

**Annual
Financial**

as at 31 december
2019

REPORT



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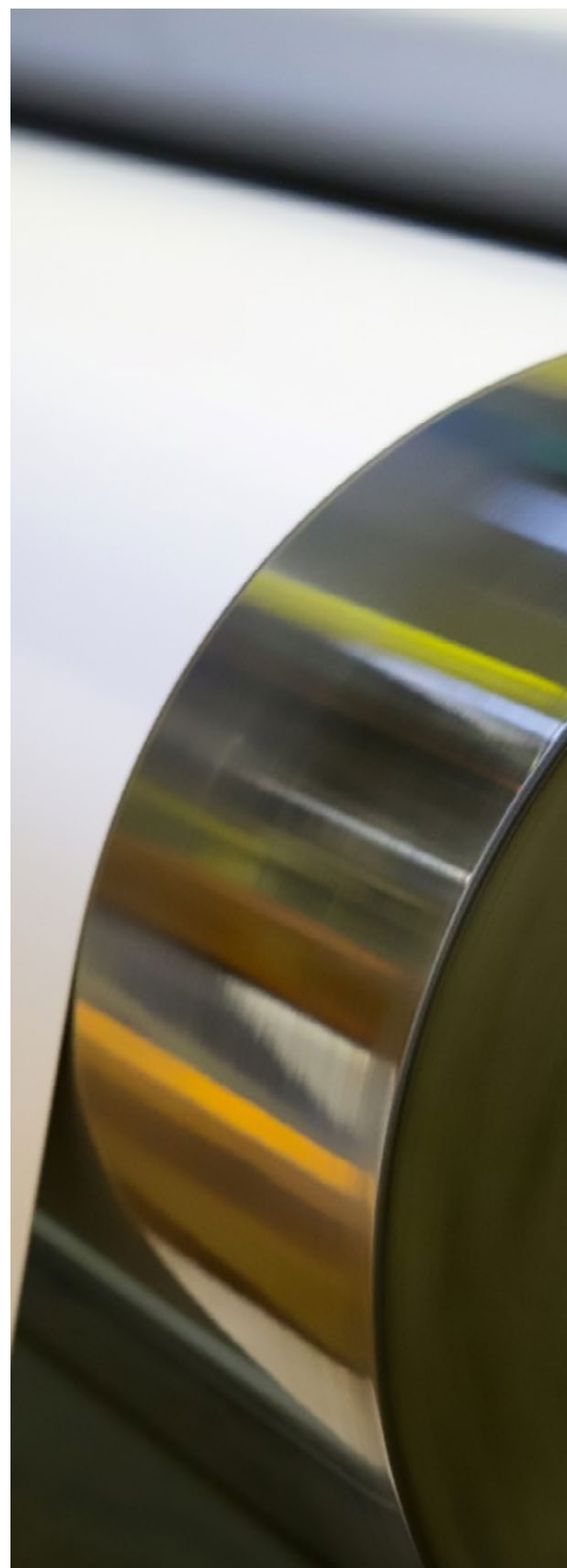
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THE SHAPE OF THE FUTURE

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

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

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

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

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

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

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

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

LETTER FROM THE CHAIRMAN OF THE BOARD



Dear Sir/Madam,

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

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

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

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

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

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

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

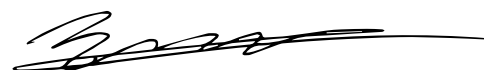
In parallel, we launched an online survey, addressed to the same subjects, through which we asked them to indicate the importance of some themes in their relationship with the RDM Group.

The objective is to strengthen stakeholder engagement, a process that will be reinforced

in 2020 through a People Survey to be carried out with Group employees, along the lines of the one already carried out in 2017.

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

Chairman of the Board RDM Group
Éric Laflamme



LETTER FROM CEO



Dear Sir/Madam,

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

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

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

In fact, in 2019 we achieved an EBITDA margin of 10.3%, a successful confirmation of our path to make double-digit

profitability, achieved in 2018, a structurally stable result over time.

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

All this has allowed us to face in a more structured way the challenges and opportunities encountered in the market, with more results in the recycled cartonboard segment (the Group’s true core business, with an 84% of consolidated turnover), also thanks to a market that has recorded an

increase in demand, not seen in the virgin fibres based segment. Our commitment is to continue improving the circular economy recycling efficiency, while succeeding to enter into new sectors and product applications.

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

But this is certainly not the only focus area, other not less demanding challenges are related to the competitiveness in the virgin cartonboard, a segment today characterised by an oversupply. As well as crucial will be our ability to integrate demand with supply, for a better planning and greater

operational marginality, something we address through the so-called IBP, an acronym for Integrated Business Planning.

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

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

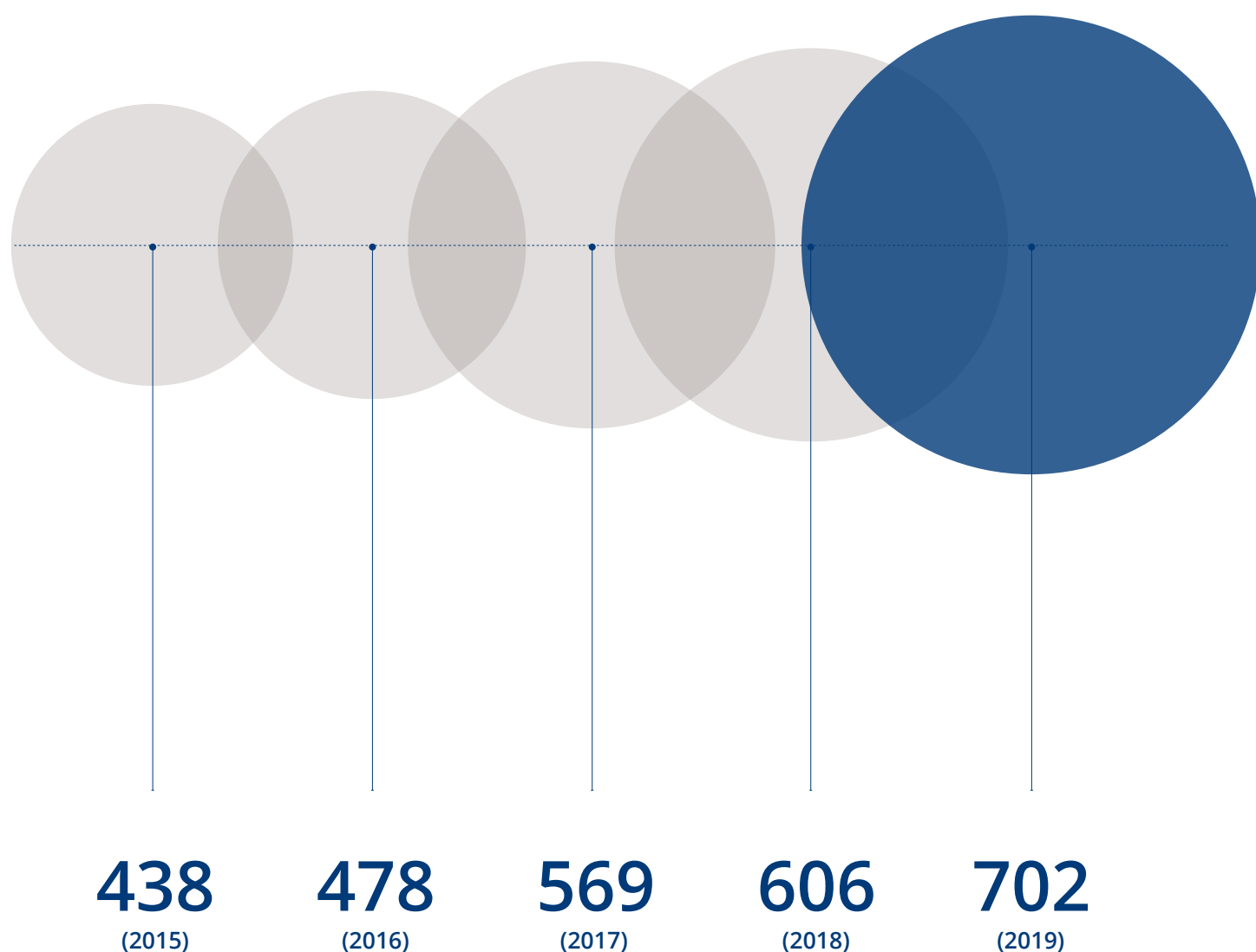
**RDM Group CEO
Michele Bianchi**



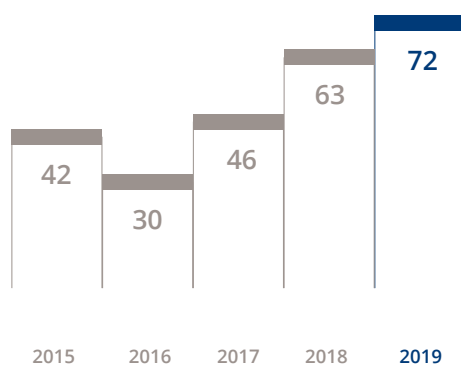
FINANCIAL HIGHLIGHTS

Net Revenues

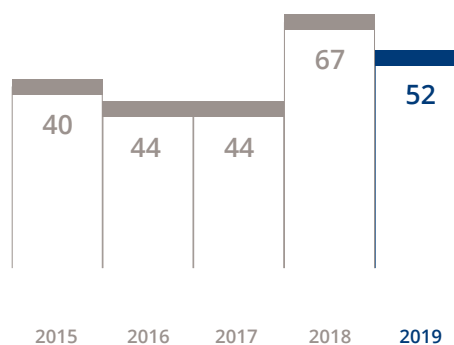
(Values in millions of Euros)



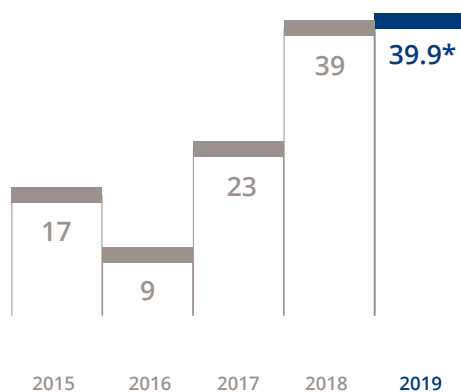
Gross Operating Profit (EBITDA)



Net Financial Debt

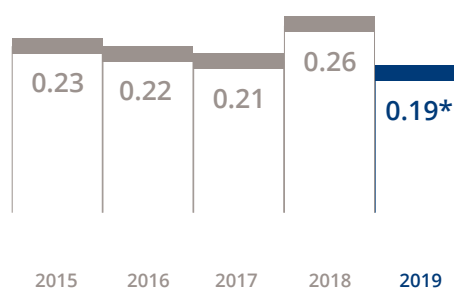


Operating Profit (EBIT)



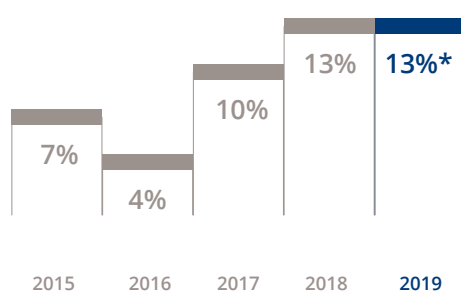
Gearing

Gearing: Debt/(Debt+Equity)

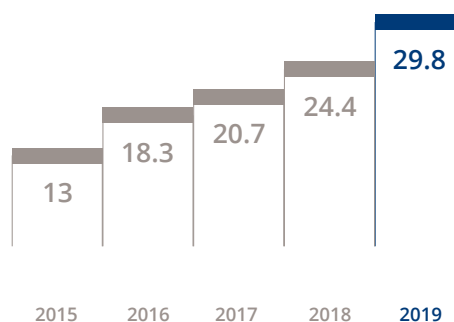


Roce

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



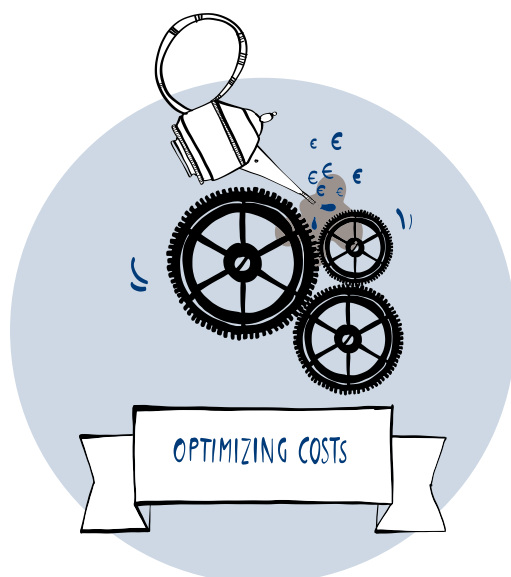
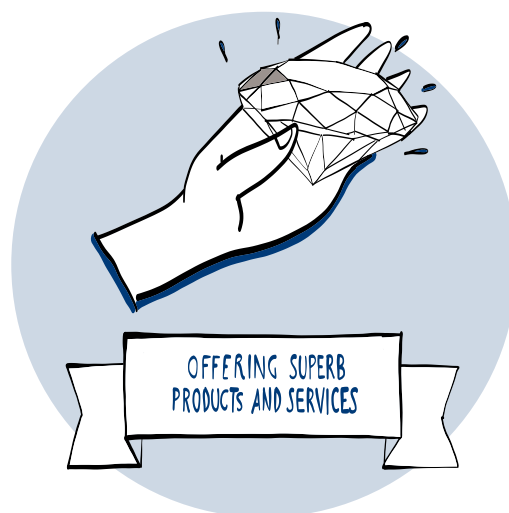
Investments



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

OUR VISION

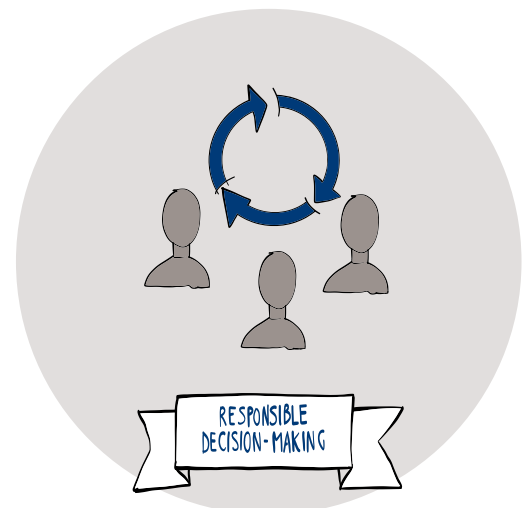
To become
the Partner of
Choice by



OUR VALUES



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



The awareness of your decisions' effect on others




The attitude of understanding others and creating a connection



The joint to a shared Vision and sense of belonging



TOGETHER WE SHAPE THE FUTURE



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

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

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

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

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

ITALY

1967

Cartiere del Reno
established

1968

Marzabotto (Bo)
production site
acquired

1985

Ovaro (Ud)
production site
acquired

1986

Company changes name
to **RENO DE MEDICI**

Cartiera Binda
De Medici (To)
acquired

1997

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

1998

Merger
with Sarrio
(Spain)

1997

Arnsberg (Germany)
production site
acquired

1986

Blendecques (France)
production site
acquired

1985

First European
production site
acquired at La
Rochette (France)

1964

Cascades
established

CANADA

OUR HISTORY

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

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

Production sites grouped under the Reno De Medici brand

CAREO, a new corporate sales structure, is created

2008

2016

La Rochette acquired by Reno De Medici

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

A single Group with a new strategy and integrated management

2017

Governance restructuring

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

3 global Goals:

- offer superb products and services
- optimize costs
- maximize stakeholders' satisfaction

2018

31 October 2018 RDM Acquisition of RDM Barcelona Cartonboard;

1 January 2018 Acquisition of PAC Service

Integration Process

2019

Corporate integration and transformation process continues

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

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

SIGNIFICANT EVENTS

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

Health & Safety Meeting

Blendecques (France) + Santa Giustina (Italy)

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

Milan Relay Marathon

Milan (Italy)

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

**7th
April**

**28th - 30th
May**

Packaging Première

Milan (Italy)

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

Prima Conference

Prague (Czech Republic)

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

**17th
September**

**19th -20th
September**

**Ecma
Valletta (Malta)**

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

Leadership Event

Santa Giustina (Italy)

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

**26-27th
September**

**27th
September**

**Customer Day
Santa Giustina (Italy)**

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

Santa Giustina Open Day

Santa Giustina (Italy)

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

**28th
September**

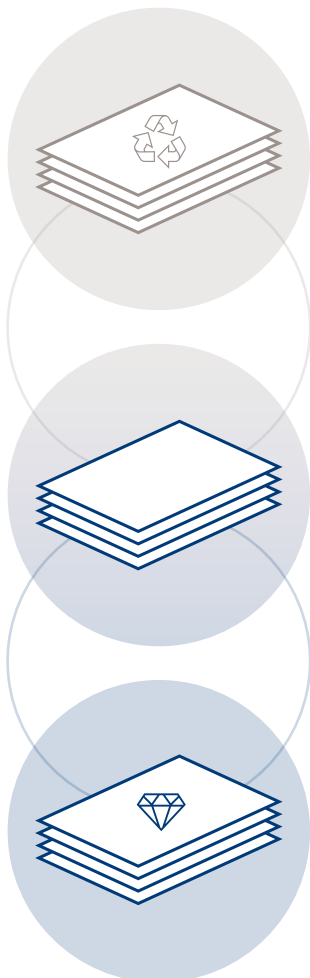
**January
December**

Best Practice Sharing Meeting

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

BUSINESS AREAS

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



WLC (White Lined Chipboard)

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

FBB (Folding Box Board)

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

OG GK - UD - UT

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



GLOBAL PRESENCE

The circle concept is inevitably connected to that of the centre. With this in mind, our 7 mills (including 3 in Italy, 2 in France, 1 in Germany and 1 in Spain), the 2 cutting centres (Magenta and PAC Service) and our sales

department support the main European countries, addressing the multiple needs of our customers and ensuring widespread coverage and worldwide sales.

- SALES OFFICES
- CUTTING AND SHEETING CENTERS
- MILLS

OUR HEADQUARTERS

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Milan - Italy
info@rdmgroup.com

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info.france@rdmgroup.com

GERMANY, AUSTRIA, SWITZERLAND & SCANDINAVIA

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ordini@pacservic.it

OUR MILLS

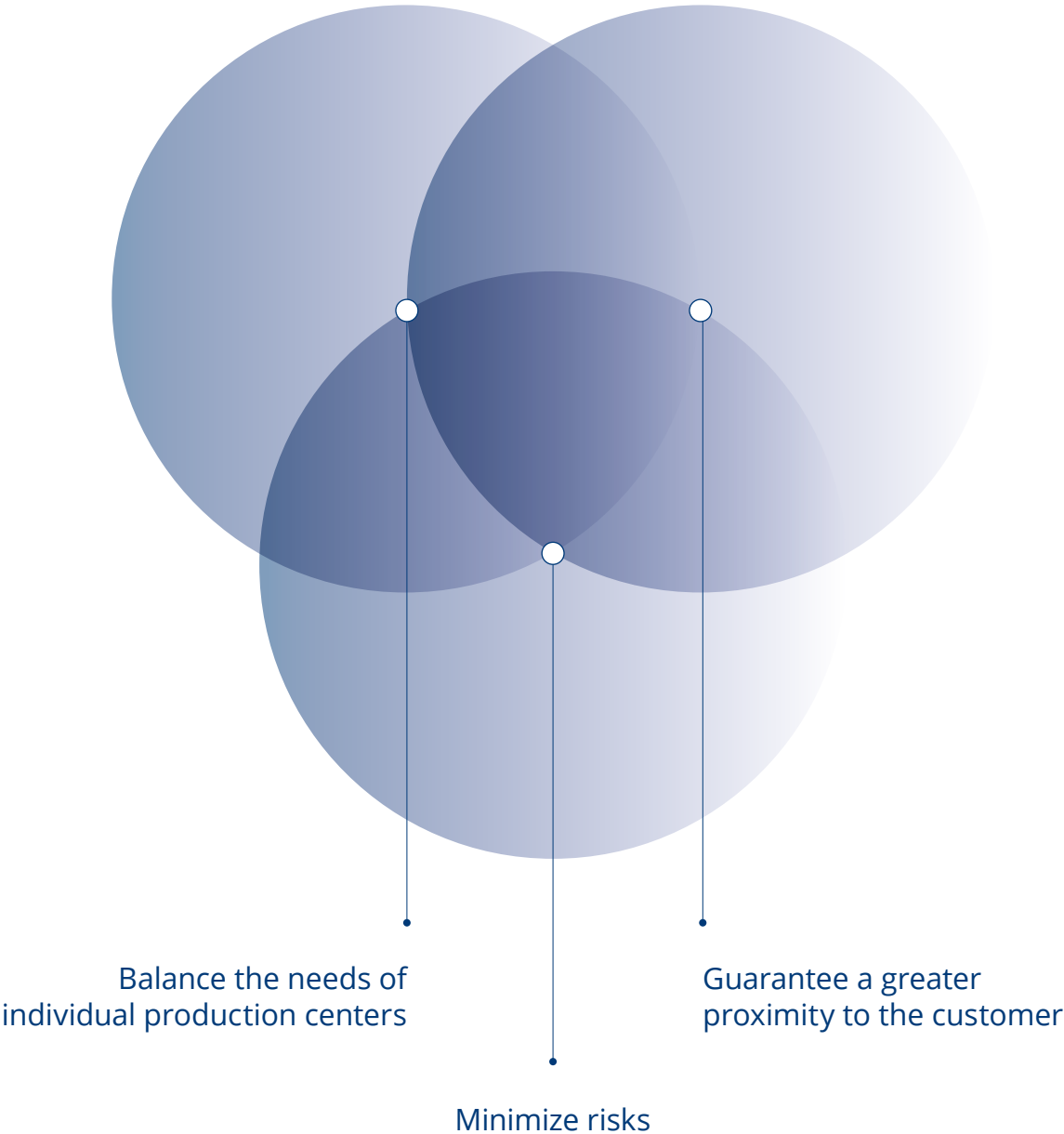
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Production Capacity	Segments	Products
220k tons	WLC (Liner)	FLEXOLINER - SERVILINER
165k tons	FBB (GC)	ROCHBLANC – ROCHCOAT – ROCHCOAT BLANC - ROCHFEEZE - ROCHPERLE
110k tons	WLC (GD/GT)	BLANC II GREY – HERMICOAT - HERMIWHITE
95k tons	WLC (Specialties)	OVARO 404, OVARO 407, OVARO 649, OVARO 688, OVARO 704, OVARO 706, OVARO 707, OVARO 719, OVARO 723, OVARO 724, OVARO 726, OVARO 729, OVARO 755, OVARO 786, OVARO 788, OVARO 903, OVARO 904, OVARO 906, OVARO 908, OVARO 918, OVARO 919, OVARO 920, OVARO 922, OVARO 925, OVARO 935, OVARO 913, OVARO 93D, OVARO B_, OVARO B0_, OVARO C_
250k tons	WLC (GD/GT/Liner)	SERVIBOARD, VINCIAVANA, VINCIBRIGHT, VINCIBRIGHT SPECIAL, VINCICOAT, VINCIWHITE
220k tons	WLC (Liner)	VINCIFLEXO, VINCILINER
200k tons	WLC & FBB (GT/GD, Liner; GC)	TRIPLEX BLANCO, TRIPLEX GRIS, TRIPLEX GRIS EB, TRIPLEX MADERA



A network of paper mills to:



THE **MULTI-MILL** CONCEPT

The so-called “**multi-mill concept**” is based on the principle by which it is possible to realize products in multiple mills, so as to ensure that supplies are available for our customers independently from the production site, in a flexible and punctual manner.

This allows RDM Group to strengthen its product portfolio, to ensure greater proximity to the customer, and to provide continuous production notwithstanding changes in market demand and the economic cycles of individual countries.

OUR STAKEHOLDERS

The main stakeholders
of RDM Group are:

STAFF AND WORKERS

The people and talents who work in the Group, trade unions and employee representatives

SUPPLIERS

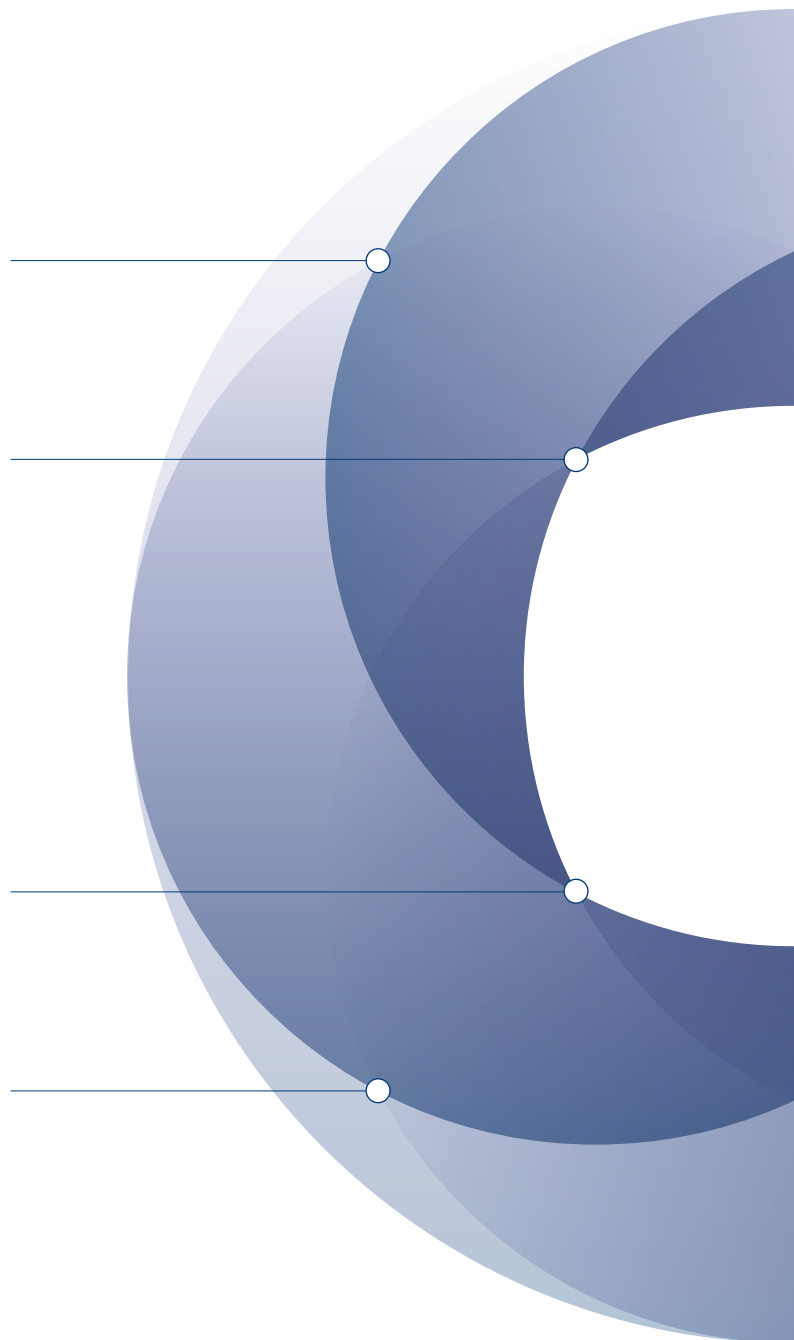
Companies supplying goods and services, and local economy boosted by the mill's activities

INVESTORS

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

LOCAL COMMUNITIES

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



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

**FUTURE GENERATIONS**

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

CUSTOMERS

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

END CONSUMERS

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

NATIONAL AND INTERNATIONAL INSTITUTIONS

National and international authorities, trade associations, supervisory authorities

COMPETITORS

Companies that produce cellulose-based materials and packaging

MATERIALITY MATRIX

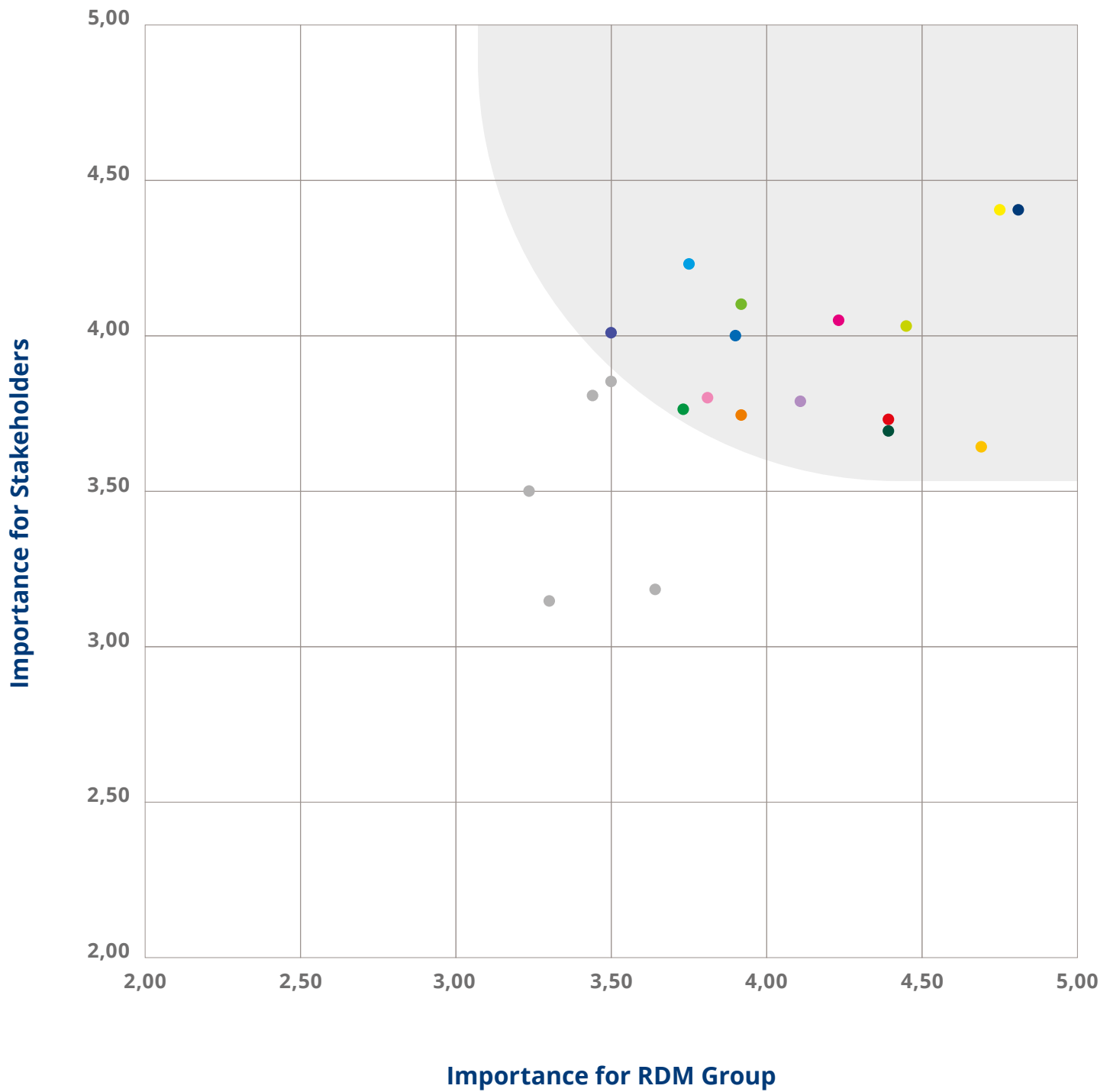
With the aim of strengthening the quality of mutual relations, RDM Group has embarked on an ambitious **listening program** involving some of its most important stakeholders. The project saw the launch of an online survey, where customers, suppliers and investors were asked about the importance of a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

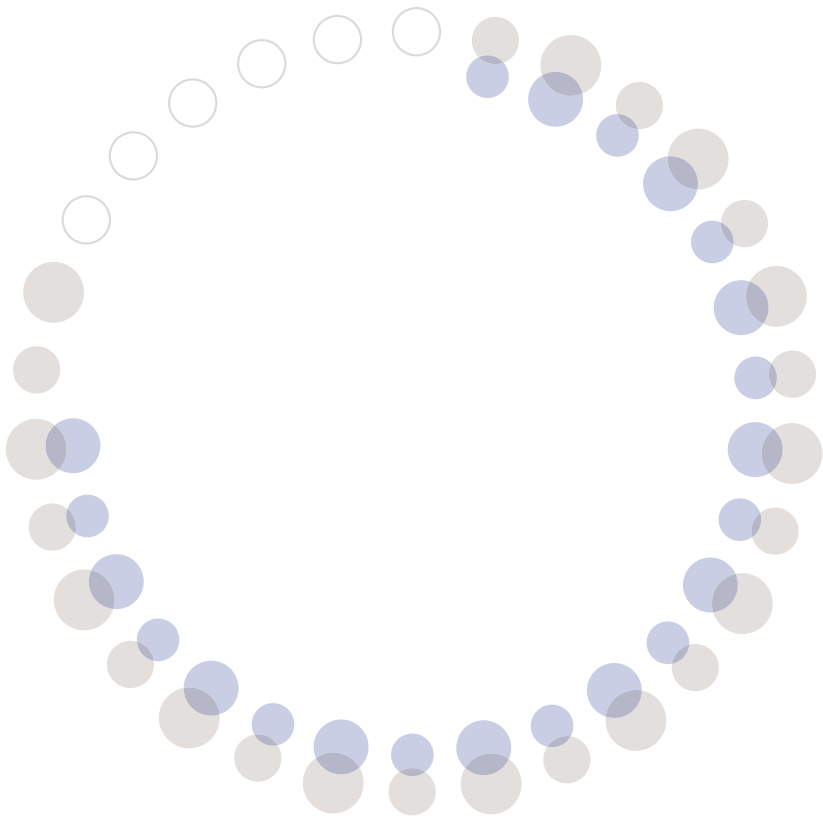
The analysis and assessment process was put in place to get a complete and integrated view of the business that today is RDM Group. In this way, 15 material



themes have been identified, which **will constitute the starting point for the definition of the Group’s new strategic sustainability guidelines** in order to meet stakeholders’ expectations and, at the same time, create a long-term virtuous circle.

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

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





-  ————— • **79%** Fibrous materials used come from recycling
-  ————— • **84%** Renewable materials

CIRCULAR ECONOMY

FOR RDM GROUP

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

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

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

BUSINESS MODEL

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

RDM GROUP

Paper for recycling is mixed with water so as to create a pulp of cellulose fibers. Through a complex treatment and cleaning system, unwanted elements present in the raw materials are eliminated.

The machinery uses an articulated sheet forming system, which presses and dries the fibers to remove the water present in the mixture. Depending on the type of cartonboard, a coating is applied.

The cartonboard, once produced, is rolled into customer reels for direct dispatch or sheeted and packaged in the desired sheet formats.

UPSTREAM

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

DOWNSTREAM

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



SDGs

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

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

Promote occupational health and safety

“Zero Accidents” policy and constant improvement of injury rates.



Promote learning and skills development

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



Protect water ecosystem

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



Improve energy efficiency of our production process

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



Promote full and productive employment and decent work for all

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



Upgrade industrial process to make them more sustainable

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



Adopt a sustainable consumption and production model

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



Take urgent action to combat climate change and its impacts

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



Promote a sustainable management of forest-related resources

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



Strengthen partnerships for sustainable development

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





02

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BOARD OF DIRECTORS AND AUDITORSBoard of Directors

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

Board of Statutory Auditors

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

Independent Auditors

Deloitte & Touche S.p.A.

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

Below are the main income statement and statement of financial position items for the year ended and as at December 31, 2019, compared with those for the previous financial year, relating to the Reno De Medici Group (the "Group" or "RDM Group").

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

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

(1) See RDM Group consolidated financial statements.

(2) See RDM Group consolidated financial statements – total of the item "Non-current assets".

(3) See RDM Group consolidated financial statements – sum of the following items of "Non-current liabilities": "Other payables", "Deferred taxes", "Employee benefits" and "Long-term provisions for risks and charges".

(4) See RDM Group consolidated financial statements – sum of the following items "Other receivables" net of €147 thousand relating to an entry of a financial nature classified under the item "Current assets", net of the following items "Other payables", "Current taxes", "Employee benefits" and Short-term provisions for risks and charges", classified under the item "Current liabilities".

(5) See RDM Group consolidated financial statements – sum of the sub-items "Inventories", "Trade receivables" and "Receivables from associates and joint ventures", classified under the item "Current assets", and the sub-item "Trade receivables", classified under the item "Non-current assets", less the sum of the sub-items "Trade payables" and "Payables to associates and joint ventures", classified under the item "Current liabilities".

(6) Sum of the items listed above.

(7) See RDM Group consolidated financial statements – sum of the following items: “Cash and cash equivalents”, “Other receivables from associates and joint ventures”, classified under “Current assets” to which €147 thousand is added relating to an entry of a financial nature included under the item “Other receivables”, net of the following items “Payables to banks and other lenders” and “Derivative instruments”, classified under “Non-current liabilities” and “Payables to banks and other lenders”, “Derivative instruments” and “Other payables to associates and joint ventures”, classified under “Current liabilities”.

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

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

(8) See RDM financial statements.

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

(10) See RDM financial statements – sum of the following items of “Non-current liabilities”: “Other payables”, “Deferred taxes”, “Employee benefits” and “Long-term provisions for risks and charges”.

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

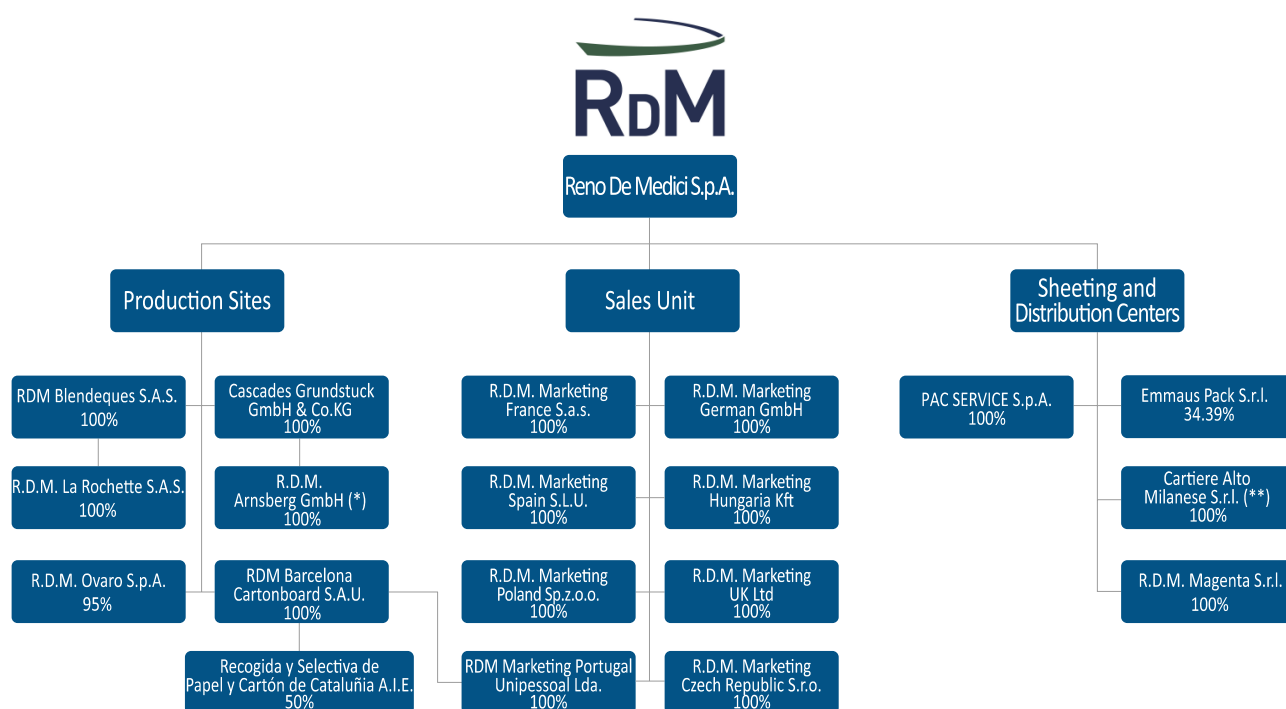
(12) See RDM financial statements – sum of the sub-items “Inventories”, “Trade receivables” and “Receivables from Group companies”, classified under “Current assets”, less the sum of the sub-items “Trade payables” and “Payables to Group companies”, classified under “Current liabilities”.

(13) Sum of the items listed above.

(14) See RDM financial statements – sum of the following items: “Cash and cash equivalents” and “Other receivables from Group companies”, classified under “Current assets”, to which €28 thousand is to be added relating to an entry of a financial nature included under the item “Other receivables”, net of the following items “Payables to banks and other lenders”, “Derivative instruments” and “Other payables to Group companies”, classified under “Non-current liabilities” and “Payables to banks and other lenders”, “Derivative instruments” and “Other payables to Group companies”, classified under “Current liabilities”.

GROUP OPERATING COMPANIES AS AT DECEMBER 31, 2019

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



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

(**) Company in liquidation.

RENO DE MEDICI STOCK AND RELATIONS WITH THE FINANCIAL COMMUNITY

RECORDS

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

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

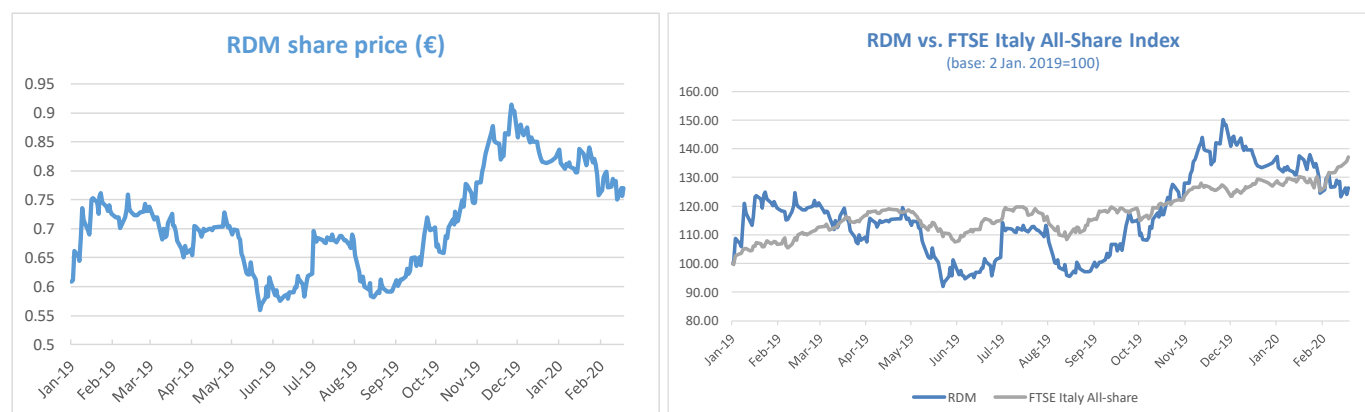
The minimum figure for share trading is 1 Euro.

The stock code is:

ISIN: IT0001178299

Alphanumeric code: RM

Performance of the Reno De Medici stock price



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

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

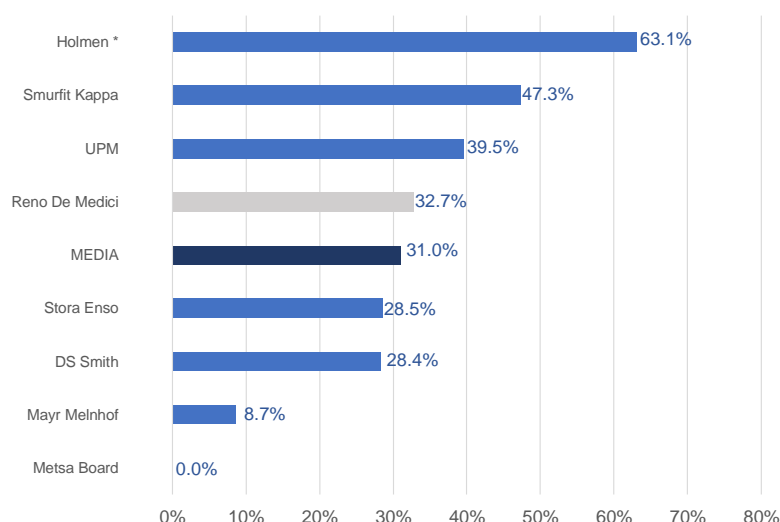
Within this scenario, the price of Reno De Medici shares outperformed the index for the exchange of reference, closing 2019 at €0.823, an increase of 32.7% on the closing price in 2018 (€0.62), driven by the results published during the year, which each quarter confirmed the consistent implementation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

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

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

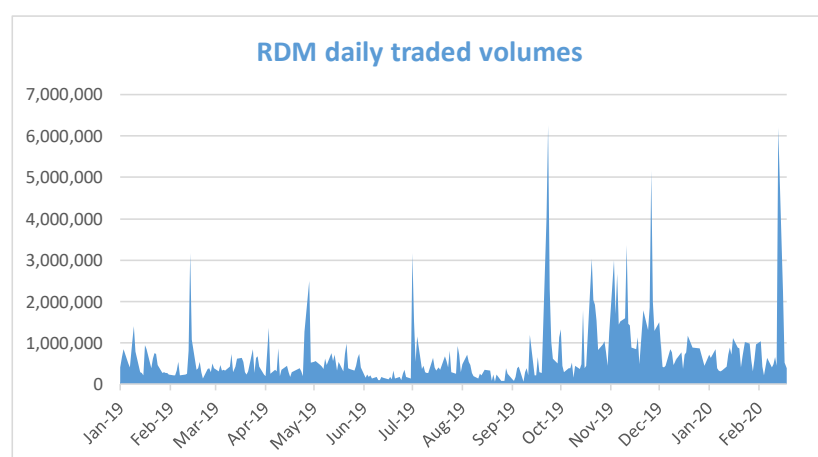
A comparison with the performances of other European companies in the forest, paper and packaging sector shows that Reno De Medici shares also outperformed the average for the panel considered. This average was also significantly buoyed by the brilliant share performances of large players operating in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

Change in the share price in 2019



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

Trends in volumes from January 2, 2019



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

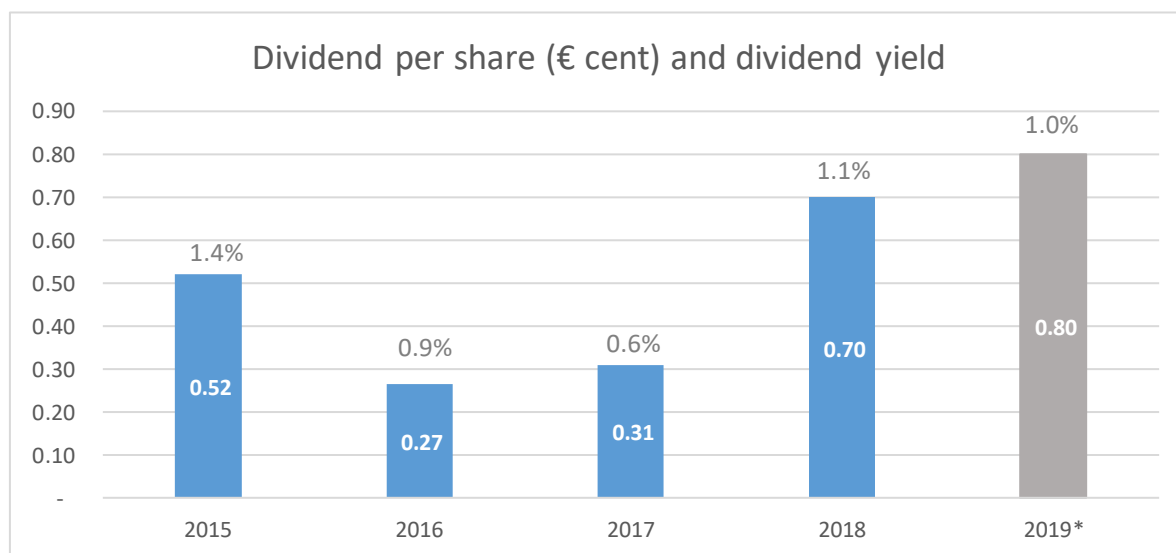
A new high of more than 6 million shares traded was reached on February 14, 2020, when the results for the fourth quarter of 2019 were published.

Dividend

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

On March 16, 2020, the Board of Directors will submit a proposal to the Shareholders' Meeting which will be held on April 29, 2020 to approve the distribution of a dividend for ordinary shares of €0.8 eurocents, with a dividend yield of 1% compared with the price at December 31, 2019.

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



* The dividend relating to 2019 reflects the proposal formulated by the Board of Directors on March 16, 2020 which has not yet been approved by the Shareholders' Meeting.

Analyst coverage

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

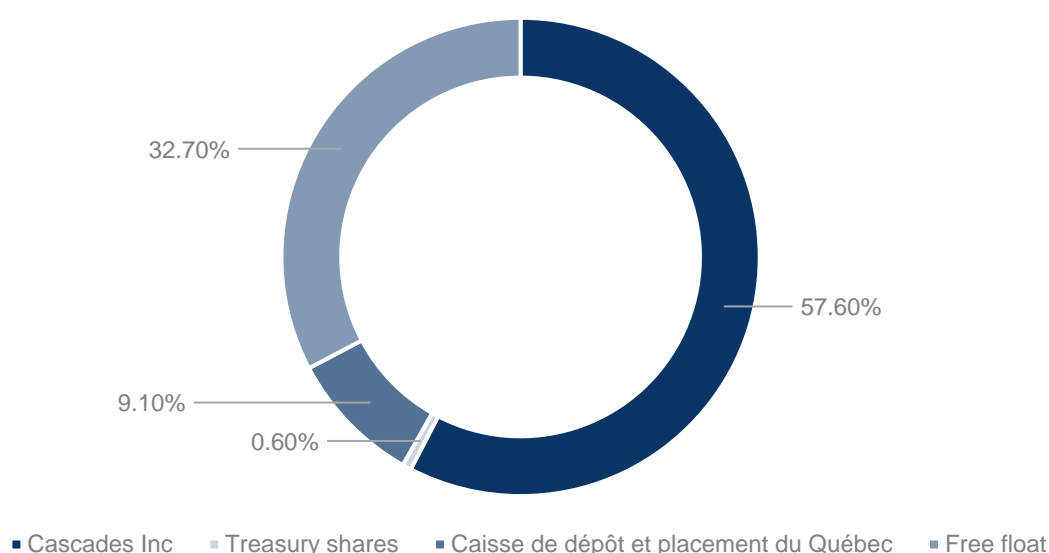
The data updated in relation to the target price and the analysts' recommendations are published on the Company's website. The consensus on the target price stood at €1.04 per share at the end of 2019.

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

Share ownership

The share capital of Reno De Medici as at December 31, 2019 was composed of 377,800,994 shares, 254,741 of which were saving shares, both with no par value. Share capital was €140,000,000, fully paid-up.

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



Compared with December 31, 2018, there were no changes in institutional shareholders as regard equity investments exceeding 5% of the share capital.

Investor relations activities

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

the management of Reno De Medici attended the Industrial Day events held at the Milan Stock Exchange.

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

2020 financial calendar

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

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

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

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

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

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



Directors' Report on Operations

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REFERENCE MARKET AND PERFORMANCE OF ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Gearing¹ improved from 0.26 to 0.20.

BUSINESS STRATEGY

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

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

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

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

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

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

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

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

CAPITAL EXPENDITURE

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

NET FINANCIAL POSITION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- €1.2 million associated with the bargain purchase recognized following the Purchase Price Allocation of RDM Barcelona Cartonboard S.A.U., in compliance with IFRS3;
- €3 million for the acquisition of the remaining shares of PAC Service S.p.A., which took place in 2018, with the consequent valuation at fair value of the investment previously held (33.33%) and valued using the equity method.

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

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

KEY EVENTS OF THE RENO DE MEDICI GROUP

There are no significant facts to be reported.

Other information

Purchase of treasury shares in 2019

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

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

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

Risks associated with the general economic conditions

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

In 2019, market performance was marked by contrasting scenarios. On the one hand, demand in the Group's main markets was quite weak, particularly in the first half of the year, while on the other, the further decrease in raw material costs, only partially offset by a decline in selling prices, led to a good level of profitability. The current situation, featuring numerous elements of uncertainty (Brexit, US/China tensions and a possible slowdown in the major economies), and the cyclical nature of the sector in which the Group operates could involve the risk of a fall in sales volumes and prices. Obviously, this risk cannot be eliminated but it can be mitigated through various actions and projects, which the Group has already implemented, aimed at increasing production and commercial efficiency and achieving synergies.

As far as raw materials are concerned, the main risk is that resulting from a possible increase in the price of waste paper due to the fact that, after the sharp fall seen in 2018, prices further decline in 2019, mainly due to the decision taken by the Chinese government to continue to block imports. Although there are no price increase trends in the short-term, it is not possible to rule out this risk in the medium-term, also because of the block on imports by China. If this is the case, it will be vital to try and overturn these increases on the final selling price as quickly as possible and to continue with the policy of optimizing manufacturing recipes.

With regard to energy prices, all of them declined markedly in 2019, particularly gas, electricity and coal, after they reached their high of previous years in 2018. An increase in the prices of the main energy components is therefore likely in the second half of 2020. Within this scenario, the Group will continue with its energy consumption efficiency policies and investments aimed at reducing them.

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

Risks related to the Group's results

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

Risks related to the requirements for financial resources

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

Risks related to interest rates

Exposure to interest rate risk involves mainly the medium-/long-term lines of credit on which the Group's financial provisions are currently based. As at December 31, 2019, the Group had cash available and uses a very small portion of short-term lines of credit, with the exception of programs for the non-recourse factoring of trade receivables. As at December 31, 2019, medium- and long-term debt totaled €76.4 million, of which €16.7 million was at an unhedged floating rate. The availability of cash as at December 31, 2019 stood at €40.4 million.

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

Liquidity risk

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

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

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

As at December 31, 2019, the net financial debt of the RDM Group was equal to €52 million, with wide margins to satisfy all reasonable financial requirements.

Credit risk

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

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

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

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

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

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

Currency risk

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

Capital risk

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

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

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

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

Operating results

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

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

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

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

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

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

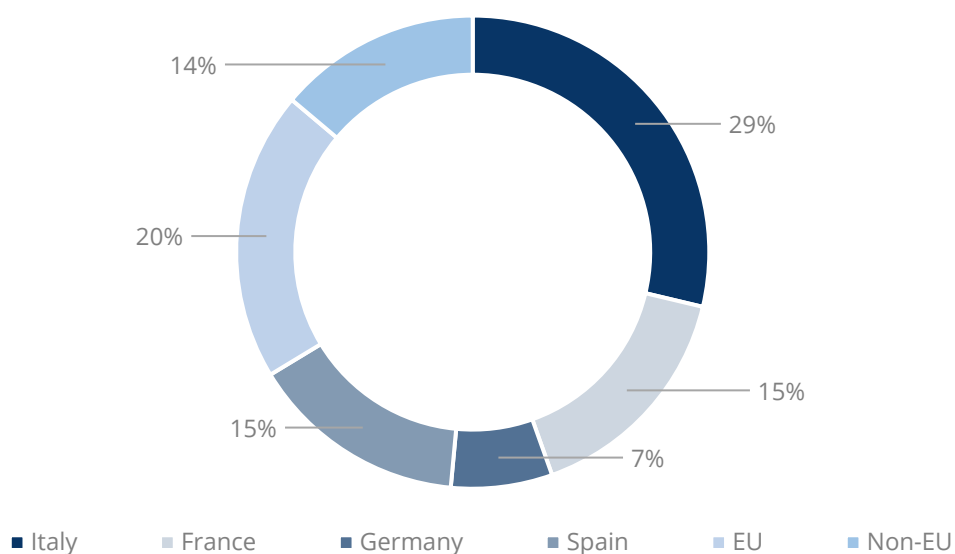


Fig 2.: "Revenues by Geographic Area"

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

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

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

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

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

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

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

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

Statement of Financial Position

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

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

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

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

- (18) See RDM Group consolidated financial statements – sum of the sub-items “Trade payables” and “Payables to associates and joint ventures”, classified under “Current liabilities”.
- (19) See RDM Group consolidated financial statements – the item “Other receivables” net of €147 thousand relating to an entry of a financial nature.
- (20) See RDM Group consolidated financial statements – sum of the following items “Other payables” and “Current taxes”, classified under the item “Current liabilities”.
- (21) See RDM Group consolidated financial statements – total of the item “Non-current assets”.
- (22) See RDM Group consolidated financial statements – sum of the following items of “Non-current liabilities”: “Other payables” and “Deferred tax liabilities”.
- (23) See RDM Group consolidated financial statements – sum of the following items of “Non-current liabilities”: “Employee benefits” and “Non-current provisions for risks and charges” and “Current liabilities: “Employee benefits” and “Current provisions for risks and charges”.
- (24) See RDM Group consolidated financial statements – sum of the following items: “Cash and cash equivalents”, “Other receivables from associates and joint ventures”, classified under “Current assets” to which €147 thousand is added relating to an entry of a financial nature included under the item “Other receivables”, net of the following items “Payables to banks and other lenders” and “Derivative instruments”, classified under “Non-current liabilities” and “Payables to banks and other lenders”, “Derivative instruments” and “Other payables to associates and joint ventures”, classified under “Current liabilities”.

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

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

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

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

Net financial position

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

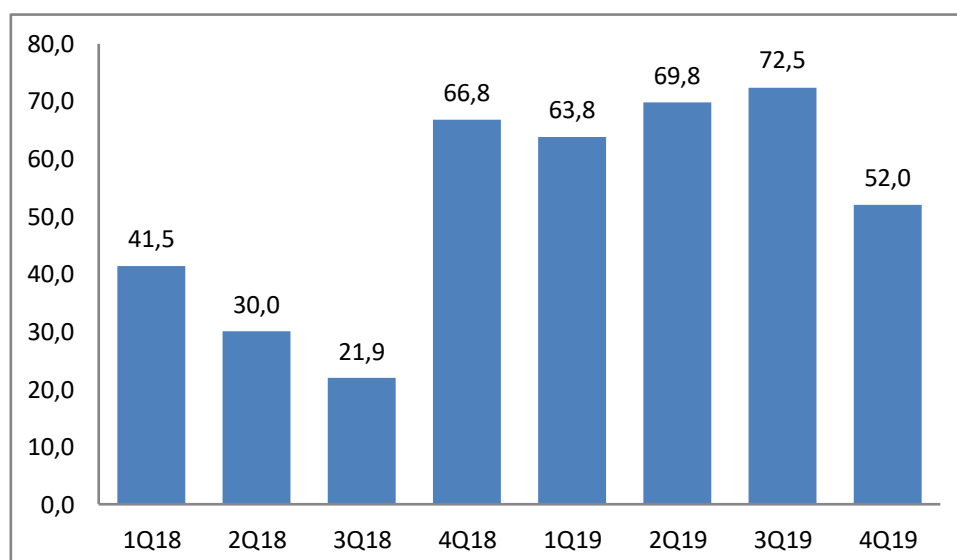


Fig 3.: "2018-2019 Net Financial Position - Quarterly Trend"

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

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

(25) See RDM Group consolidated financial statements – sum of "Cash and cash equivalents" and "Other receivables from associates and joint ventures" classified under "Current assets", to which €147 thousand should be added relating to an entry of a financial nature included under the item "Other receivables".

(26) See RDM Group consolidated financial statements – sum of the item "Payables to banks and other lenders" and "Other payables to associates and joint ventures" of a financial nature, classified under "Current liabilities".

(27) See RDM Group consolidated financial statements – the item "Derivative instruments" classified under "Current liabilities".

(28) See RDM Group consolidated financial statements – the item "Payables to banks and other lenders" classified under "Non-current liabilities".

(29) See RDM Group consolidated financial statements – the item "Derivative instruments" classified under "Non-current liabilities".

Research and development activities

The Group conducts ongoing research and development activities aimed at continually upgrading the technology of production processes and researching better use of materials in order to improve the quality of the product or the process while complying with the sustainable requirements inherent in its production cycle.

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

Capital expenditure

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

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

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

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

Human resources

The RDM Group believes that its human resources are essential to its success. We cannot continue to create sustainable value without the skilled labor of the people who work in our mills and offices. That is why we take the time and effort to ensure they are properly trained. We have a long-term outlook,

ensuring that the paper production techniques pass down from one generation to the next, encouraging our staff to share their knowledge and expertise, and investing in safety and strategic skills. The exchange of experiences and best practices is constantly pursued within the Group, fostering constant opportunities for dialog concerning the skills and experiences that allowed the best results to be obtained, with regard to the various production and process contexts, involving the various generations present at the Company.

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

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

As at December 31, 2019, the Group headcount included 41 executives, 452 white-collars and 1,273 blue-collars.

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

Operating results

Below are the main income statement items as at December 31, 2019 compared with those of the previous year.

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

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

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

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

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

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

As far as the performance of the main production factors is concerned, recycled fibers, after the sharp drop reported in 2018, further declined in 2019. The downward trend in the price of recycled paper is

due to the ongoing restrictions imposed by the Chinese Government, effective January 1, 2018, on imports of unsorted waste paper and the restrictions on the release of licenses. This created excess supply in Europe driving prices downwards. The favorable price trend and the more efficient use of fibers led to reduce the ratio of raw material costs to production value ("Revenues from sales" plus "Change in inventories of finished goods"), which declined from 43% to 42%.

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

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

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

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

Statement of Financial Position

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

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

(32) See RDM financial statements – sum of the following items “Trade receivables” and “Receivables from Group companies”, classified under the item “Current assets”.

(33) See RDM financial statements – sum of the following items “Trade payables” and “Payables to Group companies”, classified under the item “Current liabilities”.

(34) See RDM financial statements – sum of the following items: “Other receivables”, net of €28 thousand of financial receivables.

(35) See RDM financial statements – sum of the following items “Other payables” and “Current taxes”, classified under the item “Current liabilities”.

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

(37) See RDM financial statements – sum of the following items of “Non-current liabilities”: “Other payables” and “Deferred tax liabilities”.

(38) See RDM financial statements – sum of the following items of “Non-current liabilities”: “Employee benefits” and “Non-current provisions for risks and charges” and “Current liabilities: “Employee benefits” and “Current provisions for risks and charges”.

(39) See RDM financial statements – sum of the following items: “Cash and cash equivalents” and “Other receivables from Group companies”, classified under “Current assets”, to which €28 thousand is to be added relating to an entry of a financial nature included under the item “Other receivables”, net of the following items “Payables to banks and other lenders”, “Derivative instruments” and “Other payables to Group companies”, classified under “Non-current liabilities” and “Payables to banks and other lenders”, “Derivative instruments” and “Other payables to Group companies”, classified under “Current liabilities”.

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

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

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

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

- recognition of €3.3 million operating leases under the caption "Rights of use" following the adoption of the new IFRS 16 effective from January 1, 2019;
- a decrease of €3.2 million in "Tangible fixed assets" due to depreciation for the year, partially offset by the increases in 2019;
- an increase of €2.2 million in "Intangible fixed assets" due to the recognition of the equity investment in the consortium Interconnector Energy Italia Scarl, classified in that caption in compliance with IFRS 9.

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

Net financial position

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

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

(40) See RDM financial statements – sum of the item “Cash and cash equivalents”, to which €28 thousand of financial receivables should be added under the item “Other receivables”.

(41) See RDM financial statements – sum of the item “Other receivables from Group companies” classified under “Current assets” net of “Payables to banks and other lenders” and “Other payables to Group companies” classified under “Current liabilities”.

(42) See RDM financial statements – the item “Derivative instruments” classified under “Current liabilities”.

(43) This refers to an item of a financial nature included in the item “Other non-current receivables”.

(44) See RDM financial statements – sum of the item “Payables to banks and other lenders”

(45) See RDM financial statements – the item “Derivative instruments” classified under “Non-current liabilities”.

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

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

Research and development activities

Please refer to the report on the consolidated figures.

Capital expenditure

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

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

- **Santa Giustina mill (Italy):** improvement and modernization work was done on the board machine, unwinder and packaging line to increase production capacity;
- **Villa Santa Lucia mill (Italy):** a new fiber recovery system for cleaning waste was installed.

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

Human resources

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

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

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

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

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

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

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

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

OTHER INFORMATION

Existing disputes and risks

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

Tax disputes and risks

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

In addition, on December 27, 2016, a tax case was initiated at the Frosinone Provincial Tax Commission against an assessment notice relating to TARSU (waste tax) involving Mazal Global Solution S.r.l., the concessionaire of the Villa Santa Lucia municipality for assessment and collection services. On September 25, 2017, the Frosinone Provincial Tax Commission issued a ruling based on which the appeal lodged by Reno De Medici S.p.A. was accepted. The appeal that the Municipality of Cassino lodged against this ruling before the Lazio Regional Tax Commission was accepted. Since on October 24, 2018 Reno De Medici had received a favorable judgment in the first instance, it was able to benefit from the amnesty for pending tax disputes (Article 6 of Legislative Decree No. 119/2018, converted with Law No. 136/2018) by paying the sum of €51,131, equal to 40% of the tax originally sought by the Municipality of Cassino, with all penalties and interest waived in full.

Consolidated non-financial statement

It should be noted that, in compliance with Legislative Decree No. 254/2016, the RDM Group prepared a consolidated statement of a non-financial nature. This document has not been inserted into this Director's Report. Instead, in accordance with Article 5, paragraph 3(b), of the above-mentioned decree, a separate report is available on the Group's website in the section:

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

Environment and safety

Throughout the year, RDM continued its commitment to achieving and maintaining adequate environmental, safety and quality standards. For the Santa Giustina, Villa Santa Lucia and Ovaro mills, the Company has maintained the following certifications: ISO 14001 “Environmental Management System”, ISO 50001 “Energy Management System” and OHSAS 18001/ISO 45001 “Occupational Health and Safety Management System”.

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

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

- seeking to manage natural and energy resources correctly in order to reduce environmental impact;
- continually improving environmental and OHS performance;
- looking for compatible environmental technologies when establishing new investments;
- fostering a safety culture in all working groups, including by launching an important pilot project on behavioral safety at the S. Giustina plant.

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

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

Treasury Shares

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

- 377,546,217 ordinary shares;

- 254,777 savings shares convertible into ordinary shares at the request of shareholders in February and September each year.

On the same date, RDM held 2,262,857 ordinary treasury shares, equal to 0.599% of shares with voting rights. For more information on treasury shares, see "Acquisition of Treasury Shares in 2019" in this Report.

Shares held by Directors and Statutory Auditors

In compliance with the provisions of Consob Regulation 11971, as further amended and extended, the information regarding shares held by Reno De Medici Directors and Statutory Auditors in Reno De Medici S.p.A. and its subsidiaries as at December 31, 2019 is given below:

Name and Surname	Investee company	Number of shares as at December 31, 2018	Number of shares purchased in 2019	Number of shares sold in 2019	Number of shares as at December 31, 2019
Giulio Antonello	Reno De Medici S.p.A.	150,000			150,000

Information on relations with subsidiaries, associates and joint ventures

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

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

- commercial promotion and marketing services with the foreign subsidiaries RDM Marketing;
- sales of cartonboard and raw materials to RDM Ovaro S.p.A.;
- services provided to RDM Ovaro S.p.A., RDM Magenta S.r.l., RDM Blendecques S.A.S., RDM La Rochette S.A.S., RDM Arnsberg GmbH, RDM Barcelona Cartonboard S.A.U., Emmaus Pack S.r.l. (Emmaus), and the foreign subsidiaries RDM Marketing;
- purchases of manufacturing scrap from RDM La Rochette S.A.S.;
- acquisition of cutting services from RDM Magenta S.r.l.;

- interest expense and/or income in relation to cash pooling and loan arrangements with RDM Blendecques S.A.S., RDM Arnsberg GmbH, RDM Ovaro S.p.A., RDM La Rochette S.A.S., RDM Barcelona Cartonboard S.A.U., RDM Magenta S.r.l. and the foreign subsidiaries RDM Marketing;
- sales of cartonboard to PAC SERVICE S.p.A and Emmaus Pack S.r.l.;
- the tax consolidation agreement entered into with RDM Ovaro S.p.A. and RDM Magenta S.r.l. under which Reno De Medici S.p.A. is the consolidating company;
- the tax consolidation agreement entered into with RDM Marketing France S.A.S. and RDM La Rochette S.A.S. under which RDM Blendecques S.A.S. is the consolidating company.

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

For a quantitative analysis of the transactions undertaken in 2019 between Reno De Medici S.p.A. and its subsidiaries, associates and joint ventures reference should be made to the "Notes" to the financial statements in this Report, as well as to the paragraph "Related-Party Transactions" for a better explanation of the relations listed above.

Information about transactions with related parties

With regard to the provisions of Article 5, paragraph 8, and Article 13, paragraph 3, of the "Regulations containing provisions relating to transactions with related parties" adopted by Consob through Resolution 17221 of March 12, 2010 ("Consob Regulations"), during the reporting period:

- a) there were no transactions concluded with related parties qualifying as transactions of greater importance pursuant to the Consob Regulations and the Procedures adopted by Reno De Medici S.p.A. in accordance with Article 4 of the Regulations;
- b) no transactions were concluded with related parties which had a considerable influence on the statement of financial position or the results of the Company, pursuant to law;
- c) there were no changes or developments of related-party transactions described in the last Annual Report that had a material effect on the financial position or results of the Company during the reporting period.

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

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

It bears also recalling that as part of the sale of the Ovaro mill to RDM Ovaro S.p.A., Reno De Medici S.p.A. and Friulia S.p.A., respectively, obtained a call option, exercisable between June 27, 2014 and June 27, 2017, and a put option, exercisable between June 27, 2015 and June 27, 2017 on Friulia S.p.A.'s stake in RDM Ovaro S.p.A.

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

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

SUBSEQUENT EVENTS

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

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

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

OUTLOOK

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

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

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

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

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

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

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

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

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

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

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



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Notes to the Consolidated Financial Statements at December 31, 2019

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CONSOLIDATED STATEMENT OF INCOME

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share	Treasury shares reserve	Legal reserve	Other reserves	Retained earnings (losses)	Profit (loss) for the period	Hedging reserve	Reserve for "Actuarial gain/(loss)"	Total Shareholders' Equity (Group)	Total Shareholders' Equity (minority shareholders)	Total Shareholders' Equity
(thousands of Euros)											
Shareholders' equity at 12.31.2017	140,000	(483)	959	26,606	(5,466)	14,568	(201)	(7,518)	168,465		168,465
Dividends distributed						(1,172)			(1,172)		(1,172)
Allocation of profit (loss) for the period			518	9,845	3,033	(13,396)					
Purchase of Treasury shares		(577)							(577)		(577)
Stock Grant reserve				565					565		565
IFRS 9 reserve				(503)					(503)		(503)
Profit (Loss) for the period						27,170			27,170		27,170
Other components of comprehensive profit (loss)				23			(255)	1,102	870		870
Total comprehensive profit (loss)				23		27,170	(255)	1,102	28,040		28,040
Shareholders' equity at 12.31.2018	140,000	(1,060)	1,477	36,536	(2,433)	27,170	(456)	(6,416)	194,818		194,818
Purchase Price Allocation RDM Barcelona Cartonboard					(24)	1,197			1,173		1,173
Shareholders' equity at 12.31.2018 restated	140,000	(1,060)	1,477	36,536	(2,457)	28,367	(456)	(6,416)	195,991		195,991
Dividends distributed						(2,633)			(2,633)		(2,633)
Allocation of profit (loss) for the period			898		24,836	(25,734)					
Purchase of Treasury shares											
Stock Grant reserve											
IFRS 9 reserve					24				24		24
Profit (Loss) for the period						15,597			15,597		15,597
Other components of comprehensive profit (loss)				12			(431)	(3,082)	(3,501)		(3,501)
Total comprehensive profit (loss)				12		15,597	(431)	(3,082)	12,096		12,096
Shareholders' equity at 12.31.2019	140,000	(1,060)	2,375	36,548	22,403	15,597	(887)	(9,498)	205,478		205,478

NOTES TO THE FINANCIAL STATEMENTS

Structure and content

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

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

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

The consolidated financial statements of the RDM Group were approved and authorized for publication by the Board of Directors of Reno De Medici S.p.A. on March 16, 2020.

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

The 2019 consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and approved by the European Union, and on the basis of provisions issued to implement Article 9 of Legislative Decree 38/2005. IFRS also includes all revised international accounting standards ("IAS"), all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee ("SIC").

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

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

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

- a) a financial liability, equal to the current value of the remaining future payments at the date of transition, discounted using the incremental borrowing rate applicable at the date of transition for each contract;
- b) a right of use equal to the value of the financial liability at the date of transition. The Group decided to calculate the right of use equal to the net book value that it would have had if the principle had been applied from the starting date of the contract, however, using the discount rate defined at the date of transition.

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

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

- Computers and telephones;
- Printers.

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

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

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

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

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

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

Impacts at the date of transition

Thousands of Euros

Assets

Rights of use on buildings	3,327
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Rights of use on plant and machinery	2,020
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Rights of use on industrial and commercial equipment	69
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Rights of use on other assets	643
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Total assets	6,059
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Liabilities

Financial liabilities on current portion of leases	2,210
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Financial liabilities on non-current portion of leases	3,849
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Total liabilities	6,059
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In order to help with understanding the impacts of the first-time application of the principle, the table below gives a reconciliation between the future commitments relating to lease agreements and the impact of the adoption of IFRS 16 at January 1, 2019.

Reconciliation of lease commitments

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

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

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

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

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

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

- IFRS 17 – Insurance Contracts, which is intended to replace IFRS 4 – Insurance Contracts;
- Amendment to IFRS 3 “Definition of a Business”;
- Amendment to IFRS 10 and IAS 28 “Sales or Contribution of Assets between an Investor and its Associate or Joint Venture”;

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

The financial statements were prepared with clarity and truthfully and accurately represent the RDM Group’s results, assets and liabilities, and cash flows. The financial statements were prepared on the going-concern assumption.

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

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

- the consolidated statement of financial position is presented with separate sections for assets, liabilities and shareholders’ equity. Assets and liabilities are then presented on the basis of their classification as current, non-current or held for sale;
- the consolidated income statement is presented in a vertical format with items broken down by nature, as this provides reliable and more relevant information than a classification by function;
- the consolidated statement of comprehensive income is presented separately from the consolidated income statement, and each item is shown net of the tax effect;

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

Scope of consolidation

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

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

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

Corporate name	Registered office	Assets	Share capital (Eur/000)	Control percentage			
				12.31.2019		12.31.2018	
				direct	indirect	direct	Indirect
R.D.M. Arnsberg GmbH	Arnsberg (DE)	Industrial	5,113	94.00%	6.00%	94.00%	6.00%
RDM Blendecques S.A.S.	Blendecques (FR)	Industrial	5,037	100.00%		100.00%	
Cartiera Alto Milanese S.r.l. in liquidation	Milan (IT)	Commercial	12	100.00%		100.00%	
Cascades Grundstück GmbH & Co. KG	Arnsberg (DE)	Services	28	100.00%		100.00%	
R.D.M. Magenta S.r.l.	Milan (IT)	Industrial	3,700	100.00%		100.00%	
R.D.M. Ovaro S.p.A.	Milan (IT)	Industrial	12,500	95.00%		90.00%	
R.D.M. La Rochette S.A.S.	La Rochette (FR)	Industrial	4,000		100.00%		100.00%
RDM Barcelona Cartonboard S.A.U.	Barcelona (ES)	Industrial	14,943	100%		100%	
R.D.M. Marketing Portugal Unipessoal Lda.	Lisbon (PT)	Commercial	3		100%		100%
PAC Service S.p.A.	Vigonzà (IT)	Industrial	1,000	100%		60%	40%
BELLIM S.r.l.	Vigonzà (IT)	Services				100%	
R.D.M. Marketing France S.A.S.	Saint-Denis (FR)	Commercial	337	100.00%			100.00%
R.D.M. Marketing Germany GmbH	Krefeld (DE)	Commercial	210	100.00%			100.00%
R.D.M. Marketing Spain S.L.U.	El Prat de Llobregat (ES)	Commercial	26	100.00%			100.00%
R.D.M. Marketing UK Ltd	Wednesbury (UK)	Commercial		100.00%			100.00%
R.D.M. Marketing Czech Republic s.r.o.	Prague (CZ)	Commercial	20	100.00%			100.00%
R.D.M. Marketing Hungaria Kft.	Budapest (HU)	Commercial	18	100.00%			100.00%
R.D.M. Marketing Poland Sp. z o.o.	Warsaw (PL)	Commercial	12	100.00%			100.00%

The scope of consolidation changed on December 31, 2019. In particular:

- the merger by incorporation of BELLIM S.r.l. into the Parent company Reno De Medici S.p.A. was completed on August 1, 2019. The accounting and tax effects began on January 1, 2019, while the legal effects began on September 1, 2019. As a result, PAC Service S.p.A. is wholly owned by Reno De Medici S.p.A.
- on June 21, 2019, through the application of the agreements concluded with Friulia S.p.A. in 2017, Reno De Medici S.p.A. bought back an additional share, equal to 5%, of the investment owned by Friulia S.p.A. in R.D.M. Ovaro S.p.A. Following this transaction, the remaining share still owned by Friulia S.p.A. was 5%, which will be bought back by June 30, 2020. More details on

this can be found in the section “Contingent liabilities, commitments, and other guarantees given to third parties”.

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

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

ACCOUNTING PRINCIPLES

Consolidation Principles

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

The main consolidation principles adopted are as follows:

- the carrying amount of each investment consolidated on a line-by-line basis is eliminated against the related equity, with the assets, liabilities, income and expense of the subsidiary being added to those of the Parent company, regardless of the size of the investment; the shares of subsidiaries' capital and reserves and of subsidiaries' profit or loss attributable to minority interests are shown separately in the consolidated statement of financial position and the consolidated income statement;
- the acquisition of subsidiaries is accounted for using the purchase method as provided for by IFRS 3 (Revised) (see "Business Combinations");
- all balances and transactions between Group companies are eliminated, as are any profits and losses (unless losses indicate an impairment of the sold asset requiring recognition) arising from commercial or financial intragroup transactions not yet realized with third parties;
- any increases or decreases in a subsidiary's equity arising from its post-acquisition results are recorded upon elimination in the "Retained earnings (losses)" equity reserve;
- dividends distributed by Group companies were eliminated from the income statement upon consolidation;

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

Consolidation of Foreign Companies

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

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

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

Currency	Start-of-period exchange rate	Average exchange rate	Exchange rate at period end 12.31.2019
GBP	0.8945	0.8473	0.8508
PLN	4.3014	4.2726	4.2568
CZK	25.7240	25.4972	25.4080
HUF	320.98	330.71	330.53

Equity investments

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

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

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

Associates

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

Joint Ventures

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

Business combinations

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

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

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

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

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

Tangible fixed assets

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

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

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

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

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

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

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

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

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

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

ASSETS/LIABILITIES HELD FOR SALE

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

Intangible fixed assets

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

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

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

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

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

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

Impairment

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

The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is estimated taking into account the provisions in accounting standard IFRS 13 *Fair Value Measurement*.

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

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

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

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

Derivative instruments

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

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

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

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

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

in “Other components of comprehensive income” and are subsequently reclassified to the income statement in line with the effects of the hedged transaction on profit or loss.

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

Available-for-sale financial assets

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

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

Trade and other receivables

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

Inventories

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

In the case of raw materials, market value means replacement cost; for finished goods and semi-finished goods, market value means net realizable value (net of the costs necessary to make the sale)

representing the amount that the Group would expect to obtain from the sale of these goods as part of its normal business.

Cash and cash equivalents

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

Employee benefits

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

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

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

Provisions for risks and charges

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

amount that, at the reporting date, the Group could reasonably expect to pay to extinguish the obligation or transfer it to a third party.

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

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

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

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

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

Payables to banks and other lenders

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

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

Trade and other payables

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

Revenue recognition

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

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

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

Taxes

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

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

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

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

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

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

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

Reno De Medici S.p.A. and some of its Italian subsidiaries (R.D.M. Ovaro S.p.A. and R.D.M. Magenta S.r.l.) participated in the national tax consolidation scheme pursuant to Article 117 et seq. of the Consolidated

Income Tax Act (TUIR). The Company acts as the consolidating company and becomes a single taxable base for the group of adhering companies, thereby enabling this group to offset taxable income against tax losses in a single tax return. Each company participating in the national tax consolidation agreement transfers its taxable income or tax loss to the consolidating company: as a consequence of this transfer, Reno De Medici S.p.A. recognizes a receivable or a payable corresponding to IRES (corporate income tax), net of any payments on account, from or to the participating company, depending on whether it contributes taxable income or a tax loss.

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

Foreign exchange differences

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

Dividends

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

Treasury shares

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

Earnings Per Share

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

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

Financial Instruments and Risk Management

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

Estimates and Valuations

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

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

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

VALUATION METHODS

The valuation methods and the main assumptions used by management in applying accounting standards which relate to the future development of operations are described below. These methods

and assumptions may have significant effects on the amounts recognized in the consolidated financial statements, meaning that adjustments may need to be made in future years, with similarly significant effects on these amounts.

Fair value of derivative contracts and financial instruments

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

Taxes

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

Impairment tests

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

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

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

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

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

The recoverability of carrying amounts at this level of aggregation is tested by comparing the net carrying amount of the Net Invested Capital of the individual Cash Generating Units with the value in use represented by the current value of the estimated future cash flows from the continuing use of the assets making up the Cash Generating Units and that of their terminal value.

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

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

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

- a) estimates of future operating cash flows;
- b) the discount rate;
- c) the final growth rate.

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

The Group has used a net rate of 6.72% when discounting cash flows, which reflects current market assessments and also takes into account the specific risks of the sector.

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

The result of the impairment test, approved by Board of Directors, is based on information currently available and estimates regarding changes in a series of variables. For this reason, based on the

recommendations included in Joint Document no. 4 of the Bank of Italy, Consob and ISVAP of March 4, 2010, the Group prepared sensitivity analyses on the results of the tests, basing these on changes in the underlying assumptions (use of the growth rate in calculating the terminal value and discount rate) that affect the value in use of the cash generating units. There has been no need for a write-down following these sensitivity analyses.

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

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

Notes

Segment Information

Note that from 2018, the segment information has been updated on the basis of the new production and commercial strategies implemented by the RDM Group. Specifically, the harmonization of the product characteristics from a multi mill perspective, which allows a better optimization of the product portfolio/geographical mix, has given prominence to the division of corporate performance into the two segments, WLC (white lined chipboard - coated board made of recycled fibers) and FBB (folding box board based on virgin fibers).

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

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

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

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

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

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

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

The following table provides profit and loss data by operating segments for 2019 and 2018:

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

Income statement 12.31.2018	WLC	FBB	Unallocated items and adjustments	Consolidated (*)
(thousands of Euros)				
Revenues from sales	502,967	115,800	(12,787)	605,980
Intercompany by segment	(11,359)	(1,428)	12,787	
Net sales revenues from third parties	491,608	114,372		605,980
Gross operating profit	64,142	(330)	(699)	63,113
Depreciation and amortization	(22,461)	(1,115)	148	(23,428)
Write-downs and Revaluations	(382)			(382)
Operating profit	41,299	(1,445)	(551)	39,303
Net financial income (expenses)	(1,869)	(575)		(2,444)
Gains (losses) on investments	317		4,097	4,414
Income taxes	(12,557)	(291)	(58)	(12,906)
Profit (Loss) for the period	27,190	(2,311)	3,488	28,367
Portions of profit (loss) of equity-accounted investments	3,192			3,192
Total investments	18,011	4,625		22,636

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

Notes

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

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

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

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

1. Revenues from sales

These revenues arise essentially from sales of carton board:

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

The following table provides a geographical breakdown of sales revenues:

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

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

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

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

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

2. Other revenues

Other revenues can be broken down into the following categories:

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

"Grants" essentially include:

- ordinary contributions from Comieco, amounting to €207 thousand, relating to the use of waste paper from public separated waste collection;
- contributions of €664 thousand in favor of the French subsidiary R.D.M. La Rochette S.A.S. and the German subsidiary R.D.M. Arnsberg GmbH, in accordance with the respective local regulations supporting the competitiveness of the high energy consumption industrial sites.

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

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

3. Change in inventories of finished goods

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

4. Cost of raw materials and services

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

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

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

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

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

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

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

5. Personnel costs

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

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

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

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

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

6. Other operating costs

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

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

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

7. Depreciation and amortization

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

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

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

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

8. Write-downs

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

- the write-down of €0.8 million resulting from the impairment test on the perpetual water rights issued in Germany;
- the write-down of some fixed assets of the CGU of R.D.M. La Rochette S.A.S., for an amount of €9.5 million. Please refer to the description in the paragraph “Reduction in value of assets (impairment test)” for more details.

9. Net financial income (expenses)

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

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

The average cost of debt remains at contained levels.

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

10. Gains (losses) on investments

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

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

- €3 million: recorded in the previous year relating to the acquisition, which took place in 2018, of the remaining parcel of shares of PAC Service S.p.A., with the consequent valuation, at fair value, of the investment previously held (33.33%) which was valued through the equity method.

11. Taxes

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

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

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

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

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

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

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

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

For further information please see Note 25 – deferred taxes.

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

Reconciliation between the theoretical and actual tax burden (IRAP)

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

12. Tangible fixed assets

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

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euros)							
Historical cost	21,122	107,613	672,784	1,692	15,422	7,785	826,418
Accumulated depreciation/write-downs		(73,846)	(543,243)	(1,659)	(15,100)		(633,848)
Net book value as at 12.31.2017	21,122	33,767	129,541	33	322	7,785	192,570
Increases	223	856	8,211	8	323	13,016	22,637
Decreases		(35)	(775)	(2)	(33)		(845)
Reclassification of cost	44	1,513	8,000		36	(9,593)	
Change in consolidation of the historical cost	22,023	6,378	23,634	80	133	1,115	53,363
Depreciation and amortization for the year		(3,345)	(19,140)	(33)	(144)		(22,662)
Decrease in provision for acc. depr./write-downs		35	774	1	27		837
Value as at 31.12.2018							
Historical cost	43,412	116,325	711,854	1,778	15,881	12,323	901,573
Accumulated depreciation/write-downs		(77,156)	(561,609)	(1,691)	(15,217)		(655,673)
Net book value as at 12.31.2018	43,412	39,169	150,245	87	664	12,323	245,900

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euros)							
Historical cost	43,412	116,325	711,854	1,778	15,881	12,323	901,573
Accumulated depreciation/write-downs		(77,156)	(561,609)	(1,691)	(15,217)		(655,673)
Net book value as at 12.31.2018	43,412	39,169	150,245	87	664	12,323	245,900
Increases	248	725	10,695	55	322	14,735	26,780
Decreases		(22,430)	(13,298)	(326)	(1,191)		(37,245)
Reclassification of cost	1,402	551	11,901		53	(13,907)	
Depreciation and amortization for the year		(3,702)	(23,105)	(17)	(178)		(27,002)
Write-downs for the year		(2,647)	(6,803)				(9,450)
Decrease in provision for acc. depr./write-downs		18,991	13,095	326	1,191		33,603
Value as at 31.12.2019							
Historical cost	45,062	92,524	714,349	1,507	15,065	13,151	881,658
Accumulated depreciation/write-downs		(61,867)	(571,619)	(1,382)	(14,204)		(649,072)
Net book value as at 12.31.2019	45,062	30,657	142,730	125	861	13,151	232,586

The item “Land” includes the areas belonging to the production plants of the Parent company Reno De Medici S.p.A., located in Santa Giustina (BL) and Villa Santa Lucia (FR), of the Italian subsidiaries R.D.M. Ovaro S.p.A., R.D.M. Magenta S.r.l. and PAC Service S.p.A., the German subsidiary R.D.M. Arnsberg GmbH, the French subsidiaries RDM Blendecques S.A.S. and R.D.M. La Rochette S.A.S. and the Spanish subsidiary RDM Barcelona Cartonboard S.A.U.

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

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

In 2019, the RDM Group’s capital expenditures totaled €26.8 million (€22.6 million in 2018).

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

- **Santa Giustina Mill (Italy):** improvements to and the modernization of the paper board machine, paper roll unwinder and packing line to increase production capacity;
- **Villa Santa Lucia Mill (Italy):** installation of new washing equipment to clean scrap;
- **Ovaro Mill (Italy):** the installation of new equipment and machinery to automate the packing line of the finished products warehouse was concluded. In addition, new washing equipment to clean scrap was installed.
- **Arnsberg Mill (Germany):** improvements to and modernization of software and the paper board machine were made in order to improve the quality of products;
- **La Rochette Mill (France):** installation of a new paper machine headbox. This investment was aimed at reducing costs, and improving quality.
- **Barcelona Mill (Spain):** maintenance operations to the hot section of the cogeneration plant in order to reduce its production capacity.
- **Garbagnate Mill (Italy):** installation of a new automatic cutter.

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

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

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

Property rights (mortgages and liens) totaling €206.6 million and relating to owned property, plant, and machinery are pledged in favor of banks as security on loans for which the outstanding balance as at December 31, 2019 amounted to €48 million.

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

13. Rights of use

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

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

14. Goodwill

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

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

15. Intangible fixed assets

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

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

	Concessions, licenses, trademarks and similar rights	Other	Assets under construction	Total intangible assets with a finite useful life	Intangible assets with an indefinite useful life
(thousands of Euros)					
Net book value as at 12.31.2018 (*)	3,336	3,279	5,736	12,351	3,566
Increases	1,844	5	1,182	3,031	
Decreases		(403)		(403)	
Change in scope of consolidation					
Write-downs					(830)
Reclassification of cost	155		(155)		
Amortization for the period	(1,140)	(207)		(1,347)	
Net book value as at 12.31.2019	4,195	2,674	6,763	13,632	2,736

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

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

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

- An increase in Concessions, licenses and trademarks, following the investment in the consortium Interconnector Energy Italia. Note that the application of the new requirements introduced by IFRS 9 for the classification of equity investments led the Reno De Medici to classify the agreements relating to the investments in Paper Interconnector and Interconnector Energy Italian under "Intangible assets". Given the period in which the expected benefits were estimated, the useful life was calculated as 10 years.
- increase of "asset under construction" is due to the project to implement the new ERP, which started in 2016, equal to €1 million.

"Intangible assets with an indefinite useful life" refer to the valuation of concessions granted in Germany in relation to water rights with an indefinite useful life. At the date of the financial statements, the Group conducted the impairment test, in accordance with the IAS 36, and accounted for an impairment loss of €830 thousand.

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

16. Equity investments

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

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

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

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

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

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

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

Investments in joint ventures

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

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

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

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

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

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

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

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

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

Investments in associates

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

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

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

Below is a summary of the financial information of Emmaus Pack S.r.l.

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

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

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

Emmaus Pack S.r.l.

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

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

17. Deferred tax assets

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

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

18. Trade receivables and receivables from associates and joint ventures

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

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

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

The table below sets out the changes for the year.

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

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

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

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

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

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

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

The item "Guarantee deposits" essentially includes receivables attributable to deposits in favor of a factoring company (€824 thousand) in accordance with the provisions of agreements signed by the parent company Reno de Medici S.p.A. and by the subsidiaries RDM Blendecques S.A.S. and R.D.M. La Rochette S.A.S. This item also includes the Guarantee Fund set up at Terna (that operates the electricity grid) totaling €946 thousand.

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

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

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

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

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

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

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

- the current portion of guarantee deposits, equal to €2.2 million (decreased of €128 thousand compared with the previous year), mainly in favor of a factoring company in accordance with the provisions of agreements signed by the Parent company Reno De Medici S.p.A. and the subsidiaries RDM Blendecques S.A.S. and R.D.M. La Rochette S.A.S.;
- the current credit of €2.6 million, slightly decreased compared with the previous year, resulting from the acquisition of CO2 quotas belonging to the German subsidiary R.D.M. Arnsberg GmbH (€2.2 million) and the subsidiary RDM Barcelona Cartonboard S.A.U. (€0.4 million);

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

20. Inventories

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

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

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

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

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

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

21. Net financial position

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

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

Significant disbursements included:

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

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

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

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

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

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

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

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

– Net financial position/Shareholders' equity

- Net financial position/Gross operating profit
- Gross operating profit/Net financial expense
- Shareholders' equity/Medium-/long-term debt
- Shareholders' equity/Shareholders' equity December 31, 2016

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

In the event of non-compliance with the financial covenants in the loan agreements, the lending banks may terminate such agreements: as at December 31, 2019 there was compliance with the financial covenants.

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

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

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

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

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

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

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

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

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

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

On June 4, 2015, a loan of €20 million was made by Intesa San Paolo S.p.A.; the loan agreement was signed on June 4, 2015. The loan agreement calls for a floating rate and a maturity of June 4, 2020. Installments are paid half-yearly starting December 4, 2015. This loan requires compliance with several financial covenants subject to annual review. At December 31, 2019, these financial covenants were met.

On July 31, 2015, a loan of €7 million was signed and supplied by Cariparma S.p.A. The loan agreement calls for a floating rate and a maturity of Sunday, June 30, 2019. Installments are paid half-yearly starting Thursday, December 31, 2015. The contract was extinguished on June 30, 2019.

On October 2, 2015, a loan of €20 million was made by Banca Popolare di Milano S.p.A.; the loan agreement was signed on September 16, 2015. The loan agreement calls for a floating rate and a maturity of December 31, 2022. Installments are paid half-yearly starting June 30, 2016. This loan requires compliance with several financial covenants subject to annual and half-yearly review. At December 31, 2019, these financial covenants were met.

On June 23, 2016, a loan of €7.5 million was made by Banco Popolare. The loan agreement calls for a floating rate and a maturity of Sunday, June 30, 2019. The contract was extinguished on June 30, 2019.

On November 15, 2016, two loans were provided in favor of the subsidiaries RDM Blendecques S.A.S. and R.D.M. La Rochette S.A.S., of €10 million each by Intesa San Paolo Paris. The loan agreements, which were signed on October 31, 2016, call for a floating rate and a maturity of November 15, 2023. Installments are paid half-yearly starting May 15, 2018. The loan supplied to the subsidiary R.D.M. La Rochette S.A.S. requires compliance with several financial covenants subject to annual review. At December 31, 2019, these financial covenants were met. The Parent company Reno De Medici S.p.A. issued a guarantee to secure this loan.

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

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

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

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

On July 30, 2018, a loan agreement was signed and the loan of €35 million made by UniCredit S.p.A. The loan was supplied on October 31, 2018, for the closing date of the transaction for the acquisition of RDM Barcelona Cartonboard S.A.U. This was the reason the loan was taken out. The loan agreement calls for a floating rate and a maturity of July 31, 2024. Installments are paid half-yearly starting January 31, 2020.

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

- Loan with Credem (7120134), the acquired value of which was €1 million. This agreement calls for a fixed rate and monthly installments. The contract was extinguished on March 6, 2019 as set out in the agreement.
- Loan with Credem (7174193), the acquired value of which was €1 million. This agreement calls for a fixed rate and monthly installments. The contract was extinguished on November 6, 2019 as set out in the agreement.
- Loan with BNL the acquired value of which was €0.5 million. This agreement calls for a fixed rate, half-yearly installments and a maturity of August 18, 2020.
- Loan with UniCredit, the acquired value of which was €0.4 million. This agreement calls for a fixed rate, quarterly installments and a maturity of June 30, 2022.

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

- Loan with BE-SPOKEN, the acquired value of which was €3.5 million. This agreement calls for a floating rate, quarterly installments from March 31, 2023 and a maturity of September 30, 2024.
- Loan with Berivo, the acquired value of which was €3.2 million. This agreement calls for a fixed rate, quarterly installments and a maturity of October 2021.
- Loan with Endesa, the acquired value of which was €3.5 million. This agreement calls for a fixed rate, monthly installments and a maturity of September 2021.

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on some of the loans outstanding at December 31, 2019. More information on the derivative instruments outstanding at December 31, 2019 can be found in Note 23.

22. Shareholders' equity

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

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

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

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

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

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

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

In accordance with Article 5 of the Company's By-Laws, holders of savings shares may convert such shares to ordinary shares in February and September each year. In 2019, 3,650 savings shares were converted to ordinary shares. As a result of this, the share capital at December 31, 2019, fully subscribed and paid-up, could be broken down as follows:

	Number	Total value
Ordinary shares	377,546,217	139,905,588.44
Savings shares	254,777	94,411.56
Total	377,800,994	140,000,000.00

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

During the period February 1-28, 2020, 36 savings shares were converted to ordinary shares with dividend entitlement as of January 1, 2020.

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

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

With reference to the savings shares, the By-Laws of the Parent company Reno De Medici S.p.A. require that if a dividend of less than 5% of the value €0.49 is assigned to the savings shares in a financial year, the difference is calculated as an increase in the privileged dividend in the next two financial years. Dividends totaling €6 thousand were distributed in 2019 to holders of savings shares.

In addition, dividends totaling €2.6 million were distributed to holders of ordinary shares.

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

	12.31.2019			12.31.2018		
	Gross value	Tax (charge) benefit	Net value	Gross value	Tax (charge) benefit	Net value
(thousands of Euros)						
<i>Change in fair value of cash flow hedges</i>	(618)	187	(431)	(330)	75	(255)
<i>Actuarial gain (loss) on employee benefits</i>	(4,254)	1,172	(3,082)	1,357	(255)	1,102
<i>Profit (loss) on translation of financial statements of foreign investee companies</i>	12		12	23		23

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

23. Derivative instruments

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

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

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

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

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

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

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

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

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

The table below shows a breakdown of other payables:

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

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

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

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

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

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

25. Deferred taxes

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

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

At December 31, 2019, deferred tax liabilities were offset by deferred tax assets where conditions specified in IAS 12 were met, notably where the two items relate to income taxes levied by the same tax authority and where there is a legally enforceable right to offset in this manner.

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

The table below shows a breakdown of the Group's tax losses for a total of €237.8 million:

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

26. Employee benefits

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

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

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

The economic and financial assumptions used were as follows:

	Italy	Germany	France
Annual discount rate	0.37%	0.92%	0.7%
Annual inflation rate	1.20%	1.40%	1.75%
Annual rate of increase in TFR	2.4%	1.75%	2%

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

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

Sensitivity analysis of the discount rate

The following table shows the balance that the item "Employee Benefits" would have been at December 31, 2019 in the event of a change to the discount rate shown at the reporting date.

Thousands of Euros	Italy		Germany		France	
Increase of discount rate	+0.25%	7,862	+0.08%	21,248	+0.25%	6,319
Non-current employee benefits at December 31, 2019	0.37%	7,992	0.92%	21,586	0.7%	6,503
Reduction of discount rate	-0.25%	8,126	-0.08%	21,925	-0.25%	6,693

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

The balance at December 31, 2019 was as follows:

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

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

With regard to the long-term portion of the "Provision for future charges", utilization during the period of €0.8 million was mainly due to the use of the provision for layoffs (€0.6 million) and use of the provision for legal expenses (€0.2 million).

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

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

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

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

28. Trade payables

The balance at December 31, 2019 was as follows:

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

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

29. Current taxes

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

30. Non-recurring transactions and abnormal and/or unusual transactions

Significant non-recurring events and transactions

The effects of non-recurring transactions, as defined by Consob Communication DEM/6064293, are shown in the income statement.

The Group’s financial position, results and cash flows have not been affected by any non-recurring transactions. This refers to transactions or events which do not occur frequently as part of normal operations.

Positions or transactions deriving from abnormal and/or unusual transactions

In 2019 the Group did not carry out any atypical and/or unusual transactions as defined by the referenced Consob Communication DEM/6064293. These are defined as transactions which, in terms

of their significance, relevance, nature of counterparties, purpose, procedure for determining the transfer price and timing, could raise doubts with respect to:

- the completeness and accuracy of the information provided in the financial statements;
- conflicts of interest;
- the safeguarding of company assets;
- the protection of minority shareholders.

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

More information on the principal disputes in which the Group is involved can be found in the "Other information" section of the Directors' Report.

Commitments and guarantees given to third parties include:

- sureties of €6.6 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;
- sureties of €1.3 million issued to the Comieco consortium;
- sureties of €67 thousand issued to the customs authorities;
- a surety of €90 thousand issued to the Province of Milan;
- sureties of €524 thousand issued in connection with property leases;
- a surety in favor of Vetropack, the potential buyer of the Magenta site following the preliminary sales agreement, for a sum of €6.1 million;
- sureties of €424 thousand in favor of Terna S.p.A.;
- sureties of €624 thousand issued in favor of Voith Paper SA;

Note that as part of the sale of the Ovaro mill to R.D.M. Ovaro S.p.A., Reno De Medici S.p.A. and Friulia A S.p.A. respectively obtained a call option, exercisable between June 27, 2014 and June 27, 2017, and a put option, exercisable between June 27, 2015 and June 27, 2017, on FRIULIA S.p.A.'s stake in R.D.M. Ovaro S.p.A. for a price of €669,134.

In June 2017, Reno De Medici S.p.A. and Friulia S.p.A. redefined the shareholders' agreements signed on June 27, 2012, in the context of the acquisition by Friulia of a 20% share of R.D.M. Ovaro S.p.A. at the price of €2.5 million. These agreements gave Friulia S.p.A. the right to resell its shareholding in R.D.M. Ovaro S.p.A. to Reno De Medici S.p.A. under certain conditions, *inter alia*, through the exercise of a "put option" to be exercised by June 27, 2017.

In recognition of the success of the partnership and in view of the new investments required to increase the value of the R.D.M. Ovaro S.p.A. and its possible expansion plans, the parties agreed that the extension of the partnership was advantageous for the subsidiary.

Therefore, the parties signed new agreements, through the application of which Reno De Medici S.p.A. is buying back the 20% stake in R.D.M. Ovaro S.p.A. owned by Friulia S.p.A., at a total price of €2,497,010.95, in four equal amounts, the first three of which have already been bought back in June 2017, 2018 and 2019; the last share will be bought back by June 30, 2020. Reno De Medici S.p.A. can still exercise the purchase option early.

32. Related-Party Transactions

- Transactions with subsidiaries, associates and joint ventures

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

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

- commercial promotion and marketing services with the foreign subsidiaries R.D.M. Marketing;
- sales of cartonboard and raw materials to R.D.M. Ovaro S.p.A.;
- general services provided to R.D.M. Ovaro S.p.A., R.D.M. Magenta S.r.l., RDM Blendecques S.A.S., R.D.M. R.D.M. La Rochette S.A.S., R.D.M. Arnsberg GmbH, RDM Barcelona Cartonboard S.A.U., Emmaus Pack S.r.l. (Emmaus) and the foreign subsidiaries R.D.M. Marketing;
- purchases of manufacturing scrap from R.D.M. La Rochette S.A.S.;
- purchases of cutting services from R.D.M. Magenta S.r.l.

- interest expense and/or income in relation to cash pooling and loan arrangements with RDM Blendecques S.A.S., R.D.M. Arnsberg GmbH, R.D.M. Ovaro S.p.A., R.D.M. La Rochette S.A.S., RDM Barcelona Cartonboard S.A.U., R.D.M. Magenta S.r.l. and the foreign subsidiaries R.D.M. Marketing;
- sales of cartonboard to PAC Service S.p.A. and Emmaus Pack S.r.l.;
- the tax consolidation agreement under which Reno De Medici S.p.A. is the consolidating company and R.D.M. Ovaro S.p.A. and R.D.M. Magenta S.r.l. belong;
- the tax consolidation agreement under which RDM Blendecques S.A.S. is the consolidating company of R.D.M. Marketing France S.A.S. and R.D.M. La Rochette SAS.

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

- Other related parties

There have been no transactions with related parties of an unusual or abnormal nature, not part of normal business management or such as to prejudice the Group's financial position, income or cash flows.

Transactions with related parties are part of normal business management in the context of the ordinary operations conducted by each party concerned.

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

In addition to the companies with which Reno De Medici S.p.A. has direct and indirect equity relations, related parties include all such entities as defined by IFRS.

Breakdown of Related-Party Transactions

The additional disclosures on related-party transactions, as required by Consob Communication 6064293 of July 28, 2006, are provided below.

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

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

Receivables and payables with related parties

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

December 31, 2019	Current assets			Current liabilities		
	Trade receivables	Receivables from associates and joint ventures	Other receivables from associates and joint ventures	Trade payables	Payables to associates and joint ventures	Other payables to associates and joint ventures
(thousands of Euros)						
Cascades Groupe Produits				1		
Emmaus Pack S.r.l.		6,812				
Recog.Sel.Pap.YCart.C., A.I.E.						101
Cascades CS+				1		
Total		6,812		2		101
Impact on item total		100%		0%		100%

December 31, 2018	Current assets			Current liabilities		
	Trade receivables	Receivables from associates and joint ventures	Other receivables from associates and joint ventures	Trade payables	Payables to associates and joint ventures	Other payables to associates and joint ventures
(thousands of Euros)						
Cascades Groupe Produits				1		
Emmaus Pack S.r.l.		6,778				
Recog.Sel.Pap.YCart.C., A.I.E.						101
Total		6,778		1		101
Impact on item total		100%		0%		100%

Revenues and costs deriving from related-party transactions

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

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

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

December 31, 2018	Revenues from sales	Other revenues	Financial income
(thousands of Euros)			
Emmaus Pack S.r.l.	12,778	102	
Cascades Rollpack		10	
Total	12,778	112	
Impact on item total	2,1%	1,8%	

December 31, 2018	Cost of raw materials and services	Financial expense
(thousands of Euros)		
Cascades Canada ULC	77	
ZAR S.r.l.	(24)	
Recog.Sel.Pap.YCart.C., A.I.E.	101	
Cascades CS+	15	
Total	169	
Impact on item total	0%	

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

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

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

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

Lastly, in 2019 the Group received grants that had to be disclosed under the scope of the National State Aid Register, which should be referred to.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The analysis and disclosures required by IFRS 7 – Financial Instruments: Disclosures are provided below.

This analysis compares the situation at the reporting date December 31, 2019 with the situation as at December 31, 2018, and it refers to the RDM Group's consolidated financial statements.

All figures are stated in thousands of Euros.

The section below provides information about the impact of financial instruments on the statement of financial position and on the income statement.

Impact of Financial Instruments on the Statement of Financial Position

The table below shows the carrying amount of each type of financial asset and liability in the consolidated statement of financial position.

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

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

Derivative instruments

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

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

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

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

The reference international accounting standard (IFRS 13) identifies a measurement hierarchy based on three levels:

- level 1: inputs used in measurements are represented by quoted prices in active markets for identical assets and liabilities to those subject to measurement.
- level 2: inputs other than quoted prices included in level 1 that are observable for the financial asset or liability, both directly (prices) and indirectly (derived from prices);
- level 3: in the event that observable inputs are not available, and therefore market activity is light or non-existent for the asset or liability subject to measurement, the inputs are non-observable.

		Fair value as at the date of the financial statements based on:		
	Classification	12.31.2019	Level 1	Level 2
(thousands of Euros)				Level 3
Derivative instruments on interest rates	Non-current derivative instruments	456		456
Derivative instruments on interest rates	Current derivative instruments	344		344
Commodity derivatives	Non-current derivative instruments	296		296
Commodity derivatives	Current derivative instruments	1,867		1,867

As at December 31, 2019, the Group did not hold any foreign-exchange derivative instruments.

Loans

The aggregate under review consists of all medium and long-term loans. These were measured by calculating the net present value of the future flows generated by the financial instrument, taking into account the principal repayment plan defined in the loan agreements.

In the case of indexed loans, future interest rates were estimated by calculating the forward rates implicit in the quoted Euro deposit rates, futures and swaps risk-free curve as at December 31, 2019 and December 31, 2018.

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

Loan Repayment Plans, Terms and Conditions

The terms and conditions of the loans are summarized in the table below.

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

Other Financial Instruments

The fair value of receivables from customers, payables to suppliers and other financial assets and liabilities falling due contractually during the year has not been calculated, insofar as the book value of the financial instrument is virtually the same.

Other Information

The table below provides a breakdown of changes in the equity hedging reserve.

(thousands of Euros)	
Reserve 12.31.2018	456
Fair value adjustment of cash flow hedge derivatives	618
Tax effect of fair value adjustment of cash flow hedge derivatives	(187)
<i>Transfers to the income statement</i>	
<i>Tax effect of transfers to the income statement</i>	
Reserve 12.31.2019	887

Credit Risk

This section describes in both quantitative and qualitative terms the exposure to credit risk and the way in which this is managed.

Risk Exposure

Core business exposure to credit risk at the reporting date was as follows:

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

Overdue or Impaired Financial Assets

The table below provides a breakdown of the seniority of trade receivables, net of individual write-downs, as at the reporting date:

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

	Overdue receivables				
December 31, 2018	more than 60 days	from 31 to 60 days	from 0 to 30 days	Non-overdue receivables	Total
(thousands of Euros)					
Italy	331	180	2,323	46,444	49,278
EU	495	214	4,811	17,010	22,530
Rest of the world		135	993	7,033	8,161
Total	826	529	8,127	70,487	79,969

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

How Credit Risk is Managed

As a general rule, the Group's commercial risk management policy is to insure all client receivables, excluding those of the Parent company's Italian customers, with leading insurance companies. Any uninsured or non-insurable positions, in particular those with Italian customers, are constantly monitored by the appropriate Corporate Functions.

The Parent company and French and Spanish subsidiaries have also entered into non-recourse receivable assignment agreements.

The internal procedures for carrying out a creditworthiness assessment involve collecting and analyzing qualitative and quantitative information, and the use of external databases and commercial information. The policies adopted have so far enabled losses on receivables to be limited.

Market Risk

Market risk is defined as the risk that the fair value or the cash flows associated with a financial instrument will fluctuate because of changes in market variables such as exchange rates, interest rates, commodity prices, and stock prices.

The market risk to which the Group was exposed during the year may be broken down as follows:

- currency risk;
- interest rate risk;
- commodity risk.

The scale of these risks and the way in which they are managed is described below.

Currency risk

The Group's exposure to currency risk derives from:

- trade receivables/payables denominated in currencies other than the functional currency of the financial statements;
- cash and cash equivalents held in foreign-currency current accounts;

Other than the Euro, which is the functional currency, the main currencies in which the Group carries out its commercial activities are the United States dollar and the British pound. Exposure to other currencies is negligible.

In terms of exposure to currency risk, in 2019 the Group managed the marginal imbalance between investments and funds in the same currency by using a natural-hedging approach and by carefully and continually monitoring market conditions; as a result, it was not deemed necessary to resort to hedging derivatives.

The Group's exposure in Euros, based on the official ECB exchange rates as at December 31, 2019 and December 31, 2018, is reported in the following table:

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

The table below provides a breakdown of the consolidated exposure to currency risk, based on the notional amount of the exposure expressed in thousands of Euros.

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

	12.31.2018							
	USD	GBP	CHF	CAD	CNY	CZK	HUF	PLN
(thousands of Euros)								
Trade receivables	3,927	558			27	1		
Trade payables	(4,541)	(291)	(1)			(2)	(5)	(1)
Cash and cash equivalents	(272)	1,533		1		143	138	257
Exposure	(886)	1,800	(1)	1	27	142	133	256

Sensitivity Analysis of Currency Risk

In order to measure the possible effects of changes in the reporting-date exchange rates on the statement of financial position and income statement, assumptions were made (at December 31, 2019 and December 31, 2018) as to variations in the value of the Euro against the major foreign currencies.

Specifically, two scenarios were used: a 10% appreciation and a 10% depreciation of the Euro against the other currencies. For each of the two scenarios, the gain or loss arising from transactions outstanding as at December 31, 2019 and December 31, 2018 was then calculated. In this way, it was possible to determine the effect on the income statement and on shareholders' equity had the market exchange rates been subject to the assumed changes.

The tables below provide a summary of the results of this analysis, indicating the additional effect on the actual figures recognized at the reporting date. These re-measurements based on changes in the exchange rate affect profit or loss for the year.

10% appreciation of the Euro		10% depreciation of the Euro	
(thousands of Euros)	Profit (Loss)	(thousands of Euros)	Profit (Loss)
December 31, 2019		December 31, 2019	
USD	(654)	USD	654
GBP	(230)	GBP	230
CNY		CNY	
CZK	(30)	CZK	30
HUF	(24)	HUF	24
PLN	(11)	PLN	11
Total	(949)	Total	949
December 31, 2018		December 31, 2018	
USD	89	USD	(89)
GBP	(180)	GBP	180
CNY	(3)	CNY	3
CZK	(14)	CZK	14
HUF	(13)	HUF	13
PLN	(26)	PLN	26
Total	(147)	Total	147

How Currency Risk is Managed

The main objective of the Group's currency-risk management policy is to limit the exposure to foreign currency arising from exporting finished goods to, and importing raw materials from, foreign markets. The following guidelines are used in pursuing this policy:

- inflows and outflows in the same currency are offset (natural hedging);
- recourse is made to forward sales or to export loans in the same currency. These transactions were arranged by using a notional amount and due date that correspond to those of the expected cash flows (if the amount is significant), so that any changes in the cash flows arising from the forward transactions, as the result of the appreciation or depreciation of the Euro against the other currencies, are substantially offset by a corresponding change in the expected cash flows of the underlying positions;
- forward sales are hedged. There were no outstanding transactions of this type at the reporting date.

As a general rule, the currency-risk management policy recommends maximizing the use of natural hedging and, in any case, excludes recourse to transactions involving complex derivatives, e.g. those with barriers.

The Administration and Finance Department of the Group is responsible for monitoring currency risk and recommends suitable currency-risk hedging strategies to keep exposure within the limits agreed with senior management.

Interest Rate Risk

Financial liabilities exposing the Group to interest rate risk are, for the most part, floating-rate medium- and long-term loans.

The table below sets out the positions that are subject to interest rate risk, separating fixed-rate from floating-rate exposure in terms of the nominal value of the financial instruments.

However, the exposure to interest rate risk arising from loans is partially mitigated by entering into interest rate swap agreements designed to hedge the volatility of future cash flows indexed to market rates.

	12.31.2019	%	12.31.2018	%
(thousands of Euros)				
Floating-rate medium- and long-term loans	(11,468)	15%	(16,065)	17%
Floating-rate medium- and long-term loans hedged by IRS	(38,715)	51%	(51,738)	54%
Fixed-rate medium- and long-term loans	(4,282)	6%	(7,885)	8%
Total non-current liabilities	(54,465)	72%	(75,688)	79%
Floating-rate medium- and long-term loans	(4,596)	6%	(7,412)	8%
Floating-rate medium- and long-term loans hedged by IRS	(13,023)	17%	(7,524)	8%
Fixed-rate medium- and long-term loans	(3,632)	5%	(4,560)	5%
Floating-rate short-term bank loans for use of commercial facilities				
Total current liabilities	(21,251)	28%	(19,496)	21%
Total (floating rate)	(16,064)	21%	(23,477)	25%
Total (fixed rate or hedged floating rate)	(59,652)	79%	(71,707)	75%
Total	(75,716)	100%	(95,184)	100.0%

Sensitivity Analysis of Interest Rate Risk

A sensitivity analysis of the financial instruments exposed to interest rate risk was performed upon preparation of the financial statements. The following assumptions were used in the model:

- for bank current-account exposure and spreads settled by interest rate swaps, financial income/expense was recalculated by applying +/-50 bps to the interest rate payable, multiplied by the carrying amounts and for a period equal to the financial year;
- for loans with a repayment plan, the change in financial expense was calculated by applying +/-50 bps to the loan interest rate payable at each refixing date, multiplied by the outstanding principal during the year;
- the change in the fair value of interest rate swaps at the reporting date was calculated by applying +/-50 bps to the Euro risk-free curve of deposit rates, futures and swaps at the reporting date.

	Profit (loss)		Shareholders' equity	
	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
(thousands of Euros)				
December 31, 2019				
Cash flows during the year	(49)	18		
<i>Cash flows from derivatives</i>	289	(289)		
<i>Floating-rate loans</i>	(338)	307		
Effectiveness of hedges			515	(515)
Net sensitivity of financial flows	(49)	18	515	(515)
December 31, 2018				
Cash flows during the year	(126)	108		
<i>Cash flows from derivatives</i>	178	(178)		
<i>Floating-rate loans</i>	(304)	286		
Effectiveness of hedges			785	(785)
Net sensitivity of financial flows	(126)	108	785	(785)

An analysis of these scenarios demonstrated that changes in interest rates had little impact on the income statement and shareholders' equity. Cash flow hedges considerably restrict the impact on financial expense recognized in the income statement.

How Interest Rate Risk is Managed

The Group uses various debt instruments according to the nature of its financial requirements. In particular, it uses short-term debt to fund working capital requirements and medium and long-term financing to cover investments in the core business.

The techniques used most often are:

- advances for short-term requirements.
- loans for medium- and long-term requirements. These instruments, which are arranged with leading banks, are mainly indexed to floating rates that are subject to revision every three or six months.

The Group's current risk management policy aims to reduce the variability of the financial expense incurred on its debt and of the related effects on the profit or loss. The practical objectives in terms of risk management therefore involve stabilizing the cash flows linked to the cost of servicing debt in line with budget forecasts.

From an operating standpoint, the Group sets about achieving this goal by using derivatives in the form of interest rate swaps (IRS).

In line with the features of the transactions carried out and its risk management objectives, the Group has decided to structure its hedging relations using a cash flow hedge approach.

Specifically, the hedging relations involve converting floating-rate loan payments to fixed-rate payments. This is carried out by using interest rate swaps (IRS), under which the Group receives a flow of payments from the counterparty bank at the same floating rate as its debt, less the spread. In exchange, the Group makes a payment flow at a fixed rate. The consolidated position (debt + IRS) is therefore a fixed-rate liability of which the amount of financial expense is certain (the aim of cash flow hedging).

The present hedging policy excludes the recourse to transactions involving complex derivatives.

As at the reporting date, the risk of variability in cash flows linked to floating-rate debt was mainly hedged by derivative financial instruments.

Commodity risk

In terms of the nature of the business carried out by RDM Group, commodity risk is the risk that the profit for the year will be reduced by incurring higher costs to purchase raw materials for the mills. This risk is part of the broader category of market risk, specifically where the cost of the raw material is dependent on changes in a quoted index.

In 2018, the Group signed contracts for the supply of natural gas also for 2019, operating mainly on a quarterly and annual basis, negotiating fixed unit prices for each of the individual quarters of supply. This allowed for a significant reduction in "commodity risk" for the first part of the year and a partial reduction for the last quarter. The quotas relating the last quarter 2019 were negotiated and confirmed over the year in order to meet the mills' requirements, while benefiting from the decreasing prices for energy commodities. All prices are expressed in Euros per volume unit, with subsequent adjustments to the content of primary energy contained in it.

At the end of November 2018, the Group signed contracts for the supply of electricity at a price indexed according to the prices of certain continental energy markets, in some cases by providing fixing operations following the conclusion of contracts by utilizing appropriate clauses in their contracts. Supply quotas at a price indexed relating to reference markets are negotiated with spreads fixed with respect to these prices. The price fixing of supply quotas aimed to contain “commodity risk” as described above. The negotiated prices are expressed in Euros per unit of electricity. In 2019 new electricity supply and import agreements for Europe were negotiated for 2020, in conjunction with the subsidiaries operating in France and Spain, so that group production organizations use the same supplier. These agreements were negotiated to a small extent at fixed prices in order to benefit from greatly decreasing prices.

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

How Commodity Risk is Managed

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

Natural gas supply contracts are usually agreed at a fixed price and are negotiated at least three months before the supply period, but sometimes for longer periods in relation to the supply period. Electricity is purchased partly at a fixed price, and partially indexed according to the values of continental electricity markets as published by the bodies responsible for these markets.

In order to contain possible price pressure on raw materials, the Group aims to diversify its suppliers and its supply markets.

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

There are no other commodity swap agreements.

Liquidity risk

Liquidity risk can take the form of difficulty in obtaining the funds required to satisfy scheduled contractual commitments at market conditions.

This may mean there are insufficient resources available to meet financial obligations under the agreed terms and conditions and at the pre-determined due dates, or it may mean the business is required to settle its financial liabilities earlier than the scheduled due date.

For each contract maturity date, the analysis aimed to measure the cash flows deriving from the various types of financial liability held as at December 31, 2019 and December 31, 2018.

Depending on their nature, financial liabilities were separated into non-derivative and derivative financial liabilities. Given the different accounting treatments, the latter were subdivided into liabilities where the derivative had been formally designated as a hedge, and had turned out to be effective, or liabilities where the derivative was not subject to hedge accounting.

The main assumptions relating to the Group's financial requirements that were used to carry out the analyses were as follows:

- cash flows are not discounted;
- cash flows are allocated to their respective time bands on the basis of the first possible payment date provided for by the contractual terms and conditions (the worst-case scenario);
- all instruments held at the reporting date for which payments have been contractually designated are included; planned future commitments that have not yet been recognized in the financial statements are not included;
- if the amount payable is not fixed (e.g. future interest payments), financial liabilities are measured at market terms and conditions at the reporting date;
- cash flows also include the interest that the Group will pay up to the due date of the debt, measured at the reporting date and calculated on the basis of market forward interest rates.

December 31, 2019	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
(thousands of Euros)							
Cash and cash equivalents	40,382	40,382	40,382				
Trade receivables	77,129	77,129	77,129				
Other receivables	22,070	22,070	16,552		5,518		
Medium- and long-term bank loans	(76,217)	(76,891)	(12,636)	(9,500)	(18,053)	(36,196)	(506)
Rights of use	(12,490)	(12,490)	(1,467)	(1,339)	(1,989)	(3,650)	(4,045)
Other financial payables (commercial facilities)	(868)	(868)	(868)				
Other payables	(23,053)	(23,053)	(23,053)				
Hedging derivative instruments	(2,963)	(2,963)	(1,889)	(322)	(536)	(216)	
Trade payables	(141,209)	(141,209)	(141,209)				
Total	(117,219)	(117,893)	(47,059)	(11,161)	(15,060)	(40,062)	(4,551)

December 31, 2018	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
(thousands of Euros)							
Cash and cash equivalents	31,180	31,180	31,180				
Trade receivables	79,969	79,969	79,969				
Other receivables	20,476	20,476	11,766		8,710		
Medium- and long-term bank loans	(96,174)	(97,598)	(10,594)	(8,163)	(21,814)	(48,099)	(8,928)
Other payables	(22,605)	(22,605)	(21,001)	(1,500)	(104)		
Hedging derivative instruments	(784)	(784)	(163)	(203)	(324)	(128)	32
Trade payables	(130,409)	(130,409)	(130,409)				
Total	(118,347)	(119,771)	(39,252)	(9,866)	(13,532)	(48,227)	(8,894)

The first section of the table compares the book value of the financial liabilities with the total value of cash flows that – given the market conditions at the reporting date – are expected to be received from or paid to counterparties. The second section of the table shows a breakdown by time period of the total cash flows, which make up the item “Contractual financial flows”.

How Liquidity Risk is Managed

The Group’s financial activity is centered largely on Reno De Medici S.p.A., which, on the basis of well-established practice inspired by prudence and stakeholder protection, negotiates credit facilities with banks and continually monitors the cash flows of the individual Group companies.

The Group's management policies involve continually monitoring liquidity risk with a view to mitigating said risk by maintaining sufficient liquidity and/or short-term deposits with prime counterparties and by having access to short-term credit facilities backed mainly by receivables from domestic and foreign clients.

OTHER INFORMATION

Equity investments in subsidiaries, associates and joint venture as at December 31, 2019 (pursuant to Article 38, paragraph 2 of Legislative Decree 127/91).

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

Cardboard industry – subsidiaries

R.D.M. Arnsberg GmbH

Arnsberg – Germany

Direct ownership percentage: 94%

Indirect ownership 6% (through Cascades Grundstück GmbH & Co.KG).

RDM Blendecques S.A.S.

Blendecques – France

Direct ownership percentage: 100%

Cartiera Alto Milanese S.r.l. in liquidation

Milan - Italy

Direct ownership percentage: 100%

R.D.M. Magenta S.r.l.

Milan - Italy

Direct ownership percentage: 100%

R.D.M. Ovaro S.p.A.

Milan - Italy

Direct ownership percentage: 95%

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

La Rochette – France

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

RDM Barcelona Cartonboard S.A.U.

Barcelona – Spain

Direct ownership percentage: 100%

PAC Service S.p.A.

Vigonzà - Padua - Italy

Direct ownership percentage: 100%

Services industry – subsidiaries

Cascades Grundstück GmbH & Co.KG

Arnsberg – Germany

Direct ownership percentage: 100%

R.D.M. Marketing Portugal Unipessoal Lda.

Lisbon – Portugal

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

R.D.M. Marketing Germany GmbH

Krefeld – Germany

Direct ownership percentage: 100%

RDM Marketing France S.A.S.

Paris – France

Direct ownership percentage: 100%

R.D.M. Marketing Spain S.L.U.

Prat de Llobregat - Barcelona - Spain

Direct ownership percentage: 100%

R.D.M. Marketing UK Limited

Wednesbury – United Kingdom

Direct ownership percentage: 100%

R.D.M. Marketing Czech Republic S.r.o.

Prague – Czech Republic

Direct ownership percentage: 100%

R.D.M. Marketing Hungaria Kft.

Budapest - Hungary

Direct ownership percentage: 100%

R.D.M. Marketing Poland SP z.o.o.

Warsaw - Poland

Direct ownership percentage: 100%

LIST OF EQUITY-ACCOUNTED INVESTMENTS**Cartonboard sector and other industrial production**

Emmaus Pack S.r.l.

Milan - Italy

Direct ownership percentage: 34.39%

Recogida Sel.Pap.YCart.C. A.I.E.

Barcelona – Spain

Indirect ownership 50%

LIST OF INVESTMENTS IN OTHER COMPANIES**Cartonboard sector**

Cartonnerie Tunisienne S.A.

Les Berges Du Lac – Tunis

Direct ownership percentage: 5.274%

Consortiums

Gas Intensive S.c.r.l.

Milan - Italy

Consortium share

Comieco

Milan - Italy

Consortium share

Conai

Milan - Italy

Consortium share

Consorzio Filiera Carta

Frosinone – Italy

Consortium share

C.I.A.C. S.c.r.l.

Valpenga (TO) – Italy

Consortium share

Idroenergia S.c.r.l.

Aosta – Italy

Consortium share

Paper Interconnector

Milan - Italy

Consortium share

Università Carlo Cattaneo

Castellanza (VA) – Italy

Consortium share

Interconnector Energy Italia S.C.p.A

Rome - Italy

Consortium share

SUBSEQUENT EVENTS

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

CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

1. The undersigned Michele Bianchi, as CEO and Luca Rizzo as the Financial Reporting Executive of Reno De Medici S.p.A., certify, considering the provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998:

- the suitability for the characteristics of the business and
- the effective implementation

of the administrative and accounting procedures pertaining to the preparation of the year-end consolidated financial statements for the period from January, 1 to December 31, 2019.

2. No significant issues have emerged in this regard.

3. It is further certified that

3.1 the consolidated financial statements:

a) were prepared in accordance with the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002;

b) are consistent with the figures reported in the relevant accounting books and records;

c) are able to provide a true and fair view of the financial position, the results and the cash flows of the issuer and of the companies whose accounts have been consolidated;

3.2. The Directors' Report comprises a reliable analysis of operating performance and results, as well as of the situation of the issuer and of the companies whose accounts have been consolidated, together with a description of the major risks and uncertainties to which they are exposed.

Milan, March 16, 2020

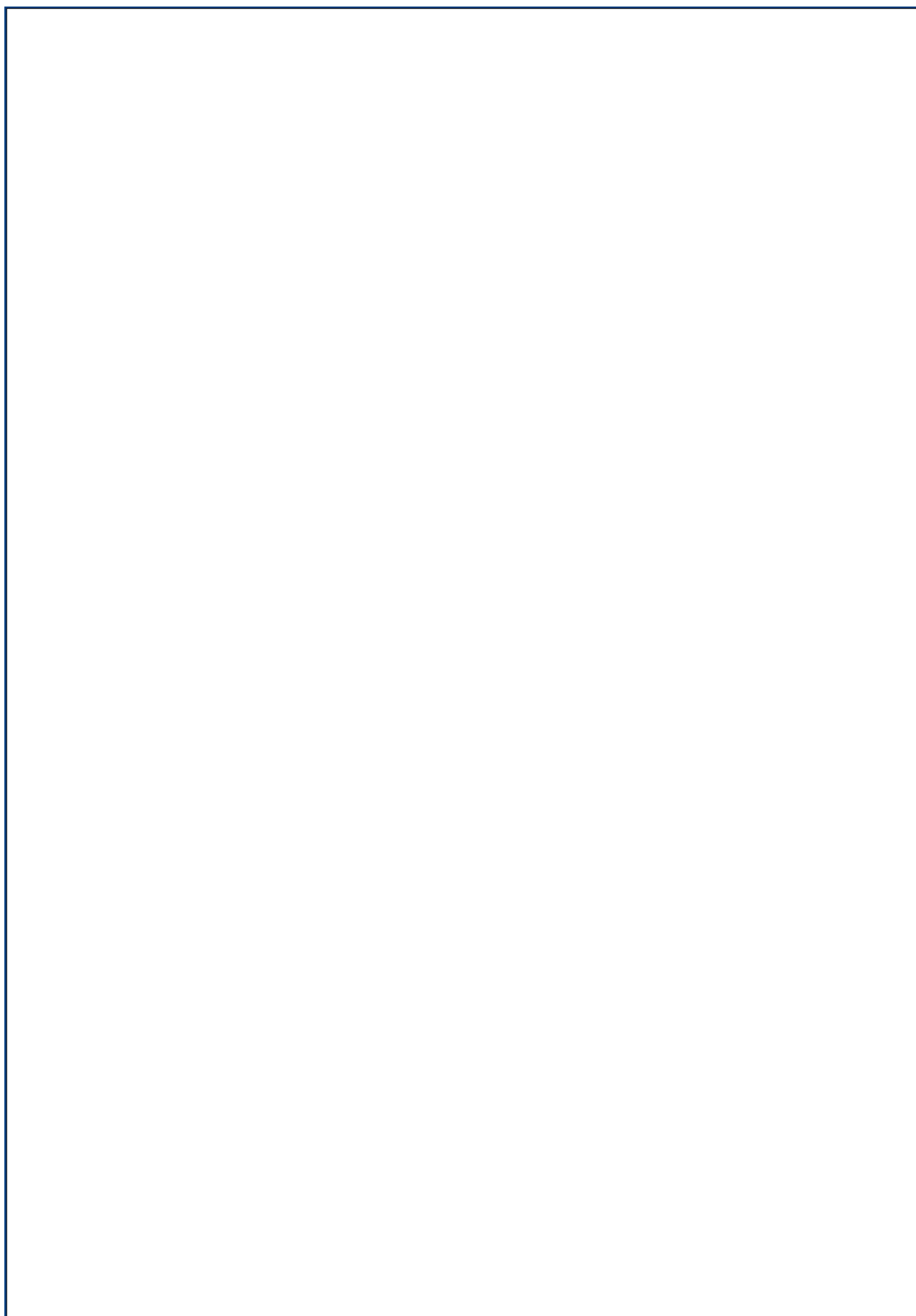
Chief Executive Officer

Michele Bianchi

Chief Financial Officer

Luca Rizzo

INDEPENDENT AUDITOR'S REPORT





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STATEMENT OF INCOME

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

STATEMENT OF COMPREHENSIVE INCOME

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

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

STATEMENT OF FINANCIAL POSITION

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

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

STATEMENT OF CASH FLOW

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(thousands of Euros)	Capital	Legal reserve	Profit (loss) for the period	Hedging reserve	Reserve for "Actuarial gain/(loss)"	Other reserves	Total Shareholders' equity
Shareholders' equity as of 12/31/2017	140,000	959	10,362	(135)	(1,800)	26,415	175,801
Dividend distribution			(1,172)				(1,172)
Allocation of 2017 profit		518	(9,190)			8,672	
Stock Grant reserve						565	565
Purchase of Treasury shares						(576)	(576)
IFRS 9						(1,267)	(1,267)
Merger of R.D.M. Marketing S.r.l.						119	119
Profit (loss) for the period			17,952				17,952
Other components of comprehensive profit (loss)				(286)	53		(233)
Total comprehensive profit (loss)			17,952	(286)	53		17,719
Shareholders' equity as of 12/31/2018	140,000	1,477	17,952	(421)	(1,747)	33,928	191,189
Dividend distribution			(2,633)				(2,633)
Allocation of 2018 profit		898	(15,319)			14,421	
Stock Grant reserve							
Purchase of Treasury shares							
IFRS 9							
Merger of R.D.M. Marketing S.r.l.							
Profit (loss) for the period			15,937				15,937
Other components of comprehensive profit (loss)				(98)	(155)		(253)
Total comprehensive profit (loss)			15,937	(98)	(155)		15,684
Shareholders' equity as of 12/31/2019	140,000	2,375	15,937	(519)	(1,902)	48,349	204,240

NOTES TO THE FINANCIAL STATEMENTS

Structure and content

Reno De Medici S.p.A. is a company established as a legal entity under Italian law, which operates mainly in Italy. The business of the Company is the production and distribution of cartonboard for packaging made mainly from recycled fibers.

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

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

Reno De Medici S.p.A.'s draft separate financial statements were approved and authorized for publication by its Board of Directors on March 16, 2020.

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

The 2019 separate financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and approved by the European Union, and on the basis of provisions issued to implement Article 9 of Legislative Decree 38/2005. IFRS also includes all revised international accounting standards ("IAS"), all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee ("SIC").

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

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

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

- a) a financial liability, equal to the current value of the remaining future payments at the date of transition, discounted using the incremental borrowing rate applicable at the date of transition for each contract;
- b) a right of use equal to the value of the financial liability at the date of transition. The Company decided to calculate the right of use equal to the net book value that it would have had if the principle had been applied from the starting date of the contract, however, using the discount rate defined at the date of transition.

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

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

- Computers and telephones;
- Printers.

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

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

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

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

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

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

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

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

Reconciliation of Lease commitments

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

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

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

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

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

- IFRS 17 – Insurance Contracts, which is intended to replace IFRS 4 – Insurance Contracts;
- Amendment to IFRS 3 “Definition of a Business”;
- Amendment to IFRS 10 and IAS 28 “Sales or Contribution of Assets between an Investor and its Associate or Joint Venture”;

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

The financial statements were prepared on the going-concern assumption.

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

Reno De Medici has chosen to present the structure and content of its separate financial statements in the following manner:

- the statement of financial position is presented with separate sections for assets, liabilities and shareholders’ equity. Assets and liabilities are then presented on the basis of their classification as current, non-current or held for sale;
- the income statement is presented in a vertical format with items broken down by nature, as this provides reliable and more relevant information than a classification by function;
- the statement of comprehensive income is presented separately from the income statement, and each item is shown net of the tax effect;
- the statement of cash flows is presented using the indirect method;
- the statement of changes in shareholders’ equity is presented by showing the profit or loss for the year separately and any income and expense recognized directly in equity and not in the

income statement, in accordance with specific IAS/IFRS requirements. It also shows the transactions with Shareholders separately.

ACCOUNTING PRINCIPLES

Tangible fixed assets

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

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

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

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

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

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

Category	Years
Buildings	
Industrial buildings	33
Small structures	20
Plant and machinery	
General plant and machinery	20 – 10 – 5
Specific plant and machinery	20 – 10 – 5
Industrial and commercial equipment	
Miscellaneous equipment	5
Other assets	
Furniture and ordinary office machines	8
Electronic office machines	5
Means of internal transport	5
Motor vehicles	4

The Company checks at least once a year if there is any indicator that tangible fixed assets have suffered impairment. If any indicator exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss, as described in the section “Impairment”.

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

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

Assets held for sale

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

Intangible fixed assets

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

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

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

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

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

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

Impairment

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

The recoverable amount is the higher of fair value less costs to sell and value in use. The fair value is estimated by taking into account the provisions contained in accounting standard IFRS 13 Fair Value Measurement.

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

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

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

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

Investments in subsidiaries, associates and joint ventures, and other companies

Investments in subsidiaries, associates and joint ventures are measured at cost and undergo testing to determine the extent of any impairment losses, as described in the "Impairment" section above.

The test is conducted whenever there are indicators of likely impairment losses in equity investments.

With regard to equity investments in subsidiaries, associates and joint ventures, where the investee company has distributed dividends, the following situations are also considered to be impairment indicators:

- the book value of the equity investment on the separate financial statements exceeds the carrying amount of the investee company's net assets (including any related goodwill) on the consolidated financial statements;
- the dividend exceeds the comprehensive profits (statement of comprehensive income) of the investee company in the period to which the dividend applies;
- the recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Specifically, when considering the existence of possible impairment of equity investments in subsidiaries and associates, since these are holdings for which a reliable market value (fair value less

costs to sell) cannot be determined, the recoverable amount was defined as value in use, i.e. the present value of cash flows estimated with reference to the forecast results of the investee companies and to the estimated value of a hypothetical ultimate disposal in accordance with IAS 28 (paragraph 33).

When it is necessary to proceed with a write-down, this is charged to the income statement for the year in which it was measured.

When the impairment of an asset is subsequently eliminated or reduced, the carrying amount of the asset is increased to the new estimate of the recoverable amount and may not exceed the value that would have been determined if no impairment had occurred. The reversal of the impairment is recognized immediately on the income statement.

Equity investments in other companies are measured at fair value with changes recorded in shareholders' equity. Where there is objective evidence that a financial asset is impaired significantly or for an extended period, the impairment loss is recognized in the income statement even if the investment has not been sold. Where fair value cannot be reliably measured, equity investments are measured at cost as adjusted for any impairment losses.

Available-for-sale financial assets

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

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

Derivative instruments

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

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

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

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

- for a fair-value hedge (e.g. where a derivative instrument is designated as a hedge of the exposure to changes in the fair value of assets or liabilities yielding or bearing a fixed rate), the derivative instrument is measured at fair value and any gain or loss is recognized in the income statement. At the same time, the carrying amount of the hedged assets or liabilities is adjusted to reflect the changes in fair value with respect to the hedged risk;
- for a cash flow hedge (e.g. where a derivative instrument is designated as a hedge of the exposure to variability in the cash flows of assets or liabilities due to variations in exchange rates), the changes in fair value of the instrument are initially recognized in a dedicated equity reserve in "Other components of comprehensive income" and are subsequently reclassified to the income statement in line with the effects of the hedged transaction on profit or loss.

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

Trade and other receivables

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

Inventories

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

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

Cash and cash equivalents

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

Employee benefits

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

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

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

Provisions for risks and charges

The Company records provisions for risks and charges when it has a legal or constructive obligation, arising from a past event, where it is probable that a cost will be incurred to fulfill that obligation and

when a reliable estimate of the amount can be made. Provisions are measured at the best estimate of the amount which, at the reporting date, the Company could reasonably expect to pay to extinguish the obligation or transfer it to a third party.

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

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

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

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

Payables to banks and other lenders

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

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

Trade and other payables

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

Recognition of revenues

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

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

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

Taxes

Current income taxes are based on an estimate of the taxable income for the year and on applicable rates and legislation. The expected liability, net of any payments on account or withholding tax incurred, is recognized on the statement of financial position under "Current taxes", or under "Other receivables" if, during the year, the Company has paid more on account than its tax liability.

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

Deferred tax assets and liabilities reflect the temporary differences between the carrying amount of an asset or liability and its tax base. "Deferred tax liabilities" consist of deferred tax liabilities arising from temporary differences which will be taxed in future years in accordance with prevailing tax legislation. "Deferred tax assets" consist of taxes which, despite being recoverable in future years, refer to the current year and are recognized where it is probable that future taxable income will be sufficient to absorb their recovery.

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

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

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

Foreign exchange differences

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

Dividends

Dividends are recognized at the date on which their distribution is approved by the Shareholders' Meeting.

Treasury shares

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

Financial Instruments and Risk Management

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

Estimates and Valuations

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

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

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

VALUATION METHODS

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

Fair value of derivative contracts and financial instruments

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

Taxes

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

Impairment tests

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

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

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

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

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

The impairment test relating to the cash generating units (CGU) is carried out from the Asset Side perspective, estimating the operating value or the enterprise value of the CGUs. It should be noted that for the purpose of the impairment testing of the assets for the financial statements, the scope of the CGUs corresponds to a complete legal entity/investment as in the case of the companies R.D.M. Arnsberg GmbH, RDM Ovaro S.p.A., PAC Service S.p.A., RDM Barcelona Cartonboard S.A.U., RDM Magenta S.r.l., Cartiera Alto Milanese S.r.l. in liquidation or the mills Santa Giustina (BL) and Villa Santa Lucia (FR), belonging to the Parent company Reno de Medici S.p.A. The investment in RDM Blendecques S.A.S. also includes the investment in R.D.M. La Rochette S.A.S.

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

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

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

- a) estimates of future operating cash flows;
- b) the discount rate;
- c) the final growth rate.

In making these forecasts, the Parent company used assumptions based on the following key variables: the estimate of future sales volumes, the trend in sales prices, the variable costs of energy and packaging, margins, investments and macroeconomic variables.

The Parent company has used a net discount rate, 6.72%, when discounting cash flows, a rate which reflects current market assessments and also takes into account the specific risks of the sector.

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

On the basis of the recommendations included in Joint Document no. 4 of the Bank of Italy, Consob (the Italian stock exchange regulator) and ISVAP (the Italian insurance regulator) of March 4, 2010, the Parent company prepared sensitivity analyses on the results of the tests, basing these on changes in the underlying assumptions (the use of the growth rate in calculating the terminal value and the discount rate) that affect the value in use of the cash-generating units. These sensitivity analyses show that for both impairment tests conducted a change in the aforementioned assumptions could involve the need for write-downs. The same conclusion has been reached following more sensitivity analyses made for the spread of Covid-19 (Coronavirus) that has impacted the national and international scenario since January 2020. More forecast of future economic- financial flows and of the main assumptions used have been made from the Holding.

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

Notes

1. Revenues from sales

Revenues arise essentially from sales of cartonboard:

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

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

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

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

2. Other revenues

Other revenues can be broken down into the following categories:

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

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

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

“Revenues from sales of energy” relate to revenues received from certain energy suppliers for joining the “interruption” scheme as well as the allocation of energy efficiency certificates (white certificates). The increase is mainly due to the increased number of white certificates received in 2019 (+€4.4 million) part of which refers to 2018.

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

3. Change in inventories of finished goods

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

4. Cost of raw materials and services

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

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

The "Cost of raw materials" refers mainly to the purchase of products used to make pulp (waste paper, wood paste, cellulose and chemicals) and for packaging. As far as the performance of the main production factors is concerned, in 2019 the price of recycled fibers suffered further reductions, following the fell further, after the sharp falls in 2018. This performance was affected by the restrictions

imposed by the Chinese government on imports of unsorted paper and restrictions on the issuing of licenses from January 1, 2018. These favorable price dynamics and the more efficient use of fibers, meant that the cost of raw materials had less of an impact on the value of production, which decreased from 43% to 42%.

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

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

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

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

5. Personnel costs

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

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

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

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

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

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

6. Other operating costs

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

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

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

7. Depreciation and amortization

The table below breaks this item down into amortization of intangible assets and depreciation of tangible fixed assets:

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

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

8. Net financial income (expenses)

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

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

The average cost of debt remains at contained levels.

The item "Financial expense on defined-benefit plans" refers to the interest cost relating to the provision at the start of the period and the changes during the year; this element is conceptually similar to the net revaluation of the TFR fund.

9. Gains (losses) on investments

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

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

10. Taxes

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

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

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

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

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

The item “Income from tax consolidation (IRES)” refers to the Parent company’s compensation of those investee companies that contributed to a tax loss in the year just ended.

Reconciliation between the theoretical and actual tax burden (IRES)

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

For the current period, Reno De Medici reported positive taxable income at the individual company level and at the level of tax consolidation.

IRES	Taxable amount	% IRES	12.31.2019
(thousands of Euros)			
Profit (loss) before tax	20,097		
Theoretical tax burden		24.0%	4,823
Reversal of temporary differences arising in previous years	(1,110)		
Temporary differences which will be reversed in future years	2,236		
Permanent differences which will not be reversed in future years	(1,568)		
Total differences	(442)		
Use of the tax losses	(1,909)		
Actual tax burden	17,746	24.0%	4,259

Reconciliation between the theoretical and actual tax burden (IRAP)

IRAP	Taxable amount	% IRAP	12.31.2019
(thousands of Euros)			
Difference between value and cost of production (excluding B9, B10 c), d) and B12 and B13)	45,994		
New 2015 Stability Law labor cost deduction	(24,848)		
Total	21,146		
Theoretical tax burden		3.90%	825
Permanent differences due to higher regional tax rates	2,767		
Reversal of temporary differences arising in previous years	1,050		
Permanent differences which will not be reversed in future years	2,021		
Total differences	5,838		
Actual tax burden	26,984	3.90%	1,052
Effective tax rate		4.70%	

“Permanent differences due to higher regional tax rates” refers to the application of the higher rate of 4.82% to the net value of production in the Lazio region.

11. Tangible fixed assets

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

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euros)							
Historical cost	19,165	67,119	305,073	1,229	7,955	4,833	405,374
Accumulated depreciation/write-downs		(46,697)	(240,101)	(1,200)	(7,849)		(295,847)
Net book value as at 12.31.2017	19,165	20,422	64,972	29	106	4,833	109,527
Increases		696	4,333		290	4,329	9,648
Decreases ⁽¹⁾			(615)		(15)		(630)
Reclassification of cost			3,684			(3,684)	
Depreciation for the period		(2,113)	(9,262)	(18)	(27)		(11,420)
Use of acc. depr./write-downs ⁽¹⁾			615		15		630
Value as at 31.12.2018							
Historical cost	19,165	67,815	312,475	1,229	8,230	5,478	414,392
Accumulated depreciation/write-downs		(48,810)	(248,748)	(1,218)	(7,861)		(306,637)
Net book value as at 12.31.2018	19,165	19,005	63,727	11	369	5,478	107,755

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

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euros)							
Historical cost	19,165	67,815	312,475	1,229	8,230	5,478	414,392
Accumulated depreciation/write-downs		(48,810)	(248,748)	(1,218)	(7,861)		(306,637)
Net book value as at 12.31.2018	19,165	19,005	63,727	11	369	5,478	107,755
Increases		189	1,379	16	66	7,154	8,804
Decreases ⁽¹⁾		(10,359)	(4,568)	(324)	(654)		(15,905)
Reclassification of cost		23	4,780			(4,803)	
Depreciation for the period		(2,083)	(9,492)	(10)	(63)		(11,648)
Use of acc. depr./write-downs ⁽¹⁾		9,958	4,568	324	654		15,504
Value as at 31.12.2019							
Historical cost	19,165	57,668	314,066	921	7,642	7,829	407,291
Accumulated depreciation/write-downs		(40,935)	(253,672)	(904)	(7,270)		(302,781)
Net book value as at 12.31.2019	19,165	16,733	60,394	17	372	7,829	104,510

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

Following the sale of the Ovaro business unit in 2012, tangible assets from the mill were transferred to R.D.M. Ovaro S.p.A. with the exception of land and buildings, which continue to be owned by RDM.

“Land” includes the areas pertaining to mills at Magenta (MI) - for the part not involving the cutting center - Santa Giustina (BL), Villa Santa Lucia (FR).

“Buildings” relates mainly to the mills.

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

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

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

- **Santa Giustina Mill (Italy):** improvements to and the modernization of the paper board machine, paper roll unwinder and packing line to increase production capacity;
- **Villa Santa Lucia Mill (Italy):** installation of new washing equipment to clean scrap;

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

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

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

Property rights (mortgages and liens) totaling €184.8 million related to owned property, are pledged in favor of banks as security on loans for which the outstanding balance as at December 31, 2019 amounted to €43.6 million.

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

12. Rights of use

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

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

13. Intangible fixed assets

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

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

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

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

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

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

14. Investments in subsidiaries

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

	Historical cost 12.31.2018	Provision for losses on investment 12.31.2018	Net book value 12.31.2018	Increase (decrease) in investments	Historical cost 12.31.2019	Increase (decrease) in impairment provision	Provision for losses on investment 12.31.2019	Net book value 12.31.2019
	A	B	C=A+B	D	E=A+D	F	G=B+F	H=E+G
(thousands of Euros)								
Cartiera Alto Milanese S.p.A. in liquidation	2,864	(1,912)	952		2,864		(1,912)	952
R.D.M. Arnsberg GmbH	54,113		54,113		54,113			54,113
Cascades Grundstück GmbH	3,476		3,476	6	3,482			3,482
R.D.M. Ovaro S.p.A.	11,271		11,271	669	11,940			11,940
RDM Blendecques S.A.S.	21,490	(7,509)	13,981	1,410	22,900		(7,509)	15,391
R.D.M. Magenta S.r.l.	3,695		3,695	3,068	6,763			6,763
PAC Service S.p.A.	4,408		4,408	6,126	10,534			10,534
Bellim S.r.l.	6,030		6,030	(6,030)				
RDM Barcelona Cartonboard S.A.U.	36,513		36,513	(5)	36,508			36,508
R.D.M. Marketing France S.A.S.	900		900		900			900
R.D.M. Marketing Germany GmbH	462		462		462			462
R.D.M. Marketing Spain S.l.u.	764	(764)			764		(764)	
R.D.M. Marketing Czech Republic s.r.o.	63		63		63			63
R.D.M. Marketing Poland SP z.o.o.	92		92		92			92
R.D.M. Marketing Hungaria KFT	31		31		31			31
R.D.M. Marketing UK Ltd	2	(2)			2		(2)	
Total	146,174	(10,187)	135,987	5,244	151,418		(10,187)	141,231

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

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

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

Lastly, note that the increase of €1.4 million on the equity investment in RDM Blendecques SAS was recorded following the waiver of part of the trade receivable by the Parent company.

The figures for the equity investment held, share capital, shareholders' equity and profit (loss) for 2019 for directly controlled subsidiaries are reported in the table below:

	Registered office	Direct equity investment share	Share capital as at 12.31.2019	Shareholders' equity at 12.31.2019	Result for the year
(thousands of Euros)					
Cartiera Alto Milanese S.r.l. in liquidation	Milan (IT)	100%	12	1,017	57
R.D.M. Arnsberg GmbH	Arnsberg (DE)	94%	5,113	47,881	1,472
Cascades Grundstück GmbH	Arnsberg (DE)	100%	28	305	(7)
R.D.M. Ovaro S.p.A.	Milan (IT)	95%	12,500	27,569	4,286
RDM Blendecques S.A.S.	Blendecques (FR)	100%	5,037	6,166	1,541
R.D.M. Magenta S.r.l.	Milan (IT)	100%	3,700	3,416	(1,837)
PAC Service S.p.A.	Vigonza (PD)	100%	1,000	11,749	702
RDM Barcelona Cartonboard S.A.U.	Barcelona (ES)	100%	14,943	35,903	(478)
R.D.M. Marketing France S.A.S.	Paris (FR)	100%	337	2,373	700
R.D.M. Marketing Germany GmbH	Krefeld (DE)	100%	210	1,049	72
R.D.M. Marketing Spain S.l.u.	Barcelona (ES)	100%	26	(334)	(653)
R.D.M. Marketing Czech Republic s.r.o.	Prague (CZ)	100%	19	542	182
R.D.M. Marketing Poland SP z.o.o.	Warsaw (PL)	100%	12	861	155
R.D.M. Marketing Hungaria KFT	Budapest (HU)	100%	19	363	75
R.D.M. Marketing UK Ltd	Wednesbury (UK)	100%	1	26	74

R.D.M. Arnsberg GmbH is held directly at 94% and indirectly at 6% through Cascades Grundstück GmbH & Co. KG.

Note that for subsidiaries with shareholders' equity below the book value, the Parent company conducted impairment testing which did not result in any write-down. For more complete information, please refer to the "Impairment testing" section in the accounting standards.

15. Investments in associates, joint ventures and other companies

The table below shows investments in associates, joint ventures and other companies broken down by type of investment:

	Registered office	Investment share	Book value 12.31.2018	Increases (Decreases)	Book value 12.31.2019
(thousands of Euros)					
Emmaus Pack S.r.l.	Milan (IT)	34.39%	73		73
Total investments in associates and joint ventures			73		73
C.I.A.C. S.c.r.l.	Valpenga (TO) – Italy	Consortium share	1		1
Cartonnerie Tunisienne S.A.	Les Berges Du Lac (Tunis)	5.27%			
Comieco	Milan - Italy	Consortium share	20	1	21
Conai	Milan - Italy	Consortium share	23		23
Consorzio Filiera Carta	Isola del Liri (Fr) – Italy	Consortium share	7		7
Gas Intensive S.c.r.l.	Milan - Italy	Consortium share	1		1
Idroenergia S.c.r.l.	Aosta – Italy	Consortium share	1		1
Industria e Università S.r.l.	Varese – Italy	0.19%	25		25
Total investments in other companies			78	1	79
Total investments			151	1	152

Equity investments in other companies are mainly composed of the share of the investment held in Emmaus Pack S.r.l.

They are accounted at cost adjusted for any impairment as their fair value cannot be reliably measured.

The table below summarizes the key figures from the statement of financial position and the income statement of Emmaus Pack S.r.l. as at December 31, 2019:

	Emmaus Pack S.r.l.
(thousands of Euros)	
Total assets	11,331
Shareholders' equity	1,320
Other liabilities	10,011
Value of production	16,106
Profit (loss) for the year	496

(*) Figures refer to the consolidated data prepared for equity accounting used in the Reno De Medici Group's consolidated financial statements.

16. Other current and non-current receivables

The table below shows a breakdown of other current and non-current receivables:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Guarantee deposits	1,332	1,184	148
Miscellaneous receivables	318	17	301
Non-current receivables	1,650	1,201	449
Tax receivables	2,401	281	2,120
Miscellaneous receivables	805	1,352	(547)
Prepaid expenses and accrued income	1,184	241	943
Financial receivables	28	371	(343)
Current receivables	4,418	2,245	2,173
Total	6,068	3,446	2,622

There was an increase in "Other receivables" of €2.6 million compared with the previous year, mainly as a result of "Tax receivables" which increased following the decreased in the taxable amount and greater payments on account made in 2019. The VAT receivable at the end of the year just ended also increased compared with the previous year.

In addition, the non-current item includes a deposit to a factoring company (€0.2 million at December 31, 2019, unchanged compared with December 31, 2018) and other guarantee deposits. The item also includes the guarantee fund set up at Terna (that operate the electricity grid) totaling €0.9 million (€0.7

million at December 31, 2018). Non-current miscellaneous receivables included IRES and IRAP provision following the ending of MAP 2011-12-13 between Italy and Germany.

The current part of "Tax receivables" increased by €2.1 million: this increase is mainly due to the VAT receivable and the IRES and IRAP receivable for the year, as mentioned above.

The current part of "Miscellaneous receivables" includes a deposit to a factoring company of €0.8 million compared with €1.1 million in the previous year.

"Accrued income" refers mainly to invoices accounted for the year but relating to the next financial year.

The decrease of €343 thousand in the item "Financial receivables" is due to the receivable from Arpafino S.L.U. of €300 thousand, related to the sale of the Spanish operation Reno De Medici Ibérica S.L.U. which took place on January 27, 2016. This receivable was collected on February 14, 2019.

The remaining current item is composed of the receivable from existing factoring arrangements.

17. Inventories

The table below provides a breakdown of inventories at December 31, 2019:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Raw and ancillary materials and consumables	13,511	13,284	227
Obsolescence provision	(507)	(507)	
Finished products and goods	18,294	18,212	82
Total	31,298	30,989	309

The balance of inventories of "raw and ancillary materials and consumables" was slightly increased (1.71%) compared with the previous year.

With reference to "Finished products and goods", inventories were in line with the previous year because of an increase in stock volumes were offset by a lower value.

18. Trade receivables

The table below shows the changes in trade receivables from third parties, which amounted to €25.6 million as at December 31, 2019:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Trade receivables	25,586	27,545	(1,959)
Current trade receivables	25,586	27,545	(1,959)

The decrease in receivables compared with the previous year is due mainly to the turnover in the last quarter.

The Company applies non-recourse factoring, which decreased from €18.2 million at December 31, 2018 to €17.5 million at December 31, 2019.

The item is stated net of €2.2 million of provisions for bad and doubtful receivables.

The table below sets out the changes for the year in those provisions:

	12.31.2018	Provisions	Drawings	12.31.2019
(thousands of Euros)				
Provisions for bad and doubtful receivables	2,014	173	(18)	2,169
Total	2,014	173	(18)	2,169

The table below provides a breakdown of current trade receivables by geographical area:

	12.31.2019	12.31.2018
(thousands of Euros)		
Italy	21,566	21,843
European Union	1,034	2,506
Rest of the world	2,986	3,196
Total	25,586	27,545

19. Receivables from Group companies

“Receivables from Group companies”, equal to €13.6 million, break down as follows:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Receivables from subsidiaries	7,163	7,411	(248)
Total receivables from subsidiaries	7,163	7,411	(248)
Receivables from associates and joint ventures	6,485	6,418	67
Total receivables from associates and joint ventures	6,485	6,418	67
Total receivables from Group companies	13,648	13,829	(181)

The change in this item is due to the increase in receivables from subsidiaries and associates.

The breakdown of “Receivables from subsidiaries”, recorded in the financial statements as €7.2 million, is given below:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
R.D.M. Magenta S.r.l.	135	131	4
R.D.M. La Rochette S.A.S. operates.	866	909	(43)
R.D.M. Ovaro S.p.A.	785	2,279	(1,494)
R.D.M. Arnsberg GmbH	1,403	812	591
RDM Blendecques S.A.S.	366	437	(71)
PAC Service S.p.A.	2,287	2,321	(34)
RDM Barcelona Cartonboard S.A.U.	739	116	623
R.D.M. Marketing Portugal, Unipessoal	6		6
R.D.M. Marketing France S.A.S.	106	113	(7)
R.D.M. Marketing Germany GmbH	46	57	(11)
R.D.M. Marketing Spain S.l.u.	269	131	138
R.D.M. Marketing Czech Republic s.r.o.	41	20	21
R.D.M. Marketing Poland SP z.o.o.	57	30	27
R.D.M. Marketing Hungaria KFT	28	36	(8)
R.D.M. Marketing UK Ltd	29	19	10
Total	7,163	7,411	(248)

“Receivables from associates and joint ventures” amount to €6.5 million and break down as follows:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Emmaus Pack S.r.l.	6,485	6,418	67
Total receivables from associates and joint ventures	6,485	6,418	67

These receivables, which result from commercial relations and relations connected to the provision of services by the Company to its subsidiaries and associates, are settled under normal market conditions.

20. Other receivables from Group companies

These receivables mainly relate to the cash-pooling arrangement with Group companies:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
RDM Blendecques S.A.S.	5,621	7,524	(1,903)
R.D.M. Magenta S.r.l.	1,085	1,028	57
R.D.M. La Rochette S.A.S. operates.	5,104	4,757	347
RDM Barcelona Cartonboard S.A.U.	1,500		1,500
R.D.M. Marketing Spain S.l.u.	338	86	252
R.D.M. Marketing UK Ltd	239	340	(101)
Total receivables from subsidiaries	13,887	13,735	152
Total receivables from Group companies	13,887	13,735	152

This item increased slightly of €152 thousand, even if there were greater variations at the level of the individual companies.

As mentioned in Note 14, at year end, the Company waived part of the financial receivables (€3.1 million) owned from RDM Magenta S.r.l., the sole shareholder, due to the losses reported by the latter.

21. Net financial position

The table below provides a breakdown of the net financial position at December 31, 2019 and 2018:

Net financial position	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Cash	9	10	(1)
Funds available from banks	33,644	26,825	6,819
A. Funds available from banks	33,653	26,835	6,818
Other receivables from Group companies	13,887	13,735	152
Other financial receivables	28	371	(343)
B. Current financial receivables	13,915	14,106	(191)
1. Current payables to banks	57	53	4
2. Current portion of medium- and long-term loans	13,489	10,829	2,660
3. Other current financial liabilities			
4. Leasing financial liabilities	1,040		1,040
Payables to banks and other lenders (1+2+3+4)	14,588	10,882	3,706
Other payables to Group companies	45,239	34,687	10,552
Other payables to other companies		947	(947)
Derivatives – current financial liabilities	309	221	88
C. Current financial debt	60,136	46,737	13,399
D. Net current financial debt (C-A-B)	12,568	5,796	6,772
E. Non-current financial receivables			
Payables to banks and other lenders	35,821	49,322	(13,501)
Derivatives – non-current financial liabilities	416	320	96
Leasing loans	2,352		2,352
F. Non-current financial debt	38,589	49,642	(11,053)
G. Net non-current financial debt (F-E)	38,589	49,642	(11,053)
H. Net financial debt (D+G)	51,157	55,438	(4,281)

Net financial debt was €51.2 million at December 31, 2019 (compared with €55.4 million at December 31, 2018). In fact, net operating cash flow, positive for €25.6 million, was absorbed by some specific disbursements, for a total amount of €14.3 million, which include dividends paid and the purchase of

treasury shares for €2.6 million and the buyback of part of the share owned by Friulia S.p.A. in R.D.M. Ovaro S.p.A. from for €0.7 million.

“Other receivables from Group companies” and “Other payables to Group companies” consist of financial balances resulting from cash-pooling transactions carried out as part of the Group’s centralized financial management.

The changes in liabilities resulting from lending are shown below, pursuant to IAS 7 “Financial Statement”:

	12.31.2018	Cash flow (*)	Non-cash transactions		12.31.2019
			Exchange rate translation differences	Fair Value variation	
(thousands of Euros)					
Current financial receivables	14,106	(191)			13,915
Current financial debt	46,737	13,311		88	60,136
Non-current financial debt	49,642	(11,149)		96	38,589
Net liabilities from financing activities	82,273	2,253		184	84,810
Cash and cash equivalents	26,835	6,818			33,653
Net financial debt	55,438	(4,465)		184	51,157

(*) Cash and cash equivalent flows reported in the Statement of Cash Flow.

The table below shows outstanding medium and long-term loans, broken down by due date and recorded at nominal value:

	within 12 months	more than 12 months	over 60 months	Total
(thousands of Euros)				
Banco BPM	2,857	5,714		8,571
Banca Intesa	2,000			2,000
Credem	754			754
Banque Palatine 376	599	1,358		1,957
Banque Palatine 377	399	911		1,310
UniCredit	7,000	28,000		35,000
Total nominal debt	13,609	35,983		49,592
Amortized cost effect	(120)	(162)		(282)
Total debt using the amortized cost method	13,489	35,821		49,310

The Company's financial debt is currently based on long-term loans, which guarantee the stability for the financial sources which is needed to adequately support operations, and specifically capital expenditure, as well as possible projects to take advantage of strategic investment opportunities.

These loans require certain financial covenants to be respected based on the following ratios:

- Net financial position/Shareholders' equity
- Net financial position/Gross operating profit
- Gross operating profit/Net financial expense
- Shareholders' equity/Medium/long-term debt
- Shareholders' equity/Shareholders' equity December 31, 2016

The financial parameters are calculated half-yearly or annually, depending on the loan, based on the figures of the Group's consolidated financial statements. The half-year calculations of the Group's gross operating profit and net financial expense are based on the 12-month period ending on the last day of the half-year concerned.

In the event of non-compliance with the financial covenants in the loan agreements, the lending banks may terminate such agreements: as at December 31, 2019 there was compliance with the financial covenants.

Lastly, the new loans provide for constraints and commitments incumbent upon RDM including a restriction on the disposal of core assets and extraordinary finance transactions.

In 2015, after setting up an “Available reserve” through the voluntary reduction of capital pursuant to Article 2445 of the Italian Civil Code (as described in detail in section 19 “Shareholders’ equity”), Reno De Medici S.p.A. requested and obtained waivers from the lending banks.

Note that in 2019 principal repayments totaling €11.0 million were made.

In terms of guarantees, the Parent company loan agreement requires, inter alia, RDM to provide mortgages and liens on mills, in the total amount of €171.2 million.

On June 4, 2015, a loan of €20 million was made by Intesa San Paolo S.p.A.; the loan agreement was signed on June 4, 2015. The loan agreement calls for a floating rate and a maturity of June 4, 2020. Installments are paid half-yearly starting December 4, 2015. This loan requires compliance with several financial covenants subject to annual review. At December 31, 2019, these financial covenants were met.

On July 31, 2015, a loan of €7 million was made by Cariparma S.p.A.; the loan agreement was signed on July 31, 2015. The loan agreement calls for a floating rate and a maturity of June 30, 2019.

On October 2, 2015, a loan of €20 million was made by Banca Popolare di Milano S.p.A.; the loan agreement was signed on September 16, 2015. The loan agreement calls for a floating rate and a maturity of December 31, 2022. Installments are paid half-yearly starting June 30, 2016. This loan requires compliance with several financial covenants subject to annual and half-yearly review. At December 31, 2019, these financial covenants were met.

On June 23, 2016, a loan of €7.5 million was made by Banco Popolare. The loan agreement calls for a floating rate and a maturity of June 30, 2019.

On August 2, 2017, a loan of €3 million was made by Credito Emiliano S.p.A.; the loan agreement was signed on August 2, 2017. The loan agreement calls for a floating rate and a maturity of August 2, 2020. Installments were paid quarterly starting November 2, 2017.

On February 5, 2018 a loan agreement for €5 million was agreed and supplied by Banque Palatine, divided into two tranches of €3 million and €2 million, respectively. The loan agreement calls for a floating rate and a maturity of February 5, 2023. Installments were paid quarterly starting May 5, 2018.

On July 30, 2018, a loan agreement was signed and the loan of €35 million made by UniCredit S.p.A. The loan was supplied on October 31, 2018, for the closing date of the transaction for the acquisition of RDM

Barcelona Cartonboard S.A.U. The loan agreement calls for a floating rate and a maturity of July 31, 2024. Installments are paid half-yearly starting January 31, 2020.

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at December 31, 2019. More information on outstanding derivative instruments can be found in Note 23.

22. Shareholders' equity

Changes in shareholders' equity during 2019 are set out in the following table:

Description	Shareholders' equity at 12.31.2018	Allocation of the profit	Dividend distribution	Actuarial gain (loss)	Hedge accounting	Profit (loss) for the year	Shareholders' equity at 12.31.2019
(thousands of Euros)							
Share capital	140,000						140,000
Treasury shares reserve	(1,059)						(1,059)
Legal reserve	1,477	898					2,375
Other reserves:							
- Available reserve	32,064	14,421					46,485
- Stock grant reserve	966						966
- Hedging reserve	(421)				(98)		(519)
- Ovaro sale reserve	3,105						3,105
- Reserve for actuarial gains (losses)	(1,747)			(155)			(1,902)
IFRS 9 reserve	(1,267)						(1,267)
- Merger reserve for R.D.M. Marketing S.r.l.	119						119
Result for the year	17,952	(15,319)	(2,633)			15,937	15,937
Total	191,189	0	(2,633)	(155)	(98)	15,937	204,240

The Shareholders' Meeting of April 30, 2019 resolved to allocate the Company's 2018 profit of €17,952,390.18 as follows:

- €897,619.50 to the legal reserve pursuant to Article 2430 of the Italian Civil Code;
- €6,242.04 as a dividend to be distributed for the 254,777 savings shares;
- €2,626,983.52a dividend to be distributed for the 375,283,360 ordinary shares;
- €14,421,545.12 to the "Available reserve".

In accordance with Article 5 of the Company's By-Laws, holders of savings shares may convert such shares to ordinary shares in February and September each year. In 2019, 3,650 savings shares were converted to ordinary shares. As a result of this, the share capital at December 31, 2019, fully subscribed and paid-up, could be broken down as follows:

	Number	Total value
Ordinary shares	377,546,217	139,905,588.44
Savings shares	254,777	94,411.56
Total	377,800,994	140,000,000.00

The Extraordinary Shareholders' Meeting held on September 2, 2013 resolved to eliminate the nominal value of shares.

During the period February 1-29, 2020, 36 savings shares were converted into ordinary shares with dividend entitlement as of January 1, 2019.

The table below shows the number of outstanding shares as at December 31, 2019 and December 31, 2018:

	12.31.2019	12.31.2018	Change
Shares issued	377,800,994	377,800,994	
Treasury shares	2,262,857	2,262,857	
Total shares outstanding	375,538,137	375,538,137	

With reference to the savings shares, the Reno De Medici S.p.A. By-Laws require that if a dividend of less than 5% of the value €0.49 is assigned to the savings shares in a financial year, the difference is calculated as an increase in the privileged dividend in the next two financial years. Dividends totaling €6,242.04 were distributed in 2019 to holders of savings shares.

In addition, dividends totaling €2,626,983.52 were distributed to holders of ordinary shares.

The table below provides a breakdown of each item of shareholders' equity by availability, origin and use in previous years, as required by Article 2427, no. 7-bis of the Italian Civil Code:

Description	Amount as at 12.31.2019	Possibilities of use (*)	Available portion	Summary of uses 2018 – 2017 – 2016	
				to cover losses	for other reasons
(thousands of Euros)					
Share capital	140,000				
Of which treasury shares					
Legal reserve	2,375	B			
Other reserves:					
- Available reserve	46,485	A,B,C	46,485		
- Treasury shares reserve	(1,059)				
- Hedging reserve	(519)				
- Reserve for sale of Ovaro business unit	3,105				
- Reserve for actuarial gains (losses)	(1,902)				
- Stock Grant Reserve	966				
- IFRS 9 Reserve	(1,267)				
- Merger reserve for R.D.M. Marketing S.r.l.	119				
Total	188,303				

(*) A) to increase share capital

B) to cover losses

C) to distribute to shareholders

The table below shows the tax effect relating to the components of comprehensive income:

	12.31.2019			12.31.2018		
	Gross value	Tax (charge) benefit	Net value	Gross value	Tax (charge) benefit	Net value
(thousands of Euros)						
Change in fair value of cash flow hedges	(129)	31	(98)	(376)	90	(286)
Actuarial gain (loss)	(155)		(155)	53		53

23. Derivative instruments

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at December 31, 2019.

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Derivative instruments (hedge accounting)	416	320	96
Non-current liabilities	416	320	96
Derivative instruments (hedge accounting)	309	221	88
Current liabilities	309	221	88
Total	725	541	184

As at December 31, 2019, the derivative instruments in the form of interest rates swaps (IRS) had a negative fair value of €725 thousand.

The table below shows the main features of the derivative instruments outstanding as at December 31, 2019:

Company	Counterparty	Currency	Due date	Notional value (€/000)	Interest	Liquidation of interest	Fair value of derivative (€/000)
Reno De Medici S.p.A.	Intesa San Paolo S.p.A.	EUR	06.04.2020	1,500	0.42% fixed	Half-yearly	(6)
					Euribor 6m		
Reno De Medici S.p.A.	Banca Popolare di Milano	EUR	12.30.2022	8,571	0.45% fixed	Half-yearly	(111)
					Euribor 6m		
Reno De Medici S.p.A.	UniCredit S.p.A.	EUR	07.31.2024	35,000	0.385% fixed	Half-yearly	(608)
					Euribor 6m		
				45,071			(725)

24. Other current and non-current payables

The table below provides a breakdown of other current and non-current payables:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Payables for wages and salaries	2,333	2,256	77
Payables to social security institutions	2,283	2,159	124
Tax payables	823	614	209
Other payables	417	1,262	(845)
Company bodies	427	418	9
Accrued liabilities and deferred income		26	(26)
Other current payables	6,283	6,735	(452)
Total other payables	6,283	6,735	(452)

“Other current payables” amounted to €6.3 million as at December 31, 2019 and were lower than in the previous year. Specifically, miscellaneous payables, which in 2018 included the first payment on account (€947 thousand) relating to the preliminary sales agreement for the Magenta land, were lower.

“Payables to social security institutions” relate mainly to social security contributions due on current wages and salaries accrued to employees in December and paid in January 2020, and to provisions for social security contributions due on deferred compensation (employee leave, additional months’ salaries paid as a bonus, and overtime). This item increased as a result of higher contributions due on current and deferred compensation.

“Tax payables” increased compared with the previous year. This item includes withholding tax due on remuneration paid to employees in December, and miscellaneous tax payables.

25. Deferred taxes

The year-end balance of net deferred tax liabilities is provided below:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Deferred taxes	1,776	3,035	(1,259)
Total deferred taxes	1,776	3,035	(1,259)

The table below provides a summary of the calculation of deferred tax assets and liabilities from temporary differences as at December 31, 2019:

Taxes	12.31.2019			12.31.2018		
	Temporary differences	Tax %	Tax effect	Temporary differences	Tax %	Tax effect
(thousands of Euros)						
Recognized deferred tax assets	10,536		2,613	6,567		1,675
Tax losses to carry forward	4,996	24.00%	1,199			
Inventory write-downs	507	27.90%	141	507	27.90%	141
Provision for future charges (IRES)	672	24.00%	161	1,336	24.00%	321
Provision for additional client expenses	1,692	27.90%	472	2,050	27.90%	572
Other temporary differences IRES	317	24.00%	76	452	24.00%	108
IFRS 9 valuation	1,668	24.00%	400	1,668	24.00%	400
Valuation of derivatives with hedge accounting	684	24.00%	164	554	24.00%	133
Recognized deferred taxes	15,954		4,389	17,114		4,709
Statutory amortization/depreciation in excess of amount allowed for tax purposes	14,351	27.90%	4,004	15,401	27.90%	4,297
Other temporary differences IRES	133	24.00%	32	190	24.00%	46
Misalignment of TFR for IFRS application	1,470	24.00%	353	1,523	24.00%	366
Net recognized deferred tax (assets) liabilities			1,776			3,034
Unrecognized deferred tax assets	13,055		3,243	33,180		8,068
Write-downs for extended impairment	2,687	27.90%	750	2,687	27.90%	750
Reportable ROL (reduced working hours)	9,231	24.00%	2,215	29,333	24.00%	7,040
Write-downs for bad and doubtful receivables	1,137	24.00%	278	1,160	24.00%	278

Tax assets and liabilities for deferred taxes are offset when permitted by law. In the year just ended, a payable was recorded for IRES and IRAP taxes of €1.8 million compared with €3 million as at December 31, 2018. This change is mainly due to the recording of €1.2 million of deferred tax assets on previous tax losses following the ending of MAP 2011-12-13 between Italy and Germany.

The origin of these deferred tax liabilities lies mostly in the excess of the statutory carrying amounts of certain tangible asset items over their tax bases. This situation arose following the allocation of the deficit that emerged during the 1998 merger and the effects of the transition to IFRS. Deferred tax liabilities therefore represent the future tax expense that will be incurred by the Company as a

consequence of the fact that a portion of annually accounted depreciation will not be deductible from taxable income calculated for IRES and IRAP purposes.

Deferred tax assets are recognized where it is probable that the Company will have taxable income in the future, including the deferral of taxable temporary differences to future years, which will allow the utilization of deductible temporary differences.

26. Employee benefits

The following table compares balances as at December 31, 2019 and December 31, 2018:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Employee benefits - TFR	5,051	5,467	(416)
Non-current employee benefits	5,051	5,467	(416)
Employee benefits - TFR	68	68	
Current employee benefits	68	68	
Total	5,119	5,535	(416)

Following the legislative changes in previous years regarding the TFR, the Company has continued to recognize its obligation accrued as at December 31, 2006 in accordance with rules for defined-benefit plans, while it recognizes its obligations for amounts accruing from January 1, 2007, due to supplementary pension funds or the treasury fund of the INPS (Italian social security institute), on the basis of the contributions due during the period.

Based on IAS 19, the calculation of an independent actuary using information provided by the Company was used for the actuarial assessment of the TFR as at December 31, 2019.

The actuary used the following demographic assumptions for the calculation:

- Table RG48 (source: Italian General Accounting Service) was used to estimate mortality among employees subject to the assessment;
- An INPS table broken down by age and sex was used to estimate disability among employees subject to the assessment;
- The assumption of meeting the minimum requirements established by Mandatory General Insurance was used to estimate the retirement requirement;

- An annual rate of 5.00% was used for the probability of leaving the company for reasons other than death;
- An annual percentage of 3.00% was assumed as the probability of TFR advances.

The economic and financial assumptions used were as follows:

	Italy
Annual discount rate	0.37%
Annual inflation rate	1.20%
Annual rate of increase in TFR	2.40%

Changes in the actuarial value of employee benefits are provided below:

	Employee benefits
(thousands of Euros)	
Actuarial assessment of "Employee benefits "at 12.31.2018	5,535
<i>Interest cost</i>	58
Benefits paid	(629)
<i>Actuarial gains (losses)</i>	155
Actuarial assessment of "Employee benefits "at 12.31.2019	5,119

27. Non-current and current provisions for risks and charges

The balance at December 31, 2019 was as follows:

	12.31.2018	Allocation	Utilizations and releases	12.31.2019
(thousands of Euros)				
Provisions for future charges	2,240	262	(639)	1,863
Provisions for supplementary agents' commission	1,591	316		1,907
Provision for impairment losses	239			239
Financial assets impairment provision IFRS 9	709		(142)	567
Non-current provisions for risks and charges	4,779	578	(781)	4,576
Provision for future charges	737	120	(138)	719
Provisions for supplementary agents' commission	375		(375)	
Current provision for risks and charges	1,112	120	(513)	719
Total	5,891	698	(1,294)	5,295

“Provision for risks and charges” decreased in 2019 following the utilization of €1.3 million, partly offset by a provision of €700 thousand. The utilization and release of €639 thousand refers to the settlement of disputes and redundancy procedures, as well as to the utilization of the provision for supplementary agents’ commission for €375 thousand.

28. Trade payables

“Trade payables” to third parties accounted in the financial statements were of €58.1 million (€51.0 million as at December 31, 2018) and are due within 12 months. They are stated net of trade discounts and adjusted for any returns or rebates agreed with the counterparties.

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Trade payables	58,111	51,023	7,088
Current trade payables	58,111	51,023	7,088

The increase in payables is mainly due to the operating activities.

29. Payables to Group companies

Payables to Group companies result from trade transactions carried out with Group companies and are set by normal market conditions.

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Payables to subsidiaries	2,966	2,442	524
Payables to subsidiaries	2,966	2,442	524
Total payables to Group companies	2,966	2,442	524

Below is a breakdown of payables to subsidiaries classified under “Current liabilities”:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
R.D.M. Marketing Portugal, Unipessoal	17		17
R.D.M. Magenta S.r.l.	1,084	640	444
R.D.M. La Rochette S.A.S. operates.	40	601	(561)
R.D.M. Ovaro S.p.A.	255	86	169
R.D.M. Arnsberg GmbH	152	118	34
R.D.M. Marketing France S.A.S.	593	449	144
R.D.M. Marketing Germany GmbH	123	170	(47)
R.D.M. Marketing Czech Republic s.r.o.	323	165	158
R.D.M. Marketing Poland SP z.o.o.	299	122	177
R.D.M. Marketing Hungaria KFT	19	21	(2)
R.D.M. Marketing UK Ltd	60	70	(10)
PAC Service	1		1
Total payables to subsidiaries	2,966	2,442	524

30. Other payables to Group companies

“Other payables to Group companies” represent the amount owed to subsidiaries or joint ventures for cash pooling, and they are classified only under current liabilities.

The current portion of financial payables is detailed below:

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Cartiera Alto Milanese S.r.l. in liquidation	1,021	895	126
R.D.M. Arnsberg GmbH	25,826	17,010	8,816
RDM Blendecques S.A.S.	52	1	51
R.D.M. Ovaro S.p.A.	13,513	12,643	870
R.D.M. La Rochette S.A.S. operates.	78	232	(154)
Pac Service S.p.A.	192		192
R.D.M. Marketing France S.A.S.	2,785	2,363	422
R.D.M. Marketing Germany GmbH	1,076	812	264
R.D.M. Marketing Czech Republic s.r.o.	102	101	1
R.D.M. Marketing Poland SP z.o.o.	432	432	
R.D.M. Marketing Hungaria KFT	162	198	(36)
Total other current payables to Group companies	45,239	34,687	10,552

Other payables to Group companies increased following the merger by incorporation of R.D.M. Marketing S.r.l. and its subsidiaries. The changes in the other items are related to the performance of each subsidiary.

31. Current taxes

This item is the amount owed to tax authorities for IRES applicable to the year just ended, net of payments on account.

At the end of 2019, following the settlement of accounts on an historical basis and the decrease in the taxable amount, the Company recorded a tax receivable rather than a payable for current taxes. Refer to Note 16.

	12.31.2019	12.31.2018	Variation
(thousands of Euros)			
Current taxes		5,955	(5,955)
Total taxes		5,955	(5,955)

32. Non-recurring transactions and abnormal and/or unusual transactions

Significant non-recurring events and transactions

The effects of non-recurring transactions, as defined by Consob Communication DEM/6064293, are shown in the income statement and described in the notes to the financial statements in relation to the relevant items.

The financial position, results and cash flows of Reno De Medici S.p.A. have not been affected by any significant non-recurring events or transactions. This refers to transactions or events which do not occur frequently as part of normal operations.

Positions or transactions deriving from abnormal and/or unusual transactions

In 2019, the Company did not carry out any atypical and/or unusual transactions as defined by the referenced Consob Communication DEM/6064293. These are defined as transactions which, in terms of their significance, relevance, nature of counterparties, purpose, procedure for determining the transfer price and timing, could raise doubts with respect to:

- the completeness and accuracy of the information provided in the financial statements;
- conflicts of interest;
- the safeguarding of company assets;
- the protection of minority shareholders.

33. Contingent liabilities and commitments and other guarantees given to third parties

More information on the principal disputes in which the Company is involved can be found in the "Other information" section of the Directors' Report.

Commitments and guarantees given to third parties include:

- sureties of €6.6 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;
- sureties of €1.2 million issued to the Comieco consortium;

- sureties of €67 thousand issued to the customs authorities;
- a surety of €90 thousand issued in favor of the Province of Milan;
- a surety of €128 thousand issued in connection with property leases;
- sureties of €424 thousand issued in favor of Terna S.p.A.;
- a surety in favor of Vetropack, the potential buyer of the Magenta site following the preliminary sales agreement, for €6.1 million;

There are mortgages on the Ovaro (UD) mill properties for a total of €13.7 million guaranteeing three loans granted to the subsidiary R.D.M. Ovaro S.p.A. by Banca Mediocredito del Friuli Venezia Giulia S.p.A., the residual value of which at December 31, 2019 was €3.2 million.

As part of the sale of the Ovaro mill to R.D.M. Ovaro S.p.A., Reno De Medici S.p.A. and FRIULIA S.p.A. respectively obtained a call option, exercisable between June 27, 2014 and June 27, 2017, and a put option, exercisable between June 27, 2015 and June 27, 2017, on FRIULIA S.p.A.'s stake in R.D.M. Ovaro S.p.A.

In June 2017, Reno De Medici S.p.A. and Friulia S.p.A. redefined the shareholders' agreements signed on June 27, 2012, in the context of the acquisition by Friulia of a 20% share of R.D.M. Ovaro S.p.A. at the price of €2.5 million. These agreements gave Friulia S.p.A. the right to resell its shareholding in R.D.M. Ovaro S.p.A. to Reno De Medici S.p.A. under certain conditions, *inter alia*, through the exercise of a "put option" to be exercised by June 27, 2017.

In recognition of the success of the partnership and in view of the new investments required to increase the value of the R.D.M. Ovaro S.p.A. and its possible expansion plans, the parties agreed that the extension of the partnership was advantageous for the subsidiary.

Therefore, the parties signed new agreements, through the application of which Reno De Medici S.p.A. is buying back the 20% stake in R.D.M. Ovaro S.p.A. owned by Friulia, at a total price of €2,497,010.95, in four equal amounts, the first three of which have already been bought back in June 2017, 2018 and 2019; the last share will be bought back by June 30, 2020. Reno De Medici S.p.A. can still exercise the purchase option early.

34. Related-Party Transactions

For details on the transaction, see the section "Main transactions of the Reno De Medici Group in 2019" in the Directors' Report.

For information on the related-party transactions specified in IAS 24 and Consob Communication 6064293 of July 28, 2006, see Annex A “Details of related-party and intragroup transactions as at December 31, 2019” attached to these financial statements and the section entitled “Information on related-party transactions” in the Directors’ Report.

35. Information on contributions received by the PA or equivalent entities

Article 1, paragraphs 125-129 of Law 124/2017 later integrated by Decree Law 113/2018 (Security) and by Decree Law 135/2018 (Simplification), introduced the framework governing transparency of public funds. The information requested is provided below.

In 2019 the Company received contributions, pursuant to Article 1, paragraph 25 of the above-mentioned law of €33 thousand. The table below contains the data relating to the providers, the amount of the grant received and the reason for the benefit. Note that grants above the threshold of €10,000 with reference to the same provider are reported, as required by the applicable legislation.

Provider	Reason	Grant received
		Amounts in Euros
Ministry of the environment	Asbestos tax credit	16,446
Fondimpresa Milano	Training	17,034
		33,480

Finally, in 2019 the Company received grants which had to be disclosed under the scope of the National State Aid Register, which should be referred to.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The analysis and disclosures required by IFRS 7 – Financial Instruments: Disclosures are provided below.

This analysis compares the situation at the reporting date December 31, 2019 with the situation as at December 31, 2018, and it refers to the Parent company's separate financial statements.

All figures are stated in thousands of Euros.

The section below provides information about the impact of financial instruments on the statement of financial position and on the income statement.

Impact of Financial Instruments on the Statement of Financial Position

The table below shows the book value of each type of financial asset and liability in the separate statement of financial position.

	12.31.2019		12.31.2018	
	Book value	Fair value	Book value	Fair value
(thousands of Euros)				
Cash and cash equivalents	33,653	33,653	26,835	26,835
Loans and receivables	59,189	59,189	58,555	58,555
Trade receivables	39,234	39,234	40,156	40,156
Other receivables from Group companies	13,887	13,887	14,953	14,953
Other receivables	6,068	6,068	3,446	3,446
Financial liabilities at amortized cost:	(162,190)	(162,888)	(155,090)	(156,988)
Unsecured medium- and long-term bank loans at amortized cost	(6,021)	(6,063)	(14,135)	(14,284)
Secured medium- and long-term bank loans at amortized cost	(43,571)	(44,227)	(46,069)	(47,818)
Short-term loans from banks for use of commercial facilities				
Trade payables	(61,076)	(61,076)	(53,464)	(53,464)
Other payables to Group companies	(45,239)	(45,239)	(34,687)	(34,687)
Other payables	(6,283)	(6,283)	(6,735)	(6,735)
Hedging derivatives	(725)	(725)	(541)	(541)
	(70,073)	(70,771)	(70,241)	(72,139)
Unrecognized Profit	698		1,898	

Having examined the financial models and criteria used to estimate the fair values of the above-mentioned financial instruments, further details are provided below on the individual items.

Derivative instruments

In general, the fair value of derivatives is calculated according to mathematical models using directly observable input data (such as an interest rate curve).

The Parent Company's only derivative instruments indexed to interest rates are interest rate swaps. A discounted cash flow model is used to measure these instruments, whereby the fair value of a derivative is given by the algebraic sum of the present values of future cash flows estimated on the basis of the risk-free curve of deposit rates, futures and swaps at the reporting date.

The international accounting standard (IFRS 13) identifies a measurement hierarchy based on three levels:

- level 1: inputs used in measurements are represented by quoted prices in active markets for identical assets and liabilities to those subject to measurement.
- level 2: inputs other than quoted prices included in level 1 that are observable for the financial asset or liability, both directly (prices) and indirectly (derived from prices);
- level 3: in the event that observable inputs are not available, and therefore market activity is light or nonexistent for the asset or liability subject to measurement, the inputs are non-observable.

	Classification	12.31.2019	Fair value as at the date of the financial statements based on:		
			Level 1	Level 2	Level 3
(thousands of Euros)					
Derivative instruments on interest rates	Non-current derivative instruments	416		416	
Derivative instruments on interest rates	Current derivative instruments	309		309	

As at December 31, 2019, the Parent company did not hold any foreign-exchange derivative instruments, or any derivative instruments indexed to commodity prices.

Loans

The aggregate under review consists of all medium- and long-term loans. These were measured by calculating the net present value of the future flows generated by the financial instrument, taking into account the principal repayment plan defined in the loan agreements.

In the case of indexed loans, future interest rates were estimated by calculating the forward rates implicit in the quoted Euro deposit rates, futures and swaps risk-free curve as at December 31, 2019 and December 31, 2018.

Future flows were discounted on the basis of the same Euro yield curve as at December 31, 2019 and December 31, 2018.

Loan Repayment Plans, Terms and Conditions

The terms and conditions of the loans are summarized in the table below.

	Currency	Nominal interest rate	Year of maturity	Nominal value at 12.31.2019	Book value	Nominal value at 12.31.2018	Book value
(thousands of Euros)							
Secured medium- and long-term bank loans at amortized cost				43,571	43,294	46,429	46,030
Banca Popolare di Milano	Euro	Eur6m+spread	2022	8,571	8,489	11,429	11,307
UniCredit	Euro	Eur6m+spread	2024	35,000	34,805	35,000	34,723
Unsecured bank loans at amortized cost				6,021	6,016	14,150	14,121
Banque Palatine 376	Euro	Fixed	2023	1,957	1,957	2,554	2,554
Banque Palatine 377	Euro	Fixed	2023	1,310	1,310	1,706	1,706
Banco Popolare	Euro	Eur3m+spread	2019			1,261	1,261
Banca Intesa Sanpaolo	Euro	Eur6m+spread	2020	2,000	1,995	6,000	5,974
Credem	Euro	Eur3m+spread	2020	754	754	1,754	1,754
Cariparma	Euro	Eur6m+spread	2019			875	872
Total medium- and long-term loans				49,592	49,310	60,579	60,151
Total short-term loans							
Total interest-bearing liabilities				49,592	49,310	60,579	60,151

Other Financial Instruments

The fair value of receivables from customers, payables to suppliers and other financial assets and liabilities falling due contractually during the year has not been calculated, insofar as the book value of the financial instrument is virtually the same.

Other Information

The table below provides a breakdown of changes in the shareholders' equity hedging reserve.

(thousands of Euros)	
Reserve 12.31.2018	421
<i>Fair value adjustment of cash flow hedge derivatives</i>	129
<i>Tax effect of fair value adjustment of cash flow hedge derivatives</i>	(31)
<i>Transfers to the income statement</i>	
<i>Tax effect of transfers to the income statement</i>	
Reserve 12.31.2019	519

Hedge accounting is the release of the related reserve when the cash flows from outstanding loans appear, while fair value is the provision to the reserve.

Credit Risk

This section describes in both quantitative and qualitative terms the exposure to credit risk and the way in which this is managed.

Risk Exposure

Core business exposure to credit risk at the reporting date was as follows:

	12.31.2019	12.31.2018
(thousands of Euros)		
Gross trade receivables	41,403	42,170
- provision for bad and doubtful debts	(2,169)	(2,014)
Total	39,234	40,156

Overdue or Impaired Financial Assets

The table below provides a breakdown of the seniority of trade receivables, net of individual write-downs, as at the reporting date:

	Overdue receivables				
December 31, 2019	more than 60 days	from 31 to 60 days	from 0 to 30 days	Non-overdue receivables	Total
(thousands of Euros)					
Italy	687	73	979	29,932	31,671
EU	460	165	1,871	1,404	3,900
Rest of the world	68	26	311	3,258	3,663
Total	1,215	264	3,161	34,594	39,234

	Overdue receivables				
December 31, 2018	more than 60 days	from 31 to 60 days	from 0 to 30 days	Non-overdue receivables	Total
(thousands of Euros)					
Italy	151	124	1,078	30,422	31,775
EU	544	219	2,378	2,044	5,185
Rest of the world	12	91	508	2,585	3,196
Total	707	434	3,964	35,051	40,156

The Parent company's overdue receivables as at December 31, 2019 improved in absolute terms from €5.1 million to €4.6 million. They represent 11.8% of the total portfolio compared with 12.7% reported in the previous year.

How Credit Risk is Managed

As a general rule, the commercial risk management policy is to insure all client receivables, excluding those of Italian customers, with leading insurance companies. Any uninsured or non-insurable positions, in particular those with Italian customers, are constantly monitored by the appropriate Corporate Functions.

In addition, non-recourse receivable assignment agreements have been entered into.

The internal procedures for carrying out a creditworthiness assessment involve collecting and analyzing qualitative and quantitative information, and the use of external databases and commercial

information. To date, the policies used have made it possible to limit receivable-related losses, which in 2019 were zero.

Market Risk

Market risk is defined as the risk that the fair value or the cash flows associated with a financial instrument will fluctuate because of changes in market variables such as exchange rates, interest rates, commodity prices, and stock prices.

The market risk to which the Parent company was exposed during the year may be broken down as follows:

- currency risk;
- interest rate risk;
- commodity risk.

The scale of these risks and the way in which they are managed is described below.

Currency risk

The Parent company's exposure to currency risk derives from:

- trade receivables/payables denominated in currencies other than the functional currency of the financial statements;
- cash and cash equivalents held in foreign-currency current accounts;

Other than the Euro, which is the functional currency, the main currencies in which the Parent company carries out its commercial activities are the United States dollar and the British pound. Exposure to other currencies is negligible.

In terms of exposure to currency risk, in 2019 the Parent company managed the marginal imbalance between investments and funds in the same currency by using a natural-hedging approach and by carefully and continually monitoring market conditions; as a result, it was not deemed necessary to resort to hedging derivatives.

The Parent company's exposure in euros, based on the official ECB exchange rates as at December 31, 2019 and December 31, 2018, is reported in the following table.

ECB exchange rates	12.31.2019	12.31.2018
(per Euro)		
USD	1.1234	1.145
GBP	0.8508	0.8945
CHF	1.0854	1.1269
CAD	1.4598	1.5605
CNY	7.8205	7.8751

The table below provides a breakdown of the Parent company's exposure to currency risk stated in its separate financial statements, based on the notional amount of the exposure expressed in thousands of Euros.

	12.31.2019				12.31.2018				
	USD	GBP	CHF	CAD	USD	GBP	CHF	CAD	CNY
(thousands of Euros)									
Trade receivables	3,140	67			1,914	9			27
Trade payables	(1,004)	(36)			(901)	(43)	(1)		
Cash pooling with subsidiaries	(119)	30			1,340	(397)			
Cash and cash equivalents	3,569	495		1	828	673		1	
Net exposure	5,586	556		1	3,181	242	(1)	1	27

Sensitivity Analysis of Currency Risk

In order to measure the possible effects of changes in the reporting-date exchange rates on the statement of financial position and income statement, assumptions were made (at December 31, 2019 and December 31, 2018) as to variations in the value of the Euro against the major foreign currencies.

Specifically, two scenarios were used: a 10% appreciation and a 10% depreciation of the Euro against the other currencies. For each of the two scenarios, the gain or loss arising from transactions outstanding as at December 31, 2019 and December 31, 2018 was then calculated. In this way, it was possible to determine the effect on the income statement and on shareholders' equity had the market exchange rates been subject to the assumed changes.

The tables below provide a summary of the results of this analysis, indicating the additional effect on the actual figures recognized at the reporting date. These re-measurements based on changes in the exchange rate affect profit or loss for the year.

10% appreciation of the Euro		10% depreciation of the Euro	
(thousands of Euros)	Profit/ (Loss)	(thousands of Euros)	Profit/(Loss)
December 31, 2019		December 31, 2019	
USD	(559)	USD	559
GBP	(56)	GBP	56
CHF		CHF	
CAD		CAD	
CNY		CNY	
Total	(615)	Total	615
December 31, 2018		December 31, 2018	
USD	(318)	USD	318
GBP	(24)	GBP	24
CHF		CHF	
CAD		CAD	
CNY	(3)	CNY	3
Total	(345)	Total	345

How Currency Risk is Managed

The main objective of the Parent company's currency-risk management policy is to limit the exposure to foreign currency arising from exporting finished goods to, and importing raw materials from, foreign markets. The following guidelines are used in pursuing this policy:

- inflows and outflows in the same currency are offset (natural hedging);
- recourse is made to forward sales or to export loans in the same currency. These transactions were arranged by using a notional amount and due date that correspond to those of the expected cash flows (if the amount is significant), so that any changes in the cash flows arising from the forward transactions, as the result of the appreciation or depreciation of the Euro against the other currencies, are substantially offset by a corresponding change in the expected cash flows of the underlying positions;
- forward sales are hedged. There were no outstanding transactions of this type at the reporting date.

As a general rule, the currency-risk management policy recommends maximizing the use of natural hedging and, in any case, excludes recourse to transactions involving complex derivatives, e.g. those with barriers.

RDM's Administration and Finance Department is responsible for monitoring currency risk and recommends suitable currency-risk hedging strategies to keep exposure within the limits agreed with senior management.

Interest Rate Risk

Financial liabilities exposing the Parent company to interest rate risk are, for the most part, floating-rate medium- and long-term loans.

The table below sets out the positions that are subject to interest rate risk, separating fixed-rate from floating-rate exposure in terms of the nominal value of the financial instruments.

However, the exposure to interest rate risk arising from loans is partially mitigated by entering into interest rate swap agreements designed to hedge the volatility of future cash flows indexed to market rates.

	12.31.2019	%	12.31.2018	%
(thousands of Euros)				
Floating-rate medium- and long-term loans			(1,253)	2.5%
Floating-rate medium- and long-term loans hedged by IRS	(33,714)	36%	(45,071)	90.9%
Fixed-rate medium- and long-term loans	(2,269)	2%	(3,267)	6.6%
Total non-current liabilities	(35,983)	38%	(49,591)	52.4%
Floating-rate medium- and long-term loans	(1,253)	1%	(4,138)	9.2%
Floating-rate medium- and long-term loans hedged by IRS	(11,357)	12%	(5,857)	13%
Fixed-rate medium- and long-term loans	(999)	1%	(992)	2.2%
Floating-rate cash pooling with subsidiaries and joint ventures	(45,239)	48%	(34,688)	75.6%
Total current liabilities	(58,848)	62%	(45,675)	47.6%
<i>Total (floating rate)</i>	(1,253)	1%	(5,391)	5.7%
<i>Total (fixed rate or hedged floating rate)</i>	(93,578)	99%	(89,875)	94.3%
Total	(94,831)	100%	(95,266)	100%

Sensitivity Analysis of Interest Rate Risk

A sensitivity analysis of the financial instruments exposed to interest rate risk was performed upon preparation of the financial statements. The following assumptions were used in the model:

- for bank current-account exposure and spreads settled by interest rate swaps, financial income/expense was recalculated by applying +/-50 bps to the interest rate payable, multiplied by the carrying amounts and for a period equal to the financial year;
- for loans with a repayment plan, the change in financial expense was calculated by applying +/-50 bps to the loan interest rate payable at each refixing date, multiplied by the outstanding principal during the year;
- the change in the fair value of interest rate swaps at the reporting date was calculated by applying +/-50 bps to the Euro risk-free curve of deposit rates, futures and swaps as at the date on which the financial statements were prepared.

	Profit (loss)		Shareholders' equity	
	Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
(thousands of Euros)				
December 31, 2019				
Cash flows during the year	(109)	78		
<i>Cash flows from derivatives</i>	250	(250)		
<i>Intercompany current account</i>	(100)	100		
<i>Floating-rate loans</i>	(259)	228		
Effectiveness of hedges			455	(455)
Net sensitivity of financial flows	(109)	78	455	(455)
December 31, 2018				
Cash flows during the year	(176)	158		
<i>Cash flows from derivatives</i>	131	(131)		
<i>Intercompany current account</i>	(100)	100		
<i>Floating-rate loans</i>	(207)	189		
Effectiveness of hedges			689	(689)
Net sensitivity of financial flows	(176)	158	689	(689)

An analysis of these scenarios demonstrated that changes in interest rates had little impact on the income statement and shareholders' equity. Cash flow hedges considerably restrict the impact on financial expense recognized in the income statement.

How Interest Rate Risk is Managed

The Parent company uses various debt instruments according to the nature of its financial requirements. In particular, it uses short-term debt to fund working capital requirements and medium- and long-term financing to cover investments in the core business.

The techniques used most often are:

- advances for short-term requirements;
- loans for medium- and long-term requirements. These instruments, which are arranged with leading banks, are mainly indexed to floating rates that are subject to revision every three or six months.

The Parent company's current risk management policy aims to reduce the variability of the financial expense incurred on its debt and of the related effects on profit or loss. The practical objectives in terms of risk management therefore involve stabilizing the cash flows linked to the cost of servicing debt in line with budget forecasts.

From an operating standpoint, the Parent company sets about achieving this goal by using derivatives in the form of interest rate swaps (IRS).

In line with the features of the transactions carried out and its risk management objectives, the Parent Company has decided to structure its hedging relations using a cash flow hedge approach.

Specifically, the hedging relations involve converting floating-rate loan payments to fixed-rate payments. This is carried out by using interest rate swaps (IRS), under which the Parent Company receives a flow of payments from the counterparty bank at the same floating rate as its debt, less the spread. In exchange, the Parent company makes a payment flow at a fixed rate. The position (debt + IRS) in the separate financial statements is therefore a fixed-rate liability of which the amount of financial expense is certain (the aim of cash flow hedging).

The present hedging policy excludes the recourse to transactions involving complex derivatives.

As at the reporting date, the risk of variability in cash flows linked to floating-rate debt was mainly hedged by derivative financial instruments.

Commodity risk

In terms of the nature of the business carried out by RDM, commodity risk is the risk that the profit for the year will be reduced by incurring higher costs to purchase raw materials for the mills. This risk is part of the broader category of market risk, specifically where the cost of the raw material is dependent on changes in a quoted index.

In 2018, the Group signed contracts for the supply of natural gas also for 2019, operating mainly on a quarterly and annual basis, negotiating fixed unit prices for each of the individual quarters of supply. This allowed for a significant reduction in “commodity risk” for the first part of the year and a partial reduction for the last quarter. The supplies relating the last quarter of 2019 were negotiated and confirmed over the year in order to meet the mills’ requirements, while benefiting from the decreasing prices for energy commodities. All prices are expressed in Euros per volume unit, with subsequent adjustments to the content of primary energy contained in it.

At the end of November 2018, the Group signed contracts for the supply of electricity at a price indexed according to the prices of certain continental energy markets, in some cases by providing fixing operations following the conclusion of contracts by utilizing appropriate clauses in their contracts. Supply quotas at a price indexed relating to reference markets are negotiated with spreads fixed with respect to these prices. The price fixing of supply quotas aimed to contain “commodity risk” as described above. The negotiated prices are expressed in Euros per unit of electricity. In 2019 new electricity supply and import agreements for Europe were negotiated for 2020, in conjunction with the subsidiaries operating in France and Spain, so that group production organizations use the same supplier. These agreements were negotiated to a small extent at fixed prices in order to benefit from greatly decreasing prices.

As of December 31, 2019 there were no specific derivative hedging instruments for the commodity risk.

A sensitivity analysis was not performed on this category of risk because, as at the date of preparing the financial statements, it was not considered material in terms of its impact on the income statement and on RDM’s business margins.

How Commodity Risk is Managed

The nature of the Parent company's business involves exposure to fluctuations in the price of electricity, natural gas and certain chemical products derived from petroleum (such as latexes) and fibrous raw materials.

Natural gas supply contracts are usually agreed for total requirements at a fixed price and are negotiated at least three months before the supply period, but sometimes for longer periods in relation to the supply period. Electricity is purchased partly at a fixed price, and partially indexed according to the values of continental electricity markets as published by the bodies responsible for these markets.

In order to contain possible price pressure on raw materials, the Parent company aims to diversify its suppliers and its supply markets.

The Parent company does not currently use derivative instruments, even if there is a possibility to enter into technical forms of hedging with leading banks.

Liquidity risk

Liquidity risk can take the form of difficulty in obtaining the funds required to satisfy scheduled contractual commitments at market conditions.

This may mean there are insufficient resources available to meet financial obligations under the agreed terms and conditions and at the pre-determined due dates, or it may mean the business is required to settle its financial liabilities earlier than the scheduled due date.

For each contract maturity date, the analysis aimed to measure the cash flows deriving from the various types of financial liability held as at December 31, 2019 and December 31, 2018.

Depending on their nature, financial liabilities were separated into non-derivative and derivative financial liabilities. Given the different accounting treatments, it was deemed appropriate for the latter to be subdivided into liabilities where the derivative had been formally designated as a hedge, and had turned out to be effective, or liabilities where the derivative was not subject to hedge accounting.

The main assumptions relating to the Parent company's financial requirements that were used to carry out the analyses were as follows:

- cash flows are not discounted;

- cash flows are allocated to their respective time bands on the basis of the first possible payment date provided for by the contractual terms and conditions (the worst-case scenario);
- all instruments held at the reporting date for which payments have been contractually designated are included; planned future commitments that have not yet been recognized in the financial statements are not included;
- if the amount payable is not fixed (e.g. future interest payments), financial liabilities are measured at market terms and conditions at the reporting date;
- cash flows also include the interest that the Parent company will pay up to the due date of the debt, measured at the reporting date and calculated on the basis of forward market interest rates.

December 31, 2019	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
(thousands of Euros)							
Cash and cash equivalents	33,653	33,653	33,653				
Trade receivables	39,234	39,234	39,234				
Other receivables from Group companies	13,887	13,887	13,887				
Other receivables	6,068	6,068	4,418		1,650		
Medium- and long-term bank loans	(49,367)	(50,290)	(8,083)	(5,756)	(11,068)	(25,383)	
Rights of use	(3,392)	(3,392)	(520)	(520)	(843)	(1,196)	(313)
Other payables to Group companies	(45,239)	(45,239)	(45,239)				
Financial payables to subsidiaries							
Hedging derivatives	(725)	(725)	(171)	(138)	(216)	(200)	
Non-hedging derivatives							
Trade payables	(61,076)	(61,076)	(61,076)				
Other payables	(6,283)	(6,283)	(6,283)				
Total	(73,240)	(74,163)	(30,180)	(6,414)	(10,477)	(26,779)	(313)

December 31, 2018	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
(thousands of Euros)							
Cash and cash equivalents	26,835	26,835	26,835				
Trade receivables	40,156	40,156	40,156				
Other receivables from Group companies	14,953	14,953	14,953				
Other receivables	3,446	3,446	2,254		1,192		
Medium- and long-term bank loans	(60,204)	(62,102)	(6,792)	(4,564)	(13,965)	(29,697)	(7,084)
Other payables to Group companies	(34,687)	(34,687)	(34,687)				
Financial payables to subsidiaries							
Hedging derivatives	(541)	(541)	(104)	(139)	(223)	(99)	24
Non-hedging derivatives							
Trade payables	(53,464)	(53,464)	(53,464)				
Other payables	(6,735)	(6,735)	(6,735)				
Total	(70,241)	(72,139)	(17,584)	(4,703)	(12,996)	(29,796)	(7,060)

The first section of the table compares the book value of the financial liabilities with the total value of cash flows that – given the market conditions at the reporting date – are expected to be received from or paid to counterparties. The second section of the table shows a breakdown by time period of the total cash flows, which make up the item “Contractual financial flows”.

How Liquidity Risk is Managed

The Group’s financial activity is centered largely on the Parent company Reno De Medici S.p.A., which, on the basis of well-established practice inspired by prudence and stakeholder protection, negotiates credit facilities with banks and continually monitors the cash flows of the individual Group companies.

The Group’s management policies involve continually monitoring liquidity risk with a view to mitigating said risk by maintaining sufficient liquidity and/or short-term deposits with prime counterparties and by having access to short-term credit facilities backed mainly by receivables from domestic and foreign clients.

ANNEXES

The following information that is an integral part of the notes to the financial statements is provided in the notes below

Annex A: Details of related-party and intragroup relations as at December 31, 2019

Annex B: Information pursuant to Article 149-duodecies of the Consob Issuers' Regulation

ANNEX A - DETAILS OF RELATED-PARTY AND INTRAGROUP TRANSACTIONS AS AT DECEMBER 31, 2019

The additional disclosures on related-party transactions, as required by Consob Communication 6064293 of July 28, 2006, are provided below.

RECEIVABLES, PAYABLES, COSTS AND REVENUES WITH GROUP COMPANIES

Details of transactions in 2019 and 2018 with companies controlled directly and indirectly, associate companies and joint ventures are listed below. Transactions between Reno De Medici S.p.A. and other Group companies, in the production and financial spheres and in the provision of services are regulated under normal market conditions taking into account the quality of the goods and services supplied.

Intragroup receivables and payables

12/31/2019	Current assets		Current liabilities		
	Receivables from subsidiaries		Payables to subsidiaries		
	trade ⁽¹⁾	financial ⁽²⁾	trade ⁽¹⁾	trade ⁽³⁾	financial ⁽⁴⁾
(thousands of Euros)					
Cartiera Alto Milanese S.r.l. in liquidation					1,021
Emmaus Pack S.r.l.			6,485		
PAC SERVICE S.p.A.	2,287			1	192
RDM Blendecques S.A.S.	366	5,621			52
R.D.M. Ovaro S.p.A.	785			255	13,513
R.D.M. Arnsberg GmbH	1,403			152	25,826
R.D.M. La Rochette S.A.S.	866	5,104		40	78
R.D.M. Magenta S.r.l.	135	1,085		1,084	
RDM Barcelona Cartonboard S.A.U.	739	1,500			
R.D.M. Marketing France S.A.S.	106			593	2,785
R.D.M. Marketing Germany GmbH	46			123	1,076
R.D.M. Marketing Spain S.l.u.	269	338			
R.D.M. Marketing Czech Republic s.r.o.	41			323	102
R.D.M. Marketing Poland SP z.o.o.	57			299	432
R.D.M. Marketing Hungaria KFT	28			19	162
R.D.M. Marketing UK Ltd	29	239		60	
R.D.M. Marketing Portugal, Unipessoal Lda	6			17	
Total	7,163	13,887	6,485	2,966	45,239

(1) See Statement of Financial Position - total of the item "Receivables from Group companies classified under "Current assets"

(2) See Statement of Financial Position - total of the item "Other receivables from Group companies" - classified under "Current assets"

(3) See Statement of Financial Position - total of the item "Payables to Group companies" classified under "Current liabilities"

(4) See Statement of Financial Position - total of the item "Other payables to Group companies" classified under "Non-current liabilities"

12/31/2018	Current assets		Current liabilities		
	Receivables from subsidiaries		Payables to subsidiaries		
	trade ⁽¹⁾	financial ⁽²⁾	trade ⁽¹⁾	trade ⁽³⁾	financial ⁽⁴⁾
(thousands of Euros)					
Cartiera Alto Milanese S.r.l. in liquidation					895
Emmaus Pack S.r.l.			6,418		
PAC SERVICE S.p.A.	2,321				
RDM Blendecques S.A.S.	437	7,524			1
R.D.M. Ovaro S.p.A.	2,279			86	12,643
R.D.M. Arnsberg GmbH	812			118	17,010
R.D.M. La Rochette S.A.S.	909	4,757		601	232
R.D.M. Magenta S.r.l.	131	1,028		640	
RDM Barcelona Cartonboard S.A.U.	116				
R.D.M. Marketing France S.A.S.	113			449	2,363
R.D.M. Marketing Germany GmbH	57			170	812
R.D.M. Marketing Spain S.l.u.	131	86			
R.D.M. Marketing Czech Republic s.r.o.	20			165	101
R.D.M. Marketing Poland SP z.o.o.	30			122	432
R.D.M. Marketing Hungaria KFT	36			21	198
R.D.M. Marketing UK Ltd	19	340		70	
Total	7,411	13,735	6,418	2,442	34,687

(1) See the Statement of financial position - total of the item "Receivables from Group companies" classified under "Current assets"

(2) See the Statement of financial position - total of the item "Other receivables from Group companies" classified under "Current assets"

(3) See the Statement of financial position - total of the item "Other payables to Group companies" classified under "Current liabilities"

(4) See the Statement of financial position - total of the item "Other payables to Group companies" classified under "Non-current liabilities"

Intragroup revenues

12/31/2019	Revenues from sales ⁽¹⁾	Other revenues ⁽²⁾	Financial income
(thousands of Euros)			
PAC Service S.p.A.	5,470		
RDM Blendecques S.A.S.		1,443	189
R.D.M. Ovaro S.p.A.	114	1,112	
R.D.M. Arnsberg GmbH	172	3,037	
R.D.M. Magenta S.r.l.	14	117	31
R.D.M. La Rochette S.A.S.		1,861	181
Emmaus Pack S.r.l.	10,829	87	
RDM Barcelona Cartonboard S.A.U.	65	396	18
R.D.M. Marketing France S.A.S.		106	
R.D.M. Marketing Germany GmbH		46	
R.D.M. Marketing Spain S.l.u.		42	3
R.D.M. Marketing Czech Republic s.r.o.		41	
R.D.M. Marketing Poland SP z.o.o.		52	
R.D.M. Marketing Hungaria KFT		28	
R.D.M. Marketing UK Ltd		29	8
R.D.M. Marketing Portugal, Unipessoal Lda		6	
Total	16,664	8,403	430

(1) See Statement of Income - the item "Revenues from sales - of which related parties" including "Revenues from sales" intragroup and from other related parties

(2) See Statement of Income - the item "Other revenues and income - of which related parties" including "Other revenues and income" intragroup and from related parties

12/31/2018	Revenues from sales ⁽¹⁾	Other revenues ⁽²⁾	Financial income
(thousands of Euros)			
PAC Service S.p.A.	5,181		
RDM Blendecques S.A.S.		1,344	192
R.D.M. Ovaro S.p.A.	1,159	908	
R.D.M. Arnsberg GmbH	2	2,809	
R.D.M. Magenta S.r.l.		122	13
R.D.M. La Rochette S.A.S.		1,776	103
Emmaus Pack S.r.l.	11,739	102	
RDM Barcelona Cartonboard S.A.U.	117		
R.D.M. Marketing France S.A.S.		113	
R.D.M. Marketing Germany GmbH		57	
R.D.M. Marketing Spain S.l.u.		34	1
R.D.M. Marketing Czech Republic s.r.o.		20	
R.D.M. Marketing Poland SP z.o.o.		30	
R.D.M. Marketing Hungaria KFT		16	
R.D.M. Marketing UK Ltd		19	14
Total	18,198	7,350	323

(1) See the Income statement - the item "Revenues from sales - related parties" including "Revenues from sales - intragroup and from other related parties"

(2) See the Income statement - the item "Other revenues and income - related parties" including "Other revenues and income" intragroup and from other related-parties

Intragroup costs

	Cost of raw materials and services ⁽¹⁾		Financial expense
12/31/2019	raw materials	services	
(thousands of Euros)			
PAC Service S.p.A.		11	
RDM Blendecques S.A.S.		(1,173)	2
R.D.M. Ovaro S.p.A.	(1,969)	(645)	128
R.D.M. Arnsberg GmbH		(1,946)	23
R.D.M. Magenta S.r.l.		4,964	
R.D.M. La Rochette S.A.S.	202	(1,870)	6
Emmaus Pack S.r.l.	8		
R.D.M. Marketing France S.A.S.		2,481	3
RDM Barcelona Cartonboard S.A.U.		(1,386)	
R.D.M. Marketing Germany GmbH		1,015	1
R.D.M. Marketing Spain S.l.u.		1,270	
R.D.M. Marketing Czech Republic s.r.o.		684	
R.D.M. Marketing Poland SP z.o.o.		865	1
R.D.M. Marketing Hungaria KFT		275	
R.D.M. Marketing UK Ltd		439	
R.D.M. Marketing Portugal, Unipessoal Lda		207	
Total	(1,759)	5,221	164

(1) See the Income statement - the item "Costs of raw materials and services - related parties" including the "Cost of raw materials and services" intragroup and from other related-parties

12/31/2018	Cost of raw materials and services ⁽¹⁾		Financial expense
	raw materials	services	
(thousands of Euros)			
RDM Blendecques S.A.S.		(1,149)	1
R.D.M. Ovaro S.p.A.	(2,398)	(653)	121
R.D.M. Arnsberg GmbH	28	(2,340)	23
R.D.M. Magenta S.r.l.		4,907	
ZAR S.r.l.	(24)		
R.D.M. La Rochette S.A.S.	1,019	(2,019)	9
R.D.M. Marketing France S.A.S.		2,620	2
R.D.M. Marketing Germany GmbH		1,230	1
R.D.M. Marketing Spain S.l.u.		588	
R.D.M. Marketing Czech Republic s.r.o.		594	
R.D.M. Marketing Poland SP z.o.o.		768	
R.D.M. Marketing Hungaria KFT		268	
R.D.M. Marketing UK Ltd		438	
Total	(1,375)	5,252	157

(1) See the Income statement - the item "Costs of raw materials and services - related parties" including the "Cost of raw materials and services" intragroup and from other related-parties

RECEIVABLES, PAYABLES COSTS AND REVENUES WITH OTHER RELATED PARTIES

Receivables and payables with other related parties

The table below lists the payables and receivables at December 31, 2019 and December 31, 2018 with related parties:

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%

12/31/2018	Current liabilities
(thousands of Euros)	Payables to third-party suppliers
Cascades Groupe Produits	1
Total	1
Impact on item total	0.0%

Revenues and costs with other related parties

Note that in 2018 and 2019 no costs and revenues with related parties were realized.

ANNEX B: INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF THE CONSOB ISSUERS' REGULATION

The following statement, prepared pursuant to Article 149-duodecies of the Consob Issuers' Regulation, highlights the considerations pertaining to 2019 for auditing services and for other services provided by the independent auditors Deloitte & Touche S.p.A. and by organizations belonging to its network (Deloitte Network).

DESCRIPTION	Company providing the service	Recipient	Fees for financial year 2019 (thousands of Euros)
Auditing of accounts	<i>Deloitte & Touche S.p.A.</i>	<i>Capogruppo Reno De Medici S.p.A.</i>	225
	<i>Deloitte & Touche S.p.A.</i>	<i>Italian subsidiaries</i>	52
	<i>Network Deloitte</i>	<i>Foreign subsidiaries</i>	155
Other auditing services	<i>Deloitte & Touche S.p.A.</i>	<i>Capogruppo Reno De Medici S.p.A.</i>	53
	<i>Deloitte & Touche S.p.A.</i>	<i>Italian subsidiaries</i>	19
	<i>Network Deloitte</i>	<i>Foreign subsidiaries</i>	11
Advisory services	<i>Network Deloitte</i>	<i>Foreign subsidiaries</i>	
Total			515

CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

at December 31, 2019, pursuant to article 81-ter of Consob Regulation 11971 of May 14, 1999 and subsequent amendments and supplements.

1. The undersigned Michele Bianchi, as CEO and Luca Rizzo as the Financial Reporting Executive of Reno De Medici S.p.A., certify, considering the provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998:

- the suitability for the characteristics of the business and
- the effective implementation

of the administrative and accounting procedures pertaining to the preparation of the year-end separate financial statements for the period from January 1 to December 31, 2019.

2. No significant issues have emerged in this regard.

3. It is further certified that

3.1 the separate financial statements:

a) were prepared in accordance with the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002;

b) are consistent with the figures reported in the relevant accounting books and records;

c) are able to provide a true and fair view of the financial position, the results and the cash flows of the issuer and of the companies whose accounts have been consolidated;

3.2. The Directors' Report comprises a reliable analysis of operating performance and results, as well as of the situation of the issuer and of the companies whose accounts have been consolidated, together with a description of the major risks and uncertainties to which they are exposed.

Milan, March 16, 2020

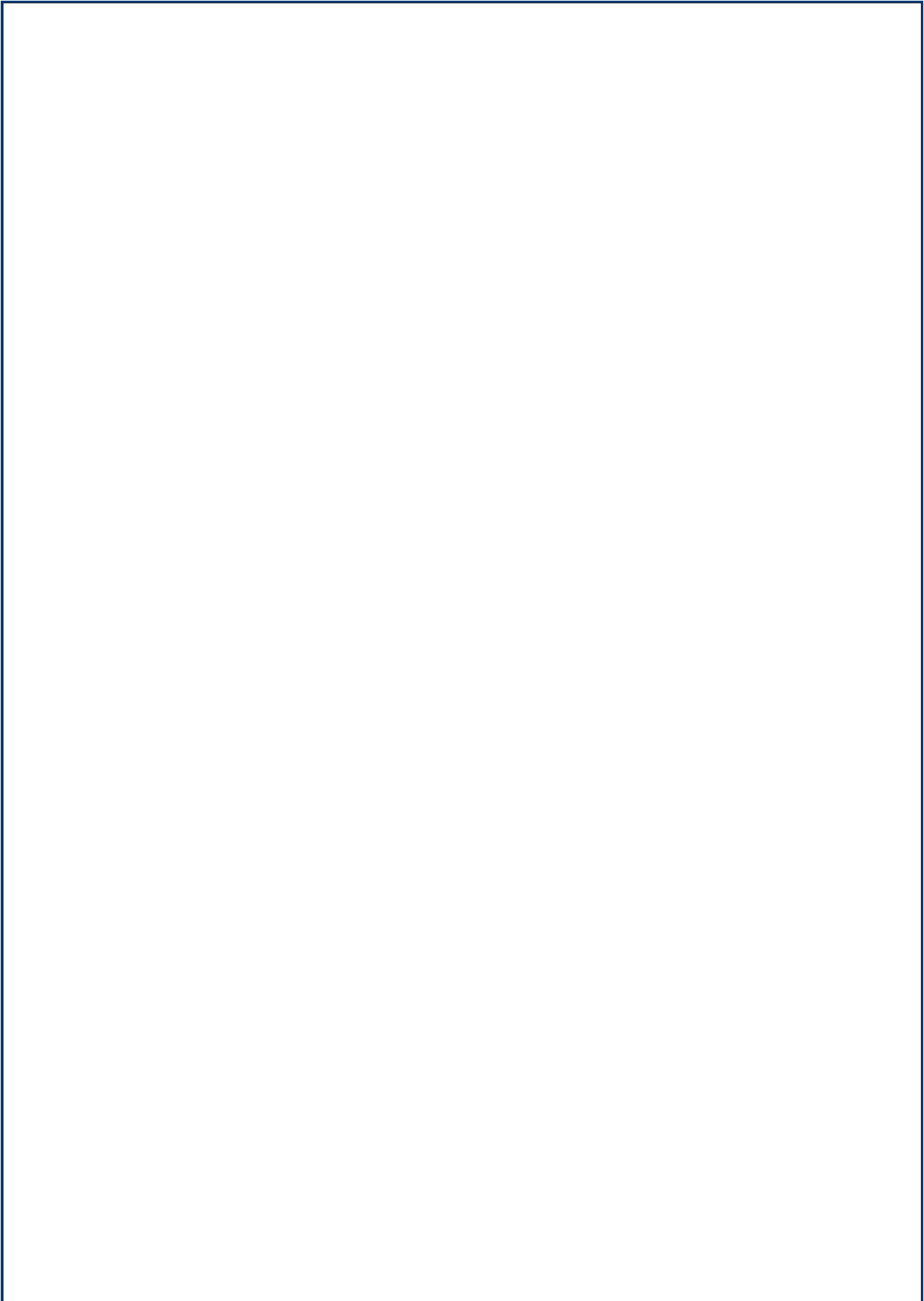
Chief Executive Officer

Michele Bianchi

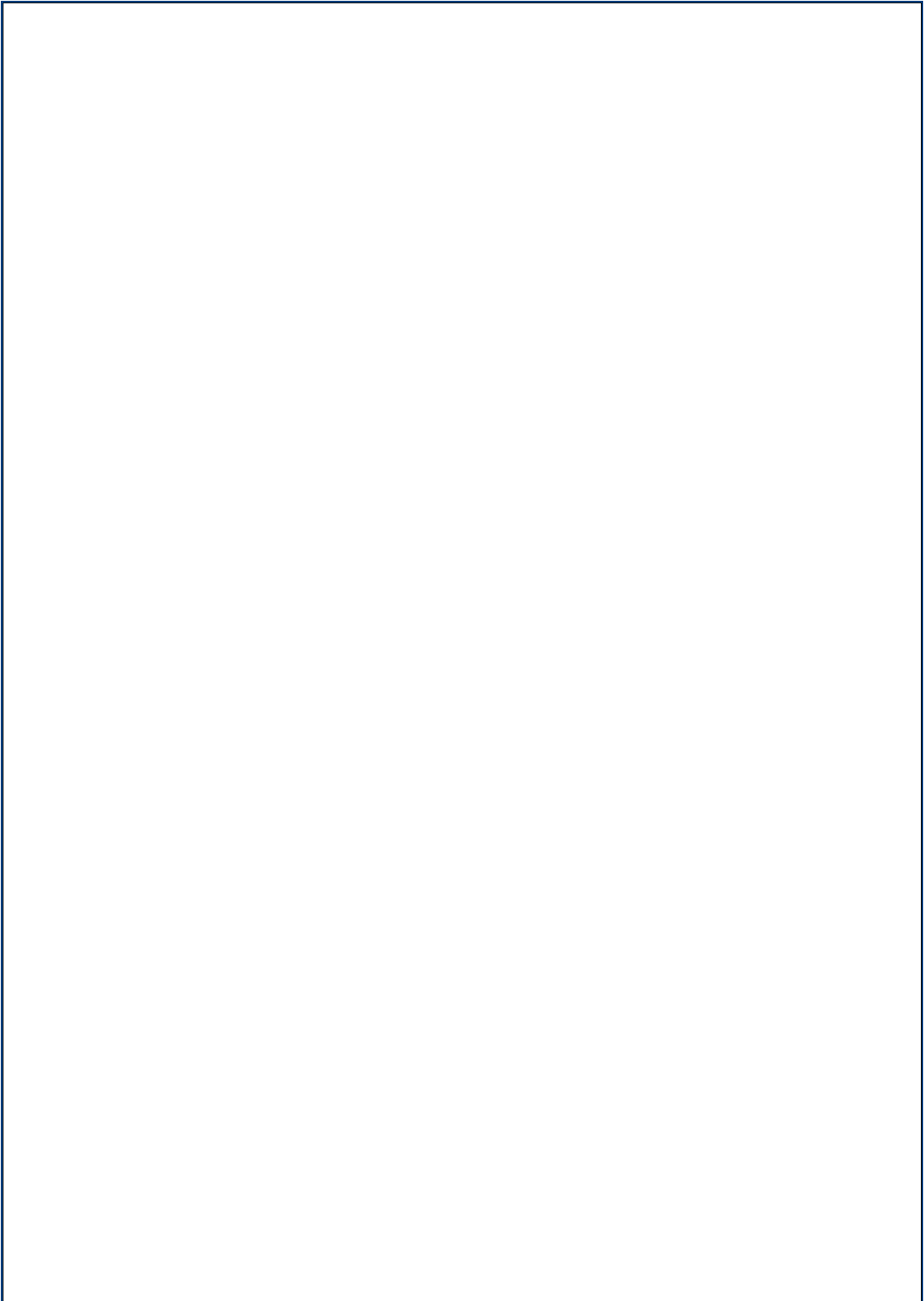
Chief Financial Officer

Luca Rizzo

Patient Information	
Name	
Age	
Gender	
Address	
City	
State	
Zip	
Phone	
Medical History	
Past Medical History	
Current Medical History	
Allergies	
Medications	
Vital Signs	
Physical Examination	
Laboratory Tests	
Imaging Studies	
Diagnosis	
Treatment Plan	
Follow-up	



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06

Proposed Resolutions

Summary tables of the key figures from the most recent financial statements of the subsidiaries, associates and joint ventures of the Reno De Medici Group

PROPOSED RESOLUTIONS

Dear Shareholders,

The Financial Statements for the financial year as at December 31, 2019, which we hereby submit for your approval, close with a net profit of €15,937,450.85.

The Board of Directors hereby proposes to make the following resolutions:

First Resolution

“The Ordinary Shareholders’ Meeting of Reno De Medici S.p.A.:

- having considered the Board of Directors’ Report on Operations;
- having considered the Reports of the Board of Statutory Auditors and Auditing Firm, Deloitte & Touche S.p.A.

hereby resolves

- to approve the Board of Directors’ Report on Operations and Separate Financial Statements of Reno de Medici S.p.A. as at December 31, 2019 in all of their parts and results.

Second Resolution

“The Ordinary Shareholders’ meeting of Reno De Medici S.p.A.:

- having considered the proposal of the Board of Directors

hereby resolves

- to allocate the net profit for the financial year ended December 31, 2019, amounting to €15,937,50.85, as follows:
- € 796,872.54 to the legal reserve, pursuant to Article 2430 of the Italian Civil Code;
- €0.0245 by way of a privileged dividend - in accordance with Article 22 of the Articles of Association – in favor of each savings share outstanding as at the record date of the dividend, as determined below;
- €0.008 by way of a dividend in favor of each ordinary share outstanding as at the dividend record date, as determined below, acknowledging that it is less than the maximum dividend of 3% of €0.49

provided for by Article 22, paragraph 2, section a), of the Articles of Association, as a dividend due to ordinary shares, once the preferential dividend of savings shares has been paid;

- as regards the residual profit – net of the allocation to the legal reserve and the dividend distributions referred to above - allocated to the “Available Reserve”;
- to establish that the dividend will be paid on May 13, 2020, for each ordinary share entitled to dividends and for each savings share entitled to dividends, with an ex-dividend date of May 11, 2019 and record date of May 12, 2020.

Milan, March 16, 2020

On behalf of the Board of Directors

The Chairman

Statements summarizing the essential data of the latest financial statements of the subsidiaries, associates and joint ventures of the Reno de Medici Group

Pursuant to Article 2429, paragraphs three and four, of the Italian Civil Code, the statements summarizing the essential data as at December 31, 2019 of the RDM Group subsidiaries and associates is listed below:

Subsidiaries**Included in the scope of consolidation**

Cartiera Alto Milanese S.r.l. in liquidation
Cascades Grundstück GmbH & Co.KG
RDM Blendecques S.A.S.
R.D.M. Ovaro S.p.A.
R.D.M. Arnsberg GmbH
R.D.M. Magenta S.r.l.
R.D.M. La Rochette S.A.S.
PAC Service S.p.A.
RDM Barcelona Cartonboard S.A.U.
R.D.M. Marketing Portugal Unipessoal Lda.
R.D.M. Marketing Germany GmbH
R.D.M. Marketing France S.A.S.
R.D.M. Marketing Spain S.L.U.
R.D.M. Marketing UK Limited
R.D.M. Marketing Czech Republic S.r.o.
R.D.M. Marketing Hungaria Kft.
R.D.M. Marketing Poland SP z.o.o.

Associates

Emmaus Pack S.r.l.

Joint ventures

RECOG.SEL.PAP. Y CART. C., A.I.E.

Cartiera Alto Milanese S.r.l. in liquidation**Registered office in Milan – Viale Isonzo, 25****Share capital 12,000****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets		54
Current assets	1,032	906
TOTAL ASSETS	1,032	960
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	1,017	960
Provisions for risks and charges		
Payables	15	
TOTAL LIABILITIES	1,032	960

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	126	
Costs of production	(15)	(2)
Operating profit	111	(2)
Financial income (expense)		
Profit (loss) before tax	111	(2)
Tax for the year	(54)	
Profit (loss) for the year	57	(2)

Cascades Grundstück GmbH & Co.KG**Registered office in Arnsberg – Hellefelder Street, 51****Share capital Euro 28,000****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets	307	307
Current assets	3	1
TOTAL ASSETS	310	308
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	305	304
Provisions for risks and charges		
TFR		
Payables	5	4
TOTAL LIABILITIES	310	308

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production		
Costs of production	(7)	(5)
Operating profit	(7)	(5)
Financial income (expense)		
Profit (loss) before tax	(7)	(5)
Tax for the year		
Profit (loss) for the year	(7)	(5)

RDM Blendecques S.A.S.**Registered office in Blendecques – Rue de L’Hermitage B.P. 53006****Share capital Euro 5,037,000****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets	20,141	22,237
Current assets	13,768	14,223
TOTAL ASSETS	33,909	36,460
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	5,416	4,779
Provisions for risks and charges	150	
TFR	2,532	2,428
Payables	25,811	29,253
TOTAL LIABILITIES	33,909	36,460

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	59,280	57,073
Costs of production	(57,968)	(58,458)
Operating profit	1,312	(1,385)
Financial income (expense)	(295)	(347)
Gains and (losses) from investments	(2,159)	
Profit (loss) before tax	(1,142)	(1,732)
Tax for the year	524	(434)
Profit (loss) for the year	(618)	(2,166)

R.D.M. La Rochette S.A.S.**Registered office in La Rochette – Av. Maurice Franck 23****Share capital Euro 4,000,000****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets	14,498	22,981
Current assets	33,706	30,826
TOTAL ASSETS	48,204	53,807
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	9,166	16,096
Provisions for risks and charges	78	115
TFR	3,643	3,414
Payables	35,317	34,182
TOTAL LIABILITIES	48,204	53,807

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	113,158	117,100
Costs of production	(119,037)	(118,546)
Operating profit	(5,879)	(1,446)
Financial income (expense)	(455)	(575)
Gains and (losses) from investments		
Profit (loss) before tax	(6,334)	(2,021)
Tax for the year	(390)	(291)
Profit (loss) for the year	(6,724)	(2,312)

R.D.M. Arnsberg GmbH**Registered office in Arnsberg – Hellefelder Street, 51****Share capital Euro 5,112,919****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets	41,964	48,756
Current assets	51,448	44,439
TOTAL ASSETS	93,412	93,195
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	47,881	49,165
TFR	21,586	17,821
Payables	23,945	26,209
TOTAL LIABILITIES	93,412	93,195

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	115,664	119,805
Costs of production	(110,470)	(113,097)
Operating profit	5,194	6,708
Financial income (expense)	(496)	(420)
Profit (loss) before tax	4,698	6,288
Tax for the year	(3,226)	(2,571)
Profit (loss) for the year	1,472	3,717

RDM Barcelona Cartonboard S.A.U.**Registered office in Barcelona - Carrer Potassi, 7****Share capital Euro 14,943,233****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets	52,710	49,794
Current assets	36,015	32,898
TOTAL ASSETS	88,725	82,692
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	35,903	36,380
Provisions for risks and charges		275
Payables	52,822	46,037
TOTAL LIABILITIES	88,725	82,692

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	133,315	22,220
Costs of production	(130,641)	(21,514)
Operating profit	2,674	706
Financial income (expense)	(2,579)	(204)
Profit (loss) before tax	95	502
Tax for the year	(573)	(179)
Profit (loss) for the year	(478)	323

R.D.M. Marketing Portugal Unipessoal Lda.**Registered office in Matosinhos – Praceta D. Nuno Álvares Pereira 20 SL BV****Share capital Euro 3,000****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets	37	1
Current assets	122	51
TOTAL ASSETS	159	52
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	42	23
Payables	117	29
TOTAL LIABILITIES	159	52

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	256	196
Costs of production	(235)	(181)
Operating profit	21	15
Financial income (expense)	(2)	
Profit (loss) before tax	19	15
Tax for the year		(4)
Profit (loss) for the year	19	11

R.D.M. Magenta S.r.l.**Registered office in Milan – Viale Isonzo, 25****Share capital Euro 3,700,000****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets	9,544	5,352
Current assets	3,070	856
TOTAL ASSETS	12,614	6,208
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	3,416	2,202
TFR	992	1,127
Provisions for risks and charges	86	53
Payables	8,120	2,826
TOTAL LIABILITIES	12,614	6,208

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	5,033	4,996
Costs of production	(7,064)	(5,966)
Operating profit	(2,031)	(970)
Financial income (expense)	(261)	(25)
Profit (loss) before tax	(2,292)	(995)
Tax for the year	455	199
Profit (loss) for the year	1,837	(796)

Reno De Medici Ovaro S.p.A.**Registered office in Milan – Viale Isonzo, 25****Share capital Euro 12,500,000****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets	13,120	12,267
Current assets	32,844	31,403
TOTAL ASSETS	45,964	43,670
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	27,569	23,265
Provisions for risks and charges	32	209
TFR	1,783	1,716
Payables	16,580	18,480
TOTAL LIABILITIES	45,964	43,670

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	46,962	47,302
Costs of production	(41,213)	(40,418)
Operating profit	5,749	6,884
Financial income (expense)		21
Profit (loss) before tax	5,749	6,905
Tax for the year	(1,463)	(1,716)
Profit (loss) for the year	4,286	5,189

R.D.M. Marketing France S.A.S.**Registered office in La Défense Cedex - Paris****Share capital Euro 337,000****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets	396	8
Current assets	3,414	2,855
TOTAL ASSETS	3,810	2,863
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	2,373	1,699
TFR	328	285
Payables	1,109	879
TOTAL LIABILITIES	3,810	2,863

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	2,481	2,628
Costs of production	(1,437)	(1,339)
Operating profit	1,044	1,289
Financial income (expense)	(6)	2
Profit (loss) before tax	1,038	1,291
Tax for the year	(338)	(91)
Profit (loss) for the year	700	1,200

R.D.M. Marketing Germany GmbH**Registered office in Uerdinger Strasse - Krefeld****Share capital Euro 210,000****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets	94	
Current assets	1,338	1,279
TOTAL ASSETS	1,432	1,279
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	1,049	977
Payables	383	302
TOTAL LIABILITIES	1,432	1,279

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	1,016	1,230
Costs of production	(907)	(744)
Operating profit	109	486
Financial income (expense)	(2)	1
Profit (loss) before tax	107	487
Tax for the year	(35)	(159)
Profit (loss) for the year	72	328

R.D.M. Marketing Spain S.L.U.**Registered office in C/Selva – El Prat de Llobregat****Share capital Euro 25,916****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets	38	8
Current assets	629	875
TOTAL ASSETS	667	883
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	(333)	320
Payables	1,000	563
TOTAL LIABILITIES	667	883

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	1,279	840
Costs of production	(1,928)	(975)
Operating profit	(649)	(135)
Financial income (expense)	(4)	(2)
Profit (loss) before tax	(653)	(137)
Tax for the year		
Profit (loss) for the year	(653)	(137)

R.D.M. Marketing Czech Republic s.r.o.

Registered office in Jinonická

Share capital Euro 19,679

Statement of financial position**(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets	8	1
Current assets	732	496
TOTAL ASSETS	740	497
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	542	356
Payables	198	141
TOTAL LIABILITIES	740	497

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	751	677
Costs of production	(503)	(453)
Operating profit	248	224
Financial income (expense)	(20)	(17)
Profit (loss) before tax	228	207
Tax for the year	(47)	(43)
Profit (loss) for the year	181	164

R.D.M. Marketing Poland SP z.o.o.**Registered office in Altowa - Warsaw****Share capital Euro 11,746****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets	441	
Current assets	962	837
TOTAL ASSETS	1,403	837
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	861	706
Payables	542	131
TOTAL LIABILITIES	1,403	837

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	941	768
Costs of production	(726)	(353)
Operating profit	215	415
Financial income (expense)	(26)	1
Profit (loss) before tax	189	416
Tax for the year	(35)	(58)
Profit (loss) for the year	154	358

R.D.M. Marketing Hungaria KFT**Registered office in Otvos Janos - Budapest****Share capital Euro 18,153****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets	30	2
Current assets	422	365
TOTAL ASSETS	452	367
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	363	298
Payables	89	69
TOTAL LIABILITIES	452	367

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	272	270
Costs of production	(182)	(194)
Operating profit	90	76
Financial income (expense)	(4)	(8)
Profit (loss) before tax	86	68
Tax for the year	(11)	(12)
Profit (loss) for the year	75	56

R.D.M. Marketing UK**Registered office in West Bromwich - Wednesbury****Share capital Euro 1****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets	60	10
Current assets	356	327
TOTAL ASSETS	416	337
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	26	(47)
TFR	18	2
Payables	372	382
TOTAL LIABILITIES	416	337

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	455	433
Costs of production	(368)	(271)
Operating profit	87	162
Financial income (expense)	(12)	(14)
Profit (loss) before tax	75	148
Tax for the year		
Profit (loss) for the year	75	148

PAC Service S.p.A.**Registered office in Vigonza (PD) – Via Julia, 47****Share capital Euro 1,000,000****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Fixed assets	5,956	6,279
Current assets	11,643	12,255
TOTAL ASSETS	17,599	18,534
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	11,749	11,564
Provisions for risks and charges	158	151
TFR	507	519
Payables	5,185	6,300
TOTAL LIABILITIES	17,599	18,534

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	22,082	21,243
Costs of production	(21,123)	(19,947)
Operating profit	959	1,296
Financial income (expense)	(9)	(19)
Profit (loss) before tax	950	1,277
Tax for the year	(248)	(398)
Profit (loss) for the year	702	879

Emmaus Pack S.r.l.**Registered office in Milan – Viale Isonzo, 25****Share capital Euro 200,000****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Fixed assets	1,162	1,140
Current assets	10,169	10,587
TOTAL ASSETS	11,331	11,727
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	1,320	1,004
Provisions for risks and charges	157	115
TFR	332	339
Payables	9,522	10,269
TOTAL LIABILITIES	11,331	11,727

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	16,106	16,370
Costs of production	(15,396)	(16,058)
Operating profit	710	312
Financial income (expense)	(42)	(41)
Profit (loss) before tax	668	271
Tax for the year	(172)	(80)
Profit (loss) for the year	496	191

RECOG.SEL.PAP. Y CART. C., A.I.E.**Registered office in Barcelona – Spain****Share capital Euro 3,005****Statement of financial position****(thousands of Euros)**

Assets	12.31.2019	12.31.2018
Non-current assets		
Current assets	369	635
TOTAL ASSETS	369	635
Liabilities	12.31.2019	12.31.2018
Shareholders' equity	9	12
Payables	360	623
TOTAL LIABILITIES	369	635

Income Statement**(thousands of Euros)**

	12.31.2019	12.31.2018
Value of production	566	811
Costs of production	(569)	(810)
Operating profit	(3)	1
Financial income (expense)		
Profit (loss) before tax	(3)	1
Tax for the year		
Profit (loss) for the year	(3)	1

Concept & Design: SERVIFLAB

Stampa: SERVIF

