,137**	**56,601**	**536**
Transport	52,813	52,159	654
Commission and agents' costs	4,324	4,442	(118)
Industrial services	**130,800**	**148,211**	**(17,411)**
Energy	83,114	98,597	(15,483)
Maintenance	18,418	20,988	(2,570)
Waste Disposal	17,840	17,350	490
Other industrial services	11,428	11,276	152
General services	**22,750**	**24,314**	**(1,564)**
Insurance	2,465	2,458	7
Legal, notarial, administrative and contractual services	6,332	6,909	(577)
Board of Directors	661	710	(49)
Board of Statutory Auditors	233	260	(27)
Postal and telecommunication	1,105	1,097	8
Other costs	11,954	12,880	(926)
Cost for use of third-party assets	**1,965**	**1,654**	**311**
Rental and leasing	1,965	1,654	311
Total	**484,547**	**533,446**	**(48,899)**

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.

This item recorded a decrease of EUR 31 million, basically due to the reduction in the average cost of both recycled and virgin fibers.

As regards the main factors of production, the price of scrap paper, after strong price decreases in the previous two years, has made a further sensible decrease at the beginning of 2020. This decrease reversed starting from mid-March as a result of a decrease in supply resulting from lower city collections as a result of the Covid -19 emergency. A new downward trend was, however, recorded starting in July. It was not until the last quarter of 2020 that a new increase in prices occurred, supported by an increased demand coming primarily from the *containerboard* sector. On the other hand, the price of virgin cellulosic fibers, after peaking in fiscal 2018 and then falling sharply in 2019, has been stable.

Costs for services show a decrease of EUR 18.4 million basically due to the reduction in the purchase prices of the Group's main energy supply sources, namely natural gas, electricity and coal, a reduction that had already begun in 2019. As last year, in 2020 the positive effect resulting from price dynamics was mitigated by medium-term purchase agreements concluded by the Group.

"Costs for use of third-party assets" at December 31, 2020 amount to EUR 2 million, in line with the one from the previous year,

5. PERSONNEL COST

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Wages and salaries	77,254	76,453	801
Social security contributions	24,294	23,560	734
Allowance for defined-contribution plans	2,981	1,714	1,267
Allowance for defined-benefit plans	703	857	(154)
Other costs	2,784	1,548	1,236
Total	**108,016**	**104,132**	**3,884**

Personnel costs amounted to EUR 108 million, up EUR 3.9 million compared with EUR 104 million as at December 31, 2019. This change is due to contractual increases and productivity gains, as well as to the share pertaining to the 2020-2022 incentive plans for top management based on *performance phantom shares* and *stock grants*.

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	**12.31.2020**	**12.31.2019**	**Variation**
Executives	40	41	(1)
White-collars	443	452	(9)
Blue-collars	1,246	1,273	(27)
Total	**1,729**	**1,766**	**(37)**

Average employees by category	**12.31.2020**	**12.31.2019**	**Variation**
Executives	42	37	5
White-collars	446	452	(6)
Blue-collars	1,253	1,264	(11)
Total	**1,741**	**1,753**	**(12)**

6. OTHER OPERATING COSTS

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Provisions for risks	88		88
Write-downs of current receivables	853	382	471
Other operating expenses	4,407	5,517	(1,110)
Total	**5,348**	**5,899**	**(551)**

"Other operating expenses" amount to EUR 5.3 million, in line with the previous year, and primarily include miscellaneous operating expenses of EUR 4.4 million.

"Other operating costs consists mainly of various taxes incurred by Group companies, membership subscriptions to various trade associations, and various contingent liabilities.

7. AMORTIZATION AND DEPRECIATION

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

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Amortization of intangible assets	1,702	1,347	355
Depreciation of tangible fixed assets	26,439	27,002	(563)
Depreciation and amortization of Right-of-use asset	3,531	3,308	223
Total	**31,672**	**31,657**	**15**

Depreciation and amortization expense as of December 31, 2020 was EUR 31.7 million in line with that reported as of December 31, 2019.

8. WRITE-DOWNS

At December 31, 2020, write-downs stood at EUR 5.2 million and include:

- the write-down of land located in Boffalora sopra Ticino owned by Reno de Medici S.p.A., for a value of EUR 1.5 million. It should be noted, in fact, that on 11 February 2021 this land was the subject of a purchase and sale agreement to Vetropack Group, and, therefore, its book value was aligned to its realisable value.
- the write-down of the assets of R.D.M. La Rochette S.A.S.., for an amount of EUR 3.7 million. Please refer to the description in the paragraph "Impairment test" for more details.

9. NET FINANCIAL INCOME (EXPENSES)

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Financial income	**2,296**	**311**	**1,985**
Interest and other financial income	78	311	(233)
Income from derivative financial instruments	2,218		2,218
Financial expense	**(2,952)**	**(5,808)**	**2,856**
Interest paid to banks	(408)	(799)	391
Loss on derivative financial instruments	(285)	(1,871)	1,586
Financial expense on defined-benefit plans	(276)	(534)	258
Interest on leased assets (IFRS16)	(460)	(517)	57
Expenses, commission and other financial charges	(1,523)	(2,087)	564
Exchange rate differences	**(575)**	**123**	**(698)**
Exchange rate income	1,173	1,053	120
Exchange rate expenses	(1,748)	(930)	(818)
Total	**(1,231)**	**(5,374)**	**4,143**

Net Financial Expense at December 31, 2020 amounted to EUR 1.2 million, a decrease of EUR 4.1 million compared with December 31, 2019. The decrease is mainly due to the financial income recognized following the valuation at December 31, 2020 of derivatives entered into by the Spanish subsidiary to hedge gas purchases and energy sales. In spite of these agreements having been concluded for hedging purposes, they were not recorded under *Hedge accounting*.

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. INCOME (LOSSES) FROM EQUITY INVESTMENTS

Income from equity investments amounted to EUR 271 thousand, compared to the EUR 179 thousand recorded in 2019, and related to the revaluation of the investment in the company Emmaus Pack S.r.l. valued using the equity method.

11. TAXES

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Prepaid taxes	1,046	1,206	(160)
Current taxes	(13,486)	(10,832)	(2,654)
Total	**(12,440)**	**(9,626)**	**(2,814)**

Deferred taxes at December 31, 2020, of EUR 1 million, basically include the recording of the deferred tax liabilities of the subsidiary R.D.M. Ovaro S.p.A. (EUR 0.2 million), net of the recording of deferred tax assets by the Parent company Reno De Medici S.p.A. (EUR 0.8 million) and the subsidiary R.D.M. Arnsberg GmbH (EUR 0.5 million).

Current taxes amount to €13.5 million at December 31, 2020, up by €2.7 million compared to 2019, mainly due to greater taxable income generated by some companies with previous accumulated tax losses.

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	%	12.31.2020
(thousands of Euros)			
Profit (loss) before tax	46,611		
Theoretical tax burden		29.7%	**13,843**
Reversal of temporary differences arising in previous years	335		
Temporary differences which will be reversed in future years	5,247		
Permanent differences which will not be reversed in the future years	(9,357)		
Total differences	**(3,775)**		
Use of previous tax losses	(1,606)		
Actual tax burden	**41,230**	**29.7%**	**12,245**

Reconciliation between the theoretical and actual tax burden (IRAP)

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

12. TANGIBLE FIXED ASSETS

Changes in tangible assets during 2019 and 2020 are as follows:

	Lands	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 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 12.31.2019							
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**

	Lands	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euros)							
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**
Increases	80	550	7,197	43	568	11,409	19,847
Decreases	(27)	(1,902)	(667)		(19)		(2,615)
Reclassification of cost	19	361	12,410	33	105	(12,928)	
Depreciation for the year		(3,001)	(23,183)	(25)	(230)		(26,439)
Write-downs for the year	(1,515)	(827)	(2,846)				(5,188)
Decrease in provision for acc. depr./write-downs		1,902	640		12		2,554
Value as at 12.31.2020							
Historical cost	45,134	91,533	733,289	1,583	15,719	11,632	898,890
Accumulated depreciation/ write-downs	(1,515)	(63,793)	(597,008)	(1,407)	(14,422)		(678,145)
Net book value as 12.31.2020	**43,619**	**27,740**	**136,281**	**176**	**1,297**	**11,632**	**220,745**

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 subsidiary Barcelona Cartonboard S.A.U.

"Buildings" relates mainly to 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 2020, the RDM Group's capital expenditures totalled €19.8 million (€26.8 million in 2019).

The objectives 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 (Italy) Mill:** work began on the construction of a Steam Boiler which will be completed in August 2021;
- **Villa Santa Lucia Mill (Italy):** installation of a new gas turbine. The boiler modernization work has started and this will complete the plant reconstruction project. Moreover, work has begun to improve the pulp preparation plant with the aim of increasing the quality of the finished product;
- **Ovaro Mill (Italy) Mill:** maintenance interventions performed to improve plant safety;
- **La Rochette Mill (France):** work began on the construction of a new wastewater control plant. The system will be completed during the first half of 2021;

- **Barcelona Mill (Spain):** work began on the construction of a new pulp preparation plant;

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 EUR 219.7 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, 2020 amounted to EUR 37.7 million.

13. RIGHTS OF USE

This item, which amounts to EUR 15.2 million, refers to the rights of use for leased assets which, following the introduction of IFRS 16, were accounted for under intangible fixed assets.

	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Software	Total
(thousands of Euros)						
First-time adoption (01.01.2019)	**3,327**	**2,020**	**69**	**643**		**6,059**
Increases	6,591	1,902		550	966	10,009
Decreases	(222)	(38)		(155)		(415)
Reclassification of cost	2	140	(51)	(91)		
Depreciation and amortization for the year	(1,478)	(1,223)	(8)	(277)	(322)	(3,308)
Decrease in provision for acc. depr./write-downs	18			8		26
Value as at 12.31.2019						
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**

	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Software	Total
(thousands of Euros)						
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**
Increases	4,065	2,023	35	456	92	6,671
Decreases	(334)	(786)	(7)	(207)		(1,334)
Depreciation and amortization for the year	(1,624)	(1,217)	(9)	(340)	(341)	(3,531)
Decrease in provision for acc. depr./write-downs	237	621	6	155		1,019
Other movements	(28)			(2)		(30)
Value as at 12.31.2020						
Historical cost	13,401	5,261	46	1,194	1,058	20,960
Accumulated depreciation/ write-downs	(2,847)	(1,819)	(11)	(454)	(663)	(5,794)
Net book value as at 12.31.2020	**10,554**	**3,442**	**35**	**740**	**395**	**15,166**

The change compared with the previous year, equal to EUR 2.8 million, is essentially due to the allocation of leasing certificates which took place in 2020.

14. GOODWILL

"Goodwill" stands at EUR 4.4 million and refers to PAC Service S.p.A.

15. INTANGIBLE FIXED ASSETS

Changes in Intangible fixed assets during 2019 and 2020 were as follows:

(thousands of Euros)	Concessions, licenses, trademarks and similar rights	Other	Assets under construction	Total intangible assets with a definite useful life	Intangible assets with an indefinite useful life
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)	
Write-downs for the year					(830)
Reclassification of cost	155		(155)		
Amortization for the year	(1,140)	(207)		(1,347)	
Net book value as at 12.31.2019	**4,195**	**2,674**	**6,763**	**13,632**	**2,736**

(thousands of Euros)	Concessions, licenses, trademarks and similar rights	Other	Assets under construction	Total intangible assets with a definite useful life	Intangible assets with an indefinite useful life
Net book value as at 12.31.2019	**4,195**	**2,674**	**6,763**	**13,632**	**2,736**
Increases	32	16	2,035	2,083	
Reclassification of cost	1,648		(1,648)		
Amortization for the year	(1,495)	(207)		(1,702)	
Net book value as at 12.31.2020	**4,380**	**2,483**	**7,150**	**14,013**	**2,736**

Intangible fixed assets with a definite useful life stood at EUR 14 million, an increase of EUR 0.4 million compared with the previous year. This change is due to amortization for the period partially offset by increases in intangible assets ongoing due to the progress of the project to implement the new ERP.

It should be noted that November 1st was the go-live date of the new ERP in R.D.M. Ovaro S.p.A. after which 1.3 million has been reclassified from item "Fixed assets under construction" to item "Concessions, licenses, trademarks and similar rights".

"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 it was not necessary to record any impairment.

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

16. EQUITY INVESTMENTS

	Book value 12.31.2019	Change in scope of consolidation	Reclassification	Investments	Divestments	Elimination of dividends from associates	Write-downs / Revaluations	Book value 12.31.2020
(thousands of Euros)								
Associates								
Emmaus Pack S.r.l.	379					(138)	271	512
Joint Ventures	**2**							**2**
Other investments								
Scierie De Savoie	340							340
Comieco	27							27
Conai	24							24
Other minority investments	38			7				45
Total	**810**			**7**		**(138)**	**271**	**950**

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 EUR 271 thousand and partially offset by EUR 138 thousand following the elimination of the dividends received in 2020.

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

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

	12.31.2020	12.31.2019
(thousands of Euros)		
Associates	512	379
Joint ventures	2	2
Total	**514**	**381**

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

	12.31.2020	12.31.2019
(thousands of Euros)		
Associates	271	179
Total	**271**	**179**

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, 2020 and 2019 is provided below.

	RECOG.SEL.PAP. Y CART. C., A.I.E.	
	December 31, 2020	**December 31, 2019**
(thousands of Euros)		
Current assets		
Cash and cash equivalents	176	263
Other current assets	37	106
Total current assets	**213**	**369**
Current liabilities		
Payables to banks		
Other current liabilities	215	360
Total current liabilities	**215**	**360**
Non-current assets		
Non-current assets		
Non-current liabilities		
Non-current liabilities		
Total non-current liabilities		
Shareholders' equity	**(2)**	**9**

Summary income statement information for Recog.sel.pap. y Cart. C., A.I.E. at December 31, 2020 and 2019 is provided below.

	RECOG.SEL.PAP. Y CART. C., A.I.E.	
	December 31, 2020	**December 31, 2019**
(thousands of Euros)		
Revenue	124	566
Operating costs	(135)	(569)
Gross operating profit	**(11)**	**(3)**
Depreciation, amortization and write-downs		
Operating profit	**(11)**	**(3)**
Financial income (expense)		
Profit (loss) before tax	**(11)**	**(3)**
Taxes		
Net profit (loss)	**(11)**	**(3)**

	RECOG.SEL.PAP. Y CART. C., A.I.E.	
	December 31, 2020	**December 31, 2019**
(thousands of Euros)		
Shareholders' equity at January 1	**9**	**12**
Result for the year	**(11)**	**(3)**
Shareholders' equity at December 31	**(2)**	**9**
% held	**50%**	**50%**
Value of equity investment (*)	**(1)**	**5**

(*) 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, 2020	**December 31, 2019**
(thousands of Euros)		
Current assets		
Cash and cash equivalents	31	70
Current assets	10,052	10,099
Total current assets	**10,083**	**10,169**
Current liabilities		
Payables to banks	1,377	641
Current liabilities	7,499	8,174
Total current liabilities	**8,876**	**8,815**
Non-current assets		
Non-current assets	**1,610**	**1,162**
Non-current liabilities		
Loans	811	741
Non-current liabilities	467	455
Total non-current liabilities	**1,278**	**1,196**
Shareholders' equity	**1,539**	**1,320**

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

	Emmaus Pack S.r.l.	
	December 31, 2020	December 31, 2019
(thousands of Euros)		
Revenue	16,765	16,106
Operating costs	(15,798)	(15,320)
Gross operating profit	**967**	**786**
Depreciation, amortization and write-downs	(110)	(76)
Operating profit	**857**	**710**
Financial income (expense)	(43)	(42)
Profit (loss) before tax	**814**	**668**
Taxes	(195)	(172)
Net profit (loss)	**619**	**496**

	Emmaus Pack S.r.l.	
	December 31, 2020	December 31, 2019
(thousands of Euros)		
Shareholders' equity at January 1	**1,320**	**1,004**
Result for the year	619	496
Dividends distributed	(400)	(180)
Shareholders' equity at December 31	**1,539**	**1,320**
Adjusted shareholders' equity (**)	**1,489**	**1,281**
% held	**34.39%**	**34.39%**
Dividends distributed during the year	**(138)**	**(62)**
Value of equity investment	**512**	**379**

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

17. DEFERRED TAX ASSETS

The item "Deferred tax assets" includes temporary deductible differences of the Italian subsidiary PAC Service S.p.A.

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

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Trade receivables	59,959	70,317	(10,358)
Receivables from associates and joint ventures	6,272	6,812	(540)
Current trade receivables	**66,231**	**77,129**	**(10,898)**

The Company uses non-recourse factoring; trade receivables disposed of with due dates after December 31, 2020 totaled EUR 40.3 million (EUR 42.6 million at December 31, 2019).

"Trade receivables" are stated net of EUR 5.4 million of provisions for bad and doubtful receivables. The table below sets out the changes for the year.

	12.31.2019	Provision	Release	Utilization	12.31.2020
(thousands of Euros)					
Provisions for bad and doubtful receivables	4,629	994	(141)	(45)	5,437
Total	**4,629**	**994**	**(141)**	**(45)**	**5,437**

The item "Receivables from associates and joint ventures" includes the Parent company Reno De Medici S.p.A.'s commercial relations with associate Emmaus Pack S.r.l.

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

	12.31.2020	12.31.2019	Variation	%
(thousands of Euros)				
Italy	47,633	49,199	(1,566)	-3.2%
European Union	11,307	18,386	(7,079)	-38.5%
Rest of the world	7,291	9,544	(2,253)	-23.6%
Total	**66,231**	**77,129**	**(10,898)**	**-14.1%**

19. OTHER RECEIVABLES AND OTHER RECEIVABLES FROM ASSOCIATES AND JOINT VENTURES

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

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Guarantee deposits	2,977	1,977	1,000
Other receivables	2,846	3,541	(695)
Total	**5,823**	**5,518**	**305**

The item "Guarantee deposits" essentially includes receivables attributable to deposits in favor of a factoring company (EUR 1.6 million) 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. and RDM Barcelona Cartonboard S.A.U. This item also includes the Guarantee Fund set up at Terna (the power network operator) totaling EUR 1.2 million.

"Other receivables" amounted to EUR 2.8 million at 31 December 2020 and mainly includes EUR 1.7 million relating to the tax credit for competitiveness and the use granted by the French government (Participation effort) to the R.D.M. subsidiaries La Rochette S.A.S., EUR 1.3 million, and to RDM Blendecques S.A.S., EUR 0.4 million.

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

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Tax receivables	5,277	7,576	(2,299)
Other receivables	5,897	5,928	(31)
Accrued income and prepaid expenses	7,600	3,048	4,552
Total	**18,774**	**16,552**	**2,222**
Other receivables from associates and joint ventures			
Total	**18,774**	**16,552**	**2,222**

The current portion of "Tax receivables", consisting primarily of tax credits, totaled EUR 5.3 million, down compared with the previous year (EUR 7.6 million). The item consists mainly of a VAT credit of EUR 2.6 million, the current portion of the French CICE tax credit of EUR 1.2 million and income tax credits of EUR 0.7 million.

The item "Other receivables" at December 31, 2020 basically includes:

- the current portion of guarantee deposits, equal to EUR 2.7 million (up by EUR 413 thousand compared with the previous year), mainly in favour 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. and RDM Barcelona Cartonboard S.A.U.;
- the current credit of EUR 1.9 million, a decrease compared with the previous year, resulting from the acquisition of CO2 quotas belonging to the German subsidiary R.D.M. Arnsberg GmbH;
- the recording of prepaid expenses of EUR 7.6 million. This item includes, among other things, the costs incurred for the demolition of the buildings at the Boffalora sopra Ticino site (formerly the Magenta Paper Mill), which was necessary for the sale of the land, net of the advances received from the counterparty, Vetropack S.r.l. The above-mentioned land, based on specific suspensive clauses contained in the preliminary sales agreement signed in 2018, was not immediately available for sale as of December 31, 2020, based on IFRS 5. Because of the new agreements that took place between the parties and in light of the authorization issued by the competent authorities reclaim the land, the land was sold on February 11, 2021.

20. INVENTORIES

The table below provides a breakdown of inventories at December 31, 2020 and December 31, 2019:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Raw and ancillary materials and consumables	60,373	57,111	3,262
Provisions for obsolescence of raw materials	(8,985)	(9,471)	486
Finished products and goods	50,864	61,332	(10,468)
Provisions for obsolescence of finished products	(21)	(24)	3
Total	**102,231**	**108,948**	**(6,717)**

The increase in inventories of raw materials, equal to €3.3 million, is mainly due to the increase in purchase prices.

The decrease in finished goods inventories, amounting to EUR 10.5 million, is due to the increase in demand. In fact, following the fears of possible production interruptions, as a result of the Covid emergency, all over 2020 there was an increase in supplies from customers.

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

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

21. NET FINANCIAL POSITION

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Cash	13	16	(3)
Bank deposits	62,972	40,366	22,606
A. Cash and cash equivalents	**62,985**	**40,382**	**22,603**
Other financial receivables	243	147	96
Current derivative financial instruments	712		712
B. Current financial receivables	**955**	**147**	**808**
1. Current payables to banks			
2. Current portion of medium and long-term loans	*17,498*	*21,840*	*(4,342)*
3. Other current financial liabilities	*617*	*964*	*(347)*
4. Payables to other lenders for current Right-of-use asset	*2,947*	*2,806*	141
Payables to banks and other lenders (1+2+3+4)	21,062	25,610	(4,548)
Derivatives - current financial liabilities	517	2,211	(1,694)
C. Current financial debt	**21,579**	**27,821**	**(6,242)**
D. Net current financial debt (C-A-B)	**(42,361)**	**(12,708)**	**(29,653)**
E. Non-current financial receivables			
Payables to banks and other lenders	38,233	54,303	(16,070)
Payables to other lenders for non current Right-of-use asset	12,612	9,683	2,929
Derivatives - non-current financial liabilities	388	752	(364)
F. Non-current financial debt	**51,233**	**64,738**	**(13,505)**
G. Net non-current financial debt (F-E)	**51,233**	**64,738**	**(13,505)**
H. Net financial debt (D+G)	**8,872**	**52,030**	**(43,158)**

Consolidated net financial debt as at 31 December 2020 amounted to €8.9 million, down €43.2 million compared with €52 million as at 31 December 2019.

The improvement in the financial position is mainly due to the high EBIDTA achieved with a marginal benefit from the decrease in working capital following the reduction in inventories, especially of finished goods. It should also be noted the negative impact of approximately EUR 3 million deriving from new lease agreements entered into that fall within the scope of application of IFRS 16. The financial position and, in particular, customer collections were only partially impacted by the Covid -19 emergency with an increase in the level of overdue receivables limited.

Significant outgoings included:

- capital expenditures for investments amounting to EUR 20.7 million
- dividends paid totaling EUR 3 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 changes in liabilities resulting from lending are shown below, pursuant to IAS 7 "Financial Statement":

			Non-cash transactions		
	12.31.2019	**Cash flow (*)**	**Exchange rate translation differences**	**Fair Value variation**	**12.31.2020**
(thousands of Euros)					
Current financial receivables	**147**	96		712	**955**
Current financial debt	**27,821**	(4,548)		(1,694)	**21,579**
Non-current financial debt	**64,738**	(13,141)		(364)	**51,233**
Net liabilities from financing activities	**92,412**	**(17,785)**		**(2,770)**	**71,857**
Cash and cash equivalents	**40,382**	22,603			**62,985**
Net financial debt	**52,030**	**(40,388)**		**(2,770)**	**8,872**

(*) The information of "Cash flow" are 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	414		828
FRIE 2	813			813
FRIE 3	113	340		453
FRIE 4	136	546	204	886
FRIE 5	32	256	672	960
BANCO BPM (Banca Popolare Milano)	2,857	2,857		5,714
INTESA SAN PAOLO (RDM Blendecques S.A.S.)	1,667	3,333		5,000
INTESA SAN PAOLO (La Rochette S.A.S.)	1,667	3,333		5,000
UNICREDIT	7,000	21,000		28,000
UNICREDIT	101	51		152
BANQUE PALATINE 376	602	756		1,358
BANQUE PALATINE 377	403	508		911
AGENCE DE L'EAU	58	53		111
Encelpa	2	1		3
BE-SPOKEN		3,490		3,490
BERIVO	821			821
ENDESA ENERGIA	903			903
Friulia (Ovaro Transaction)		501		501
Total nominal debt	**17,589**	**37,439**	**876**	**55,904**
Amortized cost effect	(91)	(82)		(173)
Total debt using the amortized cost method	**17,498**	**37,357**	**876**	**55,731**

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, 2020 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.

Note that in 2020 principal repayments totaling EUR 21.9 million were made.

In terms of collateral, the Parent company loan agreement requires, inter alia, RDM to provide mortgages on mills, in the total amount of EUR 130.3 million.

Special liens on mills' plant and machinery are given as collateral, in the total amount of EUR 89.4 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 EUR 6.5 million was made by Banca Medio Credito Friulia Venezia Giulia S.p.A.; the loan agreement was executed on October 23, 2012. The loan agreement calls for a floating rate and a maturity of July 1, 2021. Installments are paid half-yearly starting January 1, 2014.

On June 4, 2015, a loan of EUR 20 million was made by Intesa San Paolo S.p.A.; the loan agreement was executed on June 4, 2015. The loan agreement calls for a floating rate and a maturity of June 4, 2020. Installments are paid half-yearly starting December 4, 2015. The contract was extinguished on June 4, 2020 as set out in the agreement.

On October 2, 2015, a loan of EUR 20 million was made by Banca Popolare di Milano S.p.A.; the loan agreement was executed on September 16, 2015. The loan agreement calls for a floating rate and a maturity of December 31, 2022. Installments are paid half-yearly starting June 30, 2016. This loan requires compliance with several financial parameters subject to annual and half-yearly review. At December 31, 2020, these financial parameters had been complied with.

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 parameters subject to annual review. At December 31, 2020, these financial parameters had been complied with. The Parent company Reno De Medici S.p.A. issued a guarantee to secure this loan.

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

On August 2, 2017, a loan agreement was executed and the loan of EUR 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. The contract was extinguished on August 2, 2020 as set out in the agreement.

On February 5, 2018 a loan agreement for EUR 5 million was agreed and supplied by Banque Palatine, divided into two tranches of EUR 3 million and EUR 2 million, respectively. The loan agreement calls for a fixed rate and a maturity of February 5, 2023. Installments were paid quarterly starting May 5, 2018. This loan requires compliance with several financial parameters subject to annual review. At December 31, 2020, these financial parameters had been complied with.

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

On July 30, 2018, a loan agreement was executed and the loan of EUR 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 with hedging derivatives and a maturity of July 31, 2024. Installments are paid half-yearly starting January 31, 2020.

On September 9, 2019, a loan agreement for EUR 3.5 million was entered into by Banca Cividale, the first tranche of which, amounting to EUR 960 thousand, was disbursed on November 27, 2020. The loan agreement calls for a floating rate and a maturity of January 1, 2036. Installments are paid half-yearly starting July 1, 2021.

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

- 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. The contract was extinguished on August 18, 2020 as set out in the agreement.
- 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, 2020. More information on the derivative instruments outstanding at December 31, 2020 can be found in Note 23.

22. SHAREHOLDERS' EQUITY

Changes in shareholders' equity during 2020 are set out in the following table:

	Shareholders' equity at 12.31.2019	Purchase of treasury shares less the shares assigned	Dividends	Allocation of profit (loss) for the year	Stock Grant Reserve	Profit (loss) on translation of financial statements of foreign investee companies	Actuarial gain/ (loss)	Hedge accounting	Result for the year	Shareholders' equity at 12.31.2020
(thousands of Euros)										
Share capital	140,000									140,000
Legal reserve	2,375			797						3,172
Other reserves										
Change in consolidation scope reserve	2,758									2,758
Foreign-currency translation reserve	89					(125)				(36)
Treasury shares reserve	(1,060)	(479)								(1,539)
Available reserve	33,238				(93)					33,145
Hedging reserve	(887)							339		(548)
Reserve for "Actuarial gain/ (loss)"	(9,498)						(1,172)			(10,670)
Stock Grant Reserve	966				(345)					621
IFRS 9 Reserve	(503)									(503)
Retained earnings (losses)	22,403			11,773						34,176
Result for the year	15,597		(3,027)	(12,570)					33,551	33,551
Total	**205,478**	**(479)**	**(3,027)**		**(438)**	**(125)**	**(1,172)**	**339**	**33,551**	**234,127**

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.

As part of this program for the purchase and disposal of shares, as of June 2016, the Company launched the plan to purchase treasury shares totaling 2,262,857 on December 31, 2019, with a value of EUR 1,060 thousand. On April 30, 2020, these treasury shares were assigned to the Chief Executive Officer, as provided for in the three-year Stock Grant Plan that ended with the approval of the financial statements as of December 31, 2019.

During 2020, in compliance with the authorization approved, pursuant to art. 2357 of the Italian Civil Code, by the Ordinary Shareholders' Meeting of 29 April 2020, a new plan for the purchase of treasury shares was launched. Treasury shares held as at 31 December 2020 amounted to 2,070,000 for a value of EUR 1,539 thousand. For further information please refer to the paragraph "Other information - Authorization to buy and sell treasury shares"

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 2020, 5,636 savings shares were converted to ordinary shares. As a result of this, the share capital at December 31, 2020, fully subscribed and paid-up, could be broken down as follows:

	Number	Total value
Ordinary shares	377,551,889	139,907,690.29
Savings shares	249,105	92,309.71
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 1-28 February 2021, 7,991 savings shares were converted to ordinary shares with dividend entitlement as of 1 January 2021.

The table below shows the number of outstanding shares as at December 31, 2020 and December 31, 2019:

	12.31.2020	12.31.2019	Change
Shares issued	377,800,994	377,800,994	
Treasury shares	2,070,000	2,262,857	(192,857)
Total shares outstanding	**375,730,994**	**375,538,137**	**(192,857)**

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 2020 to holders of savings shares.

In addition, dividends totaling EUR 3 million were distributed to holders of ordinary shares.

Stock Grant Plan for the 2020-2021-2022 period

In April 2020, the Ordinary Shareholders' Meeting approved an Incentive Plan dedicated to the Chief Executive Officer and Executives with strategic responsibilities concerning the free assignment of a maximum number of 2,070,000 Stock Grants giving each beneficiary the right to receive shares, at the end of the performance period, and subject to the achievement of certain performance targets to be identified for each year of the three-year period as well as the circumstance that the beneficiaries maintain their respective positions/work relationships in the Company. Following the approval of this Plan, a Stock Grant reserve of EUR 621 thousand was recorded at December 31, 2020.

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

	12.31.2020			12.31.2019		
	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	493	(154)	339	(618)	187	(431)
Actuarial gain (loss) on employee benefits	(1,557)	385	(1,172)	(4,254)	1,172	(3,082)
Profit (loss) on translation of financial statements of foreign investee companies	(125)		(125)	12		12

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 been taken out on some of the loans and some of the commodities at December 31, 2020.

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Derivative instruments (hedge accounting)	388	752	(364)
Non-current liabilities	**388**	**752**	**(364)**
Derivative instruments (hedge accounting)	517	705	(188)
Derivative instruments (no hedge accounting)		1,506	(1,506)
Current liabilities	**517**	**2,211**	**(1,694)**
Derivative instruments (hedge accounting)	712		712
Current assets	**712**		**712**
Total	**193**	**2,963**	**(2,770)**

At December 31, 2020, the fair value of the derivative instruments was negative by EUR 193 thousand.

The table below shows the main features of the IRS derivative instruments outstanding at December 31, 2020:

Company	Counterparty	Currency	Due date	Notional value (€/000)	Interest	Liquidation of interest	Fair value of derivative (€/000)
Reno De Medici S.p.A.	Banca Popolare di Milano	EUR	12.31.2022	5,714	0.45% fixed	Half-yearly	(70)
					Euribor 6m		
R.D.M. La Rochette S.A.S.	Intesa San Paolo S.p.A.	EUR	11.15.2023	5,000	0.245% fixed	Half-yearly	(67)
					Euribor 6m		
Reno De Medici S.p.A.	UniCredit S.p.A.	EUR	07.31.2024	28,000	0.385% fixed	Half-yearly	(558)
					Euribor 6m		
				38,714			**(695)**

The table below shows the main features of the commodity swaps outstanding at December 31, 2020:

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	12,000	90.4	Monthly	(210)
					USD/MT		
RDM Barcelona Cartonboard S.A.U.	Axpo Iberia S.L.	€	12.31.2020	539,663		Monthly	712
					EUR/MWH		**502**

As the previous year, commodity swaps were signed during 2020 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:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Payables for wages and salaries	11,476	11,293	183
Payables to social security institutions	5,905	5,713	192
Tax payables	4,250	4,087	163
Other payables	1,090	1,304	(214)
Corporate Boards	468	519	(51)
Accrued expenses and deferred income	16	36	(20)
Other current payables	**23,205**	**22,952**	**253**
Other payables to associates and joint ventures	101	101	
Total other payables	**23,306**	**23,053**	**253**

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 2021, 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 "Other payables" stood at EUR 1 million at December 31, 2020. The change compared with the previous year of EUR 0.2 million, is essentially due to minor advances received from customers.

The item "Company 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, 2020:

	2020			2019		
	Temporary differences	Average tax %	Tax effect	Temporary differences	Average tax %	Tax effect
(thousands of Euros)						
Recognized deferred tax assets	**32,025**		**8,995**	**30,043**		**8,447**
Tax losses to carry forward	4,996	24%	1,199	4,996	24%	1,199
Land Depreciation	1,515	27.9%	423			
Inventory write-downs	717	29.1%	208	1,164	30.2%	351
Provisions for supplementary agents' commission	1,692	27.9%	472	1,692	27.9%	472
Provision for future charges (IRES)	1,143	24%	274	704	24%	169
Other temporary differences	4,294	24.4%	1,049	4,633	25.1%	1,161
Effect of discounting employee benefits	14,295	31.9%	4,560	13,288	31.9%	4,239
Valuation of derivatives with hedge accounting	645	24.0%	155	684	24.0%	164
IFRS 9 valuation	1,932	24.0%	464	1,932	24.0%	464
Deferred tax assets consolidation entries	796	24.0%	191	950	24.0%	228
Recognized deferred taxes	**56,363**		**15,983**	**58,524**		**16,718**
Statutory amortization/depreciation in excess of amount allowed for tax purposes	13,372	27.9%	3,731	14,351	27.9%	4,004
Other temporary differences	992	31.5%	312	1,308	31.1%	407
Effect of discounting TFR	1,407	24%	337	1,470	24.0%	353
Deferred tax liabilities consolidation entries	40,592	28.6%	11,603	41,395	28.9%	11,953
Net recognized deferred tax (assets) liabilities			**6,988**			**8,271**
- of which deferred tax liabilities			7,231			8,660
- (of which deferred tax assets)			(243)			(389)
Unrecognized deferred tax assets	**150,302**		**39,411**	**154,411**		**41,531**
Write-downs for extended impairment	2,687	27.9%	750	21,046	25.4%	5,340
Write-downs for bad and doubtful receivables	1,874	24%	450	1,137	24%	273
ROL	63,051	24%	15,132	41,337	24%	9,921
Effect of discounting employee benefits	872	33.3%	291	627	33.3%	209
Tax losses to carry forward	81,121	27.8%	22,556	88,856	28.5%	25,320
Deferred tax assets on differences in accounting standards	697	33.3%	232	1,408	33.3%	469

At December 31, 2020, deferred tax liabilities were offset by deferred tax assets where conditions specified in IAS 12 were met, notably where the two items relate to income taxes levied by the same tax authority and where there is a legally enforceable right to offset in this manner.

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

The table below shows a breakdown of the Group's tax losses totalling EUR 232.2 million:

	2020
(thousands of Euros)	
RDM Blendecques S.A.S.	24,481
R.D.M. La Rochette S.A.S.	153,256
RDM Barcelona Cartonboard S.A.U.	53,796
R.D.M. Marketing Spain S.L.U.	616
R.D.M. Marketing Poland	82
Total tax losses	**232,231**

26. EMPLOYEE BENEFITS

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

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Employee benefits	22,866	21,586	1,280
Employee benefits - TFR	14,379	14,824	(445)
Non-current employee benefits	**37,245**	**36,410**	**835**
Employee benefits - TFR	113	98	15
Current employee benefits	**113**	**98**	**15**
Total	**37,358**	**36,508**	**850**

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	-0.02%	0.46%	0.35%
Annual inflation rate	1.20%	1.40%	1.75%
Annual rate of increase in TFR	2.4%	1.5%	2%

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

(thousands of Euros)	
Actuarial assessment of "Employee benefits "at 12.31.2019	**36,410**
Service cost	813
Interest cost	270
Benefits paid	(1,805)
Actuarial Gains/Losses	1,557
Actuarial assessment of "Employee benefits "at 12.31.2020	**37,245**

Sensitivity analysis of the discount rate

The following table shows the balance that the item "Employee Benefits" would have been at December 31, 2020 in the event of a change to the discount rate shown at the reporting date.

	Italy		Germany		France	
Thousands of Euros						
Increase of discount rate	+0.25%	7,165	+0.2%	23,761	+0.25%	6,593
Non-current employee benefits at December 31, 2020	-0.02%	7,286	0.46%	22,866	0.35%	6,787
Reduction of discount rate	-0.25%	7,409	-0.2%	21,971	-0.25%	6,985

27. NON-CURRENT AND CURRENT PROVISIONS FOR RISKS AND CHARGES

The balance at December 31, 2020 was as follows:

	12.31.2019	Provision	Release	Utilization	Other movements	12.31.2020
(thousands of Euros)						
Provisions for supplementary agents' commission	1,989	143	(3)	(2)	(75)	2,052
Non-current provision for future charges	2,232	2,138	(146)	(509)	(387)	3,328
Total non-current provisions for risks and charges	**4,221**	**2,281**	**(149)**	**(511)**	**(462)**	**5,380**
Provisions for supplementary agents' commission					75	75
Current provision for future charges	870	394		(200)	387	1,451
Total current provision for risks and charges	**870**	**394**		**(200)**	**462**	**1,526**
Total	**5,091**	**2,675**	**(149)**	**(711)**		**6,906**

"Provisions for supplementary agents' commission" includes the expenses that the company is obliged to pay to agents on conclusion of the mandate. This liability includes the discounting based on actuarial techniques as required by IAS 19.

With regard to the long-term portion of the "Provision for future charges", utilization during the period of EUR 0.5 million was mainly due to the use of the provision for layoffs (EUR 0.3 million) and use of the provision for legal expenses (EUR 0.2 million).

Accruals during the year (EUR 2.1 million) refer mainly to the allocation of a provision for layoffs (EUR 0.4 million), a provision for legal expenses (EUR 0.3 million) and the portion for the year pertaining to the variable remuneration for management (EUR 1.4 million).

The short-term portion of the "Provision for future charges" includes the cost of EUR 124 thousand for dismantling several buildings of the Magenta mill and some pending tax disputes regarding local taxes for which the Company deemed it appropriate to prudentially set aside a provision to cover future charges totaling EUR 537 thousand, premiums awarded to employees on the basis of company results achieved (EUR 386 thousand), litigations with suppliers (EUR 88 thousand).

28. TRADE PAYABLES

The balance at December 31, 2020 was as follows:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Trade payables	130,811	141,209	(10,398)
Total current trade payables	**130,811**	**141,209**	**(10,398)**

"Trade payables" recorded in the financial statements were €130.8 million (€141 million at December 31, 2019) They are stated net of trade discounts and adjusted for any returns or rebates agreed with the counterparties.

29. CURRENT TAXES

At December 31, 2020 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 2020 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 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 EUR 5.3 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;
- sureties of EUR 4.8 million issued to the Comieco consortium;
- sureties of €67 thousand issued to the customs authorities;
- a surety of EUR 90 thousand issued to the Province of Milan;
- sureties of EUR 524 thousand issued in connection with property leases;
- sureties of EUR 450 thousand in favor of Terna S.p.A.;
- sureties of EUR 400 thousand in favor of Banca Intesa S.p.A.;

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.

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 potential expansion plans, the Parties agreed that the extension of the partnership was advantageous for the subsidiary and therefore signed new agreements under which Reno De Medici S.p.A. would buy back the 20% stake in R.D.M. Ovaro S.p.A. owned by Friulia S.p.A., at a total price of EUR 2,497,010.95, in four equal tranches, the last of which was acquired by Reno De Medici on June 15, 2020. After this transaction, the company R.D.M. Ovaro S.p.A. is fully owned by Reno De Medici S.p.A.

In order to keep the partnership with Friulia S.p.A., on December 16, 2020 the Shareholders' Meeting of R.D.M. Ovaro S.p.A. resolved to increase the overall share capital to €12,625,000 through the issue of 125,000 preference shares that were subscribed by the "Finanziaria Regionale Friuli-Venezia Giulia - Joint Stock Company - FRIULIA S.p.A." ("Friulia"). After this transaction, Friulia S.p.A. acquired a 0.99% stake in R.D.M. Ovaro S.p.A. Ovaro S.p.A., Reno De Medici S.p.A. and FRIULIA S.p.A. respectively obtained a call option, exercisable between December 16, 2022 and December 16, 2025, and a put option, exercisable between December 16, 2023 and December 16, 2025, on FRIULIA S.p.A.'s stake in R.D.M. Ovaro S.p.A.

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., PAC Service S.p.A. and marketing companies 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., PAC Service S.p.A., and R.D.M. affiliated companies 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 12 March 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.

	2020		2019	
	Directors	**Statutory auditors**	**Directors**	**Statutory auditors**
(thousands of Euros)				
Short-term benefits	972	166	938	166
Post-employment benefits	6		8	
Total	**978**	**166**	**946**	**166**

Compensations yet to be remitted to Directors and Auditors respectively amount to €375,000 and €166,000 at December 31, 2020.

Receivables and payables with related parties

The table below lists the payables and receivables at December 31, 2020 and December 31, 2019 with related parties:

	Current assets			Current liabilities		
12.31.2020	**Trade receivables**	**Receivables from associates and joint ventures**	**Other receivables from associates and joint ventures**	**Trade payables**	**Payables from associates and joint ventures**	**Other payables from associates and joint ventures**
(thousands of Euros)						
Emmaus		6,272				
Cascades CS+				1		
Recogida Sel.Pap.YCart.C.A.I.E.						101
		6,272		**1**		**101**
Impact on item total		**100%**		**0%**		**100%**

	Current assets			Current liabilities		
12.31.2019	**Trade receivables**	**Receivables from associates and joint ventures**	**Other receivables from associates and joint ventures**	**Trade payables**	**Payables from associates and joint ventures**	**Other payables from associates and joint ventures**
(thousands of Euros)						
Cascades Groupe Produits Spec.				1		
Emmaus		6,812				
Cascades CS+				1		
Recogida Sel.Pap.YCart.C.A.I.E.						101
		6,812		**2**		**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 2020 and 2019:

12.31.2020	**Revenues from sales**	**Other Revenues**	**Financial income**
(thousands of Euros)			
Emmaus	12,046	80	
	12,046	**80**	
Impact on item total	**1.8%**	**0.6%**	

12.31.2020	Cost of material and services	Financial expense
(thousands of Euros)		
Cascades Canada Ulc	68	
Cascades CS+	1	
	69	
Impact on item total	**0%**	

12.31.2019	Revenues from sales	Other Revenues	Financial income
(thousands of Euros)			
Emmaus	11,752	88	
	11,752	**88**	
Impact on item total	**1.7%**	**0.8%**	

12.31.2019	Cost of material and services	Financial expense
(thousands of Euros)		
Cascades Canada Ulc	94	
Emmaus	8	
ZAR SRL	1	
	103	
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 2020 the Group received grants, pursuant to Article 1, paragraph 25 of the above-mentioned law, of €183 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	132,101
Internal Revenue Service	Covid-19	34,560
		183,107

Lastly, in 2020 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, 2020 with the situation as at December 31, 2019, 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.

	12.31.2020		12.31.201	
	Book value	**Fair value**	**Book value**	**Fair value**
(thousands of Euros)				
Cash and cash equivalents	**62,985**	**62,985**	**40,382**	**40,382**
Loans and receivables	**90,828**	**90,828**	**99,199**	**99,199**
Trade receivables	66,231	66,231	77,129	77,129
Other receivables	24,597	24,597	22,070	22,070
Financial assets at fair value through profit and loss	**712**	**712**		
Financial liabilities at amortized cost:	**(209,912)**	**(209,974)**	**(240,463)**	**(241,152)**
Unsecured medium- and long-term bank loans at amortized cost	(17,765)	(18,098)	(27,712)	(28,134)
Secured medium- and long-term bank loans at amortized cost	(38,030)	(37,759)	(48,489)	(48,756)
Trade payables	(130,811)	(130,811)	(141,209)	(141,209)
Other payables	(23,306)	(23,306)	(23,053)	(23,053)
Financial liabilities at fair value through profit and loss			**(1,506)**	**(1,506)**
Hedging derivatives	**(905)**	**(905)**	**(1,457)**	**(1,457)**
	(56,292)	**(56,354)**	**(103,845)**	**(104,534)**
Unrecognized profits (losses)	**(62)**		**(689)**	

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.

In addition, a number of *commodity swap* contracts are in place. In particular:

- the subsidiary company R.D.M. Arnsberg GmbH has signed a Commodity Swap contract to hedge purchases of coal, the main energy source of that plant.
- the subsidiary RDM Barcelona Cartonboard S.A.U. signed commodity swap contracts to hedge purchases of gas and sales of energy. 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 nonexistent for the asset or liability subject to measurement, the inputs are non-observable.

	Classification	**12.31.2020**	***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	**388**		**388**	
Derivative instruments on interest rates	Current derivative instruments	**307**		**307**	
Commodity derivatives	Current derivative instruments	**(502)**		**(502)**	

As at December 31, 2020, 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, 2020 and December 31, 2019.

Future flows were discounted on the basis of the same Euro yield curve as at December 31, 2020 and December 31, 2019.

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 12.31.2020	Book value	Nominal value at 12.31.2019	Book value
(thousands of Euros)							
Secured medium- and long-term bank loans at amortized cost	**Euro**			**38,155**	**37,982**	**48,712**	**48,435**
Frie 1	Euro	Eur6m	2022	828	828	1,242	1,242
Frie 2	Euro	Eur6m	2021	813	813	1,626	1,626
Frie 3	Euro	Eur6m	2024	453	453	566	566
Frie 4	Euro	Eur6m	2027	886	886	1,022	1,022
Frie 5	Euro	Eur6m	2036	960	960		
Friulia S,p,A,	Euro	Eur6m+spread		501	501	685	685
Banca Popolare di Milano	Euro	Eur6m+spread	2022	5,714	5,663	8,571	8,489
UniCredit	Euro	Eur6m+spread	2024	28,000	27,878	35,000	34,805
Unsecured medium- and long-term bank loans at amortized cost	**Euro**			**17,749**	**17,749**	**27,689**	**27,684**
Banque Palatine 1067376	Euro	Fix	2023	1,358	1,358	1,956	1,956
Banque Palatine 1067377	Euro	Fix	2023	911	911	1,310	1,310
Banca Intesa San Paolo	Euro	Eur6m+spread	2020			2,000	1,995
Credem	Euro	Eur3m+spread	2020			753	753
Intesa San Paolo	Euro	Eur6m+spread	2023	5,000	5,000	6,667	6,667
Intesa San Paolo	Euro	Eur6m+spread	2023	5,000	5,000	6,667	6,667
Agence de l'eau (Blendecques)	Euro		2026	111	111	169	169
Encelpa	Euro		2020	3	3	87	87
BNL	Euro	Eur6m+spread	2020			200	200
UniCredit	Euro	Fix	2022	152	152	252	252
Berivo	Euro	Fix	2021	821	821	1,942	1,942
Endesa	Euro	Fix	2021	903	903	2,099	2,099
Kemira	Euro	Fix	2020			97	97
Be Spoken	Euro	Eur6m+spread	2024	3,490	3,490	3,490	3,490
Total medium- and long-term loans	**Euro**			**55,904**	**55,731**	**76,401**	**76,119**
Total short-term loans	**Euro**						
Total interest-bearing liabilities	**Euro**			**55,904**	**55,731**	**76,401**	**76,119**

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 12.31.2019	**887**
Fair value adjustment of cash flow hedge derivatives	(493)
Tax effect of fair value adjustment of cash flow hedge derivatives	154
Reserve 12.31.2020	**548**

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:

	12.31.2020	**12.31.2019**
(thousands of Euros)		
Gross trade receivables	71,668	81,758
Provision for bad and doubtful debts	(5,437)	(4,629)
Total	**66,231**	**77,129**

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:

December 31, 2020	Overdue receivables			Non-overdue receivables	Total
	more than 60 days	from 31 to 60 days	from 0 to 30 days		
(thousands of Euros)					
Italy	75	7	1,935	45,616	47,633
EU	3,077	1,336	1,525	5,369	11,307
Rest of the world	50	120	1,345	5,776	7,291
Total	**3,202**	**1,463**	**4,805**	**56,761**	**66,231**

December 31, 2019	Overdue receivables			Non-overdue receivables	Total
	more than 60 days	from 31 to 60 days	from 0 to 30 days		
(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**

The Group's overdue receivables as at 31 December, 2020 increased compared with the previous year (EUR -1.7 million). They represent 14.3% of the total portfolio in 2020 compared with 14.5% 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 2020 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, 2020 and December 31, 2019, is reported in the following table:

ECB exchange rates	12.31.2020	12.31.2019
(per Euro)		
USD	1.2271	1.1234
GBP	0.8990	0.8508
CHF	1.0802	1.0854
CAD	1.5633	1.4598
CZK	26.242	25.408
HUF	363.89	330.53
PLN	4.5597	4.2568

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.

	12.31.2020						
	USD	GBP	CHF	CAD	CZK	HUF	PLN
(thousands of Euros)							
Trade receivables	3,201	2,233					
Trade payables	(2,282)	(189)	(9)				
Short-term financial loans		(287)					
Cash and cash equivalents	1,667	1,876		1	283	339	376
Exposure	**2,586**	**3,633**	**(9)**	**1**	**283**	**339**	**376**

	12.31.2019						
	USD	**GBP**	**CHF**	**CAD**	**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**

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, 2020 and December 31, 2019) 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, 2020 and December 31, 2019 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**	
	Profit (Loss)		**Profit (Loss)**
(thousands of Euros)		**(thousands of Euros)**	
December 31, 2020		**December 31, 2020**	
USD	(259)	USD	259
GBP	(363)	GBP	363
CHF	1	CHF	(1)
CZK	(28)	CZK	28
HUF	(34)	HUF	34
PLN	(38)	PLN	38
Total	**(721)**	**Total**	**721**
December 31, 2019		**December 31, 2019**	
USD	(654)	USD	654
GBP	(230)	GBP	230
CZK	(30)	CZK	30
HUF	(24)	HUF	24
PLN	(11)	PLN	11
Total	**(949)**	**Total**	**949**

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.

	12.31.2020	%	12.31.2019	%
(thousands of Euros)				
Floating-rate medium- and long-term loans	(9,256)	17%	(11,468)	15%
Floating-rate medium- and long-term loans hedged by IRS	(27,189)	49%	(38,715)	51%
Fixed-rate medium- and long-term loans	(1,370)	2%	(4,282)	6%
Total non-current liabilities	**(37,815)**	**68%**	**(54,465)**	**72%**
Floating-rate medium- and long-term loans	(3,175)	6%	(4,596)	6%
Floating-rate medium- and long-term loans hedged by IRS	(11,524)	21%	(13,023)	17%
Fixed-rate medium- and long-term loans	(2,889)	5%	(3,632)	5%
Total current liabilities	**(17,588)**	**32%**	**(21,251)**	**28%**
Total (floating rate)	*(12,431)*	*22%*	*(16,064)*	*21%*
Total (fixed rate or hedged floating rate)	*(42,972)*	*78%*	*(59,652)*	*79%*
Total	**(55,403)**	**100%**	**(75,716)**	**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	
December 31, 2020	**Increase of 50 bps**	**Decrease of 50 bps**	**Increase of 50 bps**	**Decrease of 50 bps**
Cash flows during the year	**(30)**	**(21)**		
Cash flows from derivatives	*228*	*(228)*		
Floating-rate loans	*(258)*	*207*		
Effectiveness of hedges			304	(304)
Net sensitivity of financial flows	**(30)**	**(21)**	**304**	**(304)**
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)**

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.

During the two-year period 2018-2019, the Group signed contracts for the supply of natural gas that also included 2020, operating mainly on a quarterly and annual basis, negotiating fixed unit prices for each of the subsequent annual and quarterly supply periods. The method enabled a significant reduction in price volatility ("commodity risk"), also allowing the Group, during the second half-year, to benefit from a general decline in energy prices. The quotas relating the last two quarters of 2020 were negotiated and confirmed over the year in order to meet the mills' requirements, while benefiting from the decreasing energy prices. All prices of natural gas, the Group's main energy commodity, are expressed in Euros per volume unit, with subsequent adjustments to the content of primary energy contained in it.

At the end of June 2019, the Group signed contracts for the supply of electricity for 2020 at a price indexed according to the prices of certain continental energy markets, in some cases by providing options for fixing transactions following the conclusion of contracts. Supply quotas at a price indexed relating to reference markets are negotiated with spreads fixed with respect to these prices. The options for fixing prices of supply quotas were aimed at containing the "commodity risk" in some particularly volatile regional markets such as the Spanish and French markets. The negotiated prices are expressed in Euros per unit of electricity. In 2020, new electricity supply (or of supply for export) agreements for Europe were negotiated for 2021, in conjunction with the subsidiaries operating in France and Spain. The group production entities use the same supplier, except the German subsidiary. In the regions with a lower risk of volatility, only a minor portion of the contracts were negotiated at a fixed price, in order to benefit from the strong downward trend already underway even before the events related to the health emergency.

A sensitivity analysis was not performed on this category of risk because, as at the date of preparing the financial statements, it was not considered material in terms of its impact on the income statement and on the Group's business margins.

How Commodity Risk is Managed

The nature of the Group's business involves exposure to fluctuations in the prices of electricity, natural gas and certain chemical products derived from petroleum (such as latexes) and fibrous raw materials.

Natural gas supply contracts are usually agreed for 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 Group aims to diversify its suppliers and its supply markets.

Note that at December 31, 2020, the RDM Group had commodity swap agreements. Specifically, in 2018 the subsidiary R.D.M. Arnsberg GmbH signed a commodity swap agreement to hedge the purchase of coal, the plant's main energy source. In 2020 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, 2020 and December 31, 2019.

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, 2020	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	**62,985**	**62,985**	62,985				
Trade receivables	**66,231**	**66,231**	66,231				
Other receivables	**24,597**	**24,597**	18,774		5,823		
Medium- and long-term bank loans	**(55,795)**	**(55,857)**	(9,043)	(9,049)	(16,566)	(20,207)	(992)
Rights of use	**(15,559)**	**(15,559)**	(1,467)	(1,480)	(2,494)	(5,233)	(4,885)
Other financial payables (commercial facilities)	**(553)**	**(553)**	(553)				
Other payables	**(23,306)**	**(23,306)**	(23,306)				
Hedging derivative instruments	**(193)**	**(193)**	(262)	458	(221)	(168)	
Trade payables	**(130,811)**	**(130,811)**	(130,811)				
Total	**(72,404)**	**(72,466)**	(17,452)	(10,071)	(13,458)	(25,608)	(5,877)

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)

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, 2020 (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%

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: 99.01%

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
Direct ownership percentage: 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 2020 year end, see the Directors' Report.

Certification of consolidated financial statements

AT DECEMBER 31, 2020, 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 administrative and accounting procedures pertaining to the drafting of the year-end consolidated financial statements for the period from January 1 to December 31, 2020.

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 19, 2021

Chief Executive Officer	Chief Financial Officer
Michele Bianchi	Luca Rizzo

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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, 2020, and the 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, 2020, 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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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 220.7 million related to tangible assets as of December 31, 2020, of which Euro 9.1 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, 2020 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., it was necessary to use the method of fair value less costs of disposal that the Directors determined on the basis of the sale contract of the subsidiary R.D.M. La Rochette S.A.S., signed on February 16, 2021. The aforementioned contract provides, among others, the possible recognition of a variable component of the sale price (earn out) determined on the higher EBITDA achieved in the years 2021-2023, compared to the reference value. Based on the impairment test approved by the Board of Directors, the Group accounted for an impairment loss of tangible assets for Euro 3.7 million. Considering the relevance of the amount of tangible assets recorded in the financial statements in relation to the CGU of RDM La Rochette S.A.S. and the nature of the assessment process adopted by the Directors, 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: • Assessment of the method used by the Directors of the Group to determine the fair value less cost of disposal of the CGU RDM La Rochette S.A.S.based on the sale contract; • Assessment of the accuracy of the data used by the Directors to determine the fair value on the basis of the sale contract, which provides the fixed and variable components of the price; • Analysis of the reasonableness of the main assumptions reflected in the valuation of the variable component of the sale price (earn out);

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- Assessment of the correct determination of the book value and the accounting of the impairment loss of tangible fixed assets in accordance with the provisions of IAS 36.

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.

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.

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- 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. has 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, 2020, 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, 2020 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, 2020 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.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

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.

Deloitte.

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 7, 2021

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

05. Separate financial statements of the parent company as at December 31, 2020

Statement of income

	Note	12.31.2020	12.31.2019
(thousands of Euros)			
Revenues from sales	1	216,451,040	223,040,665
- of which related parties		*17,575,581*	*16,664,337*
Other revenues and income	2	16,366,735	15,311,670
- of which related parties		*9,043,072*	*8,403,214*
Change in inventories of finished goods	3	(1,803,593)	81,762
Cost of raw materials and services	4	(161,147,589)	(176,769,696)
- of which related parties		*(3,464,304)*	*(3,462,181)*
Personnel costs	5	(28,353,822)	(25,626,394)
Other operating costs	6	(2,255,755)	(2,155,093)
Gross operating profit		**39,257,016**	**33,882,914**
Depreciation and amortization	7	(13,438,204)	(13,371,510)
Write-downs and revaluations	8	(1,514,958)	
Operating profit		**24,303,854**	**20,511,404**
Financial expense		*(1,267,640)*	*(1,599,613)*
Gains (losses) on foreign exchange		*(368,102)*	*(43,187)*
Financial income		*1,576,953*	*666,366*
Net Financial income (expense)	*9*	*(58,789)*	*(976,434)*
Gains (losses) on investments	10	6,337,005	561,902
Taxes	11	(7,836,517)	(4,159,421)
Profit (loss) for the year		**22,745,553**	**15,937,451**

Statement of comprehensive income

	12.31.2020	12.31.2019
(thousands of Euros)		
Profit (loss) for the year	**22,745,553**	**15,937,451**
Other components of comprehensive profit (loss)		
Other components that may be transferred to the income statement in subsequent financial years:	**29,209**	**(98,436)**
Change in fair value of cash flow hedges	*29,209*	*(98,436)*
Other components that will not be transferred to the income statement in subsequent financial years:	**(62,892)**	**(154,640)**
Actuarial gain (loss) on employee benefits	*(62,892)*	*(154,640)*
Total other components of comprehensive profit (loss)	**(33,683)**	**(253,076)**
Total comprehensive profit (loss)	**22,711,870**	**15,684,375**

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

Statement of financial position

	Note	12.31.2020	12.31.2019
(thousands of Euros)			
ASSETS			
Non-current assets			
Tangible fixed assets	12	101,347,664	104,510,206
Right-of-use asset	13	3,138,270	3,343,238
Intangible fixed assets	14	10,459,386	9,134,443
Investments in Subsidiaries	15	137,006,733	141,231,339
Investments in Associates, Joint Ventures and Other Companies	16	158,962	152,454
Other receivables	17	1,829,210	1,650,251
Total non-current assets		**253,940,225**	**260,021,931**
Current assets			
Inventories	18	31,696,126	31,297,854
Trade receivables	19	25,637,011	25,586,370
Receivables from Group companies	20	17,884,229	13,648,447
Other receivables	17	6,322,579	4,418,213
Other receivables from Group companies	21	5,135,894	13,886,919
Cash and cash equivalents	22	59,559,131	33,652,687
Total current assets		**146,234,970**	**122,490,490**
TOTAL ASSETS		**400,175,195**	**382,512,421**

	Note	12.31.2020	12.31.2019
(thousands of Euros)			
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		140,000,000	140,000,000
Other reserves		60,262,702	48,302,271
Profit (loss) for the year		22,745,553	15,937,451
Total shareholders' equity	23	**223,008,255**	**204,239,722**
Non-current liabilities			
Payables to banks and other lenders	22	27,184,644	38,172,253
Derivative instruments	24	356,281	415,979
Deferred taxes	26	942,500	1,776,363
Employee benefits	27	4,609,738	5,051,236
Non-current provisions for risks and charges	28	4,950,614	4,575,560
Total non-current liabilities		**38,043,777**	**49,991,391**
Current liabilities			
Payables to banks and other lenders	22	11,885,349	14,588,197
Derivative instruments	24	271,971	308,614
Trade payables	29	56,614,750	58,110,503
Payables to Group companies	30	2,582,095	2,965,719
Other payables	25	6,821,022	6,282,619
Other payables to Group companies	31	56,218,784	45,238,567
Current taxes	32	3,283,402	
Employee benefits	27	27,250	68,161
Current provisions for risks and charges	28	1,418,540	718,928
Total current liabilities		**139,123,163**	**128,281,308**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**400,175,195**	**382,512,421**

Financial statement

	Note	12.31.2020	12.31.2019
(thousands of Euros)			
Profit (loss) for the year before tax		30,582	20,097
Depreciation, amortization and write-downs	7	14,953	13,371
Losses (gains) from investments	10	(6,337)	(562)
Financial income (expenses)	9	(309)	933
Capital (gains) losses from fixed assets		2	
Change in provisions for employee benefits, other provisions including provisions for doubtful receivables		1,216	(1,069)
Change in inventories	18	(398)	(308)
Change in receivables	19	(8,042)	(8,884)
- of which related parties		*(4,216)*	*(1,180)*
Change in payables	29	(1,230)	9,702
- of which related parties		*(233)*	*158*
Total change in working capital		(9,670)	510
Gross cash flow		**30,437**	**33,280**
Interest paid in the year		(901)	(866)
- of which related parties		*(164)*	*(156)*
Interest collected in the year		358	469
- of which related parties		*(180)*	*422*
Taxes paid in the year		(4,782)	(7,249)
Cash flows from operating activities		**25,112**	**25,634**
Equity investments in other companies	16		(1)
Investment net of disinvestment in tangible and intangible assets	12-14	(11,772)	(11,543)
Investment net of disinvestment in subsidiaries, joint venture and related parties	15-16	(709)	(670)
Dividends received		10,638	562
Cash flows from investing activities		**(1,843)**	**(11,652)**
Change in other financial assets and liabilities and short-term bank debt	22	21,070	7,496
- of which related parties		*21,414*	*7,332*
Change in medium- and long-term loans	22	(14,928)	(12,027)
Dividends paid		(3,027)	(2,633)
Purchase of Treasury shares		(478)	
Cash flows from financing activities		**2,637**	**(7,164)**
Change in unrestricted cash and cash equivalents		**25,906**	**6,818**
Unrestricted cash and cash equivalents at the beginning of the year		**33,653**	**26,835**
Unrestricted cash and cash equivalents at the end of the year		**59,559**	**33,653**

Statement of changes in shareholders' equity

	Share capital	Legal reserve	Other reserves	Profit (loss) for the year	Hedging reserve	Reserve for "Actuarial gain/(loss)"	Total Net Equity
(thousands of Euros)							
Shareholders' equity 12.31.2018	**140,000**	**1,477**	**33,928**	**17,952**	**(421)**	**(1,747)**	**191,189**
Dividends distributed				(2,633)			(2,633)
Allocation of profit (loss) for the year		898	14,421	(15,319)			
Profit (loss) for the year				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 12.31.2019	**140,000**	**2,375**	**48,349**	**15,937**	**(519)**	**(1,902)**	**204,240**
Dividends distributed				(3,027)			(3,027)
Allocation of profit (loss) for the year		797	12,113	(12,910)			
Purchase of treasury shares less the shares assigned			(479)				(479)
Stock Grant Reserve			(438)				(438)
Profit (loss) for the year				22,746			22,746
Other components of comprehensive profit (loss)					29	(63)	(34)
Total comprehensive profit (loss)				22,746	29	(63)	22,712
Shareholders' equity 12.31.2020	**140,000**	**3,172**	**59,545**	**22,746**	**(490)**	**(1,965)**	**223,008**

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 19, 2021.

Reno De Medici S.p.A., as the Parent company, also prepared the consolidated financial statements of the RDM Group on December 31, 2020.

The 2020 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").

Reno De Medici applied the same accounting principles for the Annual Financial Report on December 31, 2019.

Accounting principles, amendments and interpretations effective from January 1, 2020, specifying any impact in these financial statements for each of them:

- "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;
- Amendment to IFRS 3 "Definition of a Business";
- Amendment to IFRS 16; "Covid-19 Related Rent Concessions".

The IFRS and IFRIC accounting standards, amendments, and interpretations standardized by the European Union not yet obligatorily applicable and not subject to early adoption by Reno De Medici S.p.A. are as follows:

- Amendment to IFRS 4; "Extension of the Temporary Exemption from Applying IFRS 9";
- Amendments to IFRS 9, IFRS 39, IFRS 7, IFRS 4, IFRS 16: "Interest Rate Benchmark Reform—Phase 2".

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 IAS 1: "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current";
- Amendment to IFRS 3; "Business Combinations;
- Amendment to IAS 16: "Property, Plant and Equipment;
- Amendment to IAS 37: "Provisions, Contingent Liabilities and Contingent Assets."

- IFRS 14 – Regulatory Deferral Accounts;
- Annual Improvements 2018-2020: Amendments were made to IFRS 1 - "First-time Adoption of International Financial Reporting Standards", IFRS 9 - "Financial Instruments", IAS 41 - "Agriculture" and Illustrative Examples of IFRS 16 - "Leases".

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 indication that tangible fixed assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss, as described in the section "Impairment".

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

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

Assets held for sale

"Assets held for sale" consist of non-current assets whose carrying amount will be recovered principally through a sale rather than through continuing use. Assets held for sale are stated at the lower of their carrying amount and their fair value less costs to sell and are not depreciated.

Intangible fixed assets

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

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

Intangible assets with a 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 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 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.

Rights of use

"Rights of use" is recorded under assets on the effective lease date, which is the date a lessor makes the underlying asset available to the lessee. This item is initially measured at cost and includes the initial measurement of the Financial liability for leased assets. The Right of Use is systematically amortized each financial year on the basis of the contractual duration. The commencement of amortization occurs on the effective date of the lease.

Impairment

At each reporting date, the Company reviews the carrying amount of its tangible and intangible assets with a finite useful life to assess whether there are any signs that these assets may have lost value (impairment indicators). If any such signs exist, the Company estimates the recoverable amount of such assets to determine 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 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.

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 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 through an impairment test to determine the write-down amount.

In application of the methodology provided for by standards IAS 31, the Parent Company RSM has also identified the cash-generating units, which represent the smaller identifiable groups of assets capable of generating cash flows that are broadly independent within the consolidated financial statements.

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

Note that impairment test purposes of the financial statement activities, the CGU area coincides with an entire legal entity/investment as in the case of R.D.M. companies. Arnsberg GmbH, RDM Ovaro S.p.A., PAC Service S.p.A., RDM Barcelona Cartonboard S.A.U., RDM Magenta S.r.l., or the mills Santa Giustina (BL) and Villa Santa Lucia (FR), belonging to the Parent company Reno de Medici S.p.A. Investment in RDM Blendecques S.A.S. also includes the investment in RDM La Rochette S.A.S.

As at December 31, 2020, in the presence of indicators due to loss in value, it was necessary to perform an impairment test relating to the investment in R.D.M. Magenta S.r.l. in order to check that this asset is recorded in the financial statements at a value not exceeding that of the recoverable value.

The recoverability of the recognized value is verified by comparing the net book value of the net invested capital of the cash-generating unit, with the value of use represented by the present value of the cash flows which are estimated to result from the continuous use of the assets comprising the cash-generating unit itself and its attributable terminal value.

This value also considers the cash flow that the Management has determined on the basis of the deed of sale of the land owned by said subsidiary, signed on 11 February 2021.

The outcome of this verification ("impairment test") resulted in the income statement of a write-down of the investment in question equal to €4.4 million in order to align its book value with the estimated use value.

The main assumptions used by the Parent company in measuring for the calculation of the recoverable amount (value in use) pertain:

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 applied a net discount rate of 6.04% in the implementation of cash flows, a rate which reflects current market assessments and also takes into account the specific industry-related risks.

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 resulted from the information available to date and from estimates on the evolution of different variables. For this reason, also 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.

Specifically, the sensitive analysis performed by the Management shows that by keeping the assumptions underlying the corporate plans unchanged and varying the basic assumptions (WACC update rate and "g rate" growth rate) this would have confirmed the write-down resulting from the impairment test.

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, also considering the various factors associated with the evolution of the national and international economic context linked to the Covid-19 health crisis that could require the redetermination of economic and financial forecasts and, therefore, the recoverable value of the investment. Consequently, it is not possible to rule out actual values that are also different from what was expected and that, therefore, could require adjustments, which, of course, cannot currently be estimated nor predicted, to the value of assets recorded in the financial statements. 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

These revenues arise essentially from sales of cartonboard:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Revenues from sales	216,451	223,041	(6,590)
Total	**216,451**	**223,041**	**(6,590)**

In 2020, revenues fell by €6.6 million (-2.95%) due to a fall in sales prices, while the tons sold remained in line with the previous year.

The geographical breakdown of sales revenues provided below, highlights a diversified mix of reference geographical areas.

	12.31.2020	12.31.2019	Variation	%
(thousands of Euros)				
Italy	128,241	127,577	664	1%
European Union	42,426	45,666	(3,240)	-7%
Rest of the world	45,784	49,798	(4,014)	-8%
Total revenues from sales	**216,451**	**223,041**	**(6,590)**	**-3%**

2. Other revenues

Other revenues can be broken down into the following categories:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Grants	182	228	(46)
Indemnities	150	116	34
Energy revenues	6,393	6,079	314
Rental income	466	469	(3)
Revenues from services	8,589	7,965	624
Other revenues	587	455	132
Total	**16,367**	**15,312**	**1,055**

"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.

"Energy revenues" relate to revenues received from certain energy suppliers for joining the "interruption" scheme, as well as the allocation of energy efficiency certificates. The increase is mainly due to the energy savings certificates received in 2020.

"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 negative for €1.8 million compared with positive €82 thousand at December 31, 2019. This change is attributable to lower physical inventories and lower production costs.

4. Cost of raw materials and services

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Cost for raw materials	**85,727**	**96,824**	**(11,097)**
Purchases of raw materials	87,929	97,051	(9,122)
Change in inventories of raw materials	(2,202)	(227)	(1,975)
Commercial services	**21,109**	**22,041**	**(932)**
Transport	17,944	18,385	(441)
Commission and agents' costs	3,165	3,656	(491)
Industrial services	**43,138**	**46,475**	**(3,337)**
Energy	20,738	23,182	(2,444)
Maintenance	2,578	2,475	103
Waste Disposal	8,710	8,864	(154)
Other industrial services	11,112	11,954	(842)
General services	**10,802**	**11,118**	**(316)**
Insurance	821	716	105
Legal, notarial, administrative and contractual services	3,895	4,153	(258)
Board of Directors	569	591	(22)
Board of Statutory Auditors	168	166	2
Postal and telecommunication	762	714	48
Other costs	4,587	4,778	(191)
Cost for use of third-party assets	**372**	**312**	**60**
Rental and leasing	372	312	60
Total	**161,148**	**176,770**	**(15,622)**

The decrease in raw material and service costs is primarily attributable to favorable trends in input costs, including the cost of recycled fiber and energy. The impact of the item on the value of production compared with the previous year ("Revenues from sales" plus the "Change in inventories of finished goods") decreased from 79% to 75%.

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 main production factors' performance is concerned, in 2020, the price of recycled fibers suffered further reductions than in 2019, as commented in the Directors' Report on Operations. The cost of chemicals and coating products was also slightly lower than in the 2019 fiscal year. These favorable price dynamics led to a lower incidence of raw materials cost on production value, which decreased from 43% to 40%.

"Service costs" decreased (€75.0 million as of December 31, 2020, against €79.6 million as of December 31, 2019), as well as their impact on the value of production, which slightly reduced by 35% compared to 36% in the previous year. In particular, energy costs decreased by €2.4 million compared with the fiscal year 2019, as during 2020, Reno De Medici S.p.A. continued to increasingly reap the benefits of its forward purchase policy for natural gas, its primary source of energy supply. Moreover, during 2020, the Company continued its energy efficiency program, with the first step of replacing the boiler at Santa Giustina and revamping the cogeneration mill at Villa Santa Lucia.

Transport costs are lower than the previous year (-€441 thousand), while a cost decrease linked to commission and agents' costs (-€491 thousand) was recorded. Maintenance costs slightly increased (+€103 thousand), while the other industrial services decreased (-€842 thousand).

It should be noted that the reduction in the legal, notary, administrative, and collaboration services item (-€258 thousand) is due to lower costs linked to the various consultancies, just as other costs have decreased (-€191 thousand) following the decrease in travel expenses.

As at December 31, 2020, "Costs for use of third-party assets" were in line with the figure reported as of December 31, 2019.

5. Personnel cost

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Wages and salaries	19,067	18,412	655
Social security contributions	6,221	6,201	20
Allowance for defined-contribution plans	2,321	1,138	1,183
Other costs	745	(125)	870
Total	**28,354**	**25,626**	**2,728**

Labor costs increased compared to the previous year (€2.7 million). This change may be ascribed to contractual increases and productivity gains, and to the respective share of the 2020-2021-2022 incentive plans designated for the Upper Management based on Performance Phantom Shares and Stock Grants.

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	12.31.2020	12.31.2019	Variation
Executives	15	15	
White collars	153	155	(2)
Blue collars	261	266	(5)
Total employees	**429**	**436**	**(7)**

Average employees by category	12.31.2020	12.31.2019	Variation
Executives	15	14	1
White collars	155	154	1
Blue collars	263	262	1
Total employees	**433**	**430**	**3**

The Company's workforce is in line with the previous year.

6. Other operating costs

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Write-downs of current receivables	593	173	420
Other operating expenses	1,663	1,982	(319)
Total	**2,256**	**2,155**	**101**

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

A higher provision amount is noted in the bad debts provision fund as compared to the previous fiscal year, pertaining to specific clients that reported payment hardships due to the change in the economic settings consequent to the Covid-19 pandemic.

"Other operating costs" consists mainly of various taxes incurred by the Company, and membership subscriptions to various industrial associations and trade bodies.

7. Amortization and depreciation

The table below shows the "Amortization and depreciation" item into tangible, intangible fixed assets and rights of use.

	12.31.2020	12.31.2019	Variation
(thousand of Euros)			
Depreciation of intangible fixed assets	726	566	160
Depreciation of tangible fixed assets	11,367	11,648	(281)
Depreciation and amortization of Right-of-use assets	1,345	1,158	187
Total	**13,438**	**13,372**	**66**

The item is in line with the previous year.

8. Write-downs and Revaluations

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Write-downs and revaluations	1,515		1,515
Total	**1,515**		**1,515**

The year's increase refers to the write-down of €1.5 million from the sale of the land located in Boffalora sopra Ticino (former Magenta paper mill) following the notary deed signed on February 11, 2021.

9. Net financial income (expenses)

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Financial income	**1,577**	**667**	**910**
Income from subsidiaries and associates	284	430	(146)
Other income	1,293	237	1,056
Financial expense	**(1,268)**	**(1,600)**	**332**
Interest paid to banks	(400)	(606)	206
Loss on derivative financial instruments	(255)	(325)	70
Interest paid to subsidiaries and associates	(170)	(164)	(6)
Financial expense on defined-benefit plans	(18)	(58)	40
Interest on leased assets (IFRS16)	(132)	(158)	26
Expenses, commission and other financial charges	(293)	(289)	(4)
Exchange rate differences	**(368)**	**(43)**	**(325)**
Realized gains on foreign exchange	572	425	147
Realized (losses) on foreign exchange	(962)	(444)	(518)
Unrealized gains on foreign exchange	37	10	27
Unrealized (losses) on foreign exchange	(15)	(34)	19
Total	**(59)**	**(976)**	**917**

Net financial expense decreased by €917 thousand, primarily due to the €910 thousand increase in "Financial income" due to the income recorded following fair-value adjustment of certain financial activities held. The decrease of €332 thousand in "Financial expense" is mostly due to a reduction in the item: "Interest from banks and other financial institutions."

The average cost of debt remains at contained levels.

10. Income (losses) from equity investments

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Income from equity investments in associates	**137**	**62**	**75**
Dividends from Emmaus Pack S.r.l.	137	62	75
Income from equity investments in subsidiaries	**10,565**	**500**	**10,065**
Dividends from PAC Service S.p.A.	500	500	
Dividends from R.D.M. Arnsberg GmbH	10,000		10,000
Other income from investments	65		65
Write-ups (write-downs) of investments in subsidiaries and others	**(4,365)**		**(4,365)**
RDM Group companies shareholding devaluation	(4,365)		(4,365)
Total	**6,337**	**562**	**5,775**

Income from equity investments amounted to €6.3 million, compared with €0.6million in the previous year financial statement. The increase is due to the collection of dividends from R.D.M. Arnsberg GMBH for €10 million partly offset by the write-down of its investment in R.D.M.. Magenta S.r.l. for €4.4 million after the impairment test. For further information see paragraph: "Impairment test".

11. Taxes

Taxes amounted to €7.8 million compared with €4.2 million in the previous year and break down as follows:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Current taxes	**(8,682)**	**(5,386)**	**(3,296)**
Corporate taxes - IRES	(6,612)	(4,259)	(2,353)
Corporate taxes - IRAP	(1,393)	(1,052)	(341)
Previous years taxation	(294)	241	(535)
Income (loss) from tax consolidation (IRES)	(383)	(316)	(67)
Deferred taxes	**845**	**1,227**	**(382)**
Deferred taxes (IRAP)	99		99
Deferred taxes (IRES)	746	1,227	(481)
Total	**(7,837)**	**(4,159)**	**(3,678)**

The higher tax charge is due to the increase in IRES and IRAP for the year, reflecting the Company's higher taxable income during the year ended.

For further information on deferred taxes, see Note 26.

IRES for the year represents the tax relating to Reno De Medici S.p.A., which takes account of the national fiscal consolidation result. Its increase was due to a rise in taxable income, which also resulted in an increase in IRAP.

The "Income from tax consolidation (IRES)" item refers to the compensation of the Parent company among the affiliated companies that contributed to a tax loss at the close of the financial statement.

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	12.31.2020
(thousands of Euros)			
Profit (loss) before tax	34,948		
Theoretical tax burden		**24.00%**	**8,388**
Reversal of temporary differences arising in previous years	(776)		
Temporary differences which will be reversed in future years	4,083		
Permanent differences which will not be reversed in future years	(9,097)		
Total differences	(5,790)		
Use of the tax losses	(1,606)		
Actual tax burden	**27,552**	**24.00%**	**6,612**

Reconciliation between the theoretical and actual tax burden (IRAP)

IRAP	Taxable amount	% IRAP	12.31.2020
(thousands of Euros)			
Difference between value and cost of production (excluding B9, B10 c), d) and B12 and B13)	55,039		
New 2015 Stability Law labor cost deduction	(24,882)		
Total	30,157		
Theoretical tax burden		**3.90%**	**1,176**
Permanent differences due to higher regional tax rates	2,482		
Reversal of temporary differences arising in previous years	979		
Permanent differences which will not be reversed in future years	2,107		
Total differences	5,568		
Actual tax burden	**35,725**	**3.90%**	**1,393**
Effective tax rate		**4.62%**	

"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.

12. Tangible fixed assets

The changes in tangible fixed assets for 2020 and 2019 are listed below:

	Lands	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		(10,359)	(4,568)	(324)	(654)		(15,905)
Reclassification of cost		23	4,780			(4,803)	
Depreciation for the year		(2,083)	(9,492)	(10)	(63)		(11,648)
Decrease in provision for acc. depr./ write-downs		9,958	4,568	324	654		15,504
Value as at 12.31.2019							
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**

	Lands	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euros)							
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**
Increases	81	116	3,360		31	6,139	9,727
Decreases			(9)		(1)		(10)
Reclassification of cost	19	74	5,260			(5,353)	
Depreciation for the year		(1,645)	(9,641)	(4)	(77)		(11,367)
Write-downs for the year	(1,515)						(1,515)
Decrease in provision for acc. depr./write-downs			2		1		3
Value as at 12.31.2020							
Historical cost	19,265	57,858	322,677	921	7,672	8,615	417,008
Accumulated depreciation/write-downs	(1,515)	(42,580)	(263,311)	(908)	(7,346)		(315,660)
Net book value as at 12.31.2020	**17,750**	**15,278**	**59,366**	**13**	**326**	**8,615**	**101,348**

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 Reno De Medici S.p.A..

"Land" includes the areas pertaining to mills at Santa Giustina (BL), Villa Santa Lucia (FR).

"Buildings" relates mainly to the mills.

It should be noted that the write-down of €1.5 million refers to the land located in Boffalora sopra Ticino (former Magenta paper mill), which was sold on February 11, 2021.

Investments in tangible fixed assets incurred in 2020 amounted to €9.7 million (€8.8 million in 2019).

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): first step of the new boiler;
- **Villa Santa Lucia** mill (Italy): dough preparation and intervention on the gas turbine.

"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 €191.4 million related to owned property, are pledged in favor of banks as security on loans for which the outstanding balance as at December 31, 2020 amounted to €33.7 million.

13. Rights of use

This item, which stands at €3.1 million (€3.3 million in 2019), refers 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 (01.01.2019)	**2,017**	**791**	**188**		**2,996**
Increases		399	207	966	1,572
Decreases	(3)		(68)		(71)
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 12.31.2019					
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**

	Buildings	Plant and machinery	Other assets	Software	Total
(thousands of Euros)					
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**
Increases	240	771	255	92	1,358
Decreases	(303)	(163)	(120)		(586)
Depreciation and amortization for the year	(499)	(366)	(140)	(340)	(1,345)
Decrease in provision for acc. depr./write-downs	213	75	80		368
Value as at 12.31.2020					
Historical cost	1,951	1,798	462	1,058	5,269
Accumulated depreciation/write-downs	(726)	(586)	(157)	(662)	(2,131)
Net book value as at 12.31.2020	**1,225**	**1,212**	**305**	**396**	**3,138**

14. Intangible fixed assets

Changes in intangible assets during 2020 and 2019 were as follows:

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

	Concessions, licenses, trademarks and similar rights	Assets under construction	Total
(thousands of Euros)			
Net book value as at 12.31.2019	**2,734**	**6,400**	**9,134**
Increases	16	2,035	2,051
Reclassification of cost	1,285	(1,285)	
Amortization for the year	(726)		(726)
Net book value as at 12.31.2020	**3,309**	**7,150**	**10,459**

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

The increase of intangible assets in progress is due to the advancement of the project to implement the new ERP, which started in 2016. The reclassification of €1.3 million from the item "intangible assets in progress" to the item "Concessions, licenses, trademarks and similar rights", refers to the go-live in R.D.M. Ovaro S.p.A. on November 1, 2020. Please note that implementation continues in the other companies of the Group.

15. Investments in subsidiaries

Investments in subsidiaries came to €137 million decreased by €4.2 million in the previous year, and were characterized by the following changes:

	Historical cost 12.31.2019	Provision for losses on investments 12.31.2019	Net book value 12.31.2019	Increase (decrease) in investments	Historical cost 12.31.2020	(Increase) decrease in impairment provision	Provision for losses on investments 12.31.2020	Net book value 12.31.2020
	A	B	C=A+B	D	E=A+D	F	G=B+F	H=E+G
(thousands of Euros)								
R.D.M. Arnsberg GmbH	54,113		54,113		54,113			54,113
Cascades Grundstuck GmbH	3,482		3,482	10	3,492			3,492
RDM Blendecques S.A.S.	22,900	(7,509)	15,391		22,900		(7,509)	15,391
Cartiera Alto Milanese S.r.l. in liquidation	2,864	(1,912)	952	(2,864)		1,912		
R.D.M. Magenta S.r.l.	6,763		6,763		6,763	(4,365)	(4,365)	2,398
R.D.M. Ovaro S.p.A.	11,940		11,940	693	12,633			12,633
PAC Services S.p.A.	10,534		10,534		10,534			10,534
RDM Barcelona Cartonboard S.A.U.	36,508		36,508		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)		390	1,154		(764)	390
R.D.M. Marketing Hungaria Kft	31		31		31			31
R.D.M. Marketing Poland Sp. z.o.o.	92		92		92			92
R.D.M. Marketing UK Ltd	2	(2)			2		(2)	
R.D.M. Marketing Czech Republic S.r.o.	63		63		63			63
Total	**151,418**	**(10,187)**	**141,231**	**(1,771)**	**149,647**	**(2,453)**	**(12,640)**	**137,007**

On June 15, 2020, Reno De Medici S.p.A., in accordance with the agreements signed with Friulia S.p.A. in 2017, repurchased an additional 5% stake of the shareholding owned by Friulia S.p.A. in R.D.M. Ovaro S.p.A.

In order to keep the partnership with Friulia S.p.A., on December 16, 2020 the Shareholders' Meeting of R.D.M. Ovaro S.p.A. resolved to increase the overall share capital to €12,625,000 through the issue of 125,000 preferred shares that were subscribed by the "Finanziaria Regionale Friuli-Venezia Giulia - Joint Stock Company - FRIULIA S.p.A." ("Friulia"). After this transaction, Friulia S.p.A. acquired a 0.99% stake in R.D.M. Ovaro S.p.A.

On November 10, 2020, the company liquidator Cartiera Alto Milanese S.r.l. under liquidation canceled it from the Company Register.

In its closing financial statement, the Company forfeited a portion of its trade receivables towards R.D.M.. Marketing Spain S.l.u.

Lastly, R.D.M. Magenta S.r.l. shareholding has been depreciated after an impairment test, as described in detail in paragraph: "Impairment test".

The figures for the equity investment held, share capital, shareholders' equity and profit (loss) for 2020 for directly controlled subsidiaries are reported in the table below:

	Registered office	Direct equity investment share	Share capital as at 12.31.2020	Shareholders' equity at 12.31.2020	Result for the year
(thousands of Euros)					
R.D.M. Arnsberg GmbH	Arnsberg (DE)	94%	5,113	43,250	5,883
Cascades Grundstuck GmbH	Arnsberg (DE)	100%	33	308	(6)
R.D.M. Ovaro S.p.A.	Milano (IT)	99.01%	12,625	32,418	4,346
RDM Blendecques S.A.S.	Blendecques (FR)	100%	5,037	8,037	2,728
R.D.M. Magenta S.r.l.	Milano (IT)	100%	3,700	2,397	(1,007)
PAC Service S.p.A.	Vigonza (PD)	100%	1,000	11,769	529
RDM Barcelona Cartonboard S.A.U.	Barcellona (ES)	100%	14,943	36,216	314
R.D.M. Marketing France S.A.S.	Parigi (FR)	100%	337	2,934	576
R.D.M. Marketing Germany Gmbh	Krefeld (DE)	100%	210	1,127	78
R.D.M. Marketing Spain S.l.u.	Barcellona (ES)	100%	26	440	383
R.D.M. Marketing Czech Rep. s.r.o.	Praga (CZ)	100%	19	744	219
R.D.M. Marketing Poland Sp z.o.o.	Varsavia (PL)	100%	11	1,178	381
R.D.M. Marketing Hungaria KFT	Budapest (HU)	100%	16	413	85
R.D.M. Marketing Uk Ltd	Wednesbury (UK)	100%		152	127

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

Note that for subsidiary companies that had an "impairment indicator" at the closing date of the financial statement, the Parent Company carried out an impairment test indicating the need to write-off the shareholding held in R.D.M. Magenta S.r.l. as reiterated above. For more complete information, please refer to the "Impairment test" section in the accounting standards.

16. 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 12.31.2019	Increases (Decreases)	Book value 12.31.2020
(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	21		21
Conai	Milan - Italy	Consortium share	23		23
Consorzio Filiera Carta	Isola del Liri (Fr) - Italy	Consortium share	7		7
Gas Internsive S.c.r.l.	Milan - Italy	Consortium share	1	3	4
Idroenergia S.c.r.l.	Aosta - Italy	Consortium share	1		1
Industria e Università S.r.l.	Varese - Italy	0,19%	25		25
Other companies				4	4
Total investments in other companies			**79**	**7**	**86**
Total investments			**152**	**7**	**159**

Equity investments in other companies mainly comprise the equity stake held in Emmaus Pack S.r.l. and 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, 2020:

	Emmaus Pack S.r.l. (*)
(thousands of Euros)	
Total assets	11,693
Shareholders' equity	1,539
Other liabilities	10,154
Value of production	16,765
Profit (loss) for the year	619

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

17. Other current and non-current receivables

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

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Guarantee deposits	1,511	1,332	179
Other receivables	318	318	
Non-current receivables	**1,829**	**1,650**	**179**
Tax receivables	875	2,401	(1,526)
Other receivables	758	805	(47)
Accrued income and prepaid expenses	4,638	1,184	3,454
Financial receivables	52	28	24
Current receivables	**6,323**	**4,418**	**1,905**
Total	**8,152**	**6,068**	**2,084**

The item: Other receivables, current and non-current, records a €2.1 million compared to the previous financial year, mainly due to the increase of "Accrued and deferred assets", for a total amount of €3.5 million, partly offset by tax assets decrease. It is noted that the "prepaid expenses" item includes the costs incurred for the demolition of the buildings at the Boffalora sopra Ticino site (formerly the Magenta Paper Mill), which was necessary for the sale of the land, net of the advances received from the counterparty, Vetropack S.r.l. The above-mentioned land, based on specific suspensive clauses contained in the preliminary sales agreement signed in 2018, was not immediately available for sale as of December 31, 2020, based on IFRS 5 accounting principle. Because of the new agreements supervening between the parties and in light of the fact that permission was obtained to reclaim the land from the competent authorities, the land was sold on February 11, 2021.

In non-current receivables, "Guarantee deposits" include the guarantee fund set up at Terna (the power network operator), totaling €1.2 million (€0.9 million on December 31, 2019). "Other receivables" included IRES and IRAP provision following the ending of MAP 2011-12-13 between Italy and Germany.

Within current receivables, "Tax credits" on the current portion decreased by €1.5 million due to a lower VAT credit and the recognition of an *IRES* (Corporate Income Tax) and *IRAP* (Italian Regional Tax on Productive Activities) taxes payable, unlike the previous year when the Company had available credits.

The current part of "Other receivables" includes a deposit to a factoring company of €0.7 million compared with €0.8 million the previous year.

18. Inventories

The table below provides a breakdown of inventories at December 31, 2020:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Raw and ancillary materials and consumables	15,713	13,511	2,202
Provisions for obsolescence of raw materials	(507)	(507)	
Finished products and goods	16,490	18,294	(1,804)
Total	**31,696**	**31,298**	**398**

The balance of "Raw and ancillary materials and consumables" has increased (16.30%) from the previous year, due to the increase in physical inventory.

Regarding "finished products and goods" it should be noted that inventories decreased (9.86%) compared to the previous year: this change is due to the decrease of physical inventories and lower production costs.

19. Trade receivables

The table below shows the changes in trade receivables from third parties, which amounted to €25.6 million as at December 31, 2020:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Trade receivables	25,637	25,586	51
Current trade receivables	**25,637**	**25,586**	**51**

It should be noted that receivables are in line with the previous year.

The Company applies non-recourse factoring, which went from €17.5 million at December 31, 2019 to €16.6 million at December 31, 2020.

The item is stated net of €2.8 million of provisions for bad and doubtful receivables.

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

	12.31.2019	Provision	Utilization	12.31.2020
(thousands of Euros)				
Provisions for bad and doubtful receivables	2,169	593	(1)	2,761
Total	**2,169**	**593**	**(1)**	**2,761**

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

	12.31.2020	12.31.2019	Variation	%
(thousands of Euros)				
Italy	22,610	21,566	1,044	4.8%
European Union	647	1,034	(387)	-37.4%
Rest of the world	2,380	2,986	(606)	-20.3%
Total	**25,637**	**25,586**	**51**	**0.2%**

20. Receivables from Group companies

"Receivables from Group companies", equal to €17.9 million, break down as follows:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Receivables from subsidiaries	11,892	7,163	4,729
Total receivables from subsidiaries	**11,892**	**7,163**	**4,729**
Receivables from associates and joint ventures	5,992	6,485	(493)
Total receivables from associates and joint ventures	**5,992**	**6,485**	**(493)**
Total receivables from Group companies	**17,884**	**13,648**	**4,236**

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

A breakdown of "Receivables due from subsidiaries," which totaled €11.9 million on December 31, 2020, compared with €7.2 million in the previous year, is provided below:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
R.D.M. Magenta S.r.l.	93	135	(42)
R.D.M. La Rochette S.A.S.	861	866	(5)
R.D.M. Ovaro S.p.A.	1,977	785	1,192
R.D.M. Arnsberg GmbH	3,659	1,403	2,256
RDM Blendecques S.A.S.	1,738	366	1,372
PAC Services S.p.A.	2,479	2,287	192
RDM Barcelona Cartonboard S.A.U.	660	739	(79)
R.D.M. Marketing Portugal Unipessoal Lda	6	6	
R.D.M. Marketing France S.A.S.	152	106	46
R.D.M. Marketing Germany GmbH	61	46	15
R.D.M. Marketing Spain S.L.U.	40	269	(229)
R.D.M. Marketing Czech Republic S.r.o.	47	41	6
R.D.M. Marketing Poland Sp. z.o.o.	57	57	
R.D.M. Marketing Hungaria Kft	23	28	(5)
R.D.M. Marketing UK Ltd	39	29	10
Total receivables from subsidiaries	**11,892**	**7,163**	**4,729**

The change is essentially due to normal dynamics relating to collections.

"Receivables from associates and joint ventures" amount to €6.0 million and break down as follows:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Emmaus Pack S.r.l.	5,992	6,485	(493)
Total receivables from associates and joint ventures	**5,992**	**6,485**	**(493)**

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.

21. Other receivables from Group companies

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

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
R.D.M. Magenta S.r.l.	2,849	1,085	1,764
R.D.M. La Rochette S.A.S.		5,104	(5,104)
RDM Blendecques S.A.S.	2,287	5,621	(3,334)
RDM Barcelona Cartonboard S.A.U.		1,500	(1,500)
R.D.M. Marketing Spain S.L.U.		338	(338)
R.D.M. Marketing UK Ltd		239	(239)
Total other receivables from subsidiaries	**5,136**	**13,887**	**(8,751)**

This item shows a decrease of €8.8 million, as many subsidiaries generated positive cash flow during 2020, closing with a negative cash pooling balance for the parent company Reno De Medici S.p.A. or reducing the amount of the receivable.

22. Net financial position

The table below provides a breakdown of the net financial position at December 31, 2020 and 2019:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Cash	6	9	(3)
Bank deposits	59,553	33,644	25,909
A. Cash and cash equivalents	**59,559**	**33,653**	**25,906**
Other receivables from Group companies	5,135	13,887	(8,752)
Other financial receivables	53	28	25
B. Current financial receivables	**5,188**	**13,915**	**(8,727)**
1. Current payables to banks		*57*	*(57)*
2. Current portion of medium and long-term loans	*10,771*	*13,489*	*(2,718)*
3. Other current financial liabilities	*38*	*2*	*36*
4. Payables to other lenders for current Right-of-use asset	*1,076*	*1,040*	*36*
Payables to banks and other lenders (1+2+3+4)	11,885	14,588	(2,703)
Other payables to Group companies	56,219	45,239	10,980
Derivatives - current financial liabilities	272	309	(37)
C. Current financial debt	**68,376**	**60,136**	**8,240**
D. Net current financial debt (C-A-B)	**3,629**	**12,568**	**(8,939)**
E. Non-current financial receivables			
Payables to banks and other lenders	25,039	35,821	(10,782)
Payables to other lenders for non current Right-of-use asset	2,146	2,352	(206)
Derivatives - non-current financial liabilities	356	416	(60)
F. Non-current financial debt	**27,541**	**38,589**	**(11,048)**
G. Net non-current financial debt (F-E)	**27,541**	**38,589**	**(11,048)**
H. Net financial debt (D+G)	**31,170**	**51,157**	**(19,987)**

Net financial debt was €31.2 million at December 31, 2020 (compared with €51.2 million at December 31, 2019). Net operating cash-flow, with €25.1 million in assets, was taken up by certain specific expenses, for a total amount of €5.3 million, which include: dividends remitted for €3 million and the purchase of treasury shares in the amount of €0.5 million and the buyback of a portion 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":

	12.31.2019	Cash flow (*)	Non-cash transactions: Exchange rate translation differences	Non-cash transactions: Fair Value variation	12.31.2020
(thousands of Euros)					
Current financial receivables	**13,915**	(8,727)			**5,188**
Current financial debt	**60,136**	8,277		(37)	**68,376**
Non-current financial debt	**38,589**	(10,988)		(60)	**27,541**
Net liabilities from financing activities	**84,810**	**6,015**		**(97)**	**90,729**
Cash and cash equivalents	**33,653**	25,906			**59,559**
Net financial debt	**51,157**	**(19,890)**		**(97)**	**31,170**

(*) The information of "Cash flow" are 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	2,857		5,714
Banca Palatine 376	602	756		1,358
Banca Palatine 377	403	508		911
Unicredit	7,000	21,000		28,000
Total nominal debt	**10,862**	**25,121**		**35,983**
Amortized cost effect	(91)	(82)		(173)
Total debt using the amortized cost method	**10,771**	**25,039**		**35,810**

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, 2020 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.

Note that in 2020 principal repayments totaling €13.6 million were made.

In terms of collateral, the Parent company loan agreement requires, inter alia, RDM to provide mortgages and liens on mills, in the total amount of €171.2 million.

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

On October 2, 2015, a loan of EUR 20 million was made by Banca Popolare di Milano S.p.A.; the loan agreement was executed on September 16, 2015. The loan agreement calls for a floating rate and a maturity of December 31, 2022. Installments are paid half-yearly starting June 30, 2016. This loan requires compliance with several financial parameters subject to annual and half-yearly review. At December 31, 2020, these financial parameters had been complied with.

On August 2, 2017, a loan of €3 million was made by Credito Emiliano S.p.A.; the loan agreement was executed on August 2, 2017. The loan agreement calls for a floating rate. The grant closed on August 2, 2020.

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 fixed rate and a maturity of February 5, 2023. Installments were paid quarterly starting May 5, 2018. This loan requires compliance with several financial parameters subject to annual review. At December 31, 2020, these financial parameters had been complied with.

On July 30, 2018, a loan agreement was executed and the loan of €35 million made by UniCredit S.p.A. The loan was supplied on October 31, 2018, the date on which the transaction for the acquisition of Barcelona Cartonboard S.A.U. was concluded. 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. This loan requires compliance with several financial parameters subject to annual review. At December 31, 2020, these financial parameters had been complied with.

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at December 31, 2020. More information on outstanding derivative instruments can be found in Note 24.

23. Shareholders' equity

Changes in shareholders' equity during 2020 are set out in the following table:

	Shareholders' equity 12.31.2019	Allocation of profit (loss) for the year	Dividends distributed	Purchase of treasury shares less the shares assigned	Stock Grant Reserve	Reserve for "Actuarial gain/(loss)"	Hedging reserve	Profit (loss) for the year	Shareholders' equity 12.31.2020
(thousands of Euros)									
Share capital	140,000								140,000
Treasury shares reserve	(1,059)			(479)					(1,538)
Legal reserve	2,375	797							3,172
Other reserves:									
- Available reserve	46,485	12,113			(93)				58,505
- Stock Grant Reserve	966				(345)				621
- Hedging reserve	(519)						29		(490)
- Ovaro sale reserve	3,105								3,105
- Reserve for "Actuarial gain/(loss)"	(1,902)					(63)			(1,965)
- IFRS 9 Reserve	(1,267)								(1,267)
- Merger reserve for RDM Marketing S.r.l.	119								119
Result for the year	15,937	(12,910)	(3,027)					22,746	22,746
Total	**204,240**		**(3,027)**	**(479)**	**(438)**	**(63)**	**29**	**22,746**	**223,008**

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.

As part of this program for the purchase and disposal of shares, as of June 2016, the Company launched the plan to purchase treasury shares totaling 2,262,857 on December 31, 2019, with a value of EUR 1,060 thousand. On April 30, 2020, these treasury shares were assigned to the Chief Executive Officer, as provided for in the three-year Stock Grant Plan that ended with the approval of the financial statements as of December 31, 2019.

During 2020, in compliance with the authorization approved, pursuant to art. 2357 of the Italian Civil Code, by the Ordinary Shareholders' Meeting of 29 April 2020, a new plan for the purchase of treasury shares was launched. Treasury shares held as at 31 December 2020 amounted to 2,070,000 for a value of EUR 1,538 thousand. For further information please refer to the paragraph "Other information - Authorization to buy and sell treasury shares".

The Shareholders' Meeting of April 29, 2020 resolved to allocate the Company's 2019 profit of €15,937,450.85 as follows:
- €796,872.54 to the legal reserve pursuant to Article 2430 of the Italian Civil Code;
- €6,241.16 as a dividend to be distributed for the 254,741 savings shares;
- €3,020,370.02 a dividend to be distributed for the 377,546,253 ordinary shares;
- €12,113,967.13 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 2020, 5,672 savings shares were converted to ordinary shares. As a result of this, the share capital at December 31, 2020, fully subscribed and paid-up, could be broken down as follows:

	Number	Total value
Ordinary shares	377,551,889	139,907,690.29
Savings shares	249,105	92,309.71
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, 2021, 7,991 savings shares were converted into ordinary shares with dividend entitlement as of January 1, 2020.

The table below shows the number of outstanding shares as at December 31, 2020 and December 31, 2019:

	12.31.2020	12.31.2019	Change
Shares issued	377,800,994	377,800,994	
Treasury shares	2,070,000	2,262,857	(192,857)
Total shares outstanding	**375,730,994**	**375,538,137**	**192,857**

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 €6,241.16 were distributed in 2020 to holders of savings shares.

In addition, dividends totaling €3,020,370.02 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 12.31.2020	Possibilities of use [*]	Available portion	Summary of uses 2019 – 2018 – 2017 to cover losses	Summary of uses 2019 – 2018 – 2017 for other reasons
(thousands of Euros)					
Share capital	140,000				
Of which treasury shares					
Legal reserve	3,172	B			
Other reserves:					
- Available reserve	58,505	A,B,C	58,505		
- Treasury shares reserve	(1,538)				
- Hedging reserve	(490)				
- Reserve for sale of Ovaro business unit	3,105				
- Reserve for actuarial gains (losses)	(1,965)				
- Stock Grant Reserve	621				
- IFRS 9 Reserve	(1,267)				
- Merger reserve for R.D.M. Marketing S.r.l.	119				
Total	**200,262**				

[*] 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:

	12.31.2020			12.31.2019		
	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	*38*	*(9)*	*29*	*(129)*	*31*	*(98)*
Actuarial gain (loss)	*(63)*		*(63)*	*(155)*		*(155)*

24. 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, 2020.

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Derivative instruments (hedge accounting)	356	416	(60)
Non-current liabilities	**356**	**416**	**(60)**
Derivative instruments (hedge accounting)	272	309	(37)
Current liabilities	**272**	**309**	**(37)**
Total	**628**	**725**	**(97)**

As at December 31, 2020, the derivative instruments in the form of interest rates swaps (IRS) had a negative fair value of €628 thousand.

The table below shows the main features of the derivative instruments outstanding as at December 31, 2020:

Company	Counterparty	Currency	Due date	Notional value (€/000)	Interest	Liquidation of interest	Fair value of derivative (€/000)
Reno De Medici S.p.A.	Banca Popolare di Milano	EUR	12.30.2022	5,714	0.45% fixed	Half-yearly	(70)
					Euribor 6m		
Reno De Medici S.p.A.	UniCredit S.p.A.	EUR	07.31.2024	28,000	0.385% fixed	Half-yearly	(558)
					Euribor 6m		
				33,714			**(628)**

25. Other current and non-current payables

The table below provides a breakdown of other current and non-current payables:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Payables for wages and salaries	2,771	2,333	438
Payables to social security institutions	2,410	2,283	127
Tax payables	753	823	(70)
Other payables	492	417	75
Corporate Boards	395	427	(32)
Other current payables	**6,821**	**6,283**	**538**
Total other payables	**6,821**	**6,283**	**538**

Other current payables amounted to €6.8 million as of December 31, 2020, with an increase of €538 thousand compared to the previous year.

The increase in the items "Payables for wages and salaries" and "Payables to social security institutions" is related to increased payroll costs, following contractual increases and productivity gains.

"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 2021, and to provisions for social security contributions due on deferred compensation (employee leave, additional months' salaries paid as a bonus, and overtime).

"Tax payables" are in line with the previous year. This item includes withholding tax due on remuneration paid to employees in December and miscellaneous tax payables.

26. Deferred taxes

The year-end balance of net deferred tax liabilities is provided below:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Deferred taxes	942	1,776	(834)
Total	**942**	**1,776**	**(834)**

The table below provides a summary of the calculation of deferred tax assets and liabilities from temporary differences as at December 31, 2020:

Taxes	12.31.2020			12.31.2019		
	Temporary differences	Tax %	Tax effect	Temporary differences	Tax %	Tax effect
(thousands of Euros)						
Recognized deferred tax assets	**12,463**		**3,136**	**10,536**		**2,613**
Tax losses to carry forward	4,996	24.00%	1,199	4,996	24.00%	1,199
Inventory write-downs	506	27.90%	141	507	27.90%	141
Land Depreciation	1,515	27.90%	423			
Provision for future charges (IRES)	1,122	24.00%	269	672	24.00%	161
Provisions for supplementary agents' commission	1,692	27.90%	472	1,692	27.90%	472
Other temporary differences IRES	319	24.00%	77	317	24.00%	76
IFRS 9 valuation	1,668	24.00%	400	1,668	24.00%	400
Valuation of derivatives with hedge accounting	645	24.00%	155	684	24.00%	164
Recognized deferred taxes	**14,822**		**4,078**	**15,954**		**4,389**
Statutory amortization/depreciation in excess of amount allowed for tax purposes	13,372	27.90%	3,731	14,351	27.90%	4,004
Other temporary differences IRES	43	24.00%	10	133	24.00%	32
Misalignment of TFR for IFRS application	1,407	24.00%	337	1,470	24.00%	353
Net recognized deferred tax (assets) liabilities			**942**			**1,776**
Unrecognized deferred tax assets	**53,135**		**12,858**	**13,055**		**3,243**
Write-downs for extended impairment	2,687	27.90%	750	2,687	27.90%	750
ROL	48,574	24.00%	11,658	9,231	24.00%	2,215
Write-downs for bad and doubtful receivables	1,874	24.00%	450	1,137	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 net deferred *IRES* and *IRAP* taxes in the amount of €0.9 million compared to €1.8 million as of December 31, 2019. This change is mainly due to the recognition of deferred tax assets on the land's impairment in Boffalora sopra Ticino (former Magenta paper mill), sold on February 11, 2021.

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.

27. Employee benefits

The following table compares balances as at December 31, 2020 and December 31, 2019:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Employee benefits - TFR	4,610	5,051	(441)
Non-current employee benefits	**4,610**	**5,051**	**(441)**
Employee benefits - TFR	27	68	(41)
Current employee benefits	**27**	**68**	**(41)**
Total	**4,637**	**5,119**	**(482)**

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, 2020.

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	-0.02%
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 12.31.2019	**5,119**
Interest cost	18
Benefits paid	(563)
Actuarial gains (losses)	63
Actuarial assessment of "Employee benefits "at 12.31.2020	**4,637**

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

The balance at December 31, 2020 was as follows:

	12.31.2019	Provision	Release	Utilization	Other movements	12.31.2020
(thousands of Euros)						
Provisions for supplementary agents' commission	1,907	127			(77)	1,957
Non-current provision for future charges	2,669	1,716	(687)	(318)	(386)	2,994
Total non-current provisions for risks and charges	**4,576**	**1,843**	**(687)**	**(318)**	**(463)**	**4,951**
Provisions for supplementary agents' commission				(2)	77	75
Current provision for future charges	719	307		(68)	386	1,344
Total current provision for risks and charges	**719**	**307**		**(70)**	**463**	**1,419**
Total	**5,295**	**2,150**	**(687)**	**(388)**		**6,370**

"Provision for risks and charges" increased in 2020, following the provision of €2.1 million, partly offset by use and release of €1.1 million. Note that the provisions for the year may be ascribed €1.2 million allocation for the *performance phantom share*; €0.6 million of disbursements for fair-value adjustments of financial activities held; mainly used to settle current litigation and for staff reduction operations.

29. Trade payables

"Trade payables" to third parties accounted in the financial statements were €56.6 million (€58.1 million as at December 31, 2019) and are due within 12 months. They are stated net of trade discounts and adjusted for any returns or rebates agreed with the counterparties.

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Trade payables	56,615	58,111	(1,496)
Total	**56,615**	**58,111**	**(1,496)**

The item is in line with the previous year, and the change is due to the normal dynamics of working capital.

30. Payables to Group companies

Payables to Group companies result from trade transactions carried out with Group companies and are set by normal market conditions.

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Payables to subsidiaries	2,582	2,966	(384)
Total payables to Group companies	**2,582**	**2,966**	**(384)**

Below is a breakdown of payables to subsidiaries classified under "Current liabilities":

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
R.D.M. Magenta S.r.l.	804	1,084	(280)
R.D.M. La Rochette S.A.S.		40	(40)
R.D.M. Ovaro S.p.A.	85	255	(170)
R.D.M. Arnsberg GmbH	39	152	(113)
PAC Services S.p.A.	138	1	137
R.D.M. Marketing Portugal Unipessoal Lda	14	17	(3)
R.D.M. Marketing France S.A.S.	806	593	213
R.D.M. Marketing Germany GmbH	129	123	6
R.D.M. Marketing Spain S.L.U.	201		201
R.D.M. Marketing Czech Republic S.r.o.	65	323	(258)
R.D.M. Marketing Poland Sp. z.o.o.	201	299	(98)
R.D.M. Marketing Hungaria Kft	26	19	7
R.D.M. Marketing UK Ltd	74	60	14
Total Payables to subsidiaries	**2,582**	**2,966**	**(384)**

31. 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:

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Cartiera Alto Milanese S.r.l. in liquidation		1,021	(1,021)
R.D.M. La Rochette SAS	2,140	78	2,062
R.D.M. Ovaro S.p.A.	20,070	13,513	6,557
RDM Arnsberg GMBH	22,969	25,826	(2,857)
RDM Blendecques SAS		52	(52)
Pac Service S.p.A.	1,205	192	1,013
RDM Barcelona S.A.U.	4,410		4,410
R.D.M. Marketing France S.A.S.	3,345	2,785	560
R.D.M. Marketing Germany GmbH	1,031	1,076	(45)
R.D.M. Marketing Czech Republic S.r.o.	482	102	380
R.D.M. Marketing Poland Sp. z.o.o.	433	432	1
R.D.M. Marketing Hungaria Kft	134	162	(28)
Total other payables to Group companies	**56,219**	**45,239**	**10,980**

The changes in the other items are related to the performance of each subsidiary company.

32. 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 the 2020 fiscal year, the Company recorded a tax liability, unlike the prior year, as a result of the increase in taxable income. It contained a tax credit entry. Refer to Note 17.

	12.31.2020	12.31.2019	Variation
(thousands of Euros)			
Current taxes	3,283		3,283
Total	**3,283**		**3,283**

33. 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 2020, 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.

34. 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 €5.3 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;
- sureties of €4.7 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;
- a surety of €128 thousand issued in connection with property leases;
- sureties of €450 thousand issued in favor of Terna S.p.A.;

There are mortgages on the Ovaro (UD) mill properties for a total of €20.7 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, 2020 was €3.1 million.

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.

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 potential expansion plans, the Parties agreed that the extension of the partnership was advantageous for the subsidiary and therefore signed new agreements under which Reno De Medici S.p.A. would buy back the 20% stake in R.D.M. Ovaro S.p.A. owned by Friulia S.p.A., at a total price of EUR 2,497,010.95, in four equal tranches, the last of which was acquired by Reno De Medici on June 15, 2020. After this transaction, the company R.D.M. Ovaro S.p.A. is fully owned by Reno De Medici S.p.A.

In order to keep the partnership with Friulia S.p.A., on December 16, 2020 the Shareholders' Meeting of R.D.M. Ovaro S.p.A. resolved to increase the overall share capital to €12,625,000 through the issue of 125,000 preference shares that were subscribed by the "Finanziaria Regionale Friuli-Venezia Giulia - Joint Stock Company - FRIULIA S.p.A." ("Friulia"). After this transaction, Friulia S.p.A. acquired a 0.99% stake in R.D.M. Ovaro S.p.A. Ovaro S.p.A., Reno De Medici S.p.A. and FRIULIA S.p.A. respectively obtained a call option, exercisable between December 16, 2022 and December 16, 2025, and a put option, exercisable between December 16, 2023 and December 16, 2025, on FRIULIA S.p.A.'s stake in R.D.M. Ovaro S.p.A.

35. Related-Party Transactions

For details on the transaction, see the section "Main transactions of the Reno De Medici Group in 2020" 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, 2020" attached to these financial statements and the section entitled "Information on related-party transactions" in the Directors' Report.

36. 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 2020 the Company received contributions, pursuant to Article 1, paragraph 25 of the above-mentioned law of €161 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	Training	116,656
Internal Revenue Service	Covid-19	28,297
		161,399

Lastly, in 2020 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, 2020 with the situation as at December 31, 2019, 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.

	12.31.2020		12.31.2019	
	Book value	**Fair value**	**Book value**	**Fair value**
(thousands of Euros)				
Cash and cash equivalents	**59,559**	**59,559**	**33,653**	**33,653**
Loans and receivables	**56,809**	**56,809**	**59,189**	**59,189**
Trade receivables	43,521	43,521	39,234	39,234
Other receivables from Group companies	5,136	5,136	13,887	13,887
Other receivables	8,152	8,152	6,068	6,068
Financial liabilities at amortized cost:	**(158,220)**	**(158,447)**	**(162,190)**	**(162,888)**
Unsecured medium- and long-term bank loans at amortized cost	(2,269)	(2,284)	(6,021)	(6,063)
Secured medium- and long-term bank loans at amortized cost	(33,714)	(33,926)	(43,571)	(44,227)
Trade payables	(59,197)	(59,197)	(61,076)	(61,076)
Other payables to Group companies	(56,219)	(56,219)	(45,239)	(45,239)
Other payables	(6,821)	(6,821)	(6,283)	(6,283)
Hedging derivatives	**(628)**	**(628)**	**(725)**	**(725)**
	(42,480)	**(42,707)**	**(70,073)**	**(70,771)**
Unrecognized profits (losses)	**227**		**698**	

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.

Having examined the financial models and criteria used to estimate the fair values of the above-mentioned financial instruments, further details are provided below on the individual items.

Derivative instruments

In general, the fair value of derivatives is calculated according to mathematical models using directly observable input data (such as an interest rate curve).

The Parent Company's only derivative instruments indexed to interest rates are interest rate swaps. A discounted cash flow model is used to measure these instruments, whereby the fair value of a derivative is given by the algebraic sum of the present values of future cash flows estimated on the basis of the risk-free curve of deposit rates, futures and swaps at the reporting date.

The reference international accounting standard (IFRS 13) identifies a measurement hierarchy based on three levels:
- level 1: inputs used in measurements are represented by quoted prices in active markets for identical assets and liabilities to those subject to measurement;
- level 2: inputs other than quoted prices included in level 1 that are observable for the financial asset or liability, both directly (prices) and indirectly (derived from prices);
- level 3: in the event that observable inputs are not available, and therefore market activity is light or nonexistent for the asset or liability subject to measurement, the inputs are non-observable.

			Fair value as at the date of the financial statements based on:		
	Classification	**12.31.2020**	**Level 1**	**Level 2**	**Level 3**
(thousands of Euros)					
Derivative instruments on interest rates	Non-current derivative instruments	**356**		**356**	
Derivative instruments on interest rates	Current derivative instruments	**272**		**272**	

As at December 31, 2020, 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, 2020 and December 31, 2019.

Future flows were discounted on the basis of the same Euro yield curve as at December 31, 2020 and December 31, 2019.

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 12.31.2020	Book value	Nominal value at 12.31.2019	Book value
(thousands of Euros)							
Secured medium- and long-term bank loans at amortized cost	**Euro**			**33,714**	**33,541**	**43,571**	**43,294**
Banca Popolare di Milano	Euro	Eur6m+spread	2022	5,714	5,663	8,571	8,489
UniCredit	Euro	Eur6m+spread	2024	28,000	27,878	35,000	34,805
Unsecured medium- and long-term bank loans at amortized cost	**Euro**			**2,269**	**2,269**	**6,021**	**6,016**
Banque Palatine 376	Euro	Fix	2023	1,358	1,358	1,957	1,957
Banque Palatine 377	Euro	Fix	2023	911	911	1,310	1,310
Banca Intesa San Paolo	Euro	Eur6m+spread	2020			2,000	1,995
Credem	Euro	Eur3m+spread	2020			754	754
Total medium- and long-term loans	**Euro**			**35,983**	**35,810**	**49,592**	**49,310**
Total short-term loans	**Euro**						
Total interest-bearing liabilities	**Euro**			**35,983**	**35,810**	**49,592**	**49,310**

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 12.31.2019	**519**
Fair value adjustment of cash flow hedge derivatives	(38)
Tax effect of fair value adjustment of cash flow hedge derivatives	9
Reserve 12.31.2020	**490**

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:

	12.31.2020	12.31.2019
(thousands of Euros)		
Gross trade receivables	46,282	41,403
Provision for bad and doubtful debts	(2,761)	(2,169)
Total	**43,521**	**39,234**

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:

December 31, 2020	Overdue receivables				
	more than 60 days	from 31 to 60 days	from 0 to 30 days	Non-overdue receivables	Total
(thousands of Euros)					
Italy	1,131	(78)	970	32,377	34,400
EU	2,801	(32)	1,609	801	5,179
Rest of the world	156	42	480	3,264	3,942
Total	**4,088**	**(68)**	**3,059**	**36,442**	**43,521**

December 31, 2019	Overdue receivables				
	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**

The Parent company's overdue receivables as at December 31, 2020 increased in absolute terms from EUR 4.6 million to EUR 7.1 million. They represent 16.3% of the total portfolio compared with 11.8% 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.

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 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 2020 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, 2020 and December 31, 2019, is reported in the following table.

ECB exchange rates	12.31.2020	12.31.2019
(per Euro)		
USD	1.2271	1.1234
GBP	0.8990	0.8508
CHF	1.0802	1.0854
CAD	1.5633	1.4598

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.

	12.31.2020				12.31.2019			
	USD	GBP	CHF	CAD	USD	GBP	CHF	CAD
(thousands of Euros)								
Trade receivables	2,451	79			3,140	67		
Trade payables	(1,429)	(38)	(9)		(1,004)	(36)		
Cash pooling with subsidiaries	(107)	(199)			(119)	30		
Cash and cash equivalents	1,667	926		1	3,569	495		1
Exposure	**2,582**	**768**	**(9)**	**1**	**5,586**	**556**		**1**

Sensitivity Analysis of Currency Risk

In order to measure the possible effects of changes in the reporting-date exchange rates on the statement of financial position and income statement, assumptions were made (at December 31, 2020 and December 31, 2019) 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, 2020 and December 31, 2019 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, 2020		**December 31, 2020**	
USD	(258)	USD	258
GBP	(77)	GBP	77
CHF	1	CHF	(1)
Total	**(334)**	**Total**	**334**
December 31, 2019		**December 31, 2019**	
USD	(559)	USD	559
GBP	(56)	GBP	56
Total	**(615)**	**Total**	**615**

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.

	12.31.2020	%	12.31.2019	%
(thousands of Euros)				
Floating-rate medium- and long-term loans				
Floating-rate medium- and long-term loans hedged by IRS	(23,857)	26%	(33,714)	36%
Fixed-rate medium- and long-term loans	(1,264)	1%	(2,269)	2%
Total non-current liabilities	**(25,121)**	**27%**	**(35,983)**	**38%**
Floating-rate medium- and long-term loans			(1,253)	1%
Floating-rate medium- and long-term loans hedged by IRS	(9,857)	11%	(11,357)	12%
Fixed-rate medium- and long-term loans	(1,005)	1%	(999)	1%
Floating-rate short-term bank loans for use of commercial facilities	(56,219)	61%	(45,239)	48%
Total current liabilities	**(67,081)**	**73%**	**(58,848)**	**62%**
Total (floating rate)			*(1,253)*	*1%*
Total (fixed rate or hedged floating rate)	*(92,202)*	*100%*	*(93,578)*	*99%*
Total	**(92,202)**	**100%**	**(94,831)**	**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, 2020					
Cash flows during the year		(99)	48		
	Cash flows from derivatives	*197*	*(197)*		
	Intercompany current account	*(100)*	*100*		
	Floating-rate loans	*(196)*	*145*		
Effectiveness of hedges				272	(272)
Net sensitivity of financial flows		**(99)**	**48**	**272**	**(272)**
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)**

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.

During the two-year period 2018-2019, the Parent Company signed contracts for the supply of natural gas that included 2020, operating mainly on a quarterly and annual basis, negotiating fixed unit prices for each of the subsequent annual and quarterly supply periods. The method enabled a significant reduction in price volatility ("commodity risk"), also allowing the Group, during the second half-year, to benefit from a general decline in energy prices. The quotas relating the last two quarters of 2020 were negotiated and confirmed over the year in order to meet the mills' requirements, while benefiting from the decreasing energy prices. All prices of natural gas, the Parent Company's main energy commodity, are expressed in Euros per volume unit, with subsequent adjustments to the content of primary energy therein.

At the end of June 2019, the Parent Company signed contracts for the supply of electricity for 2020 at a price indexed according to the prices of certain continental energy markets, in some cases by providing options for fixing transactions following the conclusion of contracts. Supply quotas at a price indexed relating to reference markets are negotiated with spreads fixed with respect to these prices. The options for fixing prices of supply quotas were aimed at containing the "commodity risk" in some particularly volatile regional markets such as the Spanish and French markets. The negotiated prices are expressed in Euros per unit of electricity. In Italy, which has a lower risk of volatility, only a minor portion of the contracts were negotiated at a fixed price, in order to benefit from the strong downward trend already underway even before the events related to the health emergency.

As of December 31, 2020 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, 2020 and December 31, 2019.

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, 2020	**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	**59,559**	**59,559**	59,559				
Trade receivables	**43,521**	**43,521**	43,521				
Other receivables from Group companies	**5,136**	**5,136**	5,136				
Other receivables	**8,152**	**8,152**	6,323		1,829		
Medium- and long-term bank loans	**(35,847)**	**(36,210)**	(5,526)	(5,453)	(10,940)	(14,291)	
Rights of use	**(3,222)**	**(3,222)**	(542)	(534)	(725)	(1,348)	(73)
Other payables to Group companies	**(56,219)**	**(56,219)**	(56,219)				
Hedging derivatives	**(628)**	**(628)**	(137)	(134)	(199)	(158)	
Trade payables	**(59,197)**	**(59,197)**	(59,197)				
Other payables	**(6,821)**	**(6,821)**	(6,821)				
Total	**(45,566)**	**(45,929)**	**(13,903)**	**(6,121)**	**(10,035)**	**(15,797)**	**(73)**

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)				
Hedging derivatives	**(725)**	**(725)**	(171)	(138)	(216)	(200)	
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)**

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, 2020

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, 2020

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 2020 and 2019 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 associates and joint ventures	Payables to subsidiaries	
12.31.2020	**trade (1)**	**financial (2)**	**trade (1)**	**trade (3)**	**financial (4)**
(thousands of Euros)					
Emmaus Pack S.r.l.			5,992		
R.D.M. Magenta S.r.l.	93	2,849		804	
R.D.M. La Rochette S.A.S.	861				2,140
R.D.M. Ovaro S.p.A.	1,977			85	20,070
R.D.M. Arnsberg GmbH	3,659			39	22,969
RDM Blendecques S.A.S.	1,738	2,287			
PAC Services S.p.A.	2,479			138	1,205
RDM Barcelona Cartonboard S.A.U.	660				4,410
R.D.M. Marketing Portugal Unipessoal Lda	6			14	
R.D.M. Marketing France S.A.S.	152			806	3,345
R.D.M. Marketing Germany GmbH	61			129	1,031
R.D.M. Marketing Spain S.L.U.	40			201	
R.D.M. Marketing Czech Republic S.r.o.	47			65	482
R.D.M. Marketing Poland Sp. z.o.o.	57			201	433
R.D.M. Marketing Hungaria Kft	23			26	134
R.D.M. Marketing UK Ltd	39			74	
Total	**11,892**	**5,136**	**5,992**	**2,582**	**56,219**

(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 "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"

	Current assets			Current liabilities	
	Receivables from subsidiaries		Receivables from associates and joint ventures	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		
R.D.M. Magenta S.r.l.	135	1,085		1,084	
R.D.M. La Rochette S.A.S.	866	5,104		40	78
R.D.M. Ovaro S.p.A.	785			255	13,513
R.D.M. Arnsberg GmbH	1,403			152	25,826
RDM Blendecques S.A.S.	366	5,621			52
PAC Services S.p.A.	2,287			1	192
RDM Barcelona Cartonboard S.A.U.	739	1,500			
R.D.M. Marketing Portugal Unipessoal Lda	6			17	
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	
Total	**7,163**	**13,887**	**6,485**	**2,966**	**45,239**

(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 "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

12.31.2020	Revenues from sales (1)	Other income (2)	Financial income
(thousands of Euros)			
Emmaus Pack S.r.l.	11,227	80	
R.D.M. Magenta S.r.l.		99	37
R.D.M. La Rochette S.A.S.		1,927	110
R.D.M. Ovaro S.p.A.	1,622	1,251	
R.D.M. Arnsberg GmbH	85	3,005	
RDM Blendecques S.A.S.		1,429	112
PAC Services S.p.A.	4,642	125	
RDM Barcelona Cartonboard S.A.U.		715	22
R.D.M. Marketing Portugal Unipessoal Lda		6	
R.D.M. Marketing France S.A.S.		138	
R.D.M. Marketing Germany GmbH		61	
R.D.M. Marketing Spain S.L.U.		40	1
R.D.M. Marketing Czech Republic S.r.o.		47	
R.D.M. Marketing Poland Sp. z.o.o.		57	
R.D.M. Marketing Hungaria Kft		23	
R.D.M. Marketing UK Ltd		40	2
Total	**17,576**	**9,043**	**284**

(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

12.31.2019	Revenues from sales (1)	Other income (2)	Financial income
(thousands of Euros)			
Emmaus Pack S.r.l.	10,829	87	
R.D.M. Magenta S.r.l.	14	117	31
R.D.M. La Rochette S.A.S.		1,861	181
R.D.M. Ovaro S.p.A.	114	1,112	
R.D.M. Arnsberg GmbH	172	3,037	
RDM Blendecques S.A.S.		1,443	189
PAC Services S.p.A.	5,470		
RDM Barcelona Cartonboard S.A.U.	65	396	18
R.D.M. Marketing Portugal Unipessoal Lda		6	
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
Total	**16,664**	**8,403**	**430**

(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
12.31.2020	raw materials	services	
(thousands of Euros)			
R.D.M. Magenta S.r.l.	9	4,132	
R.D.M. La Rochette S.A.S.		(1,897)	3
R.D.M. Ovaro S.p.A.	(970)	(599)	142
R.D.M. Arnsberg GmbH		(1,888)	18
RDM Blendecques S.A.S.		(1,143)	1
PAC Services S.p.A.		150	1
RDM Barcelona Cartonboard S.A.U.	(8)	(1,714)	2
R.D.M. Marketing Portugal Unipessoal Lda		223	
R.D.M. Marketing France S.A.S.		2,688	2
R.D.M. Marketing Germany GmbH		934	1
R.D.M. Marketing Spain S.L.U.		1,452	
R.D.M. Marketing Czech Republic S.r.o.		527	
R.D.M. Marketing Poland Sp. z.o.o.		893	
R.D.M. Marketing Hungaria Kft		267	
R.D.M. Marketing UK Ltd		408	
Total	**(969)**	**4,433**	**170**

(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

12.31.2019	Cost of raw materials and services (1) raw materials	services	Financial expense
(thousands of Euros)			
Emmaus Pack S.r.l.	8		
R.D.M. Magenta S.r.l.		4,994	
R.D.M. La Rochette S.A.S.	202	(1,870)	6
R.D.M. Ovaro S.p.A.	(1,969)	(645)	128
R.D.M. Arnsberg GmbH		(1,946)	23
RDM Blendecques S.A.S.		(1,173)	2
PAC Services S.p.A.		11	
RDM Barcelona Cartonboard S.A.U.		(1,386)	
R.D.M. Marketing Portugal Unipessoal Lda		207	
R.D.M. Marketing France S.A.S.		2,481	3
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	
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

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, with related parties: It should be noted that as of December 31, 2020, there were no transactions with other related parties.

12.31.2019	Current liabilities 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 2019 and 2020 financial statements, 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 2020 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 2020
			(thousands of Euros)
Auditing of accounts	*Deloitte & Touche S.p.A.*	*Parent company Reno De Medici S.p.A.*	225
	Deloitte & Touche S.p.A.	*Italian subsidiaries*	52
	Network Deloitte	*Foreign subsidiaries*	115
Other auditing services	*Deloitte & Touche S.p.A.*	*Parent company Reno De Medici S.p.A.*	61
	Deloitte & Touche S.p.A.	*Italian subsidiaries*	19
	Network Deloitte	*Foreign subsidiaries*	29
Total			**501**

Certification of separate financial statements

at December 31, 2020, 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, 2020.

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 19, 2021

Chief Executive Officer	Chief Financial Officer
Michele Bianchi	Luca Rizzo

REPORT OF THE SUPERVISORY BOARD TO THE GENERAL MEETING OF THE SHAREHOLDERS CONVENED TO APPROVE THE ANNUAL ACCOUNTS AS AT 31 DECEMBER 2020 UNDER ART. 153, Legislative Decree 58/98 AND ART. 2429, PARA. 2, C.C.

*****

To the General Meeting of Reno De Medici S.p.A.

Dear Shareholders,

We begin by pointing out that the statutory audit of the accounts under art. 14 of Legislative Decree no. 39/2010 has been entrusted to the audit firm Deloitte & Touche S.p.A., which was appointed by the General Meeting of 27 April 2012 for each of the financial years included in the period 2012-2020; with the approval of the annual accounts as at 31 December 2020, the assignment entrusted to Deloitte & Touche S.p.A. will come to an end.

During the year ended 31 December 2020, we performed our supervisory activities in accordance with the provisions of the Civil Code, Articles 148 ff. of Legislative Decree no. 58 of 24 February 1998, as well as Legislative Decree no. 39/2010 as the Committee for Internal Control and Auditing, also taking into account the indications contained in the Consob Communications on corporate controls and the indications contained in the Code of Conduct as well as the principles of conduct of the Supervisory Board recommended by the National Council of Chartered Accountants.

We have monitored compliance with the law and the memorandum of association.

The Directors have provided us, at least quarterly, with adequate information on the activities performed and on the most important economic, financial and asset operations performed by the Company and its subsidiaries as well as in general on the operating performance and the events that have had the greatest impact on the determination of the result for the year.

For our part, we have verified that the actions resolved and implemented were in compliance with the law and the Company's articles of association and were not manifestly imprudent, high-risk, in conflict of interest or in breach of the resolutions passed by the General Meeting or such as to compromise the integrity of the Company's assets. The same considerations apply to the resolutions of the General Meetings, in which we regularly participated.

We have exchanged information with the corresponding control bodies of the subsidiaries.

We did not find any irregular and/or unusual transactions with Group companies, other related parties or third parties.

In the context of our duties, we monitored the adequacy of the Company's organisational structure, the compliance with the principles of proper administration and the adequacy of the instructions given by the Company to its subsidiaries, under art. 114, paragraph 2 of Legislative Decree no. 58/98. We have no specific comments to make on this.

Specifically, with regard to the decision-making processes of the Executive Board, we ascertained, also through direct participation in Board meetings, that the resolutions adopted by the Directors were in compliance with the law and the Company's memorandum of association. In the meetings of the Executive Board, the periodic results of operations and the aspects relating to the most significant transactions were analysed and discussed in detail.

During the year, the Executive Board approved the Code of Conduct for the management of relations with the Public Administration and third parties, as well as the 2020-2021-2022 Audit Plan and the work plan prepared by the Head of Internal Audit for the year 2020.

We have monitored the adequacy and functioning of the internal control system by obtaining information from the heads of the relevant departments, examining company documents and analysing the results of the work performed by the independent auditors and the head of the Internal Audit department, as well as by attending the meetings of the Control and Risk Committee set up within the Executive Board under the Corporate Governance Code, and in this regard we have no particular observations to report.

We also exchanged information with the Supervisory Body appointed under and for the purposes of Legislative Decree no. 231/01. The Supervisory Board informed the Supervisory Board of its supervisory activities regarding the observance and functioning of the Model, its updating and its dissemination and awareness within the company. We have no specific comments to make on this.

We have also monitored the adequacy and functioning of the administrative-accounting system as well as the reliability of the latter to correctly represent operating events, by obtaining information from the managers of the competent functions, from the person in charge of the statutory audit of the accounts, as well as by examining company documents; in this regard, we have no particular observations to report.

The Chief Executive Officer and Chief Operating Officer of RDM have attested in a separate statement, with reference to the 2020 separate annual accounts: (i) the adequacy in relation to the characteristics of the company and the effective application of the administrative and accounting procedures for the preparation of the annual accounts, noting that no significant aspects have come to light; (ii) the conformity of the content of the annual accounts with the applicable international accounting standards recognised by the European Union under Regulation (EC) no. 1606/2002 and Council Regulation no. 1606/2002 of 19 July 2002; (iii) the correspondence of the annual accounts in question with the results in the books and accounting records and its suitability to provide a true and fair view of the equity, economic and financial situation of the Company; (iv) the report on operations that accompanies the annual accounts provides a reliable analysis of the Company's performance, results of operations and financial position and describes the main risks and uncertainties to which it is exposed.

A similar attestation report was prepared for the consolidated annual accounts for the year 2020, with reference to the issuer and the companies included in the consolidation.

As the Internal Control and Audit Committee under Article 19 of Legislative Decree no. 39/10, we have monitored the financial reporting process and the preparation of the Company's annual accounts, including by reviewing the results of the audit performed by the Head of Internal Audit on the adequacy and effective application of the internal control system adopted by the Company to ensure the reliability of the financial reporting process.

The checks performed made it possible to ascertain the overall adequacy of the internal control and risk management system in order to guarantee the reliability of the financial information for the year 2020.

As provided for in Article 16 of the Legislative Decree of. 27.1.2010, no. 39, the Independent Auditors have exercised exclusive control over:

- the regular keeping of company accounts and the correct recording of management events in the accounting records;
- the correspondence of the annual accounts to the results in the accounting records and that they comply with the regulations governing them.

The Independent Auditors also verified the compliance of the non-financial consolidated statement under art. 3, paragraph 10 of Legislative Decree no. 254/16.

We held periodic meetings with the Independent Auditors, under article 150, paragraph 3, of Legislative Decree no. 58/98, and no significant data or information have come to light that should be highlighted in this report.

In the context of our oversight of the statutory audit of the annual and consolidated annual accounts, we reviewed the Group's Audit Plan to 31 December 2020, prepared by the independent auditor, which outlined the significant risks identified in relation to key areas of the annual accounts and we oversaw the effectiveness of the statutory audit process and obtained information on the overall scope and planning of the audit. We do not have any specific comments on this.

We monitored the procedures for the concrete implementation of the Corporate Governance system envisaged by the Corporate Governance Code adopted by the Company, in compliance with the recommendations of Borsa Italiana S.p.A.

In this context, having acknowledged the assessments expressed by the Executive Board and the Control and Risk Committee, the Supervisory Board verified (i) the correct application of the criteria and procedures adopted by the Executive Board to assess the existence of the requirements of honour, independence and executive status of its members and (ii) the adequacy, in relation to the needs and operations of the Company, of the size, composition and functioning of the Board and its Committees.

During the 2020 financial year, the Supervisory Board performed the so-called self-assessment of the independence of its members - which was complied with - and also performed a self-assessment of its own composition and functioning, assessing them to be adequate also in the light of the differentiation of gender, experience and skills within the Board, such as to ensure an effective functioning of the body on an ongoing basis.

We have verified compliance with the legal requirements relating to the preparation of the separate and consolidated annual accounts as at 31 December 2020 - drawn up in accordance with the IFRS international accounting standards, issued by the IASB and approved by the European Community, applicable as at 31.12.2020 - and the report on operations, through direct checks and information obtained from the independent auditors.

With regard to the impairment assessment (the so-called "*impairment test*") under IAS 36, as expressly indicated in joint Bank of Italy/Consob/Isvap Document no. 4 of 3 March 2010, prior to approval of the draft annual accounts as at 31 December 2020, the Directors, at their meeting of 19 March 2021, approved the results of the impairment test and verified their compliance with the requirements of the relevant accounting standard. Following the results of *the impairment test*, as described in the directors' report and in the notes, the directors wrote down the investment in the subsidiary RDM Magenta S.r.l. in the separate annual accounts by Euro 4.4 million.

Also, in return for the signature of an option agreement for the sale of R.D.M. La Rochette S.A.S., indirectly controlled through the subsidiary RDM Blendecques S.AS., certain assets relating to the company under option were written down by a total of Euro 3.7 million in order to align their carrying amount to their realisable value. In this regard, we would like to inform you that on 30.03.2021, having positively concluded the union and labour procedures, a binding contract was signed through the subsidiary RDM Blendecques S.A.S. for the sale of 100% of the share capital of R.D.M. La Rochette S.A.S.

In their report, which also incorporates the information required by Legislative Decree no. 32/2007, the Directors provide ample information on the performance of operations and the events that have characterised the financial year, illustrating the activities performed in the various geographical areas in which the Company operates.

Referring expressly to the information provided by the Directors, we first recall that the 2020 financial year was dominated by the Covid-19 emergency and the lockdown measures imposed by the competent authorities, which led to consequences of a very different nature and impact in the various sectors of the economy. As far as the RDM Group is concerned, since the products were considered essential for the food and pharmaceutical industries, the Group's paper mills were almost fully operational, with the exception of the Ovaro paper mill whose products are intended for different markets, with a limited impact on production volumes.

The main operations/events of the year include, in chronological order: the shutdown, from 7 February to 28 February 2020, of the Villa Santa Lucia plant, following the seizure, subsequently revoked, of the purification plant owned by the Cosilam consortium by the competent court; the repurchase of the last 5% stake held by Friulia S.p.A. in R.D.M. Ovaro S.p.A. and the subsequent subscription by Friulia S.p.A. of an increase in the capital of R.D.M. Ovaro S.p.A. with the consequent acquisition of a 0.99% stake; the signing, by the subsidiary RDM Barcelona Cartonboard S.A.U., of four preliminary contracts for the acquisition of 100% of the share capital of four companies under Spanish law, in the context of a transaction whose closing is expected by the end of the second quarter of 2021.

With reference to the content of the section "Significant events after the end of the year", it should be noted that on 15 February 2012 the subsidiary RDM Blendecques S.A.S. signed an option agreement for the sale of 100% of the share capital of R.D.M.. La Rochette S.A.S., and on 11 February the final sales contract was signed for the transfer of the land located in Boffalora sopra Ticino to the Vetropack Group.

In addition, in the paragraph "Perspectives", with reference to the possible impact of the COVID-19 Coronavirus, the directors point out that the current situation is still characterised by the second wave of the health emergency, whose duration and possible effects are obviously difficult to predict. As for the RDM group, they report that the good volume performance in FY2020, mainly due to product essentiality, as well as the positive volume performance in Q4 2020 at the height of the second pandemic wave, lead them to rule out negative volume effects in the first part of the year. In addition, in the report on operations and in the notes to the consolidated and separate annual accounts, the directors list and adequately describe transactions with Group companies and other related parties, highlighting their ordinary nature within the typical activities of each party involved, as well as their characteristics and amounts.

In particular, in the Directors' Report on Operations, the Directors declare that no transactions with related parties have been entered into that have materially affected the financial position or results of the Company, within the meaning of the law.

The notes to the consolidated annual accounts and the statutory annual accounts contain synoptic schedules summarising the nature and economic and financial effects of transactions with related parties, including intercompany transactions. Specifically, these transactions represent 8.1% of sales revenues and 1.8% of consolidated revenues and are primarily commercial in nature.

On the basis of the controls performed to date on transactions with related parties, it is considered that, also on the basis of the Regulation of Transactions with Related Parties, they are inherent to the achievement of the corporate purpose, in line with market practice and do not appear to be contrary to the interests of the Company.

The Directors' Report contains the specific section on Corporate Governance and Ownership Structure, drawn up under art. 123-bis of Legislative Decree no. 58/98. In this regard, the trustees have no issues to bring to your attention.

On 19 March 2021, the Directors also approved, on the recommendation of the Compensation Committee, the Report on Compensation Policy and Compensation Paid under Article 123-ter of Legislative Decree no. 58/98 and article 84-quater of Consob Regulation no. 11971/1999. This Report consists of two sections, prepared in accordance with Annex 3A, Schedule 7-bis of the Issuers' Regulations.

The first section sets out the principles and purpose of the remuneration policy to be adopted in the financial year 2021 and the procedures relating to the adoption and implementation of that policy and is subject to the binding resolution of the General Meeting of Shareholders convened for 29 April 2021 (30 April on second call, if any) to approve the annual accounts for the year ended 31 December 2020.

The second section describes in detail, also in tabular form, the final balance of the policy implemented in the 2020 financial year with reference to Directors, Statutory Auditors and Executives with Strategic Responsibilities, as well as the equity investments in the Company held by them. In this regard, it should be noted that no additional key management personnel, other than the Company's Chief Executive Officer, the Group's Chief Financial Officer, the Group's Chief HR Officer and the Group's Chief Strategy Officer, have been identified in FY2020.

We have monitored the audit of the statutory and consolidated annual accounts performed by the audit firm Deloitte & Touche S.p.A.

On 7 April 2021, Deloitte & Touche S.p.A issued the Reports on the Consolidated annual accounts and the annual accounts for the year ended 31 December 2020, under Article 14 of Legislative Decree no. 39/10 and Article 10 of EU Regulation 537/2014, both without qualification, from our review of which we noted that:

- in the opinion of the Independent Auditors, the annual accounts give a true and fair view of the financial position of the Company and the Group as at 31.12.2020, and of the results of their operations and their cash flows in accordance with International Financial Reporting Standards as adopted by the European Union and with the measures issued to implement art. 9 of Legislative Decree no. 9 of Legislative Decree no. 38/05;
- the Independent Auditors have certified the consistency of the Report on Operations and of certain specific information contained in the Report on Corporate Governance and Ownership Structure with the statutory and consolidated annual accounts, as well as their compliance with legal requirements. With reference to the possible identification of significant errors, the Independent Auditors declared that they have nothing to report.

In these reports, Deloitte & Touche S.p.A. set out the following key audit aspects:

Consolidated annual accounts

Recoverability of the values of the tangible fixed assets of the RDM La Rochette SAS CGU, highlighting the impairment test, carried out using the fair value method minus sales costs, on the basis of the share purchase agreement signed on February 16, 2021 and approved by the Board of Directors, the Group recognized a loss in value of tangible fixed assets of Euro 3.7 million.

Separate annual accounts

- Recoverability of the value of the investment in RDM Magenta S.r.l., noting that at the end of the impairment test, performed using the value in use and approved by the Executive Board, an impairment loss of Euro 4.4 million was recognised.

In addition, the Report on the Consolidated annual accounts contains the Declaration under Article 4 of the Consob Regulations implementing Legislative Decree no. 254/2016, relating to the Directors' approval of the Consolidated Non-Financial Statement as at 31.12.2020.

In addition, the Independent Auditors, also on 7 April 2021, sent us, as the Audit Committee, the "Additional Report" under Article 11 of EU Regulation no. 537/2014.

In the above Report, the Independent Auditors confirmed that, in the normal course of their work, no defects were found in the internal control system in relation to the financial reporting process such as to merit bringing to the attention of the Audit Committee.

In addition to the key issues noted in the audit reports above, the auditors indicated the following issues that they consider to be significant that arose during the course of the audit:

- impairment test prepared by the Directors on goodwill equal to 4.4 million euros recorded in the consolidated financial statements on the Pac Service CGU;
- impairment test of the values of intangible fixed assets with an indefinite useful life «water rights» equal to 2.7 million euro recorded in the consolidated financial statements;
- capitalized costs relating to the new Microsoft Dynamix ERP and related portion reclassified in the "software" corresponding to Go Live in the company RDM Ovaro S.p.A.

With regard to the cases reported above, the auditors pointed out that no revision differences were found.

Under Article 11 of EU Regulation no. 537/2014 and Article 19, paragraph 1, letter a) of Legislative Decree no. 39/2010, we will transmit to the Directors the Supplementary Report, together with the results of the audit performed by Deloitte & Touche S.p.A.

As required by art. 19 of Legislative Decree no. 39/10, in our capacity as the Internal Control and Audit Committee, we monitored the independence of the independent auditors, particularly with regard to the provision of non-audit services.

We have received from Deloitte & Touche, under art. 6 paragraph 2) letter a) of the European Regulation 537/2014 and the requirements of paragraph 17 letter a) of the auditing standard ISA Italia 260, the confirmation that, during the period from 1 January 2020 to the date of the communication (7 April 2021), the Independent Auditors complied with the principles on ethics set out in articles 9 and 9-*bis* of Legislative Decree no.39/2010 and has not found any situations that would compromise its independence under Articles 10 and 17 of Legislative Decree no. 39/2010 and Articles 4 and 5 of European Regulation 537/2014.

The Auditor has also confirmed, in accordance with paragraph 17(b) of ISA Italy 260, that no relationships or other matters with the Company were found to have a reasonable effect on independence and that it has complied with the requirements of Article 6(2)(b) of European Regulation 537/2014.

With regard to the total amount of fees charged to the Company and its subsidiaries in the period from 1 January 2020 to 31 December 2020 for audit and non-audit services rendered by Deloitte S.p.A. and entities belonging to its network, the Independent Auditors refer to the schedule of fees contained in the annual accounts under Article 149-duodecies of the Issuers' Regulations.

Following the checks performed, the Supervisory Board considers it can confirm the independence of the Independent Auditors.

In accordance with Legislative Decree no. 254/2016, the Company prepared, in a separate report, the Consolidated Non-Financial Statement (hereinafter DNF), indicating it in the Report on Operations and indicating the section of the Group's website where it is published, under Article 5 paragraph 3 letter b) of the above decree.

In this regard, the role of the control function assigned to the Supervisory Board is to monitor compliance with the provisions of the Decree, within the scope of the powers institutionally assigned to it by law, with the obligation to report to the General Meeting in the annual report.

Through specific meetings with the competent function of the Group, we therefore monitored the progress of the activities aimed at preparing the DNF in order to verify compliance with the requirements of the specific regulations and the adequate planning of the activities necessary to meet the relative obligations. On the same subject, we met with the audit firm Deloitte & Touche S.p.A., appointed to perform the DNF's *limited assurance engagement* for the year ending 31 December 2020.

It should also be noted that on 7 April 2021 the Independent Auditors sent us their Report under Article 3, paragraph 10, of Legislative Decree no.254/2016 and article 5 of Consob Regulation no. 20267 on DNF approved by the Executive Board on 19 March 2021, from our review we found that, based on the work performed, no elements have come to light to the knowledge of the same that would suggest that the Reno De Medici Group's DNF relating to the year ended 31 December 2020 is not prepared, in all significant aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

In consideration of the above, the Supervisory Board, in performing the functions assigned to it, acknowledges that it has monitored compliance with the provisions contained in the Legislative Decree of 30 December 2016, No. 254, with particular reference to the preparation process and the content of the Non-Financial Statement prepared by the Company and that it has no comments to make.

In the course of the supervisory activity performed and also on the basis of the information obtained from the Independent Auditors, no omissions and/or censurable facts and/or irregularities or in any case significant facts were found that would require reporting to the supervisory bodies or mention in this report.

The supervisory activity described above was performed on the occasion of Board meetings, through participation in the meetings of the Executive Board and its internal committees, as well as through the exchange of information with the Supervisory Board under Legislative Decree no. 231/2001, having also consulted the Head of the Internal Audit Department. In particular, we report the following:

- the Control and Risk Committee established under the Self-Regulatory Code, in its half-yearly reports on the activities performed in 2020, noted that:
  - i) the adequacy of the internal control and risk management system with respect to the characteristics of the company. the Company has, in fact, adopted suitable controls with respect to the areas of risk identified in order to make the appropriate adjustments to its Governance and Organisational structure, paying attention to corporate changes;
  - ii) substantive compliance with the procedures and protocols adopted or the adoption of compliant behaviours, except for some irregularities for which corrective actions have been identified;
  - iii) the process of adaptation, by the individual company departments involved from time to time, to the suggestions and implementation of the intervention actions indicated, following the verification operations performed by Internal Audit.
- the Supervisory Body appointed under and for the purposes of Legislative Decree no. 231/01, concluded its annual report on 2020 by noting that, based on the information available, there were no breaches of the Model.

- in his annual report, the Head of the Internal Audit Function, established in accordance with the Corporate Governance Code, expressed a positive opinion on the current control and risk management system, evaluating it as overall adequate, operational and compliant with international *best practices* and able to mitigate and prevent risks that may hinder and/or have significant effects on *financial reporting* objectives. Finally, the Head of Internal Auditing highlighted that the Management responded proactively to the critical issues and/or defects that have come to light, implementing, on the whole, appropriate, effective and timely corrective actions.

The Supervisory Board has not received any complaints under art. 2408 of the Civil Code or complaints from third parties, nor has the Supervisory Board had the power to convene the Executive Board or the General Meeting.

During the year, the Supervisory Board expressed a favourable opinion, under art. 2389, paragraph 3, of the Civil Code to the determination of the Chief Executive Officer's remuneration.

In addition, in view of the expiration, with the approval of the annual accounts at 31 December 2020, of the nine-year statutory audit assignment (annual accounts at 31 December 2020), the process of selecting candidates for the role of Group's sole auditor for the following nine-year period was completed in 2020, under the responsibility and supervision of the Supervisory Board as the Audit Committee. The General Meeting of December 14, 2020 therefore appointed PricewaterhouseCoopers S.p.A. as the independent auditors for the nine-year period 2021-2029, based on the choice made by the Supervisory Board, as summarised in the recommendation of November 9, 2020 prepared in accordance with current regulations, to which reference should be made.

During the year, 7 meetings of the Executive Board, 2 meetings of the Remuneration Committee, 5 meetings of the Control and Risk Committee, 2 meetings of the Related Parties Committee and 1 meeting of the Appointments Committee were held with the participation of the Supervisory Board. In 2020, the Supervisory Board met 22 times, with an average duration of 2 hours and 30 minutes.

On the basis of the above, as well as in consideration of the content of the report prepared by the independent auditors on the annual accounts (as well as on the consolidated annual accounts) and having acknowledged the certifications issued jointly by the Chief Executive Officer and the Manager responsible for preparing the company's financial reports, the Supervisory Board, to the extent of its competence, has no objections to the approval of the annual accounts as at 31 December 2020, nor to the proposal for the allocation of the result for the year formulated by the Executive Board, which also envisages the distribution of dividends.

Finally, the mandate granted to the Supervisory Board by the General Meeting of April 30, 2018 expires with the General Meeting called to approve the annual accounts as of 31 December 2020. The Supervisory Board therefore invites the Shareholders to make the necessary decisions for the reappointment of the Supervisory Board.

Milan, 07 April 2021

SUPERVISORY BOARD

Signed Giancarlo Russo Corvace (Chairman)

Signed Giovanni Maria Conti

Signed Tiziana Masolini

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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, 2020, and 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, 2020, 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 – 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 – R.E.A. Milano n. 1720239 | Partita IVA: IT 03049560166

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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, 2020 include Euro 137 million related to investments in subsidiaries, after having completely written down the investment in the subsidiary 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, 2020 at a value not higher than the recoverable value. The recoverable amount of the abovementioned investment in RDM Magenta S.r.l. was determined using the value in use, based on estimates of cash flows generated by the assets, also taking into account the expected cash flow from the sale of the same subsidiary's land, based on the deed of sale signed on February 11, 2021. 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 higher than the recoverable value and therefore an impairment loss was recognized for Euro 4.4 million. Considering the relevance of the amount of the impairment loss 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.

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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; • analysis of the reasonableness of the key assumptions underlying the cash flow calculation; also, through the analysis of 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 deed of sale signed by the Directors as the basis for determining the cash flows deriving from the sale of the land by the subsidiary RDM Magenta S.r.l. 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.

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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.

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.

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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. has 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.

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, 2020, 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, 2020 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, 2020 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 7, 2021

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

06. Proposed resolutions

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Statements summarizing the essential data of the latest financial statements of the subsidiaries, associates and joint ventures of the Reno de Medici Group

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Proposed resolutions

Dear Shareholders,

The separate financial statements as at December 31, 2020, which we submit for your approval, report a net profit of €22,745,553.06.

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.

resolve

- to approve the Board of Directors' Report on Operations and Separate Financial Statements of Reno de Medici S.p.A. as at December 31, 2020 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

resolve

- to allocate net profit for the year ended December 31, 2020, totaling €22,745,553.06, as follows:
- € 1.137.277,65 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;
- €0.014 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 as of May 12, 2021, for each ordinary share entitled to dividends and for each savings share entitled to dividends, with a coupon detachment date of May 10, 2021 and a record date of May 11, 2021.

Milan, March 19, 2021

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, 2020 of the RDM Group subsidiaries and associates is listed below:

Subsidiaries

Included in the scope of consolidation

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.

Cascades Grundstück GmbH & Co.KG

Registered office in Arnsberg – Hellefelder Street, 51

Share capital Euro 33,000

Statement of financial position

(thousands of Euros)		
Assets	**12.31.2020**	**12.31.2019**
Non-current assets	307	307
Current assets	3	3
Total Assets	**310**	**310**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	308	305
Payables	2	5
Total Liabilities	**310**	**310**

Income statement

(thousands of Euros)	**12.31.2020**	**12.31.2019**
Costs of production	(6)	(7)
Operating profit	**(6)**	**(7)**
Profit (loss) before taxes	**(6)**	**(7)**
Profit (loss) for the year	**(6)**	**(7)**

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	**12.31.2020**	**12.31.2019**
Non-current assets	20,244	20,141
Current assets	13,110	13,768
Total Assets	**33,354**	**33,909**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	8,037	5,416
Provisions for risks and charges	150	150
TFR	2,600	2,532
Payables	22,567	25,811
Total Liabilities	**33,354**	**33,909**

Income statement

(thousands of Euros)	12.31.2020	12.31.2019
Value of production	57,046	59,280
Costs of production	(54,123)	(57,968)
Operating profit	**2,923**	**1,312**
Net Financial income (expense)	(392)	(295)
Gains (losses) on investments		(2,159)
Profit (loss) before taxes	**2,531**	**(1,142)**
Taxes	197	524
Profit (loss) for the year	**2,728**	**(618)**

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	**12.31.2020**	**12.31.2019**
Non-current assets	19,286	14,498
Current assets	30,944	33,706
Total Assets	**50,230**	**48,204**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	16,282	9,166
Provisions for risks and charges	166	78
TFR	3,829	3,643
Payables	29,953	35,317
Total Liabilities	**50,230**	**48,204**

Income statement

(thousands of Euros)	**12.31.2020**	**12.31.2019**
Value of production	118,384	113,158
Costs of production	(109,760)	(119,037)
Operating profit	**8,624**	**(5,879)**
Net Financial income (expense)	(364)	(455)
Profit (loss) before taxes	**8,260**	**(6,334)**
Taxes	(993)	(390)
Profit (loss) for the year	**7,267**	**(6,724)**

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	**12.31.2020**	**12.31.2019**
Non-current assets	38,859	41,964
Current assets	47,492	51,448
Total Assets	**86,351**	**93,412**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	43,250	47,881
TFR	22,866	21,586
Payables	20,235	23,945
Total Liabilities	**86,351**	**93,412**

Income statement

(thousands of Euros)	12.31.2020	12.31.2019
Value of production	114,657	115,664
Costs of production	(106,467)	(110,470)
Operating profit	**8,190**	**5,194**
Net Financial income (expense)	(226)	(496)
Profit (loss) before taxes	**7,964**	**4,698**
Taxes	(2,081)	(3,226)
Profit (loss) for the year	**5,883**	**1,472**

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	**12.31.2020**	**12.31.2019**
Non-current assets	48,885	52,710
Current assets	29,511	36,015
Total Assets	**78,396**	**88,725**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	36,216	35,903
Payables	42,180	52,822
Total Liabilities	**78,396**	**88,725**

Income statement

(thousands of Euros)	12.31.2020	12.31.2019
Value of production	123,107	133,315
Costs of production	(124,002)	(130,641)
Operating profit	**(895)**	**2,674**
Net Financial income (expense)	1,297	(2,579)
Profit (loss) before taxes	**402**	**95**
Taxes	(88)	(573)
Profit (loss) for the year	**314**	**(478)**

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	**12.31.2020**	**12.31.2019**
Non-current assets	36	37
Current assets	83	122
Total Assets	**119**	**159**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	66	42
Payables	53	117
Total Liabilities	**119**	**159**

Income statement

(thousands of Euros)	**12.31.2020**	**12.31.2019**
Value of production	223	256
Costs of production	(195)	(235)
Operating profit	**28**	**21**
Net Financial income (expense)	(1)	(2)
Profit (loss) before taxes	**27**	**19**
Taxes	(3)	
Profit (loss) for the year	**24**	**19**

R.D.M. Magenta S.r.l.

Registered office in Milano – Viale Isonzo, 25

Share capital Euro 3,700,000

Statement of financial position

(thousands of Euros)		
Assets	**12.31.2020**	**12.31.2019**
Non-current assets	9,417	9,544
Current assets	3,473	3,070
Total Assets	**12,890**	**12,614**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	2,397	3,416
Provisions for risks and charges	69	86
TFR	939	992
Payables	9,485	8,120
Total Liabilities	**12,890**	**12,614**

Income statement

(thousands of Euros)	12.31.2020	12.31.2019
Value of production	4,261	5,033
Costs of production	(5,494)	(7,064)
Operating profit	**(1,233)**	**(2,031)**
Net Financial income (expense)	(252)	(261)
Profit (loss) before taxes	**(1,485)**	**(2,292)**
Taxes	478	455
Profit (loss) for the year	**(1,007)**	**(1,837)**

R.D.M. Ovaro S.p.A.

Registered office in Milano – Viale Isonzo, 25

Share capital Euro 12,625,000

Statement of financial position

(thousands of Euros)		
Assets	**12.31.2020**	**12.31.2019**
Non-current assets	12,790	13,120
Current assets	37,214	32,844
Total Assets	**50,004**	**45,964**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	32,418	27,569
Provisions for risks and charges	237	32
TFR	1,596	1,783
Payables	15,753	16,580
Total Liabilities	**50,004**	**45,964**

Income statement

(thousands of Euros)	**12.31.2020**	**12.31.2019**
Value of production	43,112	46,962
Costs of production	(37,402)	(41,213)
Operating profit	**5,710**	**5,749**
Net Financial income (expense)	29	
Profit (loss) before taxes	**5,739**	**5,749**
Taxes	(1,393)	(1,463)
Profit (loss) for the year	**4,346**	**4,286**

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	**12.31.2020**	**12.31.2019**
Non-current assets	383	396
Current assets	4,186	3,414
Total Assets	**4,569**	**3,810**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	2,934	2,373
TFR	356	328
Payables	1,279	1,109
Total Liabilities	**4,569**	**3,810**

Income statement

(thousands of Euros)	**12.31.2020**	**12.31.2019**
Value of production	2,688	2,481
Costs of production	(1,828)	(1,437)
Operating profit	**860**	**1,044**
Net Financial income (expense)	(4)	(6)
Profit (loss) before taxes	**856**	**1,038**
Taxes	(280)	(338)
Profit (loss) for the year	**576**	**700**

R.D.M. Marketing Germany G.M.B.H.

Registered office in Uerdinger Strasse – Krefeld

Share capital Euro 210,000

Statement of financial position

(thousands of Euros)		
Assets	**12.31.2020**	**12.31.2019**
Non-current assets	94	94
Current assets	1,328	1,338
Total Assets	**1,422**	**1,432**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	1,127	1,049
Payables	295	383
Total Liabilities	**1,422**	**1,432**

Income statement

(thousands of Euros)	12.31.2020	12.31.2019
Value of production	934	1.016
Costs of production	(816)	(907)
Operating profit	**118**	**109**
Net Financial income (expense)	(2)	(2)
Profit (loss) before taxes	**116**	**107**
Taxes	(38)	(35)
Profit (loss) for the year	**78**	**72**

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	**12.31.2020**	**12.31.2019**
Non-current assets	31	38
Current assets	674	629
Total Assets	**705**	**667**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	440	(333)
Payables	265	1,000
Total Liabilities	**705**	**667**

Income statement

(thousands of Euros)	**12.31.2020**	**12.31.2019**
Value of production	1,453	1,279
Costs of production	(1,069)	(1,928)
Operating profit	**384**	**(649)**
Net Financial income (expense)	(1)	(4)
Profit (loss) before taxes	**383**	**(653)**
Profit (loss) for the year	**383**	**(653)**

R.D.M. Marketing Czech Republic s.r.o.

Registered office in Sokolovskà

Share capital Euro 19,053

Statement of financial position		
(thousands of Euros)		
Assets	**12.31.2020**	**12.31.2019**
Non-current assets	1	8
Current assets	876	732
Total Assets	**877**	**740**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	744	542
Payables	133	198
Total Liabilities	**877**	**740**

Income statement		
(thousands of Euros)	**12.31.2020**	**12.31.2019**
Value of production	587	751
Costs of production	(323)	(503)
Operating profit	**264**	**248**
Net Financial income (expense)	(43)	(20)
Profit (loss) before taxes	**221**	**228**
Taxes	(2)	(47)
Profit (loss) for the year	**219**	**181**

R.D.M. Marketing Poland SP z.o.o.

Registered office in Altowa – Warsaw

Share capital Euro 10,966

Statement of financial position

(thousands of Euros)		
Assets	**12.31.2020**	**12.31.2019**
Non-current assets	357	441
Current assets	1,349	962
Total Assets	**1,706**	**1,403**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	1,178	861
Payables	528	542
Total Liabilities	**1,706**	**1,403**

Income statement

(thousands of Euros)	**12.31.2020**	**12.31.2019**
Value of production	1,194	941
Costs of production	(771)	(726)
Operating profit	**423**	**215**
Net Financial income (expense)	31	(26)
Profit (loss) before taxes	**454**	**189**
Taxes	(73)	(35)
Profit (loss) for the year	**381**	**154**

R.D.M. Marketing Hungaria KFT

Registered office in Otvos Janos – Budapest

Share capital Euro 16,488

Statement of financial position

(thousands of Euros)		
Assets	**12.31.2020**	**12.31.2019**
Non-current assets	24	30
Current assets	502	422
Total Assets	**526**	**452**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	413	363
Payables	113	89
Total Liabilities	**526**	**452**

Income statement

(thousands of Euros)	12.31.2020	12.31.2019
Value of production	263	272
Costs of production	(170)	(182)
Operating profit	**93**	**90**
Net Financial income (expense)	6	(4)
Profit (loss) before taxes	**99**	**86**
Taxes	(14)	(11)
Profit (loss) for the year	**85**	**75**

R.D.M. Marketing UK

Registered office in West Bromwich – Wednesbury

Share capital Euro 1

Statement of financial position

(thousands of Euros)		
Assets	**12.31.2020**	**12.31.2019**
Non-current assets	41	60
Current assets	295	356
Total Assets	**336**	**416**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	152	26
TFR		18
Payables	184	372
Total Liabilities	**336**	**416**

Income statement

(thousands of Euros)	**12.31.2020**	**12.31.2019**
Value of production	408	455
Costs of production	(241)	(368)
Operating profit	**167**	**87**
Net Financial income (expense)	(13)	(12)
Profit (loss) before taxes	**154**	**75**
Taxes	(27)	
Profit (loss) for the year	**127**	**75**

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	**12.31.2020**	**12.31.2019**
Non-current assets	5,710	5,956
Current assets	11,512	11,643
Total Assets	**17,222**	**17,599**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	11,769	11,749
Provisions for risks and charges	171	158
TFR	534	507
Payables	4,748	5,185
Total Liabilities	**17,222**	**17,599**

Income statement

(thousands of Euros)	**12.31.2020**	**12.31.2019**
Value of production	19,739	22,082
Costs of production	(18,979)	(21,123)
Operating profit	**760**	**959**
Net Financial income (expense)	(12)	(9)
Profit (loss) before taxes	**748**	**950**
Taxes	(219)	(248)
Profit (loss) for the year	**529**	**702**

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	**12.31.2020**	**12.31.2019**
Non-current assets	1,610	1,162
Current assets	10,083	10,169
Total Assets	**11,693**	**11,331**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	1,539	1,320
Provisions for risks and charges	131	157
TFR	335	332
Payables	9,688	9,522
Total Liabilities	**11,693**	**11,331**

Income statement

(thousands of Euros)	12.31.2020	12.31.2019
Value of production	16,765	16,106
Costs of production	(15,908)	(15,396)
Operating profit	**857**	**710**
Net Financial income (expense)	(43)	(42)
Profit (loss) before taxes	**814**	**668**
Taxes	(195)	(172)
Profit (loss) for the year	**619**	**496**

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	**12.31.2020**	**12.31.2019**
Current assets	213	369
Total Assets	**213**	**369**
Liabilities	**12.31.2020**	**12.31.2019**
Shareholders' equity	(2)	9
Payables	215	360
Total Liabilities	**213**	**369**

Income statement		
(thousands of Euros)	**12.31.2020**	**12.31.2019**
Value of production	124	566
Costs of production	(135)	(569)
Operating profit	**(11)**	**(3)**
Profit (loss) before taxes	**(11)**	**(3)**
Profit (loss) for the year	**(11)**	**(3)**

Credits

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Art Direction: Common
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