Reno De Medici

RDM GROUP

Half-year Financial Report

06302016

NET REVENUES: €216.3 MILLION
(COMPARED TO €226 MILLION AS AT JUNE 30, 2015)

GROSS OPERATING PROFIT (EBITDA): €17.4 MILLION
(COMPARED TO €23 MILLION AS AT JUNE 30, 2015)

OPERATING PROFIT (EBIT): €6.7 MILLION
(COMPARED TO €10.6 MILLION AS AT JUNE 30, 2015)

NET PROFIT (LOSS) BEFORE DISCONTINUED OPERATIONS: PROFIT OF €4.9 MILLION
(COMPARED TO €7.3 MILLION AS AT JUNE 30, 2015)

NET PROFIT (LOSS) FOR THE PERIOD: PROFIT OF €4.7 MILLION
(PROFIT OF €6.9 MILLION AS AT JUNE 30, 2015)

NET FINANCIAL DEBT: €60.3 MILLION
(€50.3 AS AT DECEMBER 31, 2015)

Reno De Medici S.p.A.
Viale Isonzo 25, Milan
Share capital €140,000,000
Tax code and VAT number 00883670150

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1. BOARD OF DIRECTORS AND AUDITORS

Board of Directors

Robert Hall	Chairman
Allan Hogg	Director
Laura Guazzoni	Director
Laurent Lemaire	Director
Matteo Rossi	Director

Board of Statutory Auditors

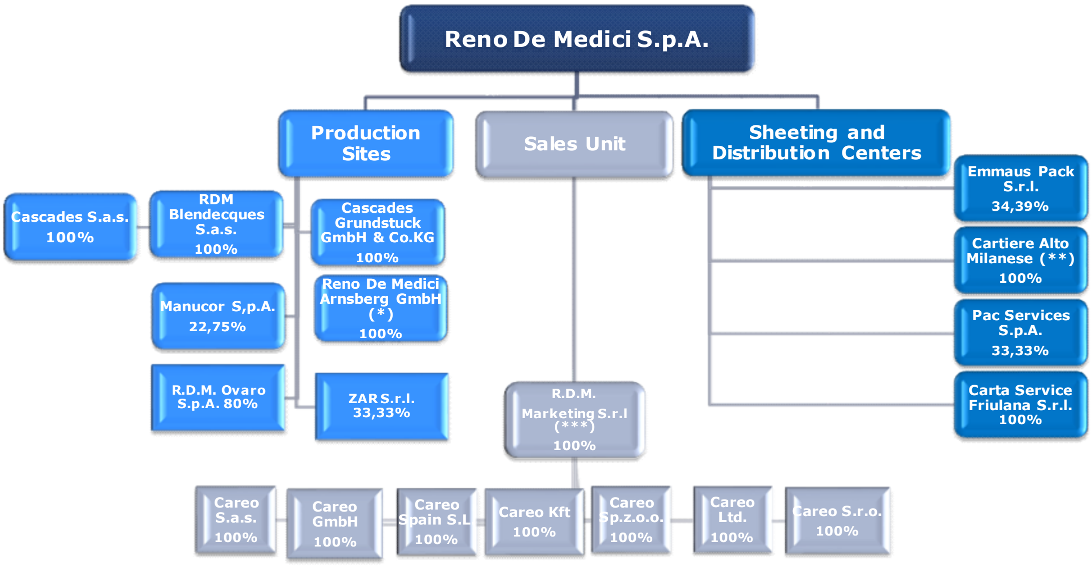
Giancarlo Russo Corvace	Chairman
Giovanni Maria Conti	Acting Statutory Auditor
Tiziana Masolini	Acting Statutory Auditor
Elisabetta Bertacchini	Deputy Statutory Auditor

Independent Auditors

Deloitte & Touche S.p.A.

2. OPERATING COMPANIES OF THE GROUP AS AT JUNE 30, 2016

The graph below summarizes the Reno De Medici Group (“RDM Group” or the “Group) companies.



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

(**) Company in liquidation

(***) Company owned 70% by Reno De Medici S.p.A. and 30% by Cascades S.a.s.

3. Introduction

This half-year financial report as at June 30, 2016 has been prepared in accordance with Legislative Decree no. 58/1998 as subsequently amended, and the Issuers' Regulation issued by Consob.
The condensed consolidated half-year financial statements were prepared in keeping with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and approved by the European Union and all the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), including those previously issued by the Standing Interpretations Committee and presented in accordance with IAS 34 – Interim Financial Statements, applying the same accounting standards adopted in preparing the consolidated financial statements as of December 31, 2015.

4. Interim report on operations

The Reno De Medici Group closes the first half year 2016 recording an EBITDA of €17.4 Million, a positive result although with a decrease compared to €23 Million of 2015.
The decrease of €5.6 Million vs. prior year is basically due to two factors: weaker market, and lower production at the Arnberg mill (Germany) due to a technical stand-still to allow an important investment.

The European market scenario was very different compared to prior year: in the first-half of 2015 the order-flow was exceptionally high, whilst in 2016 was much weaker, and similar to the years before 2015. In particular, the order in-flow was weaker than prior year in February, March and the beginning of April, stabilized in the following months at more satisfactory levels, and at the end of June resulted to be close to the 2015 values, although still lower. The geographical market-mix was also less favorable, due to the higher weight of sales in Overseas markets.

The lower production at Arnsberg was due to a technical stand-still that was necessary in order to allow an important investment for the rebuild of an equipment, and the relevant commissioning. The investment will both increase the production capacity of the mill, and reduce the per-unit production costs. The project was completed successfully, but generated inevitable temporary inefficiencies with consequent impact on the quarter’s results.
In essence, the decrease in EBITDA results from less tons-sold and lower revenues.

The **Profit for the period** amounts to €4.7 Million, vs. €6.9 Million of prior year. Lower EBITDA was partly compensated by a general improvement of below-EBITDA items: depreciations, assets write-down, income from investments and taxation.

It is highlighted that on June 30, 2016, the Reno De Medici Group acquired from Cascades Canada ULC, for a consideration of €11.3 Million, 100% of Cascades S.A.S, a French company that produces

and distributes packaging carton board based on virgin fiber. The transaction is described in detail in the Key Events section.
As a consequence, from June 30th the Reno De Medici Group fully consolidates line-by-line Cascades S.A.S. However, as the transaction was carried out at the end of the reporting period, its only impact on Income Statement were the acquisition costs, for an amount of €505 Thousand; conversely, Balance Sheet and related reports fully consolidate Cascades S.A.S.'s balances.
Although the economic results of Cascades S.A.S. were not consolidated in the Reno De Medici accounts at June 30, it is worth mentioning that the Company closed the first-half of 2016 recording (the following are management figures, unaudited) revenues from carton board sales for €65.9 Million, substantially in line with prior year. EBITDA was €3.5 Million, an improvement compared to €3.1 Million of 2015, where lower average realized selling prices were more than compensated by a general reduction of production costs, and in particular by the reduction of the cost of chemical pulp.

As regards the general macroeconomic scenario, the July 19 Update of the IMF's World Economic Outlook forecasts for 2016 a global growth of 3.1%, in line with the (disappointing) growth recorded in 2015, and with a slight downward adjustment of 0.1% of the forecasts made in Spring. All the factors that had driven the economy in 2015 remain in effect.

The current predictions result from a slightly better-than-expected output growth in Emerging Markets and Developing Economies, the confirmation of the projections for Advanced Economies, counterbalanced by the likely negative effects of the Brexit, that should affect mostly the Euro Area.

Advanced Economies should attain in 2016 a growth of 1.8% percent, vs. 1.9% recorded in 2015.
The **Euro Area** envisages 1.6% percent, compared to 1.7% of prior year. The modest recovery is still driven by internal demand, mainly as a result of low energy costs and supportive financial conditions. Investment activities, although they rebounded somewhat, still remained subdued, as well as trade, that suffers from the weakness of global trade, and weak external demand.
Without the Brexit the growth outlook for 2016 probably would have been adjusted slightly upward; however, it is actually very difficult to predict its real effects, pending further clarity on the exit process. In the meantime, the June 23 vote is taking its toll in terms of increased uncertainty and lower confidence, in a scenario that was already marked by domestic uncertainties in Europe, and increased global geopolitical risks.
As regards Reno De Medici, the Group's exposure to Brexit is low, in particular as sales to the UK denominated in GBP represent a very limited percentage of consolidated sales.

Emerging Countries and Developing Economies are expected to grow 4.1% in 2016, globally confirming the Spring expectations, and with a slight increase compared to 4.0% last year.
Some improvements are now expected from Brazil, where the 2016 growth contraction seems to be

milder than anticipated (-3.3%, vs. -3.8% both in 2015 and in the April forecast for 2016), and in Russia (-1.2% vs. -3.7% in 2015), that is benefiting from the recent rebound of oil prices.

The evolution in the first-half of the "**White Lined Chipboard**" sector, in which the Reno De Medici Group operates, is broadly in line with the general trend of economy.
European demand in the first-half of 2016 decreased -1.5% compared to the same period of 2015, mainly as a result of a negative first quarter, as the second quarter seems more in line with prior year. All major European markets show negative variations compared to prior year, except Germany, that remains broadly in line.
The sales on the Overseas markets do not compensate the European decline entirely, particularly in terms of profitability, due to the high competition on prices that historically characterizes those markets.

Tons-sold in the half year 2016 by the Reno De Medici Group were 417 thousand, compared to 429 thousand sold in 2015. As already mentioned, the decrease is substantially due to lower production at the Arnsberg mill. All other mills worked at full production capacity.

Revenues from Sales were €216.3 Million, compared to €226 Million of prior year. The decrease is mainly due to lower tons produced and sold by the Arnsberg mill, and to a little decline of realized average selling prices.

As regards the main factors of production, prices of **recycled fibers** increased in April, stabilized in May and remain firm, at relatively high levels, for the rest of the reporting period. Prices at the end of June were basically in line with June 2015, but the average prices of the period were higher than in 2015.
The prices of chemical products remained low, but in Q2 the price of 'latex' products started to increase, pulled by the rebound of the oil price.

The prices of energy remained low, even if they rebounded in Q2 from the minimum levels recorded in February and March. The rebounds characterized the whole energy sector (oil, gas, electricity, coal), although for different reasons and with different degrees.
The most significant increase regards **oil**, the price of which (Brent) increased from 30 US$-per-barrel of February-March up to the current 50 US$, mainly due a decline of excess oil supply, and in particular to the gradual slow-down of non-OPEC production, and some supply disruptions (Nigeria and Canada).
The market price of natural **gas**, the main source of energy for the Reno De Medici Group, increased from 14/15 €/MWH (spot market) recorded in early Spring, to the current 18/20 €/MWH.
The price of **coal**, the main source of energy for the Arnsberg mill, increased from 40/45 US$/ton (API2) of February-April to the current 55/60 US$/ton.
In any case, the average prices in the first-half of 2016 were substantially lower than in the same

period of prior year.

Personnel Costs amounted in the half year 2016 to €32.4 Million, basically in line with previous year, where contractual raises granted in Germany in 2016 were substantially compensated by the deconsolidation of Emmaus Pack S.r.l. in March.

EBIT reached €6.7 Million, and compares to €10.6 Million of the first half of 2015. The reduction is mainly due to lower EBITDA, partially offset by lower Amortizations and Depreciations.

Net Financial Expenses were €1.7 Million, basically in line with the first-half of 2015, notwithstanding the improvement of Net Financial Position. The decrease of interests and other financial charges was offset by exchange differences, that in the first-half of 2016 were marginally negative by -€73 Thousand, whilst in the same period of prior year were positive by €429 Thousand, due to the revaluation of US$ and the devaluation GBP against the Euro.

Profits from Investments were €0.7 Million, slightly higher than €0.5 Million recorded in the half year 2015. The amount includes a consolidated plus value of €0.5 Million generated by the sale of a stake in Emmaus Pack S.r.l. (see further ahead, in the Key Events section).

The provision for **Income Tax** amounts to €0.7 Million, compared to €2.1 in the first half of 2015, due to the lower taxable income, and to the lower IRAP charge in Italy.

As already indicated in the 2015 Annual Financial reports, the German subsidiary Reno De Medici Arnsberg GmbH is currently undergoing the tax audit of the period 2011-2013. In this ambit, the German Tax Authorities are bringing into question the Logo Fee charged by the mother company Reno De Medici S.p.A. At the current visibility it is still not possible to predict the outcome of the discussions, and the relevant consequences.
It has to be pointed out that the Logo Fee charge was accepted in the previous tax audit, for the period 2007-2010.
A tax audit is also in progress at Careo S.A.S., for the period 2012-2013. At the current visibility it is also not possible to predict the outcome of the discussions, and the relevant consequences.

Consolidated Profit before Discontinued Operations amounted to €4.9 Million, a decrease compared to €7.3 Million recorded in the half year 2015.

The **Result from Discontinued Operations** was slightly negative by -€0.2 Million, vs. -€0.4 Million of half year 2015. The loss recorded in the first-half of 2016 is mainly due to the effect of the dissolution of the subsidiary Reno De Medici UK Ltd, and it is relevant to the exchange differences related to that foreign subsidiary, previously accumulated in a separate component of equity, that were reclassified from equity to income statement, following the requirements of IAS 21.

Consolidated Profit amounted to €4.7 Million, vs. €6.9 Million recorded in the first half year 2015.

Capital Expenditures made in the period by the Reno De Medici Group were €8.3 Million (€3.1 Million in the first-half of 2015).

Consolidated Net Financial Indebtedness at June 30, 2016 was €60.3 Million, compared to €50.3 Million at December 31, 2015.
The increase by €10 Million is due to the effects of the acquisition of Cascades S.A.S., the overall financial impact of which is an increase of the Group Indebtedness by approximately €19.9 Million.
Without considering the Cascades S.A.S.'s acquisition, the Net Financial Indebtedness Position of the Reno De Medici Group would amount to €42.6 Million, an improvement by €7.6 Million compared to December 31, 2015. The improvement is associated to the deconsolidation of the Net Financial Indebtedness of Reno De Medici Ibérica S.A. (€4.2 Million), sold on January 27, 2016, and of Emmaus Pack S.r.l. (€3 Million), that was deconsolidated after the sale of a stake of the investment occurred on March 14, 2016 causing loss of control.
In order to better appreciate the positive operation performance, it has also to be considered that the Group's Net Financial Indebtedness at June 30, 2016, when compared to December 31, 2015, reflects both the normal seasonality of the period (annual bonuses to customers accrued on prior year are mainly paid in the first half), as well as the payments relevant to capital expenditures, that in the first-half of 2016 were higher for an amount of €6.1 Million than those of first-half of 2015.

Results for the first half of 2016

The following table summarizes the key income statement indicators as of June 30, 2016 and 2015.

(thousands of Euros)	06.30.2016	06.30.2015
Revenues from sales	216,292	226,037
GROSS OPERATING PROFIT (EBITDA) (1)	17,373	23,041
EBIT (2)	6,663	10,580
Pre-tax income (3)	5,621	9,429
Current and deferred taxes	*(715)*	*(2,133)*
Profit (loss) for the period before discontinued operations	4,906	7,296
Discontinued operations	(188)	(391)
Profit (loss) for the period	4,718	6,905

1) See "Gross operating profit" in the consolidated financial statements of the RDM Group

2) See "Operating profit" in the consolidated financial statements of the RDM Group

3) See "Profit (loss) for the period – Taxes" in the consolidated financial statements of the RDM Group

Revenues from sales in the first half of 2016 for the RDM Group were €216 million, down from the €226 million recorded in the corresponding period of the previous year. This decrease was mainly due to lower tonnage produced and sold by the Arnsberg mill. Specifically, the tonnage sold decreased from 429 thousand in the first half of 2015 to 417 thousand tons sold during the same period of 2016.

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

	06.30.2016	Inc. %	06.30.2015	Inc. %
(Thousandsthousands of Euros)				
Italy	80,171	37%	84,965	38%
EU	103,162	48%	107,269	47%
Non-EU	32,959	15%	33,803	15%
Revenues from sales	**216,292**	**100%**	**226,037**	**100%**

Main risks and uncertainties to which the Reno de Medici Group is exposed

In the course of its business activities, the Reno de Medici Group is exposed to external risks and uncertainties, deriving from exogenous factors associated with the general or specific

macroeconomic context of the operating segment in which such activities are carried out, as well as risks deriving from strategic choices and internal operational risks.
For a detailed analysis of the risks, see section 5.6.2 of the illustrative notes, as well as the "Outlook" section.

Key events

THE ACQUISITION OF CASCADES S.A.S.

Background
On 13 September 2007, RDM and Cascades signed a Combination Agreement, which provided for, among other things:

i) the contribution to RDM of the European assets of the Cascades Group for the production and distribution of packaging carton board based on recycled fiber, that was carried out on March 1, 2008;

ii) a Call Option to RDM (2012) and a Put Option to Cascades S.A.S. (2013) on the European operations of Cascades for the production and distribution of packaging carton board based on virgin fiber ('virgin assets'), that consisted of the La Rochette (Cascades S.A.S., France) and Djupafors (Sweden) mills.

On 2 August 2012, upon the expiration of the Call Option granted to RDM, the Board of Reno De Medici, while confirming that in principle it was in the Company's interests to exercise the Call Option and purchase the virgin assets, and that such a transaction would be the completion of the 2008 business combination with the Cascades Group, also considered that at the time the economic and financial conditions were unfavourable, and resolved not to exercise the Call Option.
In 2013 Cascades also decided not to exercise the Put Option.
After three years, thanks to its policy of rationalising production and investment, the economic performance, as well as the financial position, of the RDM Group has dramatically improved.
At the same time, the Cascades Group has rationalized its European virgin assets operations, improving the performance of the La Rochette mill, and closing down the Djupafors mill.
As a consequence, the business combination envisaged in 2007 can now be completed.

Benefits expected from the transaction for the RDM Group

The acquisition of Cascades S.A.S. will allow RDM to consolidate its position as one of the leading European producers of carton board, by expanding its activities to a new market segment, carton board packaging products manufactured based on 'virgin' fiber.

The transaction will also allow the simplification of the branding strategy of the Group, as all the products will be marketed under the Reno De Medici brand – up to date recycled-fiber products and virgin-fiber products are marketed with two different brands, Reno De Medici and Cascades - with consequent higher value and visibility of the brand on the market.

Finally, synergies are expected in various areas of operation:
- production will benefit from integrated R&D activities, know-how sharing, an optimized capital expenditure evaluation, and a more effective relationship with the large suppliers of plants, machinery, chemical products and wires and felts;
- from the financial point of view, a stronger presence in France should open to the Reno De Medici Group new financial opportunities, as it would increase the European characterization of the Group, that is particularly appreciated by the more important European financial institutions;
- synergies are also expected from the centralization of services in some other areas, that require a higher specialization and a know-how at European level, such as: human resources, and in particular in the management of industrial relationships at European level; the fiscal area, as regards transfer prices issues; Information Technology; procurement of energy.

Description and terms of the transaction

On June 30, 2016 the Reno De Medici Group, through its French wholly controlled subsidiary RDM Blendecques S.A.S., acquired from Cascades Canada ULC the 100% investment in Cascades S.A.S. for a total price of €11.3 Million Euro.
Such a price is composed of:
- the initial purchase price, as defined by the Share Purchase Agreement, of €10 Million, that represents the market value (enterprise value) of €18 million ascribed to Cascades S.A.S., decreased by the amount of the estimated net financial indebtedness of the Company at the acquisition date, amounting to €8 million;
- an adjustment of €1.3 Million, also provided for by the Share Purchase Agreement, that represents the variations of the actual cash, financial indebtedness and working capital of the Company, compared to the corresponding estimated amounts at the closing date.
The initial purchase price was paid at the closing date, while the adjustment will be paid when the review according to the Sales Purchase Agreement will be ended and however in very short time.

As Cascades Inc. is the ultimate parent company of both Companies (Cascades S.A.S. and Reno De Medici S.p.A.) the acquisition of Cascades S.A.S. is qualified as a business combination under common control; consequently, the operation has been accounted for according to the document OPI 1 issued by Assirevi. The value of the assets and liabilities of the purchased Companyhave been reflected at their book values, as they are reported in Cascades S.A.S.'s financial statement, booking as an increase of net equity the difference of €2.8 Million between the net value of the

acquired assets, that at the closing date amounts to €14.1 Million, and the net price of €11.3 Million.
It has to be noticed that prior to the transaction Cascades S.A.S. sold to Cascades Inc. its investments in Reno De Medici S.p.A. (57.6% of the shares), in Cascades Djupafors Aktiebolag and in Cascades Grundstuck Verwaltung (100% in bothcase) for a total amount of €82.9 Million.
As a consequence of the transaction, the RDM Groupthat before the transaction already held 70% of the shares of R.D.M. Marketing S.r.l, acquired the remaining 30% that is owned by Cascades S.A.S. Therefore, starting from the acquisition date the R.D.M. Marketing Group is also consolidated line by line, according to IFRS 10.
The main costs linked to the transaction (Acquisition Costs) amount to €505 Thousand, and consist primarily of legal, auditing and other advisory costs.

Chronological Milestones of the Transaction

The Transaction represents a Related Party Transaction, and is subject to the relevant Consob Regulations, and to the Procedure for Related Party Transactions adopted by RDM.
The most important internal chronological milestones of the transaction have been:
- on April 12, 2016 the French internal representatives of the unions gave a favorable opinion to the acquisition of Cascades S.A.S. by the Reno De Medici Group;
- on April 29, 2016, the Related Parties Committee (RPC) of Reno De Medici S.p.A., with the support of Ernst & Young Financial Business Advisors S.p.A.'s due diligence, and of Unicredit S.p.A.'s Fairness Opinion, expressed its unanimous opinion that the transaction was in the interest of the Company, and that the underlying terms were financially advantageous and substantially fair;
– on April 29, 2016, the Board of Directors of Reno De Medici S.p.A. definitively resolved the operation and its structure.

Cascades S.A.S. 2016 highlights

As already described, as the date of the acquisition was June 30, 2016, the impact of Cascades S.A.S. on the June accounts of the Reno De Medici Group is limited to the Balance Sheet and related reports, in which the new Subsidiary is consolidated line-by-line.
Although the economic results of Cascades S.A.S. of the first half of 2016 have no impact on Reno De Medici's Income Statement, it is worth mentioning that the Company closed the reporting period (management figures, unaudited) recording 78 Thousand tons-sold, and revenues from carton board sales of €65.9 million, substantially in line with prior year. EBITDA was €3.5 million, an improvement compared to €3.1 million of 2015, where lower average realized selling prices were more than compensated by a general reduction of production costs, and in particular by the reduction of the cost of chemical pulp.
The Net Financial Position at June 30, 2016 was €8.7 Million.

Net Equity was €14.1 Million, higher than the purchase price amounting to €11.3 Million; as the transaction was under common control, the difference of €2.8 Million was recorded as an increase of Group's consolidated equity, with no impact on the Income Statement.

The Company has more than 300 employees, thus the headcount of the RDM Group will increase and reach 1.500 employees.

	12/31/2015 RDM Group	06/30/2016 RDM Group (excluding Cacasdes Acquisition)	Cascades S.A.S	Cascades S.A.S. Purchase price	R.D.M. Marketing Group	Eliminations/ Adjustments	Total
Inventories	68,391	68,474	14,721				83,195
Trade receivables	58,976	64,988	17,213		3,141	(3,707)	81,635
Trade payables	(84,879)	(90,495)	(15,637)		(2,020)	3,707	(104,445)
Net Working Capital	**42,489**	**42,968**	**16,296**		**1,121**	**0**	**60,385**
Tangible fixed assets	**190,452**	**187,827**	**10,270**		**132**		**198,230**
Net Financial Position	**(50,254)**	**(42,629)**	**(8,657)**	**(11,253)**	**2,289**		**(60,250)**
Shareholders' equity	**152,419**	**154,501**	**14,128**		**91**	**(11,462)**	**157,258**

OTHER KEY EVENTS

On March 14, 2016 Reno De Medici sold a 17% stake in the Emmaus Pack S.r.l. to the minority shareholders. The sale has reduced the RDM's stake in the sheeting and distribution center from 51% to 34% of total share capital. The purchase price was €700 thousand, and generated a consolidated plus value of €0.5 Million.

The operation determined the loss of the control on theCompany and, consequently, its initial recognition was at fair value according to IFRS 10; those furthermore caused the deconsolidation of its Net Financial Indebtedness, that amounted to approximately €3 Million.

On January 27, 2016, the Spanish operation of Reno De Medici Ibèrica S.A. was sold to a Spanish company set up by a group of managers and former managers of the Subsidiary, at a price of €800 Thousand, that corresponded to the consolidated book value of the investment. The purchase price was paid partly at the sale date, and partly will be paid in instalments, the last of which will be due on December 31, 2018; its payment is secured by a guarantee of Iberaval, S.G.R., a Spanish company controlled by public and financial entities, whose main mission is to support small and medium businesses. The sale determined a reduction of the Net Financial Indebtedness of the Group by €4.2 Million (resulting from the sale price and the deconsolidation of the indebtedness of the Spanish operation).

On January 18th, 2016, the Ordinary Court of Rome – GIP Section, ordered the precautionary attachment of the second lot of the landfill of the Villa Santa Lucia mill (FR). The attachment has been executed on January 25, 2016.

Outlook

As regards the general macroeconomic scenario, no major changes are expected in the short-term, but the outlook remains very uncertain, and risks are more and more tilted on the down side, also considering the geopolitical crisis that are affecting some part of the world, and lastly Turkey. The Brexit represents a source of specific uncertainty for Europe. In both cases, the political crisis in Turkey and the Brexit, at the moment their effects presently cannot be easily predicted.

The sector in which Reno De Medici operates shares the uncertainties of the global economic scenario.
In the European WhiteLineChipboard (WLC) segment, after the closing of the period the order in-flow seems stable, at levels that are in any case lower than in 2015, and compared to prior year . The backlog is also shorter.
In the European FoldingBoxBoard (FBB) segment, in which the newly acquired Cascades S.A.S. operates, the order in-flow is also stable; backlog seems to be stronger than in the WLC segment, but this is mainly due to the Tobacco Product Directive for Scandinavian producers, with no benefit for Cascades S.A.S.
The prices of raw materials, and in particular of recycled fibers, are currently firm, but it remains difficult to predict what would be the evolution in the Fall.
The cost of energy is expected to remain low, at the current levels, also in the near future.

Intragroup and related-party transactions

As far as related-party transactions are concerned, including intragroup transactions, note that these do not qualify as either atypical or unusual, since they fall under the normal course of business for the Group companies. These transactions are governed by arm's length conditions.
Information on related-party transactions, including the information required by the Consob Notice of July 28, 2006, is presented in Note 5.7 to the condensed consolidated half-year financial statements as of June 30, 2016.

Reno De Medici Group

Condensed consolidated half-year financial statements

as at June 30, 2016

5. Condensed consolidated half-year financial statements as at June 30, 2016

5.1. Consolidated income statement

(thousands of Euros)	Note	06.30.2016	06.30.2015
Revenues from sales	1	216,292	226,037
- of which related parties		*8,176*	*2,909*
Other revenues and income	2	2,337	3,116
- of which related parties		*266*	*222*
Change in inventories of finished goods	3	2,012	(2,580)
Cost of raw materials and services	4	(169,216)	(168,480)
- of which related parties		*(6,104)*	*(8,701)*
Personnel costs	5	(32,396)	(32,385)
Other operating costs		(1,656)	(2,667)
Gross operating profit		**17,373**	**23,041**
Depreciation and amortization	6	(10,710)	(11,143)
Write-downs and revaluations	7		(1,318)
Operating profit		**6,663**	**10,580**
Financial expense		(1,666)	(2,122)
Gains (losses) on foreign exchange		(73)	429
Financial income		17	11
Net financial income (expense)	8	(1,722)	(1,682)
Gains (losses) from investments	9	680	531
Taxes	10	(715)	(2,133)
Profit (loss) for the period before discontinued operations		**4,906**	**7,296**
Discontinued operations	11	(188)	(391)
Profit (loss) for the period		**4,718**	**6,905**
Total profit (loss) for the period attributable to:			
- Group		4,660	6,842
- Minority interests		58	63
Basic earnings (loss) per ordinary share (Euros)		0.01	0.02
Diluted earnings (loss) per ordinary share (Euros)		0.01	0.02
Basic earnings (loss) per ordinary share before discontinued operations (Euros)		0.01	0.02
Diluted earnings (loss) per ordinary share before discontinued operations (Euros)		0.01	0.02

5.2. Consolidated statement of comprehensive income

(thousands of Euros)	06.30.2016	06.30.2015
Profit (loss) for the period	**4,718**	**6,905**
Other items of comprehensive profit (loss)		
Other components that may be transferred to the income statement in subsequent financial periods:	***(214)***	***(6)***
Change in fair value of cash flow hedges	*(214)*	*42*
Profit (loss) on translation of financial statements of foreign investee companies		*(48)*
Other components that will not be transferred to the income statement in subsequent financial periods	***0***	***0***
Total other components of comprehensive profit (loss)	**(214)**	**(6)**
Total comprehensive profit (loss)	**4,504**	**6,899**
Total comprehensive profit (loss) attributable to:		
- Group	4,446	6,836
- Minority interests	58	63

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

5.3. Consolidated statement of financial position

	Note	06.30.2016	12.31.2015
(thousands of Euros)			
ASSETS			
Non-current assets			
Tangible Assets	12	198,230	190,452
Intangible Assets	13	2,046	1,880
Intangible Assets with an indefinite useful life	13	3,948	3,948
Equity investments	14	2,459	1,981
Deferred tax assets		3,096	2,795
Other receivables	17	3,841	1,167
Total non-current assets		**213,620**	**202,223**
Current assets			
Inventories	16	83,195	68,391
Trade receivables	15	73,686	58,861
- of which related parties		*1,562*	*229*
Receivables from associates and joint ventures	15	8,321	115
Other receivables	17	14,185	7,289
- of which related parties		1,870	
Other receivables from associates and joint ventures		373	470
Cash and cash and equivalents	18	2,397	23,146
Total current assets		**182,157**	**158,272**
Total assets held for sale			**8,129**
TOTAL ASSETS		**395,777**	**368,624**

Reno De Medici

	Note	06.30.2016	12.31.2015
(thousands of Euros)			
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		140,000	150,399
Other reserve		11,808	(6,761)
Retained earnings (losses)		790	790
Profit (loss) for the period		4,660	9,790
Use of period profits to cover losses			(2,239)
Residual profit (loss) for the period		**4,660**	**7,551**
Shareholders' equity attributable to the Group		**157,258**	**151,979**
Minority interests			440
Total shareholders' equity	19	**157,258**	**152,419**
Non-current liabilities			
Payables to banks and other lenders	18	46,411	53,280
Derivative instruments	18	323	50
Other payables		*104*	*130*
Deferred taxes		8,324	8,888
Employee benefits	21	33,180	29,063
Non-current provisions for risks and charges	22	4,263	2,657
Total non-current liabilities		**92,605**	**94,068**
Current liabilities			
Payables to banks and other lenders	18	17,401	14,839
Derivative instruments	18	151	146
Trade payables	*23*	103,962	*81,985*
- of which related parties		*114*	*496*
Payables to associates and joint ventures	23	483	2,894
Other payables	*20*	22,329	*11,985*
- of which related parties		1,253	
Other payables to associates and joint ventures	20		1,954
Current taxes		957	378
Employee benefits		68	31
Current provisions for risks and charges		563	452
Total current liabilities		**145,914**	**114,664**
Total liabilities held for sale			**7,473**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**395,777**	**368,624**

5.4. Consolidated statement of changes in shareholders' equity

	Share Capital	Legal reserve	Other reserves	Profit (loss) Retained earnings (losses)	Profit (loss) for the period	Hedging reserve	Reserve for actuarial gains (losses)	Total shareholders' equity attributable to the Group	Total shareholders' equity attributable to minority interests	Total shareholders' equity
(thousands of Euros)										
Shareholders' equity at 12.31.14	**185,122**	**443**	**965**	**(43,243)**	**5,478**	**28**	**(7,595)**	**141,198**	**362**	**141,560**
Dividends distributed										
Allocation of profit (loss) for the period		171		5,307	(5,478)					
Profit (loss) for the period					6,842			6,842	63	6,905
Other components of comprehensive profit (loss)			(48)			42		(6)		(6)
Total comprehensive profit (loss)			**(48)**		**6,842**	**42**		**6,836**	**63**	**6,899**
Shareholders' equity at 06.30.15	**185,122**	**614**	**917**	**(37,936)**	**6,842**	**70**	**(7,595)**	**148,034**	**425**	**148,459**

(thousands of Euros)	Share Capital	Treasury Shares	Legal reserve	Other reserves	Profit (loss) Retained earnings (losses)	Profit (loss) for the period	Hedging reserve	Reserve for actuarial gains (losses)	Total shareholders' equity attributable to the Group	Total shareholders' equity attributable to minority interests	Total shareholders' equity
Shareholders' equity at12.31.15	**150,399**			**(219)**	**790**	**7,551 (*)**	**(135)**	**(6,407)**	**151,979**	**440**	**152,419**
Dividends distributed						(1,983)			(1,983)		(1,983)
Allocation of profit (loss) for the period			619	4,949		(5,568)					
Cascades S.A.S. consolidation				2,875					2,875		2,875
R.D.M. Marketing Group consolidation				(118)					(118)		(118)
Treasury Shares acquisition		(182)							(182)		(182)
Voluntary capital reduction ex art.2445	(10,399)			10,399							
Deconsolidation of Reno De Medici UK				219					219		219
Deconsolidation of Emmaus Pack S.r.l.								22	22	(440)	(418)
Profit (loss) for the period						4,660			4,660		4,660
Other components of comprehensive profit (loss)							(214)		(214)		(214)
Total comprehensive profit (loss)						**4,660**	**(214)**		**4,446**		**4,446**
Shareholders' equity 06.30.16	**140,000**	**(182)**	**619**	**18,105**	**790**	**4,660**	**(349)**	**(6,385)**	**157,258**		**157,258**

(*) This amount is referred to the residual profit for the year after the partial use of the result for the period to cover the pre-existing losses according to the resolution of the Shareholders' meeting of Reno De Medici S.p.A. on November 2, 2015.

5.5. Consolidated statement of cash flows

(thousands of Euros)	First half of 2016	First half of 2015 Continuing	First half of 2015 Discontinued
Profit (loss) for the period	4,718	7,296	(389)
Taxes	715	2,133	
Depreciation and amortization	10,710	11,143	290
Write-downs		1,317	
Losses (gains) from investments	(680)	(531)	
Financial (income) expense	1,649	2,110	94
Capital losses (gains) on sale of fixed assets	(43)	(249)	
Change in provisions for employee benefits and in other provisions, including the provision for bad and doubtful receivables	(2,008)	(3,068)	17
Change in inventories	(1,033)	3,500	344
Change in receivables	(14,631)	(10,749)	822
- of which related parties	*(9,540)*	*106*	*(126)*
Change in payables	5,162	(322)	(972)
- of which related parties	*(2,794)*	*1,005*	*(63)*
Overall change in working capital	**(10,502)**	**(7,570)**	**194**
Gross cash flows	**4,559**	**12,581**	**206**
Interest paid in the period	(1,256)	(1,922)	(94)
- of which related parties			
Taxes paid in the period	(1,822)	(2,167)	
Cash flows from operating activities	**1,481**	**8,492**	**112**
Equity investments	(250)	3	
Investment net of disinvestment in tangible and intangible assets	(8,274)	(2,782)	(99)
Change of consolidation area	(7,304)		
Investments in associates and joint ventures			
Disinvestment in non- current assets held for sale and spare parts		1,555	
Dividends received	270		
Cash flows from investing activities	**(15,558)**	**(1,224)**	**(99)**
Dividends paid	1,983		
Treasury shares	(182)		
Change in other financial assets and liabilities and short-term payables to banks	(2,605)	(14,872)	(460)
- of which related parties	*(2,474)*	*(326)*	
Change in medium- and long-term loans	(7,329)	7,648	(121)
Cash flows from financing activities	**(6,889)**	**(7,224)**	**(581)**
Translation differences	**221**	**(49)**	
Change in unrestricted cash and cash equivalents	**(20,746)**	**(5)**	**(568)**
Unrestricted cash and cash equivalents at the beginning of the period	**23,146**	**2,376**	**701**
Unrestricted cash and cash equivalents at the end of the period	**2,397**	**2,371**	**133**

5.6. Notes to the financial statements

RDM is a company which is established as a legal entity under Italian law. The RDM Group operates mainly in Europe. The business of the Group is the production and distribution of cartonboard made from recycled fibers. The joint venture, R.D.M. Marketing S.r.l., is responsible for commercial activities.

RDM has its registered office in Milan, Italy.

RDM's shares are listed on the Star segment of Borsa Italiana S.p.A. and on the Madrid and Barcelona stock exchanges.

The condensed consolidated half-year financial statements of the RDM Group were approved and authorized for publication by the Board of Directors of RDM on July 28, 2016.

5.6.1 Accounting standards and valuation criteria

The condensed consolidated half-year financial statements were prepared according to the going concern assumption. The directors believe that, despite the existence of a difficult economic and financial context, no material uncertainties (as defined in paragraph 25 of IAS 1) exist in respect of business continuity.

The condensed consolidated half-year financial statements were prepared according to IAS 34 – Interim financial statements, applying the same accounting standards used to prepare the consolidated financial statements as of December 31, 2015, except as may be described in the next section "IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union but not yet applicable except on an early adoption basis".

The condensed half-year financial statements were prepared on the basis of the general principle of historical cost, except for derivative financial instruments, which are recognized at fair value, and financial liabilities, which are recognized on the basis of the amortized cost method. The carrying amount of hedged assets and liabilities which qualify for hedge accounting is adjusted to take into account changes in the fair value of the hedged risks.

The 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 the profit or loss for the period separately from any income and expense not recognized directly on the income statement, but charged directly to equity on the basis of specific IAS/IFRS accounting standards, and is presented showing transactions with shareholders separately.

Preparing the interim financial statements requires management to make assumptions that have an effect on the amounts of revenues, costs, assets and liabilities on the financial statements and on the information regarding potential assets and liabilities on the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment, should prove outdated due to differing trends in the operational context than those forecast, these would be consequently modified in the period during which the changes became manifest. For a broader description of the Group's most relevant valuation procedures, see the section "Estimates and valuations" in the consolidated financial statements as of December 31, 2015.
It should also be noted that some valuation procedures, especially more complex ones such as the determination of possible impairment losses on non-current assets, are generally carried out in a more complete manner only for the annual financial statements, when all the detailed information is available, as well as in cases in which there are impairment indicators requiring an immediate valuation of any impairment losses.

The balance sheet, income statement and financial situation are presented in thousands of Euros.

IFRS and IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

- Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions;
- Amendment to IFRS 11 Joint Arrangements – Accounting for acquisitions of interests in joint operations;
- Amendment to IAS 16 Property, plant and Equipment and IAS 38 Intangibles Assets – "Clarification of acceptable methods of depreciation and amortization";
- Amendment to IAS 1 – Disclosure Initiative;
- Annual Improvements to IFRSs: 2010-2012 Cycle;
- Annual Improvements to IFRSs: 2012-2014 Cycle.

IFRS and IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

- IFRS 14 – Regulatory Deferral Accounts;
- IFRS 15 – Revenue from Contracts with Customers;
- IFRS 9 – Financial Instruments;
- IFRS 10 and IAS 28 – Sales or Contribution of Assets between an Investor and its Associate or Joint-Venture;
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28);
- IFRS 16 – Leases;
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses;
- Amendments to IAS 7: Disclosure Initiative;
- IFRS 2 – Classification and measurement of share-based payment transactions.

Impairment testing

Every six months, the Group reviews the carrying amount of its tangible and intangible assets and investments to determine whether there are any indicators that these assets have suffered impairment. If any such indicators exist, the recoverable amount of such assets is estimated to determine the write-down amount.

No goodwill has been allocated to the Reno de Medici CGUs, meaning there is no need for a specific annual impairment test.
However, the current global economic and financial crisis, even if the first signs of recovery are starting to be seen, makes it impossible to predict national and global future economic scenarios.

The Group’s market capitalization continues to stand at an average level that is lower than reported shareholders’ equity.

Based on the recommendations contained in Joint Document No. 4 of March 4, 2010 of the Bank of Italy, Consob and ISVAP, the Group had described in detail the main assumptions used to calculate the recoverable amount (value in use) as of December 31, 2015, relating to estimated operating cash flows, the discount rate and the final growth rate, and it had prepared sensitivity analyses on test results with respect to changes in the basic assumptions for determining the value in use of the cash generating units, without the need to record any impairment.
Based on the foregoing, the directors believe that the cautious medium/long-term valuations used for the purposes of impairment testing, in terms of foreseeable business trends until 2016, are to be

considered valid to date, although it cannot be ruled out that current valuations may need to be reviewed should the crisis continue or deepen.

5.6.2 Financial risk management policy

The Company and the Group, like all industrial operators, are exposed to the risks associated with the continuation of the economic crisis.

Most prominently, this situation generates a risk related to sales volume, and although this cannot be eliminated, it can be contained through measures the Group can take to adjust production levels to actual demand. The crisis also involves the risk of a fall in selling prices, although the latter are mainly linked to changes in the price of pump raw materials (see next paragraph).

In this context, a risk factor is related to the evolution of prices of raw material mixture mainly exposed to the volume of exports to China, which, in turn, also depends on the economic growth of that country. This risk is considered relatively low, since the changes in raw material for pulp prices normally result in a corresponding change in the sales prices of cartonboard for packing, therefore the risks are mainly linked to the possible time lags between the two phenomena. In addition, the fall in imports to China, due the cooling of the Chinese economy, greater domestic generation capacity, and the rationalization of purchasing policies, has reduced the price fluctuations recorded in previous years and the associated risks.

The risks associated with fluctuations in energy prices, which are particularly exposed to crisis situations that may occur in the countries that play a key role in the production and distribution of energy resources (North Africa and the Ukraine), appear today to be very low: energy prices are currently at minimum levels, and an increase appears unlikely, at least in the short term. In any case, the situation is constantly and closely monitored by the designated Company departments.

Credit risk is one of the risks related to the general economic environment. This risk is described below.

Risks related to the Group's results

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

Risks related to the requirement for financial resources

The Group currently has sufficient financial resources available to meet reasonably foreseeable requirements for 2016, as a result of the improvement in both the Group's financial position and the credit market conditions.

Risks related to interest rates

The exposure to the risk related to interest rates involves mainly both medium/long-term lines of credit on which the Group's financial provisions are currently based. At June 30, 2016, the Group has cash available and uses very small portion of short-term lines of credit. Medium-/long-term debt at June 30, 2016 stood at €62 million of which €30.7 million was at variable rate not protected by hedging. The development planned for 2016 expects interest rates which have been at very reasonable levels to remain essentially stable.

Liquidity risk

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

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

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

As of June 30, 2016, the net financial position of the RDM Group was equal to €60.3 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, especially in Italy, which is one of the countries suffering the most in the current crisis, and which historically features the longest payment terms and consequently high exposure to customers. Italy is the most important market for the Group.

In order to manage this risk effectively, the Reno De Medici Group uses many tools: insurance agreements were entered into with a leading credit insurance company; various agreements were entered into for the non-recourse sale of receivables.

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

The Group applies a policy involving vigilant and prompt controls of risky positions to contain this risk.

Although the policies adopted to date have enabled credit losses to be contained, the risk cannot be eliminated as it is mainly connected with the ongoing general economic crisis; it actually appears to have increased today, as more difficult situation of the market linked specifically to the continuing crisis.

Currency risk

The risk is related to the exposure of the Company and the Group to fluctuations in exchange rate 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 denominated in dollars, it is felt that the net exposure is not significant in relation to the overall size of the business.

Capital risk

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

5.6.3 Scope of consolidation

The financial position, results and cash flows of the RDM Group include the financial position, results and cash flows of Reno De Medici S.p.A. and of the companies over which it has the right to exercise control. The definition of control is not based solely on the concept of legal ownership. IFRS 10 introduced a more solid definition of control compared to the past, based on three elements: (a) power over the business acquired; (b) exposure or rights to variable returns resulting from involvement with same; and (c) the capacity to use the power to influence the amount of these returns. IFRS 10 stipulates that investors should focus on activities materially affecting returns when evaluating whether it has control over the business acquired, and requires only substantial rights, i.e. rights that can be exercised in practice when important decisions have to be taken for the business acquired, to be taken into consideration. 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 required by IFRS 3 Revised;
- all balances and significant 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.

The following table provides a list of subsidiaries with the respective percentage holdings:

Corporate name	Registered office	Assets	Share capital Capital (Eur/1000)	Control percentage 06.30.2016 direct	Control percentage 06.30.2016 indirect	Control percentage 12. 31.2015 direct	Control percentage 12. 31.2015 indirect
Reno De Medici Iberica S.A.	Prat de Llobregatt (E)	Industrial				100.00%	
Reno De Medici UK Limited	Wednesbury (GB)	Industrial				100.00%	
Reno De Medici Arnsberg GMBH	Arnsberg (D)	Industrial	5,113	94.00%	6.00%	94.00%	6.00%
RDM Blendecques S.a.s.	Blendecques (F)	Industrial	5,037	100.00%		100.00%	
Cartiera Alto Milanese S.p.A. in liquidation	Milan (I)	Commercial	12	100.00%		100.00%	
Cascades Grundstück GmbH & Co. KG	Arnsberg (D)	Services	19	100.00%		100.00%	
Carta Service Friulana	Milan (I)	Industrial	60	100.00%		100.00%	
R.D.M. Ovaro S.p.A.	Milan (I)	Industrial	12,500	80.00%		80.00%	
R.D.M. Marketing S.r.l.	Milan (I)	Commercial	100	70.00%	30%	70.00%	
Cascades S.A.S.	La Rochette (F)	Industrial	10,000		100.00%		

The scope of consolidation changed on June 30, 2016. In particular:

- on January 27, 2016, the sale of **Reno De Medici Ibérica, S.A.** to a Spanish company was completed;

- on March 8, 2016, **Reno De Medici UK Limited** was definitively dissoluted;

- on March 14, 2016 Reno De Medici S.p.A. sold to the minorities the 17% of stakes of Company **Emmaus Pack s.r.l.** This caused the loss of control and the consequent change of consolidation method.

- On June 30, 2016, the purchase agreement for **Cascades S.A.S.** was signed between the subsidiary RDM Blendecques S.A.S. and Cascades Canada U.L.C. Following this acquisition, the percentage owned by **R.D.M. Marketing S.r.l.** rose from 70% to 100%, as Cascades S.A.S. held 30%.

The following investments in associates and joint ventures are included in the condensed consolidated half-year financial statements according to the equity method:

			Share capital	Control percentage			
Corporate name	Registered office	Assets	Capital	06.30.2015		12.31.2015	
			(Eur/1000)	direct	indirect	direct	indirect
Associates							
Pac Service S.p.A.	Vigonza (I)	Industrial	1,000	33.33%		33.33%	
Emmaus Pack S.r.l.	Milan (I)	Industrial	200	34.39%		51.39%	
Joint ventures							
ZAR S.r.l.	Silea (I)	Industrial	90	33.33%		33.33%	
Manucor S.p.A.	Milan (I)	Industrial	10,000	22.75%		22.75%	

The financial statements of each Group company are prepared in the currency of the economic area in which it mainly operates (the functional currency). For the purposes of the consolidated financial statements, the financial statements of each entity are expressed in Euro, which is the Group's functional currency and the currency in which the condensed consolidated half-year financial statements are presented.

5.6.4. Notes to the financial statements for the first half of 2016

Segment Information

As provided for by IFRS 8 – Operating Segments, the segments identified and the respective information included under segment information are based on the reports used and analyzed by company management to evaluate results and make key strategic decisions.
Segments have been sub-divided geographically according to the location of the Group's mills and its cutting and/or distribution centers.
The reports used by directors show results by individual mill and cutting and/or distribution center. The data are then aggregated into three geographical segments: Italy, Germany and France.
The Italian segment includes the production plants of Ovaro, Villa Santa Lucia, Santa Giustina and Magenta, as well as cutting and/or distribution center Cartiera Alto Milanese S.p.A. in liquidation; the German segment includes the Arnsberg production plant; the French segment includes the Blendecques production plant.

The bases used for the segment subdivisions and the valuation of profits or losses by segment are the same as those used in the last annual report.

Note that the United Kingdom and Spanish segments are represented in accordance with the requirements of IFRS 5.

The economic measure of the results achieved by each operating segment is the profit or loss for the period, within which operating profit and gross operating profit are specifically identified.

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 condensed half-year financial statements. "Unallocated items and adjustments" include amounts deriving from inter segment transactions.

The following table provides operating information by geographical area for the first half of 2016 and the first half of 2015:

Income statement 06.30.2016	Italy	Germany	France	Unallocated items & adjustments	Consolidated
(thousands of Euros)					
Revenues from sales	**136,109**	**54,207**	**28,673**	(2,697)	**216,292**
Intragroup revenues from transactions with other segments	(2,697)			2,697	
Net revenues from external customers	**133,412**	**54,207**	**28,673**		**216,292**
Gross operating profit	**13,567**	**3,723**	**116**	**(33)**	**17,373**
Depreciation and amortization	(6,536)	(3,842)	(405)	74	(10,710)
Write-downs and revaluations					
Operating profit	**7,031**	**(118)**	**(290)**	**40**	**6,663**
Net financial income (expense)	(1,320)	(156)	(181)	(66)	(1,722)
Gains (losses) from investments	1,649			(969)	680
Taxes	(692)	(124)	(45)	146	(715)
Profit (loss) for the period before discontinued operations	**6,668**	**(398)**	**(516)**	**(848)**	**4,906**
Net result from discontinued operations				(188)	(188)
Profit (loss) for the period	**6,668**	**(398)**	**(516)**	**(1,037)**	**4,718**
Share of profit (loss) attributable to equity-accounted investments	680				

Income statement 06.30.2015	Italy	Germany	France	Unallocated items & adjustments	Consolidated
(thousands of Euros)					
Revenues from sales	**143,320**	**61,412**	**28,699**	(7,394)	**226,037**
Intragroup revenues from transactions with other segments	(7,394)			7,394	
Net revenues from external customers	**135,926**	**61,412**	**28,699**		**226,037**
Gross operating profit	**14,844**	**7,174**	**1,047**	**(24)**	**23,041**
Depreciation and amortization	(6,505)	(4,340)	(371)	74	(11,143)
Write-downs	(1,399)			81	(1,318)
Operating profit	**6,939**	**2,834**	**675**	**132**	**10,580**
Net financial income (expense)	(1,525)	40	(52)	(145)	(1,682)
Gains (losses) from investments	75			456	531
Taxes	(1,074)	(1,338)	(69)	348	(2,133)
Profit (loss) for the period before discontinued operations	**4,416**	**1,536**	**554**	**790**	**7,296**
Net result from discontinued operations				(391)	(391)
Profit (loss) for the period	**4,416**	**1,536**	**554**	**399**	**6,905**

Notes

It is hereby noted that:

- the changes of Balance Sheet and Profit and Loss as at June 30, 2016 reflect the change in the consolidation method for Emmaus Pack S.r.l. Following the loss of control by the Reno De Medici Group due to the sale of 17% of the stakes of this company, the Emmaus Pack company is now consolidated using the equity method rather than line-by-line;
- the changes of Balance Sheet as at June 30, 2016 reflect the first-time consolidation of the acquired company Cascades S.A.S. and the change in the consolidation method for R.D.M. Marketing Group from consolidation at equity to line-by-line consolidation. Since the contract for the acquisition of Cascades S.A.S. was signed on June 30, 2016, it has had no impact on the income statement.

The following table shows the Statement Financial Position of Cascades S.A.S. and R.D.M. Marketing Group at the acquisition date.

	Cascades S.A.S.	R.D.M. Marketing Group
Trade receivables	17,213	3,141
Rimanenze	14,721	0
Debiti commerciali	(15,637)	(2,020)
Net Working Capital	**16,297**	**1,121**
Other current assets	5,751	539
Other current liabilities	(7,431)	(1,650)
Fixed assets	10,270	136
Other non current assets	1,630	675
Invested Capital	**10,220**	**(300)**
Employee benefits and other provisions	(3,732)	(3,020)
Net Invested Capital	**22,785**	**(2,199)**
Net Financial Position	**(8,657)**	**2,289**
Net Equity	**14,128**	**91**

1. Revenues from sales

The following table provides a breakdown of net revenues from the sale of cartonboard by geographical area of customers.

	06.30.2016	06.30.2015	Change	%
(thousands of Euros)				
Italy	80,171	84,965	(4,794)	(5.6) %
EU	103,162	107,269	(4,107)	(3.8) %
Non-EU	32,959	33,803	(844)	(2.5) %
Total revenues from sales	**216,292**	**226,037**	**(9,745)**	**(4.3) %**

Revenues from sales in the first half of 2016 for the RDM Group were €216 million, down from the €226 million recorded in the corresponding period of the previous year. This reduction was mainly due to lower sales volumes; in particular, the tonnage sold decreased from 429 thousand in the first half of 2015 to 417 thousand in the same period of 2016, mainly due to the reduction in the tonnage produced and sold at the Arnsberg mill. Sales prices also went down slightly in the first half of the year.

2. Other revenues and income

Other revenues and income as at June 30, 2016 consisted mainly of revenues arising from adherence to the interruptible energy service (€1.2 million), income deriving from the sale of electric power during the first half of 2016, mainly at the German mill (€0.4 million) and ordinary contributions received from the Comieco consortium (€0.1 million) for the use of scrap paper deriving from consumer sorted recycling.

3. Change in inventories of finished goods

The change in inventories during the first half of 2016 is due mainly to the increase in physical stocks.

4. Cost of raw materials and services

The following table shows the costs incurred for raw materials and services:

	06.30. 2016	% of value of production (**)	06.30. 2015	% of value of production (**)
(thousands of Euros)				
Cost of raw materials	99,064	45.4%	97,894	43.8%
Cost of services	69,325	31.8%	69,833	31.3%
Costs for use of third-party assets	827	0.4%	753	0.3%
Total	**169,216**	**77.5%**	**168,480**	**75.4%**

(**) Value of production = Revenues from sales plus changes in inventories of finished products

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 change in cost of raw materials is due to the price increase recorded in pulp raw materials.
The “Cost of services” was down compared to figures reported at June 30, 2015, due to savings generated from both the fall in the price of gas and coal, thanks to a more favorable market context, and to greater efficiency achieved in the production process, specifically for manufacturing fixed costs.

5. Personnel cost

In the first half of 2016, the cost of labor totaled €32.4 million, exactly the same as in the previous year.

6. Depreciation and amortization

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

	06.30.2016	06.30.2015	Change
(thousands of Euros)			
Amortization of intangible assets	131	163	(32)
Amortization of intangible assets	10,579	10,980	(401)
Total	**10,710**	**11,143**	**(433)**

Depreciation and amortization as at June 30, 2016 was in line with the figures for the corresponding period of the previous year.

7. Write-downs and revaluations

There were no write-downs as at June 30, 2016. As at June 30, 2015, this item primarily included the write-down of some of the buildings at the Magenta mill, which were found to have no possible future use (€1,301 thousand).

8. Net financial income (expense)

The following table itemizes net financial income and expense:

	06.30.2016	06.30.2015	Change
(thousands of Euros)			
Financial income	**17**	**11**	**6**
Interest and other financial income	17		17
Income from derivative financial instruments		11	(11)
Financial expense	**(1,666)**	**(2,122)**	**(456)**
Interest paid to banks	(640)	(722)	82
Losses on derivative financial instruments	(71)	(124)	53
Financial expense on defined benefit plans	(260)	(306)	46
Expenses, commission and other financial charges	(695)	(970)	275
Foreign exchange differences	**(73)**	**429**	**(502)**
Foreign exchange gains	384	1,113	(729)
Foreign exchange losses	(457)	(684)	227
Total	**(1,722)**	**(1,682)**	**40**

At €1.7 million, net financial expense as at June 30, 2016 is in line with the same period last year, despite the improvement in net financial debt. The reduction in interest expense and other financial expenses was offset by foreign exchange losses of €73 thousand in the first half of 2016 following the appreciation of the US dollar against the Euro; in the first half of 2015, the exchange rate differences were positive for €429 thousand.

9. Gains (losses) from investments

Income from equity investments totaled €680 thousand at June 30, 2016, mainly due to:

- a €379 thousand adjustment to the equity investment in associate Pac Service S.p.A.;
- an adjustment to the equity investment in joint venture R.D.M. Marketing S.r.l. of €-275 thousand;
- a capital gain from the sale of a 17% interest in the share capital of **Emmaus Pack S.r.l.** The purchase price was €700 thousand, which resulted in a consolidated capital gain of €548 thousand.

10. Taxes

The following table shows the breakdown of current and deferred taxes as at June 30, 2016:

	06.30.2016	06.30.2015	Change
(thousands of Euros)			
Deferred taxes	599	707	(108)
Current taxes	(1,314)	(2,840)	1,526
Total	**(715)**	**(2,133)**	**1,418**

11. Discontinued operations

The following table shows the breakdown of discontinued operations as at June 30, 2016.

	06.30.2016	06.30.2015
(thousands of Euros)		
Result of Reno De Medici Ibérica S.A.	33	(357)
Result of Reno De Medici UK Ltd		(34)
Reversal of translation reserve Reno De Medici UK Ltd	(221)	
Discontinued operations	**(188)**	**(391)**

Note that in 2014 the Board of Directors of Reno De Medici S.p.A. had decided to put the subsidiary Reno De Medici Ibérica S.A. up for sale because it was no longer considered strategic for the Group. In addition, following the proposals received from potential purchasers and the intensification of negotiations with these in the last quarter of 2014, the sale of the Spanish subsidiary was considered highly probable and it was therefore classified in the financial statements at December 31, 2014 as held for sale, and represented according to the requirements of IFRS 5.
On December 31, 2015, the Board of Directors of Reno De Medici S.p.A. had confirmed the decision that Reno De Medici Ibérica S.A. was no longer a strategic asset for the Group and that negotiations for its sale were at an advanced stage. Its classification pursuant to IFRS 5 was therefore maintained.
On January 27, 2016, Reno De Medici S.p.A. signed a sale contract with a Spanish company set up by a group of employees and former employees of Reno De Medici Iberica S.A. regarding disposal thereof.

The income statement of Reno De Medici Ibérica S.A. as at June 30, 2016, whose effects are relevant to the period January, 1 2016 – January, 27 2016 date of the sale of the investment, are shown below.

	06.30.2016	06.30.2015
(thousands of Euros)		
Revenues from sales	1,926	12,699
Other revenues	6	61
Change in inventories of finished goods	3	(556)
Cost of raw materials and services	(1,472)	(9,982)
Personnel cost	(364)	(2,204)
Other operating costs	(11)	(64)
Non-recurring transactions		72
Depreciation and amortization	(41)	(290)
Net financial income (expense)	(15)	(93)
Discontinued operations	**33**	**(357)**

As the Company was sold on January, 27 2016, the statement of financial position amount to zero.

	06.30.2016	12.31.2015
(thousands of Euros)		
Tangible fixed assets		3,844
Intangible Assets		104
Trade receivables		22
Other receivables		100
Total non-current assets		**4,070**
Inventories		3,327
Trade receivables		4,276
Other receivables		736
Liquid assets		163
Total current assets		**8,502**
Total assets		**12,572**

	06.30.2016	12.31.2015
(thousands of Euros)		
Shareholders' equity		4,760
Total shareholders' equity		**4,760**
Payables to banks and other lenders		656
Total non-current liabilities		**656**
Payables to banks and other lenders		3,354
Trade payables		3,087
Other payables		715
Total current liabilities		**7,156**
Total shareholders' equity and liabilities		**12,572**

The statement of cash flows of Reno De Medici Ibérica S.A. is shown below:

	First half of 2016	First half of 2015
(thousands of Euros)		
Cash flows from operating activities		112
Cash flows from investing activities		(99)
Cash flows from financing activities		(581)
Net cash flow		**(568)**

12. Tangible assets

The following table shows the change in tangible fixed assets:

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under development	Total
(thousands of Euros)							
Historical cost	20,960	93,521	541,881	1,682	12,814	4,129	674,987
Accumulated depreciation/write-downs	(28)	(61,177)	(409,187)	(1,582)	(12,561)		(484,535)
Net book value at 12.31.2015	**20,932**	**32,344**	**132,694**	**100**	**253**	**4,129**	**190,452**
Increases			5,802		22	2,190	8,014
Decreases			(1,093)				(1,093)
Reclassification of cost			2,079		21	(2,100)	
Historical Cost Consolidation	212	10,618	108,581		2,890	1,171	123,472
Historical Cost Deconsolidation			(413)	(22)	(343)		(778)
Depreciation for the period		(1,481)	(9,045)	(24)	(30)		(10,580)
Accumulated depreciation/write-downs Consolidation		(6,703)	(103,576)		(2,790)		(113,069)
Accumulated depreciation/write-downs Deconsolidation			378	22	332		732
Decrease in provision for acc. depr./write-downs			1,080				1,080
Value at 06.30.2016							
Historical cost	21,172	104,139	656,837	1,660	15,404	5,390	804,602
Accumulated depreciation/write-downs	(28)	(69,361)	(520,350)	(1,584)	(15,049)		(606,372)
Net book value at 06.30.2016	**21,144**	**34,778**	**136,487**	**76**	**355**	**5,390**	**198,230**

The main investment during the period was the completion of the refurbishment of the central line at the Arnsberg mill; the expected benefits are a reduction in cost, pulp and energy and an increase in production capacity.

For the purpose of determining possible impairment losses, it is noted that no impairment indicators emerged such as to modify the valuations made as of December 31, 2015. For further details, see the "Impairment testing" section.

13. Intangible Assets

Intangible assets stood at €2,046 thousand and are in line with the amount as at December 31, 2015 (€1,880 thousand).

14. Equity investments

The change in equity investments of €478 thousand is mainly due to the offset effect of the following factors:

- the adjustment at equity of the investment in associate Pac Service S.p.A. (+ €109 thousand);
- the consolidation of the investments held by Cascades S.A.S. (+ €340 thousand);
- the valuation at equity of the investment in Emmaus Pack S.r.l. (+ €339 thousand);
- a change in the consolidation method applied to the R.D.M. Marketing Group, which resulted in a €339 thousand reduction in the equity investment, now consolidated line by line.

With regard to Manucor S.p.A., although the results as at June 30, 2016 are positive, given the agreements reached concerning the participatory financial instruments, the shareholders' equity of the company does not allow for revaluation of the equity investment.

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

The value of equity-accounted investments in the balance sheet is as follows:

	June 30, 2016	December 31, 2015
(thousands of Euros)		
Associates	1,869	1,421
Joint ventures	30	560
Total	**1,899**	**1,981**

The increase in the value of the equity investments in associates is due to the valuation at equity of Emmaus Pack S.r.l. company as from March 14, 2016.

The reduction in the value of investments in joint ventures is due to the fact that since June 30, 2016 the investment in R.D.M. Marketing Group has been consolidated line-by-line.

The impact on the income statement for the period of measuring equity investments using the equity method is as follows:

	June 30, 2016	June 30, 2015
(thousands of Euros)		
Associates	407	464
Joint ventures	(275)	67
Total	**132**	**531**

15. Trade receivables and receivables from associates and joint ventures

The breakdown of trade receivables, which amount to €82 million, is provided below:

	06.30.2016	12.31.2015	Change
(thousands of Euros)			
Trade receivables	73,686	58,861	14,825
Receivables from associates and joint ventures	8,321	115	8,206
Current trade receivables	**82,007**	**58,976**	**23,031**

Trade receivables, shown net of the provision for bad and doubtful receivables of €2.7 million, total €73.7 million, representing an increase of €14.8 million on December 31, 2015. This increase is mainly due to the consolidation of Cascades S.A.S, amounting to €17.2 million, and to the deconsolidation of Emmaus Pack S.r.l., amounting to €9.1 million.

The “Receivables from associates and joint ventures” item includes commercial transactions with Pac Service S.p.A. (€384 thousand) and Emmaus Pack S.r.l (€7,937 thousand). The increase over the previous year is due to the different method of consolidating Emmaus Pack, as already mentioned above.

16. Inventories

The change in inventories of €14,804 thousand was attributable to the increase in physical stocks, the consolidation of Cascades S.A.S., amounting to €14.7 million, and the deconsolidation of Emmaus Pack S.r.l., amounting to €1 million.

17. Other receivables (current and non-current)

As at June 30, 2016, the “Other receivables (current portion)” item totaled €3.8 million. The change from the previous year, amounting to €2.7 million, is mainly due to the consolidation of Cascades S.A.S. (€1.9 million) and the recognition of the non-current portion, amounting to €0.6 million, and the loan to Arpafino S.L.U. for the sale of Spanish operation Reno De Medici Ibérica S.A.

As at June 30, 2016, the “Other receivables (current portion)” item totaled €14.2 million. The change from the previous year, amounting to €6.9 million, is mainly due to the consolidation of Cascades S.A.S. (€6.9 million) and the R.D.M. Marketing Group (€0.5 million). This increase was partially offset by the reduction in the receivable from a factoring company due to the reduction in the loans assigned to it (€0.7 million) and the reduction in tax receivables (€0.3 million).

18. Net financial position

The Company had consolidated net financial debt of €60.3 million as at June 30, 2016 (compared with €50.3 million on December 31, 2015).
The €10 million increase is due to the acquisition of Cascades S.A.S.
Without the acquisition of the latter, the Group’s net financial debt would have amounted to €42.6 million, an improvement of €7.6 million compared to December 31, 2015. This improvement derived from the deconsolidation of the net financial debt of Reno De Medici Ibérica S.A. (€4.2 million), which was sold on January 27, 2016, and of Emmaus Pack S.r.l. (€3 million), which was deconsolidated following the sale of a portion of the equity investment on March 14, 2016, which resulted in loss of control.

The net financial position consisted of the following:

(thousands of Euros)	06.30.2016	12.31.2015	Change
Cash	15	16	(1)
Funds available from banks	2,382	23,294	(20,912)
A. Cash and cash equivalents	**2,397**	**23,310**	(20,913)
Other receivables from associates and joint ventures	372	470	(98)
Other receivables	1,920	246	1,674
B. Current financial receivables	**2,292**	**716**	**1,576**
1. Current payables to banks	*2,199*	*471*	*1,728*
2. Current portion of medium- and long-term loans	*15,019*	*15,031*	*(12)*
3. Other current financial liabilities	*183*	*2,692*	*(2,509)*
Payables to banks and other lenders (1+2+3)	17,401	18,194	(793)
Other payables to associates and joint ventures		1,954	(1,954)
Other payables	1,253		1,253
Derivatives - current financial liabilities	151	146	5
C. Current financial debt	**18,805**	**20,294**	**(1,489)**
D. Net current financial debt (C - A - B)	**14,116**	**(3,732)**	**17,848**
Non-current loans	600		600
E. Non-current loans	**600**		**600**
Payables to banks and other lenders	46,411	53,936	(7,525)
Derivatives - non-current financial liabilities	323	50	273
F. Non-current financial debt	**46,734**	**53,986**	**(7,252)**
G. Net non-current financial debt (F-E)	**46,134**	**53,986**	**(7,852)**
H. Net financial debt (D+G)	**60,250**	**50,254**	**9,996**

Non-current “Payables to banks and other lenders” comprise medium- and long-term loans granted by banks (valued according to the amortized cost method).

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

(thousands of Euros)	within 12 months	over 12 months	over 60 months	total
M.I.C.A. - due February 13, 2017	165			165
MCFVG - FRIE 1	414	1,448	828	2,690
MCFVG -FRIE 2	813	2,843	813	4,469
Friulia (Ovaro Transaction)		2,373		2,373
Banco Popolare 2015	1,716	439		2,155
Banco Popolare 2016	2,481	5,019		7,500
Banca Popolare di Milano	2,857	11,428	4,286	18,571
Intesa San Paolo due 4/16/2016	4,000	12,000		16,000
Credem	998	1,262		2,260
Cariparma	1,750	3,500		5,250
GE Capital	68	16		84
Encelpa	83	340		423
Agence de l'eau		139		139
Total nominal debt	**15,345**	**40,807**	**5,927**	**62,079**
Amortized cost effect	**(175)**	**(323)**		**(498)**
Total debt using amortized cost method	**15,171**	**40,484**	**5,927**	**61,582**

Financial debts towards GE Capital and Encelpa are referred to Consolidation of cascades S.A.S.

Note that the restructuring process started in 2014 had continued in 2015; in particular, the syndicated loan had been extinguished before it expired and four new loans totaling €51 million had been contracted. Following these transactions, the Group's financial indebtedness now mainly consists of long-term loans, which provide the Group with the stability of the necessary financial sources to adequately support its operations, and, in particular, capital expenditure, as well as possible projects to take advantage of strategic investment opportunities.

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

- Net financial position/Shareholders' equity
- Net financial position/Gross operating profit
- Gross operating profit /Net financial expense

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, the lending banks may terminate the loan agreements: as at June 30, 2016 the Group was in compliance with the financial parameters.

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 the period Reno De Medici S.p.A. constituted an “Available Reserve” through a voluntary reduction of share capital ex art. 2445 c.c. (as explained in paragraph 19 “Net Equity”) required and obtained waivers from lending banks.

It is highlighted that during the period the loan from Banca Popolare di Bergamo was reimbursed in advance, for an amount €6.8 Million; furthermore a new loan from Banco Popolare was subscripted for an amount of €7.5 Million.

In terms of collateral, the Parent Company loan agreement requires, *inter alia*, RDM to provide mortgages on mills, in the total amount of €50.4 million.

Special liens on mills’ plant and machinery are given as collateral, in the total amount of €20 million.

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding on June 30, 2016.
The table below shows the main features of the derivative financial instruments outstanding on June 30, 2016:

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	12,000	0.42% fixed / Euribor 6m	Half-yearly	(150)
Reno De Medici S.p.A.	Banca Popolare di Milano	Eur	12.30.2022	18,571	0.45% fixed / Euribor 6m	Half-yearly	(324)
				30,571			**(474)**

Below is the hierarchy of levels for the measurement of the fair value of derivatives:

• 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	06.30.2015	Fair value as of 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	323		323	
Derivative instruments on interest rates	Current derivative instruments	151		151	

19. Shareholders' Equity

The share capital, which stood at €140 million as of June 30, 2016, breaks down as follows:

	Number	Unit par value	Total value
Ordinary shares	377,527,656		139,898,710
Savings shares	273,338		101,290
Total	377,800,994		140,000,000

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 Articles of Association, 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, the company launched the plan to purchase treasury shares totaling 581,600 on June 30, 2016, with a value of €182 thousand.

With reference to the savings shares, the RDM articles of association require that if a dividend of less than 5% of the par value of the share 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 equal to €1,983 thousand were distributed in 2016.

It is highlighted that Net Equity as at June, 30 2016 includes the difference between the net value of the acquired assets of Cascades S.A.S., which at acquisition date amounted to €14.1 million, and the net price paid of €11.3 million, amounting to €2.8 million (for further information concerning the price see the paragraph Key events). In-fact as the aforementioned operation is qualified as a business combination under common control, the operation has been accounted for according to the document OPI 1 issued by Assirevi: the aforementioned difference was not book in the Profit and Loss but as an increase of Net Equity.

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

The current portion of other payables stands at €22.3 million (€12 million as at December 31, 2015). This item essentially includes payables to employees for deferred compensation, payables to the Treasury for contributions on compensation, payables for the Treasury for VAT, and payables to directors and statutory auditors.
The increase compared with the previous year is mainly due to the line-by-line consolidation of Cascades S.A.S., amounting to €7 million, and R.D.M. Marketing, amounting to €1.2 million.

Other payables to associates and joint ventures were zero as at June 30, 2016, due to the line-by-line consolidation of the R.D.M. Marketing Group; on December 31, 2015, the balance included the financial relationship between Reno De Medici S.p.A. and R.D.M. Marketing S.r.l.

21. Employee benefits

"Employee benefits" amounted to €33.2 million as at June 30, 2016 The change of €4.1 million compared to the previous year is mainly due to the consolidation of Cascades S.A.S. (€3.6 million) and the R.D.M. Marketing Group (€0.9 million).

The Group's workforce as at June 30, 2016 comprises 1,532 employees (including 324 at Cascades S.A.S., and 59 at the R.D.M. Marketing Group), compared to 1,166 employees on December 31, 2015.

22. Non-current provisions for risks and charges

The provisions for risks and charges was €4.3 million on June 30, 2016. The increase compared to the previous year, of €1.6 million, is mainly due to the line by line consolidation of R.D.M. Marketing Group that led to the recognition in the financial statements of additional client expenses of €2.1 million.

23. Current trade payables and payables to associates and joint ventures

The balance at June 30, 2016 breaks down as follows:

	06.30.2016	12.31.2015	Change
(thousands of Euros)			
Trade payables	103,962	81,985	21,977
Payables to associates and joint ventures	483	2,894	(2,411)
Total	**104,445**	**84,879**	**19,566**

"Trade payables" recorded in the financial statements were €104 million (€82 million as at December 31, 2015) and are all due in less than 12 months. They are stated net of trade discounts and adjusted for any returns or rebates agreed with the counterparty. The variation is mainly due to the consolidation line by line of Cascades S.A.S., amounting to €15.2 million, and of R.D.M. Marketing Group, amounting to €1.9 million.

"Payables to associates and joint ventures", amounting to €0.5 million (€2.9 million as at December 31, 2015), relate mainly to trade payables to ZAR S.r.l.

The change compared to the previous year is due to the different consolidation method applied to the R.D.M. Marketing Group.

24. Non-recurring transactions

The Group's income, financial position, and cash flows were not influenced by non-recurring significant events and transactions as defined by Consob Notice No. DEM/6064293 excluding the acquisition of Cascades S.A.S. which has already explained in the paragraph "Key events".

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

Regarding the main existing disputes, see section 5.8.

Commitments and guarantees given to third parties include:

- sureties of €4.1 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;
- a surety of €421,000 issued in favor of the Region of Lazio regarding the landfill site allocated at di Villa Santa Lucia (FR);
- sureties of €1.7 million issued to the Comieco consortium;
- sureties of €67,000 issued in favor of the customs authorities;
- a surety of €177,000 issued in favor of Stogit S.p.A.;

- a surety of €228,000 issued in favor of Terna S.p.A.;
- sureties of €669,000 issued in favor of the revenue agency for Carta Service Friulana S.r.l. and Cartiera Alto Milanese in liquidation;
- sureties of €612,000 issued in favor of Cassa Conguaglio (compensation fund);
- a surety of €90,000 issued in favor of the Province of Milan;
- a surety of €386,000 issued in favor of the Province of Frosinone;
- a surety of €88,000 issued in favor of Margiuno S.r.l.;
- a surety of €72,000 issued in favor of the Polytechnic Institute of Milan;
- a surety of €1.8 million issued in favor of Unicredit;
- a surety of €2.3 million issued in favor of Cariparma.

With reference to transactions between Manucor shareholders, see the description in section 14, “Equity investments.”

5.7 Related-party transactions

During the half-year, there were no transactions with related parties or other parties that were atypical or unusual or extraneous to normal business operations or such as to cause harm to the Group’s income, financial position or cash flow. It should be noted that, from January 1, 2011, the new “Regulations for Related-party Transactions” went into effect, approved by the Board of Directors on November 8, 2010 and revised on August 3, 2011, in accordance with the provisions of the regulations on the matter adopted by Consob Resolution No. 17221 of March 12, 2010, as amended and supplemented.

In the condensed consolidated half-year financial statements, related-party transactions were in existence with:

- the parent company;
- associates;
- joint ventures;
- other related parties.

Transactions between Reno De Medici S.p.A. and its consolidated subsidiaries were eliminated from the condensed consolidated half-year financial statements and are therefore not shown in these notes.

The transactions carried out with the related parties identified above are part of normal business operations in the usual area of activity of each party involved from time to time, and are governed under arm’s length conditions.

Related-party transactions include:

- commercial transactions for the sale of cartonboard with Cascades Asia Ltd, a commercial company belonging to the Cascades group and operating primarily in the Asian market;
- commercial transactions with Pac Service S.p.A. and Emmaus Pack S.r.l. concerning the sale of cartonboard, and with Zar S.r.l. for the purchase of scrap paper;
- general and administrative services provided by companies of the Reno De Medici Group to the R.D.M. Marketing Group;
- sales promotion and marketing services provided by R.D.M. Marketing S.r.l.

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.

Pursuant to Consob Resolution No. 15519 of July 27, 2006, the transactions described above are shown in the tables below:

Receivables and Payables with Related Parties

	Current assets				Current liabilities		
	Trade receivables	Receivables from associates and joint ventures	Other receivables from associates and joint ventures	Receivables from Group Companies	Trade payables	Payables to associates and joint ventures	Other payables
(thousands of Euros)							
Cascades Europe S.A.S.				1,870	72		
Cascades GIE					7		
Cascades CTI					4		
Cascades Rollpack					23		
Cascades Asia Ltd	1,541						
Cascades Groupe Produits					1		
Cascades Canada ULC	5				7		1,253
Cascades MultiPro	16						
Pac Service S.p.A.		384					
ZAR S.r.l.			373			479	
Emmaus Pack S.r.l.		7,937				4	
Total	**1,562**	**8,321**	**373**	**1,870**	**114**	**483**	**1,253**
Share of item total	**2.1%**	**100%**	**100%**	**13.2%**	**0.1%**	**100%**	**5.6%**

Revenues and costs deriving from related-party transactions

(thousands of Euros)	Revenues from sales	Other revenues	Financial income
Careo GmbH		10	
Careo S.A.S.		30	
R.D.M. Marketing S.r.l.		197	1
Cascades Asia Ltd	2,329		
Cascades S.A.S.		1	
Pac Service S.p.A.	2,218		
Cascades Multi pro	16		
ZAR Srl			3
Emmaus Pack S.r.l.	3,613	28	2
Total	**8,176**	**266**	**6**
Share of item total	**3.8%**	**11.4%**	**35.3%**

(thousands of Euros)	Cost of raw materials and services	Financial expense
Careo S.A.S.	12	
R.D.M. Marketing S.r.l.	4,532	5
Emmaus Pack S.r.l.	4	
ZAR S.r.l.	1,536	
Red. Imm. S.r.l.	20	
Total	**6,104**	**5**
Share of item total	**3.6%**	**0.3%**

The compensation due to the directors and statutory auditors of Reno de Medici S.p.A. for the performance of their duties amounted to €176 thousand and €84 thousand, respectively.

5.8. Lawsuits and arbitration proceedings

Existing disputes and risks

Nothing to report

5.9. Subsequent events

There are no relevant subsequent events to report.

6. Equity investments in subsidiaries and associates

Pursuant to Article 126 of Consob Resolution No. 11971 of May 14, 1999, as subsequently amended and supplemented, below is the list of equity investments held at June 30, 2016 in companies with unlisted shares or in limited-liability companies, exceeding 10% of the capital.

LIST OF SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Cartonboard sector - subsidiaries

Cartiera Alto Milanese S.p.A. in liquidation
Milan – Italy
Direct ownership 100%

RDM Blendecques S.a.s.
Blendecques – France
Direct ownership 100%

Cascades S.A.S.
La Rochette – France
Indirect ownership 100% (through RDM Blendecques S.A.S)

R.D.M. Ovaro S.p.A.
Ovaro - Italy
Direct ownership 80%

Reno De Medici Arnsberg Gmbh
Arnsberg – Germany
Direct ownership 94%
Indirect ownership 6% (through Cascades Grundstück GmbH & Co.KG)

Carta Service Friuliana S.r.l.
Milan – Italy
Direct ownership 100%

Service sector - subsidiaries

R.D.M. Marketing S.r.l.

Milan – Italy

Direct ownership 70%

Indirect ownership 30% (through Cascades S.A.S)

Careo Gmbh

Krefeld – Germany

Indirect ownership 100% (through R.D.M. Marketing S.r.l.)

Careo S.A.S.

Paris – France

Indirect ownership 100% (through R.D.M. Marketing S.r.l.)

Careo Spain S.L.

Prat de Llobregat – Barcelona – Spain

Indirect ownership 100% (through R.D.M. Marketing S.r.l.)

Careo Ltd

Wednesbury – UK

Indirect ownership 100% (through R.D.M. Marketing S.r.l.)

Careo S.r.o.

Prague – Czech Republic

Indirect ownership 100% (through R.D.M. Marketing S.r.l.)

Careo KFT

Budapest - Hungary

Indirect ownership 100% (through R.D.M. Marketing S.r.l.)

Careo SP z.o.o.

Warsaw - Poland

Indirect ownership 100% (through R.D.M. Marketing S.r.l.)

Cascades Grundstück GmbH & Co.KG

Arnsberg - Germany

Direct ownership 100%

LIST OF EQUITY-ACCOUNTED INVESTMENTS

Cartonboard sector and other industrial production

Manucor S.p.A.
Milan - Italy
Direct ownership 22.75%

Emmaus Pack S.r.l.
Milan - Italy
Direct ownership 34.39%

Pac Service S.p.A.
Vigonza - Padua - Italy
Direct ownership 33.33%

ZAR S.r.l.
Silea - Italy
Direct ownership 33.33%

LIST OF INVESTMENTS IN OTHER COMPANIES

Cartonboard sector

Cartonnerie Tunisienne S.A.
Les Berges Du Lac - Tunis
Direct ownership 5.274%

Consortiums

Gas Intensive S.c.r.l.
Milan – Italy
Consortium share

Comieco
Milan – Italy
Consortium share

Conai
Milan – Italy
Consortium share

Consorzio Filiera Carta
Frosinone – Italy
Consortium share

C.I.A.C. S.c.r.l.
Valpenga (TO) - Italy
Consortium share

Idroenergia S.c.r.l.
Aosta - Italy
Consortium share

Paper Interconnector
Milan - Italy
Consortium share

Università Carlo Cattaneo
Castellanza (VA) – Italy
Consortium share

CERTIFICATION

of the condensed half-year financial statements, pursuant to Article 81-ter of Consob Regulation No. 11971 of May 14, 1999, as amended and supplemented

1. We, the undersigned, Robert Hall, as Chairman of the Board of Directors, and Stefano Moccagatta, the Chief Financial Officer of Reno De Medici S.p.A., hereby certify, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998:

a) the suitability for the characteristics of the business and
b) the effective implementation,

of the administrative and accounting procedures pertaining to the preparation of the condensed half-year financial statements for the period from January 1, 2016 to June 30, 2016.

2. No significant issues have emerged in this regard.
3. We further certify that:
3.1 the condensed half-year financial statements as at June 30, 2016:
a) were prepared in accordance with the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) 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) present fairly the financial position, the results and the cash flows of the issuer and of all of the companies included in the consolidation.

3.2. The interim report on operations includes a reliable analysis with reference to important events occurring during the first six months of the year and their effect on the condensed half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of information on material related-party transactions.

Milan, July 28, 2016

The Chairman of the Board of Directors	The Chief Financial Officer
Robert Hall	Stefano Moccagatta