REPORTS AND FINANCIAL STATEMENTS

FOR THE 88TH FISCAL YEAR

ENDED DECEMBER 31, 2016

ORDINARY SHAREHOLDERS' MEETING

APRIL 27, 2017 FIRST CALL

APRIL 28, 2017 SECOND CALL

RENO DE MEDICI S.P.A.

VIALE ISONZO 25, MILAN, ITALY

SHARE CAPITAL €140,000,000

TAX CODE AND VAT NUMBER 00883670150

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2016

NOTICE OF ORDINARY SHAREHOLDERS' MEETING

Persons entitled to take part and exercise voting rights at the Shareholders' Meeting of Reno De Medici S.p.A. (hereinafter also referred to as: "RDM" and/or "the Company") are called to Shareholders' Meeting to be held on April 27, 2017 at 10.30 a.m., at the registered office at 25 Viale Isonzo, Milan, at first call and, if necessary, on April 28, 2017 at 9.30 a.m. at Borsa Italiana at 6 Piazza degli Affari, Milan, at second call, to discuss and resolve upon matters relating to the following

Agenda

1. Annual financial statements for the year ended December 31, 2016.

    1.1. Approval of the annual financial statements for the year ended December 31, 2016, based on the Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors, having acknowledged the presentation of the consolidated financial statements for the year ended December 31, 2016.

    1.2. Allocation of profit for 2016.

2. Appointment of the Board of Directors.

    2.1. Appointment of the Board of Directors and its Chairman after establishing the number of its members and their term of office.

    2.2. Determination of the annual compensation of members of the Board of Directors.

3. Report on Remuneration pursuant to Article 123-ter of Legislative Decree 58/98 as subsequently amended and supplemented (the Consolidated Finance Act, or "CFA").

4. Approval pursuant to article 114 – bis of Legislative Decree n. 58/1998 of Incentive Stock Grant Plan for years 2017-2019 up to the maximum amount of n. 2.262.857 Reno De Medici's ordinary shares in favour of CEO to be appointed.

5. Authorization to dispose of treasury shares: proposal to modify the resolution adopted on 2nd November 2015.

Extraordinary Meeting:

Proposal of Merger Plan relating to the merger by absorption of R.D.M. Marketing S.r.l with and into Reno De Medici S.p.A.

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INFORMATION RELATING TO THE SHARE CAPITAL AND SHARES WITH VOTING RIGHTS

It is stated that:

a) the share capital at the date of publication of this notice is €140,000,000, divided into 377,800,994 shares, subdivided as follows:

   1) 377,531,366 ordinary shares;

   2) 269,628 savings shares convertible into ordinary shares which, pursuant to Article 6 of the By-Laws, do not carry the right to vote at ordinary or extraordinary shareholders' meetings;

b) each ordinary share gives the right to vote at Shareholders' Meetings;

c) the Company holds n. 581,600 treasury shares, equal to 0.154% of the share capital

ADDITIONS TO THE AGENDA AND PRESENTATION OF NEW PROPOSALS FOR DELIBERATION

Pursuant to Article 126-*bis* of Legislative Decree 58/98, shareholders who, including jointly, represent at least one-fortieth of the share capital represented by shares with voting rights may request, within ten days from the date of publication of this notice, the addition of items to the agenda for discussion, indicating in the request the additional items proposed by them, or they may present proposals for deliberation on items already on the agenda. Such a request must be submitted in writing by the proposing Shareholders and must be sent by recorded-delivery letter to the Company's registered office at 25 Viale Isonzo, Milan, or by certified email to renodemedici@pec.rdmgroup.com together with certification stating ownership of the shareholding. Within the aforesaid period of ten days and in the same manner, the proposing shareholders must present a report on the matters proposed for consideration, or on the proposals for deliberation. No additions will be accepted in relation to matters on which the Shareholders' Meeting resolves, in accordance with the law, on the proposal of the directors or on the basis of a plan or report prepared by them. Any supplemented list of matters to be considered at the Shareholders' Meeting will be published at least fifteen days prior to the date set for the meeting, with the same publication procedures as this notice. At the same time as the publication of the notice of addition, the Company will make available to the public, in the same forms, the report prepared by the requesting shareholders, accompanied by any assessments of the Board of Directors.

ENTITLEMENT TO PARTICIPATE AND PARTICIPATION PROCEDURES

Pursuant to Article 83-*sexies* of the CFA and Articles 8 and 9 of the By-Laws, entitlement to participate in the Shareholders' Meeting and exercise voting rights is certified by a communication to the Company, made by an authorized intermediary under the applicable rules, in conformity with its accounting records, in favor of the person holding the voting right, by the end of the seventh trading day preceding the date of the Shareholders' Meeting at first call (i.e. April 18, 2017).

Persons who become holders of shares after April 18, 2017 will therefore not be entitled to participate and vote at the Shareholders’ Meeting.

Holders of any shares not yet dematerialized must deliver them in advance to a qualified intermediary for their inclusion in the centralized dematerializing management system pursuant to Article 17 of the Consob/Banca d’Italia Joint Communication of October 22, 2013, and request the transmission of the aforesaid communication.

Persons entitled to participate in the Shareholders’ Meeting are requested to attend ahead of the time set for the meeting in order to facilitate registration operations, which will begin at 8.30 a.m.

Persons entitled to vote at the Meeting may be represented by another person on the basis of a proxy drawn up in writing or conferred electronically, pursuant to the legislation in force. The proxy form available from the registered office and from the Company’s website at www.renodemedici.it can be used for this purpose.

The proxy can be sent by recorded delivery to the Company’s registered office at 25 Viale Isonzo, 20135 Milan, marked for the attention of the Legal Department, or can be sent electronically to the certified email address renodemedici@pec.rdmgroup.com.

If the representative delivers or sends a copy of the proxy to the Company, he/she must declare on his/her own responsibility the proxy’s conformity with the original and the identity of the delegating party.

The proxy may be conferred, with voting instructions for all or some of the resolution proposals relating to the items on the agenda, on Computershare S.p.A., which has its registered office at 19 Via Lorenzo Mascheroni, 20145 Milan, for the purpose designated by the Company pursuant to Article 135-*undecies* of Legislative Decree 58/1998. A specific proxy form must be used for this purpose, prepared by this Designated Representative in agreement with the Company and available from its website at www.renodemedici.it (under Governance/Shareholders’ Meetings). The original hard copy of the proxy conferred on the Designated Representative, with voting instructions, must be submitted to the registered office of Computershare S.p.A., 19 Via Lorenzo Mascheroni, 20145 Milan, with prior delivery, where applicable, of a copy with a declaration of conformity to the original by fax to 02.46776850 or attached to an email to this address: ufficiomilano@pecserviziotitoli.it, by the end of the second trading day preceding the date set for the Shareholders’ Meeting (i.e. by April 25, 2017 at first call or by April 26, 2017 at second call). Conferred in this way, the proxy shall be valid only for proposals for which voting instructions have been provided. The proxy and the voting instructions may be revoked within the period mentioned above.

The proxy form and the relative instructions for completion and submission are available at the Company’s registered office and on its website at www.renodemedici.it (under Governance/Shareholders’ Meetings).

Any prior notification does not exempt the proxy, at the time of accreditation for access to the Shareholders’ Meeting, from the obligation of certifying conformity with the original hard copy submitted and the identity of the delegating party.

The communication made to the Company by the intermediary certifying entitlement to participate in the Shareholders' Meeting is necessary even if the proxy is conferred upon the Company's Designated Representative. Consequently, the proxy must be regarded as invalid in the absence of said communication.

RIGHT TO ASK QUESTIONS ABOUT AGENDA ITEMS

Holders of voting rights are informed that pursuant to Article 127-*ter* of the CFA, questions may be asked in relation to matters on the agenda. These questions are to be sent by recorded-delivery letter to the Company's registered office or by email to the certified e-mail address renodemedici@pec.rdmgroup.com, by the day preceding the date set for the Shareholders' Meeting at first call. Responses to questions arriving before the Shareholders' Meeting will be provided no later than during the meeting itself. The Company reserves the right to provide a single response to questions with the same content.

APPOINTMENT OF THE BOARD OF DIRECTORS

The Board of Directors is appointed pursuant to article 12 of the Company's bylaws, to which reference should be made.

It is recalled that pursuant to article 12 the Company is managed by a Board of Directors consisting of between 5 and 15 members. Before proceeding to appoint the members of the board the Shareholders' Meeting is required to establish the term of office and number of members of the board.

The Board of Directors is appointed on the basis of lists presented by shareholders by the method specified below, under which candidates are assigned a sequential number.

The lists presented by shareholders and signed by the people presenting them must be lodged at the Company's registered office in Viale Isonzo 25, Milan, or it can be sent electronically to the certified email address: renodemedici@pec.rdmgroup.com., in order that they may be made available to anyone making a request, at least twenty five days (id est 3 April 2017) prior to the date established for the Shareholders' Meeting in first call and will be publicised by the other means provided by prevailing laws and regulations.

Shareholders in general, shareholders who are party to significant shareholders' agreements within the meaning of article 122 of Legislative Decree no. 58/1998, the controlling party, subsidiaries and parties under common control within the meaning of article 93 of Legislative Decree no. 58/1998 may not present, or take part in the presentation of, including through intermediaries or trust companies, more than one single list, nor may they vote for different lists, and no candidate may be included in more than one list, failing which he or she will become ineligible. Names listed or votes cast in breach of this prohibition will not be allocated to any list.

Only shareholders who on their own or together with other presenting shareholders hold in total shares representing at least 2.5% of share capital with voting rights in an ordinary Shareholders'

Meeting are entitled to present lists pursuant to Consob Resolution number 19856 of 25th January 2017.

The following must be lodged together with each list by the respective deadlines indicated above: (i) statements in which the individual candidates accept the nomination, affirm under their own responsibility that there are no reasons why they may be considered ineligible for or incompatible with the position and confirm that they possess the requisites for the respective positions; (ii) a curriculum vitae of each candidate relating to his or her personal and professional characteristics, with a description as appropriate of the reasons justifying why he or she should be considered to be independent pursuant to article 148, paragraph 3 of Legislative Decree no. 58/1998.

In addition, within the term provided by the applicable discipline for the publication of lists by the Company, shareholders must lodge suitable certificates issued by an intermediary authorised by law demonstrating that they are the owners at the date of the lodging of the lists with the Company of the number of shares required for the presentation of the list.

Any lists presented without observing the above requirements shall be considered as not having been presented.

The procedure to apply for the election of the Board of Directors is provided for article n. 12 of ByLaws available for consultation on the Company's website www.renodemedici.it/governance/ByLaws.

Pursuant to Article 12 of the Articles of Association, reappointment to the Board of Directors must comply with the regulations governing gender balance under Law no. 120 of 12 July 2011 and, pursuant to the aforesaid law, a quota of at least one third of the statutory auditors elected is reserved for the lesser represented gender. Shareholders who intend to submit a list of three or more candidates for reappointment to the Board of Directors must ensure that such lists include both genders, in such a way that candidates of the lesser represented gender constitute at least one third of the total (rounded up, if necessary, to nearest whole number).

It is noted that Consob Recommendation no. DEM/9017893 of 26 February 2009 recommends that Shareholders presenting a minority list should file, together with the list, a declaration certifying to the absence of any direct or indirect relationship of association, as provided for by Art. 144-quinquies of Consob Regulation no. 19971/1999.

DOCUMENTATION

Please note that when this notice was published, the Report of the Board of Directors on the matters on the agenda was made available to the public by being filed at the Company's registered office in 25 Viale Isonzo, Milan and posted on the Company's website, where a copy may be obtained. It will also be available on the Nis-Storage authorized storage system.

The Company's Annual Report, consisting of the draft annual financial statements, the proposed Shareholders' resolution, the consolidated financial statements, the report on operations, the declaration by the Manager Responsible for the Preparation of Company Accounting Documents and of the delegated body, the Report of the Board of Statutory Auditors, the Report of the

Independent Auditors, the Report on Corporate Governance and Ownership Structure pursuant to Article 123-*bis* of the CFA, and the Report on Remuneration pursuant to Article 123-*ter* of the CFA, the Information Document pursuant to art. 70 of Consob Regulation no. 11971 of 14 May 1999 concerning the Merger Proposal, the Information Document pursuant to art. 84 bis Consob reglation n. 11971/1999 concerning the n. 4 of agenda and its proposal will be made available to the public within the legal deadlines at the Company's registered office at 25 Viale Isonzo, Milan, where copies may be obtained. These documents will also be available on Nis-Storage, the authorized storage system, and from the website www.emarketstorage.com. All the documentation, including the Company By-Laws, can be viewed on the Company's website.

Milan, March 23, 2017

for the Board of Directors
The Chairman
Robert Hall

SUMMARY DATA AND GENERAL INFORMATION

BOARD OF DIRECTORS AND AUDITORS

Board of Directors

Robert Hall	Chairman
Michele Bianchi	Chief Executive Officer
Laura Guazzoni	Director
Laurent Lemaire	Director
Matteo Rossi	Director

Board of Statutory Auditors

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

Independent Auditors

Deloitte & Touche S.p.A.

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

Below are the main economic and capital figures as at December 31, 2016 compared with those for the previous financial year, relating to the Reno De Medici Group (the “Group” or “RDM Group”).

RDM GROUP	12.31.2016	12.31.2015
(Euro millions)		
INCOME STATEMENT (1)		
Revenues from sales	478	438
Gross operating profit (EBITDA)	30	42
Depreciation, amortization and write-downs	(21)	(25)
Operating profit (EBIT)	9	17
Profit (loss) for the period before discontinued operations	3	11
Discontinued operations		(1)
Profit (loss) for the period	3	10
Group’s share of profit (loss) for the year	3	10
BALANCE SHEET		
- Non-current assets (2)	211	202
- Assets held for sale		8
- Non-current liabilities, employee benefits and other provisions (3)	(48)	(41)
- Current assets (liabilities) (4)	(10)	(6)
- Working capital (5)	46	42
- Liabilities held for sale		(7)
Net invested capital (NIC) (6)	199	198
Net financial debt (7)	44	46(*)
Shareholders’ equity	155	152
RATIOS		
Gross operating margin / Revenues from sales	6.3%	9.6%
Operating profit / NIC	4%	8.6%
Debt ratio (net financial debt / NIC)	22.5%	23.2%

(*) The net financial position as at December 31, 2015 was reported net of Reno De Medici Ibérica S.l.u. The Group financial position including Reno De Medici Ibérica S.l.u. was €50,254.

(1) See RDM Group consolidated financial statements.

(2) See RDM Group consolidated financial statements – the total of the item “Non-current assets” net of €300 thousand relating to an entry of a financial nature.

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

(4) See RDM Group consolidated financial statements – sum of the following items “Other receivables” net of €346 thousand relating to an entry of a financial nature classified under the item “Current assets”, net of the following items “Other payables”, “Current taxes”, “Employee benefits” and “Current provisions for risks and charges”, classified under the item “Current liabilities”.

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

(6) Sum of the items listed above.

(7) See RDM Group consolidated financial statements – sum of the following items: “Cash and cash equivalents”, “Other receivables from associates and joint ventures”, classified under “Current assets” to which €646 thousand is added relating to an entry of a financial nature included under the item “Other receivables”, net of the following items “Payables to banks and other lenders” and “Derivative instruments”, classified under “Non-current liabilities” and “Payables to banks and other lenders”, “Derivative instruments” and “Other payables to associates and joint ventures”, classified under “Current liabilities”.

The main economic and capital figures as at December 31, 2016 are given below, compared with those for the previous financial year, relating to the financial statements of the Parent Company.

RDM	12.31.2016	12.31.2015
(Euro millions)		
INCOME STATEMENT (8)		
Revenues from sales	214	218
Gross operating profit (EBITDA)	16	24
Depreciation, amortization and write-downs	(11)	(14)
Operating profit (EBIT)	4	10
Profit (loss) for the period	7	12
BALANCE SHEET		
- *Non-current assets (9)*	199	198
- Assets held for sale		*1*
- *Non-current liabilities, employee benefits and other provisions (10)*	(10)	(9)
- *Current assets (liabilities) (11)*	(3)	(3)
- *Working capital (12)*	13	19
Net invested capital (NIC) (13)	199	206
Net financial debt (14)	(33)	(44)
Shareholders' equity	166	162
RATIOS		
Gross operating margin / Revenues from sales	7.5%	11%
Operating profit / NIC	2%	4.9%
Debt ratio (net financial debt / NIC)	16.6%	21.4%

(8) See RDM Group financial statements.

(9) See RDM financial statements – the total of the item "Non-current assets" net of €300 thousand relating to an entry of a financial nature.

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

(11) See RDM financial statements – sum of the following items "Other receivables", net of €346 thousand relating to an entry of a financial nature classified under the item "Current assets", net of the following items "Other payables", "Current taxes", "Employee benefits" and "Current provisions for risks and charges", classified under "Current liabilities".

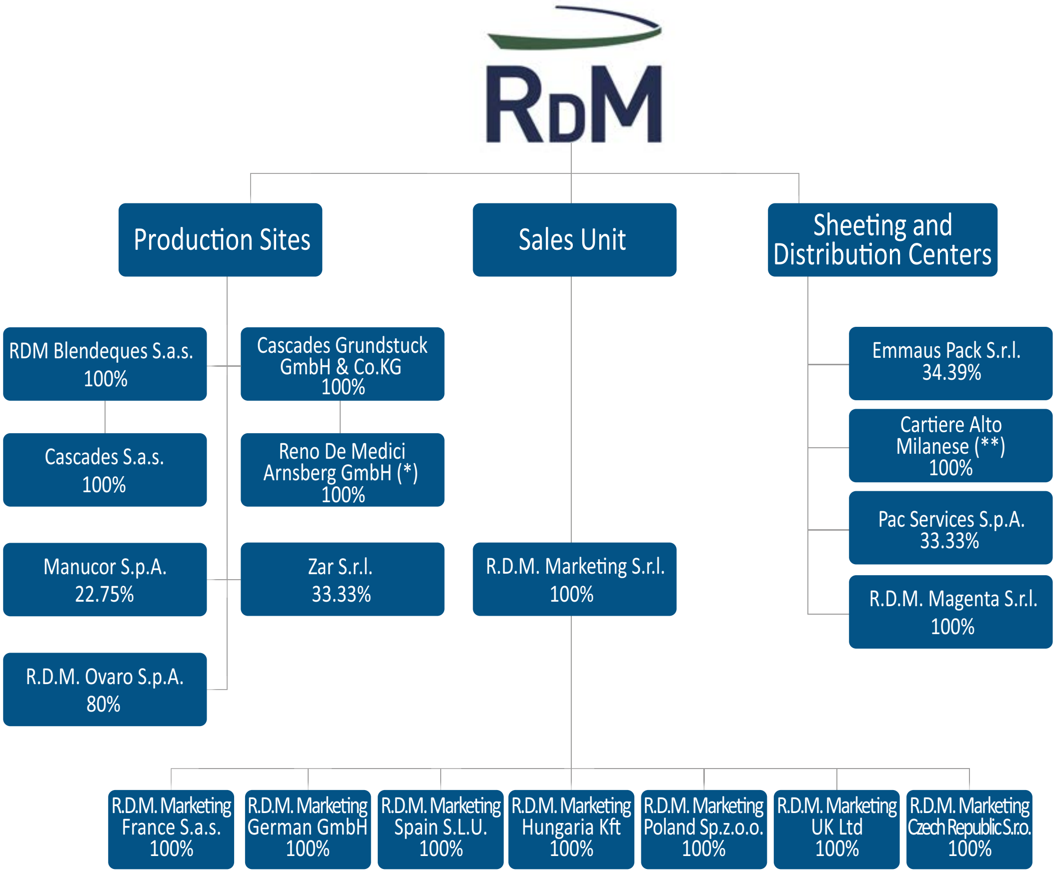
(12) See RDM financial statements – sum of the items "Inventories", "Trade receivables", "Receivables from Group companies" classified under the item "Current assets", net of the item "Trade payables", "Payables to Group companies", classified under the item "Current liabilities".

(13) Sum of the items listed above.

(14) See RDM financial statements – sum of the following items: "Cash and cash equivalents" and "Other receivables from Group companies", classified under "Current assets", to which €646 thousand is to be added relating to an entry of a financial nature included under the item "Other receivables", net of the following items "Payables to banks and other lenders", "Derivative instruments" and "Other payables to Group companies", classified under "Non-current liabilities" and "Payables to banks and other lenders", "Derivative instruments" and "Other payables to Group companies", classified under "Current liabilities".

GROUP OPERATING COMPANIES AS AT DECEMBER 31, 2016

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



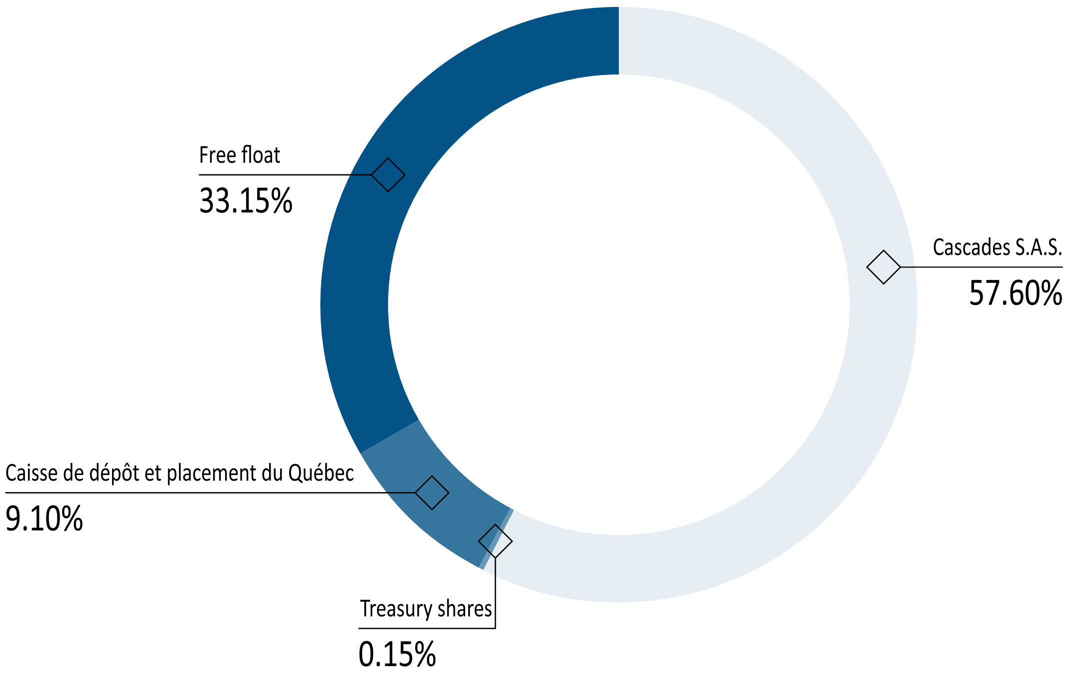
(*) Company owned 94% by Reno De Medici S.p.A. and 6% by Cascades Grundstück GmbH & Co.KG.

(**) Company in liquidation

SHAREHOLDERS

Below is the situation regarding RDM's share ownership as at March 23, 2017, in accordance with information from the Shareholder Register plus the communications received pursuant to Articles 120 and 152-*octies*, paragraph 7 of the CFA as well as the information disclosed by Consob.

Ordinary shares	no.	377,531,366
Convertible savings shares	no.	269,628
Total	no.	**377,800,994**



DIRECTORS' REPORT

DIRECTORS' REPORT ON OPERATION

The Reno De Medici Group closes 2016 recording an EBITDA of €30.4 Million, compared to €41.8 Million in 2015, and a Net Profit of €3.2 Million, vs. €9.9 Million last year.

The decrease of EBITDA by €11.4 Million vs. prior year is mainly due a weaker market and lower average selling prices, higher costs of raw materials, and also to lower production at certain mills, the Arnsberg mill (Germany) in particular, linked to the commissioning of new equipment that was installed.

The activities of the year were also marked by the acquisition from Cascades Canada ULC, on June 30, 2016, of 100% of Cascades S.A.S. (now R.D.M. La Rochette S.A.S.), a French company that produces and distributes packaging carton board based on *'virgin fibers'*. The price was €11.3 Million, and the transactionis described in detail in the Key Events section below.

As a consequence of the transaction, starting from June 30, 2016, the Reno De Medici Group fully consolidates line-by-line Cascades S.A.S. However, the impact on the Consolidated Income Statement of the year is limited to the 6 months of H2 (EBITDA of €3 Million, and a Net Profit of €2.5 Million), and to the acquisition costs that amount to €505 Thousand.

As regards the general macroeconomic scenario, the most recent evaluations of the IMF confirm for 2016 a global growth of 3.1%, slightly lower that the (rather disappointing) +3.2% growth recorded in 2015, and visibly lower compared to the 3.4% growth that was envisaged at the beginning of the year.

All the factors that had driven the economy in 2015 remained valid (low cost of energy, weak Euro, accomodative financial policy), but in 2016 growth was subdued and global trade remained also weak, with a modest growth of 1.9%, lower than both 2015 (2.7%) and 2014 (above 3.0%).

Following the evolution of the year, the end of 2015 and the opening of 2016 were marked by a global slow-down of economic activities, for both the softening of activities in Advances Economies, and the persisting stresses that characterized many Emerging Markets and Developing Economies.

The central months saw some recovery in Emerging Markets and Developing Economies, helped by signs of rebound of the prices of the commodities and the sources of energy, and a stable scenario in the Advanced Economies. In Europe the modest recovery continued, driven by internal demand and low cost of energy, nothwithstanding the concerns linked to the Brexit, the effects of which have been so far limited.

The last part of 2016 was marked by some new situations and events that, although have not impacted the results of the year materially, will definitely have an effect on 2017 and the medium term evolution. In November the OPEC countries signed an agreement to limit oil supply. Such an agreement, within the general recovery of commodities and oil prices, is an event that should benefit oil producers and commodity exporters, relieving the situation of some distressed ECDEs. Also in November Mr. Donald Trump was elected the President of the United States, an important political discontinuity whose concrete effects are still difficult to predict at the moment.

For Advanced Economies the IMF's January 2017 outlook estimates a 2016 growth of 1.6%, a slight upward revision compared to the previous October's forecast, that reflects somewhat stronger activities in the second half of 2016, due mostly to a reduced drag from inventories and some recovery in manufacturing output.

Activity strongly rebounded in the United States, after a weak first-half of 2016, and in some other countries that performed better than expected, such as Spain, Japan and UK, where the Brexit's effects seem sofar contained. The upward revision of expectations regards all major countries except Italy, that remains penalized by its historical structural weaknesses. Growth in the Euro Area should attain 1.7%, visibly lower than the 2% recorded in 2015, as "domestic demand, notably investment, decelerated in some of the larger euro area economies, after successive quarters of of stronger-than-expected growth" (IMF).

Emerging Countries and Developing Economies are overall estimated to grow 4.1% in 2016, in line with prior year, with a sligth negative adjustment of the previous forecast, in a complex picture diversified by areas and countries. In China the 2016 growth rate seems stronger than expected (6.7%, +0.3% vs. October), due to expected policy stimulus, and also Russia shows signs of imprivement; on the contrary, prospects have been revised downward, for different reasons, for a number of other important economies (Turkey, India, Brazil and Mexico).

The evolution of European demand of the two sectors in which the Reno De Medici Group now operates, WLC - White Lined Chipboard, and FBB – Folding Box Board, was broadly in line with the general trend of economy.

In the WLC segment, European demand decreased in the year by -1.4% compared to prior year. All major European markets show negative variations, that are very contained in Germany, and more evident in France and Italy. The sales in the *Overseas* markets increased substantially, but did not compensate the European decline entirely, particularly in terms of profitability, due to the high competition on prices that historically characterizes those markets.

In this scenario, Q4 showed a general improvement of the situation, and resulted to be basically in line with prior year, although with a differentiated performance among countries.

In the FBB segment, in which the newly acquired Cascades S.A.S. operates, the negative variation of European demand was marginal (-0.5% vs. 2015), also due to the temporary benefits generated for Scandinavian producers by the Tobacco Product Directive, that have by now come to an end.

Tons-sold in 2016 by the Reno De Medici Group were 890 Thousand, compared to 824 Thousand sold in 2015. The increase is associated to the consolidation of the 69 Thousand tons sold in the second half by Cascades S.A.S. Tons-sold in the WLC segment marginally decreased by -3.5 Thousand, due to lower production, for the commissioning of the new equipment installed in the mills (Arnsberg in particular), but also for limited stand-stills made by some mills, mainly in Q3, to maintain production efficiency in periods of lower demand, thus protecting profitability.

Revenues from Sales were €478 Million, compared to €438 Million of prior year. The increase is associated to the consolidation of the sales of the second half of 2016 of Cascades S.A.S., that amounted to €54.7 Million. Revenues from sales in the WLC segment decreased by -€15 Million, due to lower average realized selling prices and, to a lesser extent, to slightly lower production.

As regards the main factors of production, the evolution of prices of recycled fibers was rather volatile and somewhat differentiated among European countries and by fiber types. In general terms prices increased in Q2 and more in Q3, for the usual seasonality peculiar of that quarter, for some collection problems, and also for the new production capacity that entered the market in a continugous segment (boxboard) that incresed demand. In October the upward trend seemed to halt, prices even decreased marginally to then remain firm in the last months of the year, to pick up again at the beginning of 2017, mainly as an effect of increasing exports to China. The average prices recorded in the year were higher than the 2015 average.

The prices of mechanical pulp (the main raw material of Cascades S.A.S), that in the first three quarters had decreased or remained stable, depending on pulp types, in the last months of the year also resumed an upward trend.

As regards the prices of energy, the evolution is in the ambit of the general recovery of commodity prices that was recorded mainly since H2, from the minimum levels of February and March. The prices of primary sources of energy (oil, gas and coal) rebouded since Q3 driven by the price of oil, an upward trend that was confirmed also in Q4.

The most significant price increase regarded oil, that increased from 30 US$-per-barrel of February-April up to the 55 US$ recorded in December. The persisting low demand that characterized 2016 was compensated by the effects of the agreement reached by the OPEC countries for the limitation of oil production, that was finally signed in November after many months of negotiatons, an agreement that seems to be respected also by non-OPEC oil producers.

In this general scenario, the price of energy in Europe in the last months of the year was pushed upward also by the appreciation of the US dollar, by seasonal factors (colder than expected winter), and by the ‘French nuclear crisis’, that triggered a general increase of spot and future prices of gas, coal and power.

More specifically, the price of natural gas, the main source of energy for the Reno De Medici Group, in Europe increased from 14/15 €/MWH recorded in early Spring, to the 20 €/MWH recorded in December. However, such an effect affected the RDM Group only partially, due to the provisioning policy that had been timely adopted.

The price of coal, the main source of energy for the Arnsberg mill, increased from 40/45 US$/ton of February-April to 85 US$/ton at the end of December.

Nothwithstanding the Q4 price peak, the average cost of energy for the Reno De Medici Group in 2016 was lower than prior year.

Personnel Costs amounted in the period to €76 Million, an increase of €12.4 Million compared to 2015, out of which €11.4 Million derive from the consolidation of Cascades S.A.S. and the R.D.M. Marketing Group. The balance, an increase by €1 Million, results from various factors, where the contractual raises granted to employees, and the provisions relevant to the long-term unemplyment compensation procedures, and to the new early retirement social scheme procedures opened at the Italian mills were partially compensated by the savings generated by the higher utilization of the provisions for accrued vacations.

Other Operating Costs amounted in 2016 to €5 Million, out of which €530 Thousand are relevant to the consolidation of Cascades S.A.S. and of the R.D.M. Marketing Group. Net of this effect, costs decreased by €1 Million, mainly due to a lower provision for bad debts.

EBIT reached €8.8 Million, and compares to €17.2 Million in 2015. The reduction is mainly due to lower EBITDA, partially offset by lower Other Operating Costs, Amortizations and Depreciations; also, it is recalled EBIT in 2015 was penalized by some assets write-downs.

Net Financial Expenses were €3,1 Million, basically in line with 2015. The full consolidation of Cascades S.A.S and of the R.D.M. Marketing Group brought about an increase of €247 Thousand; net of this effect, Financial Charges decreased by €324 Thousand, where lower interests rates and other financial charges were partially offset by exchange differences, that in 2016 were positive by +€169 Thousand, vs. +€450 Thousand recorded in 2015.

Income from Investments was €0.7 Million, slightly higher than €0.5 Million recorded in 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 Taxes** amounts to €3 Million, compared to €3.7 Million in the first half of 2015, due to lower taxable income.

As already indicated in previous Financial Reports, the German subsidiary **Reno De Medici Arnsberg GmbH** underwent a tax audit of the period 2011-2013. In this ambit, the German Tax Authorities have disallowed the Logo Fee charged by the mother company Reno De Medici S.p.A., for an annual amount of 1.90% of sales revenues. The Group Logo Fee policy was introduced in 2009, still in place, keeping in due consideration the guidelines that regulate the transactions between related parties, and was supported by the advice of a primary German advisory firm, and by a benchmarking analysis, which have been recently updated. It has to be noticed that in the previous tax audit for the period 2007-2010 the charge was allowed.

The Reno De Medici Group does not agree with the position of the German Tax Authorities, and on December 22, 2016 filed in Germany an application for a 'Mutual Agreement Procedure' ("MAP"), based on the EU Arbitration Convention and the treaty against double taxation existing between Germany and Italy; at the same time, an 'Advance Princing Agreement' ("APA") procedure was filed in Italy with the "Agenzia delle Entrate", to cover 2016 and future years.

At the current visibility we have no elements to predict the outcome of the 'MAP' procedure; however, the Reno de Medici Group is confident in a positive agreement between the German and Italian Tax Authorities, since the EU Arbitration convention contains a mandatory arbitration clause, that will avoid double taxation; in that case, the possible impact on consolidated results of the tax case should be very limited.

At **RDM Marketing S.A.S. (France)** a tax audit was performed for the period 2012-2013, and was concluded with an agreement with the French Tax Autorities for an additional global tax charge of €388 Thousand; as a consequence, a provision for such amount was posted in the 2016 accounts.

Consolidated Profit before Discontinued Operations amounted to €3.4 Million, a decrease compared to €11 Million recorded in 2015.

The **Result from Discontinued Operations** was slightly negative by -€0.2 Million, and is relevant to the dissolution of the subsidiary Reno De Medici UK Ltd., vs. -€1.1 Million recorded in 2015, that were due to Reno De Medici Ibérica S.A.

Consolidated Profit amounted to €3.2 Million, vs. €9.9 Million recorded prior year.

Capital Expenditures made in the period by the Reno De Medici Group were €18.3 Million, compared to €12,7 Million in 2015.

The major projects carried out by the mills in 2016 are: at Arnsberg, the rebuild of the middle layer and post-drying sections of the board machine; at S. Giustina, the new landfill; at Villa S. Lucia, the installation of a new thermo calander; at Blendecques, the first works for the installation of a new shoe-press.

The **Consolidated Net Financial Indebtedness** of the RDM Group at December 31, 2016 was €44.4 Million, compared to €50.3 Million at December 31, 2015.

The extraordinary operations carried out in the year (acquisition of Cascades S.A.S. and the consequent consolidation of the R.D.M. Marketing Group; sale of Reno de Medici Ibérica S.A.; sale of a stake and deconsolidation of Emmaus Pack S.r.l.) determined a total increase of the Group's Net Financial Indebtedness by €10.4 Million. Net of this effect, the Net Financial Position of the Group improved by €16.3 Million, thanks to the positive performance of operations.

KEY EVENTS

The acquisition of Cascades S.A.S.

Background

On 13 September 2007, Reno De Medici and Cascades signed a Combination Agreement, which provided for, among other things:

i) the contribution to Reno De Medici 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 Reno De Medici (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 S.p.A., while confirming that in principle it was in the Company's interests to exercise the Call Option and acquire 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 unfavorable, 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 rationalizing production and investments, the economic performance, as well as the financial position, of the Reno De Medici 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 operation planned in 2007 has been effectively realized in 2016.

Benefits expected from the transaction for the Reno De Medici Group

The acquisition of Cascades S.A.S. allows Reno De Medici to consolidate its position as one of the leading European producers of packaging carton board, by expanding its activities to a new market segment, carton board packaging products manufactured based on 'virgin fibers'.

The transaction will also allow the simplification of the branding strategy of the Group, as all the products will be marketed under the RDM brand – previously recycled-fiber products and virgin-fiber products were marketed with two different brands, RDM 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; 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.

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 upward adjustment of €1.3 Million, also provided for by the Share Purchase Agreement, that represents the variations of the actual cash and cash equivalent, 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 was paid on October 6, 2016.

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. was qualified as a *business combination under common control*; consequently, the operation was accounted for according to the document OPI 1 issued by Assirevi. The value of the assets and liabilities of the purchased Company have been reflected at their book values, as they are reported in Cascades S.A.S.'s financial statements as at June, 30 2016, booking as an increase of net equity of Reno De Medici Group 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 Reno De Medici Group, that before the transaction already held 70% of the shares of R.D.M. Marketing S.r.l, acquired the remaining 30% that was 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

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

The Company has more than 300 employees, thus the headcount of the Reno De Medici Group has increased and reaches now 1.500 employees.

As a consequence of the transaction, from June 30th the Reno De Medici Group fully consolidates line-by-line Cascades S.A.S. However, its impact on the Group's Income Statement is limited to the 6 months of H2 (EBITDA of €3 Million and Net Income of €2.5 Million) and to acquisition costs for €505 Thousand.

As in the 2016 Reno De Medici accounts the economic results of Cascades S.A.S. were only partially consolidated, it is worth mentioning that the Company closed 2016 recording (management figures, unaudited) annual revenues from carton board sales for €117.2 Million, slightly lower than prior year. However, the EBITDA was €6.5 Million, an improvement compared to €4.1 Million of 2015, where lower average realized selling prices were more than compensated by lower costs of raw materials and the reduction of production costs.

On February 7, 2017 Cascades S.A.S. changed its name in R.D.M. La Rochette S.A.S.

Other key events

On December 19, 2016, the Reno De Medici Group announced the introduction of the new RDM brand and logo, that have been launched on January 1st, 2017. All the products of the Group will be marketed under the RDM brand; the Cascades brand and logo, and the Careo logo, will be discontinued. This represents the final step of the strategic *business combination* between the European operations of the Reno De Medici and Cascades Groups, that started in 2008, and was completed in June 2016, with the acquisition of Cascades S.A.S. by the Reno De Medici Group.

On August 31, 2016 the Magenta's sheeting and distribution center of Reno De Medici S.p.A. was incorporated as a separate legal entity, R.D.M. Magenta S.r.l., through the contribution to the Company of the relevant assets and liabilities. The Company is wholly owned by Reno De Medici S.p.A., and provides for sheeting and distribution services to the Italian mills of the Group.

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 the Company and, consequently, its initial recognition was at *fair value* according to IFRS 10; in addition, it 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 date of the transaction, and partly will be paid in instalments, the last of which being 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.


ANDRITZ
Pulp & Paper

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

Risks associated with the general economic conditions

The Company and the Group, like all industrial operators, are exposed to the risks associated with the 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 and reduce the impact of any decline in demand on income. Any exacerbation of the crisis over several years also involves the risk of a fall in selling prices, although the latter are mainly linked to changes in the price of pulp and wood paste raw materials.

In this context, another risk factor is tied to movements in prices for pulp raw materials which are mainly exposed to the volume of exports to China, which in turn is dependent upon that country's economic growth rate. However, this risk is relatively limited, above all since changes in prices for pulp raw materials are normally translated into a corresponding change in sales prices for cartonboard packaging, so the risks are mainly related to possible time lags between the two phenomena. In addition, the fall in imports by 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.

Risks associated with energy price fluctuations currently appear to be relatively minimal: despite the increase seen in the second half of 2016, energy prices are still at low levels, and a further significant increase in these prices seems unlikely over 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 requirements for financial resources

The Group currently has largely sufficient financial resources available to meet reasonably foreseeable requirements for 2017, as a result of the improvement in both the Group's financial position and the very favorable 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 December 31, 2016, the Group had cash available and uses a very small portion of short-term lines of credit, with the exception of programs for the non-recourse sale of trade receivables (non-recourse factoring). As at December 31, 2016, medium- and long-term debt totaled €74.1 million, of which €33.4 million was at an unhedged floating rate. The availability of cash at December 31, 2016 stood at €29.3 million. In 2017, interest rates may possibly increase slightly.

Liquidity risk

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

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

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

As at December 31, 2016, the net financial debt of the RDM Group was equal to €44.4 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.

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

Even though the policies adopted have so far made it possible to limit receivable losses, this risk cannot be eliminated mainly because it is linked to the ongoing overall economic crisis, especially in Italy.

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.

THE RDM GROUP'S OPERATING, BALANCE SHEET AND FINANCIAL PERFORMANCE

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

Operating results

RDM GROUP	12.31.2016	%	12.31.2015	%
(thousands of Euros)				
Revenues from sales	477,764	100.00%	438,037	100.00%
Operating costs (15)	(454,730)		(400,532)	
Other operating income (expenses) (16)	7,400		4,304	
Gross operating profit (EBITDA)	**30,434**	**6.37%**	**41,809**	**9.54%**
Depreciation, amortization and write-downs	(21,680)		(24,567)	
Operating profit (EBIT)	**8,754**	**1.83%**	**17,242**	**3.94%**
Net financial income (expense)	(3,051)		(3,127)	
Gains (losses) from investments	705		543	
Taxes	(3,030)		(3,676)	
Profit (loss) for the period before discontinued operations	**3,378**	**0.7%**	**10,982**	**2.51%**
Discontinued operations	(188)		(1,114)	
Profit (loss) for the year	**3,190**	**0.67%**	**9,868**	**2.25%**
Group's share of profit (loss) for the period	**3,132**	**0.66%**	**9,790**	**2.23%**

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

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

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

RDM GROUP	12.31.2016	%	12.31.2015	%
(thousands of Euros)				
Areas				
Italy	162,212	34%	163,519	37%
EU	248,804	52%	206,039	47%
Non-EU	66,748	14%	68,479	16%
Total revenues from sales	477,764	100%	438,037	100%

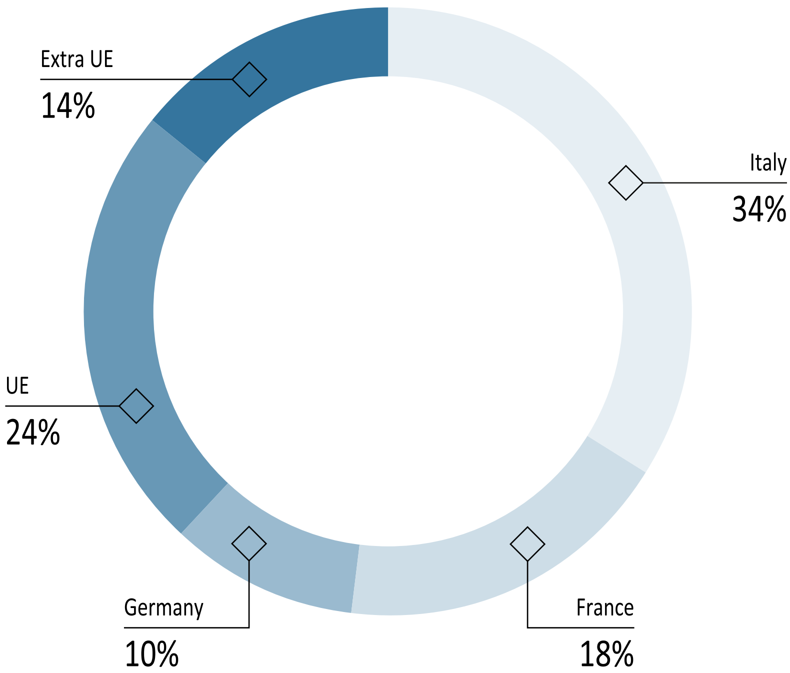


Fig. 2.: "Revenues by Geographic Area"

The Reno De Medici Group's revenues reached €478 million in 2016; the increase compared with the previous year, equal to €39.7 million, was essentially due to the consolidation of Cascades S.A.S. that led to an increase in revenues of €54.7 million. This increase was partly offset by the fall in average sales prices in the WLC sector and lower sales volumes for the German mill as a result of the stoppage that took place in the first half of the year due to the investment made in the board machine.

EBITDA declined from €41.8 million in 2015 to a final figure of €30.4 million in 2016. The decrease of €11.4 million was largely due to the more unfavorable market situation, the higher cost of raw materials and lower sales prices.

Consolidated EBIT was positive by €8.8 million, compared with a profit of €17.2 million in 2015 where the fall in EBITDA was partly offset by the fact that no write-downs were made in 2016 (as at December 31, 2015, EBIT included €2.2 million of write-downs).

RDM GROUP	12.31.2016	12.31.2015
(thousands of Euros)		
Net financial expense	(3,051)	(3,127)
Gains (losses) from investments	705	543
Total	(2,346)	(2,584)

As at December 31, 2016, net financial expense totaled €3.1 million, which was in line with December 31, 2015. The consolidation of Cascades S.A.S. and the R.D.M. Marketing Group (formerly Careo Group) resulted in an increase of €247 thousand. Without this, there would be a decrease of €324 thousand due to the decrease in net interest on loans and other financial expenses, which were partially offset by positive translation differences in 2016 of €168 thousand compared with €450 thousand reported in the previous year.

The item "Gains (losses) from investments" showed a net profit of €705 thousand, mainly from measuring the investment in Pac Service S.p.A. (€379 thousand), R.D.M. Marketing S.r.l. (formerly Careo S.r.l.) (-€275 thousand) and Emmaus Pack S.r.l. (€74 thousand) at equity and the consolidated capital loss of €548 thousand from the sale of a stake in Emmaus Pack S.r.l.

Current consolidated profit before taxes and discontinued operations amounted to a positive figure of €6.4 million, compared to a profit of €14.7 million reported in the previous year.

The net profit at the end of 2016 was €3.2 million compared with a profit of €9.9 million recorded in 2015.

The Group's portion of profit was €3.1 million compared with a profit of €9.8 million in 2015.

Statement of Financial Position

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

RDM GROUP	12.31.2016	12.31.2015
(thousands of Euros)		
Trade receivables (17)	67,405	58,976
Inventories	82,450	68,391
Payables to suppliers (18)	(103,685)	(84,879)
Trade working capital	**46,170**	**42,488**
Other current assets (19)	12,520	7,042
Other current liabilities (20)	(21,048)	(12,362)
Non-current assets (21)	210,498	202,223
Assets held for sale		8,129
Liabilities held for sale		(7,473)
Non-current liabilities (22)	(7,571)	(9,018)
Invested capital	**240,569**	**231,029**
Employee benefits and other provisions (23)	(40,954)	(32,203)
Net invested capital	**199,615**	**198,826**
Net financial position (24)	44,399	46,407(*)
Shareholders' equity	155,216	152,419
Sources total	**199,615**	**198,826**

(*) The net financial position as at December 31, 2015 was reported net of Reno De Medici Ibérica S.l.u. The Group financial position including Reno De Medici Ibérica S.l.u. was €50,254.

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

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

(19) See RDM Group consolidated financial statements – the item "Other receivables" net of €346 thousand relating to an entry of a financial nature.

(20) See RDM Group consolidated financial statements – sum of the following items "Other payables" and "Current taxes", classified under the item "Current liabilities".

(21) See RDM Group consolidated financial statements – the total of the item "Non-current assets" net of €300 thousand relating to an entry of a financial nature.

(22) See RDM Group financial consolidated statements – sum of the following items of "Non-current liabilities": "Other payables" and "Deferred tax liabilities".

(23) See RDM Group financial consolidated statements – sum of the following items of "Non-current liabilities": "Employee benefits" and "Non currant provisions for risks and charges" and "Current liabilities: "Employee benefits" and "Current provisions for risks and charges".

(24) See RDM Group consolidated financial statements – sum of the following items: "Cash and cash equivalents", "Other receivables from associates and joint ventures", classified under "Current assets" to which €346 thousand is added relating to an entry of a financial nature included under the item "Other receivables", net of the following items

"Payables to banks and other lenders" and "Derivative instruments", classified under "Non-current liabilities" and "Payables to banks and other lenders", "Derivative instruments" and "Other payables to associates and joint ventures", classified under "Current liabilities".

Trade working capital at the end of 2016 stood at €46.2 million, an increase of €3.7 million compared with 2015.

The €5.5 million increase in "Other current assets" was largely due to the consolidation of Cascades S.A.S. (€5.1 million).

The increase in the item "Non-current assets" was largely due to the increase in the value of tangible fixed assets of approximately €6.2 million (mainly due to the consolidation of Cascades S.A.S.), the increase in other receivables of €2.5 million and to the reduction of €1.3 million in deferred tax assets.

"Assets and liabilities held for sale": the assets and liabilities of Reno De Medici Ibérica S.l.u. sold in January 2016 were reclassified to these items.

The decrease in the item "Non-current liabilities" is due to the turnaround of the deferred tax effect calculated on the difference between the fair value at the purchase date of the fixed asset (mainly tangible fixed assets and intangible assets of Reno De Medici Arnsberg GmbH) and the related fiscal value.

Net financial position

As at December 31, 2016, consolidated net financial debt totaled €44.4 million, a decrease of €5.9 million compared with the €50.3 million as of December 31, 2015 (the financial debt of Reno De Medici Ibérica S.l.u. was also included in this figure). Excluding extraordinary transactions completed during the current year, which resulted in an increase of €10.4 million in the net financial debt of the RDM Group, the Group's net financial position improved by €16.3 million during the year as a result of positive performance.

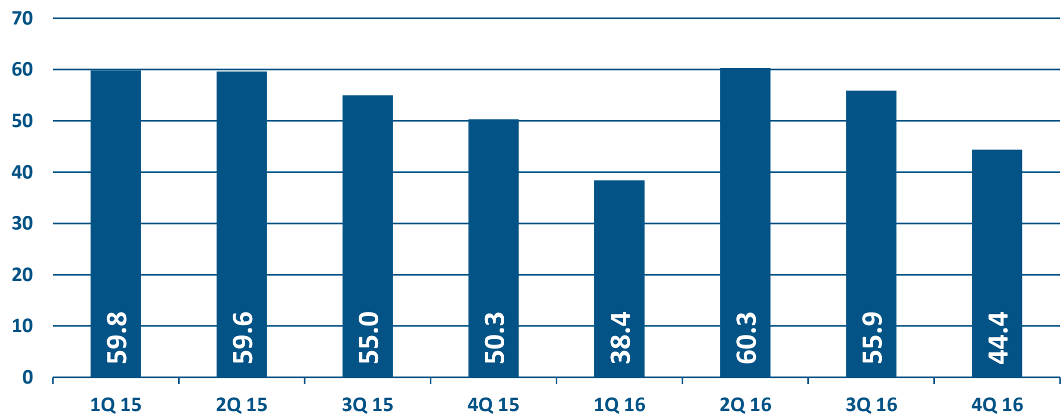


Fig. 3: "2015-2016 Net Financial Position- Quarterly Trend"

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

RDM GROUP	12.31.2016 Total	12.31.2015 Continuing Operations	12.31.2015 Assets held for sale	12.31.2015 Total	Change
(thousands of Euros)					
Cash, cash equivalents and short-term financial receivables (25)	29,677	23,863	164	24,027	5,650
Short-term financial payables (26)	(16,327)	(16,794)	(3,355)	(20,149)	3,822
Valuation of current portion of derivatives (27)	(154)	(146)		(146)	(8)
Short-term net financial position	**13,196**	**6,923**	**(3,191)**	**3,732**	**9,464**
Medium-term financial receivables (28)	300				300
Medium-term financial payables (29)	(57,627)	(53,280)	(656)	(53,936)	(3,691)
Valuation of non-current portion of derivatives (30)	(268)	(50)		(50)	(218)
Net financial position	**(44,399)**	**(46,407)**	**(3,847)**	**(50,254)**	**5,855**

(25) See RDM Group consolidated financial statements – sum of "Cash and cash equivalents" and "Other receivables from associates and joint ventures" classified under "Current assets", to which €346,000 should be added relating to an entry of a financial nature included under the item "Other receivables".

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

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

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

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

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

Research and development activities

The Group continuously conducted research and development activities aimed at the constant technological upgrading of production processes, as well as constant research into the better use of materials in order to improve the quality of the product or the process.

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

Investments

In 2016, the RDM Group's capital expenditures totaled €18.3 million (€12.7 million in 2015).

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

- Santa Giustina mill: the completion of the fourth lot of the internal landfill was capitalized.
- Ovaro mill: work to improve and upgrade plant and machinery; specifically, 18 dryer cylinders were installed in the wet portion of the machine making it possible to improve the efficiency of the paper board machine.
- Villa Santa Lucia mill: work to improve and upgrade plant and machinery; specifically, a new soft-nip calender was installed to improve cartonboard quality.
- Arnsberg (Germany) mill: modernization of the production line, specifically, the project to upgrade the middle layer and post-drying section was completed. This investment is aimed at increasing the production capacity, improving production efficiency, and cutting energy and pulp costs.
- Blendecques (France) mill: upgrading of the production line; specifically, the project to upgrade the press area was initiated. This investment was aimed at reducing energy costs.

The development and analysis phase of an ERP prototype was capitalized under intangible assets; this project was aimed at creating a new information system for the Group.

Human resources

The RDM Group believes that human resources are vital for success and it feels that attention should be focused on training.

Targeted training sessions are offered depending on the specific role in the company.

RDM keeps records on all the training initiatives organized for its staff.

Education and training sessions are delivered by experts in the particular field and are documented by the staff responsible for their execution.

As at December 31, 2016, the Group had 1,536 employees compared with 1,166 as of December 31, 2015. The increase was due to the consolidation of Cascades S.A.S. (326 employees) and the R.D.M. Marketing Group (60 employees), effective from June 2016.

As at December 31, 2016, the Group headcount included 21 executives, 425 white-collars and 1,090 blue-collars.

OPERATING, BALANCE SHEET AND FINANCIAL PERFORMANCE OF RENO DE MEDICI S.P.A.

Operating results

Below are the main economic figures at December 31, 2016, compared with those of the previous year.

RDM	12.31.2016	12.31.2015
(thousands of Euros)		
Revenues from sales	213,669	217,505
Operating costs (31)	(204,588)	(200,381)
Other operating income (expenses) (32)	6,612	7,037
Gross operating profit (EBITDA)	**15,693**	**24,161**
Depreciation, amortization and write-downs	(11,390)	(14,348)
Operating profit (EBIT)	**4,303**	**9,813**
Net financial income (expense)	(1,868)	(2,708)
Gains (losses) from investments	5,431	6,536
Taxes	(1,077)	(1,252)
Profit (loss) for the year	**6,789**	**12,389**

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

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

Revenues stood at €213.7 million in 2016. The slight fall compared with the previous year, equal to €3.8 million, is essentially due to the decrease in sales prices on account of weak European demand. This weakness led to greater recourse to non-EU markets, which traditionally feature lower average prices, to guarantee the full use of production capacity and efficient planning.

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

RDM	12.31.2016	%	12.31.2015	%
(thousands of Euros)				
Areas				
Italy	115,590	54%	121,807	56%
EU	38,544	18%	46,808	22%
Non-EU	59,535	28%	48,890	22%
Total revenues from sales	213,669	100%	217,505	100%

With regard to performance of the main production factors, during the year prices of recycled fibers, which had temporarily halted in the last months of the year and then picked up in the first months of 2017, increased continuously.

The cost of energy, on the other hand, fell by around €1.6 million, thanks to the greater production efficiency of the mills and the timely procurement policies adopted that made it possible to limit the impact on the Company of the increase in the price of gas – its main energy source – that mainly took place in the second part of the year. Electricity prices showed a similar trend. At the end of the year the increases were heightened as a result of the problems that occurred in the French nuclear power stations.

EBITDA declined from €24.2 million in 2015 to a final figure of €15.7 million in 2016. The fall, equal to €8.5 million, was essentially due to the less favorable market situation, with average sales prices declining and the cost of raw materials increasing at the same time. To counter this trend, at the end of the year the Company adjusted prices, but the final effects will not be fully visible yet, and will depend on the development of demand.

EBIT was positive by €4.3 million compared with the profit of €9.8 million in 2015, and included €2.3 million of write-downs, the elimination of which made it possible to limit the fall registered at EBITDA level at EBIT level.

The company reported a net profit of €6.8 million, after net financial expenses of €1.9 million and equity investment income of €5.4 million. This is mainly attributed to dividends received from the German subsidiary. Taxes had a negative balance of €1 million, mainly due to the release of deferred tax assets.

Statement of Financial Position

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

RDM	12.31.2016	12.31.2015
(thousands of Euros)		
Trade receivables (33)	39,297	40,060
Inventories	32,724	34,824
Trade payables (34)	(58,743)	(55,671)
Trade working capital	**13,278**	**19,213**
Other current assets (35)	2,571	2,879
Other current liabilities (36)	(5,475)	(5,747)
Non-current assets (37)	198,769	198,345
Non-current liabilities (38)	(272)	(130)
Assets held for sale		800
Invested capital	**208,871**	**215,360**
Employee benefits and other provisions (39)	(9,750)	(9,647)
Net invested capital	**199,121**	**205,713**
Net financial position (40)	32,912	43,855
Shareholders' equity	166,209	161,858
Sources total	**199,121**	**205,713**

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

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

(35) See RDM financial statements – sum of the following items: "Other receivables", net of €346 thousand of financial receivables.

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

(37) See RDM financial statements – the total of the item "Non-current assets" net of €300 thousand relating to an entry of a financial nature.

(38) See RDM Group financial statements – sum of the following items of "Non-current liabilities": "Other payables" and "Deferred tax liabilities".

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

(40) See RDM financial statements – sum of the following items: "Cash and cash equivalents" and "Other receivables from Group companies", classified under "Current assets", to which €646,000 is to be added relating to an entry of a financial nature included under the item "Other receivables", net of the following items: "Payables to banks and other lenders", "Derivative instruments" and "Other payables to Group companies", classified under "Non-current liabilities" and

“Payables to banks and other lenders”, “Derivative instruments” and “Other payables to Group companies”, classified under “Current liabilities”.

Trade working capital at the end of 2016 stood at €13.3 million, a decrease of €5.9 million compared with 2015, mainly through operations and normal related dynamics. Specifically, receivables remained in line with the previous year. Inventories fell as a result of the fall in physical stocks, both as regards raw materials and consumables and finished products, the latter due to the greater volumes sold compared with those produced. The increase in trade payables is due to purchases for investments not yet paid at the end of the year, and to the increase in payables to subsidiaries for cutting services provided by R.D.M. Magenta S.r.l. and the adjustment of cash flows resulting from the awarding of Energy Efficiency Certificates in respect of R.D.M. Ovaro S.p.A.

At the end of 2016, about 17% (21% in 2015) of Net Invested Capital was funded by interest-bearing debt and approximately 83% (79% in 2015) by shareholders’ equity.

Net financial position

Net financial debt for the Parent Company was €32.9 million, an improvement over the €43.9 million as of December 31, 2015.

RDM	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables (41)	28,449	23,048	5,401
Short-term financial payables (42)	(30,166)	(22,578)	(7,588)
Valuation of current portion of derivatives (43)	(129)	(146)	17
Short-term net financial position	**(1,846)**	**324**	**(2,170)**
Medium-term financial receivables (44)	300		300
Medium-term financial payables (45)	(31,178)	(44,129)	12,951
Valuation of non-current portion of derivatives (46)	(187)	(50)	(137)
Net financial position	**(32,911)**	**(43,855)**	**10,944**

(41) See RDM financial statements – sum of the item “Cash and cash equivalents”, to which €346 thousand in financial receivables is added, included under the item “Other receivables”.

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

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

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

(45) See RDM financial statements – sum of the item “Payables to banks and other lenders” and “Other payables to Group companies” classified under “Non-current liabilities”.

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

The decrease in the item (-€10.9 million) is mainly due to the reduction in working capital and to the dividends received from the subsidiaries. Also, note that during the year Reno De Medici continued with the diversification and optimization of its funding sources, also thanks to the favorable financial market conditions. Specifically, it signed new long-term loan agreements and repaid others early. 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.

Research and development activities

Please refer to the report on the consolidated figures.

Investments

Capital expenditures in 2016 amounted to €7.1 million (€6.7 million in 2015).

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

- **Santa Giustina** mill: the completion of the fourth lot of the internal landfill was capitalized.
- **Villa Santa Lucia** mill: work to improve and upgrade plant and machinery; specifically, a new soft-nip calender was installed to improve cartonboard quality.

The development and analysis phase of an ERP prototype was capitalized under intangible assets; this project was aimed at creating a new information system for the Group.

Human resources

The headcount of RDM as at December 31, 2016 stood at 417 people.

Compared with the previous year, the total number of employees fell by 64 people (481 as at December 31, 2015). The reduction is essentially due to the provision of the business unit for the Magenta Cutting Center to R.D.M. Magenta S.r.l.

As at December 31, 2016, the headcount included 11 executives, 135 white-collars and 271 blue-collars.

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

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

	2016 Shareholders' equity	2016 Result
(thousands of Euros)		
Reno De Medici S.p.A.	166,208	6.789
Difference between the carrying amount and the corresponding shares of equity of associates and subsidiaries	*(7,911)*	*1,466*
Dividends collected by subsidiaries		*(4,715)*
Capital gain reversal on sales to Group companies	*(1,041)*	*31*
Reversal of merger deficit allocation	*(3,320)*	*(26)*
Other consolidation adjustments	*1,280*	*(413)*
Consolidated financial statements	155,216	3,132

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

	NET FINANCIAL POSITION 12.31.2016	NET FINANCIAL POSITION 12.31.2015
(thousands of Euros)		
Net financial position - Reno De Medici S.p.A.	(32,912)	(43,855)
Cash and cash equivalents and other short-term financial receivables from subsidiaries	1,229	509
Short-term financial payables from subsidiaries	(1,764)	(4,650)
Medium-/long-term financial payables from subsidiaries	(28,969)	(9,808)
Elimination of short-term financial payables from subsidiaries	18,268	14,899
Elimination of medium-/long-term financial payables to subsidiaries		
Elimination of short-term financial receivables from Group companies	(251)	(7,349)
Net financial position - RDM Group	(44,399)	(50,254)
Net financial position - Assets held for sales		3,847
Net financial position continuing	(44,399)	(46,407)

OTHER INFORMATION

Existing disputes and risks

No existing risks and disputes found.

Tax disputes and risks

With reference to the ongoing dispute, that has reached the second instance level, against the appeal submitted by the Revenue Agency asking for a higher registration tax for the sale of the business unit from RDM S.p.A. to R.D.M. Ovaro S.p.A., in the hearing of July 2012, the Milan Regional Tax Commission rejected the appeal, sustaining the ruling of the first instance and accepting the appeal submitted by the Company. The ordinary term for appeal to the Court of Cassation is 6 months from the filing of the ruling, which took place on December 23, 2016.

In 2016, the Company appealed at the Milan Provincial Tax Commission against 17 notices of assessment notified in April 2016 by the Land Registry Office and asking for the adjustment of the income base thas is to be used for the for the calculation of the IMU tax relevant to the Magenta area. The hearings have been scheduled for March and April 2017. Although the Company believes that it is unlikely it will lose, it has prudently posted a provision of €80,000, should the claim be rejected.

Further, a tax case has been initiated at the Commissione Tributaria Provinciale di Frosinone following an assessement relevant to the 'Tarsu' tax that was notified on December 27, 2016 by "Mazal Global Solution S.r.l.", the concessionaire of the Villa Santa Lucia municipality for the tax assessement and collection services. The Company, given the complexity of the issue, and in the presence of an history characterized by different applications of the regulations, has prudently posted a provision of €237 Thousand.

Environment and safety

During the course of the year RDM's commitment to achieving and maintaining adequate environmental, safety and quality standards, consistent with the principles pursued, was carried out through the following significant measures:

- continuing the process of the integration of corporate management systems for quality, environment and safety, by promoting synergies between these various aspects;
- the periodic updating of the Risk Assessment Documents;
- the examination and evaluation of the technical and professional integrity and reliability of contractors;
- the constant updating of the Interference Risk Assessment Documents;

- the regular training of personnel on the subject of health and safety in the workplace and making them aware of protecting and safeguarding the environment when carrying out their various tasks, including on the basis of provisions of the State-Regional Agreement.

The Company has maintained ISO 14000, OHSAS 18001:2008 and ISO 50001 ("Energy Management System") certification for the Santa Giustina, Villa Santa Lucia and Ovaro mills.

Reno De Medici S.p.A. has not been subject to a verdict with legal force (*res judicata*) for injury (straightforward, serious and/or extremely serious) and/or death following accidents in the workplace.

On January 18, 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 was executed on January 25, 2016.

Treasury Shares

As of December 31, 2016, the share capital of Reno De Medici S.p.A. consisted of 377,800,994 shares with no nominal value broken down into:

- 377,530,359 ordinary shares;
- 270,635 savings shares convertible to ordinary shares at the request of shareholders in February and September each year.

On the same date, RDM held 581,600 ordinary treasury shares equal to 0.154% of shares with voting rights. The purchase of treasury shares was authorized on November 2, 2015 by the Shareholders' Meeting that issued a resolution authorizing the Board of Directors to buy treasury shares in a maximum number of shares not to exceed one fifth of the share capital. Said resolution became effective on February 29, 2016. The Company exercised this purchase option only in June 2016.

Shares held by Directors and Statutory Auditors

In compliance with the provisions of Consob Regulation 11971, as amended, as of December 31, 2016 the directors and statutory auditors of RDM held no shares in RDM or its subsidiaries.

Furthermore, as of June 29, 2016 Mr. Ignazio Capuano no longer held the position of director, and on that date held 550,000 shares.

Information on relations with subsidiaries, associates and joint ventures

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

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

- commercial promotion and marketing services with R.D.M. Marketing S.r.l. (formerly Careo S.r.l.);
- sales of cartonboard to R.D.M. Ovaro S.p.A.;
- general services provided to R.D.M. Marketing S.r.l. (formerly Careo S.r.l.), Emmaus, CAM, R.D.M. Ovaro S.p.A., R.D.M. Magenta S.r.l., RDM Blendecques S.A.S. and Reno De Medici Arnsberg GmbH;
- purchases of manufacturing scrap from Emmaus;
- interest expense and/or income in relation to cash pooling and loan arrangements with R.D.M. Marketing S.r.l. (formerly Careo S.r.l.), CAM, Emmaus, RDM Blendecques S.A.S., Reno De Medici Arnsberg GmbH, R.D.M. Ovaro S.p.A., Cascades S.A.S., R.D.M. Magenta S.r.l. and ZAR S.r.l.;
- sales of cartonboard to Pac Service S.p.A. and Emmaus Pack S.r.l. (Emmaus);
- purchase of waste paper from ZAR S.r.l.;
- the tax consolidation agreement under which Reno De Medici S.p.A. is the consolidating company and R.D.M. Ovaro S.p.A., R.D.M. Marketing S.r.l. (formerly Careo S.r.l.) and R.D.M. Magenta S.r.l. are participants.

More information on the Company's new rules on related-party transactions, which were adopted on November 8, 2010 and conform to Consob Resolution 17221 of March 12, 2010, as amended, can be found in Chapter 13 of the Report on Corporate Governance.

Please refer to the "Notes" in the financial statements in this Report for a quantitative analysis of the relations undertaken in 2016 between RDM and its subsidiaries, associates and joint ventures, as well as the paragraph "Related-Party Relations" for a better explanation of the relations listed above.

Information about relations with related parties

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

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

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

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

Related-party transactions include:

- commercial relations with Pac Service S.p.A., a company of which RDM owns 33%, in connection with sales of cartonboard. Sales made in 2016 totaled €3,997,000, while trade payables at December 31, 2016 amounted to €233,000. During the year, RDM sold the trade receivables of Pac Service S.p.A. under a new non-recourse factoring program. More information can be found in the "Notes" of this Report;

- commercial relations with ZAR S.r.l., a company of which RDM owns 33.33%, related to purchase of waste paper. Purchases made in 2016 totaled €2,698,000, while trade payables as at December 31, 2016 amounted to €371,000;

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

On March 14, 2016, Reno De Medici sold a 17% stake in 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, with consequent loss of its control of the company. This transaction has resulted in a change to the consolidation criterion from the line by line method it to the equity method. Sales made in 2016 totaled €9,291 thousand, while trade payables at December 31, 2016 amounted to €6,619 thousand.

Please note that, 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 upward 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 was paid on October 6, 2016.

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. was qualified as a *business combination under common control*; consequently, the operation was accounted for according to the document OPI 1 issued by Assirevi. The value of the assets and liabilities of the purchased Company have been reflected at their book values, as they are reported in Cascades S.A.S.'s financial statements as at June, 30 2016, booking as an increase of net equity of Reno De Medici Group 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 Reno De Medici Group, that before the transaction already held 70% of the shares of R.D.M. Marketing S.r.l, acquired the remaining 30% that was 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.

SUBSEQUENT EVENTS

On March 17, 2017, the draft of the merger by incorporation of Reno de Medici S.p.A. with subsidiary R.D.M. Marketing S.r.l. (formerly Careo S.r.l.) was recorded with the Business Registry. This draft will be submitted for the approval of the extraordinary Shareholders' Meeting of Reno De Medici S.p.A. itself.

OUTLOOK

As far as the general macroeconomic situation is concerned, no significant changes are expected in the short-term. A limited acceleration of the global economy is projected for 2017, with growth of 3.4% compared with 3.1% in 2016. The Eurozone is aiming for modest growth of +1.6%, lower than 2015 and 2016.

However, the outlook remains extremely uncertain, and risks are more tilted on the down side. Actually 2017 is marked by specific uncertainty, also for the possible consequences on economic activities of political discontinuities in some important coutries.

One significant change has already occurred, the election of Mr. Donald Trump as the President of the United States: in principle his political and economical vision is clear, but some uncertainty remains about the extent his concrete actions will confirm electoral promises.

In Europe, general elections will take place in the Netherlands, France, Germany and Italy, and the continental political scenario might also change dramatically.

In any case, the effects on economic activities of possible changes of the political scenario are to be expected to impact the second part of 2017 and 2018, rather than the near future.

The sectors in which the Reno De Medici Group operates, being their evolution GDP related, shares the uncertainties of the global economic scenario.

In the **Whitelined Chipboard (WLC)** segment, after the closing of the period European demand has been satisfactory, and backlog seems to be improving. Prices of raw material are continously increasing, but it is too early to consider this as a lasting trend.

In this scenario, in order to restore profitability, that was eroded in the course of 2016 mainly by the higher cost of recycled fibers, the Reno De Medici Group announced a price increase, to be applied to the orders received after November 1^{st}, 2016, the effects of which are still uncertain, and will depend on the evolution of the market scenario.

In the European **Folding Box Board (FBB)** segment, in which the newly acquired Cascades S.A.S. operates, the order in-flow and backlog were also satisfactory. The prices of mechanical pulp are stable and lower than in 2015, but their future evolution is uncertain, as it is also linked to the variations of the exchange rate with the US dollar.

In both sectors the **cost of energy**, and in particular of natural gas, is expected to remain low, nothwithstanding last months' price rebounds. No further material price increases are expected in the near future.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

prepared in accordance with Article 123-*bis* of the Consolidated Finance Act (CFA) and Article 89-*bis* of the Issuers Regulation

(Traditional administration and control model)

FINANCIAL YEAR 2016

Approved by the Board of Directors of Reno De Medici S.p.A. at its meeting on March 23, 2017

www.renodemedici.it

1. GLOSSARY

I.C.C.	Internal Control Committee of Reno De Medici S.p.A.
Code	Self-Regulation Code of Listed Companies approved in March 2006 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A.
C.C.	The Italian Civil Code
CFO	Head of the Finance and Control Department
N.C.	Nominating Committee
Board/BoD	The Board of Directors of Reno De Medici S.p.A.
R.P.T.C.	Related-Parties Transactions Committee of Reno De Medici S.p.A.
R.C.	Remunerations Committee of Reno De Medici S.p.A.
Financial year	The financial year ending December 31, 2016
RDM Group	Reno De Medici S.p.A. and its subsidiaries pursuant to Articles 2359 of the C.C. and Article 93 of the CFA
Stock Exchange Regulation Instructions	Instructions for the Regulation governing Markets Organized and Managed by Borsa Italiana S.p.A.
Stock Exchange Regulation	The Regulation governing Markets Organized and Managed by Borsa Italiana S.p.A.
Issuer Regulations	Regulation issued by Consob through Resolution No. 11971 of May 14, 1999 concerning issuers, as revised and amended
Market Regulation	Regulation issued by Consob through Resolution No. 16191 of October 29, 2007 concerning issuers, as revised and amended
Related-Parties Regulation	Regulation issued by Consob through Resolution No. 17221 of March 12, 2010 concerning related-parties transactions, as revised and amended
Report	This report on corporate governance and corporate structure prepared in accordance with Article 123-*bis* of the CFA
Company/RDM	Reno De Medici S.p.A. ("RDM") with registered office at Viale Isonzo, 25, Milan
CFA	Legislative Decree No. 58 of February 24, 1998 as revised and amended

2. ISSUER PROFILE

Reno De Medici S.p.A. has been listed on the Star segment of Borsa Italiana since 1996. The RDM Group is the largest Italian producer, and second-largest European producer, of recycled cardboard with annual production capacity of over one million tons. Manufacturing takes place at 3 production sites in Italy, as well as a cutting center, and 3 in France and Germany. The Company has a staff of around 1,500 employees.

Since its establishment, first RDM, and then the Group in its current composition, are committed to the application of and rigorous compliance with ethical principles in conducting its activities. Compliance with standards of ethical business conduct in the running of the company, qualifying the reputation of the company and those who work with it, is considered by the RDM Group to be a vital condition for the success of its mission and meeting the targets set. The commitment undertaken in this regard has ensured that the RDM Group stands out through seriousness, reliability and professionalism, qualities that have enabled it to receive national and international recognition.

The main governance instruments used by the Company to comply with the most recent legal and regulatory provisions, the provisions of the Code and domestic and international best practices are as follows:

- By-Laws;
- Code of Ethics;
- Organization, Management and Control Model pursuant to Legislative Decree 231/01 and related protocols and procedures;
- Regulations of the Internal Control Committee;
- Procedure for Related-Party Transactions adopted pursuant to Article 4 of Consob Regulation 17221 of March 12, 2010 as subsequently amended and supplemented;
- Regulation for the management of confidential information and the creation of the register of individuals who have access to such information;
- Internal Dealing Code.

In this Report, the content and application of the above-mentioned instruments of governance will be examined and illustrated.

The traditional Company Model comprises the following bodies:

2.1. COMPANY ORGANIZATION.

• SHAREHOLDERS' MEETING

This body is charged with voting, in ordinary and extraordinary sessions, on the matters for which it is responsible under law and/or the Company's By-Laws.

• BOARD OF DIRECTORS.

This body has broad powers for the ordinary and extraordinary administration of the Company, with the power to carry out all actions needed to achieve the corporate purposes, excluding actions reserved for the Shareholders' Meeting by law and/or the By-Laws. Thus, it may do all that it deems appropriate, including by delegation, in order to achieve the corporate purpose.

• BOARD OF STATUTORY AUDITORS.

This body is charged with overseeing:

- compliance with the law and By-Laws and principles of proper administration;
- the adequacy of the Company's organizational structure, internal control system and administrative and accounting system including with respect to the latter's reliability in properly reporting operating performance;
- the procedures for the actual implementation of corporate governance rules set out in codes of conduct prepared by companies that manage regulated markets or by trade associations, with which the Company declares that it is in compliance through disclosures to the public;
- the adequacy of instructions given to subsidiaries with respect to information to be provided to fulfill reporting obligations.

• INDEPENDENT AUDITOR:

The official audit of accounts is carried out by a specialized company registered with Consob and specially appointed by the Shareholders' Meeting, subject to the opinion of the Board of Statutory Auditors.

On April 27, 2012, RDM hired Deloitte & Touche S.p.A. to perform its audits, and it performs the same duties at nearly all companies that make up the RDM Group.

2.2. CORPORATE OBJECTIVES AND MISSION

RDM intends to maintain and strengthen its position as a leading international competitor in the recycled cardboard and virgin fyber production sector.

In fact, the RDM Group is the largest Italian producer and second-largest European producer in the sector.

RDM has a presence not only in Italy but also in France and Germany with production sites, while it has a presence throughout Europe through its own marketing network.

The various types of cardboard produced by RDM are intended for use in all areas of packaging and publishing. RDM products are brought to market through various sales channels in order to meet the needs of customers and improve service efficiency. Indeed, customer service is a core value for RDM, which pursues the goal of meeting the needs of both product production and its use by becoming the ideal partner for processors and end customers in terms of ensuring quality, innovation and convenience.

RDM is also actively committed to protecting the environment through the careful management of the energy and natural resources needed for its production process. The closed-cycle value chain for a recycled product is one of the Group's strengths in terms of business sustainability. The recycling concept is the origin or starting point for the process that shows everyone the need to participate in this new form of natural aesthetics: the protection of nature itself. And this "breath of fresh air" can be felt not only in companies like ours, which by their nature are "sustainable," but also in those devoted to many other disciplines (from aesthetics and art to sectors other than classical industries). The paradigm of sustainability and full recycling is expressed through:

- the desire and need for a new sustainability ethic that is based on incentives and not on depleting sources;
- the ability to restore proper emphasis to the aesthetics of recycling by mixing the past with innovation;
- the need to foster behaviors and thinking styles that combine worthy aesthetics and underground incentives;
- sensitivity to a change related the collective conscience (and not just elitist niches) related to the environment and its priorities, which become democratic and popular.

RDM wants to contribute to the growth of this new understanding and to experiment with new types of recycling.

Of course, RDM pursues all its operations in strict compliance with the goal of creating value for its shareholders.

The actions taken and objectives taken on by the Company through its directors, employees and contractors in the performance of corporate transactions and operations are carried out in full compliance with the principles set forth in the Code of Ethics adopted by the Board of Directors, as a foundation and point of reference for the Company's Organizational Model.

3. INFORMATION ON OWNERSHIP STRUCTURE AS AT 12/31/2016 (pursuant to Article 123-bis, paragraph 1, of the CFA)

3.1. SHARE CAPITAL STRUCTURE

AMOUNT OF SUBSCRIBED AND PAID-UP SHARE CAPITAL IN EUROS AS AT DECEMBER 31, 2016:

€140,000,000.00 fully paid-up, divided into a total of 377,800,994 shares.

CATEGORIES OF SHARES MAKING UP SHARE CAPITAL:

- 377,527,066 ordinary shares without a nominal value;
- 273,928 savings shares convertible to ordinary shares at the request of shareholders in February and September each year.

	No. of shares	% of share capital	Listing	Rights and obligations
Ordinary shares	377,527,656		Listed on MTA Star	Shares are registered and freely transferable. They entitle the holder to participate and vote in ordinary and extraordinary shareholders' meetings, to dividends, and to the repayment of principal in the event of liquidation.
Savings shares	273,338			Savings shares do not entitle the holder to vote in ordinary and extraordinary shareholders' meetings or the right to request the calling of such meetings. Shares are entitled to dividends in the manner set by the By-Laws.
Shares with limited voting rights	/	/	/	/
Shares with no voting rights	/	/	/	/

As of the date of this report, RDM has not issued other categories of shares or financial instruments that are convertible to, or exchangeable for, shares.

At the reporting date, RDM held 581,600 ordinary treasury shares, equal to 0.154% of voting shares. The purchase of treasury shares was authorized on November 2, 2015 by the Shareholders' Meeting that issued a resolution authorizing the Board of Directors to buy treasury shares for a maximum number not exceeding one fifth of the share capital. Said resolution became effective on February 29, 2016. The Company exercised this purchase option only in June 2016. These shares are not to be used for incentive plans.

3.2. SHARE TRANSFER RESTRICTIONS

As of the date of the Report, there is no restriction on transferring shares.

3.3. SIGNIFICANT EQUITY INTERESTS

As of the date of this Report, based on communications received pursuant to Article 120 of the CFA and other information received, the following entities have a direct or indirect interest in the Company's shares that is equal to or greater than 2% of share capital:

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY CAPITAL HELD	% OF VOTING CAPITAL HELD
Cascades Inc.	Cascades Inc.	57.6	57.6
Caisse de dépot et placement du Québec	Caisse de dépot et placement du Québec	5.418	5.418

3.4. SECURITIES THAT GRANT SPECIAL RIGHTS

The Company has not issued securities that grant special control rights.

3.5. EMPLOYEE SHARE HOLDINGS: MECHANISM FOR EXERCISING VOTING RIGHTS

As of the date of this Report, there are no Employee shareholding plans.

3.6. VOTING RIGHT RESTRICTIONS

As of the date of the Report, there are no restrictions or deadlines imposed for exercising voting rights. Furthermore, there are no financial rights, connected with the securities, that are separate from holding the securities.

3.7. SHAREHOLDER AGREEMENTS

As of the date of this Report, the Company is not aware of any Shareholder Agreements.

3.8. CHANGE OF CONTROL CLAUSES

The Company has not entered into significant agreements that will take effect, be amended or terminated in the event of a change in control of the contracting company.

3.9. POWERS TO INCREASE SHARE CAPITAL AND AUTHORIZATIONS TO PURCHASE TREASURY SHARES

As of the date of this Report, pursuant to Article 2443 of the C.C., the Board of Directors has not been assigned any powers to increase share capital and/or issue financial equity instruments other than shares.

As of the date of this Report, the Shareholders' Meeting has approved a plan for the purchase of treasury shares on November 2, 2015.

At the reporting date, RDM held 581,600 ordinary treasury shares, equal to 0.154% of voting shares.

3.10. MANAGEMENT AND COORDINATION ACTIVITIES

RDM is not subject to management and coordination pursuant to Article 2497 *et seq.* of the C.C.

3.11. COMPENSATION PAID TO DIRECTORS IN THE EVENT OF THEIR RESIGNATION, DISMISSAL OR TERMINATION FOLLOWING A TENDER OFFER

Note that the information required by Article 123-*bis*, paragraph 1, sub-paragraph i) of the CFA, is provided in the section of the Report covering director remuneration. In any event, we note – pursuant, in addition, to Article 7 of the Code – that as of the date that this Report was approved, no agreements had been entered into with Directors and/or Executives with strategic responsibilities assigning them compensation in the event of their resignation, dismissal or termination following a tender offer, with the exception of the compensation required by law.

3.12. INFORMATION INDICATED IN ARTICLE 123-BIS PARAGRAPH ONE, SUB-PARAGRAPH L)

Please note that the regulations applicable to the appointment and replacement of directors and related to amendments to the Company By-Laws are described in the section of this Report dedicated to the Board of Directors. As of the date of the Report the Company had no succession plan in place for executive directors.

With regard to clauses concerning By-law amendments, the By-Laws contain no provisions other than those dictated by current laws.

In addition, in accordance with Article 2365 of the Civil Code, the Company By-Laws grant the Company's Board of Directors the authority to make decisions on matters concerning adapting the By-Laws to legal provisions.

4. COMPLIANCE (under Article 123-*bis*, paragraph 2, sub-paragraph a) of the CFA)

4.1. INTRODUCTION

RDM complied with the Self-Regulation Code approved by the Corporate Governance Committee and adjusted its corporate structure to reflect the revisions and supplements made following the first adoption of this Code (2006).

This Code is available on the website of Borsa Italiana (www.borsaitaliana.it).

The primary aim of the corporate governance system is to create value for shareholders, and stakeholders in general, while taking account of the importance of transparency in making choices and company decisions, and of the need to develop an effective internal control system.

The Company is continually engaged in identifying and pursuing initiatives to improve the governance system. In its effort to continually improve, the Company focuses on domestic and international best practices.

In accordance with applicable regulations, the Report describes RDM's Corporate Governance system and indicates the specific ways in which the Company implements the Code's requirements.

As of the date that this Report was approved, neither Reno De Medici nor any of its direct or indirect subsidiaries, including those with no strategic significance, were subject to provisions of foreign laws that affect their corporate governance structure.

4.2 KEY GOVERNANCE INSTRUMENTS

Below are the main governance instruments used by the Company to comply with the most recent provisions of laws and regulations, the provisions of the Code and domestic and international best practices:

- By-Laws.
- Code of Ethics.
- Organization, Management and Control Model pursuant to Legislative Decree 231/01 and related protocols and procedures.
- Disciplinary code.
- Regulations of the Internal Control Committee.
- Procedure for related-parties transactions.
- Regulation for the management of confidential information and the creation of the register of individuals who have access to such information.
- Internal Dealing Code.

5. BOARD OF DIRECTORS

5.1. APPOINTMENT AND REPLACEMENT (pursuant to Art. 123-*bis*, para. 1, sub-para. l) of the CFA)

Pursuant to Article 12 of the Company By-Laws, the Company is managed by a Board of Directors consisting of seven to fifteen members. From time to time, and prior to electing the board, the Shareholders' Meeting determines the number of board members within the above limits.

Directors are appointed for a period of up to three financial years and may be re-elected pursuant to Article 2383 of the Civil Code.

The appointment and replacement of members of the Board of Directors is governed by the aforementioned Article 12 of the Company By-Laws which states: "*The Board of Directors shall be appointed on the basis of lists presented by shareholders following the procedure defined below, in which candidates must be assigned a sequential number.*

The lists presented by shareholders and signed by those presenting them must be lodged at the Company's registered office at least twenty-five days prior to the date of the Shareholders' Meeting in first call; the lists shall be made available to whoever makes a request to this effect and shall be subject to all the other forms of communication provided by the laws and regulations prevailing at the time.

Shareholders that are signatories to a significant shareholder agreement pursuant to Article 122 of Legislative Decree 58/1998, the parent company, subsidiaries and companies subject to joint control pursuant to Article 93 of Legislative Decree 58/1998 may not individually or collectively submit more than one list including through an intermediary or trust company, and may not vote on different lists, and each candidate may appear on only one list, on penalty of ineligibility. Names listed or votes cast in breach of this prohibition will not be allocated to any list.

Only those shareholders who individually or collectively with other submitting shareholders, hold a total of share capital representing at least 2.5% (or such other percentage set by laws or regulations) of shares with voting rights at ordinary Shareholders' Meetings may submit lists.

Together with each list, the following must be filed by the respective deadlines noted above: (i) the special certification issued by an intermediary authorized by law proving ownership of the number of shares needed to submit lists; (ii) the statements whereby individual candidates accept their nomination and certify under their responsibility that there are no reasons they would be unelectable or have a conflict of interest, and that they meet the requirements for the respective positions; and (iii) a curriculum vitae *covering the personal and professional background of each candidate with an indication, as appropriate, of the suitability of the candidate to qualify as independent pursuant to Article 148, paragraph 3 of Legislative Decree 58/1998.*

Any lists submitted without complying with the above provisions shall be deemed to have not been submitted.

The election of the Board of Directors shall be carried out as specified below:

a) all but one of the directors to be elected shall be taken from the list that obtained the highest number of votes cast by shareholders in the consecutive order in which they are listed;

b) the remaining director shall be taken from the minority list which is not connected in any way – directly or indirectly – with the list indicated in paragraph a), above, or with shareholders who submitted or voted for the list indicated in paragraph a), above, and which obtained the second highest number of votes cast by shareholders.

For this purpose, however, consideration shall not be given to lists that have not obtained a percentage of votes that is at least equal to half of the required percentage for submitting lists as indicated in paragraph eight of this article.

If the election of candidates using the above procedures is unable to ensure the appointment of a number of directors fulfilling the independence requirements for statutory auditors (under Article 148, paragraph 3 of Legislative Decree 58/1998) that meets the legal minimum number of directors, then the non-independent candidate elected last in consecutive order on the list with the highest number of votes, as indicated in sub-paragraph a) of the preceding paragraph, shall be replaced by the first independent candidate not elected on the same list in consecutive order, or, failing this, by the first independent candidate in consecutive order not elected from other lists according to the number of votes obtained by each. This replacement procedure shall continue until the Board of Directors is made up of a number of members meeting the requirements indicated in Article 148, paragraph 3 of Legislative Decree 58/1998, which is equal at least to the minimum required by law. Finally, if this procedure fails to produce the latter result, the replacement shall be made by a resolution passed by the Shareholders' Meeting by a simple majority following the submission of nominations of individuals meeting the afore-mentioned requirements.

If only one list is submitted, or if no list is submitted, the Shareholders' Meeting shall vote by legal majority without complying with the above procedure.

However, other additional provisions of unalterable laws or regulations shall continue to apply.

If, during the year, one or more directors leave the board, provided the majority continues to consist of directors appointed by the Shareholders' Meeting, the following procedure shall be followed pursuant to Article 2386 of the C.C.:

a) the Board of Directors shall replace the directors who left the board with individuals from the same list as the one that provided the departing directors; however, the number of directors meeting the requirements of independence indicated in Article 148, paragraph 3 of Legislative Decree 58/1998 must be equal to the minimum set by law, and the Shareholders' Meeting shall take decisions by legal majority in accordance with the same rule;

b) if there are no more unelected candidates on the afore-mentioned list, or no candidates that meet the specified requirements, or when for any reason it is not possible to comply with the provisions of sub-paragraph a), the Board of Directors – and, subsequently, the Shareholders' Meeting – shall make the replacement according to legal majority, with no list voting.

In any event, the Board and Shareholders' Meeting shall make the appointment in such a way as to ensure that the minimum number of independent directors required by current regulations is met. However, the Shareholders' Meeting may decide to reduce the number of members of the Board to the number of directors in office for the period remaining in their term.

If, for any reason, at least half of the directors appointed by the Shareholders' Meeting leave the Board, the entire Board shall be deemed to be dismissed. In this case, the remaining active directors must urgently call a Shareholders' Meeting for the appointment of a new Board.

Furthermore, the Board shall remain in office until the Shareholders' Meeting has approved its replacement. Until that time, the Board of Directors may only carry out acts of ordinary administration."

Pursuant to Article 13 of the Company By-Laws, the Board shall elect a Chairman from among its members and may elect one or more deputy Chairmen.

We hereby note that the Company is not subject to regulations other than those specified by the CFA concerning the composition and characteristics of the Board of Directors.

We hereby note that pursuant to Resolution number 19856 of January 25, 2017, Consob confirmed that the level of equity interest specified in Article 144-*quater* of the CFA is 2.5%.

The Board, following an in-depth investigation, believes that with the governance model adopted and the way in which it is applied, as well as in the light of the organizational structure, there is no need to adopt any succession plan for executive directors.

5.2 CURRENT COMPOSITION

On April 29, 2014 the Ordinary Shareholders' Meeting set the number of members of the Board of Directors at 5. The directors currently in office are: Robert Hall (Chairman), Michele Bianchi (CEO), Matteo Rossi, Laura Guazzoni and Laurent Lemaire. All active directors were taken from the only list submitted by shareholder Cascades s.a.s., except for Mr. Bianchi who was appointed by co-optation on November 3, 2016, and after confirming there were no further candidates on the above-mentioned list.

The mandate given to the Board in office will expire at the Shareholders' Meeting called to approve the 2016 financial statements.

On April 26, 2016, Mr. Capuano (CEO), appointed through the resolution of April 29, 2014, announced his resignation with effect from June 29, 2016.

On that date, after verifying that a candidate was on the list presented by Cascades s.a.s., and at the recommendation of the Nominating Committee, RDM's Board of Directors co-opted Mr. Allan Hogg. At the same meeting, the Board assigned ordinary and extraordinary administrative powers to Mr. Hall (Chairman), who, after taking office, resigned from all Board committees.

At the recommendation of the Nominating Committee, the Board appointed Mr. Hogg to the following positions: (i) member of the Remuneration Committee; (ii) Chairman of the Internal Control Committee; (iii) member of the Nominating Committee; and (iv) Chairman of the Related-Parties Transactions Committee.

Therefore, on November 3, 2016, Mr. Allan Hogg resigned from RDM's Board of Directors, and Mr. Hall took on the powers assigned to the former by the Board in its resolution of June 29, 2016. After confirming there were no further candidates on the list submitted by Cascades, and at the recommendation of the Nominating Committee, the Board appointed, by co-optation, Mr. Michele Bianchi as CEO, and assigned him ordinary and extraordinary administrative powers with an operating limit of €10 million. In addition, at the same meeting, the Board appointed Mr. Hall as (i) member of the Remuneration Committee; (ii) Chairman of the Internal Control Committee; (iii) member of the Nominating Committee; and (iv) Chairman of the Related-Parties Transactions Committee.

The current Board of Directors consists of 1 executive director (according to the Code's definition), 4 non-executive directors of which 2 independent directors.

Name	Position
Robert Hall	Chairman
Ignazio Capuano[1]	CEO – Executive Director
Michele Bianchi[2]	CEO – Executive Director
Allan Hogg [3]	Non-Executive
Matteo Rossi	Non-Executive- Independent Director
Laura Guazzoni	Non-Executive- Independent Director
Laurent Lemaire	Non-Executive Director

On February 15, 2017, the Board of Directors, with the assistance of the Board of Statutory Auditors, verified that the requirements for independence had been met for directors Mr. Matteo Rossi and Ms. Laura Guazzoni.

Information on the personal and professional backgrounds of individual members of the Board of Directors is contained in the *curriculum vitae* provided below:

Robert Hall

Robert Hall obtained a degree from the University of Sherbrooke in 1983. Before joining the Cascades Group in 1994, he was a partner at Byers Casgrain in Montreal. He has been a member of

[1] In office until June 29, 2016.

[2] Appointed by co-optation under a resolution dated November 3, 2016.

[3] In office from June 29, 2016 until November 3, 2016.

the Quebec Bar since 1984 and is currently a member of the CBA. He currently is the Chairman of the Board of Directors of Boralex Inc., and Chief Legal Officer and Corporate Secretary of Cascades Inc.

Mr. Robert Hall is also a member of the Board of Directors of Bishop's University.

Michele Bianchi

Michele Bianchi received a degree in chemical engineering in 2000 from the School of Engineering at the University of Pisa, and has over 17 years' experience in the paper industry. Mr. Bianchi began his career in 1999 as a Laboratory Manager at SCA Packaging Lucca and then became its Technology Manager in 2001 and Production Manager in 2002. In 2007 he was named Containerboard Market Development Manager of the holding company SCA Packaging Europe, and in 2009 the Containerboard Technology and Manufacturing Director at the same company. In 2011 he was Managing Director of SCA/DS Packaging Lucca, in 2014 he became S&M Director of the paper division of DS Smith, and in 2015 the Paper Sourcing Managing Director.

In November 2016, Michele Bianchi was named General Manager of Reno De Medici S.p.A., and became its CEO on November 2, 2016.

Ignazio Capuano

Born in Palermo in 1957, he obtained a degree in hydraulic engineering and then achieved a Master's degree in Economics at New York University. Since the start of his career, he has focused on strategic finance, planning and industrial development. He was General Manager for Italy of the Saffa Group, which later merged with Reno De Medici S.p.A., and from 1998 to 2003 he was CEO of RWE Italy, which operates in energy and environmental development. In 2004 he became CEO of RDM, and held this position until June 2016. From 2007 to 2009 he was Chairman of Manucor S.p.A. (formerly Manuli Film S.p.A.), a company working in the production of packaging film. Since July 2016, he has been CEO of Burgo Group S.p.A., and at the Burgo Group he also assumed the positions of Chairman and CEO of Burgo Distribuzione S.r.l., Chairman of Burgo Energia S.r.l., CEO of Burgo Ardennes SA, and member of the Board of Directors of Mosaico S.r.l. His associate appointments currently include the position of Deputy Chairman of Comieco, Deputy Chairman of Assocarta and member of the Board of Directors of Cepi and Eurograph.

Laura Guazzoni

Born in Milan on April 21, 1965 she graduated in Business Economics from the Bocconi University of Milan in 1989.

Since 1994, she has been a Professor of Business Economics and Business Management at the Bocconi University of Milan.

Since 1991 she has been a member of the Milan Association of Chartered Accountants, since 1996 she has been a member of the Register of Independent Auditors and since 1997 she has been on the register of consultants of the Milan Court Judge, working as an expert witness on financial, valuation and administration issues.

She works as an independent consultant with regard to company valuations for extraordinary finance operations on financial, strategic, business management, restructuring and corporate governance matters.

An auditor and director in listed companies, she also holds positions on supervisory bodies, pursuant to Legislative Decree 231/2001.

She also holds significant positions pursuant to Article 148-*bis* of the CFA in the following companies, to name a few:

- Independent Director at Retelit S.p.A. (issuer);
- Internal auditor at the following companies:
  - Il Sole 24 ORE S.p.A., issuer,
  - Gas Plus S.p.A., issuer,
  - AgustaWestland S.p.A.,
  - Sace BT S.p.A. (Chairwoman of the Board of Statutory Auditors),
  - Valvitalia S.p.A. (Chairwoman of the Board of Statutory Auditors),
  - Simest S.p.A.,
  - CDI S.p.A.,
  - Manifattura Tabacchi S.p.A. and several companies forming a part of the Clessidra Capital Partner Fund.

Laurent Lemaire

Born on January 2, 1939 in Drummondville (Canada), in 1962 he obtained a degree in Commerce from the University of Sherbrooke. In 1992 he became Chairman and CEO of Cascades Inc. He left this position – succeeded by his brother Alain – in July 2003 and became the Company’s Executive Vice President. His many and important successes at the head of Cascades Inc. has earned him several awards from various Canadian institutions. At present he is also Chairman of Cascades s.a.s.

Matteo Rossi

Born in Milan on April 28, 1955, he studied and graduated in law in Italy. He has been on the Milan Bar since 1979.

Since then he has worked as a lawyer and continues to practice in the firm established by his father in 1950. He is authorized to plead before the Court of Cassation.

He was entitled to practice in France before the issuing of the European directives that facilitated working as a freelancer in Europe. He is a member of the Bar of the Paris Court of Appeal.

In 1980, he opened a firm in Paris and developed French-Italian relations, helping clients from both countries.

In the 1990s he became a member of the European Commission that drafts regulations for the protection of software copyright, representing Italy.

An Honorary Magistrate from 1992 to 1998 appointed by the Magistrates Governing Body, he also worked as a Single Presiding Magistrate initially and then as a member of the board of the VI criminal division of the Court of Milan.

A civil lawyer for the families of the victims of the Mont Blanc Tunnel fire, he worked with the French Ministry of Justice and, in 2005, took part, at the invitation of the latter, in a conference at the Council of Europe. He reported on the solution adopted for the compensation of the families of the 39 victims of 9 different nationalities, through the application of all the most favorable European tables. In this way, he contributed to the adoption of European regulations on the compensation of victims of collective accidents.

He was honored by the President of the Republic of France with the Chevalier de l'Ordre National du Mérite and was granted French Citizenship.

He is involved in many conferences in Italy and France and at the University of Lyon III on the subject of comparative law.

As of the date of this report, in light of the various qualities and – even internationally renowned – abilities of its Board members, RDM did not feel it was necessary to specify rules on the maximum number of director and supervisory positions that its members may hold in other companies; the company therefore decided to allow them to make a judgment on the effective performance of their duties as director in relation to the number of positions held and the amount of work required by each of them. For the same reason, and in light of the huge experience of all directors in the areas in which the Company operates, it was not deemed necessary to set up specific training courses for directors.

Allan Hogg

Allan Hogg holds a Bachelor's of Business Administration in Accounting, is a member of the Order of Chartered Accountants of Québec and has been in the employ of Cascades for more than 20 years.

Over the years, he has held various positions, including that of Corporate Controller, Director of Finance, Treasurer of the company and, more recently, that of Vice-President and Chief Financial Officer.

A key actor in the financial management of Cascades and in the company's relations with its financial partners, Mr. Hogg was also a director of Boralex Inc., a renewable energy sector company in which Cascades holds a 34.85% share.

5.3. ROLE AND DUTIES OF BOARD OF DIRECTORS

The Board of Directors has broad powers for the ordinary and extraordinary administration of the Company. Thus, it may do all that it deems appropriate, including by delegation, in order to achieve the corporate purpose, with the sole exclusion of those actions reserved by law specifically for the Shareholders' Meeting.

In particular, due in part to the new Procedure for Related-Parties Transactions, the duties and roles of the Board can be summarized as follows:

- review and approval of strategic, business and financial plans for the Company and the Group it heads, the Company's corporate governance system and the Group's structure;
- approval of Significant Transactions as defined in the Procedure for Related-Parties Transactions approved by the Company pursuant to the Related-Parties Regulation;
- annual assessment of the adequacy of the organizational, administrative and general accounting structure of the Company, Group and strategic subsidiaries, to be prepared by the CEO with a focus on the adequacy, effectiveness and actual operation of the internal control system and the management of conflicts of interest;
- assignment and revocation of powers given to delegated bodies except areas that fall under the sole responsibility of the Board pursuant to Article 2381 of the Civil Code and with respect to the provisions of the company By-Laws, and the determination of their limits and methods for exercising such powers;
- approval of compensation for the CEO and other directors holding specific positions, including participation in committees set up by the Board of Directors, subject to a review of the proposals by the Remunerations Committee, and after consulting with the Board of Statutory Auditors pursuant to Article 2389, paragraph 3 of the Civil Code;
- in the event there is no Shareholder Meeting resolution to this effect, allocation of total compensation payable to Board members;
- review of overall operating performance taking into account, in particular, information received from delegated bodies and a periodic comparison of results achieved and planned;
- review and advance approval of the transactions of the Company and its subsidiaries when such transactions have a strategic, operating, balance sheet or financial significance for the Company

with a particular focus on situations in which one or more directors have personal interests or represent third-party interests in transactions, and more generally on related parties transactions;

- annual assessment of the size, composition and operation of the Board and its committees with guidelines expressed, as necessary, on professionals who should be on the Board;
- determination of strategic guidelines for the internal control and risk management system, so that the main risks affecting the issuer and its subsidiaries are properly identified and appropriately measured, managed and monitored; determination of criteria for determining the extent to which these risks are compatible with the sound, fair management of the company in keeping with the strategic goals identified;
- assessment, at least annually, of the adequacy, effectiveness and actual operation of the internal control and risk management system with respect to the company's characteristics and the risks assumed, and assessment of its effectiveness.

Subject to the provisions of Article 2420-*ter* and 2443 of the C.C., resolutions regarding the following matters fall under the responsibility of the Board of Directors, which, in all cases, is to be assumed in accordance with Article 2436 of the C.C.:

- establishment and closure of branch offices;
- transfer of registered office within Italy;
- indication of those directors who are legal representatives of the company;
- reduction of capital following a redemption;
- adjustment of By-Laws to legal provisions.

Pursuant to Article 15 of the Company By-Laws, resolutions on the matters below fall under the exclusive responsibility of the Board of Directors and are adopted if a majority of active directors vote in their favor:

a) any proposal to be submitted to the Extraordinary Shareholders' Meeting concerning or resulting in increasing the Company's capital, except for proposals to reduce and simultaneously increase capital pursuant to Articles 2446 and 2447 of the Civil Code.;

b) any transaction to purchase, sell or lease companies; business units; and assets, including real properties or equity investments (including the purchase or sale of treasury shares or redemption of shares) categorized as non-current assets, whose value for any single transaction or combination of related transactions (or transactions that are connected with the completion of the same transaction) is greater than €10,000,000.00 (ten million);

c) any proposal to be submitted to the Shareholders' Meeting concerning the distribution of dividends and/or reserves in any form, and/or transactions for the voluntary reduction of capital or any resolution to distribute dividends in advance;

d) new loans, mortgages and other financial debt of any sort with a term of over eighteen months, whose value for any single transaction or combination of related transactions (i.e. used towards the completion of the same transaction) is greater than €10,000,000.00 (ten million);

e) the appointment and removal of the CEO and the allocation, modification and revocation of powers granted to individuals holding this position;

f) compensation for any purpose to be paid to the Company's CEO, on the recommendation of the Remuneration Committee;

g) approval of strategic plans, annual and multi-year budgets and strategically significant changes in such plans and/or budgets.

The Board has also retained exclusive responsibility for the approval of more significant transactions and related parties transactions (in this regard, see Section 12 of this Report).

In 2016 RDM's Board of Directors met 6 times with an average duration of 3 hours. Meetings of the Board of Directors may also be held via videoconference and/or conference call. In order to ensure that all Board members can participate, the Chairman of the Board of Directors must work with the Company legal department to ensure that all documents concerning the agenda items for each meeting are distributed at least 3 business days in advance with the exception of urgent situations.

On January 25, 2017 the Company distributed a schedule providing for the Board to meet 5 (five) times in 2017 and the dates of such meetings. As of the date that this Report was approved by the BoD, only one board meeting (held on February 15, 2017 regarding the approval of the Interim Report as of December 31, 2016) has already taken place.

The financial calendar is available on RDM's website (www.renodemedici.it/governance/eventisocietari).

During 2016, meetings of the Board of Directors were also attended by individuals not on the Board such as: Veronica Arciuolo, Head of Legal and Corporate Affairs who also acted as the Board's secretary; Stefano Moccagatta, as CFO and Executive Responsible for the Preparation of the Company's Financial Reports and Investor Relator. In addition, from time to time the Board also evaluates whether it would be necessary/beneficial to invite outside individuals, depending on the items on the agenda, in order to benefit from their specific expertise.

As of the date of this report, no director has indicated that he/she performs activities that are in competition with the Company. In this regard, we note that the Shareholders' Meeting has not given overall advance authorization for exceptions to the non-competition rule set forth in Article 2390 of the Civil Code.

5.4. DELEGATED BODIES: CEO

Article 16 of the Company By-Laws specifies that the Board of Directors may delegate some of its powers to an executive committee or to the Chairman and/or its other members, and may appoint one or more CEOs. The delegated bodies may in turn grant, within the scope of powers received, powers for individual acts or categories of acts to Company employees and third parties with the option to sub-delegate powers.

As of the date of the Report, the Board of Directors had not appointed an executive committee. Since April 29, 2014, only one Executive Director was appointed, the CEO.

Chairman of the Board of Directors

From the date of his appointment until June 29, 2016, the Chairman of the Board of Directors had not received any resolutions, and exercised the powers granted to him by law and the existing By-Laws.

On June 29, 2016, following the resignation of Mr. Capuano as CEO and until the appointment of Mr. Bianchi on November 3, the Chairman was granted powers of ordinary and extraordinary administration except for those strictly reserved by law and/or the By-Laws for the Shareholders' Meeting or Board collectively.

The Chairman of the Board of Directors convenes all meetings and ensures they are properly held, and also confirms that all directors receive all documents related to agenda items with appropriate notice (at least five days before the meeting).

Chief Executive Officer

At the meeting of April 29, 2014, the Board of Directors appointed Ignazio Capuano as CEO and assigned him the broadest possible powers of ordinary and extraordinary administration with the exception of those powers which, by law and/or in accordance with the By-Laws, are strictly reserved for the Shareholders' Meeting or the Board as a whole. The CEO may exercise these powers unilaterally for individual transactions that do not involve expense commitments in excess of €10,000,000.00. The Board has also assigned the CEO the responsibility of overseeing the management of the technical and production aspects of the Company's operations.

As already noted, on June 29, 2016 Mr. Capuano resigned as member of the Board of Directors and CEO of RDM.

Thus, following a recruiting process carried out with the assistance of an external headhunter and managed by the Nominating Committee, on November 3, 2016 Mr. Bianchi was appointed, by co-optation, as member of the Board of Directors and CEO. At the same meeting, Mr. Bianchi was assigned broad powers of ordinary and extraordinary administration except for those strictly reserved by law and/or the By-Laws for the Shareholders' Meeting or Board collectively. The CEO may exercise these powers unilaterally for individual transactions that do not involve expense commitments in excess of €10,000,000.00. The Board has also assigned the CEO the responsibility of overseeing the Company's technical and production operations, and appointed him as Employer pursuant to Legislative Decree 81/08. Mr. Bianchi was also appointed as director in charge of the internal control and risk management system (§ 12.4).

Pursuant to the Company By-Laws and the provisions of Article 150 of the CFA, the CEO shall report to the Board of Directors and Board of Statutory Auditors – at least quarterly or in any case at all Board meetings – on activities performed, general operating performance, projected operating performance and transactions with the greatest operating, financial and balance-sheet impact or, in any case, those transactions completed by the Company and subsidiaries with the greatest significance in terms of their size or characteristics. In particular, the CEO shall report on transactions in which he has an interest on his own behalf or on behalf of third parties, and on any atypical or unusual transactions or related parties transactions that do not fall under the exclusive responsibility of the Board. As a general rule, this information is to be provided concurrently with the approval of periodic financial reports (financial statements, semi-annual report and quarterly reports) by the Board of Directors.

It is hereby confirmed that, in 2016, this information was actually provided by the CEO to the Board of Directors and Board of Statutory Auditors on a quarterly basis (with the exception of the meeting of July 28, 2016 at which this disclosure was provided by the Chairman), concurrently with the approval of periodic financial reports (financial statements, semi-annual report and quarterly reports) by the Board of Directors, and that such information is contained in the minutes for the individual meetings concerned.

It should be noted that, as a part of the CEO's periodic reporting to the Board, he provides Board members with appropriate, specific and detailed information on various aspects of the Company and Group (including those not closely related to the core business) in order to augment the directors' knowledge of the business's operations and dynamics, encourage discussion and benefit from various contributions taking into account the high degree of professional expertise represented on the Board.

In order to get the most out of board meetings as a typical opportunity for directors (and especially non-executive directors) to obtain information on the company's operations, the CEO must ensure that the executives in charge of the company departments related to agenda items are available to participate, if required, in the afore-mentioned meetings and/or meetings of the various committees.

Until June 29, 2016, Mr. Capuano, as the Company's CEO, did not hold the position of director at any other issuer.

As current CEO of RDM, Mr. Bianchi does not hold the position of director in any other issuer.

5.5. NON-EXECUTIVE DIRECTORS

Most members of the Board are non-executive (since they have no operating powers and/or management functions within the company) in order to ensure, by virtue of their number and authority, that their opinions will have a significant influence when making Board decisions.

Non-executive directors contribute their specific expertise to Board discussions in order to help examine the topics being discussed from different points of view with the resulting adoption of carefully considered and sensible resolutions that are in line with the Company's interests.

With the exception of CEO, and of the Chairman between June 29, 2016 and November 3, 2016, the other 4 members of the Board are all non-executive members.

5.6. INDEPENDENT DIRECTORS

In accordance with the requirements of the Code, the Board of Directors verified at its meeting of February 2, 2017, whether directors qualified as independent actually met the requirements for this qualification under the criteria set by the Self-Regulation Code, according to information provided by the individuals concerned and available to the Company. This verification took place during the Board meeting, but in the absence of the members concerned. The Board of Statutory Auditors verified the adequacy and appropriateness of the criteria and procedure used by the Board to assess whether the requirements of independence had been met. Note that at the time of their nomination, all Independent Directors agreed to uphold this requirement. If a director does not meet this requirement, he/she is required to notify the Board immediately and delay their appointment. The results have been issued to the market.

In 2016, the Independent Directors met on November 3, 2016.

5.7. LEAD INDEPENDENT DIRECTOR

As of the date of this Report, no Lead Independent Director has been appointed since the requirements for doing so, as dictated by the Code, are not applicable.

6. TREATMENT OF COMPANY INFORMATION

The Board of Directors has approved procedures – which incorporate the guidelines of Consob and Borsa Italiana, and the provisions for incorporating the European directive on Market Abuse – that set the requirements for disclosing confidential information to the public and establish rules for obtaining the data and information from subsidiaries that is necessary to provide appropriate and timely information to the Board and the market on events and situations that could take the form of confidential information.

The Code of Conduct on Internal Dealing is available on the Company's website (www.renodemedici.it/governance/codiciinterni-2011).

6.1 Procedure for reporting confidential information to outsiders

The Company had adopted the new procedure concerning Confidential Information containing the "Maintenance and Updating of the Register of Persons Who Have Access to Confidential Information at RDM" in accordance with the provisions of Art. 115-*bis* of the CFA.

The Regulations in compliance with the provisions of Consob's Issuer Regulations establishes:

(i) the procedures and deadlines for making entries in the register and any subsequent removal of persons who, by virtue of the work and professional activities or the duties performed on behalf of RDM, have access on a regular or occasional basis to confidential information;

(ii) the procedures for notifying the individual concerned of his/her inclusion and/or removal from the register and the related reason.

6.2 Internal Dealing

The Board also approved the "Procedure for identifying significant parties and for reporting transactions they complete, including through intermediaries, that concern shares issued by RDM S.p.A. or other related financial instruments."

The procedure was prepared in accordance with the provisions of Article 114, paragraph 7 of the CFA.

In accordance with the provisions of the procedure, on August 27, 2008 the Board appointed Veronica Arciuolo to be the Person in Charge of Maintaining the Register. Veronica Arciuolo.

7. BOARD COMMITTEES

In order to improve the effectiveness and efficiency of the work of the Board of Directors, the Internal Control and Risk Committee, the Related Parties Transactions Committee, the Remunerations Committee and the Nominating Committee have been established. The Procedure for Related Parties Transactions specified that the Committee on this subject should consist only of Independent Directors, if there are a sufficient number, and its membership may coincide with the Internal Control and Risk Committee in the event the latter consists of all the Independent Directors on the Board. However, since only two Members of the current Board qualify as Independent, the third member was selected from the non-executive directors.

As evidenced by best practices in Italy and abroad – although far from replacing the Board in the fulfillment of its duties – the committees serve as an important preliminary driving force, by preparing proposals, recommendations and opinions, thereby allowing the Board to make its decisions with greater conviction. In the case of the RDM Group, this role has proven to be particularly effective in terms of managing sensitive matters, given the varied composition and the different professional profiles expressed by the Board.

Lastly, bearing in mind that the current list-vote mechanism ensures a transparent nomination procedure and a balanced Board composition by guaranteeing, in particular, the presence of a sufficient number of independent directors, the Board of Directors did not see a need to establish a Board committee to make proposals for the appointment of directors.

The Board did not see the need to reserve the responsibilities of one or more committees for itself, also in light of the high expertise of its directors.

8. NOMINATING COMMITTEE

On November 2, 2012 the RDM Board of Directors established the Nominating Committee in accordance with the requirements of Article 5 of the Self-Regulation Code of the stock exchange.

The Committee comprises 3 non-executive directors, 2 of whom are independent: Matteo Rossi – Chairman, Robert Hall and Laura Guazzoni.

In 2016, the Committee met eight times with meetings lasting an average of two hours.

In view of Mr. Capuano's resignation, in 2016 the Nominating Committee, with the assistance of an external advisor, followed the recruiting procedure leading to the selection of Mr. Bianchi as RDM's General Manager and CEO.

The committee has the following duties:

a) provide opinions to the Board of Directors concerning the size and composition of the Board and make recommendations concerning professionals who should be on the Board;

b) propose candidates to the Board of Directors for the position of director in cases of co-optation where it is necessary to replace independent directors. In this capacity, at its meeting of June 29, 2016 the Committee proposed Mr. Hogg as director, by co-optation, to replace Mr. Capuano.

9. REMUNERATIONS COMMITTEE

9.1. Composition of the remunerations committee

The Remunerations Committee consists of three non-executive directors, two of whom are independent.

The members of the Remunerations Committee are: Mr. Matteo Rossi, Ms. Laura Guazzoni (Independent Director), and Mr. Robert Hall (non-executive director).

In 2016 the Committee met four times to approve the annual Report to be presented to the Shareholders' Meeting and to lay down the fees due to succeeding directors in 2016.

The duration of the meeting was 2 hours. The Board of Statutory Auditors participates in meetings of the Remunerations Committee.

Proper minutes were prepared for meetings of the Remunerations Committee.

9.2. DUTIES OF THE REMUNERATIONS COMMITTEE

In accordance with the Self-Regulation Code, the Remunerations Committee is in charge of submitting proposals to the Board for the remuneration of directors who fill specific positions by monitoring the application of decisions made by the Board; periodically assessing criteria used for the remuneration of executives with strategic responsibilities, if any; overseeing their application on the basis of information provided by CEOs; and making general recommendations to the Board of Directors in this area. In order to carry out its tasks, the Committee has access to all corporate information and departments deemed necessary.

As of the date of this Report, the Company had not identified Executives with Strategic Responsibilities with the exception of Mr. Capuano as CEO, since the requirements set by the CFA and Issuer Regulations had not been met.

The establishment of this committee ensures the maximum disclosure and transparency on the compensation payable to directors with specific positions and on how it is determined in each case. However, it is understood that in accordance with Article 2389, third paragraph of the Civil Code, the Remunerations Committee only has the power to make proposals, while the power to determine the remuneration of directors holding specific positions rests, in all cases, with the Board of Directors after consulting with the Board of Statutory Auditors.

10. DIRECTORS' REMUNERATION

For information on this section, please see the Report on Remuneration prepared and published pursuant to Article 123-*ter* of the CFA.

This report is available on the Company's website: www.renodemedici.it/governance/assemblee.

In view of the fact that Mr. Bianchi was appointed director by co-optation on November 3, 2016, and that the mandate of the entire board will expire at the Shareholders' Meeting to be held on April 27-28, 2017, the Committee and Board have decided not to provide Mr. Bianchi, as CEO, with the incentive compensation referred to in Article 6 of the Self-Regulation Code, given the limited period of time elapsed.

11 INTERNAL CONTROL COMMITTEE

First, it should be noted that the Internal Control Committee has been assigned all the functions of the Control and Risk Committee, and only its name has remained unchanged. When it is next re-elected, the Committee will also adjust its name. Moreover, the composition of this committee (the Internal Control Committee) meets the requirements and criteria set forth by the Self-Regulation Code for the Control and Risk Committee.

11.1. COMPOSITION OF THE COMMITTEE

On April 29, 2014 the Board appointed the Internal Control Committee (i.e. the "Control and Risk Committee") for the three-year period 2014-2016.

The Internal Control Committee currently in office consists of 3 non-executive directors, two of whom are independent. It is noted that one member (Ms. Laura Guazzoni) has appropriate accounting and financial expertise.

The current Internal Control Committee is made up of: Mr. Robert Hall – Chairman, Mr. Matteo Rossi and Ms. Laura Guazzoni.

In 2016, the Internal Control Committee had four meetings with an average duration of 2 hours.

Members of the Board of Statutory Auditors also participate in the work of the Committee as members of the Internal Control and Official Audit Committee.

In addition, depending on items on the agenda, the CEO, CFO, Head of Legal Affairs and Internal Control Manager were invited to participate, from time to time in order to report on individual agenda items.

Proper minutes were prepared for the Committee's meetings.

11.2. DUTIES ASSIGNED TO THE INTERNAL CONTROL COMMITTEE

The Committee is in charge of making proposals and recommendations to the Board of Directors in the area of the oversight of the Company's overall operating performance so that the Board is able to perform its duties of providing guidance and assessing the adequacy of the system.

An effective internal control system helps safeguard the company's assets, the efficiency and effectiveness of company transactions, the reliability of financial information and compliance with laws and regulations. In the performance of its duties, the committee may access the necessary information and company areas, assessing the adequacy of the internal control system relative to the Company's characteristics and ensures that its assessments and decisions regarding the internal control system, the approval of financial statements and semi-annual reports and relationships between the issuer and independent auditor are supported by adequate preliminary activities.

In particular, the Committee is charged with assessing the functionality and adequacy of the internal control system as well as actual compliance with internal procedures and directives adopted to ensure sound, effective management and to identify, prevent and manage, to the extent possible, financial and operational risks, fraud and damage to the Company.

The specific duties of the Committee include:

- examining significant problems and procedures for overseeing the Company's business. Specifically, in view of the significant irregularities found in the 2015 audits, in 2016 the Committee recommended the implementation of refresher courses on Model 231 and related protocols. These courses were carried out at the beginning of 2016;

- assessing the schedule of work prepared by the Internal Audit department and obtaining its periodic reports;

- assessing, together with the Company's administrative managers, the adequacy of the accounting principles used and their consistency for the purposes of preparing consolidated financial statements;

- overseeing the effectiveness of the process of the official audit of accounts;

- assessing the schedule of work prepared for the audit and findings indicated in the report and recommendation letter;

- reporting to the Board of Directors, at least semi-annually, on the occasion of meetings to approve the draft financial statements and semi-annual report, on activities performed and the adequacy of the internal control system;

- performing any other duties assigned to it by the Board of Directors.

As a part of the periodic review of the adequacy and actual operation of the organizational structure in relation to the internal control system, during the financial year the committee:

- examined and shared with the Internal Audit department the updated analysis of risks faced by the company, assessed the actions and measures taken by the Company to mitigate the extent of these risks and verified the adequacy of the actual operation of the organizational structure and the actual operation of the organizational structure in relation to the internal control system. Specifically, in 2016 the activities of the Control and Risk Committee focused on revising contract-related procedures in view of the irregularities found in the 2015 audits. It also requested taking disciplinary action against the individuals involved;

- discussed with the Internal Audit department the most significant findings as well as background causes and any difficulties encountered during its activity;

- verified the subsidiaries' adoption of an appropriate Organization and Management Model pursuant to Legislative Decree 231/01;

- examined the plan to update the Organization, Management and Control Model pursuant to Legislative Decree 231/2001;

- examined the audit plan for year 2016 at the Company and Group and verified its main findings;
- initiated assessments under its responsibility concerning the process of preparing the Interim Report and Semi-Annual Report, and reported to the Board on the outcome of the above assessments and provided recommendations as necessary;
- verified the adequacy and actual application of accounting principles used and their consistency for the purpose of preparing consolidated financial statements;
- examined the outcome of activities performed by the Company to verify compliance with the provisions of Law 262/2005.

The Committee also examined the main risks faced by the Company and measures taken to prevent, monitor and control such risks.

The Committee may ask the Board to allocate a budget for it that is sufficient to perform its assigned duties.

Furthermore, pursuant to the Committee Regulations, the Committee may obtain the assistance of internal employees and outside professionals, at the expense of the Company, to perform its duties.

12. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

12.1. INTRODUCTION

RDM realizes the importance that financial disclosure plays in establishing and maintaining positive relationships between the company and its many partners, and together with Company performance, it contributes to the creation of value for shareholders.

RDM is also aware that investors rely on the full compliance of management and all employees with the rules that make up the Company's internal control system.

The control system consists of the combination of rules, procedures and organizational structures that are designed to make it possible (through an appropriate identification system) to identify, measure, manage and monitor key risks and to ensure sound and proper management of the company in keeping with pre-established goals. This system is integrated into the more general organizational and corporate governance structures adopted by the issuer, and takes into due consideration benchmark models and best practices at the domestic and international levels. An effective internal control and risk management system contributes to ensuring that the company's management will be consistent with Company objectives set by the Board of Directors and fosters the making of well-informed decisions. Moreover, it also contributes to ensuring the protection of the Company's assets, the efficiency and effectiveness of company processes, the reliability of financial information and compliance with laws, regulations, the Company By-Laws and internal procedures.

In terms of internal control, RDM has prepared – and has kept up-to-date – a special system which is in charge of providing correct Company information and adequate oversight on all Group activities with a special focus on areas deemed to have the greatest risk.

In addition, through the Internal Audit department, the Company continually determines whether this system is appropriate for the Company's structure. In 2014, in keeping with the Audit Plan approved or following specific request, 12 audit reports were issued and checks were subsequently made of the corrective actions taken.

Below are the goals assigned that the Group's Internal Control System aims to achieve:

- ensure that Company activities are carried out in an effective and efficient manner;
- guarantee the reliability and accuracy of accounting documents and the safeguarding of the Company's assets;
- ensure compliance with external regulations and the Company's internal regulations.

The fundamental elements of the Internal Control System developed by the Company and subject to ongoing monitoring and updating, are as follows:

- separation of roles and duties in the completion of critical transactions;
- traceability of transactions;
- management of decision-making processes based on objective criteria, as far as possible.

This system is implemented through procedures, organizational structures and controls implemented by RDM and the Group's operating companies over the most significant Company processes in terms of risk. The types of controls implemented can be broken down into:

- both preventive and after-the-fact automated or manual line controls for an individual transaction;
- managerial controls over the performance of companies and individual processes as compared to projections.

The above types of controls, which fall under the responsibility of the management of the area concerned, are in addition to activities carried out by the Internal Audit department, which is charged with ensuring that RDM's auditing activities are completed.

12.2. EXISTING RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS.

The risk management system for the financial reporting process must not be considered separately from the corresponding internal control system since these are elements of the same risk control and management system, which in turn is part of the overall internal control system for identifying, managing and monitoring the Company's overall risks.

The aim of this system is to ensure the credibility, accuracy, reliability and timeliness of financial reporting.

12.3. DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE EXISTING RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS.

The administrative and accounting procedures set forth in Law 262/05 and as amended are based on an analysis of the risk that intentional and unintentional errors will occur during the processes leading to the preparation of financial reports. Thus, the system has been built by identifying and assessing risk areas where events could occur that could compromise the achievement of the aforesaid financial reporting objectives.

On the basis of the identification and assessment of the risk areas, elements of the internal control system were analyzed with respect to financial reporting through:

- a summary overall analysis, with a special focus on controls on the reliability of financial reports;
- an analysis for each operating process concerning financial statement items that are significant for the purposes of financial reporting using a matrix showing the correlation between objectives identified for process activities and related controls.

The system can be broken down into the following macro-phases:

- risk identification and assessment;
- assessment of the adequacy of control activities.

In addition, the following activities are to be assigned to specific areas (Internal Audit):

- review of the operations of the control system;
- monitoring and development of the control system.

Risk identification and assessment

Risks are identified with respect to financial statement assertions (existence and occurrence, completeness, rights and obligations, measurement and recording, presentation and disclosure) and other control objectives such as compliance with authorization limits, the segregation of incompatible duties, controls over the physical security and existence of assets, documentation and the traceability of transactions.

Assessment of the adequacy of control activities

On the basis of the risk assessment, specific control activities are identified and then broken down into two major categories:

- controls applicable to the entire company organization, which are common to and cut across the entire organization being assessed and represent structural elements of the system of internal control on financial reporting;
- specific controls at the process level.

A Group-wide manual has been prepared, containing guidelines and a description of processes and controls to be implemented for the preparation of the reporting package, as well as the related declarations to be issued under the signature of each applicable body concerning the adequacy of controls performed and the reliability and consistency of the data provided. In 2017, specific Group procedures will be prepared and adopted to be applied to all foreign subsidiaries with the aim of extending the Control Model used at RDM to all of them.

At the process level, “specific” controls were identified such as checks on the documentation supporting the proper recording of accounting entries, issuance of proper authorizations, completion of accounting reconciliations and implementation of consistency checks.

Specific control activities were carried out with respect to “ordinary” processes performed during the year and with respect to “unusual” processes implemented primarily at the end of interim and annual accounting periods.

Extraordinary transactions were also subject to specific control procedures, involving the appropriate management levels.

In particular, control procedures related to “ordinary” processes were, for the most part, based on adequate reporting systems.

With regard to consolidated information, there are specific consolidation procedures, including IT-based procedures, that are updated in relation to business requirements and monitored by the area in charge. Consolidated information is received from various Group companies and processed at headquarters by the Consolidated Financial Statements department.

Audit of the operations of the internal control system

In order to audit and ensure the effectiveness of the internal control system for financial reporting, specific monitoring activities are to be carried out by the parties responsible for processes (“process owners”) or by third parties that are separate from process operations (Internal Audit).

Monitoring and development of the control system

In order to allow for the proper monitoring of the system, the “design” of its components is regularly reassessed in all cases upon the occurrence of significant events or the identification of new risks using the risk assessment process. To be specific, following comments that came up during the auditing phases, in 2014 revisions and amendments were made to administrative and accounting procedures. These procedures are always in progress in order to adapt them to Company’s structure.

The effectiveness of controls indicated by procedures that cover the administrative and accounting system is assessed through specific tests conducted by Internal Audit.

Any deficiencies in the design and effectiveness of controls are reported to process owners and the executive responsible for the preparation of the company’s financial reports to plan remedial measures, the actual implementation of which is verified.

Pursuant to paragraph 5 of Article 154-*bis* of the CFA, the executive responsible for the preparation of the company’s financial reports and the CEO must attest to the adequacy and actual application of administrative and accounting procedures for the preparation of separate and consolidated financial statements as well as any other communication of a financial nature.

12.4 EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL CONTROL SYSTEM

On April 29, 2014 the Board appointed the CEO, Ignazio Capuano, to be the executive director charged with overseeing the operation of the internal control system. Therefore, after he submitted his resignation on November 3, 2016, the Board appointed Mr. Bianchi as executive director in charge of overseeing the operations of the internal control system.

The director charged with overseeing the operation of the internal control and risk management system:

(a) oversees the identification of major Company risks, taking into account the characteristics of the operations carried out by the issuer and its subsidiaries, and periodically submits them to the Board of Directors for its review;

(b) implements strategic guidelines established by the Board of Directors, manages the design, implementation and management of the internal control and risk management system, and continually verifies its overall adequacy, effectiveness and efficiency;

(c) manages the adaptation of this system to changes in operating conditions and the legislative and regulatory framework;

(d) may ask the Internal Audit department to conduct audits of specific operating areas and of compliance with internal rules and procedures in the execution of Company transactions, giving immediate notice thereof to the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and Chairman of the Board of Statutory Auditors;

(e) promptly reports to the Control and Risk Committee (or to the Board of Directors) on problems and critical areas that arise in the performance of his/her activities, or that come to his/her attention, so that the Committee (or Board) may take the appropriate action;

(f) is charged with coordinating the various individuals involved in the internal control and risk management system and must oversee and participate in the activities assigned to each of them.

In carrying out this function, Mr. Bianchi charged the Legal and Corporate Affairs Department with reviewing, preparing and implementing Group Control Procedures.

12.5. MANAGER OF INTERNAL AUDIT DEPARTMENT

A key role in the internal control system is played by Internal Audit which is charged with:

(i) ensuring that the oversight activities specified in Legislative Decree 231/2001 are performed;

(ii) updating the system used to identify, classify and assess areas of risk for the purposes of planning audits;

(iii) implementing scheduled audits (plan approved by the Oversight Body) and unscheduled audits, identifying any gaps compared to the models adopted and making proposals on corrective action to be taken;

(iv) ensuring the maintenance of the relationship with the independent auditor;

(v) maintaining the relationship with, and providing reports to the Oversight Body, the Internal Control Committee and Board of Statutory Auditors.

Internal Audit has free access to all data, documentation and information that is useful for the performance of its audits.

Internal Audit is headed by Serena Monteverdi, who was appointed by the Board of Directors on 4 November 2011 upon the proposal of the Internal Control Committee after an assessment of her background.

See the description elsewhere in this Report for the activities performed in 2016.

12.6. ORGANIZATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE NUMBER 231/2001

With the entry into force of Legislative Decree No. 231 of June 8, 2001, as revised and amended, which introduced a specific mechanism for companies to assume liability for certain types of crimes, the Company took measures to avoid, in accordance with the provisions of this regulation, being held liable in this way by creating specific oversight procedures aimed at preventing certain types of crimes.

In particular, on September 28, 2005 the Company's Board of Directors approved the "Organization, Management and Control Model pursuant to Legislative Decree 231/01" (hereinafter, the "Model") which meets the requirements of this legislative decree and was prepared on the basis of guidelines issued by Confindustria. The Model, which was approved as a result of organizational and regulatory changes, is continually being updated and amended.

The Model in force at the time of drawing up this Report was distributed to all employees and is published, in its general part, on the Company's website.

Relative to the provisions of Article 6 of the aforesaid decree, the Board approved the creation of the Oversight Body and created it as a multi-member body. To be specific, it currently consists of 2 Independent Directors and one member of the Company who has specific expertise on Legislative Decree 231.

The current Oversight Body was appointed on April 29, 2014, and, since its appointment, it has met 4 times in 2015, with all members attending all meetings. The Oversight Body is composed as follows: Ms. Laura Guazzoni – Chairman; Mr. Matteo Rossi and Ms. Veronica Arciuolo.

On average, the meetings of the Oversight Body last 3 hours and they are attended by members of the Board of Statutory Auditors, Internal Audit, and, depending on agenda items, Company representatives. Furthermore, the Company provides a continual flow of information to the Oversight Body so that the latter is able to constantly monitor all activities deemed to be at risk.

Each year the Oversight Body independently approves its oversight plan that includes audits of the adequacy of the Model and compliance with the Model.

The Oversight Body also has its own regulations and a budget commensurate with the duties assigned to it.

In 2016, the Supervisory Body met four times at meetings lasting an average of three hours. It met with the CEO, Mr. Capuano, to discuss anomalies found in audit reports and asked that disciplinary sanctions be applied to the individuals involved in the shortfalls reported.

12.7. INDEPENDENT AUDITOR

The firm assigned to perform the official audit of accounts is Deloitte & Touche S.p.A., which was appointed by the ordinary Shareholders' Meeting on April 27, 2012 for the period from 2012-2020, and thus, until the approval of the financial statements as of December 31 (thirty-first), 2020.

12.8 Executive responsible for the preparation of the company's financial reports

On November 13, 2008, the Board of Directors – upon approval of the Board of Statutory Auditors – appointed Stefano Moccagatta, RDM's Finance and Control Director, to be the executive responsible for the preparation of the company's financial reports.

Pursuant to Article 21 of the Company By-Laws, the body authorized to make this appointment is the Board of Directors, subject to obtaining the mandatory opinion of the Board of Statutory Auditors. In accordance with the provisions of Article 154-*bis* of the CFA, the same By-law provision also specifies that the Executive Responsible must have at least three years' experience in the following areas:

(a) administration or control activities or management duties at corporations with share capital of at least two million Euros;

or

(b) professional activities or a tenured university teaching position in legal, economic, financial, technical and scientific areas that are closely related to the company's operations and the duties that the Executive Responsible is required to perform;

or

(c) executive positions with government agencies or administrations operating in the credit, financial and insurance fields, or, in any case, in areas that are closely related to the company's area of operations.

In accordance with the provisions of current regulations, the Executive Responsible prepared and implemented appropriate administrative and accounting procedures for the preparation of separate and consolidated financial statements and all other communications of a financial nature.

Together with the CEO, the Executive Responsible also certified the following in a special report attached to the separate financial statements, consolidated financial statements and semi-annual report:

(i) the adequacy and actual application of the administrative and accounting procedures indicated above during the period to which these accounting documents refer;

(ii) the compliance of the content of these documents with the IFRS applicable in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002;

(iii) the consistency of these documents with the entries in ledgers and accounting entries, and their suitability to provide a true and accurate representation of the balance sheet, income statement and financial situation of the Company and all companies included in consolidation;

(iv) that the report on operations related to the separate and consolidated financial statements contains a reliable analysis of performance and operating profit, as well as the situation of the Company and all companies included in consolidation together with a description of the main risks and uncertainties to which the latter are exposed;

(v) that the interim report on operations included in the semi-annual financial report contains a reliable analysis of the information indicated in paragraph 4 of Article 154-*ter* of the CFA.

The executive responsible for the preparation of the company's financial reports is subject to the provisions governing the responsibility of directors with respect to the duties assigned to them, with the exception of actions taken on the basis of a working relationship with the Company.

13. DIRECTOR INTERESTS AND RELATED PARTIES TRANSACTIONS

With regard to related parties transactions, the Company's Board of Directors formally approved the "Regulation for Related Parties Transactions".

This regulation was prepared and adopted in accordance with the provisions of the related regulation adopted by Consob with Resolution No. 17221 of March 12, 2010 as revised and amended.

The underlying reason for the new procedure – partly in an attempt to interpret the primary intent of legislators – is to bolster the protection of minority shareholders and other stakeholders by fighting potential abuses that could arise from the completion of transactions with a potential conflict of interests with related parties (including, for example, mergers, acquisitions, disposals and reserved capital increases). The key points of the procedure are as follows:

(a) strengthening the role of independent directors in all phases of the decision-making process concerning related parties transactions;

(b) the transparency mechanism;

(c) the obligation to report to the regulatory authority and public;

(d) clear identification of minor transactions, based on the type of transaction and its economic significance, setting a threshold of €100,000.00 for this purpose.

The new regulation went into force on January 1, 2011.

Its main features are as follows:

1) identification of the party related to the Company ("**Related Party**"). In accordance with the provisions of Appendix 1 of the Consob Regulation, a party is deemed to be a related party if:

    (a) directly or indirectly, including through subsidiaries, fiduciaries or intermediaries:

        (i) it controls the Company, is controlled by it or subject to joint control with respect to the Company;

        (ii) it has an investment in the Company such that it is able to exercise a significant influence over the latter;

        (iii) it exercises control over the Company together with other parties;

    (b) it is an associate of the Company;

    (c) it is a joint venture in which the Company is a participant;

    (d) it is a member of the Board of Directors or Board of Statutory Auditors or is an executive with strategic responsibilities of the Company or its parent company;

    (e) it is a close family member of one of the parties indicated in paragraphs (a) or (d);

(f) it is an entity in which one of the individuals indicated in paragraphs (d) or (e) exercises control, joint control or a significant influence, or directly or indirectly holds a significant portion of not less than 20% of voting rights;

(g) it is an Italian or foreign supplemental, collective or individual pension fund established for employees of the Company or of any other entity related to it.

2) Identification of Significant Transactions, meaning:

(i) related parties transactions to which at least one of the Indexes of Significance (adopted in accordance with the provisions of Appendix 3 of Consob Resolution No. 1722/2010 as revised and amended), as applicable depending on the specific transaction, is greater than 5%;

(ii) related parties transactions with a listed parent company (if any) or with parties related to the latter, which in turn are also related to RDM, if at least one of the Indexes of Significance is greater than 2.5%;

(iii) related parties transactions that could affect the Company's management autonomy (including those concerning intangible assets), or that, in any case, concern assets or goods of strategic importance for the Company, if the value of at least one of the Indexes of Significance is greater than 2.5%. The Board of Directors must in all cases be responsible for determining the strategic importance of specific goods or assets held by the Company and does so, on each occasion, at the initiative of any one of its members or at the request of the Board of Statutory Auditors.

3) Definition of Minor Transactions: All related parties transactions that cannot be defined as Significant related parties transactions are defined as Minor related parties transactions;

4) Identification of exclusions and exemptions from procedures on related parties' transactions;

5) Creation of Related Parties Transactions Committee and related independence requirements. As indicated in § 10.2 of this Report, if there are three Independent Members and these same members make up the Internal Control Committee, the duties of the Related Parties Transactions Committee are also delegated to the Internal Control Committee;

6) Adoption of specific procedures for the approval of related parties transactions and related disclosure: contained in the Regulation.

The Regulation governing related parties transactions is available on the Company's website at www.renodemedici.it/governance/codiciinterni.

14. APPOINTMENT OF STATUTORY AUDITORS

Article 19 of the By-Laws specifies that acting and deputy members of the Board of Statutory Auditors are to be elected using a list-vote procedure.

Specifically, the By-law provision concerned states that:

"The lists – which include the consecutively numbered names of one or more candidates – must indicate whether the individual nomination is being submitted for the position of statutory auditor or deputy statutory auditor.

The number of candidates on lists must not be greater than the number of members to be elected.

Only those shareholders who individually or collectively with other submitting shareholders, hold a total of share capital representing at least 2.5% (or such other percentage set by laws or regulations) of shares with voting rights at ordinary Shareholders' Meetings may submit lists.

All shareholders that are signatories to a significant shareholder agreement pursuant to Article 122 of Legislative Decree 58/1998, the parent company, subsidiaries and companies subject to joint control pursuant to Article 93 of Legislative Decree 58/1998 may not individually or collectively submit more than one list including through an intermediary or trust company, and may not vote on different lists, and each candidate may appear on only one list or risk being unelectable. Acceptances and votes cast in violation of this restriction shall not be attributed to any list.

The lists, which are signed by those submitting them, must be filed at the Company's registered office at least fifteen days prior to the date set for the first call of the Shareholders' Meeting, and this must be noted in the notice to convene, without prejudice to any other forms of disclosure required by regulations and other provisions currently in effect. At the time lists are submitted, in order to prove ownership of the number of shares necessary for the submission of lists, shareholders must file at the Company's registered office a copy of the certifications issued by authorized intermediaries in accordance with current laws and regulations.

If, on the due date for submitting lists, only one list has been filed or lists have been submitted only by shareholders that are deemed to be connected according to the applicable regulations, lists may be submitted until the fifth day following such date. In this case, the thresholds specified by the By-Laws for submitting lists are to be reduced by half.

By the deadline for filing lists, each list must be accompanied by the following items to be filed at the Company's registered office: (a) summary information on the submitting shareholders (with the total percentage interest held), (b) a declaration of the shareholders (other than those who hold, individually or jointly, a controlling or simple majority interest) confirming the absence of a linking relationship (as specified in applicable regulatory provisions) with the latter, (c) a thorough report on the professional and personal background of each candidate, (d) declarations whereby individual candidates accept their nominations and attest, under their responsibility, that there are no reasons they would be unelectable or have a conflict of interest, and that they meet the requirements specified in current regulations to hold the position of statutory auditor, and (e) a list of any administration and control positions held in other companies.

The first two candidates on the list obtaining the highest number of votes will be elected as statutory auditors, as will the first candidate from the list obtaining the second highest number of votes which is not related directly or indirectly to shareholders who submitted, or voted for, the list that obtained the highest number of votes.

The first deputy auditor candidate from the list that obtained the highest number of votes, and the first deputy auditor candidate from the list with the second highest number of votes will be elected as deputy statutory auditors pursuant to the preceding paragraph.

If there is a tie vote between two or more lists, the oldest candidates will be elected statutory auditors until reaching the number of positions to be assigned.

The candidate from the list that received the second highest number of votes will be appointed chairman of the Board of Statutory Auditors according to the provisions of the paragraphs above.

If a single list or no list is proposed, the candidates on the list, or those for whom the Shareholders' Meeting voted (provided they obtain the simple majority of votes cast by the Shareholders' Meeting) shall be elected as permanent and deputy statutory auditors respectively.

If the requirements set by regulations and the By-Laws are no longer met, the statutory auditor shall forfeit his/her position.

If a statutory auditor is substituted, he/she shall be replaced by the deputy statutory auditor on the same list as the departing auditor, or failing this, if a minority statutory auditor leaves his/her position, he/she will be replaced by the candidate who is next on the same list as the candidate leaving his/her position, or alternatively, by the first candidate on the minority list that received the second highest number of votes.

It is understood that the minority statutory auditor will retain the chairmanship of the Board of Statutory Auditors.

When the Shareholders' Meeting is required to appoint active and/or deputy statutory auditors in order to complete the Board of Statutory Auditors, the following procedure shall be followed: if statutory auditors on the majority list must be replaced, the appointment is made by simple majority vote with no list restrictions. If, instead, it is necessary to replace statutory auditors elected from a minority list, the Shareholders' Meeting shall replace them by a simple majority vote and select them from the candidates on the list which provided the statutory auditor to be replaced, or on the minority list that had the second highest number of votes.

If, for any reason, the above procedures do not result in the replacement of statutory auditors designated by the minority, the Shareholders' Meeting shall do so by a simple majority vote. However, when determining the results of this vote, the calculation shall not include the votes of shareholders who, according to communications made pursuant to current regulations, hold – directly or indirectly, individually, or jointly with other shareholders who are party to the same significant shareholders' agreement pursuant to Article 122 of Legislative Decree 58/1998 – the simple majority of votes that can be exercised at a Shareholders' Meeting, or the votes of shareholders who control, are controlled or are subject to the joint control of these shareholders".

15 STATUTORY AUDITORS

15.1. CURRENT COMPOSITION OF BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors in office at the time of drawing up this report was appointed by the Shareholders' Meeting of April 30, 2015. At that time, the percentage of capital necessary to submit a list was 2.5% of shares with voting rights at ordinary Shareholders' Meetings.

On the expiration date of this term, only one list was submitted by the shareholder Cascades s.a.s.

In accordance with current regulations and the By-Laws, the following items were filed together with the list: the curricula vitae of candidates containing information on their personal and professional background and the list of administration and control positions held at other companies; and the declarations of candidates attesting that there are no reasons they would be unelectable or have a conflict of interest, and that they meet the requirements specified in current regulations, the By-Laws and Self-Regulatory Code to hold the position of statutory auditor.

The Board of Statutory Auditors currently in office is made up as follows:

1. Giancarlo Russo Corvace, born in Taranto on January 27, 1953;

2. Tiziana Masolini, born in Saronno (VA) on December 20, 1973;

3. Giovanni Maria Conti, born in Milan on October 4, 1964;

The term of the active Board of Statutory Auditors will expire with the approval of the financial statements as of December 31, 2017.

Partly in an effort to coordinate its activities with other areas involved in the Company's control system, the Board of Statutory Auditors also regularly participates in all meetings of the Oversight Body and Internal Control Committee, it maintains direct relationships with company departments from which it can request clarifications and explanations, and meets at least semi-annually with the independent auditor.

In 2016 the current Board of Statutory Auditors met 8 times with an average duration of 3 hours.

15.2. ROLE AND DUTIES

In addition to the duties assigned to it by law, the Board of Statutory Auditors has also assumed the role of Internal Control and Audit Committee. In addition, through periodic meetings, the Board of Statutory Auditors also oversees the work of the independent auditor and gives prior approval of assigning other tasks to the independent auditor by the Company or Group companies in accordance with the provisions of Article 160 of the CFA.

As part of its work the Board of Statutory Auditors has:

i. verified the respect of By-Laws and compliance with applicable regulatory provisions;

ii. monitored the independence of the independent auditor and verified compliance with applicable regulatory provisions as well as the nature and quantity of services, other than auditing, provided to the Company and its subsidiaries by the independent auditor and entities in the same network;

iii. met with the Internal Audit department and the Internal Control Committee while carrying out its activities in specific meetings, and also participated in all meetings of the Internal Control Committee and Oversight Body. On these occasions, in view of the irregularities found in the 2016 audits on the contracting/purchasing system, it met with the heads of the departments involved (Purchasing and Plants), recommended the revision of current procedures, analyzed new procedures, met the CEO (Mr. Capuano), and requested that disciplinary action be taken against the individuals whose actions were in violation of the procedures;

iv. verified the compliance with provisions on health and safety at the workplace, privacy and adherence to the environmental policy;

v. expressed its opinion during Board meetings when requested to do so;

vi. expressed its approval of the compensation allocated pursuant to Article 2389 of the Italian Civil Code to Mr. Bianchi on November 3, 2016 as CEO and on the recommendation of the Remuneration Committee;

vii. in its capacity as the Internal Control and Legal Oversight Committee, it supervised the application of the internal control system and asked Internal Audit to conduct specific quarterly audits of company departments in which problems were identified.

16. INVESTOR RELATIONS

A specific Company department called "Investor Relations" was set up in view of the importance (stressed in the Code) of establishing an ongoing professional relationship with the all shareholders and institutional investors.

Most importantly, the department provides the financial markets with all important information to ensure their perception of the Company is consistent with the intrinsic value of the Group's operations.

In fact, RDM has adopted a communications policy aimed at establishing an ongoing dialogue with institutional investors, shareholders and the market and at ensuring the regular dissemination of complete, accurate and timely information on its operations, which is subject only to confidentiality requirements for certain types of information.

RDM is committed to maintaining an ongoing dialogue with the market in accordance with laws and regulations on the circulation of confidential information.

Information is provided to investors, the market and the press through press releases; periodic meetings with institutional investors, the financial community and the press; and documentation made available and continually updated on RDM's website (www.renodemedici.it).

Since 1 July 2014, the office of Investor Relator has been held by Mr. Stefano Moccagatta.

For relations with investors, shareholders and financial analysts, RDM relies on the support of the Company BlueArrow, whereas relations with the media are maintained in partnership with Image Building S.p.A.

Information concerning periodic reports and significant events or transactions is disseminated promptly to the public, including through publication on RDM's website.

The website also provides access to the Company's press releases, documents on corporate governance, documentation distributed during meetings with financial analysts, shareholder notices and information and documentation on items on the agenda of Shareholders' Meetings.

Contact information

Reno De Medici S.p.A.

Stefano Moccagatta

Tel.: 02 89966251

Fax: 02 89966200

E-mail investor.relations@renodemedici.it

17. SHAREHOLDERS' MEETINGS

The properly formed Shareholders' Meeting represents shareholders, and their resolutions passed in accordance with the law and By-Laws, are binding for all shareholders.

When calling, scheduling and managing shareholders' meetings, there is a special emphasis on facilitating the maximum participation of shareholders and on ensuring the highest quality of information provided to them, in accordance with the restrictions and procedures on disseminating price-sensitive information.

Pursuant to Article 10 of the Company By-Laws, shareholders' meetings are subject to the provisions of the law and of the By-Laws in terms of their proper formation and the validity of resolutions taken.

As specified by Article 8 of the Company By-Laws, "*Shareholders' Meetings shall be convened by a notice containing the information required under current regulations and published according to the deadlines dictated by law:*

- on the Company's website; - and where required by mandatory order or decision of directors, in the Official Gazette of the Italian Republic or in one of the following newspapers: Il Sole 24 Ore, MF - Milano Finanza and Finanza & Mercati;

- and in the other ways specified by current regulations and other rules. Shareholders' Meetings are to be called by a notice published within the deadlines and as dictated by law in the following newspapers: "Il Sole24 Ore", "Milano Finanza" or "Finanza & Mercati".

The aforesaid Article 8 of the Company By-Laws also governs participation and discussions at Shareholders' Meetings and specifies that the provisions of law and the By-Laws shall apply. *Notice to the Company of proxies for participation in the Shareholders' Meeting may also be given by sending the document to the e-mail address indicated in the notice to convene.*

Shareholders' Meetings are chaired by the Chairman of the Board of Directors, or if absent or unable then by the Deputy Chairman, or if absent or unable then by another person designated by the Shareholders' Meeting.

The Chairman is responsible for verifying the right to participate in Shareholders' Meetings and the validity of proxies, and for resolving any disputes; the Chairman may also appoint assistants for these purposes.

The Chairman is in charge of guiding the discussion and maintaining order and overseeing voting procedures (which must, in all cases, be transparent). Bearing this in mind, the Company did not deem it was necessary to prepare and approve Shareholders' Meeting regulations.

The Chairman is assisted by a secretary designated by the Shareholders' Meeting. The assistance of a secretary is not necessary when minutes for the Shareholders' Meeting are prepared by a notary.

Resolutions of the Shareholders' Meeting are contained in minutes signed by the Chairman and by the secretary or notary.

In 2016, one Ordinary Shareholders' Meeting was held.

On no occasion, shareholders propose any additions to the agenda, whereas requests for clarifications were submitted and answers were provided during the session.

The Board must report to the Shareholders' Meeting regarding planned and completed activities on the occasion of the approval of the separate financial statements and whenever else it deems appropriate to do so. In order to allow shareholders to take, with conviction, the decisions for which the Shareholders' Meeting is responsible, the Board publishes detailed reports on each agenda item (for those items under its responsibility) in accordance with current regulations.

These reports are also made available on the Company's website at www.renodemedici.it.

During Shareholders' Meetings, the Chairman is required to moderate and manage discussion and ensure the participation of all interested parties. For this reason, and in order to adapt shareholders' meetings to the requirements and needs of shareholders, the Company has to date preferred not to have a regulation for Shareholders' Meetings.

At the Shareholders' Meeting of April 29, 2016, the Chairman explained the Report on Remuneration to shareholders.

18. CHANGES SINCE THE END OF THE REPORTING YEAR

There were no significant changes in the structure of corporate governance described from the end of financial year 2016 until this report was prepared.

Table no. 1: Board of Directors

Director	Position	Executive	Non-executive	Independent	Attendance/Meetings	Number of other offices
Robert Hall	Chairman		X		6/6	4
Ignazio Capuano[4]	Chief Executive Officer	X			4/6	
Michele Bianchi[5]	Chief Executive Officer	X			1/6	
Laurent Lemaire	Director		X		5/6	
Allan Hogg[6]	Director		X		1/6	5
Laura Guazzoni	Director		X	X	6/6	5
Matteo Rossi	Director		X	X	2/6	5

Table no. 2: Internal Control Committee

Director	Position	Independent	Attendance at Meetings
Robert Hall[7]	Chairman		3/4
Allan Hogg[8]			1/4
Laura Guazzoni		X	4/4
Matteo Rossi		X	4/4

4 Mr. Capuano remained in office until June 29, 2016.

5 Mr. Bianchi has been in office since November 3, 2016.

6 Mr. Hogg held the position of director from June 29, 2016 to November 3, 2016.

7 Mr. Robert Hall did not hold the position of Chairman of the Internal Control Committee from June 29, 2016 to November 3, 2016.

8 Mr. Allan Hogg held the position of Chairman of the Internal Control Committee from June 29, 2016 to November 3, 2016.

Table no. 3: Remuneration committee

Director	Position	Independent	Attendance at Meetings
Matteo Rossi	Chairman	X	4/4
Laura Guazzoni		X	4/4
Robert Hall[9]			3/4
Allan Hogg[10]			1/4

Table no. 4: Supervisory Authority

Member	Position	Independent	Attendance at Meetings
Laura Guazzoni	Chairman	X	4/4
Veronica Arciuolo			4/4
Matteo Rossi		X	4/4

Table no. 5: Appointments Committee

Director	Position	Independent	Attendance at Meetings
Matteo Rossi	Chairman	X	8/8
Robert Hall[11]			2/8
Laura Guazzoni		X	8/8
Allan Hogg[12]			1/8

[9] Mr. Robert Hall did not hold the position of member of the Remuneration Committee from June 29, 2016 to November 3, 2016.

[10] Mr. Allan Hogg held the position of member of the Remuneration Committee from June 29, 2016 to November 3, 2016.

[11] Mr. Robert Hall did not hold the position of member of the Nominating Committee from June 29, 2016 to November 3, 2016.

[12] Mr. Allan Hogg held the position of member of the Nominating committee from June 29, 2016 to November 3, 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2015

CONSOLIDATED STATEMENT OF INCOME

	Note	12.31.2016	12.31.2015
(thousands of Euros)			
Revenues from sales	1	477,764	438,037
- of which related parties	*31*	*17,596*	*6,344*
Other revenues and income	2	6,932	6,488
- of which related parties	*31*	*359*	*442*
Change in inventories of finished goods	3	468	(2,184)
Cost of raw materials and services	4	(373,659)	(331,362)
- of which related parties	*31*	*(7,418)*	*(15,363)*
Personnel costs	5	(76,067)	(63,663)
Other operating costs	6	(5,004)	(5,507)
Gross operating profit		**30,434**	**41,809**
Depreciation and amortization	7	(21,680)	(22,345)
Write-downs and revaluations	8		(2,222)
Operating profit		**8,754**	**17,242**
Financial expense		*(3,248)*	*(3,597)*
Gains (losses) on foreign exchange		168	450
Financial income		29	20
Net financial income (expense)	9	(3,051)	(3,127)
Gains (losses) from investments	10	705	543
Taxes	11	(3,030)	(3,676)
Profit (loss) for the period before discontinued operations		**3,378**	**10,982**
Discontinued operations	12	(188)	(1,114)
Profit (loss) for the year		**3,190**	**9,868**
Total profit (loss) for the year attributable to:			
- Group		3,132	9,790
- Minority interests		58	78
Average number of shares			
Basic		377,522,561	377,522,561
Diluted		377,522,561	377,522,561
Basic earnings (loss) per ordinary share (Euros)		0	0.026
Diluted earnings (loss) per ordinary share (Euros)		0	0.026
Basic profit (loss) per ordinary share from discontinued operations (Euros)		0	(0.003)
Diluted profit (loss) per ordinary share from discontinued operations (Euros)		0	(0.003)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	12.31.2016	12.31.2015
(thousands of Euros)		
Profit (loss) for the year	3,132	9,868
Other components of comprehensive profit (loss)		
Other components that may be transferred to the income statement in subsequent financial periods:	(158)	(197)
Change in fair value of cash flow hedges	*(178)*	*(163)*
Profit (loss) on translation of financial statements of foreign investee companies	*20*	*(34)*
Other components that will not be transferred to the income statement in subsequent financial periods:	(571)	1,188
Actuarial gain (loss) on employee benefits	(571)	1,188
Total other components of comprehensive profit (loss)	(729)	991
Total comprehensive profit (loss)	2,403	10,859
Total comprehensive profit (loss) attributable to:		
- Group	2,461	10,781
- Minority interests	*58*	*78*

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	12.31.2016	12.31.2015
(thousands of Euros)			
ASSETS			
Non-current assets			
Tangible assets	13	196,633	190,452
Intangible assets	14	2,493	1,880
Intangible assets with an indefinite useful life	14	3,948	3,948
Equity investments	15	2,509	1,981
Deferred tax assets	16	1,535	2,795
Other receivables	18	3,680	1,167
Total non-current assets		210,798	202,223
Current assets			
Inventories	19	82,450	68,391
Trade receivables	17	60,786	58,861
- of which related parties	*31*	*414*	*229*
Receivables from associates and joint ventures	17	6,619	115
Other receivables	18	12,862	7,289
Other receivables from associates and joint ventures	18	4	470
Cash and cash equivalents	20	29,331	23,146
Total current assets		192,052	158,272
Total assets held for sale	12		8,129
TOTAL ASSETS		402,850	368,624

	Note	12.31.2016	12.31.2015
(thousands of Euros)			
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		140,000	150,399
Other reserves		11,294	(6,761)
Retained earnings (losses)		790	790
Profit (loss) for the year		3,132	9,790
Use of profit for the year to cover losses			(2,239)
Residual profit (loss) for the year		*3,132*	*7,551*
Shareholders' equity attributable to the Group		155,216	151,979
Minority interests			440
Total shareholders' equity	21	155,216	152,419
Non-current liabilities			
Payables to banks and other lenders	20	57,627	53,280
Derivative instruments	22	268	50
Other payables	23	78	130
Deferred tax liabilities	24	7,493	8,888
Employee benefits	25	33,878	29,063
Non current provisions for risks and charges	26	6,224	2,657
Total non-current liabilities		105,568	94,068
Current liabilities			
Payables to banks and other lenders	20	16,174	14,839
Derivative instruments	22	154	146
Trade payables	27	103,075	81,985
- of which related parties	*31*	*9*	*496*
Payables to associates and joint ventures	27	610	2,894
Other payables	23	20,543	11,985
Other payables to associates and joint ventures	23		1,954
Current taxes	28	658	378
Employee benefits	25	12	31
Current provisions for risks and charges	26	840	452
Total current liabilities		142,066	114,664
Total liabilities held for sale	12		7,473
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		402,850	368,624

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	December 31, 2016	December 31, 2015	
			Continuing	Discontinued
(thousands of Euros)				
Profit (loss) for the year		3,190	10,983	(1,114)
Taxes		3,030	3,676	
Depreciation and amortization	7	21,680	22,345	492
Write-downs	8		2,222	
Losses (gains) from investments	10	(705)	(543)	
Financial (income) expense	9	3,219	3,576	152
Capital losses (gains) on sale of fixed assets		(88)	(372)	
Change in provisions for employee benefits and in other provisions, including the provision for bad and doubtful receivables		(110)	(3,461)	20
Change in inventories		(366)	2,222	(274)
Change in receivables	17	1,758	1,647	1,875
- of which related parties	31	(6,690)	*381*	*20*
Change in payables	27	2,146	(4,444)	(1,273)
- of which related parties	31	(2,771)	*378*	*(96)*
Change in total working capital		3,538	(575)	328
Gross cash flows		33,754	37,851	(122)
Interest paid in the year		(2,285)	(2,858)	(152)
Taxes paid in the year		(3,130)	(7,054)	
Cash flows from operating activities		28,339	27,939	(274)
Other equity investments	15	(255)	(2)	
Investment net of disinvestment in tangible and intangible assets	13)	(18,051)	(11,410)	(330)
Change in scope of consolidation		(7,304)		
Dividends received		270	270	
Cash flows from investing activities		(25,340)	(11,142)	(330)
Dividends paid		(1,983)		
Treasury shares		(182)		
Change in other financial assets and liabilities and short-term payables to banks	20	1,281	(20,111)	266
- of which related parties	31	(986)	*(589)*	
Change in medium- and long-term loans	20	3,829	24,119	(201)
Cash flows from financing activities		2,945	4,007	65
Translation differences		241	(34)	
Change in unrestricted cash and cash equivalents		6,185	20,770	(538)
Unrestricted cash and cash equivalents at the beginning of the period		23,146	2,376	702
Unrestricted cash and cash equivalents at the end of the period		29,331	23,146	163

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Treasury shares	Legal reserve	Other reserves	Profit (loss) retained	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 12.31.2014	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)					
Coverage of previous losses	(34,723)		(614)	(1,150)	38,726	(2,239)					
Profit (loss) for the period						9,790			9,790	78	9,868
Other components of comprehensive profit (loss)				(34)			(163)	1,188	991		991
Total comprehensive profit (loss)				(34)		9,790	(163)	1,188	10,781	78	10,859
Shareholders' equity at 12.31.2015	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	7,548	(2,599)	(5,568)					
Purchase of treasury shares		(182)							(182)		(182)
Voluntary capital reduction pursuant to Article 2445	(10,399)			10,399							
Cascades SAS consolidation				2,875					2875		2,875
Consolidation of R.D.M. Marketing S.r.l. Group (formerly Careo Group)				(119)					(119)		(119)
Deconsolidation of Reno De Medici UK				221					221		221
Deconsolidation of Emmaus Pack S.r.l.								22	22	(440)	(418)
Profit (loss) for the period						3,132			3,132		3,132
Other components of comprehensive profit (loss)				20			(178)	(571)	(729)		(729)
Total comprehensive profit (loss)				20		3,132	(178)	(571)	2,403		2,403
Shareholders' equity at 12.31.2016	140,000	(182)	619	20,725	(1,809)	3,132	(313)	(6,956)	155,216		155,216

(*) This amount was for the residual profit (loss) for the year after the partial use of the profit for the period to cover past losses, in accordance with the resolutions of the Shareholders' Meeting of Reno De Medici S.p.A. on November 2, 2015.

NOTES TO THE FINANCIAL STATEMENTS

Structure and content

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 for packaging made from both recycled fibers and from virgin fibers. Distribution and sale operations are carried out through a network of agents under the subsidiary R.D.M. Marketing S.r.l (formerly Careo S.r.l.).

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 consolidated financial statements of the RDM Group were approved and authorized for publication by the Board of Directors of RDM on March 23, 2017.

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

The 2016 consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and approved by the European Union, and on the basis of provisions issued to implement Article 9 of Legislative Decree 38/2005. IFRS also includes all revised international accounting standards ("IAS"), all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee ("SIC").

RDM applied the same accounting principles as for the Annual Financial Report at December 31, 2015.

Accounting principles, amendments and interpretations effective from January 1, 2016 specifying any impact in these consolidated financial statements for each of them:

- Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions", which proposes to present the contributions (relating only to the service provided by employees in the period) made by employees or third parties to defined-benefit plans to reduce service costs during the period in which this contribution is paid. The adoption of the principle did not have any effects.

- Amendment to IFRS 11 Joint Arrangements – Accounting for acquisitions of interests in joint operations. Relates to the accounting of the acquisition of an interest in a joint operation which constitutes a business. The adoption of the principle did not have any effects.

- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – "Clarification of Acceptable Methods of Depreciation and Amortization", based on which, an amortization/depreciation criterion based on revenues is usually considered inappropriate, because the revenues generated by an asset which include the use of the asset subject to amortization/depreciation generally reflect factors other than just the consumption of economic benefits of the assets, which, on the other hand, is a requirement for amortization/depreciation. The adoption of the principle did not have any effects.

- Amendment to IAS 1 Disclosure Initiative; the aim of the changes is to clarify the information elements that could be perceived as hindering the clear and intelligible preparation of the financial statements.

- As a part of the annual process for improving the principles, on December 12, 2013, the IASB published the documents "Annual Improvements to IFRSs": 2010-2012 Cycle" and on September 25, 2014 "Annual Improvements to IFRSs: 2012-2014 Cycle". The adoption of the principle did not have any effects.

The accounting standards, amendments and interpretations IFRS and IFRS standardized by the European Union not yet obligatorily applicable and not subject to early adoption by the Group are as follows:

- IFRS 15 Revenue from Contracts with Customers, which is intended to replace IAS 18 Revenue and IAS 11 Construction Contracts. This principle establishes a new revenue recognition model that will apply to all agreements entered into with customers, with the exception of those that fall within the scope of other IAS/IFRS principles such as leases, insurance agreements and financial instruments.

- IFRS 9 Financial Instruments. This principle introduces new criteria for classifying and measuring financial assets and liabilities.

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

- IFRS 16 Leases

- Amendment to IAS 12

- Amendment to IAS 7

- Amendment to IFRS 2

- IFRIC 22

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

- The document "Annual Improvements to IFRSs: 2014-2016 Cycle" which partially integrate existing standards. The directors do not expect the adoption of these amendments to have a significant effect on the consolidated financial statements of the Group.

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

The financial statements were prepared with clarity and truthfully and accurately represent the income statement, balance sheet and cash flow statement of the Group.

The financial statements are prepared on the going-concern assumption. The Directors considered it appropriate to assume the business was a going-concern because, in their judgement, no uncertainties related to events or circumstances which, taken into consideration individually or as a whole, could give rise to doubts concerning business continuity, emerged.

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

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

- the consolidated statement of financial position is presented with separate sections for assets, liabilities and shareholders' equity. Assets and liabilities are then presented on the basis of their classification as current, non-current or held for sale;
- the consolidated income statement is presented in a vertical format with items broken down by nature, as this provides reliable and more relevant information than a classification by function;
- the consolidated statement of comprehensive income is presented separately from the consolidated income statement, and each item is shown net of the tax effect;
- the consolidated statement of cash flows is presented using the indirect method;
- the consolidated statement of changes in shareholders' equity is presented by showing separately the profit or loss for the year and any income and expense recognized directly in equity and not in the income statement, in accordance with specific IAS/IFRS requirements. It also shows separately the transactions with shareholders.

Scope of consolidation

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

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

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

Corporate name	Registered office	Assets	Share capital (€/000)	Control percentage 12.31.2016 direct	12.31.2016 indirect	12.31.2015 direct	12.31.2015 indirect
Reno De Medici Ibérica S.l.u.	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.r.l. in liquidation	Milan (I)	Commercial	12	100.00%		100.00%	
Cascades Grundstück GmbH & Co. KG	Arnsberg (D)	Services	19	100.00%		100.00%	
R.D.M. Magenta S.r.l. (formerly Carta Service Friuliana S.r.l.)	Milan (I)	Industrial	3,700	100.00%		100.00%	
R.D.M. Ovaro S.p.A.	Milan (I)	Industrial	12,500	80.00%		80.00%	
Cascades S.A.S.	La Rochette (F)	Industrial	10,000		100.00%		
R.D.M. Marketing S.r.l.	Milan (I)	Commercial	200	100.00%		70.00%	
R.D.M. Marketing France	Paris	Commercial	337		100.00%		70.00%
R.D.M. Marketing Germany	Krefeld (G)	Commercial	210		100.00%		70.00%
R.D.M. Marketing Spain	Prat de Llobregat (S)	Commercial	26		100.00%		70.00%
R.D.M. Marketing UK	Wednesbury (UK)	Commercial	0		100.00%		70.00%
R.D.M. Marketing Czech Republic	Prague (CR)	Commercial	19		100.00%		70.00%
R.D.M. Marketing Hungary	Budapest (HU)	Commercial	19		100.00%		70.00%
R.D.M. Marketing Poland	Warsaw (P)	Commercial	11		100.00%		70.00%

The scope of consolidation changed during 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 dissolved;

- on March 14, 2016, Reno De Medici S.p.A. sold a 17% stake in the share capital of Emmaus Pack S.r.l. to minority shareholders. This resulted in the loss of control and the resulting change in the consolidation method.

- on June 30, 2016, an agreement to acquire 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 ownership of R.D.M. Marketing S.r.l. (formerly Careo S.r.l.) rose from 70% to 100%, since Cascades S.A.S. held 30% in that company.

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

Corporate name	Registered office	Assets	Share capital (€/000)	Control percentage 12.31.2016 direct	12.31.2016 indirect	12.31.2015 direct	12.31.2015 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%	

ACCOUNTING PRINCIPLES

Consolidation Principles

The financial position, results and cash flows of the RDM Group include the financial position, results and cash flows of Reno De Medici S.p.A. and of the companies over which it has the right to exercise control. The definition of control is not based solely on the concept of legal ownership. IFRS 10 introduced a more solid definition of control compared to the past, based on three elements: (a) power over the business purchased; (b) exposure or rights, at variable returns resulting from involvement with the latter; (c) capacity to utilize the power to influence the amount of these returns. IFRS 10 stipulates that 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 equity investment consolidated on a line-by-line basis is eliminated against the related equity, with the assets, liabilities, costs and revenues of the subsidiaries being added to those of the Parent Company, regardless of the size of the equity 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 (see "Business Combinations");

- 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;

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

Consolidation of Foreign Companies

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

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

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

Currency	Start of period exchange rate	Average exchange rate	Exchange rate at period end 12.31.2016
GBP	0.7340	0.8189	0.8562
PLN	4.2639	4.3636	4.4103
CZK	27.023	27.0343	27.021
HUF	315.98	311.57	309.83

Equity investments

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

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

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

Associates

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

Joint Ventures

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

Business combinations

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

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

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

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

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

TANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

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

ASSETS/LIABILITIES HELD FOR SALE

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

INTANGIBLE ASSETS

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

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

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

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

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

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

IMPAIRMENT

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

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

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

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

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

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

DERIVATIVE INSTRUMENTS

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

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

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

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

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

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

Available-for-sale financial assets

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

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

Trade and Other Receivables

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

Inventories

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

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

Cash and cash equivalents

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

Employee benefits

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

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

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

Provisions for Risks and Charges

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

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

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

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

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

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

PAYABLES TO BANKS AND OTHER LENDERS

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

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

TRADE AND OTHER PAYABLES

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

REVENUES RECOGNITION

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

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

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

TAXES

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

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

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

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

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

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

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

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

DISCONTINUED OPERATIONS

Discontinued operations include major independent business lines – in terms of business or geographical area, or which form part of a single, coordinated disposal program – that have either been disposed of or are held for sale, as well as subsidiaries acquired exclusively for resale.

The results of discontinued operations, which are represented by the profits or losses of these operations and any capital gains or losses on disposal, are presented separately, net of any related tax effects, in a single-line item of the income statement.

FOREIGN EXCHANGE DIFFERENCES

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

DIVIDENDS

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

Treasury Shares

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

Earnings Per Share

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

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

Financial Instruments and Risk Management

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

Estimates and Valuations

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

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

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

VALUATION METHODS

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

FAIR VALUE OF DERIVATIVE CONTRACTS AND FINANCIAL INSTRUMENTS

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

TAXES

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

IMPAIRMENT TESTS

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

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 market capitalization of the Parent Company continues to remain at a lower average level than the shareholders' equity in the financial statements.

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

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

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

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

a) estimates of future operating cash flows;

b) the discount rate;

c) the final growth rate.

With respect to point a), given the current economic and financial crisis, the RDM Group has made a prudent assumption, valid only for impairment testing, of the projected development of its operations between 2017 and 2019.

The Group has used the same net rate, 5.73%, for all cash-generating units when discounting cash flows, a rate which reflects current market assessments and also takes into account the specific risks of the sector.

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

No need for impairment emerged based on the revised costs.

In addition, on the basis of the recommendations included in Joint Document no. 4 of the Bank of Italy, Consob (the Italian stock exchange regulator) and ISVAP (the Italian insurance regulator) of March 4, 2010, the Group prepared sensitivity analyses on the results of the tests, basing these on changes in the underlying assumptions (the use of the growth rate in calculating the terminal value and the discount rate) that affect the value in use of the cash-generating units, but there was no need to record impairment losses.

Considering that recoverable amounts were calculated on the basis of estimates, and given the uncertainty surrounding how the present global crisis will evolve, the Group cannot be certain that a revision of these estimates, and the resulting adjustment to values, will not be required in the future. The Group will continually monitor the situation in order to make any necessary revision to the assumptions underlying the estimates.

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

NOTES

Segment Information

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

Until the last financial year, segments have only been sub-divided geographically according to the location of the Group's mills and its cutting and/or distribution centers.

Following the acquisition of the subsidiary Cascades S.A.S, segmentation between the WLC, white lined chipboard and FBB for folding cartons was introduced, with geographical segmentation remaining level two. The reports used by directors show results by individual mill and cutting and/or distribution center. The data is then aggregated into 2 operating sectors, WLC, represented by the French mill, Blendecques as well as two mills operating in Italy and Germany, and FBB, the area in which the newly acquired Cascades S.A.S. operates.

In the WLC sector, with regard to level two segmentation, the Italian segment includes the production plants of Ovaro, Villa Santa Lucia, Santa Giustina, as well as the cutting and/or distribution centers like R.D.M. Magenta S.r.l. and Cartiera Alto Milanese S.r.l. in liquidation; the German segment includes the Arnsberg production plant; the French segment, as previously stated, includes the Blendecques mill.

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

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

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

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

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

The following table provides profit and loss data by geographical area for 2016 and 2015:

Income statement 12.31.2016	WLC				FBB France	Unallocated items and adjustments	Consolidated
	Italy	Germany	France	Total			
(thousands of Euros)							
Revenues from sales	261,797	111,741	54,547	428,085	54,743	(5,064)	477,764
Intragroup revenues from transactions with other segments	(5,064)			(5,064)		5,064	
Net revenues from external customers	256,733	111,741	54,547	423,021	54,743		477,764
Gross operating profit	21,539	7,893	(2,086)	27,346	3,001	86	30,434
Depreciation and amortization	(12,900)	(7,797)	(820)	(21,517)	(311)	147	(21,680)
Write-downs							
Operating profit	8,639	97	(2,906)	5,830	2,691	234	8,754
Net financial income (expense)	(2,009)	(274)	(431)	(2,714)	(205)	(131)	(3,051)
Gains (losses) from investments	5,431			5,431	(145)	(4,581)	705
Taxes	(2,826)	52	(167)	(2,941)	194	(282)	(3,030)
Profit (loss) for the period before discontinued operations	9,235	(127)	(3,505)	5,603	2,534	(4,761)	3,378
Discontinued operations						(188)	(188)
Profit (loss) for the period	9,235	(127)	(3,505)	5,603	2,534	(4,950)	3,190
Share of profit (loss) attributable to equity-accounted investments	705						
Total investments	7,036	6,391	1,649	15,076	2,181		17,257

Income statement 12.31.2015	Italy	Germany	France	Unallocated items and adjustments	Consolidated
(thousands of Euros)					
Revenues from sales	277,373	118,968	54,660	(12,964)	438,037
Intragroup revenues from transactions with other segments	(12,964)			12,964	
Net revenues from external customers	264,409	118,968	54,660		438,037
Gross operating profit	29,286	11,807	725	(9)	41,809
Depreciation and amortization	(13,453)	(8,289)	(750)	147	(22,345)
Write-downs	(2,288)			66	(2,222)
Operating profit	13,545	3,518	(25)	204	17,242
Net financial income (expense)	(2,771)	43	(174)	(225)	(3,127)
Gains (losses) from investments	6,536			(5,993)	543
Taxes	(2,184)	(1,143)	(154)	196	(3,676)
Profit (loss) for the period before discontinued operations	15,126	2,418	(353)	(6,209)	10,982
Discontinued operations				(1,114)	(1,114)
Profit (loss) for the period	15,126	2,418	(353)	(7,323)	9,868
Share of profit (loss) attributable to equity-accounted investments	543				
Total investments	9,064	2,681	912		12,657

Note that only the WLC segment by geographical area was presented for 2015.

In 2015 and 2016, no single external customer of the Group accounted for more than 10% of consolidated revenues.

Notes

It is hereby noted that:

- the changes in balance sheet and income statement balances as of December 31, 2016 reflect the change in the consolidation method used for Emmaus Pack S.r.l. Following the loss of control by the Reno De Medici Group due to the sale of a 17% stake in this company, Emmaus Pack is now consolidated using the equity method rather than line-by-line;

- the changes in the balance sheet and income statement balances as of December 31, 2016 reflect the first-time consolidation of the acquired company Cascades S.A.S. and the change in the consolidation method for the R.D.M. Marketing Group (formerly Careo Group) from equity consolidation to line-by-line consolidation.

The following table shows the statement of financial position of Cascades S.A.S. and the R.D.M. Marketing Group (formerly Careo Group) on the acquisition date.

	Cascades S.A.S.	R.D.M. Marketing Group
Trade receivables	17,213	3,141
Inventories	14,721	0
Trade payables	(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**
Shareholders' equity	**14,128**	**91**

1. Revenues from sales

These revenues arise essentially from sales of cartonboard:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Revenues from sales	477,764	438,037	39,727
Total revenues from sales	477,764	438,037	39,727

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

	12.31.2016	12.31.2015	Change	%
(thousands of Euros)				
Italy	162,212	163,519	(1,307)	(0.8)%
EU	248,804	206,039	42,765	20.8%
Non-EU	66,748	68,479	(1,731)	(2.5)%
Total revenues from sales	477,764	438,037	39,727	9.1%

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

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

Revenues of the Reno De Medici Group reached €478 million in 2016. The change from the previous year, amounting to €39.7 million, is essentially due to the consolidation of Cascades S.A.S. in the second half of the year, which led to an increase in revenues of €54.7 million. This increase was partly offset by the fall in average sales prices in the WLC sector and lower sales volumes for the German mill as a result of the stoppage that took place in the first half of the year because of the investment made in the board machine.

2. Other revenues and income

Other revenues and income may be analyzed as follows:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Grants	1,062	374	688
Indemnities	82	495	(413)
Energy revenues	3,885	3,585	300
Other revenues	1,903	2,034	(131)
Total	**6,932**	**6,488**	**444**

"Contributions" essentially include:

- ordinary contributions from Comieco, amounting to €137 thousand, relating to the use of waste paper from public separated waste collection;
- contributions of €873 thousand, recognized, beginning from 2016, in favor of the French subsidiaries RDM Blendecques and Cascades S.A.S., pursuant to a new French law supporting competitiveness of high energy consumption industrial sites.

"Energy revenues" relate to amounts received from certain energy suppliers for joining the "interruption" scheme, and to income from the sale of electricity in 2016.

"Other revenues" relate mainly to services provided to associates and joint ventures, in the amount of around €0.3 million, contingent assets and other minor revenues.

3. Change in inventories of finished goods

The change in inventories was positive by €0.5 million compared with a negative change of €2.2 million at December 31, 2015. This change is due to the different composition of current stocks held.

4. Cost of raw materials and services

(thousands of Euros)	12.31.2016	12.31.2015	Change
Cost of raw materials	**225,798**	**194,792**	**31,006**
Purchase of raw materials	225,688	195,085	30,603
Change in inventories of raw materials	110	(293)	403
Commercial services	**44,241**	**45,048**	**(807)**
Shipping	38,017	35,287	2,730
Commission and agents' costs	6,224	9,761	(3,537)
Industrial services	**87,543**	**77,734**	**9,809**
Energy	50,784	48,869	1,915
Maintenance	15,892	10,926	4,966
Waste disposal	11,917	9,163	2,754
Other industrial services	8,950	8,776	174
General services	**13,791**	**12,195**	**1,596**
Insurance	1,784	2,548	(764)
Legal, notarial, administrative and contractual services	5,111	3,830	1,281
Board of directors	520	968	(448)
Board of statutory auditors	224	239	(15)
Postal and telecommunications	753	691	62
Other	5,399	3,919	1,480
Costs for use of third-party assets	**2,286**	**1,593**	**693**
Rental and leasing	2,286	1,593	693
Total	373,659	331,362	42,297

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 increase compared with the previous year, equal to €31 million, is essentially due to the consolidation from the second half of the year of Cascades S.A.S.

As far as the performance of the main production factors is concerned, in 2016 the price of recycled fibers increased from the second quarter for all grades and in all markets.

The price of chemical products, latex in particular, fluctuated following the price of crude oil.

With regard to energy components, and especially natural gas, which is the Group's main energy source, the downward trend was consolidated in 2016. A reduction in coal prices, the main fuel used in Germany, helped to reverse the trend albeit in the latter part of the year. However, the cost of electricity rose, particularly in the latter part of the year, following the problems recorded at the French nuclear power stations.

Service costs increased by €10.6 million. This was essentially due to the consolidation of Cascades S.A.S. (€15.3 million), the deconsolidation of Emmaus Pack S.r.l. (-€1.5 million) and the consolidation of the R.D.M. Marketing Group (formerly Careo Group), following which the commission expenses paid by the mills to R.D.M. Marketing S.r.l. were eliminated at Group level.

As of December 31, 2016, "Costs for the use of third-party assets" rose by €0.7 million over the previous year, due essentially to the consolidation of Cascades S.A.S. (€0.6 million).

5. Personnel costs

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Salaries and wages	55,395	45,849	9,546
Social security contributions	17,367	15,178	2,189
Allowance for defined-contribution plans	1,716	1,400	316
Allowance for defined-benefit plans	341	389	(48)
Other costs	1,248	847	401
Total	76,067	63,663	12,404

Labor cost amounted to €76.1 million, vs. €63.7 million in 2015. The increase of €12.4 million was largely due to the line-by-line consolidation of Cascades S.A.S. (€9 million) and the R.D.M. Marketing Group (formerly Careo Group) (€2.4 million).

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

Employees by category	12.31.2016	12.31.2015	Change
Executives	21	16	5
White-collars	425	315	110
Blue-collars	1,090	835	255
Total	1,536	1,166	370

Average employees by category	12.31.2016	12.31.2015	Change
Executives	21	16	5
White-collars	434	315	119
Blue-collars	1,127	834	293
Total	1,582	1,165	417

6. Other operating costs

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Provisions for risks	38	278	(240)
Write-downs of current receivables	594	1,210	(616)
Miscellaneous operating costs	4,372	4,019	353
Total	5,004	5,507	(503)

There was a decrease in the provisions for doubtful receivables compared with December 31, 2015.

"Miscellaneous operating costs" at December 31, 2016 consists mainly of various taxes incurred by Group companies, membership subscriptions to various industrial associations and trade bodies, and various contingent liabilities.

7. Depreciation and amortization

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

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Amortization of intangible assets	261	328	(67)
Depreciation of tangible assets	21,419	22,017	(598)
Total	21,680	22,345	(665)

As of December 31, 2016, amortization and depreciation were largely in line with the figures as of December 31, 2015.

8. Write-downs and revaluations

(thousands of Euros)	12.31.2016	12.31.2015	Change
Write-downs		2,222	(2,222)
Total		2,222	(2,222)

Write-downs as of December 31, 2015 mainly related to the write-down of certain buildings at the Magenta mill.

9. Net financial income (expense)

(thousands of Euros)	12.31.2016	12.31.2015	Change
Financial income	29	20	9
Interest and other financial income	29	1	28
Income from derivative financial instruments		19	(19)
Financial expense	(3,248)	(3,597)	349
Interest paid to banks	(1,104)	(1,379)	275
Losses on derivative financial instruments	(171)	(8)	(163)
Financial expense on defined-benefit plans	(568)	(448)	(120)
Expenses, commission and other financial charges	(1,405)	(1,762)	357
Foreign exchange differences	168	450	(282)
Foreign exchange gains	1,092	1,627	(535)
Foreign exchange losses	(924)	(1,177)	253
Total	(3,051)	(3,127)	76

As of December 31, 2016, net financial expense totaled €3.1 million, which was in line with December 31, 2015. The consolidation of Cascades S.A.S. and the R.D.M. Marketing Group (formerly Careo Group) resulted in an increase of €247 thousand. Without this, there would be a decrease of €324 thousand due to the decrease in net interest on loans and other financial expenses, which were partially offset by positive translation differences in 2016 of €168 thousand compared with €450 thousand reported the previous year.

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

10. Gains (losses) from investments

Income from equity investments totaled €705,000 as of December 31, 2016, mainly due to:

- a €379,000 adjustment to the equity investment in associate Pac Service S.p.A.;
- a -€275,000 adjustment to the equity investment in the joint venture R.D.M. Marketing S.r.l. (formerly Careo S.r.l.) that starting from June, 30 2016 has been consolidated on line-by-line basis;
- a capital gain of €548,000 from the sale of a 17% stake in Emmaus Pack S.r.l.

11. Taxes

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Deferred tax	(262)	1,510	(1,772)
Current taxes	(2,768)	(5,186)	2,418
Total	(3,030)	(3,676)	646

As of December 31, 2016 deferred tax liabilities totaling €0.3 million largely reflected the release of deferred tax assets and liabilities by the Parent Company Reno De Medici S.p.A. (€-1.9 million) and the release of deferred tax liabilities posted in the name of the subsidiary Arnsberg (€1.6 million).

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

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

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

For further details see Note 24 – Deferred tax liabilities.

	Taxable	%	12.31.2016
(thousands of Euros)			
Profit before tax	10,865		
Theoretical tax burden		29.7%	3,227
Reversal of temporary differences arising in previous years	1,309		
Temporary differences to be reversed in subsequent years	4,966		
Permanent differences that will not be reversed in subsequent years	(4,964)		
Total differences	1,311		
Use of provision tax losses	(3,404)		
Actual tax burden	8,772	29.7%	2,605

Reconciliation between the theoretical and actual tax burden (IRAP)

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

12. Discontinued operations

As of December 31, 2016, discontinued operations totaled €188,000.

	12.31.2016	12.31.2015
(thousands of Euros)		
Reno De Medici Ibérica S.l.u.	33	(1,079)
Reno De Medici UK Ltd	(221)	(35)
Discontinued operations	(188)	(1,114)

Note that, as at December 31, 2015, the Board of Directors of Reno De Medici S.p.A. 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 sales contract with a Spanish company set up by a group of employees and former employees of Reno De Medici Ibérica S.A. regarding disposal thereof.

Below is the income statement of Reno De Medici Ibérica S.A., the impact from which related to the period from January 1, 2016 to January 27, 2016, the date the equity investment was sold.

	2016	2015
(thousands of Euros)		
Revenues from sales	1,926	22,484
Other revenues	6	121
Change in inventories of finished goods	3	75
Cost of raw materials and services	(1,472)	(18,593)
Personnel costs	(363)	(4,467)
Other operating costs	(11)	(109)
Non-recurring costs		67
Depreciation and amortization	(41)	(492)
Net financial income (expense)	(15)	(165)
Discontinued operations	33	(1,079)

Since the company was sold on January 27, 2016, its statement of financial position has a zero balance.

	12.31.2016	12.31.2015
(thousands of Euros)		
Tangible 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

	12.31.2016	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:

	12.31.2016	12.31.2015
(thousands of Euros)		
Cash flows from operating activities		(274)
Cash flows from investing activities		(330)
Cash flows from financing activities		65
Net cash flow		**(539)**

13. Tangible assets

Changes in tangible assets during 2015 and 2016 are as follows:

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euros)							
Historical cost	22,942	95,082	527,093	1,875	13,804	16,108	676,905
Accumulated depreciation/write-downs	(1,120)	(58,408)	(399,363)	(1,713)	(13,533)		(474,137)
Net book value at 12.31.2014	**21,822**	**36,674**	**127,730**	**162**	**271**	**16,108**	**202,768**
Increases	11	469	7,791	17	46	4,053	12,387
Decreases (1)	(1,993)	(2,030)	(9,013)	(210)	(1,036)		(14,282)
Reclassification of cost			16,010			(16,032)	(22)
Depreciation for the period		(3,095)	(18,785)	(79)	(62)		(22,021)
Write-downs		(1,624)	(26)		(2)		(1,652)
Decrease in accumulated depreciation/write-downs (1)	1,092	1,950	8,987	210	1,036		13,275
Value at 12.31.2015							
Historical cost	20,960	93,521	541,881	1,682	12,814	4,129	674,987
Accumulated depreciation/write-downs (1)	(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**

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

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euros)							
Historical cost	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		2,363	9,037		36	5,821	17,257
Decreases (1)			(1,620)		(75)		(1,695)
Reclassification of cost		572	5,209		88	(5,869)	
Change in consolidation of the historical cost	212	10,618	108,581		2,890	1,171	123,472
Change in deconsolidation of the historical cost			(412)	(21)	(342)		(775)
Depreciation for the period		(2,960)	(18,321)	(44)	(93)		(21,419)
Change in consolidation of the provision for accumulated depreciation/write-downs		(6,703)	(103,322)		(2,790)		(113,069)
Change in deconsolidation of the provision for accumulated depreciation/write-downs			378	22	332		732
Decrease in accumulated depreciation/write-downs			1,607		71		1,678
Value at 12.31.2016							
Historical cost	21,172	107,074	662,675	1,660	15,409	5,252	813,242
Accumulated depreciation/write-downs (1)	(28)	(70,840)	(529,099)	(1,603)	(15,039)		(616,609)
Net book value at 12.31.2016	**21,144**	**36,234**	**133,576**	**57**	**370**	**5,252**	**196,633**

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

"Land" includes the areas pertaining to the mills of the Parent Company, situated in Magenta (MI), Santa Giustina (BL), Ovaro (UD), Villa Santa Lucia (FR), the mills of the German subsidiary Reno De Medici Arnsberg and of the French subsidiaries RDM Blendecques S.A.S. and Cascades S.A.S.

"Buildings" relate mainly to the mills. The increases for the year refer to improvements made to properties owned.

"Plant and machinery" relates to specific and general manufacturing plants and machinery.

In 2016, the RDM Group's capital expenditures totaled €17.3 million (€12.4 million in 2015).

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

- Santa Giustina mill: the completion of the fourth lot of the internal landfill was capitalized.
- Ovaro mill: work to improve and upgrade plant and machinery; specifically, 18 dryer cylinders were installed in the wet portion of the machine making it possible to improve the efficiency of the paper board machine.
- Villa Santa Lucia mill: work to improve and upgrade plant and machinery; specifically a new soft-nip calender was installed to improve cartonboard quality.
- Arnsberg (Germany) mill: modernization of the production line, specifically the project to upgrade the middle layer and post-drying section was completed. This investment is aimed at increasing the production capacity, improving production efficiency, and cutting energy and pulp costs.
- Blendecques (France) mill: upgrading of the production line; specifically, the project to upgrade the press area was initiated. This investment was aimed at reducing energy costs.

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

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

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

Property rights (mortgages and liens) totaling €71.9 million related to owned property, plant and machinery are pledged in favor of banks as security on loans for which the outstanding balance as of December 31, 2016 amounted to €24.6 million.

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

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

14. Intangible Assets

Changes in intangible assets during 2015 and 2016 are as follows:

(thousands of Euros)	Concessions, licenses, trademarks and similar rights	Other	Assets under construction	Total intangible assets with a finite useful life	Intangible assets with an indefinite useful life
Net book value at 12.31.2014	1,103	54	754	1,911	3,948
Increases	39		233	272	
Decreases					
Reclassification of cost	35		(13)	22	
Amortization for the year	(314)	(11)		(325)	
Net book value at 12.31.2015	863	43	974	1,880	3,948

(thousands of Euros)	Concessions, licenses, trademarks and similar rights	Other	Assets under construction	Total intangible assets with a finite useful life	Intangible assets with an indefinite useful life
Net book value at 12.31.2015	863	43	974	1,880	3,948
Increases	30	21	946	997	
Decreases			(100)	(100)	
Change in scope of consolidation		5		5	
Reclassification of cost		(28)		(28)	
Amortization for the year	(251)	(10)		(261)	
Net book value at 12.31.2016	642	31	1,820	2,493	3,948

The increase in intangible assets under development was due to the capitalization of the development and analysis phase of an ERP prototype; this project was aimed at creating a new information system for the Group.

"Intangible assets with an indefinite useful life" refer to the valuation of concessions granted in Germany in relation to water rights with an indefinite useful life.

At the reporting date the Group had performed the impairment test in accordance with IAS 36, after which it was not necessary to record any impairment in the financial statements.

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

15. Equity investments

	Book value 12.31.15	Change in scope of consolidation	Reclassification	Investments	Elimination of dividends from associates	Write-downs/ Revaluations	Book value 12.31.16
(thousands of Euros)							
Associates							
Pac Service S.p.A.	1,421				(270)	379	1,530
Emmaus Pack S.r.l.		310				74	384
Joint ventures							
R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)	340	(65)				(275)	
Manucor S.p.A.							
ZAR S.r.l.	30						30
Other equity investments							
Cartonnerie Tunisienne S.A.	121						121
Scierie De Savoie		340					340
Comieco	36						36
Conai	24						24
Other minor equity investments	9		28	7			44
Total	**1,981**	**585**	**28**	**7**	**(270)**	**178**	**2,509**

The change in equity investments of €528 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);
- consolidation of equity investments held in Cascades S.A.S. (+€340 thousand);
- the valuation at equity of the equity investment in Emmaus Pack S.r.l. (+€384 thousand);

- the change in consolidation method for the R.D.M. Marketing Group (formerly Careo Group) that resulted in a €340 thousand reduction in equity investments since the company is now consolidated on a line-by-line basis.

Below is the information required by the new IFRS 12, which entered into force on January 1, 2014, for equity-accounted investments.

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

	December 31, 2016	December 31, 2015
(thousands of Euros)		
Associates	1,914	1,421
Joint ventures	30	370
Total	**1,944**	**1,791**

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

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

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

	December 31, 2016	December 31, 2015
(thousands of Euros)		
Associates	452	463
Joint ventures	(275)	80
Total	**177**	**543**

Investments in joint ventures

Company	Country	% held	Nature of relationship	Measurement method
Manucor S.p.A.	Italy	22.75%	Note 1	Equity
ZAR S.r.l.	Italy	33.33%	Note 2	Equity

Note 1: Manucor S.p.A. is a capital-based company that is unlisted on regulated markets. Based on the provisions of the shareholders' agreements, the Board of Directors comprises 5 members, 2 of whom are designated by RDM, 2 of whom are designated by ISP and 1 member with the functions of CEO who is designated jointly by ISP and RDM.

Note 2: The company supplies the raw and semi-processed materials used in the production process of the investee company belonging to the Group.

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

Below is a summary of financial information for Manucor S.p.A. and ZAR S.p.A.:

	Manucor S.p.A.		ZAR S.p.A.	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
(thousands of Euros)				
Current assets				
Cash and cash equivalents	872	1,527	124	84
Other current assets	41,270	40,894	3,696	905
Total current assets	**42,142**	**42,421**	**3,820**	**989**
Current liabilities				
Bank debt	19,660	9,099		
Other current liabilities	26,878	31,667	3,539	802
Total current liabilities	**46,538**	**40,766**	**3,539**	**802**
Non-current assets				
Non-current assets	**61,454**	**66,812**	**4**	**4**
Non-current liabilities				
Non-current liabilities	46,951	54,811		
Shareholders' equity	**10,107**	**13,656**	**285**	**191**

The summary income statement information for Manucor S.p.A. and ZAR S.p.A. is provided below:

	Manucor S.p.A.		ZAR S.p.A.	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
(thousands of Euros)				
Revenues	147,796	171,339	20,799	17,891
Operating costs	(139,770)	(158,003)	(20,663)	(17,806)
Gross operating profit	**8,026**	**13,336**	**136**	**85**
Depreciation, amortization and write-downs	(10,558)	(10,720)	(1)	(1)
Operating profit	**(2,532)**	**2,616**	**135**	**84**
Financial income (expense)	(2,215)	(3,258)	(41)	(2)
Profit (loss) before taxes	**(4,747)**	**(642)**	**94**	**82**
Taxes	1,301	1,902		(25)
Net profit	**(3,446)**	**1,260**	**94**	**57**

	Manucor S.p.A.		ZAR S.p.A.	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
(thousands of Euros)				
Shareholders' equity at January 1	13,656	8,131	191	134
Profit for the period	(3,446)	1,260	94	57
Capital increase		4,156(*)		
Foreign exchange differences				
Statement of comprehensive income	(103)	109		
Shareholders' equity at December 31	10,107	13,656	285	191
% held	22,75%	22.75%	33.33%	33.33%
Value of equity investment	0	0	95	30

(*) The capital increase was not subscribed by Reno De Medici S.p.A.

With regard to Manucor S.p.A., Reno De Medici S.p.A. believes that, based on current information and the loss reported by Manucor in 2016, the prerequisites to revalue the equity investment have not been met.

Investments in associates

Company	Country	% held	Nature of relationship	Measurement method
PAC Service S.p.A.	Italy	33.33%	Note 1	Equity
Emmaus Pack S.r.l.	Italy	34.39%	Note 2	Equity

Note 1: The Group supplies Pac Service S.p.A. with the raw materials used in the production process of the investee company.

Note 2: The Group supplies Emmaus Pack S.r.l. with the raw materials used in the production process of the investee company.

There are no contingent liabilities related to the Group's investment in Pac Service S.p.A. and in Emmaus Pack S.r.l.

Below is a summary of the financial information of Pac Service S.p.A. and Emmaus Pack S.r.l.:

	Pac Service S.p.A.		Emmaus Pack S.r.l.	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
(thousands of Euros)				
Current assets				
Cash and cash equivalents	273	0	5	16
Current assets	10,884	11,180	10,334	10,238
Total current assets	**11,157**	**11,180**	**10,339**	**10,254**
Current liabilities				
Payables to banks	1,445	1,096	903	
Current liabilities	4,670	5,113	8,249	9,420
Total current liabilities	**6,115**	**6,209**	**9,152**	**9,420**
Non-current assets				
Non-current assets	**2,742**	**2,266**	**528**	**463**
Non-current liabilities				
Loans			167	
Non-current liabilities	761	743	392	357
Shareholders' equity	**7,023**	**6,494**	**1,156**	**940**

Summary income statement information for Pac Service S.p.A. and Emmaus Pack S.r.l. is provided below.

	Pac Service S.p.A.		Emmaus Pack S.r.l.	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
(thousands of Euros)				
Revenues	20,508	19,979	16,459	17,352
Operating costs	(18,586)	(18,239)	(15,730)	(16,888)
Gross operating profit	**1,922**	**1,740**	**729**	**464**
Depreciation, amortization and write-downs	(177)	(238)	(31)	(14)
Operating profit	**1,745**	**1,502**	**698**	**450**
Financial income (expense)	193	163	(45)	(82)
Financial income (expense)				
Profit (loss) before taxes	**1,938**	**1,665**	**653**	**368**
Taxes	(601)	(529)	(291)	(221)
Net profit	**1,337**	**1,138**	**362**	**147**

	Pac Service S.p.A.		Emmaus Pack S.r.l.	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015 (*)
(thousands of Euros)				
Shareholders' equity at January 1	6,496	6,168	940	
Profit for the period	1,337	1,138	362	
Dividends distributed	(810)	(810)		
Shareholders' equity at December 31	7,023	6,496	1,156	
Adjusted shareholders' equity (**)	5,400	5,075	1,116	
% held	33.33%	33.33%	34.39%	
Dividends distributed during the year	(270)	(270)		
Value of equity investment	1,530	1,421	384	

(*) The values as of December 31, 2015 were not included because at that date Emmaus Pack S.r.l. was consolidated on a line-by-line basis and not through the equity method.

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

16. Deferred tax assets

The item "Deferred tax assets" included under non-current assets relates to temporary deductible differences of the Parent Company Reno De Medici S.p.A. and the subsidiaries Cartiera Alto Milanese S.r.l. in liquidation, R.D.M. Marketing S.r.l. (formerly Careo S.r.l.) and R.D.M. Ovaro S.p.A.

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

17. Trade receivables and receivables from associates and joint ventures

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Trade receivables	60,786	58,861	1,925
Receivables from associates and joint ventures	6,619	115	6,504
Current trade receivables	67,405	58,976	8,429

Note that the Company uses non-recourse factoring; trade receivables disposed of with due dates after December 31, 2016 totaled €24.2 million (€21.3 million at December 31, 2015).

"Trade receivables" are stated net of €2.7 million of provisions for bad and doubtful receivables. The table below sets out the changes for the year in those provisions:

	12.31.2015	Change in scope of consolidation	Provisions	Drawings	12.31.2016
(thousands of Euros)					
Provisions for bad and doubtful receivables	4,229	(702)	594	(1,392)	2,729
Total	**4,229**	**(702)**	**594**	**(1,392)**	**2,729**

Moreover, the current portion of trade receivables includes €0.4 million of receivables from related parties (€0.2 million as of December 31, 2015); more information can be found in Note 31.

The "Receivables from associates and joint ventures" item includes commercial transactions of the Parent Company Reno De Medici S.p.A. with the associate Emmaus Pack S.r.l. The €6.5 million change from the previous year was largely due to the fact that as of December 31, 2015, Emmaus Pack S.r.l. was consolidated on a line-by-line basis.

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

	12.31.2016	12.31.2015
(thousands of Euros)		
Italy	45,614	46,408
EU	13,881	5,564
Rest of world	7,910	7,004
Total	**67,405**	**58,976**

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

Other non-current receivables	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Guarantee deposits	1,126	852	274
Miscellaneous receivables	2,554	315	2,239
Total	**3,680**	**1,167**	**2,513**

The item "Guarantee deposits" essentially includes receivables attributable to deposits in favor of a factoring company (€0.5 million) in accordance with the provisions of agreements signed by the Parent Company RDM S.p.A. and by the subsidiary RDM Blendecques S.A.S. This item also includes the Guarantee Fund set up at Terna (the network operator) totaling €0.2 million.

As of December 31, 2016, the item “Other receivables” totaled €2.6 million. The change of €2.2 million from the previous year was mainly due to the consolidation of Cascades S.A.S. (€1.9 million) and the recording of the non-current portion (€0.3 million) of the financial receivable from Arpafino S.l.u. for the sale of the Spanish company, Reno De Medici Ibérica S.A.

Other current receivables	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Tax receivables	6,111	2,025	4,086
Prepaid expenses and accrued income	520	283	237
Miscellaneous receivables	6,231	4,981	1,250
Total	12,862	7,289	5,573
Other receivables from associates and joint ventures	4	470	(466)
Total	12,866	7,759	5,107

The current portion of “Tax receivables” relates mainly to tax credits. The €4.1 million increase over the previous year was mainly due to the consolidation of Cascades S.A.S. (€3.9 million).

The item “Miscellaneous receivables” as at December 31, 2016 essentially includes:

- the recording of guarantee deposits of €1.9 million, which will be returned within the year, in favor of a factoring company in accordance with the provisions of agreements signed by the Parent Company RDM S.p.A. and the subsidiary RDM Blendecques;
- the recording of a receivable of €0.7 million following the energy authority’s recognition of the Group as a “new entrant” in the ETS/2 system (emission trading system);
- the recording of the current portion of a receivable (€1.4 million) from the sale of CO2 shares held by the German subsidiary Arnsberg.
- the recording of a financial receivable (€0.3 million) from Arpafino S.l.u. for the sale of the Spanish operation, Reno De Medici Ibérica S.A.;
- the recording of €0.9 million in receivables from the French government after grants were made to the French subsidiaries RDM Blendecques and Cascades S.A.S. in accordance with a new French regulation that supports the competitiveness of industrial sites with high-energy consumption.

As of December 31, 2015, the item “Other receivables from associates and joint ventures” included receivables of a financial nature from Zar S.r.l. and Pac Service S.p.A. Specifically, the receivable from ZAR S.r.l. was for a loan made to the latter by Reno De Medici S.p.A. (€370,000), while the receivable from PAC Service S.p.A. included the receivable for dividends approved but not collected (€100,000). As of December 31, 2016, the loan to ZAR S.r.l. had been repaid, and all dividends from Pac Service had been collected.

19. Inventories

The table below provides a breakdown of inventories at December 31, 2016 and December 31, 2015:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Raw and ancillary materials and consumables	46,799	33,205	13,594
Provisions for obsolescence	(8,992)	(1,945)	(7,047)
Finished goods and goods for resale	45,293	37,245	8,048
Provisions for obsolescence	(650)	(114)	(536)
Total	82,450	68,391	14,059

The increase in inventories of raw materials and finished products was essentially due to the consolidation of Cascades S.A.S.

Provisions for obsolescence of raw and ancillary materials and consumables relate mainly to the French mills at Blendecques and La Rochette.

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

20. Net financial position

(thousands of Euros)	12.31.2016 Continuing	12.31.2015 Continuing	12.31.2015 Assets held for sale	12.31.2015 Total	Change
Cash	12	15	1	16	(4)
Funds available from banks	29,319	23,131	163	23,294	6,025
A. Cash and cash equivalents	29,331	23,146	164	23,310	6,021
Other receivables from associates and joint ventures	4	470		470	(466)
Other receivables	342	246		246	96
B. Current financial receivables	346	716		716	(370)
1. Current payables to banks		*6*	*465*	*471*	*(471)*
2. Current portion of medium- and long-term loans	*16,081*	*14,672*	*359*	*15,031*	*1,050*
3. Other current financial liabilities	*93*	*161*	*2,531*	*2,692*	*(2,599)*
Payables to banks and other lenders (1+2+3)	16,174	14,839	3,355	18,194	(2,020)
Other payables to associates and joint ventures		1,954		1,954	(1,954)
Other payables to other companies	153				153
Derivatives - current financial liabilities	154	146		146	8
C. Current financial debt	16,481	16,939	3,355	20,294	(3,813)
D. Net current financial debt (C - A - B)	(13,196)	(6,923)	3,191	(3,732)	(9,464)
Non-current loans	300				300
E. Non-current loans	300				300
Payables to banks and other lenders	57,627	53,280	656	53,936	3,691
Derivatives - non-current financial liabilities	268	50		50	218
F. Non-current financial debt	57,895	53,330	656	53,986	3,909
G. Net non-current financial debt (F-E)	57,595	53,330	656	53,986	3,609
H. Net financial debt (D+G)	44,399	46,407	3,847	50,254	(5,855)

Consolidated net financial debt as of December 31, 2016 was €44.4 million, compared to €50.3 million as of December 31, 2015.

The extraordinary transactions completed during the year (acquisition of Cascades S.A.S. and resulting consolidation of the R.D.M. Marketing Group (formerly Careo Group); disposal of Reno De Medici Ibérica S.A.; sale of a share of the investment in Emmaus Park S.r.l., which included the deconsolidation of its financial debt) resulted in an increase in the RDM Group's net financial debt of €10.4 million. Thus, adjusted for this effect, the Group's net financial position improved during the year by €16.3 million due to a positive operating performance.

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

	within 12 months	over 12 months	over 60 months	total
(thousands of Euros)				
M.I.C.A. - due February 13, 2017	165			165
Banco Popolare	2,491	3,771		6,262
FRIE 1	414	1,655	414	2,483
Friulia (Ovaro Transaction)	2,439			2,439
FRIE 2	813	3,250		4,063
FRIE 3	113	453	340	906
Banca Popolare Milano	2,857	11,429	2,857	17,143
Banca Intesa	4,000	10,000		14,000
Banca Intesa		8,334	1,666	10,000
Banca Intesa		8,334	1,666	10,000
Cariparma	1,750	2,625		4,375
Credem	1,003	759		1,763
AGENCE DE L'EAU	58	80		138
Encelpa	83	257		340
GE	51			51
Total nominal debt	**16,327**	**50,947**	**6,943**	**74,127**
Amortized cost effect	(156)	(263)		(419)
Total debt using amortized cost method	**16,081**	**50,684**	**6,943**	**73,708**

The financial payables to GE Capital and Encelpa are the result of the consolidation of Cascades S.A.S.

Following the debt the restructuring process that began in 2014, the Group's financial debt 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 in the loan agreements, the lending banks may terminate such agreements: as of December 31, 2016 there was compliance with the financial covenants.

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

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

During 2016, there were principal repayments of €22.9 million, and new loans were disbursed for a total amount of €28.4 million.

In terms of collateral, the Parent Company loan agreement requires, inter alia, RDM to provide mortgages on mills, in the total amount of €52 million.

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

A floating-rate loan agreement was entered into with Banca Popolare dell'Emilia Romagna on April 13, 2006 in the amount of €6.2 million. The loan falls due on May 15, 2016 and is repayable in semiannual installments. This loan involves the provision of a mortgage on the Marzabotto, Magenta, Santa Giustina and Villa S. Lucia mills for a total of €11.2 million. In 2015 all the mortgages on the Parent Company's mills were canceled. In 2016 the loan was fully repaid with the payment of the last installment.

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

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

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

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

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

On August 4, 2014, a loan of €5 million was made by Banco Popolare; the loan agreement was executed on July 31, 2014. The loan agreement calls for a floating rate and a maturity of September 30, 2017. Installments are paid quarterly starting December 31, 2014. The loan was repaid in advance on December 31, 2016.

On August 5, 2014, a loan of €10 million was made by UBI Banca Popolare di Bergamo; the loan agreement was executed on August 5, 2014. The loan agreement calls for a floating rate and a maturity of August 5, 2019. Installments are paid quarterly starting November 5, 2014. SACE S.p.A. issued a guarantee totaling €5 million for this loan. In addition, this loan requires compliance with several financial parameters subject to annual review. The loan was repaid in advance on June 30, 2016.

On June 4, 2015, a loan of €20 million was made by Intesa San Paolo S.p.A.; the loan agreement was executed on June 4, 2015. The loan agreement calls for a floating rate and a maturity of June 4, 2020. Installments are paid semiannually starting December 4, 2015. This loan requires compliance with several financial covenants subject to annual review. At December 31, 2016 these financial parameters had been complied with.

On July 1, 2015, a loan of €3 million was made by Credito Emiliano S.p.A.; the loan agreement was executed on July 1, 2015. The loan agreement calls for a floating rate and a maturity of July 1, 2018. Installments are paid quarterly starting October 1, 2015.

On July 31, 2015, a loan of €7 million was made by Cariparma S.p.A.; the loan agreement was executed on July 31, 2015. The loan agreement calls for a floating rate and a maturity of June 30, 2019. Installments are paid semiannually starting December 31, 2015. This loan requires compliance with several financial covenants subject to annual review. At December 31, 2016 these financial parameters had been complied with.

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

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

On November 15, 2016, a loan of €20 million was made by Intesa San Paolo Paris to the subsidiaries RDM Blendecques S.A.S. and Cascades S.A.S. The loan agreement, which was executed on October 31, 2016, calls for a floating rate and a maturity of November 15, 2023. Installments are paid semiannually starting May 15, 2018. This loan requires compliance with several financial covenants subject to annual review. At December 31, 2016 these financial parameters had been complied with.

The Parent Company Reno De Medici S.p.A. issued a guarantee to secure this loan.

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

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding on December 31, 2016. More information on the derivative instruments outstanding at December 31, 2016 can be found in Note 22.

21. Shareholders’ equity

Changes in shareholders’ equity during 2016 are set out in the following table:

		Changes during the year									
Description	Shareholders’ equity at 12.31. 2015	Purchase of Treasury shares	Voluntary reduction of capital pursuant to Article 2445	Dividends	Allocation of profit (loss) for the year	Change in scope of consolidation	Profit (loss) on translation of financial statements of foreign investee companies	Actuarial gain (loss)	Hedge accounting	Profit (loss) for the year	Shareholders’ equity at 12.31.2016
(thousands of Euros)											
Share capital	150,399		(10,399)								140,000
Legal reserve					619						619
Other reserves:											
- Change in scope consolidation reserve						2,758					2,758
- Foreign-currency translation reserve	(219)					219	20				20
Treasury share reserve		(182)									(182)
Available reserve			10,399		7,548						17,947
Hedging reserve	(135)								(178)		(312)
Reserve for actuarial gains (losses)	(6,407)					22		(571)			(6,956)
Retained earnings (losses)	790				(2,599)						(1,809)
Profit (loss) for the year	7,551(*)			(1,983)	(5,568)					3,132	3,132
Total	**151,979**	**(182)**		**(1,983)**		**2,999**	**20**	**(571)**	**(178)**	**3,132**	**155,216**

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

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

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

As of June, the Company launched the plan to purchase treasury shares totaling 581,600 on December 31, 2016, with a value of €182,000.

In accordance with Article 5 of the Company's By-Laws, holders of savings shares may convert such shares to ordinary shares in February and September each year. In 2016, 3,293 savings shares were converted to ordinary shares. As a result of this, the share capital at December 31, 2016, fully subscribed and paid-up, could be broken down as follows:

	Number	Total value
Ordinary shares	377,530,359	139,899,712.02
Convertible savings shares	270,635	100,287.98
Total	377,800,994	140,000,000.00

It is noted that the Extraordinary Shareholders' Meeting held on September 2, 2013 resolved to eliminate the nominal value of shares.

From February 1 to February 29, 2017, 1,007 savings shares were converted to ordinary shares with dividend entitlement as of January 1, 2016.

The table below shows the number of outstanding shares as at December 31, 2016 and December 31, 2015:

	12.31.2016	12.31.2015	Change
Shares issued	377,800,994	377,800,994	
Treasury shares	518,600		518,600
Total shares outstanding	377,282,394	377,800,994	(518,600)

RDM's By-Laws state that if, during any one financial year, savings shares are awarded a dividend which is less than 5% of the value of €0.49, then the difference is added to the preferred dividend in the subsequent two years. Dividends totaling €20,000 were distributed in 2016 to holders of savings shares.

In addition, dividends totaling €1,963,000 were distributed to holders of ordinary shares.

Minority interests as at December 31, 2016 were equal to zero because the investment in Emmaus Pack S.r.l. was measured using the equity method rather than on a line-by-line basis following the loss of control over it (for more information, please see the Report on Operations).

Lastly, as of December 31, 2016 shareholders' equity included the €2.8 million difference between the net value of assets acquired from Cascades S.A.S., which on the acquisition date totaled €14.1 million, and the net price paid of €11.3 million (see the section "Key Events" for further information on price determination).

Since the above acquisition transaction was considered a business combination under common control, the transaction was recorded in accordance with Assirevi Document OPI 1: thus, the above difference was not posted to the income statement, but as an increase to shareholders' equity.

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

	12.31.2016			12.31.2015		
	Gross value	Tax (charge) benefit	Net value	Gross value	Tax (charge) benefit	Net value
(thousands of Euros)						
Change in fair value of cash flow hedges	*(237)*	*59*	*(178)*	*(225)*	*62*	*(163)*
Actuarial gain (loss) on employee benefits	*(724)*	*153*	*(571)*	*1,510*	*(322)*	*1,188*
Profit (loss) on translation of financial statements of foreign investee companies	*20*		*20*	*(34)*		*(34)*

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

22. Derivative instruments

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding on December 31, 2016.

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Non-current liabilities	268	50	218
Derivative instruments (hedge accounting)	268	50	218
Derivative instruments (no hedge accounting)			
Current liabilities	154	146	8
Derivative instruments (hedge accounting)	154	140	14
Derivative instruments (no hedge accounting)		6	(6)

As of December 31, 2016, the derivative instruments in the form of interest rates swaps had a negative fair value of €422,000.

In 2016 a new hedging derivate contract was executed (interest rate swap) on the loan provided by Intesa San Paolo S.p.A. to the subsidiary Cascades S.A.S.

The table below shows the main features of the derivative instruments outstanding as of December 31, 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	10,500	0.42% fixed	Half-yearly	(102)
					Euribor 6m		
Reno De Medici S.p.A.	Banca Popolare di Milano	EUR	12.30.2022	17,143	0.45% fixed	Half-yearly	(215)
					Euribor 6m		
Cascades S.A.S.	Intesa San Paolo S.p.A.	EUR	11.15.2023	10,000	0.245% fixed	Half-yearly	(105)
					Euribor 6m		
				37,643			(422)

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

The table below shows a breakdown of other payables:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Deferred income	78	130	(52)
Other non-current payables	78	130	(52)
Payables to personnel	7,014	4,289	2,725
Payables to social security authorities	6,260	3,802	2,458
Tax payables	4,841	1,977	2,864
Miscellaneous payables	1,942	915	1,027
Company bodies	434	948	(514)
Accrued expenses and deferred income	52	54	(2)
Other current payables	20,543	11,985	8,558
Other payables to associates and joint ventures		1,954	(1,954)
Total other payables	20,543	13,939	6,604

The non-current portion of “Deferred income” relates to a grant under Law 488 for the Villa Santa Lucia mill.

The item “Payables to personnel” mainly includes payables for deferred compensation; the difference from the previous year was largely due to the consolidation of Cascades S.A.S. (€1.7 million) and the R.D.M. Marketing Group (€0.6 million).

“Payables to social security authorities” relate mainly to social security contributions due on current wages and salaries accrued to employees in December and paid in January 2017, and to provisions for social security contributions due on deferred compensation (employee leave, additional months’ salaries paid as a bonus, and overtime). The difference from the previous year was largely due to the consolidation of Cascades S.A.S. (€2.5 million) and the R.D.M. Marketing Group (€0.3 million).

“Tax payables” relate to withholding tax due on remuneration paid to employees in December, and to VAT payables. The difference from the previous year was largely due to the consolidation of Cascades S.A.S. (€2.5 million) and the R.D.M. Marketing Group (€0.1 million).

The item “Miscellaneous payables” stood at €1,9 million as at December 31, 2016. The change compared with the previous year, equal to €1 million, is essentially due to the increase in advances on invoices issued to non-EU customers by the Parent Company (€0,7 million).

The item “Company bodies” includes payables to Auditors and Directors. The change compared with the previous year, equal to €514,000, is essentially due to the deconsolidation of Emmaus Pack S.r.l.

The item “Other payables to associates and joint ventures” had a zero balance as of December 31, 2016 due to the line-by-line consolidation of the R.D.M. Marketing Group. In fact, as of December 31, 2015 the balance included the financial relationship between Reno De Medici S.p.A. and R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)

24. Deferred tax liabilities

The table below provides a summary of the calculation of deferred tax assets and liabilities from temporary differences as at December 31, 2016:

	2016			2015		
	Temporary differences	Average tax %	Tax effect	Temporary differences	Average tax %	Tax effect
(thousands of Euros)						
Recognized deferred tax assets	39,802		9,900	43,375		11,775
Tax losses to carry forward	17,604	24%	4,226	24,298	26%	6,326
Write-downs for buildings				1,639	27.9%	457
Inventory write-downs	359	27.9%	100	459	3.9%	18
Provision for future charges (IRAP)				30	3.9%	1
Provision for future charges (IRES)	2,222	24%	533	333	27.5%	92
Other temporary differences	9,708	27%	2,622	8,984	29.3%	2,634
Other temporary differences (IRAP)	2,204	3.9%	86	130	3.9%	5
Effect of discounting of employee benefits	6,117	31.9%	1,951	5,410	31.9%	1,726
Valuation of derivatives with hedge accounting	323	24%	78	185	27.5%	51
Deferred tax assets consolidation entries	1,265	24%	304	1,907	24.4%	465
Recognized deferred tax liabilities	51,296		15,858	58,121		17,868
Amortization/depreciation in excess of amount allowed for tax purposes	17,283	27.9%	4,822	19,439	27.8%	5,400
Other temporary differences	94	27.8%	27	594	31.5%	188
Effect of discounting of TFR	1,606	24%	385	1,783	27.5%	490
Deferred tax liabilities consolidation entries	32,313	32.9%	10,624	36,305	32.5%	11,790
Net recognized deferred tax (assets) liabilities			5,958			6,093
- of which deferred tax liabilities			*7,493*			*8,888*
- (of which deferred tax assets)			*(1,535)*			*(2,795)*
Unrecognized deferred tax assets	48,797		14,480	136,842		41,493
Write-downs for extended impairment	2,713	27.9%	757	1,007	27.9%	281
Inventory write-downs				459	24%	110
Bad and doubtful receivables	1,041	24%	250	1,060	24%	254
Provisions for future risks and charges				2,192	24.2%	530
Reduction of working hours carried forward	16,516	24%	3,964			
Effect of discounting of employee benefits	694	33.3%	231	591	33.3%	197
Tax losses to carry forward	25,543	33.3%	8,513	127,591	30.4%	38,844
Tax loss for the year				1,114	29.9%	334
Deferred tax assets on differences in accounting standards	2,290	33.3%	763	2,828	33.3%	943
Unrecognized deferred tax assets			14,480			41,493

As at December 31, 2016, deferred tax liabilities were offset by deferred tax assets where conditions specified in IAS 12 were met, notably where the two items relate to income taxes levied by the same tax authority and where there is a legally enforceable right to offset in this manner.

Deferred tax assets are recognized where it is probable that the Company will have taxable income in the future, including the deferral of taxable temporary differences to future years, which will allow the utilization of deductible temporary differences or tax losses carried forward. Deferred tax assets have been recognized on the portion of previous tax losses deemed to be recoverable from future taxable income identified in the Company's business plans. This is possible because Decree-Law 98 of July 6, 2011 (the "2011 Emergency Budget") allows tax losses to be carried forward for an unlimited time.

The IRES tax rate effective January 1, 2017 will drop from 27.5% to 24% due to the entry into force of the 2016 Stability Act. Thus, deferred tax liabilities reflect the new rate.

The table below shows a breakdown of the Group's tax losses for a total of €43.1 million:

(thousands of Euros)	2016
Reno De Medici S.p.A.	17,604
RDM Blendecques S.A.S.	25,543
Total tax losses	**43,147**

25. Employee benefits

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

(thousands of Euros)	12.31.2016	12.31.2015	Change
Employee benefits	16,649	16,535	114
Employee benefits - TFR	17,229	12,528	4,701
Non-current employee benefits	**33,878**	**29,063**	**4,815**
Employee benefits - TFR	12	31	(19)
Current employee benefits	**12**	**31**	**(19)**
Total	**33,890**	**29,094**	**4,796**

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

The economic and financial assumptions used were as follows:

	Italy	Germany	France
Annual discount rate	0.86%	1.9%	1.4%
Annual inflation rate	1.50%	0.49	1.75%
Annual rate of increase in severance indemnity	2.625%	1.75%	2%

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

(thousands of Euros)	Employee benefits
Actuarial value of employee benefits at 12.31.2015	**29,063**
Service cost	688
Interest cost	566
Benefits paid	(1,095)
Actuarial gains/losses	724
Change in scope of consolidation	3,932
Actuarial value of employee benefits at 12.31.2016	**33,878**

Sensitivity analysis of the discount rate

The following table shows the balance that the item "Employee Benefits" would have as of December 31, 2016 in the event of a change to the discount rate shown at the reporting date.

Thousands of Euros	Italy		Germany		France	
Increase of discount rate	+0.25%	9,657	+0.25%	16,454	+0.25%	6,162
Non-current employee benefits as of December 31, 2016	0.85%	9,828	1.9%	17,229	1.4%	6,354
Reduction of discount rate	-0.25%	10,006	-0.25%	18,063	-0.25%	6,553

26. Non current provisions and current for risks and charges

The balance at December 31, 2016 was as follows:

(thousands of Euros)	12.31.2015	Change in scope of consolidation	Provisions	Drawings	Other changes	12.31.2016
Provisions for supplementary agents' commission	86	1,988	36		(99)	2,011
Non-current provision for future charges	2,571	112	2,455	(798)	(127)	4,213
Total non-current provisions for risks and charges	**2,657**	**2,100**	**2,491**	**(798)**	**(226)**	**6,224**
Current provision for future charges	452	399	317	(328)		840
Total current provisions for risks and charges	**452**	**399**	**317**	**(328)**		**840**
Total	**3,109**	**2,499**	**2,808**	**(1,126)**	**(226)**	**7,064**

"Provisions for supplementary agents' commission" includes the expenses that the company is obliged to pay to agents on conclusion of the mandate. This liability includes the discounting based on actuarial techniques as required by IAS 19. The increase over the previous year was due to the consolidation of the R.D.M. Marketing Group.

With regard to the long-term portion of the "Provision for future charges", utilization during the period of €0.8 million was mainly due to the use of the provision for layoffs (€0.3 million); the use of the provision set up to cover a tax audit of the subsidiary R.D.M. Ovaro (€0.2 million) and the use of the provision for staff-related lawsuits (€0.2 million). The allocation for the year (€2.4 million) was mainly related to the creation of a provision for layoffs (€1.3 million); the allocation of costs for staff-related lawsuits (€0.3 million) and the allocation of expenses for the future coverage of the fourth lot of the landfill of the Santa Giustina mill (€0.7 million).

The short-term portion of the "Provision for future charges" was for charges to dismantle several buildings of the Magenta mill and two pending tax disputes regarding local taxes for which the Company deemed it appropriate to prudentially set aside a provision to cover future charges totaling €300 thousand.

27. Trade payables and payables to associates and joint ventures

The balance at December 31, 2016 was as follows:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Trade payables	103,075	81,985	21,090
Payables to associates and joint ventures	610	2,894	(2,284)
Total	103,685	84,879	18,806

"Trade payables" recorded in the financial statements were €104 million (€84.9 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 change from the previous year, amounting to €18.8 million, is mainly due to the consolidation of Cascades S.A.S. (€13.6 million) and the R.D.M. Marketing Group (€1.9 million).

"Payables to associates and joint ventures", amounting to €0.6 million (€2.9 million as of December 31, 2015), related mainly to trade payables to ZAR (€371,000) and Pac Service (€233,000).

The €2.3 million change from the previous year was due to the fact that as of December 31, 2015 the balance included the payable to R.D.M. Marketing S.r.l. (formerly Careo S.r.l.), which was consolidated on a line-by-line basis this year.

28. Current taxes

As at December 31, 2016 this item consists of the amount payable to tax authorities for current taxes incurred during the year.

As already indicated in previous Financial Reports, the German subsidiary **Reno De Medici Arnsberg GmbH** underwent a tax audit of the period 2011-2013. In this ambit, the German Tax Authorities have disallowed the Logo Fee charged by the mother company Reno De Medici S.p.A., for an annual amount of 1.90% of sales revenues. The Group Logo Fee policy was introduced in 2009, still in place, keeping in due consideration the guidelines that regulate the transactions between related parties, and was supported by the advice of a primary German advisory firm, and by a benchmarking analysis, which have been recently updated. It has to be noticed that in the previous tax audit for the period 2007-2010 the charge was allowed.

The Reno De Medici Group does not agree with the position of the German Tax Authorities, and on December 22, 2016 filed in Germany an application for a 'Mutual Agreement Procedure' ("MAP"), based on the EU Arbitration Convention and the treaty against double taxation existing between Germany and Italy; at the same time, an 'Advance Princing Agreement' ("APA") procedure was filed in Italy with the "Agenzia delle Entrate", to cover 2016 and future years.

At the current visibility we have no elements to predict the outcome of the 'MAP' procedure; however, the Reno de Medici Group is confident in a positive agreement between the German and Italian Tax Authorities, since the EU Arbitration convention contains a mandatory arbitration clause, that will avoid double taxation; in that case, the possible impact on consolidated results of the tax case should be very limited.

RDM Marketing S.A.S. was the object of an ordinary tax control for the period 2012-2013, that resulted in an agreement with the French Tax Agency for an higher global tax charge of €388 Thousand. As a consequence, the 2016 accounts include a provision for the same amount.

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

Significant non-recurring events and transactions

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

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

Positions or transactions deriving from abnormal and/or unusual transactions

In 2016 the Group did not carry out any atypical and/or unusual transactions as defined by the referenced Consob Communication DEM/6064293. These are defined as transactions which, in terms of their significance, relevance, nature of counterparties, purpose, procedure for determining the transfer price and timing, could raise doubts with respect to:

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

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

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

Commitments and guarantees given to third parties include:

- sureties totaling €4.1 million issued in favor of the Province of Belluno, related to the landfill located at the Santa Giustina (BL) mill;

- sureties of €421,000 issued in favor of the Region of Lazio related to the landfill located at the Villa Santa Lucia (FR) mill;

- sureties of €2.9 million issued to the Comieco consortium;

- sureties of €67,000 issued in favor of the customs authorities;

- 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 €612,000 issued in favor of Cassa Conguaglio (compensation fund);

- a surety of €72,000 issued in favor of the Polytechnic Institute of Milan;

- a surety of €88,000 issued in connection with property leases;

- a surety of €177,000 issued in favor of Stogit S.p.A.;

- sureties of €228,000 issued in favor of Terna S.p.A.;

- a surety of €726,000 issued in favor of the Revenue Agency for R.D.M. Magenta S.r.l. (formerly Carta Service Friulana S.r.l.) and Cartiera Alto Milanese S.r.l. in liquidation;

- a surety of €1.8 million issued in favor of Unicredit;

- a surety of €2.3 million issued in favor of Cariparma.

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. As of the reporting date, the options had not been exercised.

Furthermore, with reference to the equity investment in Manucor, relations between the shareholders are governed by a series of agreements which provide for, among other things:

- a lock-up period ending May 31, 2013;

- where the shareholders accept an offer from a third party for the purchase of 100% of the company's share capital (including during the lock-up period), a drag-along obligation;

- at the end of the lock-up period, a drag-along right for shareholders if only one of them indicates a willingness to sell its shares in the company to third parties;

- after three years from the date the agreement was signed, and at its own initiative, the right for Intesa Sanpaolo to set in motion a contractually established procedure for the sale of its holding to Reno De Medici, and, in such an event, for the other shareholders to express their own intent to sell their holdings to Reno De Medici. Reno De Medici shall not be under any obligation to purchase such holdings. Should the parties fail to reach an agreement, Intesa Sanpaolo shall be entitled to seek offers for its holding and for the holdings of the other shareholders on the open market, at terms and conditions that protect the investments made. In such an event, all shareholders shall be obliged to sell their shares;

- after four years from the date the agreement was signed, the possibility (by way of a call option) for Reno De Medici to purchase all the holdings of the other shareholders at their market value as at the exercise date.

31. Related-Party Transactions

- Transactions with subsidiaries, associates and joint ventures

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

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

- commercial promotion and marketing services with R.D.M. Marketing S.r.l. (formerly Careo S.r.l.);

- sales of cartonboard to Emmaus Pack S.r.l. (Emmaus) and to R.D.M. Ovaro S.p.A.;

- general services provided to R.D.M. Marketing S.r.l. (formerly Careo S.r.l.), Emmaus, CAM, R.D.M. Ovaro S.p.A., R.D.M. Magenta S.r.l., RDM Blendecques S.A.S. and Reno De Medici Arnsberg GmbH;

- purchases of manufacturing scrap from Emmaus;

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

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

- the tax consolidation agreement under which Reno De Medici S.p.A. is the consolidating company and R.D.M. Ovaro S.p.A., R.D.M. Marketing S.r.l. (formerly Careo S.r.l.) and R.D.M. Magenta S.r.l. are participants.

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

- Other related parties

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

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

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

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

Related-party transactions include:

- commercial relations with Pac Service S.p.A., a company of which RDM owns 33%, in connection with sales of cartonboard. Sales made in 2016 totaled €3,997,000, while trade payables at December 31, 2016 amounted to €233,000. During the year, RDM sold the trade receivables of Pac Service S.p.A. under a new non-recourse factoring program.
- commercial relations with ZAR S.r.l., a company of which RDM owns 33.33%, in connection with purchase of waste paper. Purchases made in 2016 totaled €2,698,000, while trade payables as at December 31, 2016 amounted to €371,000;

On March 14, 2016, Reno De Medici sold a 17% stake in 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, with consequent loss of its control of the company. This transaction has resulted in a change to the consolidation criterion from the line by line method it to the equity method. Sales made in 2016 totaled €9,291 thousand, while trade payables at December 31, 2016 amounted to €6,619 thousand.

Please note that, 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 upward 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 was paid on October 6, 2016.

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. was qualified as a *business combination under common control*; consequently, the operation was accounted for according to the document OPI 1 issued by Assirevi. The value of the assets and liabilities of the purchased Company have been reflected at their book values, as they are reported in Cascades S.A.S.'s financial statements as at June, 30 2016, booking as an increase of net equity of Reno De Medici Group 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 Reno De Medici Group, that before the transaction already held 70% of the shares of R.D.M. Marketing S.r.l, acquired the remaining 30% that was 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.

Breakdown of Related-Party Transactions

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

	2016		2015	
	Directors	Statutory auditors	Directors	Statutory auditors
(thousands of Euros)				
Short-term benefits	531	166	870	166
Post-employment benefits	13		16	
Total	544	166	886	166

The amounts not yet paid to Directors and Statutory Auditors amount, as at December 31, 2016 to €201 thousand and €166 thousand, respectively.

Receivables and payables with related parties

The table below provides a breakdown of receivables and payables with related parties as at December 31, 2016 and at December 31, 2015:

December 31, 2016	Current assets			Current liabilities		
	Trade receivables	Receivables from associates and joint ventures	Other receivables from associates and joint ventures	Trade payables	Payables to associates and joint ventures	Other payables to associates and joint ventures
(thousands of Euros)						
Cascades CS+				1		
Cascades Asia Ltd	407					
Cascades Rollpack	2			7		
Cascades Canada U.L.C.	5					
Cascades Groupe Produits				1		
Emmaus Pack S.r.l.		6,619			6	
Pac Service S.p.A.					233	
ZAR S.r.l.			4		371	
Total	414	6,619	4	9	610	
Share of item total	0.7%	100%	100%	0%	100%	

December 31, 2015	Current assets			Current liabilities		
	Trade receivables	Receivables from associates and joint ventures	Other receivables from associates and joint ventures	Trade payables	Payables to associates and joint ventures	Other payables to associates and joint ventures
(thousands of Euros)						
Careo S.A.S.		8			8	
Careo S.r.l.		98			2,390	1,954
Cascades Asia Ltd	212					
Cascades Multi Pro	17					
Cascades S.A.S.				495		
Cascades Groupe Produits				1		
Pac Service S.p.A.			100		239	
ZAR S.r.l.		9	370		257	
Total	229	115	470	496	2,894	1,954
Share of item total	0.4%	100%	100%	0.6%	100%	100%

Revenues and costs deriving from related-party transactions

The tables below provide a breakdown of revenues and costs with other related parties during 2016 and 2015:

December 31, 2016	Revenues from sales	Other revenues	Financial income
(thousands of Euros)			
Careo GmbH		11	
Careo S.A.S.		30	
R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)		197	1
Cascades Asia Ltd	4,308	32	
Cascades Multi Pro			
Emmaus Pack S.r.l.	9,291	72	2
Pac Service S.p.A.	3,997		
Cascades S.A.S.		1	
Cascades Rollpack		16	
ZAR S.r.l.			4
Total	17,596	359	7
Share of item total	3.7%	5.2%	24%

December 31, 2016	Cost of raw materials and services	Financial expense
(thousands of Euros)		
Careo S.A.S.	12	
R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)	4,532	5
Cascades GIE	9	
Cascades Canada ULC	54	
Emmaus Pack S.r.l.	11	
ZAR S.r.l.	2,698	
Red. Imm. S.r.l.	20	
Cascades Rollpack	75	
Cascades R&D	2	
Cascades CS+	5	
Total	7,418	5
Share of item total	2%	0.2%

December 31, 2015	Revenues from sales	Other revenues	Financial income
(thousands of Euros)			
Careo GmbH		21	
Careo S.A.S.	2	34	
Careo S.r.l.		385	1
Cascades Asia Ltd	1,691		
Cascades Multi Pro	96		
Cascades S.A.S.		2	
Pac Service S.p.A.	4,555		
ZAR S.r.l.			7
Total	6,344	442	8
Share of item total	1.4%	6.8%	40%

December 31, 2015	Cost of raw materials and services	Financial expense
(thousands of Euros)		
Careo S.A.S.	36	
Careo S.r.l.	9,517	17
Careo Ltd	1	
Cascades Canada ULC	72	
Cascades S.A.S.	1,488	
ZAR S.r.l.	4,229	
Red. Imm. S.r.l.	20	
Total	15,363	17
Share of item total	4.6%	0.5%

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The analysis and disclosures required by IFRS 7 – Financial Instruments: Disclosures are provided below.

This analysis compares the situation at the reporting date December 31, 2016 with the situation as at December 31, 2015, and it refers to the RDM Group's consolidated financial statements.

All figures are stated in thousands of Euros.

The section below provides information about the impact of financial instruments on the statement of financial position and on the income statement.

Impact of Financial Instruments on the Financial Position

The table below shows the book value of each type of financial asset and liability in the consolidated statement of financial position.

	12.31.2016		12.31.2015	
	Book value	Fair value	Book value	Fair value
(thousands of Euros)				
Cash and cash equivalents	29,331	29,331	23,146	23,146
Loans and receivables	83,951	83,951	67,902	67,902
Trade receivables	67,405	67,405	58,976	58,976
Other receivables from associates and joint ventures	4	4	470	470
Other receivables	16,541	16,541	8,456	8,456
Available-for-sale financial assets				
Financial liabilities at amortized cost	(198,107)	(195,503)	(167,034)	(169,255)
Unsecured medium- and long-term bank loans at amortized cost	(46,991)	(48,752)	(37,801)	(39,393)
Secured medium- and long-term bank loans at amortized cost	(26,808)	(22,442)	(30,279)	(30,908)
Short-term bank loans for use of commercial facilities	(2)	(2)	(6)	(6)
Trade payables	(103,685)	(103,685)	(84,879)	(84,879)
Other payables to associates and joint ventures			(1,954)	(1,954)
Other payables	(20,621)	(20,621)	(12,115)	(12,115)
Financial liabilities at fair value through profit and loss			(6)	(6)
Hedging derivatives	(423)	(423)	(190)	(190)
	(85,248)	(82,644)	(76,182)	(78,404)
Unrecognized profits (losses)	2,604		(2,221)	

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

Derivative Instruments

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

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

The reference international accounting standard (IFRS 13) identifies a measurement hierarchy based on three levels:

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

	Classification	12.31.2016	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	268		268	
Derivative instruments on interest rates	Current derivative instruments	154		154	

As at December 31, 2016, the Group did not hold any foreign-exchange derivative instruments or any derivative instruments indexed to commodity prices.

Loans

The aggregate under review consists of all medium- and long-term loans. These were measured by calculating the net present value of the future flows generated by the financial instrument, taking into account the principal repayment plan defined in the loan agreements.

In the case of indexed loans, future interest rates were estimated by calculating the forward rates implicit in the quoted Euro deposit rates, futures and swaps risk-free curve as at December 31, 2016 and December 31, 2015.

Future flows were discounted on the basis of the same Euro yield curve as at December 31, 2016 and December 31, 2015.

Loan Repayment Plans, Terms and Conditions

The terms and conditions of the loans are summarized in the table below.

	Currency	Nominal interest rate	Year of maturity	Nominal value at 12.31.2016	Book value	Nominal value at 12.31.2015	Book value
(thousands of Euros)							
Secured medium- and long-term bank loans at amortized cost				**27,034**	**26,778**	**30,550**	**30,247**
Banca Popolare Emilia Romagna	Euro	Eur6m+spread	2016	-	-	310	310
Frie 1	Euro	Eur6m	2022	2,483	2,483	2,897	2,897
Frie 2	Euro	Eur6m	2021	4,063	4,063	4,875	4,875
Frie 3	Euro	Eur6m	2024	906	906	-	-
Friulia S.p.A.	Euro	Eur6m+spread		2,439	2,439	2,468	2,468
Banca Popolare di Milano	Euro	Eur6m+spread	2022	17,143	16,887	20,000	19,697
Unsecured medium- and long-term bank loans at amortized cost				**47,093**	**46,930**	**38,058**	**37,707**
Minindustria 11172	Euro	Fix	2017	165	165	324	324
Banco Popolare	Euro	Eur3m+spread	2016	-	-	2,990	2,977
Banco Popolare	Euro	Eur3m+spread	2019	6,262	6,262		
Banca Popolare di Bergamo	Euro	Eur6m+spread	2016	-	-	7,727	7,625
Banca Intesa Sanpaolo	Euro	Eur6m+spread	2020	14,000	13,877	18,000	17,833
Credem	Euro	Eur3m+spread	2018	1,763	1,763	2,754	2,754
Cariparma	Euro	Eur6m+spread	2019	4,375	4,335	6,125	6,056
Intesa Sanpaolo	Euro	Eur6m+spread	2023	10,000	10,000		
Intesa Sanpaolo	Euro	Eur6m+spread	2023	10,000	10,000		
Agence de l’eau (Blendecques)	Euro		2026	138	138	138	138
Encelpa	Euro		2020	340	340		
GE Capital (Leasing)	Euro	Fixed	2017	51	51		
Total medium- and long-term loans				**74,126**	**73,708**	**68,608**	**67,954**
Short-term bank loans for use of commercial facilities				-	-	**6**	**6**
Used portfolio	Euro	Euribor+spread	n/a			6	6
Pre-paid invoices	Euro	Euribor+spread	n/a				
Export loans	Euro	Euribor+spread	n/a				
Import loans	Euro	Euribor+spread	n/a				
Total short-term loans	Euro			-	-	6	6
Total interest-bearing liabilities	Euro			**74,126**	**73,708**	**68,614**	**67,960**

Other Financial Instruments

The fair value of receivables from customers, payables to suppliers and other financial assets and liabilities falling due contractually during the year has not been calculated, insofar as the book value of the financial instrument is virtually the same.

Other Information

The table below provides a breakdown of changes in the equity hedging reserve.

(thousands of Euros)	
Reserve 12.31.2015	134
Fair value adjustment of cash flow hedge derivatives	237
Tax effect of fair value adjustment of cash flow hedge derivatives	(59)
Transfers to the income statement	
Tax effect of transfers to the income statement	
Reserve 12.31.2016	312

Credit Risk

This section describes in both quantitative and qualitative terms the exposure to credit risk and the way in which this is managed.

Risk Exposure

Core business exposure to credit risk at the reporting date was as follows:

	12.31.2016	12.31.2015
(thousands of Euros)		
Gross trade receivables	70,134	63,204
- provision for bad and doubtful debts	(2,729)	(4,228)
Total	67,405	58,976

Overdue or Impaired Financial Assets

The table below provides a breakdown of the seniority of trade receivables, net of individual write-downs:

	Overdue receivables				
December 31, 2016	more than 60 days	from 31 to 60 days	from 0 to 30 days	Non-overdue receivables	Total
(thousands of Euros)					
Italy	1,032	128	3,409	41,046	45,615
EU	135	142	4,202	9,402	13,881
Rest of world	629	70	1,051	6,159	7,909
Total	**1,796**	**340**	**8,662**	**56,607**	**67,405**

	Overdue receivables				
December 31, 2015	more than 60 days	from 31 to 60 days	from 0 to 30 days	Non-overdue receivables	Total
(thousands of Euros)					
Italy	2,361	339	2,124	41,585	46,409
EU	263	17	2,013	3,270	5,563
Rest of world	152	24	844	5,984	7,004
Total	**2,776**	**380**	**4,981**	**50,839**	**58,976**

The Group's overdue receivables as at December 31, 2016 increased in absolute terms from €8.1 million to €10.8 million. They represent 16% of the total portfolio compared to 14% reported in the previous year. In 2016 several extraordinary transactions were carried out that resulted in a change in the scope of consolidation: the consolidation of Cascades SAS (La Rochette) and a change in the consolidation criterion for Emmaus Pack S.r.l. from full consolidation to consolidation at equity. If such transactions had not been carried out, the Group's overdue receivables as at December 31, 2016 would have been €9.2 million, representing 15% of the total portfolio.

How Credit Risk is Managed

As a general rule, the Group's commercial risk management policy is to insure all client receivables, excluding those of the Parent Company's Italian customers, with leading insurance companies. Any uninsured or non-insurable positions, in particular Italian customers, are constantly monitored by the appropriate Corporate Functions.

The Parent Company and French subsidiary have also entered into non-recourse receivable assignment agreements.

The internal procedures for carrying out a creditworthiness assessment involve collecting and analyzing qualitative and quantitative information, and the use of external databases and commercial information. The policies adopted have so far enabled losses on receivables to be limited.

Market Risk

Market risk is defined as the risk that the fair value or the cash flows associated with a financial instrument will fluctuate because of changes in market variables such as exchange rates, interest rates, the prices of raw materials, and stock prices.

The market risk to which the Group was exposed during the year may be broken down as follows:

- currency risk;
- interest rate risk;
- commodity risk.

The scale of these risks and the way in which they are managed is described below.

Currency risk

The Group's exposure to currency risk derives from:

- trade receivables/payables denominated in currencies other than the functional currency of the financial statements;
- liquidity held in foreign-currency current accounts;

Other than the Euro, which is the functional currency, the main currencies in which the Group carries out its commercial activities are the United States dollar and the British pound. Exposure to other currencies is negligible.

In terms of exposure to currency risk, in 2016 the Group managed the marginal imbalance between investments and funds in the same currency by using a natural-hedging approach and by carefully and continually monitoring market conditions; as a result, it was not deemed necessary to resort to hedging derivatives.

The Group's exposure in Euros is shown below, based on the official ECB exchange rates as at December 31, 2016 and December 31, 2015, as reported in the following table.

ECB exchange rates	12.31.2016	12.31.2015
(per Euro)		
USD	1.0541	1.0887
GBP	0.8562	0.7340
CHF	1.0739	1.0835
CAD	1.4188	1.5116

The table below provides a breakdown of the consolidated exposure to currency risk, based on the notional amount of the exposure expressed in thousands of Euros.

	12.31.2016				12.31.2015			
	USD	GBP	CHF	CAD	USD	GBP	CHF	CAD
(thousands of Euros)								
Trade receivables	4,881	1,961	-	-	4,946	284	-	-
Current bank loans for use of commercial facilities			-	-	-	-	-	-
Trade payables	(2,253)	(172)	(1)	(6)	(2,358)	(35)	-	-
Cash and cash equivalents	1,073	640	2	1	818	149	1	2
Exposure	3,701	2,429	1	(5)	3,405	398	1	2

Sensitivity Analysis of Currency Risk

In order to measure the possible effects of changes in the reporting-date exchange rates on the statement of financial position and income statement, assumptions were made (at December 31, 2016 and December 31, 2015) as to variations in the value of the Euro against the major foreign currencies.

Specifically, two scenarios were used: a 10% appreciation and a 10% depreciation of the Euro against other currencies. For each of the two scenarios, the gain or loss arising from transactions outstanding as at December 31, 2016 and December 31, 2015 was then calculated. In this way, it was possible to determine the effect on the income statement and on shareholders' equity had exchange rates been subject to changes as assumed.

The tables below provide a summary of the results of this analysis, indicating the additional effect on the actual figures recognized at the reporting date. These re-measurements based on changes in the exchange rate mainly affect profit or loss for the year.

10% appreciation of the Euro (thousands of Euros)	Profit or loss	10% depreciation of the Euro (thousands of Euros)	Profit or loss
December 31, 2016		December 31, 2016	
USD	(370)	USD	370
GBP	(243)	GBP	243
CHF	0	CHF	0
CAD	0	CAD	0
Total	(613)	Total	613
December 31, 2015		December 31, 2015	
USD	(371)	USD	371
GBP	(29)	GBP	29
CHF	0	CHF	0
CAD	0	CAD	0
Total	(400)	Total	400

How Currency Risk is Managed

The main objective of the Group's currency-risk management policy is to limit the exposure to foreign currency arising from exporting finished goods to and importing raw materials from foreign markets. The following guidelines are used in pursuing this policy:

- inflows and outflows in the same currency are offset (natural hedging);
- recourse is made to forward sales or to export loans in the same currency. These transactions were arranged by using a notional amount and due date that correspond to those of the expected cash flows (if the amount is significant), so that any changes in the cash flows arising from the forward transactions, as the result of the appreciation or depreciation of the Euro against the other currencies, are substantially offset by a corresponding change in the expected cash flows of the underlying positions;
- forward sales are hedged. There were no outstanding transactions of this type at the reporting date.

As a general rule, the currency-risk management policy recommends maximizing the use of natural hedging and, in any case, excludes recourse to transactions involving complex derivatives, e.g. those with barriers.

The Administration and Finance Department of the Group is responsible for monitoring currency risk and recommends suitable currency-risk hedging strategies to keep exposure within the limits agreed with senior management.

Interest Rate Risk

Financial liabilities exposing the Group to interest rate risk are, for the most part, floating-rate medium- and long-term loans.

The table below sets out the positions that are subject to interest rate risk, separating fixed-rate from floating-rate exposure in terms of the nominal value of the financial instruments.

However, the exposure to interest rate risk arising from loans is partially mitigated by entering into interest rate swap agreements designed to hedge the volatility of future cash flows indexed to market rates.

	12.31.2016	%	12.31.2015	%
(thousands of Euros)				
Floating-rate medium- and long-term loans	(24,101)	33.6%	(20,433)	30.9%
Floating-rate medium- and long-term loans hedged by IRS	(30,119)	42.0%	(30,643)	46.3%
Fixed-rate medium- and long-term loans	(337)	0.5%	(164)	0.2%
Total non-current liabilities	**(54,557)**	**76.1%**	**(51,240)**	**77.5%**
Floating-rate medium- and long-term loans	(9,250)	12.9%	(11,883)	18%
Floating-rate medium- and long-term loans hedged by IRS	(7,524)	10.5%	(2,857)	4.3%
Fixed-rate medium- and long-term loans	(357)	0.5%	(160)	0.2%
Floating-rate short-term bank loans for use of commercial facilities			(6)	0.0%
Total current liabilities	**(17,130)**	**23.9%**	**(14,906)**	**22.5%**
Total (floating rate)	*(33,351)*	46.5%	*(32,322)*	48.9%
Total (fixed rate or hedged floating rate)	*(38,336)*	53.5%	*(33,824)*	51.1%
Total	**(71,687)**	**100.0%**	**(66,146)**	**100.0%**

Sensitivity Analysis of Interest Rate Risk

A sensitivity analysis of the financial instruments exposed to interest rate risk was performed upon preparation of the financial statements. The following assumptions were used in the model:

- for bank current-account exposure and spreads settled by interest rate swaps, financial income/expense was recalculated by applying +/-50 bps to the interest rate payable, multiplied by the carrying amounts and for a period equal to the financial year;
- for loans with a repayment plan, the change in financial expense was calculated by applying +/-50 bps to the loan interest rate payable at each refixing date, multiplied by the outstanding principal during the year;

- the change in the fair value of interest rate swaps at the reporting date was calculated by applying +/-50 bps to the Euro risk-free curve of deposit rates, futures and swaps at the reporting date.

		Profit (loss)		Shareholders' equity	
		Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
(thousands of Euros)					
December 31, 2016					
Cash flows during the year		(704)	673		
	Cash flows from derivatives	*18*	*(18)*		
	Floating-rate loans	*(722)*	*691*		
Effectiveness of hedges				309	(317)
Net sensitivity of financial flows		(704)	673	309	(317)
December 31, 2015					
Cash flows during the year		(475)	475		
	Cash flows from derivatives	*78*	*(78)*		
	Floating-rate loans	*(553)*	*553*		
Effectiveness of hedges				449	(461)
Net sensitivity of financial flows		(475)	475	449	(461)

An analysis of these scenarios demonstrated that changes in interest rates had little impact on the income statement and shareholders' equity. Cash flow hedges considerably restrict the impact on financial expense recognized in the income statement.

How Interest Rate Risk is Managed

The Group uses various debt instruments according to the nature of its financial requirements. In particular, it uses short-term debt to fund working capital requirements and medium- and long-term financing to cover investments in the core business.

The techniques used most often are:

- advances for short-term requirements;

- loans for medium- and long-term requirements. These instruments, which are arranged with leading banks, are mainly indexed to floating rates that are subject to revision every three or six months.

The Group's current risk management policy aims to reduce the variability of the financial expense incurred on its debt and of the related effects on results. The practical objectives in terms of risk management therefore involve stabilizing the cash flows linked to the cost of servicing debt in line with budget forecasts.

From an operating standpoint, the Group sets about achieving this goal by using derivatives in the form of interest rate swaps (IRS).

In line with the features of the transactions carried out and its risk management objectives, the Group has decided to structure its hedging relations using a cash flow hedge approach.

Specifically, the hedging relations involve converting floating-rate loan payments to fixed-rate payments. This is carried out by using interest rate swaps (IRS), under which the Group receives a flow of payments from the counterparty bank at the same floating rate as its debt, less the spread. In exchange, the Group makes a payment flow at a fixed rate. The consolidated position (debt + IRS) is therefore a fixed-rate liability of which the amount of financial expense is certain (the aim of cash flow hedging).

The present hedging policy excludes the recourse to transactions involving complex derivatives.

As at the reporting date, the risk of variability in cash flows linked to floating-rate debt was mainly hedged by derivative financial instruments.

Commodity Risk

In terms of the nature of the business carried out by RDM Group, commodity risk is the risk that the profit for the year will be reduced by incurring higher costs to purchase raw materials for the mills. This risk is part of the broader category of market risk, specifically where the cost of the raw materials is dependent on changes in a quoted index.

In 2015 the Group signed natural gas procurement agreements also for 2016, mainly on a quarterly basis, negotiating fixed unit prices for each individual quarter. The method makes it possible to contain the commodity risk for the first part of the year *ex ante*. The rates for the last two quarters are also negotiated and confirmed during the year, in order to fulfill the needs of the plants and at the same time take advantage of the lower price trends for energy commodity prices. All quotes are expressed in Euros per unit of volume with later adjustment to the primary energy content.

At the end of November 2015, the Group signed electricity procurement contracts at a price indexed to the listings of several continental energy markets, in some cases involving fixing operations after signing the contracts, taking advantage of dedicated clauses in the contracts. The supply quotas at indexed prices in relation to the reference markets are procured with fixed spreads in relation to these quotes. The aim of fixing the supply prices is to contain commodity risk. as described above. Negotiated prices are expressed in Euros per unit of electricity.

As at December 31, 2016, there were no outstanding derivative instruments for hedging commodity risk.

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

How Commodity Risk is Managed

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

Natural gas supply contracts are usually agreed at a fixed price, and are negotiated at least three months before the supply period. Electricity is purchased at a fixed price and partly indexed to amounts set in continental electricity markets, such as those published by entities responsible for these markets.

In order to contain possible price pressure on raw materials, the Group aims to diversify its suppliers and its supply markets.

The Group does not currently use derivative instruments, even if there is a possibility to enter into technical forms of hedging with leading banks.

Liquidity risk

Liquidity risk can take the form of difficulty in obtaining the funds required to satisfy scheduled contractual commitments at market conditions.

This may mean there are insufficient resources available to meet financial obligations under the agreed terms and conditions and at the pre-determined due dates, or it may mean the business is required to settle its financial liabilities earlier than the scheduled due date.

For each contract maturity date, the analysis aimed to measure the cash flows deriving from the various types of financial liability held as at December 31, 2016 and December 31, 2015.

Depending on their nature, financial liabilities were separated into non-derivative and derivative financial liabilities. Given the different accounting treatments, the latter were subdivided into liabilities where the derivative had been formally designated as a hedge, and had turned out to be effective, or liabilities where the derivative was not subject to hedge accounting.

The main assumptions relating to the Group's financial requirements that were used to carry out the analyses were as follows:

- cash flows are not discounted;

- cash flows are allocated to their respective time bands on the basis of the first possible payment date provided for by the contractual terms and conditions (the worst-case scenario);

- all instruments held at the reporting date for which payments have been contractually designated are included; planned future commitments that have not yet been recognized in the financial statements are not included;

- if the amount payable is not fixed (e.g. future interest payments), financial liabilities are measured at market terms and conditions at the reporting date;

- cash flows also include the interest that the Group will pay up to the due date of the debt, measured at the reporting date and calculated on the basis of market forward interest rates.

December 31, 2016	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
(thousands of Euros)							
Cash and cash equivalents	29,331	29,331	29,331				
Trade receivables	67,405	67,405	67,405				
Other receivables from associates and joint ventures	4	4	4				
Other receivables	16,541	16,541	13,758	300	507	483	1,493
Medium- and long-term bank loans	(73,799)	(71,104)	(7,267)	(7,086)	(16,916)	(32,661)	(7,174)
Other payables	(20,621)	(20,621)	(20,543)	(52)	(26)		
Hedging derivative instruments	(423)	(423)	(72)	(83)	(138)	(127)	(3)
Trade payables	(103,685)	(103,685)	(103,685)				
Total	(85,246)	(82,552)	(21,069)	(6,921)	(16,573)	(32,305)	(5,684)

December 31, 2015	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
(thousands of Euros)							
Cash and cash equivalents	23,146	23,146	23,146				
Trade receivables	58,976	58,976	58,976				
Other receivables from associates and joint ventures	470	470	470				
Other receivables	8,455	8,455	7,303		482	187	483
Medium- and long-term bank loans	(68,079)	(70,238)	(6,585)	(10,204)	(15,573)	(30,423)	(7,407)
Short-term loans from banks for use of commercial facilities	(6)	(6)	(6)				
Other payables	(12,115)	(12,115)	(11,985)	(52)	(52)	(26)	
Other payables to associates and joint ventures	(1,954)	(1,954)	(1,954)				
Hedging derivative instruments	(190)	(190)	(71)	(69)	(45)	(5)	-
Non-hedging derivative instruments	(6)	(6)	(6)				-
Trade payables	(84,879)	(84,879)	(84,879)				
Total	(76,182)	(78,341)	(15,591)	(10,325)	(15,188)	(30,267)	(6,924)

The first section of the table compares the book value of the financial liabilities with the total value of cash flows that – given the market conditions at the reporting date – are expected to be received from or paid to counterparties. The second section of the table shows a breakdown by time period of the total cash flows, which make up the item “Contractual financial flows”.

How Liquidity Risk is Managed

The Group’s financial activity is centered largely on Reno De Medici S.p.A., which, on the basis of well-established practice inspired by prudence and stakeholder protection, negotiates credit facilities with banks and continually monitors the cash flows of the individual Group companies.

The Group’s management policies involve continually monitoring liquidity risk with a view to mitigating said risk by maintaining sufficient liquidity and/or short-term deposits with prime counterparties and by having access to short-term credit facilities backed mainly by receivables from domestic and foreign clients.

OTHER INFORMATION

Equity investments in subsidiaries, associates and joint venture as at December 31, 2016 (pursuant to Article 38, paragraph 2 of Legislative Decree 127/91.

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

Cartonboard sector – subsidiaries

Cartiera Alto Milanese S.r.l. in liquidation

Milan – Italy

Direct ownership 100%

RDM Blendecques S.A.S.

Blendecques – France

Direct ownership 100%

RDM Ovaro S.p.A.

Milan - Italy

Direct ownership 80%

Reno De Medici Arnsberg GmbH

Arnsberg – Germany

Direct ownership 94%

Indirect ownership 6% (through Cascades Grundstück GmbH & Co.KG).

R.D.M. Magenta S.r.l. (formerly Carta Service Friuliana S.r.l.)

Milan - Italy

Direct ownership 100%

Cascades S.A.S.

La Rochette – France

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

Service sector – subsidiaries

Cascades Grundstück GmbH & Co.KG

Arnsberg – Germany

Direct ownership 100%

R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)

Milan – Italy

Direct ownership 100%

R.D.M. Marketing Germany GmbH

Krefeld – Germany

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

RDM Marketing France S.A.S.

Paris – France

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

R.D.M. Marketing Spain S.L.U.

Prat de Llobregat – Barcelona – Spain

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

R.D.M. Marketing UK Limited

Wednesbury – UK

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

R.D.M. Marketing Czech Republic S.r.o.

Prague – Czech Republic

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

R.D.M. Marketing Hungaria Kft.

Budapest - Hungary

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

R.D.M. Marketing Poland SP z.o.o.

Warsaw - Poland

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

LIST OF EQUITY-ACCOUNTED INVESTMENTS

Cartonboard sector and other industrial production

Emmaus Pack S.r.l.

Milan - Italy

Direct ownership 34.39%

Manucor S.p.A.

Milan - Italy

Direct ownership 22.75%

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

SUBSEQUENT EVENTS

With reference to subsequent events after the 2016 year end, see the Directors' Report.

CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2105 PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION 11971 OF MAY 14, 1999 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS.

1. The undersigned Michele Bianchi, as CEO and Stefano Moccagatta as Financial Reporting Executive of Reno De Medici S.p.A., certify, also taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998: 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998:

- the suitability for the characteristics of the business and
- the effective implementation

of the administrative and accounting procedures pertaining to the preparation of the year-end consolidated financial statements for the period from January 1 to December 31, 2016.

2. No significant issues have emerged in this regard.

3. It is further certified that

3.1 the separate financial statements:

a) were prepared in accordance with the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002;

b) are consistent with the figures reported in the relevant accounting books and records;

c) are able to provide a true and fair view of the financial position, the results and the cash flows of the issuer and of the companies whose accounts have been consolidated;

3.2. The Directors' Report comprises a reliable analysis of operating performance and results, as well as of the situation of the issuer and of the companies whose accounts have been consolidated, together with a description of the major risks and uncertainties to which they are exposed.

Milan, March 23, 2017

Chief Executive Officer	Chief Financial Officer signed
Michele Bianchi	Stefano Moccagatta

INDEPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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

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

INDEPENDENT AUDITORS’ REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Reno De Medici Group, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Reno De Medici Group as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Deloitte.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Reno De Medici S.p.A., with the consolidated financial statements of the Reno De Medici Group as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of the Reno De Medici Group as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Gasperini
Partner

Milan, Italy
April 5, 2017

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2016

STATEMENT OF INCOME

	Note	12.31.2016	12.31.2015
Revenues from sales	1	213,669,172	217,505,263
- of which related parties		*19,111,231*	*18,156,764*
Other revenues and income	2	8,106,602	9,079,679
- of which related parties		*4,382,707*	*5,119,675*
Change in inventories of finished goods	3	(1,494,607)	(2,042,283)
Cost of raw materials and services	4	(175,613,352)	(171,423,156)
- of which related parties		*(7,282,737)*	*(8,265,834)*
Personnel costs	5	(26,147,619)	(25,975,480)
Other operating costs	6	(2,827,430)	(2,982,567)
Gross operating profit		15,692,766	24,161,456
Depreciation and amortization	7	(11,390,155)	(12,059,929)
Write-downs	8		(2,288,351)
Operating profit		4,302,611	9,813,176
Financial expense		*(2,336,109)*	*(3,031,653)*
Gains (losses) on foreign exchange		*106,853*	*83,083*
Financial income		*361,098*	*240,631*
Net financial income (expense)	9	(1,868,158)	(2,707,939)
Gains (losses) from investments	10	5,431,236	6,536,014
Taxes	11	(1,076,977)	(1,252,306)
Profit (loss) for the year		6,788,712	12,388,945

STATEMENT OF COMPREHENSIVE INCOME

	Note	12.31.2016	12.31.2015
Profit (loss) for the period		6,788,712	12,388,945
Other components of comprehensive profit (loss)			
Other components that may be transferred to the income statement in subsequent financial periods:		(111,018)	(163,484)
Change in fair value of cash flow hedges	*24*	*(111,018)*	*(163,484)*
Other components that will not be transferred to the income statement in subsequent financial periods		(161,708)	270,261
Actuarial gain/ (loss) on employee benefits	*24*	*(161,708)*	*270,261*
Total other components of comprehensive profit (loss)		(272,726)	106,777
Total comprehensive profit (loss)		6,515,986	12,495,722

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

STATEMENT OF FINANCIAL POSITION

	Note	12.31.2016	12.31.2015
ASSETS			
Non-current assets			
Tangible assets	12	114,531,623	125,603,302
Other intangible assets	13	1,728,643	915,481
Investments in Subsidiaries	14	81,089,094	69,357,550
Investments in Associates, Joint Ventures and Other Companies	15	707,417	601,558
Deferred tax assets	16		1,394,976
Other receivables	17	1,011,834	472,077
Total non-current assets		199,068,611	198,344,944
Current assets			
Inventories	18	32,723,750	34,823,508
Trade receivables	19	30,277,653	32,084,207
Receivables from Group companies	20	9,018,891	7,975,752
Other receivables	17	2,913,987	3,125,327
Other receivables from Group companies	21	255,670	7,819,416
Cash and cash equivalents	22	28,101,370	22,800,735
Total current assets		103,291,321	108,628,945
Assets held for sale	23		800,000
TOTAL ASSETS		302,359,932	307,773,889

	Note	12.31.2016	12.31.2015
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		140,000,000	150,399,256
Other reserves		19,419,809	1,308,735
Retained earnings (losses)			
Profit (loss) for the year		6,788,712	12,388,945
Use of profit for the year to cover losses			(2,239,197)
Residual profit (loss) for the year		**6,788,712**	**10,149,748**
Total shareholders' equity	**24**	**166,208,521**	**161,857,739**
Non-current liabilities			
Payables to banks and other lenders	22	31,178,190	44,128,883
Derivative instruments	25	187,421	50,114
Other payables	26	78,154	130,258
Deferred tax liabilities	27	193,725	
Employee benefits	28	5,881,376	7,150,403
Non-current provisions for risks and charges	29	3,428,068	2,014,258
Total non-current liabilities		**40,946,934**	**53,473,916**
Current liabilities			
Payables to banks and other lenders	22	12,147,218	13,542,046
Derivative instruments	25	129,447	146,082
Trade payables	30	54,713,900	52,869,075
Payables to Group companies	31	4,028,635	2,801,891
Other payables	26	5,472,090	5,530,976
Other payables to Group companies	32	18,268,860	16,853,630
Current taxes	33	3,404	216,022
Employee benefits	28		30,642
Current provision for risks and charges	29	440,923	451,870
Total current liabilities		**95,204,477**	**92,442,234**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		302,359,932	307,773,889

STATEMENT OF CASH FLOWS

	Note	12.31.2016	12.31.2015
(thousands of Euros)			
Profit (loss) for the year before tax		7,866	13,641
Depreciation, amortization	7	11,390	12,060
Write-downs	8		2,288
Losses (gains) from investments	10	(5.431)	(6,536)
Financial (income) expense	9	1,975	2,791
Capital losses (gains) on sale of fixed assets		(59)	
Change in provisions for employee benefits and in other provisions, including the provision for bad and doubtful receivables		317	(2,467)
Change in inventories	18	2,181	1,988
Change in trade receivables		846	(2,653)
- of which related parties	*36*	*(1,797)*	*854*
Change in trade payables		4,219	2,009
- of which related parties	*36*	*1,073*	*(113)*
Change in total working capital		7,246	1,344
Gross cash flows		23,304	23,121
Interest paid in the year		(1,900)	(2,769)
- of which related parties	*36*	*(320)*	*(481)*
Interest received in the year		361	262
- of which related parties	*36*	*126*	*219*
Taxes paid in the year		(1,332)	(1,899)
Cash flows from operating activities		20,433	18,715
Investment in othe Companies	15	(34)	(1)
Investment net of disinvestment in tangible and intangible assets		(6,264)	(6,653)
Investment net of disinvestment in subsidiaries, joint venture and related parties	14	(3,935)	(3)
Disinvestments in assets held for sale	23	800	
Dividends received	10	4,985	8,545
Cash flows from investing activities		(4,448)	1,888
Change in other financial assets and liabilities and short-term payables to banks	22	5,997	(27,782)
- of which related parties	*36*	*6,575*	*(9,825)*
Change in medium- and long-term loans	22	(14,517)	27,891
Dividends paid	*24*	(1,983)	
Treasury shares	24	(182)	
Cash flows from financing activities		(10,685)	109
Change in unrestricted cash and cash equivalents	22	5,300	20,712
Unrestricted cash and cash equivalents at the beginning of the period	22	22,801	2,086
Unrestricted cash and cash equivalents at the end of the period	22	28,101	22,801

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(thousands of Euros)	Share capital	Legal reserve	Extraordinary reserve	Profit (loss) Retained earnings (losses)	Profit (loss) for the period	Hedging reserve	Reserve for actuarial gains (losses)	Other reserves	Total Shareholders' Equity
Shareholders' equity as at 12.31.2014	185,122	443	1,150	(41,980)	3,425	29	(1,932)	3,105	149,362
Allocation of 2014 profit		171		3,254	(3,425)				
Coverage of previous losses	(34,723)	(614)	(1,150)	38,726	(2,239)				
Profit (loss) for the period					12,389				12,389
Other components of comprehensive profit (loss)						(163)	270		107
Total comprehensive profit (loss)					12,389	(163)	270		12,496
Shareholders' equity as at 12.31.2015	150,399				10,150 (*)	(134)	(1,662)	3,105	161,858
Dividend distribution					(1,983)				(1,983)
Allocation of 2015 profit		619			(8,167)			7,548	
Voluntary reduction of share capital pursuant to Article 2445	(10,399)							10,399	
Purchase of treasury shares								(182)	(182)
Profit (loss) for the period					6,789				6,789
Other components of comprehensive profit (loss)						(111)	(162)		(273)
Total comprehensive profit (loss)					6,789	(111)	(162)		6,516
Shareholders' equity as at 12.31.16	140,000	619			6,789	(245)	(1,824)	20,870	166,209

(*) This amount referred to the residual profit/loss for the year after the partial use of the result for the period of coverage of pre-existing losses in accordance with the resolutions of the Shareholders' Meeting of Reno De Medici S.p.A. on November 2, 2015.

NOTES TO THE FINANCIAL STATEMENTS

Structure and content

Reno De Medici is a company established as a legal entity under Italian law, which operates mainly in Italy. The business of the Company is the production and distribution of cartonboard for packaging made mainly from recycled fibers. Distribution and sale operations are carried out through a network of agents under the subsidiary R.D.M. Marketing (formerly Careo S.r.l.).

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

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

Reno De Medici's draft separate financial statements were approved and authorized for publication by its Board of Directors on March 23, 2017.

Reno De Medici S.p.A., as Parent Company, also prepared the consolidated financial statements of the RDM Group at December 31, 2016.

The 2016 separate financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and approved by the European Union, and on the basis of provisions adopted by Consob with regard to the financial statement schemes implemented by Article 9 of Legislative Decree 38/2005 and other Consob regulations and provisions regarding financial statements. IFRS also includes all revised international accounting standards ("IAS"), all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee ("SIC").

Reno De Medici applied the same accounting principles as for the Annual Financial Report at December 31, 2015.

Accounting principles, amendments and interpretations effective from January 1, 2016, specifying any impact in these financial statements for each of them:

- Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions", which proposes to present the contributions (relating only to the service provided by employees in the period) made by employees or third parties to defined-benefit plans to reduce service costs during the period in which this contribution is paid. The adoption of the principle did not have any effects.

- Amendment to IFRS 11 Joint Arrangements – Accounting for acquisitions of interests in joint operations. Relates to the accounting of the acquisition of an interest in a joint operation which constitutes a business. The adoption of the principle did not have any effects.

- Amendment to IAS 16 Property, plant and Equipment and IAS 38 Intangible Assets – "Clarification of acceptable methods of depreciation and amortization", based on which an amortization/depreciation criterion based on revenues is usually considered inappropriate, because the revenues generated by an asset which include the use of the asset subject to amortization/depreciation generally reflect factors other than the consumption of economic benefits of the assets, which, on the other hand, is a requirement for amortization/depreciation. The adoption of the principle did not have any effects.

- Amendment to IAS 1 Disclosure Initiative; the aim of the changes is to clarify the information elements that could be perceived as hindering the clear and intelligible preparation of the financial statements.

- The amendment to IAS 27 Equity Method in Separate Financial Statements (published on August 12, 2014): introduces the option, in the separate financial statements of an entity, of valuing the investments in subsidiaries, joint ventures and associates at equity. The adoption of the amendment had no effect on the separate financial statements of the Company;

- As a part of the annual process for improving the principles, on December 12, 2013, the IASB published the documents "Annual Improvements to IFRSs": 2010-2012 Cycle" and on September 25, 2014 "Annual Improvements to IFRSs: 2012-2014 Cycle". The adoption of the principle did not have any effects.

The IFRS and IFRIC accounting standards, amendments and interpretations standardized by the European Union not yet obligatorily applicable and not subject to early adoption by the Company are as follows:

- IFRS 15 Revenue from Contracts with Customers, which is intended to replace IAS 18 Revenue and IAS 11 Construction Contracts. This principle establishes a new revenue recognition model that will apply to all agreements entered into with customers, with the exception of those that fall within the scope of other IAS/IFRS principles such as leases, insurance agreements and financial instruments.

- IFRS 9 Financial Instruments. This principle introduces new criteria for classifying and measuring financial assets and liabilities.

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

- IFRS 16 Leases

- Amendment to IAS 12

- Amendment to IAS 7

- Amendment to IFRS 2

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

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

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

The financial statements were prepared with clarity and truthfully and accurately represent the income statement, balance sheet and cash flow statement of the Company. The financial statements are prepared on the going-concern assumption. In this respect, despite operating in a persistently difficult economic and financial environment, the Company's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist about its ability to continue as a going concern.

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

Reno De Medici has chosen to present the structure and content of its separate financial statements in the following manner:

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

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

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

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

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

ACCOUNTING PRINCIPLES

TANGIBLE ASSETS

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

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

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

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

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

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

Category		Years
Buildings	Industrial buildings	33
	Small structures	20
Plant and machinery	General plant and machinery	20 – 10 - 5
	Specific plant and machinery	20 – 10 - 5
Industrial and commercial equipment	Miscellaneous equipment	5
Other assets	Furniture and ordinary office machines	8
	Electronic office machines	5
	Internal vehicles	5
	Motor vehicles	4

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

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

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

ASSETS HELD FOR SALE

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

INTANGIBLE ASSETS

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

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

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

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

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

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

IMPAIRMENT

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

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

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

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

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

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

Investments in subsidiaries, associates and joint ventures and other companies

Investments in subsidiaries, associates and joint ventures are measured at cost and undergo testing to determine the extent of any impairment losses, as described in the "Impairment" section above.

The test is conducted whenever there are indicators of likely impairment losses in equity investments.

With regard to equity investments in subsidiaries, associates and joint ventures, where the investee company has distributed dividends, the following situations are also considered to be impairment indicators:

- the book value of the equity investment on the separate financial statements exceeds the carrying amount of the investee company's net assets (including any related goodwill) on the consolidated financial statements;
- the dividend exceeds the comprehensive profits (statement of comprehensive income) of the investee company in the period to which the dividend applies;
- the recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Specifically, when considering the existence of possible impairment of equity investments in subsidiaries and associates, since these are holdings for which a reliable market value (fair value less costs to sell) cannot be determined, the recoverable amount was defined as value in use, i.e. the present value of cash flows estimated with reference to the forecast results of the investee companies and to the estimated value of a hypothetical ultimate disposal in accordance with IAS 28 (paragraph 33).

When it is necessary to proceed with a write-down, this is charged to the income statement for the year in which it was measured.

When the impairment of an asset is subsequently eliminated or reduced, the carrying amount of the asset is increased to the new estimate of the recoverable amount and may not exceed the value that would have been determined if no impairment had occurred. The reversal of the impairment is recognized immediately on the income statement.

Equity investments in other companies are measured at fair value with changes recorded in shareholders' equity. Where there is objective evidence that a financial asset is impaired significantly or for an extended period, the impairment loss is recognized in the income statement even if the investment has not been sold. Where fair value cannot be reliably measured, equity investments are measured at cost and adjusted for any impairment losses.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

DERIVATIVE INSTRUMENTS

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

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

- the hedging relationship is formally designated and documented at its inception;
- the hedge is expected to be highly effective;

- effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

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

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

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

Trade and Other Receivables

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

Inventories

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

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

Cash and cash equivalents

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

Employee benefits

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

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

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

Provisions for Risks and Charges

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

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

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

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

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

Payables to Banks and Other Lenders

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

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

Trade and Other Payables

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

Recognition of Revenues

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

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

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

Taxes

Current income taxes are based on an estimate of the taxable income for the year and on applicable rates and legislation. The expected liability, net of any payments on account or withholding tax incurred, is recognized on the statement of financial position under "Current taxes", or under "Other receivables" if, during the year, the Company has paid more on account than its tax liability.

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

Deferred tax assets and liabilities reflect the temporary differences between the carrying amount of an asset or liability and its tax base. "Deferred tax liabilities" consist of deferred tax liabilities arising from temporary differences which will be taxed in future years in accordance with prevailing tax legislation. "Deferred tax assets" consist of taxes which, despite being recoverable in future years, refer to the current year and are recognized where it is probable that future taxable income will be sufficient to absorb their recovery.

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

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

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

Foreign exchange differences

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

Dividends

Dividends are recognized at the date on which their distribution is approved by the Shareholders' Meeting.

Treasury Shares

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

Financial Instruments and Risk Management

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

Estimates and Valuations

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

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

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

VALUATION METHODS

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

Fair value of derivative contracts and financial instruments

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

TAXES

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

IMPAIRMENT TESTS

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

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, which has caused heavy losses on the major regulated markets over recent months, makes it impossible to predict national and global future economic scenarios.

The market capitalization of the Parent Company continues to remain at a lower average level than the shareholders' equity in the financial statements.

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

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

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

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

a) estimates of future operating cash flows;

b) the discount rate;

c) the final growth rate.

With respect to point a), given the current economic and financial crisis, the Company has made a prudent assumption, valid only for impairment testing, of the projected development of its operations between 2017 and 2019.

The Parent Company has used the same net discount rate, 5.73%, for all cash-generating units when discounting cash flows, a rate which reflects current market assessments and also takes into account the specific risks of the sector.

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

No need for impairment emerged based on the revised costs.

As far as the Magenta mill is concerned, in order to assess the recoverable amount, rather than the value in use method, the fair value method was used, deducting selling costs (current market value), as determined by the appraisal conducted by an independent expert.

In addition, on the basis of the recommendations included in Joint Document no. 4 of the Bank of Italy, Consob (the Italian stock exchange regulator) and ISVAP (the Italian insurance regulator) of March 4, 2010, the Parent Company prepared sensitivity analyses on the results of the tests, basing these on changes in the underlying assumptions (the use of the growth rate in calculating the terminal value and the discount rate) that affect the value in use of the cash-generating units, but there was no need to record impairment losses.

Considering that recoverable amounts are calculated on the basis of estimates, and given the uncertainty surrounding how the present global crisis will evolve, the Parent Company cannot be certain that a revision of these estimates, and the resulting adjustment to values, will not be required in the future. The Parent Company will continually monitor the changing situation in order to make any necessary revision to the assumptions underlying the estimates.

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

In this respect, however, the present valuations may need to be revised if the crisis continues or worsens.

Notes

It is hereby reiterated that, on August 31, 2016, with effect from September 1, 2016, Reno De Medici S.p.A. Granted to R.D.M. Magenta S.r.l. (formerly Carta Service Friulana S.r.l.) the business unit which consisted of the "Centro Taglio Magenta".

Following the above-mentioned operation, all the assets and liabilities relative to the assigned business unit were transferred to the subsidiary. As at the effective date, the balances of the assets and liabilities are shown in that following table and in the notes to the balance sheet:

Business Unit "Centro Taglio Magenta"	09.01.2016
(thousands of Euros)	
Inventories	19
Trade payables	(750)
Trade working capital	**(731)**
Other current liabilities	(429)
Non-current assets	5,878
Invested capital	**5,449**
Employee benefits	(1,316)
Net invested capital	**4,133**
Total net assets sold	**3,402**

As the transaction entered into effect on September 1, 2016, the balances of the Company's income statement items as at December 31, 2016 include only the first eight months of operations of the "Centro Taglio Magenta".

1. Revenues from sales

These revenues arise essentially from sales of cartonboard:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Revenues from sales	213,669	217,505	(3,836)
Total revenues from sales	**213,669**	**217,505**	**(3,836)**

In 2016, revenues fell slightly by €3.8 million (-1.8%) due mainly to a fall in sales prices, partly offset by the increase volumes traded.

The geographical breakdown of sales revenues given below highlights a diverse mix of reference geographical areas. Specifically, the decrease in the European market (-5.1% for Italy and -17.7% for others) is due to a weak market that drove prices downwards, a trend which the company adjusted to in order to retain its market shares. As a result, increased production efficiency was allocated to overseas markets where prices are lower than the European average.

	12.31.2016	12.31.2015	Change	%
(thousands of Euros)				
Italy	115,590	121,807	(6,217)	(5.1%)
EU	38,544	46,808	(8,264)	(17.7%)
Non-EU	59,535	48,890	10,645	21.8%
Total revenues from sales	213,669	217,505	(3,836)	(1.8%)

2. Other revenues and income

Other revenues and income may be analyzed as follows:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Grants	185	346	(161)
Indemnities	48	479	(431)
Ordinary capital gains	59	360	(301)
Rental income	445	446	(1)
Revenues for services	4,856	5,221	(365)
Revenues from sales of energy	2,194	2,123	71
Other revenues	320	105	215
Total	8,107	9,080	(973)

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

“Indemnities” referred to insurance payouts relating to accidents that occurred during the previous year.

“Revenues for services” refers to the payment for general services provided to Group Companies; the fall is due to the lower actual cost incurred by the Company for providing the services.

“Revenues from sales of energy” relate to revenues received from certain energy suppliers for joining the “interruption” scheme, as well as the allocation of energy efficiency certificates.

“Other revenues” consist mainly of contingent assets, in the form of collections from creditors’ arrangement procedures and revenues from non-cartonboard sales.

3. Change in inventories of finished goods

Inventories were down by €1.5 million compared the negative figure of €2.0 million as at December 31, 2015. This reduction is due to the lower physical inventories as a result of the greater sales volumes traded in 2016.

4. Cost of raw materials and services

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Cost of raw materials	**101,526**	**99,404**	**2,122**
Purchase of raw materials	100,939	99,388	1,551
Change in inventories of raw materials	587	16	571
Commercial services	**23,319**	**24,055**	**(736)**
Shipping	18,495	18,642	(147)
Commission and agents' costs	4,824	5,413	(589)
Industrial services	**42,457**	**39,900**	**2,557**
Energy	23,414	25,064	(1,650)
Maintenance	2,854	3,039	(185)
Waste disposal	6,939	4,929	2,010
Other industrial services	9,250	6,868	2,382
General services	**7,541**	**7,340**	**201**
Insurance	733	1,227	(494)
Legal, notarial, administrative and contractual services	3,257	2,703	554
Board of directors	343	358	(15)
Board of statutory auditors	166	168	(2)
Postal and telecommunications	554	580	(26)
Other	2,488	2,304	184
Costs for use of third-party assets	**770**	**724**	**46**
Rental and leasing	770	724	46
Total	**175,613**	**171,423**	**4,190**

The increase in the cost of raw materials and services was proportionally higher than the increase in sales revenues: the impact of the item on the value of production ("Revenues from sales" plus the "Change in inventories of finished goods") actually increased by 2%.

The "Cost of raw materials" refers mainly to the purchase of products used to make pulp (waste paper, wood paste, cellulose and chemicals) and for packaging. As far as the performance of the main production factors is concerned, in 2016 prices of pulp raw materials constantly increased throughout the year, stabilizing only somewhat towards the end of the year as a result of the increase in demand. These price dynamics meant that the overall effect of the cost of raw materials on the value of production as defined above, increased by 0.1% remaining essentially in line with the previous year.

"Service costs" rose (€73.3 million as at December 31, 2016 against €71.3 million as at December 31, 2015), as well as their weighting as a percentage of value of production which increased from 33.1% at the end of the previous year to 34.6%. Specifically, agents' costs fell as a result of the decrease in turnover and energy costs fell by €1.6 million despite the increase in the quantities produced. The decrease is largely due to both the fall in gas prices which represents the Company's main energy source, and improved efficiency in the production plants. The cost of electricity, on the other hand, rose, especially in the latter part of the year, following the problems recorded at the French nuclear power stations.

The decrease in the item was more than offset by the greater costs incurred for waste disposal and other industrial services, primarily cutting services at the Magenta Cutting Center as a result of the spin-off of this business unit from September 1, 2016.

As at December 31, 2016, "Costs for use of third-party assets" were in line with the figure reported as at December 31, 2015.

5. Personnel costs

(thousands of Euros)	12.31.2016	12.31.2015	Change
Salaries and wages	17,897	18,416	(519)
Social security contributions	6,009	6,400	(391)
Allowance for defined-contribution plans	1,160	1,094	66
Other costs	1,082	65	1,017
Total	**26,148**	**25,975**	**173**

Labor costs were essentially in line with the previous year, because the provision for personnel mobility (€1 million) was offset by the reduction in the headcount following the transfer of the Magenta Cutting Center business unit to R.D.M. Magenta S.r.l. (formerly Carta Service Friulana S.r.l.)

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

Employees by category	12.31.2016	12.31.2015	Change
Executives	11	12	(1)
White-collars	135	147	(12)
Blue-collars	271	322	(51)
Total	**417**	**481**	**(64)**

Average employees by category	12.31.2016	12.31.2015	Change
Executives	11	12	(1)
White-collars	145	144	1
Blue-collars	304	326	(22)
Total	**460**	**482**	**(22)**

6. Other operating costs

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Provisions for risks		143	(143)
Write-downs of current receivables	287	293	(6)
Miscellaneous operating costs	2,540	2,547	(7)
Total	**2,827**	**2,983**	**(156)**

The item “Other operating costs” was down by 5.2% from last year, due to the lack of an allocation to the provision for risks for the year just ended.

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

7. Depreciation and amortization

The table below breaks this item down into amortization of intangible assets and depreciation of tangible assets:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Amortization of intangible assets	138	200	(62)
Depreciation of tangible assets	11,252	11,860	(608)
Total	11,390	12,060	(670)

Overall, this item decreased by 5.6% from €12.1 million as at December 31, 2015 to €11.4 million as at December 31, 2016, due to the completion of the depreciation of certain assets.

8. Write-downs

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Write-downs		2,288	(2,288)
Total		2,288	(2,288)

Write-downs at December 31, 2015 referred mainly to certain buildings of the Magenta mill.

9. Net financial income (expense)

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Financial income	**361**	**240**	**121**
Income from subsidiaries and associates	343	221	122
Other income	18	19	(1)
Financial expense	**(2,336)**	**(3,031)**	**695**
Interest paid to subsidiaries and associates	(149)	(483)	334
Interest paid to banks	(1,253)	(1,555)	302
Losses on derivative financial instruments	(165)	(6)	(159)
Financial expense on defined-benefit plans	(94)	(68)	(26)
Expenses, commission and other financial charges	(675)	(919)	244
Gains (losses) on foreign exchange	**107**	**83**	**24**
Realized gains (losses) on foreign exchange:			
Realized gains on foreign exchange	552	856	(304)
Realized losses on foreign exchange	(557)	(664)	107
Unrealized gains (losses) on foreign exchange:			
Unrealized gains on foreign exchange	15	30	(15)
Unrealized losses on foreign exchange	97	(139)	236
Total	**(1,868)**	**(2,708)**	**840**

Net financial expenses recorded a net improvement of €0.8 million due to the fall in overall net debt (from €43.9 million to €32.9 million). On the one side net interest on loans and other financial costs fell, while on the other side net interest on existing cash pooling with subsidiaries fell. “Foreign exchange gains (losses)” were essentially in line with the previous year.

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

10. Gains (losses) from investments

(thousands of Euros)	12.31.2016	12.31.2015	Change
Income from equity investments in subsidiaries	4,640	8,275	(3,635)
Dividends from Reno De Medici Arnsberg GmbH	4,000	6,000	(2,000)
Dividends from R.D.M. Ovaro S.p.A.	640		640
Dividends from Cartiera Alto Milanese S.p.A. (in liquidation)		75	(75)
Dividends from Reno De Medici Ibérica S.L.		2,200	(2,200)
Income from equity investments in associates	1,009	270	739
Dividends from Pac Service S.p.A.	270	270	
Dividends from Emmaus Pack S.r.l.	75		75
Income from the sale of a stake in Emmaus Pack S.r.l.	664		664
Write-downs and charges on investments in subsidiaries and others	(218)	(2,009)	1,791
Write-down on RDM Blendecques S.A.S.		(971)	971
Write-down on R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)	(197)		(197)
Write-down on Reno De Medici Ibérica S.L.		(1,038)	1,038
Impairment of other company securities	(21)		(21)
Total	5,431	6,536	(1,105)

Income from equity investments amounted to €5.4 million, compared with €6.5 million in the previous year. The change was due to the decrease in dividends received (-€3.6 million), which was more than offset, on the one hand, by income from the sale of the stake held in Emmaus Pack S.r.l. (€0.7 million), and on the other hand, by lower write-downs of subsidiaries, which dropped from €2 million in 2015 to €200 thousand in 2016.

In addition, the equity investment in the subsidiary R.D.M. Marketing S.r.l. (formerly Careo S.r.l.) was written down following the replenishment of previous losses.

Last year, the equity investment in Reno De Medici Ibérica S.l.u. (classified under assets held for sale) was written down in order to adjust the carrying amount to fair value less cost to sale. This equity investment was sold on January 27, 2016 at a price largely consistent with fair value.

11. Taxes

Taxes recorded amounted to €1.1 million compared with €1.3 million in the previous year and break down as follows:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Current taxes	538	(552)	(1,090)
IRAP for the year	(340)	(865)	(525)
IRES for the year	(234)	(469)	(235)
Adjustment from previous years	213	16	(197)
Income from tax consolidation (IRES)	899	766	(133)
Deferred tax liabilities	(1,615)	(700)	915
IRES	(1,609)	(771)	838
IRAP	(6)	71	77
Total	(1,077)	(1,252)	(175)

The item "deferred tax liabilities" incorporates the release of deferred tax assets in the amount of €2.2 million and deferred tax liabilities in the amount of €0.6 million. For further information, see Note 27.

IRES for the period represents the tax relating to Reno De Medici S.p.A., which takes account of the national tax consolidation result. Its decrease was due to a drop in taxable income, which also resulted in a decline in IRAP.

"Income from tax consolidation (IRES)" refers to subsidiaries' immediate recognition of the benefit from using the past losses of Reno De Medici S.p.A. offset by the Parent Company's compensation of those investee companies that contributed a tax loss in the year just ended.

Reconciliation between the theoretical and actual tax burden (IRES)

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

For the period, Reno De Medici reported positive taxable income at the company level and at the level of tax consolidation.

IRES	Taxable income	% IRES	12.31.2016
(thousands of Euros)			
Profit (loss) before taxes	7,866		
Theoretical tax burden		27.50%	2,163
Reversal of temporary differences from previous years	(2,154)		
Temporary differences which will be reversed in future years	3,353		
Permanent differences which will not be reversed in future years	(4,810)		
Total differences	(3,611)		
Use of previous tax losses	(3,404)		
Actual tax burden	851	27.50%	234

Reconciliation between the theoretical and actual tax burden (IRAP)

IRAP	Taxable income	% IRAP	12.31.2016
(thousands of Euros)			
Difference between value and cost of production (excluding B9, B10 c), d) and B12 and B13)	30,738		
New 2015 Stability Law labor cost deduction	(24,446)		
Total	6,292		
Theoretical tax burden		3.90%	245
Permanent differences owing to higher regional rates	652		
Reversal of temporary differences from previous years	643		
Permanent differences which will not be reversed in future years	1,131		
Total differences	2,426		
Actual tax burden	8,718	3.90%	340
Effective tax rate		4.22%	

“Permanent differences owing to higher regional rates” refers to the application of the higher rate of 4.82% to the net value of production in the Lazio region.

12. Tangible assets

The changes in tangible assets for 2016 and 2015 are listed below:

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under development	Total
(thousands of Euros)							
Historical cost	22,145	78,109	295,364	1,423	8,929	15,750	421,720
Accumulated depreciation/write-downs	(1,120)	(48,281)	(228,490)	(1,308)	(8,807)	0	(288,006)
Net book value at 12.31.2014	**21,025**	**29,828**	**66,874**	**115**	**122**	**15,750**	**133,714**
Increases		305	3,885	16		2,199	6,405
Decreases [1]	(1,994)	(2,030)	(5,019)	(210)	(990)		(10,243)
Reclassification of cost			15,750			(15,750)	0
Depreciation for the period		(2,482)	(9,322)	(37)	(19)		(11,860)
Use of acc. dear./write-downs [1]	1,092	1,950	4,971	210	990		9,213
Write-downs		(1,624)			(2)		(1,626)
Value at 12.31.2015							
Historical cost	20,151	76,384	309,980	1,229	7,939	2,199	417,882
Accumulated depreciation/write-downs	(28)	(50,437)	(232,841)	(1,135)	(7,838)	0	(292,279)
Net book value at 12.31.2015	**20,123**	**25,947**	**77,139**	**94**	**101**	**2,199**	**125,603**

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

(thousands of Euros)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under development	Total
Historical cost	20,151	76,384	309,980	1,229	7,939	2,199	417,882
Accumulated depreciation/write-downs	(28)	(50,437)	(232,841)	(1,135)	(7,838)	0	(292,279)
Net book value at 12.31.2015	**20,123**	**25,947**	**77,139**	**94**	**101**	**2,199**	**125,603**
Increases		2,144	1,756		21	2,154	6,075
Decreases [(1)]			(1,470)		(23)		(1,493)
Reclassification of cost		4	1,858		21	(1,883)	0
Magenta Cutting Center transfer cost	(936)	(11,947)	(8,803)				(21,686)
Depreciation for the period		(2,173)	(9,019)	(37)	(23)		(11,252)
Use of acc. dear./write-downs [(1)]			1,456		21		1,477
Magenta Cutting Center transfer of acc. depr.		8,031	7,777				15,808
Value as at 12.31.2016							
Historical cost	19,215	66,585	303,321	1,229	7,958	2,470	400,778
Accumulated depreciation/write-downs	(28)	(44,579)	(232,627)	(1,172)	(7,840)	0	(286,246)
Net book value as at 12.31.2016	**19,187**	**22,006**	**70,694**	**57**	**118**	**2,470**	**114,532**

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

Following the sale of the Ovaro business unit in 2012, tangible assets from the mill were transferred to R.D.M. Ovaro S.p.A. with the exception of land and buildings, which continue to be owned by Reno De Medici.

With effect from September 1, 2016 the company conferred the business unit composed of the Magenta Cutting Center on R.D.M. Magenta S.r.l. (formerly Carta Service Friulana S.r.l.), transferring assets with a net value of €5.9 million.

“Land” includes the areas pertaining to mills at Magenta (MI) - for the part not involving the cutting center - Santa Giustina (BL), Villa Santa Lucia (FR).

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

Investments in tangible assets incurred in 2016 amounted to €6.1 million (€6.4 million in 2015).

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

- Santa Giustina mill: the completion of the fourth lot of the internal landfill was capitalized.

- Villa Santa Lucia mill: work to improve and upgrade plant and machinery; specifically, a new soft-nip calender was installed to improve cartonboard quality.

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

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

Property rights (mortgages) totaling €52.0 million related to owned property, are pledged in favor of banks as security on loans for which the outstanding balance as at December 31, 2016 amounted to €22.1 million.

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

13. Intangible assets

Changes in intangible assets during 2016 and 2015 were as follows:

Other intangible assets	Concessions, licenses, trademarks and similar rights	Assets under development	Total
(thousands of Euros)			
Net book value at 12.31.14	577	291	868
Increases	14	233	247
Reclassification	13	(13)	
Amortization for the year	(200)		(200)
Net book value at 12.31.15	404	511	915

Other intangible assets	Concessions, licenses, trademarks and similar rights	Assets under development	Total
(thousands of Euros)			
Net book value at 12.31.15	404	511	915
Increases	6	946	952
Amortization for the year	(138)		(138)
Net book value at 12.31.2016	272	1,457	1,729

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

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

The development and analysis phase of an ERP prototype was capitalized under intangible assets; this project was aimed at creating a new information system for the Group.

There have been no revaluations or write-downs of intangible assets during the year.

14. Investments in subsidiaries

	Historical cost 12.31.2015	Provision for losses on investment 12.31.2015	Net book value 12.31.2015	Increase (decrease) in investments	Historical cost 12.31.2016	Increase (decrease) in impairment provision	Provision for losses on investment 12.31.2016	Net book value 12.31.2016
	A	B	C=A+B	D	E=A+D	F	G=B+F	H=E+G
(thousands of Euros)								
Cartiera Alto Milanese S.r.l.. in liquidation	2,864	(1,912)	952		2,864		(1,912)	952
Reno De Medici Arnsberg GmbH	54,113		54,113		54,113			54,113
Reno De Medici UK Ltd	1,717	(1,717)		(1,717)		1,717		
Cascades Grundstuck GmbH	3,473		3,473		3,473			3,473
Emmaus Pack S.r.l.	108		108	(108)				
R.D.M. Ovaro S.p.A.	10,000		10,000		10,000			10,000
RDM Blendecques S.A.S.	8,165	(7,509)	656	8,000	16,165		(7,509)	8,656
R.D.M. Magenta S.r.l. (formerly Carta Service Friulana S.r.l.)	55		55	3,640	3,695			3,695
R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)				782	782	(582)	(582)	200
Total	**80,495**	**(11,138)**	**69,357**	**10,597**	**91,092**	**1,135**	**(10,003)**	**81,089**

The figures for the equity investment held, share capital, shareholders' equity and profit (loss) in 2016 for subsidiaries are reported on the basis of IFRS with the exception of Cartiera Alto Milanese

S.r.l. in liquidation and R.D.M. Ovaro S.p.A., which were reported in accordance with national accounting standards and shown in the following table:

	Head quarter	Direct investment share	Share capital at 12.31.2016	Shareholders' equity at 12.31.2016	Profit (loss) for the year
(thousands of Euros)					
Cartiera Alto Milanese S.r.l. in liquidation	Milan (IT)	100%	12	1,010	(39)
Reno De Medici Arnsberg GmbH	Arnsberg (DE)	94%	5,113	45,199	(126)
Cascades Grundstuck GmbH	Arnsberg (DE)	100%	19	307	(6)
R.D.M. Ovaro S.p.A.	Milan (IT)	80%	12,500	15,818	2,175
RDM Blendecques S.A.S.	Blendecques (FR)	100%	5,037	3,094	(3,505)
R.D.M. Magenta S.r.l. (formerly Carta Service Friulana S.r.l.)	Milan (IT)	100%	3,700	3,628	(116)
R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)	Milan (IT)	100%	200	154	(417)

Reno De Medici Arnsberg GmbH is held directly at 94% and indirectly at 6% through Cascades Grundstück GmbH & Co. KG.

Note that in the year ended the Company increase the share capital of the subsidiary RDM Blendecques S.A.S. by €4 million in preparation for the purchase by the latter of 100% of the share capital of Cascades S.A.S. For more information, please refer to the Report on Operations. Reno De Medici S.p.A. also gave a waiver for part of the trade and financial receivables (€1.6 and €2.4 million, respectively) due from same.

On March 14, 2016, Reno De Medici S.p.A. sold a portion of its equity investment held in Emmaus Pack S.r.l., with nominal value of €34 thousand, for €700 thousand, generating a capital gain of €664 thousand, which is recorded under income from equity investments in associates. Following the sale, the stake held dropped from 51.39% to 34.39%, and thus the company was reclassified under equity investments in associates.

In addition, on August 31, 2016 (effective September 1, 2016), the Company contributed the "Magenta Cutting Center" business unit, which is located in Pontenuovo di Magenta and consists of all operations related to the cutting service, to the subsidiary Carta Service Friulana S.r.l. Its name was changed to R.D.M. Magenta S.r.l. and its share capital was increased by €3.6 million.

Lastly, on December 12, 2016, Reno De Medici S.p.A. replenished past losses (€197thousand) and the capital (€200 thousand) of R.D.M. Marketing S.r.l. (formerly Careo S.r.l.), since the company attained the status referred to in Article 2482-ter of the Italian Civil Code. Since the shareholder Cascades S.A.S. did not participate in the transaction, Reno De Medici S.p.A., that before the transaction already held 70% of the shares, became the sole shareholder of the equity investment, and thus it was reclassified from the item “Investments in joint ventures” to the item “Investments in subsidiaries”.

It is highlighted that on March, 8 2016 Reno De Medici UK Limited was definitely closed.

15. Investments in associates, joint ventures and other companies

The table below shows investments in associates, joint ventures and other companies broken down by type of investment:

	Registered office	Investment share	Book value 12.31.2015	Increases (decreases)	Book value 12.31.2016
(thousands of Euros)					
Emmaus Pack S.r.l.	Milan (IT)	34.39%		73	73
Manucor S.p.A.	Milan (IT)	22.75%			
Pac Service S.p.A.	Vigonza (IT)	33.33%	387		387
Zar S.r.l.	Silea (IT)	33.33%	30		30
Total investments in associates and joint ventures			417	73	490
C.I.A.C. S.c.r.l.	Valpenga (TO) – Italy	Consortium share	1		1
Cartonnerie Tunisienne S.A.	Les Berges Du Lac – Tunis	5.274%	121		121
Comieco	Milan – Italy	Consortium share	25		25
Conai	Milan – Italy	Consortium share	23		23
Consorzio Filiera Carta	Isola del Liri (Fr) – Italy	Consortium share	7		7
Gas Internsive S.c.r.l.	Milan – Italy	Consortium share	1		1
Idroenergia S.c.r.l.	Aosta – Italy	Consortium share	1		1
Paper Interconnector S.c.r.l.	Milan – Italy	Consortium share	5	8	13
Industria e Università S.r.l.	Varese – Italy	0.189%		25	25
Total investments in other companies			184	33	217
Total investments			601	106	707

The table below summarizes the key figures of the associates and joint ventures from the statement of financial position and the income statement, prepared in accordance with Italian accounting standards, as at December 31, 2016:

	Emmaus Pack S.r.l.	Manucor S.p.A.	Pac Service S.p.A.	Zar S.r.l.
(thousands of Euros)				
Total assets	10,867	103,596	13,899	3,824
Shareholders' equity	1,156	10,107	7,023	285
Other liabilities	9,711	93,489	6,876	3,539
Value of production	16,459	147,796	20,508	20,799
Profit (loss) for the year	362	(3,446)	1,337	94

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

Investments in other companies, which mainly consisted of the €0.1 million stake in Cartonnerie Tunisienne S.A., and other minor items relating to stakes in consortia, are recorded at cost adjusted for any impairment, as their fair value cannot be reliably measured.

During the year, the Company acquired an investment in Industria e Università S.r.l. previously held by the subsidiary Cartiera Alto Milanese S.r.l. in liquidation.

16. Deferred tax assets

Changes in deferred tax assets were as follows:

	12.31.2016	12.31.2014	Change
(thousands of Euros)			
Non-current assets		1,395	(1,395)
Total deferred tax assets		**1,395**	**(1,395)**

See Note 27 for further comments.

17. Other current and non-current receivables

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

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Guarantee deposits	646	456	190
Financial receivables	300		300
Miscellaneous receivables	66	16	50
Non-current receivables	1,012	472	540
Tax receivables	814	784	30
Miscellaneous receivables	1,664	1,952	(288)
Accrued income	94	143	(49)
Financial receivables	342	246	96
Current receivables	2,914	3,125	(211)
Total	3,926	3,597	329

"Guarantee deposits" are essentially a deposit in favor of a factoring company (€0.2 million as at December 31, 2016 compared to €0.3 million as at December 31, 2015) and the Guarantee Fund set up at Terna (the network operator) totaling €0.2 million.

The current portion of "Tax receivables" remained in line with the previous year's figure, and consisted mainly of the IRAP receivable of €0.4 million and the VAT credit balance of €0.4 million.

The current portion of "Miscellaneous receivables" mainly included the cash receivable for qualifying as a "new entrant" in the ETS/2 system (emission trading system) (€0.7 million as at December 31, 2016 compared with €0.9 million as at December 31, 2015), and a deposit placed with a factoring company (€0.8 million), which was in line with the previous year. The decrease in this item was due to the sale of energy efficiency certificates totaling €0.2 million as at December 31, 2015.

"Accrued income" refers mainly to various service costs, insurance and rentals.

"Financial receivables" included the receivable from Arpafino S.l.u. for the sale of the Spanish operation, Reno De Medici Ibérica S.l.u, on January 27, 2016. The non-current portion totaled €300,000, and the current portion €300,000. The remainder of the current item consisted of the receivable from a factoring company following a sale with recourse (€40,000 as at December 31, 2016 compared to €200,000 as at December 31, 2015).

18. Inventories

The table below provides a breakdown of inventories at December 31, 2016:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Raw and ancillary materials and consumables	13,342	14,047	(705)
Provisions for obsolescence	(359)	(459)	100
Finished goods and goods for resale	19,741	21,236	(1,495)
Total	32,724	34,824	(2,100)

The balance of "Raw and ancillary materials and consumables" decreased by 5.0% from the previous year due to the decrease in physical inventory.

With regard to "finished goods and goods for resale", note that the decrease in stocks (-7.0%) is mainly due to the greater volumes sold compared with those produced.

19. Trade receivables

The table below shows the changes in trade receivables from third parties, which amounted to €30.3 million as at December 31, 2016:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Trade receivables	30,278	32,084	(1,806)
Current trade receivables	**30,278**	**32,084**	**(1,806)**

The fall in receivables compared with the previous year is due mainly to greater recourse to non-recourse factoring, which went from €15.9 million at 31 December 2015 to €18.8 million as at December 31, 2016, partly offset by the fundamentally stable turnover during the last quarter of 2015 and 2016. The credit situation, even if it has slowed down somewhat in payment terms due to macro-economic conditions, did not contain any critical areas.

The item is stated net of €1.7 million of provisions for bad and doubtful receivables. The table below sets out the changes for the year in those provisions:

	12.31.2015	Provisions	Drawings	12.31.2016
(thousands of Euros)				
Provisions for bad and doubtful receivables	1,732	287	(346)	1,673
Total	**1,732**	**287**	**(346)**	**1,673**

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

	12.31.2016	12.31.2015
(thousands of Euros)		
Italy	22,938	25,617
EU	2,010	869
Rest of world	5,330	5,598
Total	**30,278**	**32,084**

20. Receivables from Group companies

"Receivables from Group companies", equal to €9.0 million, break down as follows:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Receivables from subsidiaries	3,030	7,869	(4,839)
Total receivables from subsidiaries	**3,030**	**7,869**	**(4,839)**
Receivables from associates and joint ventures	5,989	107	5,882
Total receivables from associates and joint ventures	**5,989**	**107**	**5,882**
Total receivables from Group companies	**9,019**	**7,976**	**1,043**

The change in the components of this item was due to the reclassification of the receivable from Emmaus Pack S.r.l. from the item "Receivables from subsidiaries" to the item "Receivables from associates" following the sale of a portion of the Company's interest, and a reverse classification of the receivable from R.D.M. Marketing S.r.l. (formerly Careo S.r.l.) from the item "Receivables from associates and joint ventures" to the item "Receivables from subsidiaries".

"Receivables from subsidiaries", equal to €3 million, break down as follows:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
R.D.M. Magenta S.r.l. (formerly Carta Service Friulana S.r.l.)	170		170
Cascades S.A.S.	10		10
Emmaus Pack S.r.l.		5,232	(5,232)
Reno De Medici Ibérica S.l.u.		338	(338)
R.D.M. Ovaro S.p.A.	1,174	1,009	165
Reno De Medici Arnsberg GmbH	1,238	646	592
RDM Blendecques S.A.S.	329	644	(315)
R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)	109		109
Total	**3,030**	**7,869**	**(4,839)**

The decrease in this item was mainly due to the reclassification of the receivable from Emmaus Pack S.r.l., the elimination of Reno De Medici Ibérica S.l.u from the Group's scope of consolidation following the sale of the equity investment, and to changes in other subsidiaries related to normal movements in collections and payments as at the reporting date.

Note that receivables from subsidiaries include the sum of €724,000 (€723,000 at the end of the previous year) arising from participation in the tax consolidation scheme, of which €677,000 pertains to R.D.M. Ovaro S.p.A. and €47,000 to R.D.M. Magenta Pack S.r.l. (formerly Carta Service Friulana S.r.l.)

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

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)		98	(98)
Emmaus Pack S.r.l.	5,989		5,989
Zar S.r.l.		9	(9)
Total receivables from associates and joint ventures	**5,989**	**107**	**5,882**

The increase in this item is essentially due to the reclassification of the receivable from Emmaus Pack S.r.l., and to a lesser extent, the receivable from R.D.M. Marketing S.r.l. (formerly Careo S.r.l.) as noted above.

These receivables result from commercial relations and relations connected to the provision of services by the Company to its subsidiaries and joint ventures, and are carried out under normal market conditions.

21. Other receivables from Group companies

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

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Emmaus Pack S.r.l.		2,289	(2,289)
RDM Blendecques S.A.S.	251	5,060	(4,809)
Total receivables from subsidiaries	251	7,349	(7,098)
Zar S.r.l.	5	370	(365)
Pac Service S.p.A.		100	(100)
Total receivables from joint ventures	5	470	(465)
Total receivables from Group companies	256	7,819	(7,563)

This item reflected a net decrease of €7.6 million due, firstly, to the termination of the cash-pooling arrangement with Emmaus Pack S.r.l. after the settlement of a portion of the interest in the latter, and secondly to the improved financial situation of the subsidiary RDM Blendecques S.A.S., partly due to the capital increase and to the waiver of part of the loans made by the Parent Company.

In addition, during the year Zar S.r.l. repaid the loan taken out some time ago.

Last year, the Company had a receivable from Pac Service S.p.A. totaling €0.1 million for dividends approved but not yet paid.

22. Net financial position

The table below provides a breakdown of the net financial position at December 31, 2016 and 2015:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Cash	9	11	(2)
Funds available from banks	28,092	22,790	5,302
A. Cash and cash equivalents	28,101	22,801	5,300
Other receivables from Group companies	256	7,819	(7,563)
Other financial receivables	342	246	96
B. Current financial receivables	598	8,065	(7,467)
1. Current payables to banks	*37*	*96*	*(59)*
2. Current portion of medium- and long-term loans	*12,110*	*13,446*	*(1,336)*
Payables to banks and other lenders (1+2+3)	12,147	13,542	(1,395)
Other payables to Group companies	18,269	16,854	1,415
Derivatives - current financial liabilities	129	146	(17)
C. Current financial debt	30,545	30,542	3
D. Net current financial debt (C-A-B)	1,846	(324)	2,170
Other financial receivables	300		300
E. Non-current financial receivables	300		300
Payables to banks and other lenders	31,178	44,129	(12,951)
Derivatives - non-current financial liabilities	187	50	137
F. Non-current financial debt	31,365	44,179	(12,814)
G. Net non-current financial debt (F-E)	31,065	44,179	(13,114)
H. Net financial debt (D+G)	32,911	43,855	(10,944)

Net financial debt was €32.9 million as at December 31, 2016 (compared with €43.9 million as at December 31, 2015). The decrease in the item (€10.9 million) is mainly attributable to the positive operations and actions undertaken for containing working capital.

“Other receivables from Group companies” and “Other payables to Group companies” consist of financial balances resulting from cash-pooling transactions carried out as part of the Group’s centralized financial management.

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

	within 12 months	over 12 months	over 60 months	total
(thousands of Euros)				
M.I.C.A. - due February 13, 2017	165			165
Credem	1,003	759		1,762
Banco Popolare	2,491	3,771		6,262
Banca Popolare di Milano	2,857	11,429	2,857	17,143
Cariparma	1,750	2,625		4,375
Banca Intesa	4,000	10,000		14,000
Total nominal debt	**12,266**	**28,584**	**2,857**	**43,707**
Amortized cost effect	(156)	(263)		(419)
Total debt using amortized cost method	**12,110**	**28,321**	**2,857**	**43,288**

Following the debt restructuring process launched in 2014, these operations, the Company’s financial debt is currently mainly based on long-term loans, which guarantee the stability for the financial sources which is needed to adequately support operations, and specifically capital expenditure, as well as possible projects to take advantage of strategic investment opportunities.

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

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

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

In the event of non-compliance with the financial covenants in the loan agreements, the lending banks may terminate such agreements: as at December 31, 2016, there was compliance with the financial covenants.

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

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

During 2016, there were principal repayments of €22 million, and new loans were disbursed for a total amount of €7.45 million.

In terms of collateral, the Parent Company loan agreement requires, inter alia, Reno De Medici to provide mortgages on mills, in the total amount of €40 million.

A floating-rate loan agreement was entered into with Banca Popolare dell’Emilia Romagna on April 13, 2006 in the amount of €6.2 million. The loan falls due on May 15, 2016 and is repayable in semiannual installments. This loan involves the provision of a mortgage on the Marzabotto, Magenta, Santa Giustina and Villa S. Lucia mills for a total of €11.2 million. In 2015, all the mortgages on the Parent Company’s mills were canceled. In 2016, the loan was fully repaid with the payment of the last installment.

On August 4, 2014, a loan of €5 million was made by Banco Popolare; the loan agreement was executed on July 31, 2014. The loan agreement calls for a floating rate and a maturity of September 30, 2017. Installments are paid quarterly starting December 31, 2014. The loan was repaid in advance on December 31, 2016.

On August 5, 2014, a loan of €10 million was made by UBI Banca Popolare di Bergamo; the loan agreement was executed on August 5, 2014. The loan agreement calls for a floating rate and a maturity of August 5, 2019. Installments were paid quarterly starting November 5, 2014. SACE S.p.A. issued a guarantee totaling €5 million for this loan. In addition, this loan requires compliance with several financial parameters subject to annual review. The loan was repaid in advance on June 30, 2016.

On June 4, 2015, a loan of €20 million was made by Intesa San Paolo S.p.A.; the loan agreement was executed on June 4, 2015. The loan agreement calls for a floating rate and a maturity of June 4, 2020. Installments are paid semiannually starting December 4, 2015. This loan requires compliance with several financial parameters subject to annual review. At December 31, 2016, these financial parameters had been complied with.

On July 1, 2015, a loan of €3 million was made by Credito Emiliano S.p.A.; the loan agreement was executed on July 1, 2015. The loan agreement calls for a floating rate and a maturity of July 1, 2018. Installments are paid quarterly starting October 1, 2015.

On July 31, 2015, a loan of €7 million was made by Cariparma S.p.A.; the loan agreement was executed on July 31, 2015. The loan agreement calls for a floating rate and a maturity of June 30, 2019. Installments are paid semiannually starting December 31, 2015. This loan requires compliance with several financial parameters subject to annual review. At December 31, 2016, these financial parameters had been complied with.

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

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

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding on December 31, 2016. More information on outstanding derivative instruments can be found in Note 25.

23. Assets held for sale

The item at December 31, 2016 breaks down as follows:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Reno de Medici Ibérica S.l.u.		800	(800)
Total		800	(800)

The balance as at December 31, 2015 was the fair value (less cost to sale) of the equity investment in the subsidiary Reno De Medici Ibérica S.l.u. The sale was finalized on January 27, 2016.

24. Shareholders' equity

Changes in shareholders' equity during 2016 are set out in the following table:

Description	Shareholders' equity at 12.31.2015	Distribution of dividends	Allocation of the profit	Changes during the year Reduction in share capital due to creation of voluntary reserve	Purchase of treasury shares	Actuarial gain (loss)	*Hedge accounting*	Profit (loss) for the year	Shareholders' equity at 12.31.2016
(thousands of Euros)									
Share capital	150,399			(10,399)					140,000
Treasury share reserve					(182)				(182)
Legal reserve			619						619
Other reserves:									
- Available reserve			7,548	10,399					17,947
- Hedging reserve	(134)						(111)		(245)
- Ovaro sale reserve	3,105								3,105
- Reserve for actuarial gains (losses)	(1,662)					(162)			(1,824)
Retained earnings (losses)									
Profit (loss) for the year	10,150(*)	(1,983)	(8,167)					6,789	6,789
Total	**161,858**	**(1,983)**			**(182)**	**(162)**	**(111)**	**6,789**	**166,209**

(*) This amount is for the residual profit (loss) for the year after the partial use of the profit for the period to cover past losses in accordance with the resolutions of the Shareholders' Meeting of Reno De Medici S.p.A. on November 2, 2015.

The Shareholders' Meeting of April 29, 2016 resolved to allocate the remainder of the Company's 2015 profit of €10,149,743.38, after the partial use to cover past losses, as follows:

- €619,447.02 to the legal reserve pursuant to Article 2430 of the Italian Civil Code;
- €20,090.34 as a dividend to be distributed for the 273,338 savings shares;
- €1,963,143.81 as a dividend to be distributed for the 377,527,656 ordinary shares;
- €7,547,062.21 to be allocated to an "Available reserve" created as a result of the voluntary reduction in share capital, which was approved on November 2, 2015 and took effect on February 29, 2016.

Note that on November 2, 2015, the Shareholders' Meeting of Reno De Medici S.p.A. had approved, inter alia, subject to the amendment of the By-Laws, the creation of an "Available reserve" through voluntary reduction of capital pursuant to Article 2445 of the Italian Civil Code in the amount of €10,399,255.80. The purpose of this operation, which took effect on February 29, 2016, included the purchase and sale of treasury shares as a tool for stabilizing the share price. A program to purchase and sell treasury shares, not to exceed one fifth of the share capital, was authorized at the same meeting. In respect of the above operations, waivers were received from the lending banks in accordance with the provisions of the current loan agreements. In 2016, 581,600 treasury shares were acquired valued at €181,966.24.

In accordance with Article 5 of the Company's By-Laws, holders of savings shares may convert such shares to ordinary shares in February and September each year. In 2016, 3,293 savings shares were converted to ordinary shares. As a result of this, the share capital at December 31, 2016, fully subscribed and paid-up, could be broken down as follows:

	Number	Total value
Ordinary shares	377,530,359	139,899,712.02
Savings shares	270,635	100,287.98
Total	**377,800,994**	**140,000,000.00**

It is noted that the Extraordinary Shareholders' Meeting held on September 2, 2013 resolved to eliminate the nominal value of shares.

From February 1 to February 28, 2017, 1,007 savings shares were converted to ordinary shares with dividend entitlement as at January 1, 2016.

The table below shows the number of outstanding shares as at December 31, 2016 and December 31, 2015:

	12.31.2016	12.31.2015	Change
Shares issued	377,800,994	377,800,994	
Treasury shares	518,600		581,600
Total shares outstanding	**377,282,394**	**377,800,994**	**(581,600)**

With reference to the savings shares, the Reno De Medici S.p.A. By-Laws require that if a dividend of less than 5% of the value €0.49 is assigned to the savings shares in a financial year, the difference is calculated as an increase in the privileged dividend in the next two financial years. Dividends totaling €20,090.34 were distributed in 2016 to holders of savings shares.

In addition, dividends totaling €1,963,143.81 were distributed to holders of ordinary shares.

The table below provides a breakdown of each item of shareholders' equity by availability, origin and use in previous years, as required by Article 2427, no. 7-bis of the Italian Civil Code:

Description	Amount as at 12.31.2016	Possibilities of use (*)	Available portion	summary of uses in 2015 – 2014 – 2013 to cover losses	for other purposes
(thousands of Euros)					
Share capital	140,000			(34,723)	(10,399)
Of which treasury shares					
Legal reserve	619	B		(614)	
Other reserves:					
- Available reserve	17,947	A,B,C	17,765	(1,150)	
- Treasury share reserve	(182)				
- Hedging reserve	(245)				
- Reserve for sale of Ovaro business unit	3,105				
- Reserve for actuarial gain (loss)	(1,824)				
Previous retained profits (losses)				38,726	1,983
Total	**159,420**			**(2,239)**	**(8,415)**

(*) A) to increase share capital

B) to cover losses

C) to distribute to shareholders

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

	12.31.2016			12.31.2015		
	Gross value	Tax (charge) benefit	Net value	Gross value	Tax (charge) benefit	Net value
(thousands of Euros)						
Change in fair value of cash flow hedges	*(138)*	*27*	*(111)*	*(225)*	*62*	*(163)*
Actuarial gain (loss) on employee benefits	*(162)*		*(162)*	*270*		*270*

25. Derivative instruments

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding on December 31, 2016.

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Derivative instruments (hedge accounting)	187	50	137
Non-current liabilities	187	50	137
Derivative instruments (hedge accounting)	129	140	(11)
Derivative instruments (no hedge accounting)		6	(6)
Current liabilities	129	146	(17)
Total	316	196	120

As at December 31, 2016, the derivative instruments in the form of interest rates swaps had a negative fair value of €316,000. In 2016, after the repayment of the outstanding loan with Banca Popolare dell'Emilia-Romagna, the related hedging derivative contract was terminated.

The table below shows the main features of the derivative instruments outstanding on December 31, 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	10,500	0.42% fixed	Half-yearly	(102)
					Euribor 6m		
Reno De Medici S.p.A.	Banca Popolare di Milano	EUR	12.30.2022	17,143	0.45% fixed	Half-yearly	(214)
					Euribor 6m		
				27,643			(316)

26. Other current and non-current payables

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

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Deferred income	78	130	(52)
Other non-current payables	78	130	(52)
Payables to personnel	1,158	1,473	(315)
Payables to social security authorities	1,786	2,098	(312)
Tax payables	738	791	(53)
Miscellaneous payables	1,367	760	607
Company bodies	371	357	14
Accrued expenses and deferred income	52	52	
Other current payables	5,472	5,531	(59)
Total other payables	5,550	5,661	(111)

As at December 31, 2016, the non-current portion of the item "Other payables" totaled €78,000 and refers to the non-current portion of the contribution pertaining to Law 488 relating to the Villa Santa Lucia mill.

"Other current payables" amounted to €5.5 million as at December 31, 2016 and were in line with the previous year. The increase in miscellaneous payables was offset by the decrease in payables to personnel and welfare institutions, reduced mainly following the transfer of the business unit "Centro Taglio Magenta" amounting to €429 thousand.

The item "Payables to employees" payables relative to deferred wages and salaries.

"Payables to social security authorities" relate mainly to social security contributions due on current wages and salaries accrued to employees in December and paid in January 2017, and to provisions for social security contributions due on deferred compensation (employee leave, additional months' salaries paid as a bonus, and overtime).

"Tax payables" relate to payables, to withholding tax due on remuneration paid to employees in December, and to miscellaneous tax payables. This item is essentially in line with the balance at December 31, 2015.

The current portion of "Miscellaneous payables" included €700,000 for the payable of the water rates for use in typical Company activities, which was in line with the previous year. This item also included the balancing entry of pro-forma invoices issued to non-EU customers totaling €700,000, as at December 31, 2016.

"Deferred income" refers to the contribution under Law 488 relating to the Villa Santa Lucia mill, pertaining to the next financial year.

27. Deferred tax liabilities

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

(thousands of Euros)	12.31.2016	12.31.2015	Change
Non-current liabilities	194		194
Total deferred tax liabilities	**194**		**194**

The table below provides a summary of the calculation of deferred tax assets and liabilities from temporary differences as at December 31, 2016:

Taxes	12.31.2016			12.31.2015		
	Temporary differences	Tax %	Tax effect	Temporary differences	Tax %	Tax effect
(thousands of Euros)						
Recognized deferred tax assets	20,912		5,025	27,946		7,210
Tax losses to carry forward	17,604	24.0%	4,225	24,298	26.03%	6,325
Write-downs for extended impairment				1,639	27.90%	457
Inventory write-downs	359	27.9%	100	459	3.90%	18
Provisions for future charges (IRAP)				30	3.90%	1
Provisions for future charges (IRES)	1,946	24.0%	467	333	27.50%	92
Other temporary differences (IRAP)	42	3.9%	2	42	3.90%	2
Other temporary differences (IRES)	638	24.0%	153	960	27.50%	264
Valuation of derivatives with hedge accounting	323	24.0%	78	185	27.50%	51
Recognized deferred tax liabilities	18,938		5,219	20,879		5,815
Amortization/depreciation in excess of amount allowed for tax purposes	17,283	27.9%	4,822	18,887	27.90%	5,268
Other temporary differences (IRES)	49	24.0%	12	49	27.50%	13
Misalignment of TFR for IFRS application	1,606	24.0%	385	1,943	27.50%	534
Net recognized deferred tax (assets) liabilities			194			(1,395)
Unrecognized deferred tax assets	14,428		3,569	12,377		3,252
Write-downs for extended impairment	2,713	27.9%	757	1,007	27.90%	281
Reportable ROL (reduced working hours)	10,674	24.0%	2,562	6,917	27.50%	1,902
Inventory write-downs			0	459	24.00%	110
Bad and doubtful receivables	1,041	24.0%	250	919	24.00%	221
Provisions for future charges (IRES)			0	2,092	24.00%	502
Tax losses to carry forward			0	983	24.00%	236
Unrecognized deferred tax assets			3,569			3,252

The IRES tax rate effective January 1, 2017 will drop from 27.5% to 24% due to the entry into force of the 2016 Stability Act. Thus, deferred tax liabilities reflect the new rate.

Tax assets and liabilities for deferred taxes are offset when permitted by law. Following the release of both deferred IRES tax assets (€2.2 million) and IRES deferred tax liabilities (€0.6 million) in the year ending a receivable for net deferred IRES and IRAP tax assets of €0.2 million was recorded compared with a receivable for deferred tax assets of €1.4 million as at December 31, 2015.

The origin of these deferred tax liabilities lies mostly in the excess of the statutory carrying amounts of certain tangible asset items over their tax bases. This situation arose following the allocation of the deficit that emerged during the 1998 merger and the effects of the transition to IFRS. Deferred tax liabilities therefore represent the future tax expense that will be incurred by the Company as a consequence of the fact that a portion of annually accounted depreciation will not be deductible from taxable income calculated for IRES and IRAP purposes.

Deferred tax assets are recognized where it is probable that the Company will have taxable income in the future, including the deferral of taxable temporary differences to future years, which will allow the utilization of deductible temporary differences or tax losses carried forward. Deferred tax assets have been recognized on the portion of previous tax losses deemed to be recoverable from future taxable income identified in the Company's business plans. This is possible because Decree-Law 98 of July 6, 2011 (the "2011 Emergency Budget") allows tax losses to be carried forward for an unlimited time.

As at December 31, 2016, the Company's past tax losses as tax consolidator totaled €17.6 million. This amount incorporates the use of losses as a part of the tax consolidation scheme.

28. Employee benefits

The following table compares balances as at December 31, 2016 and December 31, 2015:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Employee benefits - TFR	5,881	7,150	(1,269)
Non-current employee benefits	**5,881**	**7,150**	**(1,269)**
Employee benefits - TFR		31	(31)
Current employee benefits		**31**	**(31)**
Total	5,881	7,181	(1,300)

The item fell mainly as a result of the transfer of employees from the Magenta Cutting Center to the subsidiary R.D.M. Magenta S.r.l. (formerly Carta Service Friulana S.r.l.)

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

Based on IAS 19, the calculation of an independent actuary using information provided by the Company was used for the actuarial assessment of the TFR as at December 31, 2016.

The actuary used the following demographic assumptions for the calculation:

- Table RG48 (source: Italian General Accounting Service) was used to estimate mortality among employees subject to the assessment;
- An INPS table broken down by age and sex was used to estimate disability among employees subject to the assessment;
- The assumption of meeting the minimum requirements established by Mandatory General Insurance was used to estimate the retirement requirement;
- An annual rate of 5.00% was used for the probability of leaving the company for reasons other than death;
- An annual percentage of 3.00% was assumed as the probability of TFR advances.

The economic and financial assumptions used were as follows:

	Italy
Annual discount rate	0.86%
Annual inflation rate	1.50% for 2016
	1.80% for 2017
	1.70% for 2018
	1.60% for 2019
	2.00% from 2020 onwards
Annual rate of increase in TFR	2.625% for 2016
	2.850% for 2017
	2.775% for 2018
	2.700% for 2019
	3.000% from 2020 onwards
Annual rate of salary increases	Executives: 1.50%
	White-collars: 0.50%
	Blue-collars: 0.50%

Changes in the actuarial assessment of employee benefits are provided below:

(thousands of Euros)	Employee benefits
Actuarial assessment of employee benefits at 12.31.2015	7,150
Interest cost	93
Benefits paid	(208)
Actuarial gains (losses)	162
Contribution of R.D.M. Magenta S.r.l.	(1,316)
Actuarial assessment of employee benefits at 12.31.2016	5,881

29. Non current and current provisions for risks and charges

The balance at December 31, 2016 was as follows:

(thousands of Euros)	12.31.2015	Provisions	Drawings	12.31.2016
Provision for future charges	2,014	2,014	(600)	3,428
Non current provisions for risks and charges	2,014	2,014	(600)	3,428
Provision for future charges	452	317	(328)	441
Current provisions for risks and charges	452	317	(328)	441
Total	2,466	2,331	(928)	3,869

With regard to the long-term portion of the “Provision for future charges”, usage during the period (€600 thousand) was mainly for the use of the provision for layoffs (€0.3 million) and the settlement of disputes that arose in the previous year.

The short-term portion of the “Provision for future charges” was for charges to dismantle several buildings of the Magenta mill and two pending tax disputes regarding local taxes for which the Company deemed it appropriate to prudentially set aside a provision to cover future charges totaling €317 thousand.

The allocation to the long-term “Provision for future charges” (€2 million) was mainly to set aside funds to cover layoff-related costs (€1 million) and expenses for the future coverage of the fourth lot of the Santa Giustina landfill (€0.7 million).

30. Trade payables

"Trade payables" to outside suppliers recorded in the financial statements were €54.7 million (€52.9 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.

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Trade payables	54,714	52,869	1,845
Total current trade payables	**54,714**	**52,869**	**1,845**

The increase in payables is due mainly to investments not paid for at the end of the year and the normal dynamics of working capital.

31. Payables to Group companies

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

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Payables to subsidiaries	3,590	507	3,083
Total payables to subsidiaries	**3,590**	**507**	**3,083**
Payables to associates and joint ventures	439	2,295	(1,856)
Total payables to associates and joint ventures	**439**	**2,295**	**(1,856)**
Total payables to Group companies	**4,029**	**2,802**	**1,227**

The item increased during the year following the increase in the payable to the subsidiary R.D.M. Ovaro S.p.A. for the allocation of Energy Efficiency Certificates, for which the activation of the energy efficiency project involves Reno De Medici S.p.A., which transfers the financial flows to the company. Additionally, the increase is due to the payable to the subsidiary R.D.M. Magenta S.r.l. (formerly Carta Service Friulana S.r.l.) for the cutting services provided by the latter, following the transfer of the business unit.

The different break down of the item is due to the reclassification of the payable due to R.D.M. Marketing S.r.l. (Careo S.r.l.) from the item "Payables to joint venture" to the item "Payables to subsidiaries". Note that Emmaus Pack S.r.l. was reclassified from subsidiaries to associates.

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

(thousands of Euros)	12.31.2016	12.31.2015	Change
Cartiera Alto Milanese S.r.l. in liquidation		31	(31)
Emmaus Pack S.r.l.		14	(14)
Reno De Medici Ibérica S.L.		9	(9)
Reno De Medici Arnsberg GmbH		64	(64)
R.D.M. Magenta S.r.l. (formerly Carta Service Friulana S.r.l.)	521		521
R.D.M. Ovaro S.p.A.	1,070	389	681
R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)	1,999		1,999
Total payables to subsidiaries	3,590	507	3,083

"Payables to associates and joint ventures" include the payable to Pac Service S.p.A. representing the accrued premium:

(thousands of Euros)	12.31.2016	12.31.2015	Change
Pac Service S.p.A.	233	239	(6)
Emmaus Pack S.r.l.	6		6
Total payables to associates	239	239	
R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)		1,937	(1,937)
Zar S.r.l.	200	119	81
Total payables to joint ventures	200	2,056	(1,856)
Total payables to associates and joint ventures	439	2,295	(1,856)

32. Other payables to Group companies

"Other payables to Group companies" represent the amount owed to subsidiaries or joint ventures for cash pooling, and they are classified only under current liabilities.

The current portion of financial payables is detailed below:

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Cartiera Alto Milanese S.r.l. in liquidation	908	880	28
Reno De Medici Arnsberg GmbH	5,493	9,441	(3,948)
R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)	2,245		2,245
R.D.M. Ovaro S.p.A.	5,715	4,144	1,571
R.D.M. Magenta S.r.l. (formerly Carta Service Friulana S.r.l.)	52		52
Cascades S.A.S.	3,856		3,856
Reno De Medici Ibérica S.l.u.		435	(435)
Total other current payables to subsidiaries	18,269	14,900	3,369
R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)		1,954	(1,954)
Total other current payables to joint ventures		1,954	(1,954)
Total other current payables to Group companies	18,269	16,854	1,415

Other payables to Group companies increased as a result of the cash pooling with regard to Cascades S.A.S. (€3.9 million), and the increase in the payable due to R.D.M. Ovaro S.p.A. These increases were only partly offset by the fall in the payable to the German subsidiary Reno De Medici Arnsberg Gmbh (-€3.9 million).

In 2016, the cash pooling payable to Reno De Medici Ibérica S.l.u. was repaid following the sale of the equity investment (€0.4 million).

33. Current taxes

This item is the amount owed to tax authorities for IRES applicable to the year just ended, net of payments on account. The decrease was due to the fall in the taxable income of companies participating in the national tax consolidation scheme.

	12.31.2016	12.31.2015	Change
(thousands of Euros)			
Payables to tax authorities for IRES	3	216	(213)
Total current taxes	3	216	(213)

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

Significant non-recurring events and transactions

The effects of non-recurring transactions, as defined by Consob Communication DEM/6064293, are shown in the income statement and described in the notes to the financial statements in relation to the relevant items.

The financial position, results and cash flows of Reno De Medici S.p.A. have not been affected by any significant non-recurring events or transactions. This refers to transactions or events which do not occur frequently as part of normal operations.

Positions or transactions deriving from abnormal and/or unusual transactions

In 2016, the Company did not carry out any atypical and/or unusual transactions as defined by the referenced Consob Communication DEM/6064293. These are defined as transactions which, in terms of their significance, relevance, nature of counterparties, purpose, procedure for determining the transfer price and timing, could raise doubts with respect to:

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

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

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

Commitments and guarantees given to third parties include:

- sureties of €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 located at the Villa Santa Lucia (FR) mill;
- sureties of €2.9 million issued to the Comieco consortium;
- sureties of €67,000 issued in favor of the customs authorities;

- 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 €612,000 issued in favor of Cassa Conguaglio (compensation fund);
- a surety of €72,000 issued in favor of the Polytechnic Institute of Milan;
- a surety of €88,000 issued in connection with property leases;
- 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.;
- a surety of €726,000 issued in favor of the Revenue Agency for R.D.M. Magenta S.r.l. (formerly Carta Service Friulana S.r.l.) and Cartiera Alto Milanese in liquidation S.r.l.;
- a surety of €1.8 million issued in favor of Unicredit;
- a surety of €2.3 million issued in favor of Cariparma.

There are mortgages on the Ovaro (UD) mill properties for a total of €1.2 million guaranteeing two loans granted to the subsidiary R.D.M. Ovaro S.p.A. by the Banca Mediocredito del Friuli Venezia Giulia S.p.A. (€7.4 million whose residual value at December 31, 2016 was €5 million.

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

Furthermore, with reference to the purchase of the equity investment in Manucor, relations between the shareholders are governed by a series of agreements which, among other things, provide for:

- a lock-up period ending May 31, 2013;
- where the shareholders accept an offer from a third party for the purchase of 100% of the company's share capital (including during the lock-up period), a drag-along obligation;
- at the end of the lock-up period, a drag-along right for shareholders if only one of them indicates a willingness to sell its equity investment in the company to third parties;
- after three years from the date the agreement was signed, and at its own initiative, the right for Intesa Sanpaolo to set in motion a contractually established procedure for the sale of its holding to Reno De Medici, and, in such an event, for the other shareholders to express their own intent to sell their holdings to Reno De Medici. Reno De Medici shall not be under any obligation to purchase such holdings. Should the parties fail to reach an agreement, Intesa Sanpaolo shall be entitled to seek offers for its holding and for the holdings of the other shareholders on the open market, at terms and conditions that protect the investments made. In such an event, all shareholders shall be obliged to sell their shares;

- after four years from the date the agreement was signed, the possibility (by way of a call option) for Reno De Medici to purchase all the holdings of the other shareholders at their market value as at the exercise date.

Reno De Medici approved Manucor's capital increase, but resolved not to fund it in order to concentrate its resources on core businesses.

36. Related-Party Transactions

For details on the transaction, see the section "Main transactions of the Reno De Medici Group in 2016" in the Directors' Report.

For information on the related-party transactions specified in IAS 24 and Consob Communication 6064293 of July 28, 2006, see Annex A "Details of related-party and intragroup transactions as at December 31, 2016" attached to these financial statements and the section entitled "Information on related-party transactions" in the Directors' Report.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The analysis and disclosures required by IFRS 7 – Financial Instruments: Disclosures are provided below.

This analysis compares the situation at the reporting date December 31, 2016 with the situation as at December 31, 2015, and it refers to the Parent Company's separate financial statements.

All figures are stated in thousands of Euros.

The section below provides information about the impact of financial instruments on the statement of financial position and on the income statement.

Impact of Financial Instruments on the Financial Position

The table below shows the book value of each type of financial asset and liability in the separate statement of financial position.

	12.31.2016		12.31.2015	
	Book value	Fair value	Book value	Fair value
(thousands of Euros)				
Cash and cash equivalents	**28,101**	**28,101**	**22,801**	**22,801**
Loans and receivables	**43,478**	**43,478**	**51,477**	**51,477**
Trade receivables	38,573	38,573	39,252	39,252
Other receivables from Group companies	979	979	8,627	8,627
Other receivables	3,926	3,926	3,598	3,598
Available-for-sale financial assets	**0**	**0**	**0**	**0**
Financial liabilities at amortized cost	**(125,809)**	**(125,392)**	**(135,857)**	**(139,220)**
Unsecured medium- and long-term bank loans at amortized cost	(26,438)	(27,736)	(37,663)	(39,393)
Secured medium- and long-term bank loans at amortized cost	(16,887)	(15,173)	(20,008)	(21,641)
Short-term bank loans for use of commercial facilities	0	0	0	0
Trade payables	(58,743)	(58,743)	(55,622)	(55,622)
Other payables to Group companies	(18,269)	(18,269)	(16,903)	(16,903)
Other payables	(5,472)	(5,472)	(5,661)	(5,661)
Financial liabilities at fair value through profit and loss	**0**	**0**	**(6)**	**(6)**
Hedging derivatives	**(317)**	**(317)**	**(190)**	**(190)**
	(54,547)	**(54,130)**	**(61,775)**	**(65,138)**
Unrecognized profits (losses)	**417**		**(3,363)**	

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

Derivative Instruments

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

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

The reference international accounting standard (IFRS 13) identifies a measurement hierarchy based on three levels:

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

	Classification	12.31.2016	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	187		187	
Derivative instruments on interest rates	Current derivative instruments	129		129	

As at December 31, 2016, the Parent Company did not hold any foreign-exchange derivative instruments or any derivative instruments indexed to commodity prices.

Loans

The aggregate under review consists of all medium- and long-term loans. These were measured by calculating the net present value of the future flows generated by the financial instrument, taking into account the principal repayment plan defined in the loan agreements.

In the case of indexed loans, future interest rates were estimated by calculating the forward rates implicit in the quoted Euro deposit rates, futures and swaps risk-free curve as at December 31, 2016 and December 31, 2015.

Future flows were discounted on the basis of the same Euro yield curve as at December 31, 2016 and December 31, 2015.

Loan Repayment Plans, Terms and Conditions

The terms and conditions of the loans are summarized in the table below.

	Currency	Nominal interest rate	Year of maturity	Nominal value at 12.31.2016	Book value	Nominal value at 12.31.2015	Book value
(thousands of Euros)							
Secured medium- and long-term bank loans at amortized cost				17,143	16,887	20,310	20,006
Banca Popolare Emilia Romagna	Euro	Eur6m+spread	2016			310	310
Banca Popolare di Milano	Euro	Eur6m+spread	2022	17,143	16,887	20,000	19,697
Unsecured bank loans at amortized cost				26,564	26,401	37,920	37,569
Minindustria 11172	Euro	Fixed	2017	165	165	324	324
Banco Popolare	Euro	Eur3m+spread	2016			2,990	2,977
Banco Popolare	Euro	Eur3m+spread	2019	6,262	6,262		
Banca Popolare di Bergamo	Euro	Eur3m+spread	2019			7,727	7,625
Banca Intesa Sanpaolo	Euro	Eur6m+spread	2020	14,000	13,877	18,000	17,833
Credem	Euro	Eur3m+spread	2018	1,763	1,763	2,754	2,754
Cariparma	Euro	Eur6m+spread	2019	4,375	4,375	6,125	6,056
Total medium- and long-term loans	Euro			43,707	43,288	58,230	57,575
Short-term bank loans for use of commercial facilities						-	-
Used portfolio	Euro	Euribor+spread	n/a			-	-
Pre-paid invoices	Euro	Euribor+spread	n/a			-	-
Export loans	Euro	Euribor+spread	n/a			-	-
Import loans	Euro	Euribor+spread	n/a			-	-
Total short-term loans	Euro					-	-
Total interest-bearing liabilities	Euro			43,707	43,288	58,230	57,575

Other Financial Instruments

The fair value of receivables from customers, payables to suppliers and other financial assets and liabilities falling due contractually during the year has not been calculated, insofar as the book value of the financial instrument is virtually the same.

Other Information

The table below provides a breakdown of changes in the shareholders' equity hedging reserve.

(thousands of Euros)	
Reserve 12.31.2015	134
Fair value adjustment of cash flow hedge derivatives	138
Tax effect of fair value adjustment of cash flow hedge derivatives	(27)
Transfers to the income statement	
Tax effect of transfers to the income statement	
Reserve 12.31.2016	245

Hedge accounting is the release of the related reserve when the cash flows from outstanding loans appear, while fair value is the provision to the reserve.

Credit Risk

This section describes in both quantitative and qualitative terms the exposure to credit risk and the way in which this is managed.

Risk Exposure

Core business exposure to credit risk at the reporting date was as follows:

	12.31.2016	12.31.2015
(thousands of Euros)		
Gross trade receivables	40,246	40,985
- provision for bad and doubtful debts	(1,673)	(1,733)
Total	38,573	39,252

Overdue or Impaired Financial Assets

The table below provides a breakdown of the seniority of trade receivables, net of individual write-downs:

December 31, 2016	Overdue receivables more than 60 days	from 31 to 60 days	from 0 to 30 days	Non-overdue receivables	Total
(thousands of Euros)					
Italy	622	121	1,162	27,749	29,654
EU	216	34	633	2,705	3,588
Rest of world	97		653	4,581	5,331
Total	**935**	**155**	**2,448**	**35,035**	**38,573**

December 31, 2015	Overdue receivables more than 60 days	from 31 to 60 days	from 0 to 30 days	Non-overdue receivables	Total
(thousands of Euros)					
Italy	738	11	899	29,508	31,156
EU	153	45	320	1,979	2,497
Rest of world	168	25	376	5,030	5,599
Total	**1,059**	**81**	**1,595**	**36,517**	**39,252**

The Parent Company's overdue receivables as at December 31, 2016 deteriorated in absolute terms from €2.7 million to €3.5 million. They represent 9.2% of the total portfolio compared to 7% reported in the previous year.

How Credit Risk is Managed

As a general rule, the commercial risk management policy is to insure all client receivables, excluding those of Italian customers, with leading insurance companies. Any uninsured or non-insurable positions, in particular Italian customers, are constantly monitored by the appropriate Corporate Functions.

In addition, non-recourse receivable assignment agreements have been entered into.

The internal procedures for carrying out a creditworthiness assessment involve collecting and analyzing qualitative and quantitative information, and the use of external databases and commercial information. To date, the policies used have made it possible to limit receivable-related losses, which in 2016 were zero.

Market Risk

Market risk is defined as the risk that the fair value or the cash flows associated with a financial instrument will fluctuate because of changes in market variables such as exchange rates, interest rates, the prices of raw materials, and stock prices.

The market risk to which the Parent Company was exposed during the year may be broken down as follows:

- currency risk;
- interest rate risk;
- commodity risk.

The scale of these risks and the way in which they are managed is described below.

Currency risk

The Parent Company's exposure to currency risk derives from:

- trade receivables/payables denominated in currencies other than the functional currency of the financial statements;
- liquidity held in foreign-currency current accounts;

Other than the Euro, which is the functional currency, the main currencies in which the Parent Company carries out its commercial activities are the United States dollar and the British pound. Exposure to other currencies is negligible.

In terms of exposure to currency risk, in 2016 the Parent Company managed the marginal imbalance between investments and funds in the same currency by using a natural-hedging approach and by carefully and continually monitoring market conditions; as a result, it was not deemed necessary to resort to hedging derivatives.

The Parent Company's exposure in Euros is shown below, based on the official ECB exchange rates as at December 31, 2016 and December 31, 2015, as reported in the following table.

ECB exchange rates	12.31.2016	12.31.2015
(per Euro)		
USD	1.0541	1.0887
GBP	0.8562	0.7340
CHF	1.0739	1.0835
CAD	1.4188	1.5116

The table below provides a breakdown of the Parent Company's exposure to currency risk stated in its separate financial statements, based on the notional amount of the exposure expressed in thousands of Euros.

	12.31.2016				12.31.2015			
	USD	GBP	CHF	CAD	USD	GBP	CHF	CAD
(thousands of Euros)								
Trade receivables	3,412				3,471	-	-	-
Trade payables	(1,325)	(11)	(1)		(2,297)	(25)	(1)	-
Cash pooling with subsidiaries	(270)	(235)				(282)		
Cash and cash equivalents	1,073	241	2		769	149	1	0
Net exposure	2,890	(5)	1	0	1,944	(159)	(0)	0

Sensitivity Analysis of Currency Risk

In order to measure the possible effects of changes in the reporting-date exchange rates on the statement of financial position and income statement, assumptions were made (at December 31, 2016 and December 31, 2015) as to variations in the value of the Euro against the major foreign currencies.

Specifically, two scenarios were used: a 10% appreciation and a 10% depreciation of the Euro against other currencies. For each of the two scenarios, the gain or loss arising from transactions outstanding as at December 31, 2016 and December 31, 2015 was then calculated. In this way, it was possible to determine the effect on the income statement and on shareholders' equity had exchange rates been subject to changes as assumed.

The tables below provide a summary of the results of this analysis, indicating the additional effect on the actual figures recognized at the reporting date. These re-measurements based on changes in the exchange rate mainly affect profit or loss for the year.

10% appreciation of the Euro		10% depreciation of the Euro	
(thousands of Euros)	Profit or loss	(thousands of Euros)	Profit or loss
December 31, 2016		December 31, 2016	
USD	(194)	USD	194
GBP	2	GBP	(2)
CHF		CHF	
CAD		CAD	
Total	(192)	Total	192
December 31, 2015		December 31, 2015	
USD	(194)	USD	194
GBP	16	GBP	(16)
CHF		CHF	
CAD		CAD	
Total	(180)	Total	180

How Currency Risk is Managed

The main objective of the Parent Company's currency-risk management policy is to limit the exposure to foreign currency arising from exporting finished goods to and importing raw materials from foreign markets. The following guidelines are used in pursuing this policy:

- inflows and outflows in the same currency are offset (natural hedging);
- recourse is made to forward sales or to export loans in the same currency. These transactions were arranged by using a notional amount and due date that correspond to those of the expected cash flows (if the amount is significant), so that any changes in the cash flows arising from the forward transactions, as the result of the appreciation or depreciation of the Euro against the other currencies, are substantially offset by a corresponding change in the expected cash flows of the underlying positions;
- forward sales are hedged. There were no outstanding transactions of this type at the reporting date.

As a general rule, the currency-risk management policy recommends maximizing the use of natural hedging and, in any case, excludes recourse to transactions involving complex derivatives, e.g. those with barriers.

RDM's Administration and Finance Department is responsible for monitoring currency risk and recommends suitable currency-risk hedging strategies to keep exposure within the limits agreed with senior management.

Interest Rate Risk

Financial liabilities exposing the Parent Company to interest rate risk are, for the most part, floating-rate medium- and long-term loans.

The table below sets out the positions that are subject to interest rate risk, separating fixed-rate from floating-rate exposure in terms of the nominal value of the financial instruments.

However, the exposure to interest rate risk arising from loans is partially mitigated by entering into interest rate swap agreements designed to hedge the volatility of future cash flows indexed to market rates.

	12.31.2016	%	12.31.2015	%
(thousands of Euros)				
Floating-rate medium- and long-term loans	(9,655)	15.6%	(13,748)	18.3%
Floating-rate medium- and long-term loans hedged by IRS	(21,786)	35.2%	(30,643)	40.8%
Fixed-rate medium- and long-term loans			(165)	0.2%
Fixed-rate medium- and long-term loans subsidiaries	-		-	0.0%
Total non-current liabilities	**(31,441)**	**50.7%**	**(44,556)**	**59.3%**
Floating-rate medium- and long-term loans	(6,244)	10.1%	(10,753)	14.3%
Floating-rate medium- and long-term loans hedged by IRS	(5,857)	9.5%	(2,857)	3.8%
Fixed-rate medium- and long-term loans	(165)	0.3%	(159)	0.2%
Floating-rate short-term bank loans for use of commercial facilities	-		-	0.0%
Fixed-rate medium- and long-term loans from subsidiaries	-		-	0.0%
Floating-rate cash pooling with subsidiaries and joint ventures	(18,269)	29.5%	(16,854)	22.4%
Total current liabilities	**(30,535)**	**49.3%**	**(30,623)**	**40.7%**
Total (floating rate)	(15,899)	*25.7%*	(24,501)	*32.6%*
Total (fixed rate or hedged floating rate)	(46,077)	*74.3%*	(50,678)	*67.4%*
Total	(61,976)	100.0%	(75,179)	100.0%

Sensitivity Analysis of Interest Rate Risk

A sensitivity analysis of the financial instruments exposed to interest rate risk was performed upon preparation of the financial statements. The following assumptions were used in the model:

- for bank current-account exposure and spreads settled by interest rate swaps, financial income/expense was recalculated by applying +/-50 bps to the interest rate payable, multiplied by the carrying amounts and for a period equal to the financial year;
- for loans with a repayment plan, the change in financial expense was calculated by applying +/-50 bps to the loan interest rate payable at each refixing date, multiplied by the outstanding principal during the year;
- the change in the fair value of interest rate swaps at the reporting date was calculated by applying +/-50 bps to the Euro risk-free curve of deposit rates, futures and swaps at the reporting date.

		Profit (loss)		Shareholders' equity	
		Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
(thousands of Euros)					
December 31, 2016					
Cash flows during the year		(417)	389		
	Cash flows from derivatives	*13*	*(13)*		
	Intercompany current account	*(91)*	*91*		
	Floating-rate loans	*(339)*	*311*		
Effectiveness of hedges				308	(316)
Net sensitivity of financial flows		(417)	389	308	(316)
December 31, 2015					
Cash flows during the year		(550)	550		
	Cash flows from derivatives	*78*	*(78)*		
	Intercompany current account	*(75)*	*75*		
	Floating-rate loans	*(553)*	*553*		
Effectiveness of hedges				449	(461)
Net sensitivity of financial flows		(550)	550	449	(461)

An analysis of these scenarios demonstrated that changes in interest rates had little impact on the income statement and shareholders' equity. Cash flow hedges considerably restrict the impact on financial expense recognized in the income statement.

How Interest Rate Risk is Managed

The Parent Company uses various debt instruments according to the nature of its financial requirements. In particular, it uses short-term debt to fund working capital requirements and medium- and long-term financing to cover investments in the core business.

The techniques used most often are:

- advances for short-term requirements;
- loans for medium- and long-term requirements. These instruments, which are arranged with leading banks, are mainly indexed to floating rates that are subject to revision every three or six months.

The Parent Company's current risk management policy aims to reduce the variability of the financial expense incurred on its debt and of the related effects on results. The practical objectives in terms of risk management therefore involve stabilizing the cash flows linked to the cost of servicing debt in line with budget forecasts.

From an operating standpoint, the Parent Company sets about achieving this goal by using derivatives in the form of interest rate swaps (IRS).

In line with the features of the transactions carried out and its risk management objectives, the Parent Company has decided to structure its hedging relations using a cash flow hedge approach.

Specifically, the hedging relations involve converting floating-rate loan payments to fixed-rate payments. This is carried out by using interest rate swaps (IRS), under which the Parent Company receives a flow of payments from the counterparty bank at the same floating rate as its debt, less the spread. In exchange, the Parent Company makes a payment flow at a fixed rate. The position (debt + IRS) in the separate financial statements is therefore a fixed-rate liability of which the amount of financial expense is certain (the aim of cash flow hedging).

The present hedging policy excludes the recourse to transactions involving complex derivatives.

As at the reporting date, the risk of variability in cash flows linked to floating-rate debt was mainly hedged by derivative financial instruments.

Commodity Risk

In terms of the nature of the business carried out by RDM, commodity risk is the risk that the profit for the year will be reduced by incurring higher costs to purchase raw materials for the mills. This risk is part of the broader category of market risk, specifically where the cost of the raw material is dependent on changes in a quoted index.

In 2015 RDM signed natural gas procurement agreements also for 2016, mainly on a quarterly basis, negotiating fixed unit prices for each individual quarter. This method makes it possible to limit commodity risk for the first part of the year ex ante. The rates for the last two quarters are also negotiated and confirmed during the year, in order to fulfill the needs of the plants and at the same time take advantage of the lower price trends for energy commodity prices. All quotes are expressed in Euros per unit of volume with later adjustment to the primary energy content.

At the end of November 2015, the Group signed electricity procurement contracts at a price indexed to the listings of several continental energy markets, in some cases involving fixing operations after signing the contracts, taking advantage of dedicated clauses in the contracts. The supply quotas at indexed prices in relation to the reference markets are procured with fixed spreads in relation to these quotes. The aim of fixing the supply prices is to contain commodity risk. as described above. Negotiated prices are expressed in Euros per unit of electricity.

As at December 31, 2016, there were no outstanding derivative instruments for hedging commodity risk.

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

How Commodity Risk is Managed

The nature of RDM's business entails exposure to fluctuations in the price of electricity, natural gas and certain chemicals derived from petroleum (such as latexes) and fibrous raw materials.

Natural gas supply contracts are usually agreed at a fixed price, and are negotiated at least three months before the supply period. Electricity is purchased at a fixed price and partly indexed to amounts set in continental electricity markets, such as those published by entities responsible for these markets.

In order to contain possible price pressure on raw materials, the Group aims to diversify its suppliers and its supply markets.

The Group does not currently use derivative instruments, even if there is a possibility to enter into technical forms of hedging with leading banks.

Liquidity risk

Liquidity risk can take the form of difficulty in obtaining the funds required to satisfy scheduled contractual commitments at market conditions.

This may mean there are insufficient resources available to meet financial obligations under the agreed terms and conditions and at the pre-determined due dates, or it may mean the business is required to settle its financial liabilities earlier than the scheduled due date.

For each contract maturity date, the analysis aimed to measure the cash flows deriving from the various types of financial liability held as at December 31, 2016 and December 31, 2015.

Depending on their nature, financial liabilities were separated into non-derivative and derivative financial liabilities. Given the different accounting treatments, the latter were subdivided into liabilities where the derivative had been formally designated as a hedge, and had turned out to be effective, or liabilities where the derivative was not subject to hedge accounting.

The main assumptions relating to the Parent Company's financial requirements that were used to carry out the analyses were as follows:

- cash flows are not discounted;
- cash flows are allocated to their respective time bands on the basis of the first possible payment date provided for by the contractual terms and conditions (the worst-case scenario);
- all instruments held at the reporting date for which payments have been contractually designated are included; planned future commitments that have not yet been recognized in the financial statements are not included;
- if the amount payable is not fixed (e.g. future interest payments), financial liabilities are measured at market terms and conditions at the reporting date;
- cash flows also include the interest that the Parent Company will pay up to the due date of the debt, measured at the reporting date and calculated on the basis of forward market interest rates.

December 31, 2016	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
(thousands of Euros)							
Cash and cash equivalents	28,101	28,101	28,101				
Trade receivables	38,573	38,573	38,573				
Other receivables from Group companies	979	979	979				
Other receivables	3,926	3,926	3,326	300	300		
Medium- and long-term bank loans	(57,671)	(42,870)	(6,498)	(6,284)	(12,009)	(18,079)	
Other payables to Group companies	(18,269)	(18,269)	(18,269)				
Hedging derivatives	(317)	(317)	(59)	(71)	(114)	(80)	7
Trade payables	(58,743)	(58,743)	(58,743)				
Other payables	(5,472)	(5,472)	(5,472)				
Total	(68,893)	(54,092)	(18,062)	(6,055)	(11,823)	(18,159)	7

December 31, 2015	Book value	Contractual financial flows	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
(thousands of Euros)							
Cash and cash equivalents	22,801	22,801	22,801				
Trade receivables	39,252	39,252	39,252				
Other receivables from associates and joint ventures	8,627	8,627	8,627				
Other receivables	3,598	3,598	3,126		282		190
Medium- and long-term bank loans	(57,671)	(60,682)	(5,897)	(7,177)	(14,459)	(27,196)	(5,953)
Short-term loans from banks for use of commercial facilities	-	-	-				
Other payables to Group companies	(16,903)	(16,903)	(16,903)				
Financial payables to subsidiaries	-	-					
Hedging derivatives	(190)						
Non-hedging derivatives	(6)						
Trade payables	(55,622)	(55,622)	(55,622)				
Other payables	(5,661)	(5,661)	(5,661)				
Total	(61,775)	(64,590)	(10,277)	(7,177)	(14,177)	(27,196)	(5,763)

The first section of the table compares the book value of the financial liabilities with the total value of cash flows that – given the market conditions at the reporting date – are expected to be received from or paid to counterparties. The second section of the table shows a breakdown by time period of the total cash flows, which make up the item “Contractual financial flows”.

How Liquidity Risk is Managed

The Group’s financial activity is centered largely on the Parent Company Reno De Medici S.p.A., which, on the basis of well-established practice inspired by prudence and stakeholder protection, negotiates credit facilities with banks and continually monitors the cash flows of the individual Group companies.

The Group’s management policies involve continually monitoring liquidity risk with a view to mitigating said risk by maintaining sufficient liquidity and/or short-term deposits with prime counterparties and by having access to short-term credit facilities backed mainly by receivables from domestic and foreign clients.

APPENDICES

Please find in appendix the following information, which comprise an integral part of the explanatory notes

Appendix A: Details of related-party and intragroup transactions as at 31 December 2016

Appendix B: List of investments in subsidiaries and associated companies

Appendix C: Information pursuant to Article 149-duodecies of the Consob Issuers' Regulations

APPENDIX A – DETAILS OF RELATED-PARTY AND INTRAGROUP TRANSACTIONS AS AT 31 DECEMBER 2016

Below is the explanatory information required by Consob communication no. 6064293 of 28 July 2006 regarding related-party transactions.

RECEIVABLES, PAYABLES, COSTS AND REVENUES WITH GROUP COMPANIES

The table below lists the details of the transactions carried out during 2016 and 2015 with direct and indirect subsidiaries, with associated companies and joint ventures. Transactions carried out between Reno De Medici S.p.A. and other Group companies in the field of production, finance and in the provision of services, are regulated under market conditions, taking into account the quality of goods and services provided.

INTRAGROUP RECEIVABLES AND PAYABLES

	Current assets				Current liabilities			
	Receivables from subsidiaries		Receivables from joint ventures and associated companies		Payables to subsidiaries		Payables to joint ventures and associated companies	
31 December 2016	trade [1]	financial [2]	trade [1]	financial [2]	trade [4]	financial [5]	trade [4]	financial [5]
(thousands of Euros)								
R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)	109				1,999	2,245		
Cartiera Alto Milanese S.r.l. in liquidazione						908		
Emmaus Pack S.r.l.			5,989				6	
Pac Service S.p.A.							233	
RDM Blendecques S.A.S.	329	251						
RDM Ovaro S.p.A.	1,174				1,070	5,715		
Reno De Medici Arnsberg Gmbh	1,238					5,493		
Reno de Medici Ibérica S.l.u.								
Cascades S.A.S.	10					3,856		
R.D.M. Magenta S.r.l. (formerly Carta Service Friulana S.r.l.)	170				521	52		
ZAR S.r.l.				5			200	
Total	3,030	251	5,989	5	3,590	18,269	439	

31 December 2016	Current assets				Current liabilities			
	Receivables from subsidiaries		Receivables from joint ventures and associated companies		Payables to subsidiaries		Payables to joint ventures and associated companies	
	trade [1]	financial [2]	trade [1]	financial [2]	trade [4]	financial [5]	trade [4]	financial [5]
(thousands of Euros)								
Careo S.r.l.			98				1,937	1,954
Cartiera Alto Milanese S.r.l. in liquidazione					31	880		
Emmaus Pack S.r.l.	5,233	2,289			15			
Pac Service S.p.A.				100			239	
RDM Blendecques S.A.S.	644	5,060						
RDM Ovaro S.p.A.	1,009				389	4,143		
Reno De Medici Arnsberg Gmbh	646				64	9,441		
Reno de Medici Ibérica S.l.u.	339				9	434		
ZAR S.r.l.				379			119	
Total	7,871	7,349	98	479	508	14,898	2,295	1,954

(1) Please see the Statement of Assets and Liabilities – financial – total for the item "Receivables from Group companies" classified among "Current assets"

(2) Please see the Statement of Assets and Liabilities – financial – total for the item "Other receivables from Group companies" classified among "Current assets"

(3) Please see the Statement of Assets and Liabilities – financial – total for the item "Other payables to Group companies" classified among "Non-current liabilities"

(4) Please see the Statement of Assets and Liabilities – financial – total for the item "Payables to Group companies" classified among "Current liabilities"

INTRAGROUP REVENUES

31 December 2016	Revenues from sales [1]	Other revenues [2]	Financial income
(thousands of Euros)			
R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)		378	1
Emmaus Pack S.r.l.	11,138	90	12
Pac Service S.p.A.	3,997		
RDM Blendecques S.A.S.		1,275	315
RDM Ovaro S.p.A	383	61	
Reno De Medici Arnsberg Gmbh		2,541	
R.D.M. Magenta S.r.l. (formerly Carta service Friulana S.r.l.)		31	
Cascades S.A.S.			10
Reno De Medici Ibérica S.l.u.		7	
Zar S.r.l.			5
Total	15,518	4,383	343

31 December 2015	Revenues from sales [1]	Other revenues [2]	Financial income
(thousands of Euros)			
Careo S.r.l.		385	1
Cartiera Alto Milanese S.r.l. in liquidazione	(23)		
Emmaus Pack S.r.l.	11,845	132	59
Pac Service S.p.A.	4,555		
RDM Blendecques S.A.S.		1,272	154
RDM Ovaro S.p.A.	153	446	
Reno De Medici Arnsberg Gmbh		2,697	
Reno De Medici Ibérica S.l.u.	677	187	
Reno De Medici UK Ltd			
Zar S.r.l.			7
Total	17,207	5,119	221

(1) Please see Income Statement – item “Revenues from sales – of which related-parties” includes Intragroup “Revenues from sales” and with related parties

(2) Please see Income Statement – item “Other revenues and income – of which related-parties” includes intragroup “Other revenues and income ” and with other related parties

INTRAGROUP COSTS

31 December 2016	Cost of raw materials and services [1] raw materials	services	Financial expenses
(thousands of Euros)			
R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)		4,797	7
Cartiera Alto Milanese S.r.l. in liquidazione			5
Emmaus Pack S.r.l.	13		
RDM Blendecques S.A.S.			2
RDM Ovaro S.p.A.	26		57
Reno De Medici Arnsberg Gmbh	1	15	77
R.D.M. Magenta S.r.l. (formerly Carta Service Friulana S.r.l.)		2,030	
ZAR S.r.l.	381		
Cascades S.A.S.			1
Total	**421**	**6,842**	**149**

31 December 2016	Cost of raw materials and services [1] raw materials	services	Financial charges
(thousands of Euros)			
Careo S.r.l.		5,375	17
Cartiera Alto Milanese S.r.l. in liquidazione			15
Emmaus Pack S.r.l.	24		
RDM Blendecques S.A.S.			
RDM Ovaro S.p.A.	13		184
Reno De Medici Arnsberg Gmbh			226
Reno De Medici Ibérica S.l.u.			40
ZAR S.r.l.	2,533		
Total	**2,753**	**5,375**	**483**

(1) Please see Income Statement – item “Costs of raw materials and services – of which related-parties” includes intragroup “Cost of raw materials and services” and with related parties

RECEIVABLES, PAYABLES, COSTS AND REVENUES WITH OTHER RELATED PARTIES

RECEIVABLES AND PAYABLES WITH OTHER RELATED PARTIES

The table below lists the payables and receivables as at 31 December 2016 and as at 31 December 2015 with related parties:

	Current assets	Current liabilities [1]
31 December 2016	Receivables from third-party clients	Payables to third-party suppliers
(thousands of Euros)		
Cascades Asia Ltd	397	
Cascades Groupe Produits Spec.		1
Total	397	1
Impact on item total	1.3%	0.0%

	Current assets	Current liabilities
31 December 2016	Receivables from third-party clients	Payables to third-party suppliers
(thousands of Euros)		
Cascades Asia Ltd	186	
Cascades Canada Ulc		
Cascades Inc.		
Cascades Groupe Produits Spec.		1
Total	186	1
Impact on item total	0.5%	0.0%

REVENUES AND COSTS WITH RELATED PARTIES

The table below details the costs and revenues carried out with related parties during financial years 2016 and 2015:

31 December 2016	Revenues from sales [1]
(thousands of Euros)	
Cascades Asia Ltd	3,593
Total	3,593
Impact on item total	1.7%

31 December 2015	Revenues from sales [1]
(thousands of Euros)	
Cascades Asia Ltd	949
Total	**949**
Impact on item total	**0.4%**

(1) Please see Statement of Assets and Liabilities – item "Sales revenues – of which related parties" including intragroup "Sales revenues" and with other related parties

31 December 2016	Cost of raw materials and services [1]
(thousands of Euros)	
Red. Im. S.r.l.	20
Total	**20**
Impact on item total	**0.0%**

31 December 2015	Cost of raw materials and services [1]
(thousands of Euros)	
Cascades S.A.S.	46
Cascades Canada Ulc	72
Red. Im. S.r.l.	20
Total	**138**
Impact on item total	**0.1%**

(1) Please see Income Statement – item "Costs of raw materials and services – of which related parties" including intragroup "Cost of raw materials and services" and with other related parties

APPENDIX B – LIST OF INVESTMENTS IN SUBSIDARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Investments in companies with unlisted shares or in limited liability companies, accounting for more than 10 % of the capital, as at 31 December 2016 (pursuant to Article 126 of Consob resolution no. 11971 of 14 May 1999 and subsequent amendments and additions).

Cardboard industry – subsidiaries

Cartiera Alto Milanese S.r.l. in liquidation

Milan – Italy

Direct ownership percentage: 100%

RDM Blendecques S.A.S.

Blendecques – France

Direct ownership percentage: 100%

RDM Ovaro S.p.A.

Milan - Italy

Direct ownership percentage: 80%

Reno De Medici Arnsberg GmbH

Arnsberg – Germany

Direct ownership percentage: 94%

Indirect ownership percentage: 6% (through Cascades Grundstück Gmbh & Co.KG)

R.D.M. Magenta S.r.l. (già Carta Service Friulana S.r.l.)

Milan - Italy

Direct ownership percentage: 100%

Cascades S.A.S.

La Rochette – France

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

Services industry – subsidiaries

Cascades Grundstück Gmbh & Co.KG

Arnsberg – Germany

Direct ownership percentage: 100%

R.D.M. Marketing S.r.l. (già Careo S.r.l.)

Milan – Italy

Direct ownership percentage: 100%

R.D.M. Marketing Germany GmbH

Krefeld – Germany

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

RDM Marketing France S.A.S.

Paris – France

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

R.D.M. Marketing Spain S.L.U.

Prat de Llobregat – Barcelona – Spain

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

R.D.M. Marketing UK Limited

Wednesbury – United Kingdom

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

R.D.M. Marketing Czech Republic S.r.o.

Prague – Czech Republic

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

R.D.M. Marketing Hungaria Kft.

Budapest - Hungary

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

R.D.M. Marketing Poland SP z.o.o.

Warsaw - Poland

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

Cardboard industry and other industrial productions – subsidiaries and joint ventures

Emmaus Pack S.r.l.

Milan - Italy

Direct ownership percentage: 34.39%

Manucor S.p.A.

Milan - Italy

Direct ownership percentage: 22.75%

Pac Service S.p.A.

Vigonza - Padua - Italy

Direct ownership percentage: 33.33%

ZAR S.r.l.

Silea – Italy

Direct ownership percentage: 33.33%

APPENDIX C: INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF THE CONSOB ISSUER'S REGULATION

The table below, prepared pursuant to Article 149-*duodecies* of the Consob Issuer's Regulation, reports the fees charged in 2016 for auditing services and for various audits carried out by the auditing firm Deloitte & Touche S.p.A. and by entities belonging to its network (Network Deloitte & Touche S.p.A.).

DESCRIPTION	Company providing the service	Recipient	Fees for 2016
			(thousands of Euros)
Statutory Audits of Accounts	*Deloitte & Touche S.p.A.*	*Parent Company Reno De Medici S.p.A.*	*173*
	Deloitte & Touche S.p.A.	*Subsidiary*	*33*
	Network Deloitte & Touche S.p.A.	*Subsidiary*	*84*
Other auditing services	*Network Deloitte & Touche S.p.A.*	*Subsidiary*	*11*
	Deloitte & Touche S.p.A	*Parent Company Reno De Medici S.p.A.*	*110*
Total			*411*

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS MEETING CALLED FOR THE APPROVAL OF THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016 PURSUANT TO ARTICLE 153, LEGISLATIVE DECREE 58/98 AND ARTICLE 2429, OF THE ITALIAN CIVIL CODE

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

Dear Shareholders,

first of all we should like to remind you that the legally-required audit of the accounts pursuant to Article 14 of Legislative Decree 39/2010 is delegated to the Independent Auditors Deloitte & Touche S.p.A., appointed to this extent by the Shareholders' Meeting of April 27, 2012 with regard to each of the financial years included between 2012 to 2020.

During the time of our practise, ended on the 31st of December 2016 , we carried out our control activities according to the rules of the Italian Civil Code, to articles 148 *et.seq.* of Legislative Decree 58 of February 24, 1998 as well as Legislative Decree 39/2010, in our capacity of Internal Control and Audit Committee, also taking into account the guidelines provided by CONSOB in its communications, accordingly with the code of conduct of the Board of Statutory Auditors recommended by the "Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili" (Italian Association of Chartered Accountants).

We verified the compliance with the law and with the instruments of incorporation.

On a quarterly basis at the least, the Directors gave us extensive information about the activities performed and on the main economic, financial and balance-sheet impact transactions carried out by the Company and its subsidiaries, as well as on the overall management performance and on the events that had the main impact on the result for the year.

As far as we are concerned, we verified that any action approved and implemented were compliant with the Law and the by-laws and that they were not manifestly imprudent, risky, or affected by a conflict of interest or were contrary to the resolutions adopted by the Shareholders' Meeting, or able to compromise the integrity of the Company's assets.

We did not get any evidence that the Company carried out any atypical and/or unusual transactions with any company of the Group or with other related-parties or third-parties, being such a result confirmed by the information provided by the Related Parties committee.

According to our duties, we supervised the adequacy of the Company's organizational structure, the compliance to the principles of proper administration and the adequacy of the instructions given by the Company to its subsidiaries, pursuant to Article 114, paragraph 2 of Legislative Decree 58/98. In this regard, we do not have any particular observation to report.

Specifically, as far as the decision-making processes of the Board of Directors are concerned, we ascertained, also by our personal participation to the board meetings, the compliance with the law and by-laws of the managing decisions taken by the Directors. During the meetings of the Board all the periodical managing performance have been analysed and deeply discussed, as well as any aspect related to the most significant transactions.

We monitored the adequacy of the internal control system and the administrative and accounting system, as well as the reliability of the latter to correctly represent the operating performance, by mean of the information received from the holders of the respective offices, the exam of the company documents and the analysis of the results of the work conducted by the Independent Auditors and by the Internal Audit Manager and attending the meetings of the Control and Risk Committee established within the Board of Directors pursuant to the Self-Regulation Code.

In our capacity as Internal Control and Audit Committee, as per article 19 of the Legislative Decree n. 39/2010, we monitored the financial reporting process also examining the outcome of the activity performed by the Internal Audit Manager, with reference to the adequacy and the actual application of the internal control system adopted by the Company in order to assure the reliability of the financial reporting process. As per our evidences, the internal control and risk management systems are overall appropriate and able to endure the reliability of the 2016 financial information.

As provided for by Article 16 of Legislative Decree 39 of 1.27.2010, the Independent Auditors have exclusively exercised control over:

- the correct keeping of the accounts and the correct recording of the operating performance in the records;
- the correspondence of the financial statements with the results of the records and on the conformity to the governing regulations.

We held regular meetings with the representatives of the Independent Auditors, pursuant to Article 150, paragraph 3 of Legislative Decree 58/98, and no significant data or information arose that need to be highlighted in this report.

Under the scope of the supervision of the statutory audit of the financial and consolidated accounts, we examined the Group's Audit Plan as of December 31, 2016 - prepared by the Independent Auditors - which highlights the significant risks with regard to the main areas of the financial statements and we also monitored the effectiveness of the audit activity performed by the Independent Auditors. In this respect, we do not have any peculiar comment to report.

We monitored the practical methods for implementing the Corporate Governance system laid down in the Self-Regulating Code adopted by the Company, keeping up with the recommendations of Borsa Italiana S.p.A..

In this regard, taken note of the evaluations performed by the Board of Directors and by the Control and Risk Committee, the Board of Statutory Auditors verified (i) that the assessment criteria and procedures adopted by the Board of Directors to evaluate the existence of the requirements of integrity, independence and enforceability of its members were correctly applied, (ii) the adequacy of the Board and of its Committees, in respect of the needs and activity of the Company, of its size, composition and operation, as well as (iii) the compliance of each individual member of the Board of Statutory Auditors with the criteria of independence.

We verified the compliance with the rules concerning the drafting of the separate financial statements and the consolidated financial statements as of December 31, 2016 - prepared in accordance with the IFRS (International Financial Reporting Standards), issued by the IASB and endorsed by the European Union, applicable as of December 31 2016 - and of the Directors' Report, by mean of direct controls and information obtained from the Independent Auditors.

With reference to the control on any reductions in value of assets (impairment tests) pursuant to accounting principle IAS 36, as expressly indicated in the joint Bank of

Italy/Consob/Isvap Document 4 of March 3, 2010, before the approval of the financial statements draft as at 12.31.2016, the Directors, during their meeting held on march 23 2017, approved the results of the impairment test and verified thir correspondence to the guidelines of IAS 36. Following the analyses carried out by the Directors, as described in the Directors' Report and in the Notes to the consolidated and separate financial statements, no devaluation have been necessary. Furthermore, we highlight that, following the cover of the losses occurred during the financial period, the Directors modified the value of the participation owned in R.D.M. Marketing S.r.l., subject to the merger proposal included in the agenda of the extraordinary shareholders' meeting.

In their Report, which also contains the information required by Legislative Decree 32/2007, the Directors provided broad information about manging performance and the events featured in the year, illustrating the activities conducted in the various geographical areas in which the Company operates. Making explicit reference to the information provided by the Directors, we wish to remind You specifically, among the extraordinary operations, the purchase of the 100% of Cascades S.A.S from Cascades Canada ULC, which since 06.30.2016 has been included in the scope of consolidation of the Reno de Medici Group and as far as it concerns the minor operations, the transfer of the 17% of the controlled Emmaus Pack S.r.l., the sale of Reno de Medici Iberica and the tax assessment arosen between Reno de Medici Arnsberg GmbH and the German tax Authorities.

Furthermore, in their Report, the Directors adequately list and describe the operations undertaken with the Companies pertaining to the Group and the other related parties, including the already mentioned purchase of Cascades S.A.S., highlighting their ordinary nature or, in any way, their functionality in regards to the Company programs and requirements, as far as their characteristics and amounts. Particularly, the aforesaid operations represent the 3,7% of the total sale revenues and are mainly of commercial nature.

The Directors' Report contains a specific section on Corporate Governance and ownership structures, prepared pursuant to Article 123-*bis* of Legislative Decree 58/98 and Article 89-*bis*, R.E.. In this regard the Directors do not have any issues to bring to your attention.

Both the consolidated financial statements and the separate financial statements contain the certifications of the Executive officer in charge for the preparation of the company's financial reports, issued pursuant to Article 154-*bis* of Legislative Decree 58/98 and subsequent amended.

The Directors, on March, 23, 2017, have also prepared and approved the Remuneration Report pursuant to Article 123-*ter* of Legislative Decree 58/98, approved by the Remuneration Committee on the same day. In this context, the Company illustrated the principles adopted for calculating the remuneration of executive directors or directors in charge for specific offices, for the Chief Executive Officer as well as for other Officers with strategic responsibilities. In addition, the Report contains the table of compensation paid to members of the Board of Directors and Auditors, to the Chief Executive Officer and to any other officer with strategic responsibilities, as well as the table containing the information on investments held by the same in the Company's share capital. Finally, please note that the board meeting called to approve the annual financial statements as of 12.31.2016, shall also resolve upon the approval, pursuant to Article 123-*ter* of Legislative Decree 58/98, of the Stock Grant Piano 2017-2019 proposed in favour of the future managing Director of Reno de Medici S.p.a.

On April 5, 2017, the Independent Auditors issued their report with a favourable opinion on the consolidated financial statements and the separate financial statements as of 12.31.2016, without any further remarks or findings. The Independent Auditors also certified the consistency of the Directors' Report and of the specific section about the corporate governance and ownership structure, limited to the information included in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of Article 123-*bis* of Legislative Decree 58/98, with the financial statements as at December 31, 2016.

The Independent Auditors, still on April 5, 2017, also sent us - in our capacity of Internal Control and Audit Committee - their report on the fundamental issues that emerged during the statutory audit and any significant shortcomings found in the internal control system with regard to the financial information process, pursuant to Article 19 of Legislative Decree 39/2010, paragraph 3. There is adequate information on these aspects in the Notes to the Consolidated and Separate Financial Statements.

The Independent Auditors also confirmed to us that, during the normal course of their audit, they did not discover any shortcomings in the internal control system with regard to the financial information process for the separate and consolidated financial statements as at 12.31.2016 that needed reporting to the Internal Control and Audit Committee.

As provided by Article 19 of Legislative Decree 39/10, we monitored the independence of the Independent Auditors, specifically as far as the provision of non-audit related services is concerned.

Pursuant to the provision of Article 17, paragraph 9, letter a) of Legislative Decree 39/2010, we received confirmation from the Independent Auditors that - in the period from January 1, 2016 to the date of their communication (April 4, 2017) - they did not find any situations that might compromise their independence, as far as any causes of incompatibility, as indicated in Articles 10 and 17 of Legislative Decree 39/2010 and its implementing provisions.

The Independent Auditors also sent us the list of non-statutory audit services provided to the Company and its subsidiaries by themselves or by organizations belonging to theur network (Network Deloitte & Touche S.p.A.). Specifically, from the information provided pursuant to Article 149-*duodecies* of the CONSOB Issuers' Regulation and reported in the annex to the Notes to the Separate Financial Statements, Deloitte & Touche GmbH (Germany) was appointed to carry out the following additional task:

- other certification services, for a total of Euro11,000 (awarded to Deloitte & Touche GmbH Germany) .
- report on the exam of the pro forma data of the Group Reno de Medici for the exercise ended on the 31st December of 2015, for a total of Euro 110.000 (granted to Deloitte & Touche S.p.A. – Capogruppo).

Also taking into account the communication issued by Deloitte & Touche and the above referred information, based on the oversight activities performed pursuant to Article 19 of Legislative Decree 39/2010, no critical aspects arose with regard to the independence of the Independent Auditors Deloitte & Touche SpA.

During the course of the oversight activity performed by us and taking into account also the information obtained from the Independent Auditors, no omissions and/or reprehensible actions and/or irregularities were found out or significant events that would need to be reported to the control bodies or be mentioned in this report.

The oversight activity described above have been performed in the Board of Statutory Auditors' meetings (also conducting individual interviews) and taking part to the Board of Directors' meetings, as well as to the meetings of the Control and Risk Committee and the Supervisory Body pursuant to Legislative Decree 231/2001, having also heard the Internal Audit Manager. Specifically, we wish to point out the following:

- the Control and Risk Committee, appointed pursuant to the Self-Regulation Code, confirmed (i) the adequacy of the procedures and, more generally, the internal control system adopted by the Company, also in the light of the approval by the Board of Directors of dedicated corporate procedures referred to related-party transactions, confidential information, internal dealing and information disclosure obligations to the Boards of Directors and Auditors, pursuant to ex Article 150 of Legislative Decree 58/98; (ii) the adequacy of the organizational, administrative and general accounting structure, also pursuant to Article 123-*bis*, paragraph 2, letter b) of the TUF. With reference to the anomalies founded during the 2015 financial year, in the awarding process of procurement contracts, the Control and Risk Committee has also pointed out that the Company significantly improved its compliance with the procedures in force and its attention to the ongoing updating of the internal control system.
- The Supervisory Body, appointed pursuant to Legislative Decree 231/01, confirmed there were no breaches of the Organizational Model adopted by the Company that it was aware of and noticed the society's constant attention to the correct use and the continued implementation of the control system (ex Legislative Decree 231/01). With regard to several problems that emerged during the purchase management process in 2015, the ODV pointed out how the Company had improvements in the application of the procedures in 2016.
- The Internal Audit Manager, established pursuant to the Self-Regulation Code, ascertained that the internal control and risk management system was, overall, adequate, operational and functional and able to reduce and prevent the risks that could hinder and/or have a significant impact on the financial reporting or the activity of the Company eventually compromising its asset integrity. Furthermore, the Internal Audit Manager, pointed out that the management has pro-actively

reacted to any findings or deficiencies risen, putting into force appropriate, effective and timely corrective remedies.

We did not receive any censure pursuant to Article 2408 of the Italian Civil Code or complaints from third parties.

During the financial year the Statutory did not released opinions about particular procedures.

Six meetings of the Board of Directors were held during the financial year, four meetings of the Internal Control Committee, two meetings of the Related Parties Committee, four meetings of the Remuneration Committee, eight meetings of the Nominations Committee, to which the Board of Statutory Auditors regularly attended.

In 2016 the Board of Auditors gathered ten times.

Based on the above, the Board of Statutory Auditors, to the extent applicable, does not find any reasons against the approval of the financial statements for the year ended as of 12.31.2016, and also with regard to the proposal submitted by the Board of Directors for the allocation of the profits for the year.

* * *

The Board of Directors has also called the Shareholders ordinary meeting to resolve with regard to the appointment of the administrative body.

With express reference to the Illustrative Report prepared by the Directors, the Board of Statutory Auditors invites you to take the necessary and consequent decisions.

Milan, April 5, 2017

THE BOARD OF STATUTORY AUDITORS

Signed by

Giancarlo Russo Corvace (Chairman)

Giovanni Maria Conti

Tiziana Masolini

CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

AT DECEMBER 31, 2105 PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION 11971 OF MAY 14, 1999 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS.

1. The undersigned Michele Bianchi, as CEO and Stefano Moccagatta as Financial Reporting Executive of Reno De Medici S.p.A., certify, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998: 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998:

- the suitability for the characteristics of the business and
- the effective implementation

of the administrative and accounting procedures pertaining to the preparation of the year-end financial statements for the period from January 1 to December 31, 2016.

2. No significant issues have emerged in this regard.

3. It is further certified that

3.1. the separate financial statements:

a) were prepared in accordance with the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002;

b) are consistent with the figures reported in the relevant accounting books and records;

c) are able to provide a true and fair view of the financial position, the results and the cash flows of the issuer and of the companies whose accounts have been consolidated;

3.2. The Directors' Report comprises a reliable analysis of operating performance and results, as well as of the situation of the issuer and of the companies whose accounts have been consolidated, together with a description of the major risks and uncertainties to which they are exposed.

Milan, March 23, 2017

Chief Executive Officer	Chief Financial Officer
/signed/	/signed/
Michele Bianchi	Stefano Moccagatta

Deloitte.

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

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

INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

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

Report on the Financial Statements

We have audited the accompanying financial statements of Reno De Medici S.p.A., which comprise the statement of financial position as at December 31, 2016, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Reno De Medici S.p.A. as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Deloitte.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Reno De Medici S.p.A., with the financial statements of Reno De Medici S.p.A. as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the financial statements of Reno De Medici S.p.A. as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Giovanni Gasperini
Partner

Milan, Italy
April 5, 2017

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

PROPOSED RESOLUTION

Dear Shareholders,

The 2016 financial statements that we are submitting for your approval, end the year with a profit of €6,788,711.70 which we propose to allocate as follows:

- €339,435.59 to the legal reserve pursuant to article 2430 of the Italian Civil Code;
- €0.0245 as a preference dividend for each outstanding savings share as at the dividend record date, as determined below, specifying that the preference dividend for 2014 and 2015 was entirely paid out with distribution of the dividend for 2015 and that the preferred dividend payable to the 269,628 savings shares therefore amounts to €6,605.89;
- regarding the €0.00265 which represent a dividend for each ordinary share outstanding as at the dividend record date, as specified below, we specify that this is lower than the dividend of 3% of € 0.49 provided by article 22, paragraph 2.a) of the articles of association, as the dividend payable to the ordinary shares once the preferred dividend for the savings shares has been paid;
- once the allocation to the legal reserve and distributions above have been completed, any residual profits will be allocated to the "free reserve" specifying that where the number of ordinary shares bearing a right to receive a dividend on the record date is equal to 377,531,366, the dividend payable to them will be equal to €1,000,458.12, while the residual amount allocated to the free reserve would be equal to €5,442,212.10;
- to establish that the payment of the dividend takes place in one go on May 10, 2017, for each ordinary share with rights and for each savings share with rights, with the ex-coupon date of May 8, 2017 and the record date of May 9, 2017.

If you agree with this proposal, we invite you to approve the following resolution:

"The Ordinary Shareholders' Meeting of Reno De Medici S.p.A.:

- having examined the report of the Board of Directors;

- having examined the Report of the Board of Statutory Auditors;

- having examined the financial statements as at December 31, 2016;

- having acknowledged the Report of Deloitte & Touche S.p.A.

- having approved the presentation of the consolidated financial statements as at December 31, 2016;

resolves

- to approve the Directors' Report, the Report on Operations, inclusive of all other documents and Reports, and the Separate Financial Statements as at December 31, 2016;

- to approve the proposal made by the Board of Directors to allocate the profit of €6,788,711.70 for 2016 as follows:
    - €339,435.59 to the legal reserve pursuant to article 2430 of the Italian Civil Code;
    - €0.0245 as a preference dividend for each outstanding savings share as at the dividend record date, as determined below, specifying that the preference dividend for 2014 and 2015 was entirely paid out with distribution of the dividend for 2015 and that the preferred dividend payable to the 269,628 savings shares therefore amounts to €6,605.89;
    - €0.00265 which represents a dividend for each ordinary share outstanding as at the dividend record date, as specified below, we specify that this is lower than the dividend of 3% of €0.49 provided by article 22, paragraph 2.a) of the articles of association, as the dividend payable to the ordinary shares once the preferred dividend for the savings shares has been paid;
    - once the allocation to the legal reserve and distributions above have been completed, any residual profits will be allocated to the "free reserve" specifying that where the number of ordinary shares bearing a right to receive a dividend on the record date is equal to 377,531,366, the dividend payable to them will be equal to €1,000,458.12, while the residual amount allocated to the free reserve would be equal to €5,442,212.10;
    - -to establish that the payment of the dividend shall takes place in one go on May 10, 2017, for each ordinary share with rights and for each savings share with rights, with the ex-coupon date of May 8, 2017 and the record date on May 9, 2017.
- to instruct the Chairman of the Board of Directors and the Chief Executive Officer, separately, to take all actions necessary to execute this resolution.

Milan, Thursday, March 23, 2017

On behalf of the Board of Directors

The Chairman

Signed

Robert Hall

SUMMARY TABLES OF THE KEY FIGURES FROM THE MOST RECENT FINANCIAL STATEMENTS OF THE SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES OF THE RENO DE MEDICI GROUP

In accordance with Article 2429, paragraphs 3 and 4, of the Italian Civil Code, summary tables of the key figures of Reno De Medici Group subsidiaries and associates as at December 31, 2016, as listed below, are attached hereto.

SUBSIDIARIES

Included in the scope of consolidation

Cartiera Alto Milanese S.r.l. in liquidation

Cascades Grundstück GmbH & Co.KG

RDM Blendecques S.A.S.

RDM Ovaro S.p.A.

Reno De Medici Arnsberg Gmbh

R.D.M. Magenta S.r.l. (formerly Carta Service Friulana S.r.l.)

Cascades S.A.S.

R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)

ASSOCIATES

Pac Service S.p.A.

Emmaus Pack S.r.l.

JOINT VENTURES

Manucor S.p.A.

ZAR S.r.l.

Cartiera Alto Milanese S.r.l. in liquidation

Headquarter in Milan - Viale Isonzo, 25

Share capital €12,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2016**	**12.31.2015**
Non-current assets	54	121
Current assets	917	928
TOTAL ASSETS	**971**	**1,049**
Liabilities and shareholders' equity	**12.31.2016**	**12.31.2015**
shareholders' equity	971	1,024
Provisions for Risks and Charges		
Payables		25
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**971**	**1,049**

Income Statement

(thousands of Euros)		
	12.31.2016	**12.31.2015**
Value of production	12	39
Cost of production	(46)	(52)
Operating profit	**(34)**	**(13)**
Financial income (expense)	5	12
Profit (loss) before taxes	**(29)**	**(1)**
Taxes for the year	(41)	(30)
Profit (loss) for the year	**(70)**	**(31)**

Cascades Grundstück GmbH & Co.KG

Headquarter in Arnsberg - Hellefelder Street, 51

Share capital €19,000

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2016	12.31.2015
Non-current assets	307	307
Current assets	2	4
TOTAL ASSETS	309	311
Liabilities and shareholders' equity	12.31.2016	12.31.2015
shareholders' equity	307	307
Provisions for Risks and Charges		
TFR		
Payables	2	4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	309	311

Income Statement

(thousands of Euros)		
	12.31.2016	12.31.2015
Value of production		
Cost of production	(6)	(7)
Operating profit	(6)	(7)
Financial income (expense)		
Profit (loss) before taxes	(6)	(7)
Taxes for the year		
Profit (loss) for the year	(6)	(7)

RDM Blendecques S.a.s.

Registered office in Blendecques – Rue de L'Hermitage B.P 53006

Share capital €1,037,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2016**	**12.31.2015**
Non-current assets	19,639	7,440
Current assets	10,352	11,735
TOTAL ASSETS	**29,991**	**19,175**
Liabilities and shareholders' equity	**12.31.2016**	**12.31.2015**
shareholders' equity	3,094	(1,298)
Provisions for Risks and Charges	106	
TFR	2,604	2,926
Payables	24,187	17,547
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**29,991**	**19,175**

Income Statement

(thousands of Euros)		
	12.31.2016	**12.31.2015**
Value of production	55,275	55,261
Cost of production	(58,181)	55,286
Operating profit	**(2,906)**	**(25)**
Financial income (expense)	(431)	(174)
Profit (loss) before taxes	**(3,337)**	**(199)**
Taxes for the year	(167)	(154)
Discontinued operations		
Profit (loss) for the year	**(3,504)**	**(353)**

Cascades S.A.S

Registered office in La Rochette – Av. Maurice Franck 23

Share capital €10,000,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2016**	**12.31.2015**
Non-current assets	14,340	
Current assets	37,664	
TOTAL ASSETS	**52,004**	
Liabilities and shareholders' equity	**12.31.2016**	**12.31.2015**
Shareholders' equity	16,673	
Provisions for Risks and Charges	150	
TFR	3,750	
Payables	31,431	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**52,004**	

Income Statement

(thousands of Euros)		
	12.31.2016	**12.31.2015**
Value of production	55,289	
Cost of production	(52,598)	
Operating profit	**2,691**	
Financial income (expense)	(206)	
Investestment income (expense)	(145)	
Profit (loss) before taxes	**2,340**	
Taxes for the year	194	
Discontinued operations		
Profit (loss) for the year	**2,534**	

Reno De Medici Arnsberg Gmbh

Headquarter in Arnsberg - Hellefelder Street, 51

Share capital €5,112,919

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2016**	**12.31.2015**
Non-current assets	53,492	54,873
Current assets	33,206	34,494
TOTAL ASSETS	**86,698**	**89,367**
Liabilities and shareholders' equity	**12.31.2016**	**12.31.2015**
shareholders' equity	45,199	49,662
TFR	17,229	16,535
Payables	24,270	23,170
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**86,698**	**89,367**

Income Statement

(thousands of Euros)		
	12.31.2016	**12.31.2015**
Value of production	112,978	120,148
Cost of production	112,881	(115,974)
Operating profit	**97**	**4,174**
Financial income (expense)	(274)	43
Profit (loss) before taxes	**(177)**	**4,217**
Taxes for the year	51	(1,352)
Profit (loss) for the year	**126**	**2,865**

R.D.M. Magenta S.r.l. (formerly Carta Service Friuliana S.r.l.)

Headquarter in Milan - Viale Isonzo, 25

Share capital €3,700,000

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2016	12.31.2015
Non-current assets	5,792	3
Current assets	658	40
TOTAL ASSETS	6,450	43
Liabilities and shareholders' equity	12.31.2016	12.31.2015
shareholders' equity	3,629	43
TFR	1,256	
Payables	1,565	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,450	43

Income Statement

(thousands of Euros)		
	12.31.2016	12.31.2015
Value of production	2,030	
Cost of production	(1,964)	(4)
Operating profit	(66)	(4)
Financial income (expense)	(3)	
Profit (loss) before taxes	(69)	(4)
Taxes for the year	(47)	
Profit (loss) for the year	(116)	(4)

Reno De Medici Ovaro S.p.A. (formerly Reno Logistica S.r.l. in liquidation)

Headquarter in Milan - Viale Isonzo, 25

Share capital €12,500,000

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2016	12.31.2015
Non-current assets	11,896	12,258
Current assets	25,643	22,426
TOTAL ASSETS	37,539	34,684
Liabilities and shareholders' equity	12.31.2016	12.31.2015
shareholders' equity	15,002	12,996
Provisions for Risks and Charges	276	304
TFR	2,262	2,284
Payables	19,999	19,100
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	37,539	34,684

Income Statement

(thousands of Euros)		
	12.31.2016	12.31.2015
Value of production	43,673	43,438
Cost of production	39,552	40,139
Operating profit	4,121	3,299
Financial income (expense)	(85)	7
Profit (loss) before taxes	4,036	3,306
Taxes for the year	(1,185)	(681)
Profit (loss) for the year	2,851	2,625

R.D.M. Marketing S.r.l. (formerly Careo S.r.l.) (*)

Headquarter in Milan - Viale Isonzo, 25

Share capital €200,000

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2016	12.31.2015
Non-current assets	713	883
Current assets	6,390	6,190
TOTAL ASSETS	7,103	7,073
Liabilities and shareholders' equity	12.31.2016	12.31.2015
Shareholders' equity	215	484
Non-current liabilities	2,954	2,964
Current liabilities	3,934	3,625
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,103	7,073

Income Statement

(thousands of Euros)		
	12.31.2016	12.31.2015
Value of production	10,974	12,111
Cost of production	(11,172)	(11,771)
Operating profit	(198)	340
Financial income (expense)	(128)	(22)
Profit (loss) before taxes	(326)	318
Taxes for the year	(412)	(182)
Profit (loss) for the year	(738)	136

(*) Figures refer to the consolidated data prepared for the Consolidated Financial Statements of the Reno De Medici Group.

R.D.M. Marketing France S.A.S.

Registered office in La Défense Cedex- Paris

Share capital €337,000

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2016	12.31.2015
Non-current assets	57	41
Current assets	2,708	2,647
TOTAL ASSETS	2,765	2,688
Liabilities and shareholders' equity	12.31.2016	12.31.2015
Shareholders' equity	648	898
Non-current liabilities	462	429
Current liabilities	1,655	1,361
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,765	2,688

Income Statement

(thousands of Euros)		
	12.31.2016	12.31.2015
Value of production	3,711	4,101
Cost of production	(3,514)	(3,940)
Operating profit	197	161
Financial income (expense)	12	20
Profit (loss) before taxes	209	181
Taxes for the year	(459)	(52)
Profit (loss) for the year	(250)	129

R.D.M. Marketing Germany G.M.B.H.

Registered office in Uerdinger Strasse- Krefeld

Share capital €210,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2016**	**12.31.2015**
Non-current assets	2	3
Current assets	551	647
TOTAL ASSETS	**553**	**650**
Liabilities and shareholders' equity	**12.31.2016**	**12.31.2015**
Shareholders' equity	477	521
Non-current liabilities		
Current liabilities	76	129
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**553**	**650**

Income Statement

(thousands of Euros)		
	12.31.2016	**12.31.2015**
Value of production	847	936
Cost of production	(902)	(853)
Operating profit	**(55)**	**83**
Financial income (expense)	2	8
Profit (loss) before taxes	**(53)**	**91**
Taxes for the year	8	(30)
Profit (loss) for the year	**(45)**	**61**

R.D.M. Marketing Spain S.L.U.

Registered office in C/Selva – El Prat de Llobregat

Share capital €25,916

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2016**	**12.31.2015**
Non-current assets	4	4
Current assets	462	514
TOTAL ASSETS	**466**	**518**
Liabilities and shareholders' equity	**12.31.2016**	**12.31.2015**
Shareholders' equity	268	216
Non-current liabilities		
Current liabilities	197	302
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**465**	**518**

Income Statement

(thousands of Euros)		
	12.31.2016	**12.31.2015**
Value of production	931	1,311
Cost of production	(880)	(1,146)
Operating profit	**51**	**165**
Financial income (expense)	1	
Profit (loss) before taxes	**(52)**	**165**
Taxes for the year		
Profit (loss) for the year	**(52)**	**165**

R.D.M. Marketing Czech Republic s.r.o.

Registered office in Jinonickà – Prague

Share capital €18,500

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2016**	**12.31.2015**
Non-current assets		
Current assets	222	211
TOTAL ASSETS	**222**	**211**
Liabilities and shareholders' equity	**12.31.2016**	**12.31.2015**
Shareholders' equity	155	152
Non-current liabilities		
Current liabilities	67	59
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**222**	**211**

Income Statement

(thousands of Euros)		
	12.31.2016	**12.31.2015**
Value of production	280	314
Cost of production	(269)	(291)
Operating profit	**11**	**23**
Financial income (expense)	(9)	(12)
Profit (loss) before taxes	**(2)**	**11**
Taxes for the year		
		(6)
Profit (loss) for the year	**(2)**	**5**

R.D.M. Marketing Poland SP z.o.o.

Registered office in Altowa – Warsaw

Share capital €11,335

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2016	12.31.2015
Non-current assets		
Current assets	351	266
TOTAL ASSETS	351	266
Liabilities and shareholders' equity	12.31.2016	12.31.2015
Shareholders' equity	172	138
Non-current liabilities		
Current liabilities	179	128
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	351	266

Income Statement

(thousands of Euros)		
	12.31.2016	12.31.2015
Value of production	526	502
Cost of production	(462)	(433)
Operating profit	64	69
Financial income (expense)	(1)	(4)
Profit (loss) before taxes	63	65
Taxes for the year	(30)	(9)
Profit (loss) for the year	33	56

R.D.M. Marketing Hungaria KFT

Registered office in Otvos Janos- Budapest

Share capital €19,200

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2016	12.31.2015
Non-current assets	5	10
Current assets	243	156
TOTAL ASSETS	248	166
Liabilities and shareholders' equity	12.31.2016	12.31.2015
Shareholders' equity	163	132
Non-current liabilities		
Current liabilities	85	34
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	248	166

Income Statement

(thousands of Euros)		
	12.31.2016	12.31.2015
Value of production	320	232
Cost of production	(266)	(217)
Operating profit	54	15
Financial income (expense)	(12)	(7)
Profit (loss) before taxes	42	8
Taxes for the year	(12)	(5)
Profit (loss) for the year	30	3

R.D.M. Marketing UK Ltd

Registered office in West Bromwich – Wednesbury

Share capital €1

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2016	12.31.2015
Non-current assets	43	64
Current assets	167	99
TOTAL ASSETS	210	163
Liabilities and shareholders' equity	12.31.2016	12.31.2015
Shareholders' equity	(512)	(528)
Non-current liabilities	5	13
Current liabilities	717	678
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	210	163

Income Statement

(thousands of Euros)		
	12.31.2016	12.31.2015
Value of production	557	516
Cost of production	(592)	(603)
Operating profit	**(35)**	**(87)**
Financial income (expense)	(20)	(20)
Profit (loss) before taxes	**(55)**	**(107)**
Taxes for the year		
Profit (loss) for the year	**(55)**	**(107)**

Manucor S.p.A.

Headquarter in Milan – Via Durini, 16/18

Share capital €10,000,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2016**	**12.31.2015**
Non-current assets	61,454	66,812
Current assets	42,142	42,421
TOTAL ASSETS	**103,596**	**109,233**
Liabilities and shareholders' equity	**12.31.2016**	**12.31.2015**
Shareholders' equity	10,107	13,656
Non-current liabilities	46,951	54,811
Current liabilities	46,538	40,766
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**103,596**	**109,233**

Income Statement

(thousands of Euros)		
	12.31.2016	**12.31.2015**
Value of production	145,800	171,570
Cost of production	(148,332)	(168,954)
Operating profit	**2,532**	**2,616**
Financial income (expense)	(2,215)	(3,258)
Other income (expense)		
Profit (loss) before taxes	**(4,747)**	**(642)**
Taxes for the year	1,301	1,902
Profit (loss) for the year	**(3,446)**	**1,260**

PAC Service S.p.A.

Headquarter in Vigonza (PD) – Via Julia, 47

Share capital €1,000,000

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2016	12.31.2015
Non-current assets		2,266
Current assets		11,180
TOTAL ASSETS		13,446
Liabilities and shareholders' equity	12.31.2016	12.31.2015
shareholders' equity		6,494
Provisions for Risks and Charges		204
TFR		539
Payables		6,209
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		13,446

Income Statement

(thousands of Euros)		
	12.31.2016	12.31.2015
Value of production		19,979
Cost of production		(18,477)
Operating profit		1,502
Financial income (expense)		163
Extraordinary income (expense)		
Profit (loss) before taxes		1,665
Taxes for the year		(529)
Profit (loss) for the year		1,136

Emmaus Pack S.r.l.

Headquarter in Milan - Viale Isonzo, 25

Share capital €200,000

Statement of Financial Position

(thousands of Euros)		
Assets	12.31.2016	12.31.2015
Non-current assets	528	463
Current assets	10,339	10,254
TOTAL ASSETS	10,867	10,717
Liabilities and shareholders' equity	12.31.2016	12.31.2015
shareholders' equity	1,156	940
Provisions for Risks and Charges	104	98
TFR	288	259
Payables	9,319	9,420
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,867	10,717

Income Statement

(thousands of Euros)		
	12.31.2016	12.31.2015
Value of production	16,459	17,352
Cost of production	(15,761)	(16,902)
Operating profit	698	450
Financial income (expense)	(45)	(82)
Profit (loss) before taxes	653	368
Taxes for the year	(291)	(221)
Profit (loss) for the year	362	147

Zar S.r.l.

Headquarter in Milan

Share capital €90,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2016**	**12.31.2015**
Non-current assets	4	4
Current assets	3,820	989
TOTAL ASSETS	**3,824**	**993**
Liabilities and shareholders' equity	**12.31.2016**	**12.31.2015**
shareholders' equity	285	191
Payables	3,539	802
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,824**	**993**

Income Statement

(thousands of Euros)		
	12.31.2016	12.31.2015
Value of production	20,799	17,891
Cost of production	(20,664)	(17,807)
Operating profit	**135**	**84**
Financial income (expense)	(41)	(2)
Profit (loss) before taxes	**94**	**82**
Taxes for the year		(25)
Profit (loss) for the year	**94**	**57**