RDM

Annual Financial Report

as at 31 December 2017

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Letter from the Chairman of the Board

Dear Sirs,

I am honored to sign the traditional Letter to Shareholders as the Chairman of the Board of the RDM Group.

I took on the role of Chairman on November 2nd, 2017 following the resignation of the former chairman, Mr. Robert Hall, who left the role to devote more time to his responsibilities in North America. I extend all my most sincere gratitude, as well as that of the Group, for his contributions to the Group's growth in carrying out his role.

Precisely in light of this, following in his footsteps it is both an honor and a challenge, in returning to the European market. During my time as a Senior Manager within the Cascades Group of companies, I gained significant professional experience in the boxboard field in both Europe and North America.

Serving as Chairman of RDM Group in such an important period of business transformation is surely no less of an ambitious commitment. I am happy to accept this assignment, well aware of the important upward curve the Group is experiencing and also certain of all the potential it has yet to fulfill.

The Group reorganization that was launched just a year ago is already allowing it to

achieve significant competitive advantages on an international scale, but the fruits of this effort will be even more visible in the mid-term. From here I can only look to the future with confidence and optimism.

I have every confidence the members of the RDM Group team will deploy every effort to meet our strategic goals going forward, working as a cohesive unit in the interest of our principal stakeholders.

On behalf of the entire Group, I offer them our most heartfelt gratitude for their collective efforts in supporting the RDM Group's business.

Éric Laflamme,
Chairman of the Board
RDM Group

Letter from CEO

Dear All,

I am especially proud to introduce the Financial Statements for our 89th year, which set out the progress that the Group made and the results it achieved in 2017.

The report clearly shows that the RDM Group has strengthened its position and role in the carboard sector, both made out of recycled material and virgin fibres. Just to share a few highlights, consolidated net revenue was EUR 569.1 million (+19.1% compared with 2016), EBITDA was EUR 45.8 million (+50.5%), EBIT was EUR 23.5 million (+168.2%), and net profit was EUR 14.6 million (more than four times that recorded as at 31 December 2016).

Obviously, this all confirms the validity of the strategic and governance decisions that have been made since I took office on 2 November 2016.

The double-digit growth in all performance indicators is without doubt the result of strong market demand, but of course the transformation process within the Group played a key role in confirming the RDM Group's position as a modern, international and ever-improving player. Above all, it must be underlined that the greatest benefits will be seen in the medium-long term, which means we can look ahead confidently, on the strength of what we have already achieved together.

With that in mind, allow me just to highlight the word "together". Indeed, what we have achieved is the fruit of a challenge that all RDM Group's employees took up and overcame, inspired by a new **Vision** to become the "Partner of Choice" for all our main stakeholders. This was possible because all of us, together, have taken ownership of the **"One Company"** culture that the Group recently adopted: one

brand, one strategy and integrated management for all the Group's companies, to express and harness all of its potential.
Of course, we know that we are only at the start of a business transformation designed to enable the RDM Group to change its skin, making it even more modern, cutting-edge and international.

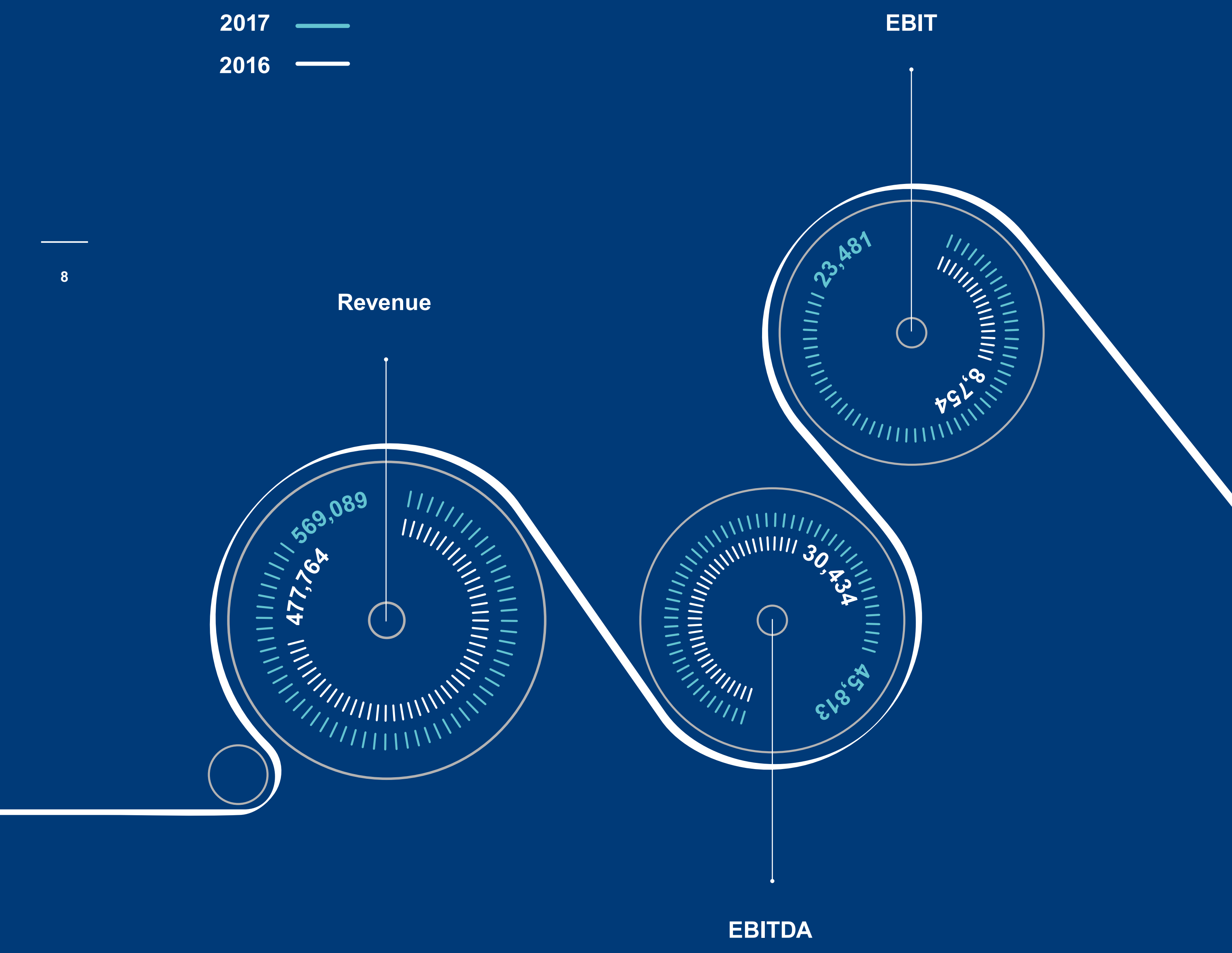
But knowing exactly where we are and where we aspire to be already gives us a competitive advantage. Meanwhile, we are reaching our targets: the acquisition of the La Rochette plant in 2016 allowed us to enter the virgin-fibre cardboard segment in 2017, which means we can meet the widest possible range of needs; the acquisition of 66.67% of the share capital of PAC Service - in which we already held the remaining 33.33% - has allowed the Group to expand its service offering and strengthen its supply chain. We have also reorganised the Sales Area to enable greater integration with Production, facilitated by a major process of technological innovation that we continue to invest in.

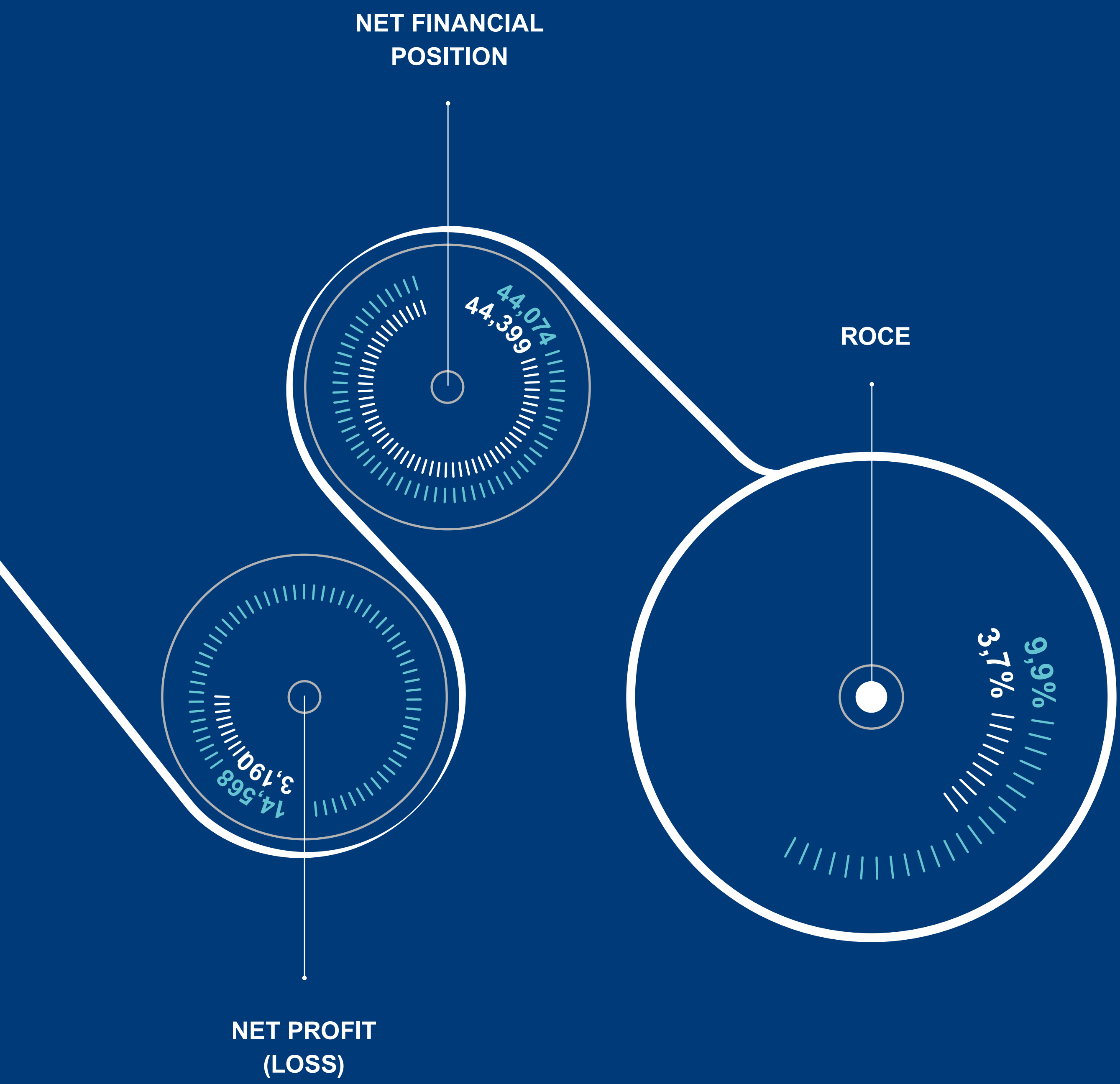
I can therefore confidently say that we can be proud of the results we have achieved. Knowing that we have done it together is the greatest satisfaction of all.

RDM Group CEO
Michele Bianchi

Financial Highlights

(Values in millions of Euros)



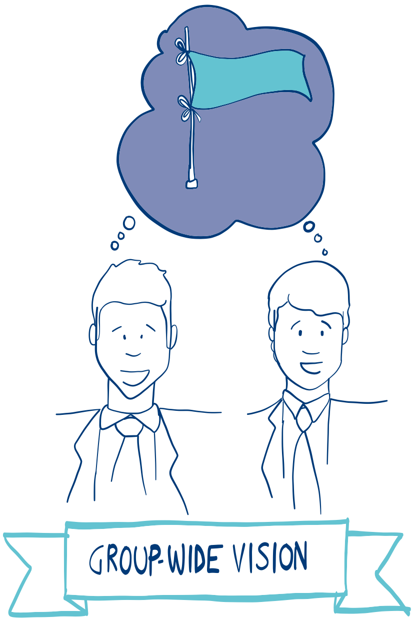

NET FINANCIAL POSITION
44,074
44,399
ROCE
9,9%
3,7%
NET PROFIT (LOSS)
14,568
3,190

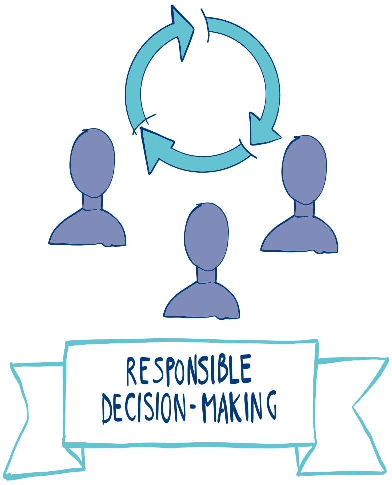
Our Vision

To become
the **Partner of Choice** by:

We work together, sharing our best practice in order to realize the true potential of our Group

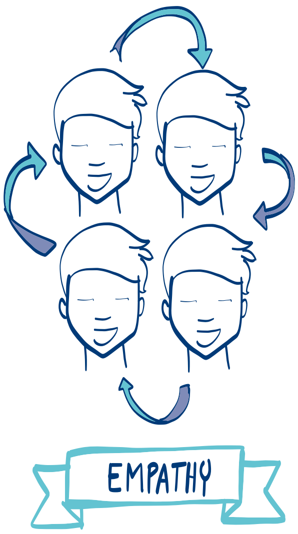
Our Values





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

The awareness of your decisions' effect on others

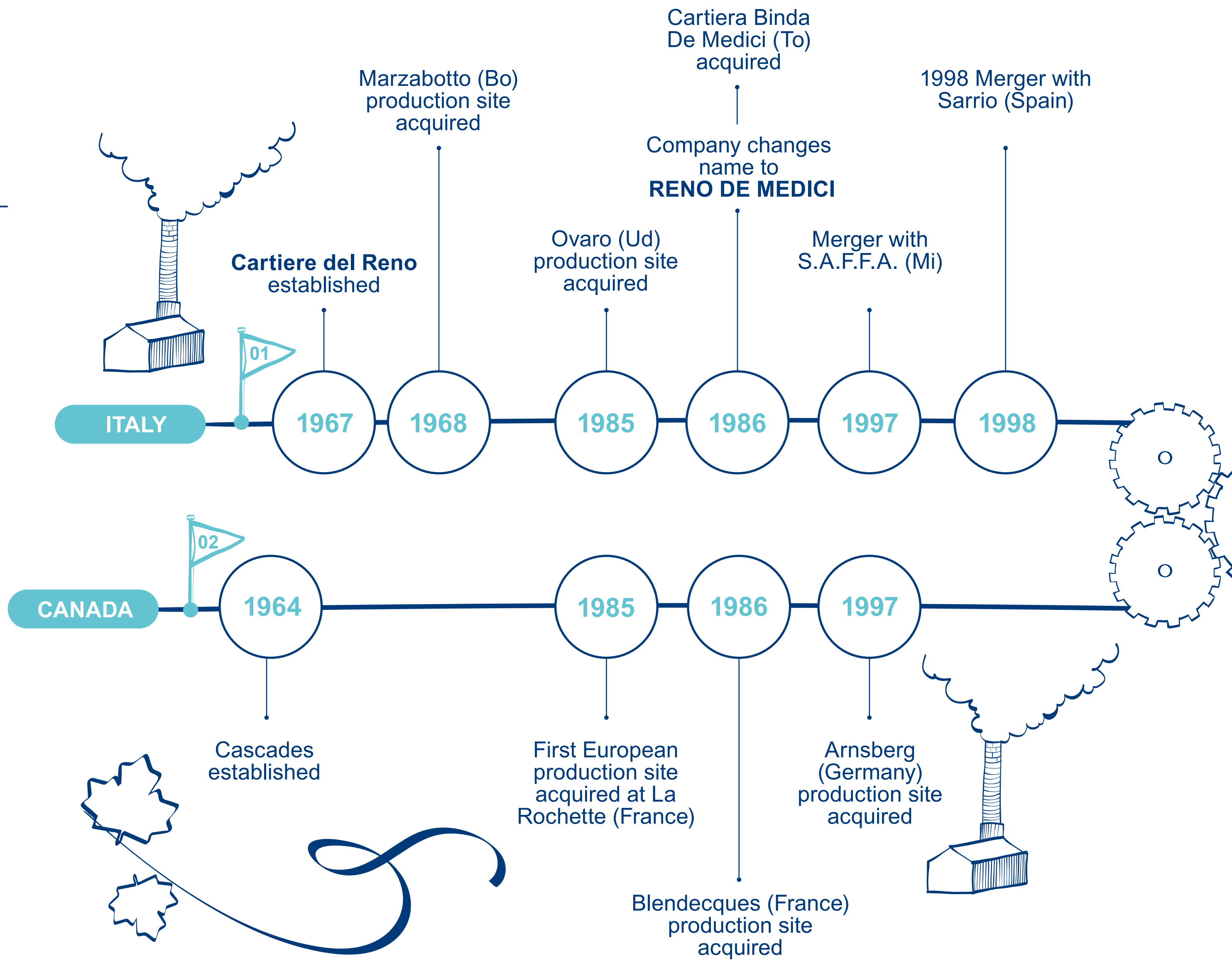


The attitude of understanding others and creating a connection

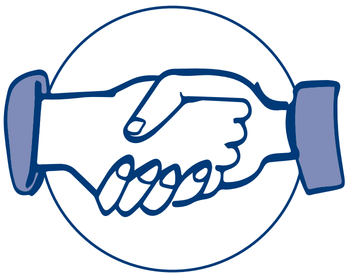
The joint to a shared Vision and sense of belonging

Our History

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



Number 1 manufacturer in Italy and second in Europe for cardboard made from recycled material and active since 2016 in the production of cardboard made from virgin fibre



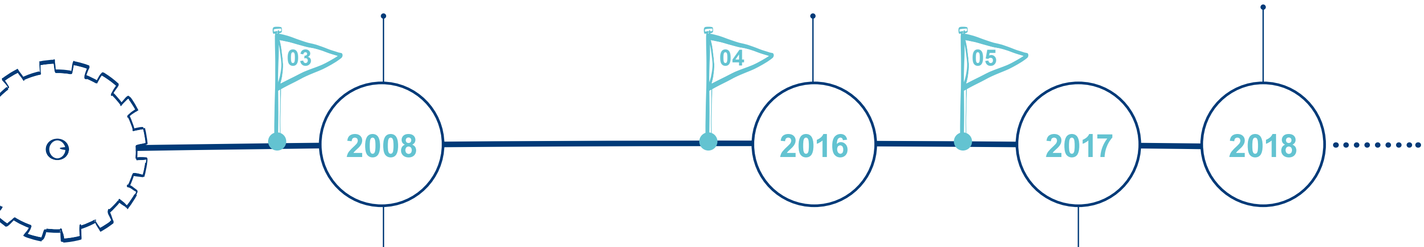
Cascades Europe and Reno De Medici work together for greater efficiency and profitability

La Rochette acquired by Reno De Medici

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

A single Group with a new strategy and integrated management

1 January 2018 PAC Service acquired



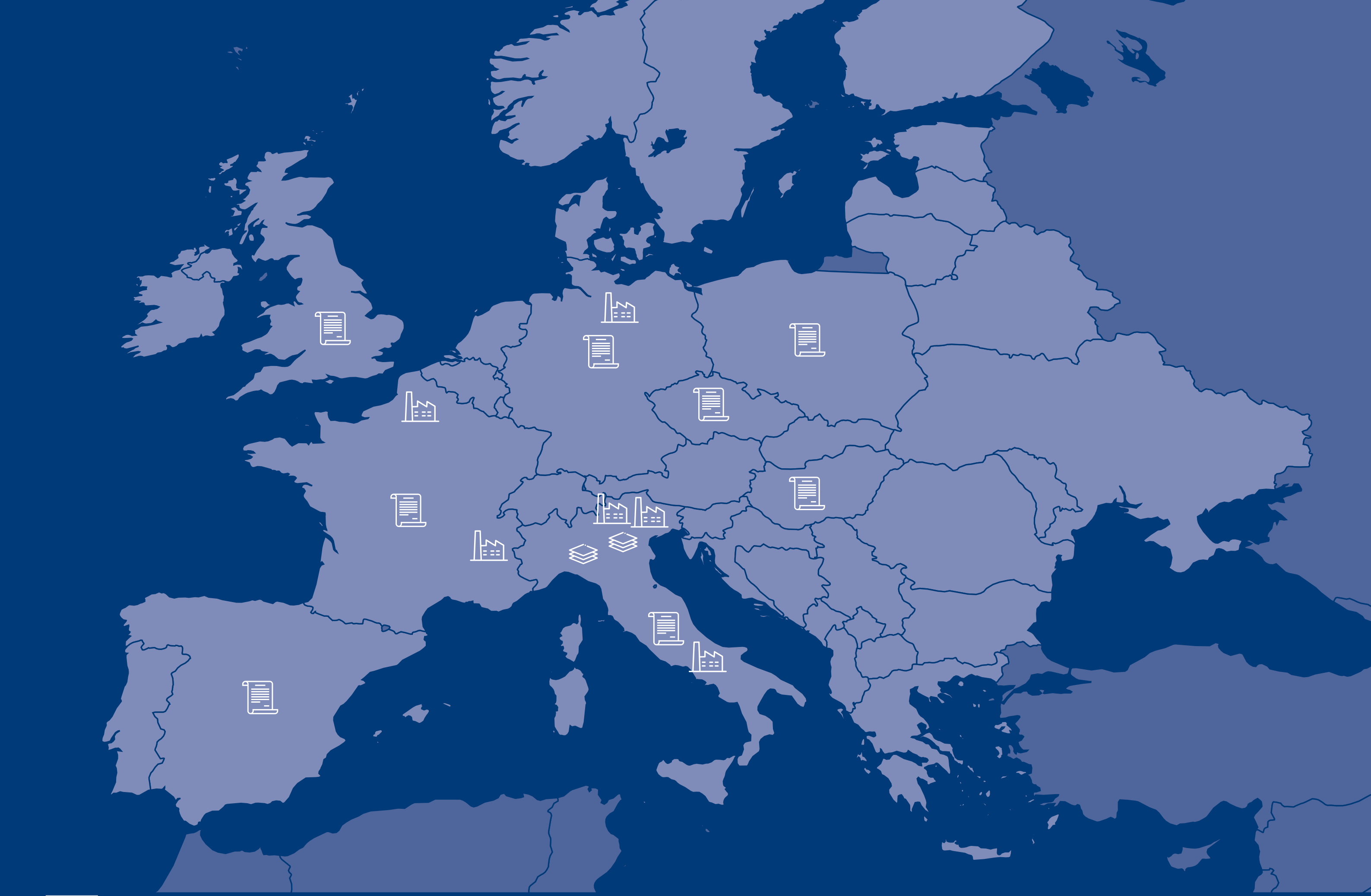
Production sites grouped under the Reno De Medici brand

CAREO, a new corporate sales structure, is created

Governance restructuring

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

3 global Goals:
- offer superb products and services
- optimize costs
- maximize stakeholders' satisfaction



Production Sites

COUNTRY	SOCIETY	ADDRESS	CONTACT
ITALY	**R.D.M. Ovaro S.p.A.**	Via della Cartiera, 27 33025 Ovaro (Ud)	Tel. +39.0433.67241 Fax. +39.0433.67542 rdm_ovaro@pec.rdmgroup.com
ITALY	**Reno De Medici S.p.A. Stabilimento di Santa Giustina**	Località Campo 32035 Santa Giustina (Bl)	Tel. +39.04378811 Fax. +39.04378812/80 renodemedici@pec.rdmgroup.com
ITALY	**Reno De Medici S.p.A. Stabilimento di Villa Santa Lucia**	Via Casilina, km 134,5 03030 Villa Santa Lucia (Fr)	Tel. +39.077637091 Fax. +39.077625976 renodemedici@pec.rdmgroup.com
GERMANY	**R.D.M. Arnsberg GmbH**	Hellefelder Strasse, 51 59821 Arnsberg	Tel. +49.2931851 Fax. + 49.293185201 info.arnsberg@rdmgroup.com
FRANCE	**R.D.M. La Rochette S.A.S.**	23, Avenue Maurice Franck 73110 La Rochette	Tel. +33.(0)479653232 Fax. +33.(0)479653231
FRANCE	**R.D.M. Blendecques S.A.S.**	Rue de l'Hermitage CS 53006 Blendecques 62501 Saint Omer Cedex	Tel. +33.(0)321388020 Fax. +33.(0)321388028 contact.blendecques@rdmgroup.com

Global Presence

The different commercial facilities make it possible to meet the multi-faceted needs of customers and ensure widespread coverage in all European Countries, and sales worldwide.

PRODUCTION CAPACITY	PRODUCTS
95,000 t	OVARO 404 - OVARO 407 - OVARO 649 - OVARO 688 - OVARO 704 - OVARO 706 - OVARO 707 - OVARO 7I9 - OVARO 723 - OVARO 724 - OVARO 726 - OVARO 729 - OVARO 755 - OVARO 786 - OVARO 788 - OVARO 903 - OVARO 904 - OVARO 906 - OVARO 9I8 - OVARO 920 - OVARO 922 - OVARO 93I - OVARO 935 - OVARO 9I3 - OVARO B_ - OVARO C_
240,000 t	SERVIBOARD - VINCI AVANA (962) - VINCIBRIGHT (113) - VINCIBRIGHT SPECIAL (963) - VINCICOAT (112) - VINCIWHITE (117)
220,000 t	VINCIFLEXO (114) - VINCILINER (115)
220,000 t	FLEXOLINER - SERVIBOARD WR - SERVIFREEZE - SERVILINER - SERVISOAP
165,000 t	ROCHBLANC - ROCHCOAT - ROCHCOAT BLANC - ROCHFREEZE- ROCHPERLE
110,000 t	BLANC II GREY - HERMICOAT - HERMIFOOD - HERMIWHITE

Sales Offices

ITALY
Reno De Medici S.p.A.
Viale Isonzo, 25 - 20135 Milan - Italy

info.italia@rdmgroup.com

FRANCE
R.D.M. Marketing France S.A.S.
7 Rue Fraizier - 932 10 Saint-Denis - France

info.france@rdmgroup.com

GERMANY, AUSTRIA, SWITZERLAND AND SCANDINAVIA
R.D.M. Marketing Germany GmbH
Uerdinger Strasse 99 - D-47799 Krefeld - Germany

info.dach@rdmgroup.com

SPAIN
R.D.M. Marketing Spain S.L.U.
C/Selva 2 Edificio B 3°-1°, Edificio Géminis (Mas Blau) - 08220 El Prat de Llobregat - Spain

info.espana@rdmgroup.com

UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND, IRELAND
R.D.M. Marketing UK Limited
Unit 7, Hill Top Industrial Estate West Bromwich
GB-B70 0TX - United Kingdom of Great Britain and Northern Ireland

info.uk@rdmgroup.com

POLAND, RUSSIA, BELARUS, ESTONIA, LATVIA, LITHUANIA, UKRAINE
R.D.M. Marketing Poland sp. z o.o.
Ul. Altowa 6, lok. 7 - 02-386 Warsaw-Poland

info.warszawa@rdmgroup.com

CZECH REPUBLIC AND SLOVAKIA
R.D.M. Marketing Czech Republic s.r.o.
Jinonicka 80 - 15800 Prague 5 - Czech Republic

info.praha@rdmgroup.com

HUNGARY, BOSNIA AND HERZEGOVINA, BULGARIA, CROATIA, MACEDONIA, ROMANIA, SERBIA, SLOVENIA
R.D.M. Marketing Hungaria Kft.
Ötvös János u.3 - H-1021 Budapest - Hungary

info.budapest@rdmgroup.com

OVERSEAS
Reno De Medici S.p.A.
Viale Isonzo 25 - 20135 Milan - Italy

info.export@rdmgroup.com

Cutting and sheeting centers

R.D.M. MAGENTA S.R.L.

Registered office:
Viale Isonzo, 25
20135 Milan (Mi) - Italy

Tel. +39.02.89966
Fax. +39.02.899666200

Operations office:
Via Giacomo de Medici, 19
20013 Magenta (Mi) - Italy

Tel. +39.02.89966111
Fax. +39.02.899666200

rdm_magenta@pec.rdmgroup.com

PAC SERVICE S.p.A.

Via Julia, 47 - 35010
Perarolo di Vigonza (Pd) - Italy

Tel. +39.049.725708/725388
Fax. +39.049.625426

ordini@pacservice.it

Significant Events

1
January
2017

One Company Culture

Milan - Italy

Under the leadership of new CEO Michele Bianchi, who took office on 2 November 2016, the **One Company** culture has been implemented: under the RDM Group brand, a new strategy was created for all of the group's entities.

8-9
February
2017

Health & Safety Meeting

Ovaro - Italy

"Safety first", was how CEO Michele Bianchi summarised his number one priority when he took office. This led to the decision to dedicate the first intra-mill meeting to Health and Safety.

14
March
2017

Lead we will

Milan - Italy

During this corporate meeting – the first since the Group decided to overhaul its governance – management aimed to provide real responses to an important question: **"What is your vision for the future of RDM Group?"**
Underpinning it all is an awareness that "the past is behind us, the future depends on us".

11-12 July 2017

Future is calling

Chambéry - France

The RDM Group's leadership met in this charming French town to define the company's vision and values. They also set the group's six key agendas – Integration & Improvement, HR, Finance, Energy & Procurement, Sales, Operations – which represent a sort of roadmap for all the main business areas.

29 September 2017

Cascade Down

Milan - Italy

The first stop of an event that was later replicated in La Rochette on 24/11, in Blendecques on 5/12, in Arnsberg on 8/12, in Villa Santa Lucia on 19/12, in Santa Giustina on 20/12 and in Ovaro on 21/12. The aim was to share the Group's Vision, Values and Strategy.

19 December 2017

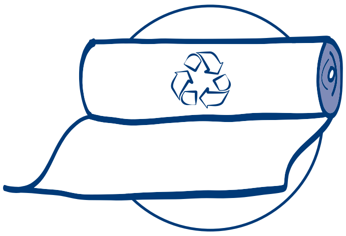
PAC Service

Milan - Italy

Reno De Medici S.p.A. signed contracts to exercise the statutory pre-emptive right to acquire 66.67% of Pac Service S.p.A., in which it already held the residual 33.33%. The effects of the acquisition came into force on 1 January 2018.

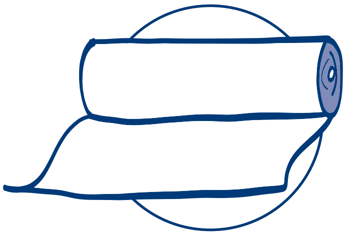
Business Areas

The **RDM Group** operates in three main segments:



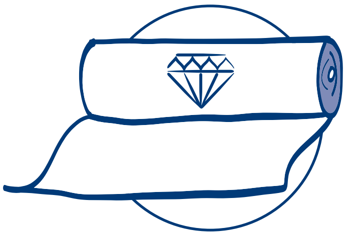
WLC (White Lined Chipboard)

coated board made of recycled fibres. The RDM Group is the **leading Italian manufacturer** and **second-biggest European manufacturer** of board made from recycled material.



FBB (Folding Box Board Segment)

cardboard for folding boxes made of virgin fibres. The RDM Group operates in this segment as a result of the acquisition of R.D.M. La Rochette s.a.s. (formerly Cascades s.a.s.), finalised on June 30, 2016.



OG - GK (Laminated Board)

is cardboard produced at the Ovaro plant, which is well suited to specialties and luxury packaging.

The RDM Group offers a broad portfolio of products, mainly comprising **recycled cardboard (GD/GT) and virgin-fibre cardboard (GC)**. Some of its best-known products are Vincicoat 112, Serviliner, Vinciliner, Rochcoat and Hermicoat.

Summary data and general information

BOARD OF DIRECTORS AND AUDITORS

Board of Directors

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

Board of Statutory Auditors

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

Independent Auditors

Deloitte & Touche S.p.A

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

Below are the main income statement and statement of financial position items for the year ended and as at December 31, 2017 compared with those for the previous financial year, relating to the Reno De Medici Group (the "Group" or "RDM Group").

RDM GROUP	**12.31.2017**	**12.31.2016**
(millions of Euros)		
INCOME STATEMENT (1)		
Revenues from sales	569	478
Gross operating profit (EBITDA)	46	30
Depreciation, amortization and write-downs	(22)	(21)
Operating profit (EBIT)	23	9
Profit (loss) for the year	15	3
Group's share of profit (loss) for the year	**15**	**3**
BALANCE SHEET		
- *Non-current assets (2)*	225	211
- Non-current liabilities, employee benefits and other provisions (3)	(48)	(48)
- Current assets (liabilities) (4)	(13)	(10)
- Working capital (5)	48	46
Net invested capital (NIC) (6)	212	199
Net financial debt (7)	**44**	**44**
Shareholders' equity	168	155
RATIOS		
Gross operating profit / Revenues from sales	8.1%	6.3%
Operating profit / NIC	10.8%	4%
Debt ratio (net financial debt / NIC)	20.8%	22.5%

(1) See RDM Group consolidated financial statements.
(2) See RDM Group consolidated financial statements – total of item "Non-current assets".
(3) See RDM Group consolidated financial statements – sum of the following sub-items of "Non-current liabilities": "Other payables", "Deferred taxes", "Employee benefits" and "Non-current provisions for risks and charges".
(4) See RDM Group consolidated financial statements – sum of the sub-item "Other receivables", net of €858 thousand relating to an entry of a financial nature, classified under the item "Current assets", less the sum of the sub-items "Other payables", "Current taxes", "Employee benefits" and "Short-term provisions for risks and charges", classified under the item "Current liabilities".
(5) See RDM Group consolidated financial statements – sum of the sub-items "Inventories", "Trade receivables" and "Receivables from associates and joint ventures", classified under the item "Current assets", and the sub-item "Trade receivables", classified under the item "Non-current assets", less the sum of the sub-items "Trade payables" and "Payables to associates and joint ventures", classified under the item "Current liabilities".
(6) Sum of the items listed above.

(7) See RDM Group consolidated financial statements – sum of the sub-items “Cash and cash equivalents” and “Other receivables from associates and joint ventures”, classified under “Current assets”, to which €858 thousand is added relating to an entry of a financial nature included under the item “Other receivables”, less the sum of the sub-items “Payables to banks and other lenders” and “Derivative instruments”, classified under “Non-current liabilities”, and “Payables to banks and other lenders”, “Derivative instruments” and “Other payables to associates and joint ventures”, classified under “Current liabilities”.

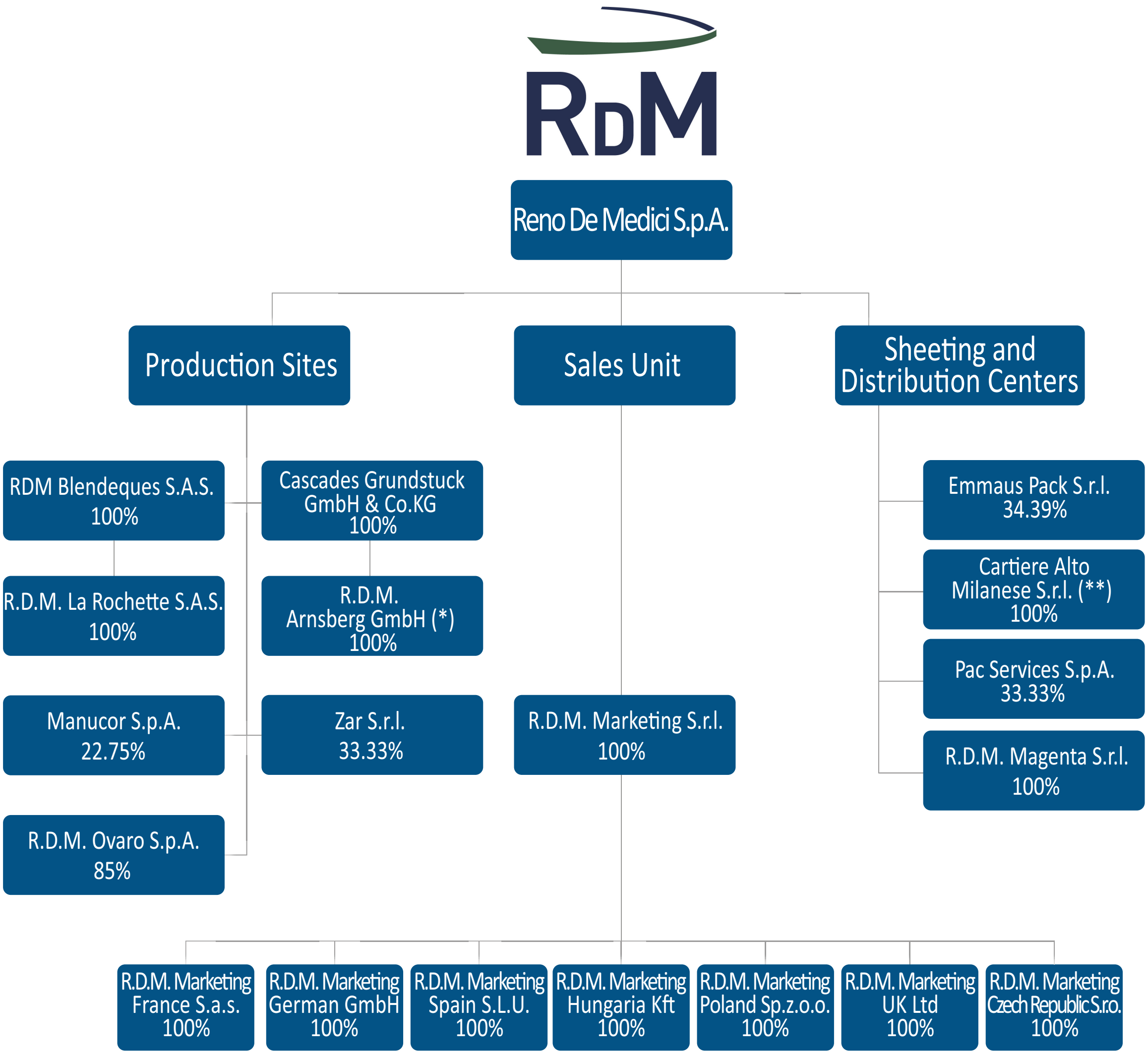
The main income statement and statement of financial position items for the year ended and as at December 31, 2017 are given below, compared with those for the previous financial year, relating to the financial statements of the parent company.

RDM	**12.31.2017**	**12.31.2016**
(millions of Euros)		
INCOME STATEMENT (8)		
Revenues from sales	236	214
Gross operating profit (EBITDA)	27	16
Depreciation, amortization and write-downs	(11)	(11)
Operating profit (EBIT)	16	4
Profit (loss) for the year	10	7
BALANCE SHEET		
- Non-current assets (9)	212	199
- Non-current liabilities, employee benefits and other provisions (10)	(11)	(10)
- Current assets (liabilities) (11)	(4)	(3)
- Working capital (12)	14	13
Net invested capital (NIC) (13)	211	199
Net financial debt (14)	(35)	(33)
Shareholders’ equity	176	166
RATIOS		
Gross operating profit / Revenues from sales	11.5%	7.5%
Operating profit / NIC	7.5%	2%
Debt ratio (net financial debt / NIC)	16.5%	16.6%

(8) See RDM financial statements.
(9) See RDM financial statements – total of item “Non-current assets”.
(10) See RDM financial statements – sum of the following sub-items of “Non-current liabilities”: “Other payables”, “Deferred taxes”, “Employee benefits” and “Non-current provisions for risks and charges”.
(11) See RDM financial statements – sum of the sub-item “Other receivables”, net of €766 thousand relating to an entry of a financial nature, classified under “Current assets”, less the sum of the sub-items “Other payables”, “Current taxes”, “Employee benefits” and “Short-term provisions for risks and charges”, classified under “Current liabilities”.
(12) See RDM financial statements – sum of the sub-items “Inventories”, “Trade receivables” and “Receivables from Group companies”, classified under “Current assets”, less the sum of the sub-items “Trade payables” and “Payables to Group companies”, classified under “Current liabilities”.
(13) Sum of the items listed above.
(14) See RDM financial statements – sum of the following sub-items: “Cash and cash equivalents” and “Other receivables from Group companies”, classified under “Current assets”, to which €766 thousand is to be added relating to an entry of a financial nature included under the item “Other receivables”, less the sum of the sub-items “Payables to banks and other lenders”, “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, 2017

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

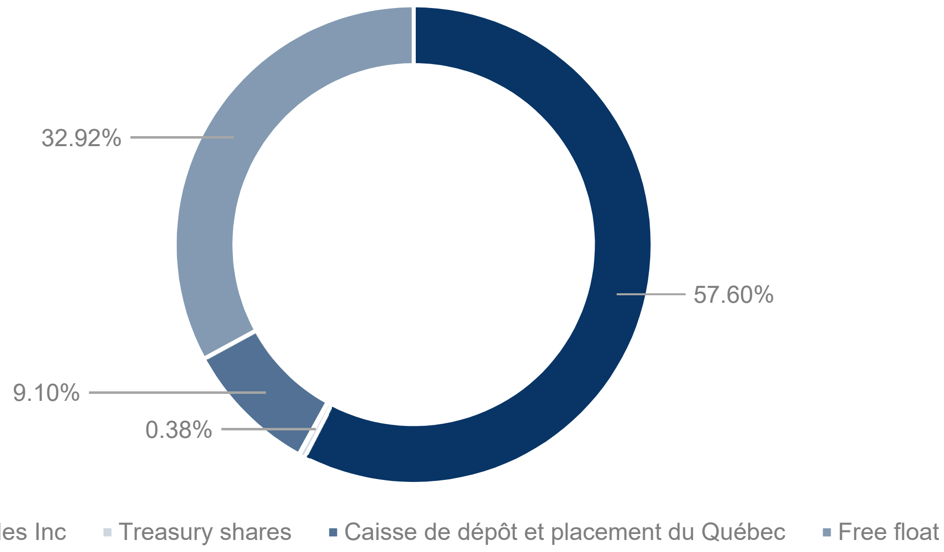


(*) Company owned 94% by Reno De Medici S.p.A. and 6% by Cascades Grundstück GmbH & Co.KG.
(**) Company in liquidation

SHAREHOLDERS

Below is the situation regarding RDM's share ownership as at March 16, 2018, in accordance with information from the Shareholder Register plus the communications received pursuant to Articles 120 and 152-octies, paragraph 7 of the Consolidated Finance Act (CFA) as well as the information disclosed by Consob.

Ordinary shares	377,537,497
Savings shares	263,497
Total	**377,800,994**



Directors’ report on operations

DIRECTORS' REPORT ON OPERATIONS

The RDM Group closes the fiscal year 2017 recording Revenues from Sales for €569.1 Million vs. €477.8 Million in 2016; an EBITDA of €45.8 Million, 8.1% on Sales and a 50.5% increase vs. €30.4 Million prior year, and a Net Profit of €14.6 Million, vs. €3.2 Million in 2016.

The positive results of the year have been possible thanks to both internal and external factors: among the first, the favorable conditions of the market, the higher volume sold and the positive effect of the selling price increases announced in February in the traditional WLC segment (white lined chipboard – coated board made of recycled fibers), that allowed us to reduce the negative impact of the price increases of raw materials. As regards, to the internal factors, a great importance has to be attributed to the reorganization of the managerial structure, as a new commercial, production and supply chain organization was implemented in the first part of the year, with the goal of enhancing an integrated business management culture, typical of the most modern multinational organizations.

However, the comparison with 2016 must also take into account the different impact of the line-by-line consolidation of R.D.M. La Rochette S.A.S., acquired on June 30, 2016, and of the R.D.M. Marketing Group, as the Profit & Loss account of 2016 included only 6 months of the Subsidiaries' operations.

The growth vs. last year of consolidated EBITDA is mainly due to the improvement of the business performance in the WLC segment, where an EBITDA of €41 Million was recorded, that compares to €27.4 Million in 2016, a 49.4% improvement. The balance of €1.8 Million is due to the different consolidation period of R.D.M. La Rochette S.A.S.

As regards the **global macroeconomic scenario**, 2017 saw the improvement of the world economy and an acceleration of the growth pace. The January 2018 update of IMF's World Economic Outlook estimates for 2017 a +3.7% growth of global output, 0.1% higher than envisaged in the Fall of 2017, and 1/2 percentage point higher than 2016. The pick-up in growth has been broad based: "Some 120 economies, accounting for three quarters of world GDP, have seen a pick-up in growth in year-on-year growth terms in 2017, the broadest synchronized global growth upsurge since 2010" (IMF).

The improvement is mainly driven by **Advanced Economies** (+2.3% vs. +1.7% of 2016).

In the **Euro Area** growth attained +2.4%, a very positive upward adjustment compared to +2.1% estimated in the Fall of 2017, and a substantial improvement compared to +1.8% of 2016, in a positive scenario shared by all the major economies of the Area: Germany records +2.5%, France +1.8%, and Italy +1.6% (compared to +0.9% of 2016). Stronger domestic demand, the continuing ECB's accommodative monetary policy, and still low cost of energy (notwithstanding the price increases driven by oil prices), all support growth and business investments.

EMDEs grew in 2017 +4.7%, vs. +4.6% predicted in the Fall of 2017 and +4.4% of 2016. China confirms +6.8%, and some large countries that in 2016 were distressed and recorded negative growth rates show now positive values: Russia grew +1.8% (vs. -0.2% in 2016) and Brazil +1.1% (vs. -3.5% of 2016).

Global trade grew in 2017 +4.7%, versus +4.2% estimated in the Fall, and a much higher rate compared to +2.5% of 2016. Trade was supported by a pick-up in investment in Advanced Economies and increased manufacturing activities in Asia.

The business evolution 2017 in the two sectors in which RDM Group operates, WLC - White Lined Chipboard, and FBB – Folding Box Board, has been positive throughout the year and highlights the stronger performances generated by a more integrated demand management, to meet a good order inflow and a satisfactory backlog.

In the **WLC segment**, in 2017 most of the major European markets show positive variations of deliveries compared to 2016 (only Spain is in line): overall Europe's growth attained +3.9%, driven by East Europe (+7.6%) and Turkey (+13.3%); Western and Central Europe grew at a slower but still positive pace, recording +1.4%.

In the **FBB segment**, in terms of deliveries, in 2017 European demand globally increased +3.3%, but with very different performances among local markets: a very strong growth was recorded by most markets, but Germany (-4.8%) and UK (-6.6%) decreased.

As regards the main production costs, the evolution of prices of **paper for recycling** in 2017 was marked until August by continuous and important hikes, mainly associated to the re-acceleration of the exports to the Far East and to China in particular, but also to the higher demand generated by the new production capacity that entered the market in some contiguous sectors (mainly containerboard). Then in September a fall of market prices was recorded, particularly in some grades (MP - Mixed Paper, and OCC - Old Corrugated Containers), as a consequence of the new procedures relevant to the granting of import licenses decided by the Chinese Government, and of the announcement that starting from 2018 imports of unsorted paper (also known as 'mixed grades') will be prohibited. In Q4 prices remained basically at the same September level.

As regards **virgin fibers (cellulose)**, 2017 has been characterized by a strong upward trend of prices, still in place at the beginning of 2018, both in the so-called 'short-fibers' segment, due to the difficulty of supply to meet demand, as well as in the 'long fibers' segment, mainly for the increased Chinese demand. In this scenario, the weakness of the US dollar helped to limit somewhat the impact of price increases in Euro terms.

Prices of **chemical products** in 2017 were marked by volatility: the increases recorded in Q1 were partially reabsorbed in Q2, whilst Q3 and Q4 showed a more stable scenario. Prices of starches (corn and wheat starches in particular) have been increasing throughout the year.

In summary, the average cost of raw materials for the RDM Group in 2017 was substantially higher than prior year.

As regards the evolution of the **prices of energy** in Europe, the upward trend that had marked the second half of 2016, halted in Q1-2017 to then resume all through the rest of the year. Such a trend was basically associated to the improved macroeconomic scenario and to the consequent increase of demand of energy in all its main components, and is mainly driven by higher oil prices.

In particular, as regards **oil**, in 2017 prices have continuously soared since June, from 44 US$ per barrel (Brent), up to the current 70 US$. The upward trend was an effect of several factors: strong demand growth, decline of global stockpiles, and production cuts set by OPEC and followed also by non-OPEC oil producers. Furthermore, the trend reflects the expectations of strong consumptions also in the future.

The price of **natural gas**, the main source of energy for the RDM Group, in Europe decreased from 17.5 €/MWH recorded in December 2016 (for deliveries in 2017) down to 15.5 €/MWH recorded in March 2017, to then resume starting from August an upward trend up to the current (January 2018) 22 €/MWH, driven by the above mentioned factors, and, in Italy, by its utilization until December 2017 in substitution of hydro-electric sources.

As regards **power**, in 2017 a general upward trend of spot quotations was observed, mainly due to the stronger demand associated to the improved macro-economic scenario, but also to climatic factors, both in the Summer and in the beginning of the Winter; also, until the month of November the doubts on the availability of the French nuclear plants impacted futures prices, and drove the price-peaks recorded at the beginning of December.

The price of **coal**, the main source of energy for the Arnsberg mill, has seen a continuous rally since the Spring of 2016, that is continuing to-date.

In any case, the overall average cost of energy recorded in 2017 by RDM Group was still slightly lower than prior year, but this is mainly due to the higher efficiency of the production facilities and the investments made.

Tons-sold in 2017 by the RDM Group were 1,012 Thousand, compared to 890 Thousand sold in 2016. The increase of 122 Thousand is due for 75 Thousand to the different consolidation period of R.D.M. La Rochette S.A.S., and for 47 Thousand to the higher volumes sold in the traditional WLC business.

Revenues from Sales were €569.1 Million, compared to €477.8 Million prior year. The increase by €91.3 Million is due for €58.9 Million to the different consolidation period of R.D.M. La Rochette S.A.S, and for €32.4 Million to higher revenues in WLC business.

Other Revenues amounted to €8.9 Million, an increase of €1.9 Million compared to 2016, mainly due to the Certificates of Energetic Efficiency (the so-called ‘white certificates’) received in the year, relevant to projects carried out in previous years.

Personnel Costs amounted in the year to €87.3 Million, an increase of €11.2 Million compared to 2016, out of which €9.2 Million are relevant to R.D.M. La Rochette S.A.S., for the different consolidation period. The balance, an increase of €2 Million, is mainly associated to the R.D.M. Marketing Group, where the increase arising from the different consolidation period and from the restructuring costs were partially compensated by the savings obtained thanks to the management reorganization.

In 2017 **EBITDA** attained €45.8 Million, compared to €30.4 Million in 2016. The contribution of R.D.M. La Rochette S.A.S. amounted to €4.8 Million, vs. €3 Million in 2016, where the increase due to the different consolidation period was partially compensated by the negative EBITDA recorded by the Subsidiary in Q3-2017, due to the longer production stand-still that had to be made in Summer, to allow for the installation of a new equipment.

As already mentioned, EBITDA benefits from the reversal, amount to €1.1 million, of the reversal of the provision for the ‘renewable surcharge’ that was posted since 2015, based on the assumption that the surcharge was to be applied also on self-produced energy. The reversal follows Resolution 276/2017, issued on April 21 by the Italian Energy Authority, that definitively clarified the terms of the cancellation of such type of surcharge.

EBIT was €23.5 Million (of which €4 Million were generated by R.D.M. La Rochette S.A.S.), vs. €8.8 Million in 2016.

Net Financial Expenses were €3.1 Million, basically in line with prior year, where lower interest and financial expenses were offset by higher negative exchange differences, mainly due to the devaluation of the US dollar.

Income from Investments was €0.4 Million, compared to €0.7 Million recorded in 2016. The amount includes the share of the Group of the 2016 profit of PAC SERVICE S.p.A. and of Emmaus Pack S.r.l., partially offset by the write-off for €0.1 Million of a minor investment.

The provision for **Income Taxes** amounts to €6.2 Million, compared to €3 Million in 2016, due to the higher taxable income.

Consolidated Profit was €14.6 Million, a substantial increase compared to €3.2 Million recorded in 2016. R.D.M. La Rochette S.A.S.' Net Profit was €3.2 Million, vs. €2.6 Million recorded prior year, an increase associated to the different consolidation period.

Capital Expenditures made in the period by the RDM Group were €20.7 Million, compared to €18.3 Million in 2016, considering the investments made at the R.D.M. La Rochette paper mill.

Consolidated Net Financial Indebtedness of the RDM Group at December 31, 2017 was €44.1 Million, a decrease of €0.3 Million compared to €44.4 Million at December 31, 2016. The operational net cash-flow generated in the year was positive by €17.3 Million. However, in 2017 the cash generated was absorbed by a number of some specific outflows, for a total amount of €17 Million, that include: the payment of the price and of the associated costs for the acquisition of 66.67% of PAC SERVICE S.p.A. for €10.4 Million (the Company will be fully consolidated only in 2018, see further ahead in the 'Key Events' section), dividends paid and shares 'buyback' for €1.3 Million; investment in Paper Interconnector S.c.r.l. for €1.7 Million; restructuring costs for €1 Million; the deposit made by R.D.M. Arnsberg GmbH on the 'logo fee' tax case for €2.6 Million, for more information can be found in the paragraph below "the RDM Group's Results, Assets and Liabilities, and Cash Flows"

KEY EVENTS OF THE RENO DE MEDICI GROUP

In 2017 the RDM Group proceeded with the **reorganization of its managerial structure, both production and commercial**.

From January 1, 2017, all the products of the Group are marketed only under the RDM brand, and the Cascades brand and logo, and the Careo logo, were discontinued.

On April 28, 2017, the Extraordinary Shareholders Meeting of Reno De Medici S.p.A. resolved the merger into the Mother Company of R.D.M. Marketing S.r.l., since its mission came to an end with the acquisition by RDM Group of R.D.M. La Rochette S.A.S., that completed the business combination with the European operations of Cascades.

In this ambit, the commercial operations of RDM Group were reorganized based on 3 geographical areas, that are responsible for the commercialization in the assigned countries of the whole products portfolio of the Group.

In June **Reno De Medici S.p.A. and Friulia S.p.A. redefined the shareholders' agreement** that had been signed on June 27, 2012, in the ambit of the acquisition by Friulia of a 20% stake in R.D.M. Ovaro S.p.A. at a price of €2.5 Million. Such agreements granted inter alia to Friulia S.p.A. the right to resell its investment in R.D.M. Ovaro S.p.A. to Reno De Medici S.p.A. at certain terms and conditions, through the exercise of a 'put option' by no later than June 27, 2017.

The Parties appreciated the success of the partnership and, in view of the further investments necessary to increase the value of R.D.M. Ovaro S.p.A., and of its possible plans of expansion, agreed that an extension of the partnership is beneficial to the Subsidiary.

Consequently, the Parties signed a new agreement whereby Reno De Medici S.p.A. will acquire Friulia's 20% stake in R.D.M. Ovaro S.p.A., for a total price of € 2,497,010.95, in four equal tranches, the first of which has already been acquired on June 15, 2017; the other three tranches will be acquired on June 30 of 2018, 2019 and 2020. Reno De Medici S.p.A. will be free to exercise a call option at any earlier time.

On December 19, 2017, Reno De Medici S.p.A., exercising the right of first refusal provided by law acquired the residual 66.67% (it already owned 33.33%) of PAC SERVICE S.p.A., for a total consideration of €10,050,000. The acquisition will be effective starting from January 1st, 2018. The acquisition costs associated to the transaction amount to €394 Thousand, and mainly consist of legal and advisory costs.

The Company, based in Perarolo di Vigonza (Padua), has been operating since 1979 in the cardboard processing and sheeting sector, particularly for packaging, publishing, cosmetics and for the food industry. Its products are sold to both domestic and international clients. Its staff is of 23 employees.

In the fiscal year 2017 the Company recorded (Italian Accounting Principles) Revenues for €22.1 million, an EBITDA of €2 million, and a Net Profit of €1.5 million.

PAC SERVICE S.p.A. stands out for its ability to customize products through a rapid processing, also of minimal quantities, and for the production of special sizes, and it will hence strengthen the RDM Group's commitment to be a 'Partner of Choice' for its customers, in an increasingly regulated and demanding industry, characterized by the "just in time" need.

Other information

Purchase of treasury shares in 2017

In 2017, in compliance with the authorization granted on November 2, 2015 by the Ordinary Shareholders' Meeting pursuant to Article 2357 of the Italian Civil Code, Reno de Medici S.p.A. purchased a total of 852,919 ordinary treasury shares at an average unit price of €0.35 for a total amount of €300,600.

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

Following the purchases made in 2017, that add to the shares already held before, RDM Group holds a total of 1,434,519 treasury shares, or 0.38% of share capital.

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

Establishment of a Stock Grant Plan for the 2017-2018-2019 period

The Ordinary Shareholders' Meeting of April 28, 2017 approved the establishment of a Stock Grant Plan for the 2017-2018-2019 period, reserved to Reno de Medici S.p.A.'s CEO (the "Plan").

The Plan is based on the CEO being entitled to receive up to 2,262,857 ordinary bonus shares in the Company at the end of the aforementioned three-year period, subject to the achievement of certain performance objectives, as defined in advance by the Board of Directors (having consulted the Remunerations Committee), for each Plan year.

The ordinary bonus shares that might be awarded to the CEO would be out of the treasury shares held by the Company, as authorized by the aforementioned Ordinary Shareholders' Meeting of April 28, 2017 in compliance with Article 2357-ter of the Italian Civil Code.

One of the Plan's goals is to align the CEO's interests with the main objective of creating value for the Company and the Group over the medium and long-term period. The Plan is a way of supplementing the fixed portion of the remuneration with a variable performance-related component, in line with best market practice.

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

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

Risks associated with the general economic conditions

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

In particular, changes to this environment may cause sales prices and volumes to fall, although the Group can mitigate this risk by taking appropriate measures to adapt its production levels to real demand. Last year saw an overall improvement in the economy and less pressure on sale prices as a result of growing demand in the RDM Group's sector of business.

Another risk factor is associated with the prices of raw materials, particularly waste paper and wood paste, which are exposed to changes in specific demand and its various determining factors. These include, where waste paper is concerned, recent and future additional production capacity in adjoining sectors (particularly containerboard) and exports to China, which themselves are dependent on that country's economic growth. This is only a short-term risk since changes in prices of raw materials normally lead to a corresponding change in sales prices for carton board packaging, although there may be a delay between the two.

Risks associated with energy price fluctuations currently appear to be relatively small: despite rises seen in 2017, energy prices are still low and a further significant increase seems unlikely, at least in the short term. In any case, the situation is constantly and closely monitored by the designated Corporate Functions.

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

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 as a result of the Group's healthy financial position and the ongoing very favorable credit market conditions.

Risks related to interest rates

Exposure to interest rate risk involves mainly the medium-/long-term lines of credit on which the Group's financial provisions are currently based. At December 31, 2017, the Group had cash and cash equivalents available and barely used any short-term lines of credit, with the exception of programs for the non-recourse assignment of trade receivables (non-recourse factoring). As at December 31, 2017, medium- and long-term debt totaled €62 million, of which €27.8 million was at an unhedged floating rate. At December 31, 2017, cash and cash equivalents stood at €19.1 million. There is expected to be a slow and steady rise in interest rates in 2018, particularly in the second half of the year, caused partly by a considerable reduction in the European Central Bank's quantitative easing program.

Liquidity risk

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

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

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

As at December 31, 2017, the net financial debt of the RDM Group was equal to €44.1 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 still the Group's primary market, remains one of

Europe's most fragile economies and is historically characterized by very long payment terms and consequently high exposure to customers.

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

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

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

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

Currency risk

This risk is the exposure of the Company and the Group to fluctuations in exchange rates of costs and revenues denominated in currencies other than the Euro. As far as the Group is concerned, this exposure is particularly related to fluctuations in 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 energies. Given the expected volumes of costs and revenues which are either denominated in dollars or fluctuate according to the dollar, it is felt that the net exposure is not significant in relation to the overall size of the business.

Capital risk

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

THE RDM GROUP'S RESULTS, ASSETS AND LIABILITIES, AND CASH FLOWS

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

Results

RDM GROUP	12.31.2017	%	12.31.2016	%
(thousands of Euros)				
Revenues from sales	569,089	**100.00%**	477,764	**100.00%**
Operating costs (15)	(528,657)		(454,730)	
Other operating income (expenses) (16)	5,381		7,400	
Gross operating profit (EBITDA)	**45,813**	**8.05%**	**30,434**	**6.37%**
Depreciation, amortization and write-downs	(22,332)		(21,680)	
Operating profit (EBIT)	**23,481**	**4.13%**	**8,754**	**1.83%**
Net financial income (expense)	(3,131)		(3,051)	
Gains (losses) from investments	446		705	
Taxes	(6,228)		(3,030)	
Profit (loss) for the year before discontinued operations	**14,568**	**2.56%**	**3,378**	**0.7%**
Discontinued operations			(188)	
Profit (loss) for the year	**14,568**	**2.56%**	**3,190**	**0.67%**
Group's share of profit (loss) for the year	**14,568**	**2.56%**	**3,132**	**0.66%**

(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 sales revenues by geographic area:

RDM GROUP	12.31.2017	%	12.31.2016	%
(thousands of Euros)				
Areas				
Italy	186,139	33%	162,212	34%
EU	312,402	55%	248,804	52%
Non-EU	70,548	12%	66,748	14%
Total revenues from sales	**569,089**	**100%**	**477,764**	**100%**

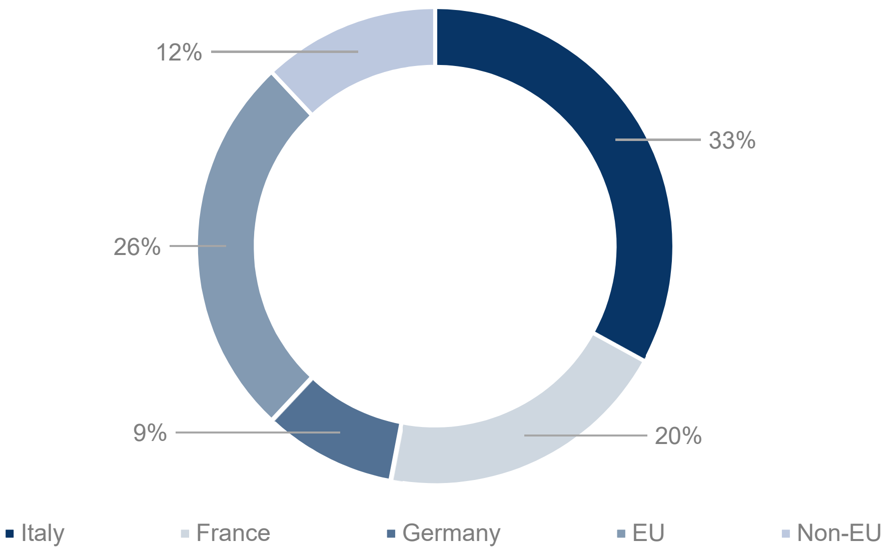


Fig. 2: “Revenues by Country”

The RDM Group generated sales of €569 million in 2017. The difference of €91 million compared with the previous year was due mainly to the change in consolidation period of R.D.M. La Rochette S.A.S (formerly Cascades S.A.S), which was responsible for €59 million of the increase in sales. The remaining increase of €32 million was generated by the white lined chipboard (WLC) segment as a result of higher sales volumes, increasing from tons 820 thousand in 2016 to tons 867 thousand in 2017, higher average sale prices and a diverse geographical sales mix.

EBITDA rose from €30.4 million in 2016 to €45.8 million in 2017. The increase, equal to €15.4 million, is substantially due to the considerable increase in sales volumes in WLC, the increase in the average sale prices, the optimization of the geographical mix and to the increasing efficiency of operating performance.

Consolidated operating profit (EBIT) was €23.5 million, compared with €8.8 million in 2016.

RDM GROUP	**12.31.2017**	**12.31.2016**
(thousands of Euros)		
Net financial expense	(3,131)	(3,051)
Gains (losses) from investments	446	705
Total	**(2,685)**	**(2,346)**

As at December 31, 2017, net financial expense totaled €3.1 million, which was in line with the figure on December 31, 2016. The reduction in interest and financial expense throughout the year was offset by greater Forex losses, relating mainly to the depreciation of the US dollar.

The item “Gains (losses) from investments” showed a net profit of €446 thousand resulting from the equity valuation of the investment in PAC SERVICE S.p.A.

The net profit at the end of 2017 was €14.6 million compared with a profit of €3.2 million recorded in 2016.

Statement of Financial Position

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

RDM GROUP	12.31.2017	12.31.2016
(thousands of Euros)		
Trade receivables (17)	70,862	67,405
Inventories	83,659	82,450
Payables to suppliers (18)	(105,979)	(103,685)
Trade working capital	**48,542**	**46,170**
Other current assets (19)	10,346	12,520
Other current liabilities (20)	(22,278)	(21,048)
Non-current assets (21)	224,728	210,498
Non-current liabilities (22)	(8,950)	(7,571)
Invested capital	**252,388**	**240,569**
Employee benefits and other provisions (23)	(39,849)	(40,954)
Net invested capital	**212,539**	**199,615**
Net financial position (24)	44,074	44,399
Shareholders’ equity	168,465	155,216
Sources total	**212,539**	**199,615**

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

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

(19) See RDM Group consolidated financial statements – “Other receivables”, net of €858 thousand relating to an entry of a financial nature.

(20) See RDM Group consolidated financial statements – sum of the sub-items “Other payables” and “Current taxes”, classified under “Current liabilities”.

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

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

(23) See RDM Group financial consolidated statements – sum of the following sub-items of “Non-current liabilities”: “Employee benefits” and “Long-term provisions for risks and charges”; and “Current liabilities”: “Employee benefits” and “Short-term provisions for risks and charges”.

(24) See RDM Group consolidated financial statements – sum of the sub-items “Cash and cash equivalents” and “Other receivables from associates and joint ventures”, classified under “Current assets” to which €858 thousand is added relating to an entry of a financial nature included under the item “Other receivables”, less the sub-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 2017 stood at €48.5 million, an increase of €2.3 million compared with 2016.

The increase in "Non-current assets" is mainly due essentially to the acquisition of the remaining 66.67% of PAC SERVICE S.p.A. (previously held at 33.33%) for €10,050,000.

Net financial position

Consolidated net financial debt stood at €44.1 million on December 31, 2017, virtually unchanged from €44.4 million a year earlier. The cash generated through positive performance during 2017 was wholly offset by extraordinary transactions carried out over the course of the year.

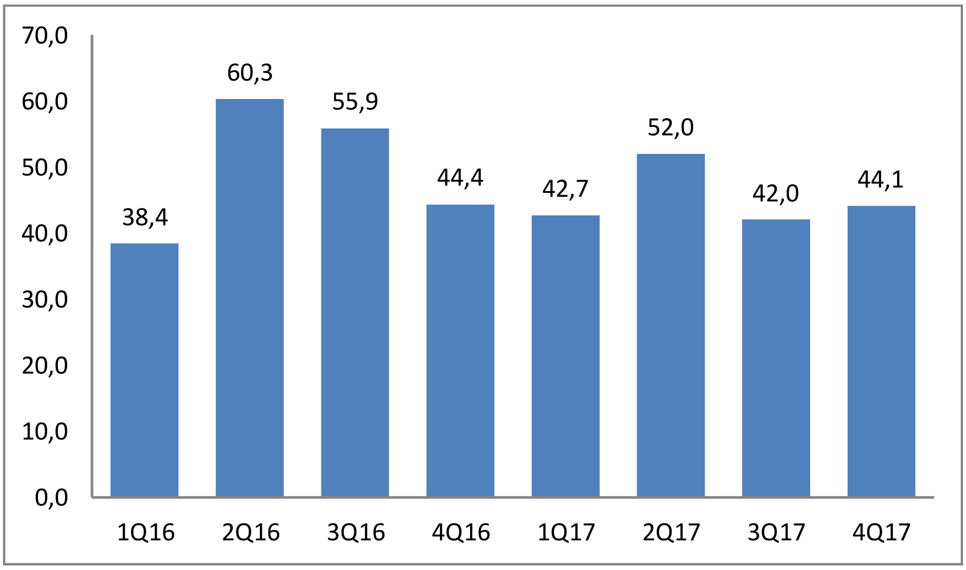


Fig. 3: "2016-2017 Net Financial Position - Quarterly Trend"

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

RDM GROUP	**12.31.2017 Total**	**12.31.2016 Total**	**Change**
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables (25)	19,986	29,677	(9,691)
Short-term financial payables (26)	(19,512)	(16,327)	(3,185)
Valuation of current portion of derivatives (27)	(133)	(154)	21
Short-term net financial position	**341**	**13,196**	**(12,855)**
Medium-term financial receivables (28)	0	300	(300)
Medium-term financial payables (29)	(44,277)	(57,627)	13,350
Valuation of non-current portion of derivatives (30)	(138)	(268)	130
Net financial position	**(44,074)**	**(44,399)**	**325**

(25) See RDM Group consolidated financial statements – sum of the sub-items “Cash and cash equivalents” and “Other receivables from associates and joint ventures”, classified under “Current assets”, to which €858 thousand should be added relating to an entry of a financial nature included under the item “Other receivables”.

(26) See RDM Group consolidated financial statements – sum of the sub-items “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 sub-item “Derivative instruments”, classified under “Current liabilities”.

(28) Last year this referred to an item of financial nature included in the item “Other non-current receivables”.

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

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

Note that, some extraordinary outflows of the year include the deposit, amounting to €2,6 million, made by R.D.M. Arnsberg GmbH at the German Tax Offices (national and local). The German Subsidiary, indeed, has prudently decided to make a deposit at the German Tax Offices for the entire amount of the taxes claimed, plus interest, relevant to the so called ‘logo fee’ that was disallowed in the tax audit of the period 2011-2013, even in the presence of the MAP – Mutual Agreed Procedure that was activated at the end of December 2016. The final amount, if any, that will be actually due will be eventually known only when the MAP procedure will be concluded, and the amount that would have been paid in excess in Germany will be reimbursed, plus interests at an annual rate of 6%. It is also expected, according to the MAP procedure, that the amount that would be finally due in Germany should be substantially recovered in Italy. As a consequence, the final economic and financial impact at consolidated level should be limited to the difference between the tax-rates and the interest-rates applied by the two Countries.

Such a deposit, that in essence was made based on considerations of financial nature, was recorded as a non-financial ‘sundry credit’. As a consequence, in order to allow for a better understanding of the financial evolution, the year-end Net Financial Indebtedness is showed at two levels, with and without the impact of the deposit.

	12.31.2017	12.31.2016	Variation
Net financial debt	**44,074**	**44,399**	**(325)**
Deposita s the German Tax Offices	**(2,552)**		**(2,552)**
Adjusted net financial debt	**41,522**	**44,399**	**(2,877)**

Research and development activities

The Group conducted ongoing research and development activities aimed at continually upgrading the technology of production processes and researching better use of materials in order to improve the quality of the product or the process.

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

Investments

In 2017, the RDM Group's capital expenditures totaled €20.7 million (€18.3 million in 2016).

The purpose of these investments was to reduce variable costs, increase the production capacity, improve the safety and quality. They resulted in the following main interventions:

- A new steam turbine was installed at the Santa Giustina mill, which aims to reduce energy consumption and increase productive capacity;

- Ovaro mill: interventions for improvement and modernization of plant and machinery, in particular the Marquip cutter was revamped.

- Villa Santa Lucia mill: interventions to improve and modernize plant and machinery. In particular, the project to install a rewinder was started.

- Blendecques (France) mill: upgrading of the production line; specifically, the project to upgrade the press area was completed. This investment was aimed at reducing energy costs.

The increase of intangible assets in progress is due to the advancement of the project to implement the new ERP that started in 2016.

Human resources

The RDM Group maintains that its human resources are essential to its success. We cannot continue to create sustainable value without the skilled labor of the people who work in our mills and offices. That is why we take the time and effort to ensure they are properly trained. We have a long-term outlook, ensuring that the techniques pass down from one generation to the next, encouraging our staff to share their knowledge and expertise, and investing in safety and strategic skills.

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

As at December 31, 2017, the Group had 1,487 employees compared with 1,536 as at December 31, 2016.

As at December 31, 2017, the Group headcount included 20 executives, 421 white-collars and 1,046 blue-collars.

RENO DE MEDICI S.P.A.'s RESULTS, ASSETS AND LIABILITIES AND CASH FLOWS

Results

Below are the main income statement items at December 31, 2017 compared with those of the previous year.

RDM	12.31.2017	12.31.2016
(thousands of Euros)		
Revenues from sales	236,196	213,669
Operating costs (31)	(215,818)	(204,588)
Other operating income (expenses) (32)	6,897	6,612
Gross operating profit (EBITDA)	**27,275**	**15,693**
Depreciation, amortization and write-downs	(11,478)	(11,390)
Operating profit (EBIT)	**15,797**	**4,303**
Net financial income (expense)	(1,588)	(1,868)
Gains (losses) from investments	408	5,431
Taxes	(4,255)	(1,077)
Profit (loss) for the year	**10,363**	**6,789**

(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 reached €236.2 million in 2017. The increase of €22.5 million compared with the previous year was due primarily to higher sales volumes, which rose from 427 thousand tons in 2016 to 462 thousand tons in 2017. There was also an increase in average sales prices and a more favorable geographical mix in 2017.

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

RDM	31.12.2017	%	31.12.2016	%
Euro (thousands)				
Areas				
Italy	127,680	54%	115.590	54%
European Union	61,898	26%	38.544	18%
Rest of the world	46,618	20%	59.535	28%
Total revenues from sales	**236,196**	**100%**	**213.669**	**100%**

As regards the trend of the main production factors, over the year recycled fibers were characterized until August from the continuous price increases; there was a decrease from September, which was mainly connected to exports to China, following the restrictive measures introduced by the Chinese government. This trend is also confirmed for the first months of 2018.

The cost of the energy however was reduced to approximately €2.7 million, despite an increase in the volumes produced, which rose from 422 thousand tons to 452 thousand. The cost reduction was possible above all thanks to the greater production efficiency of mills and a lower average purchase cost of the price of gas and electricity.

EBITDA rose from €15.7 million in 2016 to €27.3 million in 2017. The increase, equal to €11.6 million, is due on the one hand to the improved operating performance of the Italian mills (reduction of the specific and energy costs, increase in the daily quantities produced, reduction of the disposal costs) and on the other hand an increase in the volumes sold and improved sales Mix.

Operating profit (EBIT) was €15.8 million, compared with €4.3 million in 2016. Net profit recorded a positive figure of €10.4 million, after net financial expense of €1.6 million and equity investment income of €0.4 million. Taxes increased by €1.1 million to €4.3 million, as a result of the increase in the taxable profit, due to increased profitability and to the issue of deferred tax assets arising from the use of previous tax losses.

Statement of Financial Position

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

RDM	12.31.2017	12.31.2016
(thousands of Euros)		
Trade receivables (33)	41,920	39,297
Inventories	31,155	32,724
Trade payables (34)	(58,956)	(58,743)
Trade working capital	**14,119**	**13,278**
Other current assets (35)	2,523	2,571
Other current liabilities (36)	(5,977)	(5,475)
Non-current assets (37)	211,778	198,769
Non-current liabilities (38)	(3,473)	(272)
Invested capital	**218,970**	**208,871**
Employee benefits and other provisions (39)	(8,482)	(9,750)
Net invested capital	**210,488**	**199,121**
Net financial position (40)	(34,687)	(32,912)
Shareholders' equity	175,801	166,209
Sources total	**210,488**	**199,121**

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

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

(35) See RDM financial statements – sum of the item "Other receivables", net of €766 thousand of financial receivables.

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

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

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

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

(40) See RDM financial statements – sum of the sub-items "Cash and cash equivalents" and "Other receivables from Group companies", classified under "Current assets", to which €766 thousand is to be added relating to an entry of a financial nature included under the item "Other receivables", less the sum of the sub-items "Payables to banks and other lenders", "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 2017 stood at €14.1 million, a decrease of €0.8 million compared with 2016, mainly through operations.

At the end of 2017, about 16% of Net Invested Capital was funded by interest-bearing debt and approximately 84% by shareholders' equity.

Net financial position

Net financial debt for the Parent company increased to €34.7 million, from €32.9 million at December 31, 2016.

RDM	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Cash, cash equivalents and short-term financial receivables (41)	(18,316)	(28,449)	(10,133)
Short-term financial payables (42)	(31,671)	(30,166)	(1,505)
Valuation of current portion of derivatives (43)	(108)	(129)	21
Short-term net financial position	**(13,463)**	**(1,846)**	**(11,617)**
Medium-term financial receivables (44)		300	(300)
Medium-term financial payables (45)	(21,164)	(31,178)	10,014
Valuation of non-current portion of derivatives (46)	(60)	(187)	127
Net financial position	**(34,687)**	**(32,911)**	**(1,776)**

(41) See RDM financial statements – sum of the item “Cash and cash equivalents”, to which €766 thousand of financial receivables should be added under the item “Other receivables”.
(42) See RDM financial statements – sum of the sub-item “Other receivables from Group companies”, classified under “Current assets”, less “Payables to banks and other lenders” and “Other payables to Group companies”, classified under “Current liabilities”.
(43) See RDM financial statements – the sub-item “Derivative instruments”, classified under “Current liabilities”.
(44) This referred to an item of financial nature included in the item “Other non-current receivables”.
(45) See RDM financial statements – sum of the sub-items “Payables to banks and other lenders” and “Other payables to Group companies”, classified under “Non-current liabilities”.
(46) See RDM financial statements – the sub-item “Derivative instruments”, classified under “Non-current liabilities”.

Net financial debt was €34.7 million as at December 31, 2017, representing a slight increase (€1.8 million) compared with December 31, 2016. The operating net cash flow of €12.2 million was in fact absorbed by some specific outgoings totaling around €14 million. These outgoings include: the price and ancillary costs of acquiring 66.67% of PAC SERVICE S.p.A., (€10.4 million); dividend payments and treasury share purchases (€1.3 million); the investment in Paper Interconnector S.c.r.l. (€1.7 million); the repurchase of a portion of the interest held by Friulia S.p.A. in R.D.M. Ovaro S.p.A. for € 0.6 million.

The Company has significant cash and cash equivalents and also a financial debt based entirely on long-term loans, which guarantee the stability of 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.

Research and development activities

Please refer to the report on the consolidated figures.

Investments

Capital expenditures in 2017 amount to €8.7 million (€7.1 million in 2016).

The purpose of these investments was to reduce variable costs, increase the production capacity, improve the safety and quality. They resulted in the following main interventions:

- At the Santa Giustina plant, a new steam turbine was installed which resulted in lower energy consumption and increased production capacity.

- At the Villa Santa Lucia plant, interventions for improvement and updating of the plant and machinery; in particular, the installation of a new automatic rewinder began.

The increase of intangible assets in progress is due to the advancement of the project to implement the new ERP that started in 2016.

Human resources

The headcount of RDM as at December 31, 2017 stood at 405 people.

Compared with the previous year, the total number of employees decreased by 12 (417 as at December 31, 2016).

As at December 31, 2017, the headcount included 11 executives, 137 white-collars and 257 blue-collars.

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

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

	2017 Shareholders' equity	2017 Result
(thousands of Euros)		
Reno De Medici S.p.A.	**175,801**	**10,362**
Difference between the carrying amount and the corresponding shares of equity of subsidiaries and associates	*(5,383)*	*6,351*
Dividends received by subsidiaries		*(120)*
Transfer of gains on disposals to Group companies	*(1,041)*	
Transfer allocation to merger deficit	*(3,090)*	*230*
Other adjustments on consolidation	*2,178*	*(2,255)*
Consolidated Financial Statements	**168,465**	**14,568**

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

	Net financial position 12.31.2017	Net financial position 12.31.2016
(thousands of Euros)		
Net financial position - Reno De Medici S.p.A.	**(34,687)**	**(32,912)**
Cash and cash equivalents and other short-term financial receivables from subsidiaries	1,578	1,229
Other financial receivables from other lenders	92	
Short-term financial payables from subsidiaries	(4,896)	(1,764)
Medium-/long-term financial payables from subsidiaries	(23,827)	(28,969)
Elimination of short-term financial payables from subsidiaries	24,083	18,268
Elimination of medium-/long-term financial payables to subsidiaries		
Elimination of short-term financial receivables from Group companies	(6,417)	(251)
Net financial position - RDM Group	**(44,074)**	**(44,399)**

OTHER INFORMATION

Existing disputes and risks

No existing risks and disputes found.

Tax disputes and risks

In 2014, the Company received a liquidation and adjustment notice for greater registration tax regarding the sale of the business unit to RDM Ovaro S.p.A. which took place in July 2012, against which Reno De Medici S.p.A. (as seller) and RDM Ovaro S.p.A. (as buyer) filed an appeal with a petition for suspension. On March 10, 2015 the hearing took place and the appeal was upheld, meaning that the act was suspended. On September 19, 2015 the judgment of first instance was announced, canceling the contested act and ordering the Office to pay costs. The dispute then continued in a court of second instance. Reno De Medici S.p.A. and RDM Ovaro S.p.A. presented a counter-appeal against the appeal lodged by the Italian Tax Authority.

On December 16, 2016 by way of ruling no. 7327/2016 (filed on December 23, 2016) the Milan Tax Commission rejected the Italian Tax Authority's appeal and upheld the first-instance judgment in favors of the companies. The decision was made final in December 2017, thereby definitively resolving the dispute in the Company's favor.

Consolidated non-financial declaration

It is hereby noted that pursuant to Legislative Decree 254/2016, the RDM Group has compiled a consolidated non-financial declaration. This document has not been inserted into this Director's Report. Instead, in accordance with Article 5, paragraph 3 of the above-mentioned decree, a separate report is available on the Group's website in the section:

- Company > Investor relations > Financial Statements and Reports > 2018

Environment and safety

Throughout the year, RDM continued its commitment to achieving and maintaining adequate environmental, safety and quality standards. 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.

Specifically, during the year, the management systems were brought into line with the new standards (9001, 14001, FSC), aiming for ongoing synergies between all three; the Risk Assessment Documents were periodically updated; the sub-contractors added to the production processes were subjected to careful examination and assessment of their professionalism and technical reliability; staff received periodic training and refresher courses in workplace health and safety.

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

- seeking to manage natural and energy resources correctly in order to reduce environmental impact;

- continually improving environmental and OHS performance;

- looking for compatible environmental technologies when establishing new investments;

- fostering a safety culture in all working groups.

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.

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

Treasury Shares

As at December 31, 2017, the share capital of Reno De Medici S.p.A. was represented by 377,800,994 shares without par value broken down into:

- 377,531,909 ordinary shares;

- 269,085 savings shares convertible to ordinary shares at the request of shareholders in February and September each year.

On the same date, RDM held 1,434,519 ordinary treasury shares, equal to 0.38% of shares with voting rights. For more information on treasury shares, see “Acquisition of Treasury Shares in 2017” in this Report.

Shares held by Directors and Statutory Auditors

In compliance with the provisions of Consob Regulation 11971, as amended, as at December 31, 2017 the directors and statutory auditors of Reno De Medici S.p.A. on its own behalf and on behalf of its subsidiaries held the following investments as at December 31, 2017:

Name and Surname	Investee company	Number of shares as at December 31, 2016	Number of shares purchased in 2017	Number of shares sold in 2017	Number of shares as at December 31, 2017
Giulio Antonello (*)	Reno De Medici S.p.A.	800,000	100,000	(289,625)	610,375

(*) In charge since, April 28, 2017

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.
- sales of carton board and raw materials to R.D.M. Ovaro S.p.A.;
- general services provided to R.D.M. Ovaro S.p.A., R.D.M. Magenta S.r.l., R.D.M Marketing S.r.l., RDM Blendecques S.A.S., R.D.M. La Rochette S.A.S., R.D.M. Arnsberg GmbH and Emmaus Pack S.r.l. (Emmaus);
- purchases of manufacturing scrap from R.D.M. La Rochette S.A.S;
- interest expense and/or income in relation to cash pooling and loan arrangements with R.D.M. Marketing S.r.l., RDM Blendecques S.A.S., R.D.M. Arnsberg GmbH, RDM Ovaro S.p.A., R.D.M. La Rochette S.A.S. and R.D.M. Magenta S.r.l.;

- sales of cartonboard to PAC SERVICE S.p.A. and 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 of R.D.M. Ovaro S.p.A., R.D.M. Marketing S.r.l. and R.D.M. Magenta S.r.l.;

- the tax consolidation agreement under which RDM Blendecques S.A.S. is the consolidating company of R.D.M. La Rochette S.A.S. and R.D.M. Marketing France S.A.S.

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 subsequently amended and supplemented, can be found in Chapter 12 of the Report on Corporate Governance.

Please refer to the "Notes" in the financial statements in this Report for a quantitative analysis of the transactions undertaken in 2017 between Reno De Medici S.p.A. and its subsidiaries, associates and joint ventures, as well as the paragraph "Related-Party Transactions" for a better explanation of the relations listed above.

Information about transactions with related parties

With regard to the provisions of article 5 paragraph 8 and article 13 paragraph 3 of the "Regulations containing provisions relating to transactions with related parties" adopted by Consob with Resolution no. 17221 of March 12, 2010 ("Consob Regulations"), during the reporting period:

a) there were no transactions concluded with related parties qualifying as transactions of greater importance pursuant to the Consob Regulations and the Procedures adopted by Reno De Medici S.p.A. in accordance with article 4 of the Regulations;

b) there were no transactions concluded with related parties, pursuant to law, concluded in the reporting period that materially affected the financial position or results of companies;

c) there were no changes or developments of related party transactions described in the last annual report that had a material effect on the financial position or results of the company during the reporting period.

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

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

Related-party transactions include:

- commercial relations with PAC SERVICE S.p.A., a company of which RDM owns 33.33%, in connection with sales of carton board. Sales made in 2017 totaled €5,115 thousand, while trade payables at December 31, 2017 amounted to €420 thousand. 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%, in connection with purchases of waste paper. Purchases made in 2017 totaled €4,432 thousand, while trade payables as at December 31, 2017 amounted to €532 thousand;

- 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. For more information on the transaction, see “Main operations of the Reno De Medici Group” in this Report.

SUBSEQUENT EVENTS

On February 12, 2018, RDM Marketing S.r.l. was merged by incorporation into the Mother Company Reno De Medici S.p.A., thus formally concluding the operation that had been approved on April 28, 2017 by the Extraordinary Shareholders Meeting. The accounting and fiscal effects of the merger start from January 1, 2018, and the legal effects from April 1, 2018.

On 28 March 2018, Reno De Medici S.p.A. sold its investment in Manucor S.p.A. Since the investment in question had been fully written down in previous years, the gain resulting from its sale was immaterial.

OUTLOOK

As regards the macroeconomic scenario, the outlook for 2018 envisages a further improvement of global economic activity: the IMF revised upward the growth forecasts for both 2018 and 2019 to +3.9%.

The forecast for the Euro Area for 2018 envisages +2.2%, a +0.3% upward adjustment compared to last October forecast. Such a growth rate is slightly lower than the +2.4% that is now estimated for 2017, as the effects of some factors that have been supporting growth will gradually fade away. Risks in the short-terms seem balanced, although the political uncertainties associated to the Brexit, the Catalunya crisis in Spain, and the elections in Italy might weight on the development of economic activities.

In both sectors in which the RDM Group operates, Whitelined Chipboard (WLC) and Folding Box Board (FBB) the current outlook remains positive and in line with the general trend of economy, and is marked by strong demand and backlog.

As regards to the RDM Group, the positive evolution of the macroeconomic scenario and of the sectors in which it operates, goes along with the improved managerial way of working, enhanced by the reorganization lunched at the beginning of 2017, aimed at implementing the 'Partner of Choice' Vision, in a 'One Company' integrated business approach.

The evolution of the paper for recycling at the beginning of 2018 shows a further reduction of prices, associated to the reduction of exports to China. Looking further ahead, the evolution is marked by uncertainty, that is still linked to the evolution of the exports to China, and the actual application of the new rules decided by the Chinese Government: on the one hand, several batches of import licenses have recently been granted; on the other hand, China's stricter import rules for waste and scrap seem to be an enduring change, that should determine in 2018 a substantial reduction in the imports of recycled paper compared to the 2017 levels, with consequent positive effects on prices.

As regards pulp, the unbalance between supply and demand, and the consequent upward pressure on prices, should remain in place also for most of 2018. RDM Group announced a price increase for the FBB products at the end of 2017 to offset the pressure on margins, its positive effect will be seen in Q1 2018.

The expected evolution of the prices of energy for 2018 envisages in the short-term some further price increases compared to the current levels. The strategy of the RDM Group to face the expected upward trend, and a possible price volatility, is based on the continuous effort to improve the energy efficiency of the mills, and on a timely implemented hedging policy, in particular as regards the cost of natural gas.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE (Article 123-*bis* of the Consolidated Finance Act (CFA) No. 58, February 24, 1998)

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

Notes to the consolidated finacial statements

at December 31, 2017

CONSOLIDATED STATEMENT OF INCOME

	Note	12.31.2017	12.31.2016
(thousands of Euros)			
Revenues from sales	1	569,089	477,764
- of which related parties	*30*	*21,305*	*17,596*
Other revenues and income	2	8,870	6,932
- of which related parties	*30*	*515*	*359*
Change in inventories of finished goods	3	(3,489)	468
Cost of raw materials and services	4	(438,096)	(373,659)
- of which related parties	*30*	*(4,502)*	*(7,418)*
Personnel costs	5	(87,282)	(76,067)
Other operating costs	6	(3,279)	(5,004)
Gross operating profit		**45,813**	**30,434**
Depreciation and amortization		(22,332)	(21,680)
Operating profit		**23,481**	**8,754**
Financial expense		*(2,610)*	*(3,248)*
Gains (losses) on foreign exchange		*(602)*	*168*
Financial income		*81*	*29*
Net financial income (expense)		*(3,131)*	*(3,051)*
Gains (losses) from investments	9	446	705
Taxes	10	(6,228)	(3,030)
Profit (loss) for the year before discontinued operations		**14,568**	**3,378**
Discontinued operations	11		(188)
Profit (loss) for the year		**14,568**	**3,190**
Total profit (loss) for the year attributable to:			
- Group		14,568	3,132
- Minority interests			58
Average number of shares			
Basic		377,534,217	377,522,561
Diluted		377,534,217	377,522,561
Basic earnings (loss) per ordinary share (Euros)		0,04	0
Diluted earnings (loss) per ordinary share (Euros)		0,04	0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	12.31.2017	12.31.2016
(thousands of Euros)		
Profit (loss) for the year	**14,568**	**3,190**
Other components of the comprehensive profit (loss)		
Other components that may be transferred to the income statement in subsequent financial periods:	**146**	**(158)**
Change in fair value of cash flow hedges	*112*	*(178)*
Profit (loss) on translation of financial statements of foreign investee companies	*34*	*20*
Other components that will not be transferred to the income statement in subsequent financial periods:	**(562)**	**(571)**
Actuarial gain (loss) on employee benefits	*(562)*	*(571)*
Total other components of the comprehensive profit (loss)	**(416)**	**(729)**
Total comprehensive profit (loss)	**14,152**	**2,461**
Total comprehensive profit (loss) attributed to:		
- Group	14,152	2,403
- Minority interests		58

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	12.31.2017	12.31.2016
(thousands of Euros)			
ASSETS			
Non-current assets			
Tangible assets	12	192,570	196,633
Intangible assets	13	4,613	2,493
Intangible assets with an indefinite useful life	13	3,948	3,948
Equity investments	14	4,577	2,509
Deferred tax assets	15	1,256	1,535
Other receivables	17	17,764	3,680
Total non-current assets		**224,728**	**210,798**
Current assets			
Inventories	18	83,659	82,450
Trade receivables	16	63,736	60,786
- of which related parties	*30*	*350*	*414*
Receivables from associates and joint ventures	16	7,126	6,619
Other receivables	17	11,204	12,862
Other receivables from associates and joint ventures	17	0	4
Cash and cash equivalents	19	19,128	29,331
Total current assets		**184,853**	**192,052**
TOTAL ASSETS		**409,581**	**402,850**

(thousands of Euros)	Note	12.31.2017	12.31.2016
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital		140,000	140,000
Other reserves		19,363	13,893
Retained earnings (losses)		(5,466)	(1,809)
Profit (loss) for the year		14,568	3,132
Shareholders' equity attributable to the Group		**168,465**	**155,216**
Minority interests			
Total shareholders' equity	20	**168,465**	**155,216**
Non-current liabilities			
Payables to banks and other lenders	19	44,277	57,627
Derivative instruments	21	138	268
Other payables	22	26	78
Deferred taxes liabilities	23	8,924	7,493
Employee benefits	24	33,950	33,878
Non-current provisions for risks and charges	25	4,701	6,224
Total non-current liabilities		**92,016**	**105,568**
Current liabilities			
Payables to banks and other lenders	19	19,512	16,174
Derivative instruments	21	133	154
Trade payables	26	105,027	103,075
- of which related parties	*30*	*28*	*9*
Payables to associates and joint ventures	26	952	610
Other payables	22	20,777	20,543
Current taxes	27	1,501	658
Employee benefits	24	141	12
Current provisions for risks and charges	25	1,057	840
Total current liabilities		**149,100**	**142,066**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**409,581**	**402,850**

CONSOLIDATED STATEMENT OF CASH FLOW

	Note	12.31.2017	12.31.2016
(thousands of Euros)			
Profit (loss) for the year		14,568	3,190
Taxes		(6,228)	3,030
Depreciation and amortization	7	22,332	21,680
Losses (gains) from investments	9	(446)	(705)
Financial (income) expenses	8	2,530	3,219
Capital losses (gains) on sale of fixed assets		179	(88)
Change in provisions for in employee benefits and in other provisions including the provision for bad and doubtful receivables		(1,586)	(110)
Change in inventories		(592)	(366)
Change in trade receivables	16	(5,604)	1,758
- of which related parties	*30*	*(442)*	*(6,690)*
Change in trade payables	26	2,380	2,146
- of which related parties	*30*	*360*	*(2,771)*
Total change in working capital		**(3,816)**	**3,538**
Gross cash flows		**39,989**	**33,754**
Interest paid in the year		(1,696)	(2,285)
Taxes paid in the year		(4,115)	(3,130)
Cash flows from operating activities		**34,178**	**28,339**
Other equity investments	14	(1,742)	(255)
Investment net of disinvestment in tangible and intangible assets	12-13	(20,573)	(18,051)
Change in scope of consolidation			(7,304)
Other investments		10,050	
Dividends received		120	270
Cash flows from investing activities		**(32,245)**	**(25,340)**
Dividends paid		(1,003)	(1,983)
Treasury shares		(301)	(182)
Change in other financial assets and liabilities and short-term bank debts	19	2,591	1,281
- of which related parties	*30*	*4*	*(986)*
Change in medium/long-term loans	19	(13,457)	3,829
Cash flows from financing activities		**(12,170)**	**2,945**
Exchange rate translation differences		**34**	**241**
Change in unrestricted cash and cash equivalents		**(10,203)**	**6,185**
Unrestricted cash and cash equivalents at the beginning of the period		**29,331**	**23,146**
Unrestricted cash and cash equivalents at the end of the period		**19,128**	**29,331**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(thousands of Euros)	Capital	Treasury shares reserve	Legal reserve	Other reserves	Retained earnings (losses)	Profit (loss) for the year	Hedging reserve	Reserve for "Actuarial gain/(loss)"	Total Shareholders' Equity (Group)	Total Shareholders' Equity (minority shareholders)	Total Shareholders' Equity
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 year			619	7,548	(2,599)	(5,568)					
Purchase of treasury shares		(182)							(182)		(182)
Voluntary capital reduction pursuant to art. 2445	(10,399)			10,399							
R.D.M. La Rochette S.A.S. (formerly Cascades S.A.S.) consolidation				2,875					2,875		2,875
R.D.M. Group Marketing consolidation				(119)					(119)		(119)
Reno De Medici UK deconsolidation				221					221		221
Emmaus Pack S.r.l. deconsolidation								22	22	(440)	(418)
Profit (loss) for the year						3,132			3,132		3,132
Other components of the 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**
Dividends distributed						(1,003)			(1,003)		(1,003)
Allocation of the result for the year			340	5,446	(3,657)	(2,129)					
Purchase of treasury shares		(301)							(301)		(301)
Stock grant reserve				401					401		401
Profit (loss) for the year						14,568			14,568		14,568
Other components of the comprehensive profit (loss)				34			112	(562)	(416)		(416)
Total comprehensive profit (loss)				34		14,568	112	(562)	14,152		14,152
Shareholders' equity at 12.31.2017	**140,000**	**(483)**	**959**	**26,606**	**(5,466)**	**14,568**	**(201)**	**(7,518)**	**168,465**		**168,465**

(*) 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.

NOTES TO THE FINANCIAL STATEMENTS

Structure and content

Reno De Medici S.p.A. is a company which is established as a legal entity under Italian law. The RDM Group operates mainly in Europe. The business of the Group is the production and distribution of carton board for packaging made from both recycled fibers and virgin fibers.

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

Reno De Medici S.p.A. has its Head-Quarter office in Milan, Italy.

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

The consolidated financial statements of the RDM Group were approved and authorized for publication by the Board of Directors of Reno De Medici S.p.A. on March 16, 2018.

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 2017 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") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee ("SIC").

The RDM Group applied the same accounting principles as for the Annual Financial Report at December 31, 2016.

Accounting principles, amendments and interpretations effective from January 1, 2017, specifying any impact that each of these may have on these consolidated financial statements:

- Disclosure Initiative - Amendment to IAS 7. The document aims to clarify certain issues with a view to improving disclosure on financial liabilities;

- Recognition of Deferred Tax Assets for Unrealized Losses - Amendment to IAS 12. The document aims to clarify certain issues on the recognition of deferred tax assets for unrealized losses for the measurement of available-for-sale financial assets upon the confirmation of certain circumstances, as well as on the estimation of taxable income for future years.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union but not yet mandatory applicable and not early adopted by the Group:

- 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. The fundamental changes for the accounting of revenues in accordance with the new model are:

  - the identification of the contract with the customer;

  - the identification of the performance obligations of the contract;

  - the calculation of the price;

  - the allocation of the price to the performance obligations of the contract;

  - the criteria for recording the revenue when the entity satisfies each performance obligation.

  The principle will be applied from January 1, 2018. Based on the analyses conducted, the directors do not expect the application of IFRS 15 to have a significant impact on the amounts recorded as revenues or on the information reported in the consolidated financial statements of the Group.

- IFRS 16 - Leases. This principle is intended to replace IAS 17 – Leases as well as IFRIC 4 - Determining Whether an Arrangement Contains a Lease, SIC-15 - Operating Leases - Incentives and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new principle redefines the lease and introduces a control (right-of-use) criterion to distinguish leases from service agreements. The principle will apply from January 1, 2019 but early application is permitted only for Companies that have already applied IFRS 15.

- IFRS 9 "Financial Instruments", adopted by the European Union on 22 November 2016, will replace IAS 39 "Financial Instruments: Recognition and Measurement" from 1st January 2018. This standard introduces new principal for classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting.

Classification and measurement

Apart from the derivative financial instruments that are accounted at fair value in application of IAS 39, the Group has cash and cash equivalents, loans and receivables, available for sale and debt that are accounted at amortized cost.

A detailed, in-depth review of the Group's financial asset portfolio was conducted to determine its future accounting treatment under IFRS 9, based on the characteristics of its contractual cash flows and business model. The main impacts will concern the category of some trade receivables that will be classified in the category "held to collect and sell" and some investments in equity shares that are classified as "available for sale" and will be classified using the new rules of IFRS 9.

Impairment

IFRS 9 introduces an impairment model bases on expected credit losses, whereas IAS 39 referred to incurred losses. This new "expected credit loss" (ECL) model could lead to earlier recognition of impairment than under IAS 39. It applies to financial assets carried at amortized cost, debt instruments carried at fair value through other comprehensive income, off-balance sheet commitments and financial guarantees previously governed by IAS 37 and contract assets measured in accordance with IFRS 15.

The Group has reviewed the rules for assessing the deterioration of credit risk and measuring expected losses for a one-year horizon and at maturity.

For trade receivables that mainly relate to the Group entities' customer portfolio, the Group will apply IFRS 9's simplified impairment approach, based on indicators such as a provision matrix to calculate expected credit losses on trade receivables. Across all the financial assets concerned, the analysis conducted lead to an estimated ECL that is lower than Euro 1 million at 31 December 2017.

For loans, other receivables, cash and cash equivalents, the Group has chosen an approach based on the probability of default by the counterparty and assessment of changes in the credit risk. The impacts for the Group is lower than Euro 100 thousand.

Hedge accounting

The new IFRS 9 model aims to simplify hedge accounting, align hedge accounting more closely with risk management activities and allow application of hedge accounting to a broader range of hedging instruments and items qualifying as hedged item. The new standard does not explicitly cover macro-hedging activities, which are the subject of a separate IASB project.

Two approached are allowed for the first application of IFRS 9: i) use of IFRS 9's "general hedge accounting model", or ii) continued use of IAS 39 until the new macro-hedging standard is released by the IASB and adopted by the EU.

The Group intends to apply the new rules introduced by IFRS 9 for hedge accounting from 1st January 2018. Application of this section at the transition date. Implementation of these provisions is currently ongoing in the Group.

Other aspects of IFRS 9: debt modification

The accounting treatment under IFRS 9 of debt modifications that do not result in derecognition was clarified by the IASB in July 2017. In such situation the only approach considered compatible with the currently adopted wording of IFRS 9 is to recognize an adjustment to the net income, corresponding to the change in the amortized cost of debt at the restructuring date. This decision puts an end to the current practice (an IAS 39 option) of spreading the expected saving (or addition expense) over the residual term of the modified debt, through a prospective adjustment to the effective interest rate applied.

The impact of retrospective application at 1st January 2018 of this clarification of IFRS 9 to all modifications of debts that do not result in their derecognition (because they are non-substantial) is not relevant for the Group.

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

- IFRS 17 – Insurance Contracts, which is intended to replace IFRS 4 – Insurance Contracts;
- Amendment to IFRS 2;
- IFRIC 22 - "Foreign Currency Transactions and Advance Consideration";
- Transfers of Investment Property - Amendment to IAS 40;
- IFRIC 23 – Uncertainty over Income Tax Treatments. This document clarifies the accounting for uncertainties in income taxes;
- Prepayment Features with Negative Compensation - Amendment to IFRS 9;
- Long-term Interests in Associates and Joint Ventures - Amendment to IAS 28;
- Sales or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28;
- The document "Annual Improvements to IFRSs: 2014-2016 Cycle", which partially integrates existing standards.
- The document "Annual Improvements to IFRSs: 2015-2017 Cycle", which includes the changes to some principles under the scope of the annual improvement process.

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

The financial statements were prepared with clarity and truthfully and accurately represent the RDM Group's results, assets and liabilities, and cash flows. The financial statements were prepared on the going-concern assumption. The Directors considered it appropriate to assume the business was a going-concern because, in their judgment, no uncertainties have emerged relating to events or circumstances which, taken into consideration individually or as a whole, could give rise to doubts concerning business continuity.

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

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	Business	Share capital (thousands of Euros)	Control percentage 12.31.2017 direct	12.31.2017 indirect	12.31.2016 direct	12.31.2016 indirect
R.D.M. Arnsberg GmbH	Arnsberg (G)	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 (G)	Services	19	100.00%		100.00%	
R.D.M. Magenta S.r.l.	Milan (I)	Industrial	3,700	100.00%		100.00%	
R.D.M. Ovaro S.p.A.	Milan (I)	Industrial	12,500	85.00%		80.00%	
R.D.M. La Rochette S.A.S. (formerly Cascades S.A.S.)	La Rochette (F)	Industrial	4,000		100.00%		100.00%
R.D.M. Marketing S.r.l.	Milan (I)	Commercial	200	100.00%		100.00%	
R.D.M. Marketing France S.A.S.	Saint-Denis (F)	Commercial	337		100.00%		100.00%
R.D.M. Marketing Germany GmbH	Krefeld (G)	Commercial	210		100.00%		100.00%
R.D.M. Marketing Spain S.L.U.	El Prat de Llobregat (S)	Commercial	26		100.00%		100.00%
R.D.M. Marketing UK Ltd	Wednesbury (UK)	Commercial			100.00%		100.00%
R.D.M. Marketing Czech Republic s.r.o.	Prague (CR)	Commercial	20		100.00%		100.00%
R.D.M. Marketing Hungaria Kft.	Budapest (HU)	Commercial	19		100.00%		100.00%
R.D.M. Marketing Poland Sp. z o.o.	Warsaw (P)	Commercial	12		100.00%		100.00%

As at December 31, 2017 the scope of consolidation was different following the acquisition on June 15, 2017 of 5% of the share capital of R.D.M. Ovaro S.p.A., in accordance with the agreements entered into by Reno De Medici S.p.A. and Friulia S.p.A. More details on this can be found in the section “Contingent liabilities, commitments, and other guarantees given to third parties”.

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

Corporate name	Registered office	Business	Share capital (thousands of Euros)	Control percentage 12.31.2017 direct	12.31.2017 indirect	12.31.2016 direct	12.31.2016 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%		34.39%	
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. According to IFRS 10 the definition of control is based on three elements: (a) power over the business purchased; (b) exposure or rights to variable returns resulting from involvement with the business; (c) capacity to utilize the power to influence the amount of these returns. IFRS 10 stipulates that in order to evaluate whether it has control over the acquired business, an investor should focus only on activities that materially affect returns and rights which are substantial, i.e. can be exercised in practice when important decisions have to be taken with regard to the acquired business. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is acquired until the date that such control ceases to exist. The portions of shareholders' equity and profit or loss attributable to minority interests are shown separately in the consolidated statement of financial position, consolidated income statement, and consolidated statement of comprehensive income.

The main consolidation principles adopted are as follows:

- the carrying amount of each investment consolidated on a line-by-line basis is eliminated against the related equity, with the assets, liabilities, income and expense of the subsidiary being added to those of the Parent company, regardless of the size of the investment; the shares of subsidiaries' capital and reserves and of subsidiaries' profit or loss attributable to minority interests are shown separately in the consolidated statement of financial position and the consolidated income statement;

- the acquisition of subsidiaries is accounted for using the purchase method as provided for by IFRS 3 (Revised) (see "Business Combinations");

- all balances and 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 paid by Group companies were eliminated from the income statement upon consolidation;

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

Consolidation of Foreign Companies

The financial statements of each Group 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 12.31.2017
GBP	0.8562	0.8762	0.8872
PLN	4.4103	4.2563	4.1770
CZK	27.021	26.3272	25.5350
HUF	309.83	309.27	310.33

Equity investments

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

The consolidated financial statements include the Group's share of the results of associates in which its investments are valued with equity method, from the date that significant influence or joint control is acquired until the date that it ceases to exist. The

Group's share of unrealized profits from transactions between Group companies is eliminated. Unrealized losses from transactions between Group companies are eliminated unless they represent actual impairment of the asset sold.

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

Associates

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

Joint Ventures

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

Business combinations

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

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

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

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

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

Tangible 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
	Means of internal transport	5
	Motor vehicles	6 - 4

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

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

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

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

Impairment

At each reporting date, the Group reviews the carrying amount of its tangible and intangible assets with a 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 financial instrument is measured at fair value and any gain or loss is recognized in the income statement. At the same time, the carrying amount of the hedged assets or liabilities is adjusted to reflect the changes in fair value with respect to the hedged risk;

- for a cash flow hedge (e.g. where a derivative instrument is designated as a hedge of the exposure to variability in the cash flows of assets or liabilities due to variations in exchange rates), the changes in fair value of the instrument are initially recognized in a dedicated equity reserve in "Other components of comprehensive income" and are subsequently reclassified to the income statement in line with the effects of the hedged transaction on profit or loss.

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

Available-for-sale financial assets

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

Available-for-sale financial assets, which consist of investments in other companies and other non-current financial assets, are measured at fair value with changes recorded in equity. Where there is objective evidence that a financial asset is impaired significantly or for an extended period, the impairment loss is recognized in the income statement even if the asset has not been sold. Where fair value cannot be reliably measured, equity investments are measured at cost 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) 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 fulfill that obligation and when a reliable estimate of the amount can be made. Provisions are measured at the best estimate of the amount that, at the reporting date, the Group could reasonably expect to pay to extinguish the obligation or transfer it to a third party.

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

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

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

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

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

Payables to banks and other lenders

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

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

Trade and Other Payables

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

Revenue recognition

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

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

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

Taxes

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

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

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

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

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

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

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

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

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

Starting from the current year, the subsidiary RDM Blendecques S.A.S. also prepare the national tax consolidation agreement with the subsidiaries R.D.M. Marketing France S.A.S., pursuant the Article 223a of the French General Tax Code.

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 the shareholders' equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement.

Earnings Per Share

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

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

Financial Instruments and Risk Management

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

Estimates and Valuations

The preparation of the financial statements and the related notes in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date.

The estimates and assumptions used are based on experience and other factors that are considered to be relevant. Actual results could differ from those estimates.

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

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

VALUATION METHODS

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

Fair value of derivative contracts and financial instruments

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

Taxes

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

Impairment tests

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

No goodwill has been allocated to the RDM Group CGUs; however the RDM Group identified some impairment indicators due to economic and financial trend or the non-operating status of some CGU's, and generally the current global economic and financial uncertainty, although the first signs of recovery are starting to be seen, the test appears to be worthwhile.

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 impairment test relating to the Cash Generating Units (CGU) is carried out from the Asset Side perspective, estimating the operating value or the enterprise value of the CGUs. It is noted that the scope of the CGUs corresponds to a complete legal entity, as in the case of the foreign companies R.D.M. Arnsberg GmbH, RDM Blendecques S.A.S., R.D.M. La Rochette S.A.S. and the Italian company R.D.M. Ovaro S.p.A., or to the Parent company Reno De Medici S.p.A.'s Mills, in the case of the production plants of Santa Giustina (BL) and Villa Santa Lucia (FR).

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

a) estimates of future operating cash flows;

b) the discount rate;

c) the final growth rate.

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

The Group has used the same net rate, 6.02%, 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 test performed. In order to assess the recoverable amount of the non-operating mill of Magenta, the fair value method was used, rather than the method of value in use, deducting selling costs (current market value), as determined by appraisals conducted by an independent expert.

The result of the impairment test, approved by Board of Directors, is based on information currently available and estimates regarding changes in a series of variables. For this reason, based on the recommendations included in Joint Document no. 4 of the Bank of Italy, Consob and ISVAP of March 4, 2010, the Group prepared sensitivity analyses on the results of the tests, basing these on changes in the underlying assumptions (use of the growth rate in calculating the terminal value and discount rate) that affect the value in use of the cash generating units. The sensitivity analyses showed that:

- a decrease of 0.5 percentage points in the above-mentioned variables compared with the “base case” would not cause any impairment;

- a scenario (which at the present time is not foreseeable) involving a simultaneous increase in the WACC to greater than 7% - a value that has not been employed in the last five years - and a reduction in the “g rate” to below the rate of inflation would cause limited impairment, about €1 million, of the assets related to the RDM Blendecques CGU.

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

Business plans were thus amended for the impairment testing of cash-generating units, 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.

The RDM Group's business is divided into two sectors, white lined chipboard (WLC) and folding box board (FBB) based on virgin fibers, and then sub-divided by geographical location by way of second-level segmentation.

The reports used by directors show results by individual mill and cutting and/or distribution center. This data is then aggregated into two operating sectors: WLC, represented by the French mill Blendecques and all the mills operating in Italy and Germany, and FBB, the sector in which R.D.M. La Rochette S.A.S. operates.

In the WLC sector, with regard to segmentation level two, the Italian segment includes the mills at Ovaro, Villa Santa Lucia, and 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 mill; the French segment comprises the Blendecques mill. In the FBB sector, the French segment is made up of the La Rochette 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.

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 2017 and 2016:

Income Statement 12.31.2017	WLC				FBB	Unallocated items and adjustments	Consolidated
	Italy	Germany	France	Total	France		
(thousands of Euros)							
Revenues of sales	**287,479**	**121,970**	**52,205**	**461,654**	**113,592**	**(6,157)**	**569,089**
Intercompany by segment	(6,157)			(6,157)		6,157	0
Net sales revenues from third parties	**281,322**	**121,970**	**52,205**	**455,497**	**113,592**	**0**	**569,089**
Gross operating profit	**34,684**	**8,565**	**(2,266)**	**40,983**	**4,830**	**0**	**45,813**
Depreciation and amortization	(13,193)	(7,407)	(1,000)	(21,600)	(879)	147	(22,332)
Write-downs				0			
Operating profit	**21,491**	**1,158**	**(3,266)**	**19,383**	**3,951**	**147**	**23,481**
Net financial income (expenses)	(1,722)	(423)	(483)	(2,628)	(406)	(97)	(3,131)
Gains (losses) on investments	408		2,000	2,408	15	(1,977)	446
Taxes	**(5,753)**	**(239)**	**188**	**(5,804)**	**(348)**	**(76)**	**(6,228)**
Profit/loss for the year	**14,424**	**496**	**(1,561)**	**13,359**	**3,212**	**(2,003)**	**14,568**
Portions of profit (loss) of equity-accounted investments	446			446			446
Total investments	**7,855**	**1,899**	**4,211**	**13,965**	**4,331**		**18,296**

Income Statement 12.31.2016	WLC Italy	WLC Germany	WLC France	WLC Total	FBB France	Unallocated items and adjustments	Consolidated
(thousands of Euros)							
Revenues of sales	**261,797**	**111,741**	**54,547**	**428,085**	**54,743**	**(5,064)**	**477,764**
Intercompany by segment	(5,064)			(5,064)		5,064	0
Net sales revenues from third parties	**256,733**	**111,741**	**54,547**	**423,021**	**54,743**	**0**	**477,764**
Gross operating profit	**21,539**	**7,893**	**(2,086)**	**27,346**	**3,002**	**86**	**30,434**
Depreciation and amortization	(12,900)	(7,797)	(819)	(21,516)	(311)	147	(21,680)
Write-downs				0			
Operating profit	**8,639**	**96**	**(2,905)**	**5,830**	**2,691**	**233**	**8,754**
Net financial income (expenses)	(2,009)	(274)	(431)	(2,714)	(206)	(131)	(3,051)
Gains (losses) on investments	5,431			5,431	(145)	(4,581)	705
Taxes	**(2,826)**	**52**	**(168)**	**(2,942)**	**194**	**(282)**	**(3,030)**
Profit/loss for the year before discontinued operations	9,235	(126)	(3,504)	5,605	2,534	(4,761)	3,378
Discontinued operations				0		(188)	(188)
Profit/loss for the year	**9,235**	**(126)**	**(3,504)**	**5,605**	**2,534**	**(4,949)**	**3,190**
Portions of profit or loss of equity-accounted companies	705			705			705
Total investments	**7,036**	**6,391**	**1,649**	**15,076**	**2,181**		**17,257**

Notes

The differences as at December 31, 2017 are affected by a different consolidation period of R.D.M. La Rochette S.A.S. (formerly Cascades S.A.S.) and the R.D.M. Marketing Group.

1. Revenues from sales

These revenues arise essentially from sales of carton board:

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Revenues from sales	569,089	477,764	91,325
Total revenues from sales	**569,089**	**477,764**	**91,325**

The following table provides a geographical breakdown of sales revenues:

	12.31.2017	12.31.2016	Change	%
(thousands of Euros)				
Italy	186,140	162,212	23,928	14.8%
EU	312,403	248,804	63,599	25.6%
Non-UE	70,546	66,748	3,798	5.7%
Total revenues from sales	**569,089**	**477,764**	**91,325**	**19.1%**

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

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

Revenues of the RDM Group reached €569.1 million in 2017. Of the difference of €91.3 million compared with the previous year, €58.9 million was due to the different consolidation period of R.D.M. La Rochette S.A.S. (formerly Cascades S.A.S.), and €32.4 million was due to higher revenues in the WLC sector. This increase in the WLC sector was due both to higher sales volumes recorded, with tons sold rising from 820 thousand to 867 thousand, and to a higher average sales price and a better geographical sales mix.

2. Other revenues and income

Other revenues and income may be analyzed as follows:

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Grants	1,227	1,062	165
Indemnities	66	82	(16)
Energy revenues	5,467	3,885	1,582
Other revenues	2,110	1,903	207
Total	**8,870**	**6,932**	**1,938**

"Grants" essentially include:

- ordinary contributions from Comieco, amounting to €134 thousand, relating to the use of waste paper from public separated waste collection;

- contributions of €1 million in favor of the French subsidiaries RDM Blendecques and R.D.M. La Rochette S.A.S. (formerly Cascades S.A.S.) and the German subsidiary R.D.M. Arnsberg GmbH, in accordance with local regulations in support of the competitiveness of energy-intensive 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 2017. The increase of €1.6 million was due mainly to the white (energy savings) certificates received during the period in relation to projects completed in previous years.

"Miscellaneous revenues" include €560 thousand in extraordinary income, commission on sales made by R.D.M. Marketing Spain S.L.U on behalf of a third party, of €488 thousand, and other lesser revenues.

3. Change in inventories of finished goods

The change in inventories was negative for €3.5 million compared with positive 0.5 million at December 31, 2016. This difference was due a reduction in unsold stock at the end of the year.

4. Cost of raw materials and services

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Costs for raw materials	**279,960**	**225,798**	**54,162**
Purchases of raw materials	282,722	225,688	57,034
Change in inventories of raw materials	(2,762)	110	(2,872)
Commercial services	**46,943**	**44,241**	**2,702**
Transport	43,333	38,017	5,316
Commission and agents' costs	3,610	6,224	(2,614)
Industrial services	**92,328**	**87,543**	**4,785**
Energy	55,562	50,784	4,778
Maintenance	15,519	15,892	(373)
Waste disposal	11,595	11,917	(322)
Other industrial services	9,652	8,950	702
General services	**15,750**	**13,791**	**1,959**
Insurance	1,978	1,784	194
Legal, notarial, administrative and contractual services	5,707	5,111	596
Board of Directors	657	520	137
Board of Statutory Auditors	202	224	(22)
Postal and telecommunication	795	753	42
Others	6,411	5,399	1,012
Cost for use of third-party assets	**3,115**	**2,286**	**829**
Rental and leasing	3,115	2,286	829
Total	**438,096**	**373,659**	**64,437**

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 €54.2 million increase compared with the previous year is essentially due to the different consolidation period, from the second half of 2016, of R.D.M. La Rochette S.A.S. (formerly Cascades S.A.S.).

Chemical product prices were particularly volatile in 2017, rising in the first half of the year and then enjoying more stability in the second half.

As regards the main production factors, in 2017 the price of recycled fibers rose significantly and steadily until August, and then fell until December. The price of virgin cellulose fibers also rose sharply in 2017.

Service costs increased by €9.5 million. This was due essentially to the different consolidation period of R.D.M. La Rochette S.A.S. (formerly Cascades S.A.S.), which pushed up costs by €13.8 million, and of the R.D.M. Marketing Group, which led to costs reduction by €2.7 million.

As regards energy components, the unit price of natural gas, which is the RDM Group's primary energy source, was lower on average than in the previous year but increased sharply at the beginning of the new thermic year (October 1, 2017). There was also an increase in the price of coal, which is the main fuel used at the Arnsberg mill. In general, energy costs increased because of greater production volumes.

"Costs for the use of third-party assets" were €0.8 million higher in 2017 than in the previous year, due primarily (€0.6 million) to the different consolidation period of R.D.M. La Rochette S.A.S. (formerly Cascades S.A.S.).

5. Personnel costs

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Wages and salaries	62,797	55,395	7,402
Social security contributions	20,489	17,367	3,122
Allowance for defined-contribution plans	1,727	1,716	11
Allowance for defined-benefit plans	371	341	30
Other costs	1,898	1,248	650
Total	**87,282**	**76,067**	**11,215**

Labor costs amounted to €87.3 million, compared with €76.1 million in 2016. The increase of €11.2 million was due primarily (€9.2 million) to the different consolidation period of R.D.M. La Rochette S.A.S. (formerly Cascades S.A.S.). The remaining €2 million was due to the R.D.M. Marketing Group, where the increase brought about by the different consolidation period and restructuring costs was offset by savings as a result of the managerial reorganization.

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	12.31.2017	12.31.2016	Change
Executives	20	21	(1)
White collars	421	425	(4)
Blue collars	1,046	1,090	(44)
Total	**1,487**	**1,536**	**(49)**

Average employees by Category	12.31.2017	12.31.2016	Change
Executives	19	21	(2)
White collars	420	434	(14)
Blue collars	1,075	1,127	(52)
Total	**1,514**	**1,582**	**(68)**

6. Other operating costs

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Provisions for risks	30	38	(8)
Write-downs of current receivables	325	594	(269)
Other operating expenses	2,924	4,372	(1,448)
Total	**3,279**	**5,004**	**(1,725)**

There was a decrease in the provisions for doubtful receivables compared with December 31, 2016.

“Miscellaneous operating costs” at December 31, 2017 consists mainly of various taxes incurred by Group companies, membership subscriptions to various trade associations, and various contingent liabilities. The reduction of €1.5 million was mainly due to the €1.1 million reversal of the provision for the renewables surcharge, which was set up in 2015 on the assumption that the energy source should also be applied to self-generated energy.

The reversal of the provision comes pursuant to the Italian Energy Authority's Resolution 276/2017 of April 21, which definitively clarified the terms of cancellation of this specific type of surcharge.

7. Depreciation and amortization

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

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Amortization of intangible assets	253	261	(8)
Depreciation of tangible fixed assets	22,079	21,419	660
Total	**22,332**	**21,680**	**652**

Amortization and depreciation at December 31, 2017 were largely in line with the figures a year earlier.

8. Net financial income (expense)

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Financial income	**81**	**29**	**52**
Interest and other financial income	81	29	52
Income from derivative financial instruments	0	0	0
Financial expense	**(2,610)**	**(3,248)**	**638**
Interest paid to banks	(769)	(1,104)	335
Loss on derivative financial instruments	(225)	(171)	(54)
Financial expense on defined-benefit plans	(495)	(568)	73
Expenses, commission and other financial charges	(1,121)	(1,405)	284
Exchange rate differences	**(602)**	**168**	**(770)**
Exchange rate income	1,007	1,092	(85)
Exchange rate expenses	(1,609)	(924)	(685)
Total	**(3,131)**	**(3,051)**	**(80)**

At December 31, 2017, net financial expense totaled €3.1 million, which was in line with December 31, 2016. The €638 thousand reduction in interest on loans and other financial costs was offset by a €770 thousand increase in Forex losses, caused mainly by the depreciation of the U.S. dollar.

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.

9. Gains (losses) from investments

Income from equity investments totaled €446 thousand in 2017, mainly due to:

- a €446 thousand adjustment to the equity investment in associate PAC SERVICE S.p.A.;

- a €106 thousand adjustment to the equity investment in associate Emmaus Pack S.r.l., offset by the €120 thousand elimination of dividends received during 2017;

10. Taxes

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Deferred taxes	(2,005)	(262)	(1,743)
Current taxes	(4,223)	(2,768)	(1,455)
Total	**(6,228)**	**(3,030)**	**(3,198)**

As at December 31, 2017, deferred taxes totaling €2 million largely reflected the utilization of deferred tax assets by the Parent company Reno De Medici S.p.A. (€3.3 million), the recognition of deferred tax assets at subsidiary R.D.M. Ovaro S.p.A. (€0.2 million) and the release of deferred tax liabilities at the subsidiary R.D.M. Arnsberg GmbH (€1.6 million).

Current taxes amount to €4.2 million at December 31, 2017, up by €1.5 million on a year earlier due mainly to greater taxable income.

More information on “Deferred tax liabilities” can be found in Note 23.

Reconciliation between the theoretical and actual tax burden (income taxes)

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

For further information please see Note 23 – deferred taxes.

	Taxable amount	%	12.31.2017
(thousands of Euros)			
Profit (loss) before tax	17,880		
Theoretical tax burden		**29.7%**	**5,310**
Reversal of temporary differences arising in previous years	2,194		
Temporary differences to be reversed in subsequent years	4,596		
Permanent differences that will not be reversed in subsequent years	(228)		
Total differences	**6,562**		
Use of provision tax losses	(12,527)		
Actual tax burden	**11,915**	**29.7%**	**3,539**

Reconciliation between the theoretical and actual tax burden (IRAP)

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

11. Discontinued operations

There were no discontinued operations as at December 31, 2017. The amount of €188 thousand recorded in the previous year referred to the effects of disposal of the investment in Reno De Medici Ibérica S.L.U. and closing Reno De Medici UK Ltd.

12. Tangible assets

Changes in tangible assets during 2016 and 2017 are as follows:

	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)	0
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 year		(2,960)	(18,322)	(44)	(93)		(21,419)
Change in consolidation of the provision for accumulated depreciation/write-downs		(6,703)	(103,576)		(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)			1,607		71		1,678
Value at 12.31.2016							**0**
Historical cost	21,172	107,074	662,676	1,661	15,411	5,252	813,246
Accumulated depreciation/write-downs (1)	(28)	(70,840)	(529,100)	(1,604)	(15,041)	0	(616,613)
Net book value at 12.31.2016	**21,144**	**36,234**	**133,576**	**57**	**370**	**5,252**	**196,633**

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euros)							
Historical cost	21,172	107,074	662,676	1,661	15,411	5,252	813,246
Accumulated depreciation/write-downs	(28)	(70,840)	(529,100)	(1,604)	(15,041)		(616,613)
Net book value at 12.31.2016	**21,144**	**36,234**	**133,576**	**57**	**370**	**5,252**	**196,633**
Increases		599	7,938		99	9,660	18,296
Decreases (1)	(50)	(227)	(4,790)	(4)	(87)		(5,158)
Reclassification of cost		167	6,960	35	(1)	(7,127)	34
Change in consolidation of the historical cost							
Change in deconsolidation of the historical cost							
Depreciation for the period		(3,216)	(18,713)	(35)	(115)		(22,079)
Change in consolidation of the provision for accumulated depreciation/write-downs							
Change in deconsolidation of the provision for accumulated depreciation/write-downs							
Decrease in accumulated depreciation/write-downs (1)	28	210	4,570		70		4,878
Reclassification of accumulated depreciation				(20)	(14)		(34)
Value at 12.31.2017							
Historical cost	21,122	107,613	672,784	1,692	15,422	7,785	826,418
Accumulated depreciation/write-downs (1)		(73,846)	(543,243)	(1,659)	(15,100)		(633,848)
Net book value at 12.31.2017	**21,122**	**33,767**	**129,541**	**33**	**322**	**7,785**	**192,570**

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

"Land" includes the relevant areas of the mills belonging to the Parent company Reno De Medici S.p.A., at Santa Giustina (BL) and Villa Santa Lucia (FR), the Italian subsidiaries R.D.M. Ovaro S.p.A. and R.D.M. Magenta S.r.l., the German subsidiary R.D.M. Arnsberg GmbH and the French subsidiaries RDM Blendecques S.A.S. and R.D.M. La Rochette S.A.S. (formerly Cascades S.A.S.).

"Buildings" relates mainly to the mills. The increases for the year relate to improvements made to properties owned.

"Plant and machinery" relates to specific and general manufacturing plants and machinery.

In 2017, the RDM Group's capital expenditures totaled €18.3 million (€17.3 million in 2016).

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

- **Santa Giustina** mill: a new steam turbine was installed, which aims to reduce energy consumption and increase productive capacity;

- **Ovaro** mill: interventions for improvement and modernization of plant and machinery; in particular the Marquip cutter was revamped;

- **Villa Santa Lucia** mill: interventions to improve and modernize plant and machinery, in particular the project to install a new automatic rewinder was started;

- **Blendecques (France)** mill: upgrading of the production line; specifically, the project to upgrade the press area was completed. 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 and relating to owned property, plant, and machinery are pledged in favor of banks as security on loans for which the outstanding balance as at December 31, 2017 amounted to €20.4 million.

The Company conducted the impairment test on the reporting date, and no write-down was necessary.

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

13. Intangible assets

Changes in intangible assets during 2016 and 2017 are as follows:

	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total intangible assets with a finite useful life	Intangible assets with an indefinite useful life
(thousands of Euros)					
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**

	Concessions, licenses, trademarks and similar rights	Other	Assets under development	Total intangible assets with a finite useful life	Intangible assets with an indefinite useful life
(thousands of Euros)					
Net book value at 12.31.2016	**642**	**31**	**1,820**	**2,493**	**3,948**
Increases	99	2	2,272	**2,373**	
Decreases					
Change in scope of consolidation					
Reclassification of cost	41		(41)	**0**	
Amortization for the year	(247)	(6)		**(253)**	
Net book value at 12.31.2017	**535**	**27**	**4,051**	**4,613**	**3,948**

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

“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.

The Group performed the impairment test on the reporting date in accordance with IAS 36, and it was not necessary to record any impairment in the financial statements.

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

14. Equity investments

	Book value at 12.31.16	Reclassification	Investments	Divestments	Elimination of associates dividends	Write-downs / Revaluations	Book value at 12.31.17
(thousands of Euros)							
Associates							
PAC SERVICE S.p.A.	1,530					446	1,976
Emmaus Pack S.r.l.	384				(120)	106	370
Joint Ventures							
Manucor S.p.A.							
ZAR S.r.l.	30						30
Other investments							
Cartonnerie Tunisienne S.A.	121					(121)	0
Scierie De Savoie	340						340
Paper Interconnector	13	13	1,760				1,773
Comieco	33	(3)		(3)			30
Conai	24						24
Other minority investments	34	(10)					34
Total	**2,509**	**0**	**1,760**	**(3)**	**(120)**	**431**	**4,577**

The change in equity investments of €2.1 million 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. (+€446 thousand);

- the valuation at equity of the investment in Emmaus Pack S.r.l. (+€106 thousand) and the elimination of dividends received by said company during 2017 (-€120 thousand);

- the investment of €1.7 million in the minority interest Paper Interconnector S.c.r.l. - the Consortium through which Reno De Medici is contributing to the financing of the construction of an electrical power line between Italy and France.

Below is the information required by 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:

	12.31.2017	12.31.2016
(thousands of Euros)		
Associates	2,346	1,914
Joint ventures	30	30
Total	**2,376**	**1,944**

The increase in the value of investment in associates was due mainly to the revaluation of the equity investment in PAC SERVICE S.p.A.

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

	12.31.2017	12.31.2016
(thousands of Euros)		
Associates	552	452
Joint ventures	0	(275)
Total	**552**	**177**

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 five members, two of whom are designated by Reno De Medici S.p.A., two by ISP and one (with the functions of CEO) jointly by ISP and Reno De Medici S.p.A.

Note 2: The company supplies the raw and semi-processed materials used in the production process of the investee company belonging to the Group. On January 1, 2018 the company was placed into voluntary receivership after its shareholders decided they were no longer interested in the business being run as a company.

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.r.l.:

	Manucor S.p.A.		ZAR S.r.l.	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
(thousands of Euros)				
Current assets				
Cash and cash equivalents	773	871	58	124
Other current assets	37,509	41,622	1,443	3,696
Total current assets	**38,282**	**42,493**	**1,501**	**3,820**
Current liabilities				
Bank debts	20,928	17,881	1,195	3,539
Other current liabilities	30,917	31,545		
Total current liabilities	**51,845**	**49,426**	**1,195**	**3,539**
Non-current assets				
Non-current assets	**45,092**	**51,735**		**4**
Non-current liabilities				
Non-current liabilities	31,156	36,768		
Shareholders' equity	**373**	**8,034**	**306**	**285**

The summary income statement information for Manucor S.p.A. and ZAR S.r.l. is provided below:

	Manucor S.p.A.		ZAR S.r.l.	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
(thousands of Euros)				
Revenues	141,173	147,680	18,324	20,799
Operating costs	(139,014)	(140,959)	(18,294)	(20,663)
Gross operating profit	**2,159**	**6,721**	**30**	**136**
Depreciation, amortization and write-downs	(8,350)	(8,051)		(1)
Operating profit	**(6,191)**	**(1,330)**	**30**	**135**
Financial income (expense)	(1,853)	(2,392)		(41)
Profit (loss) before taxes	**(8,044)**	**(3,722)**	**30**	**94**
Taxes	381	485	(9)	
Net profit (loss)	**(7,663)**	**(3,237)**	**21**	**94**

	Manucor S.p.A.		ZAR S.r.l.	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
(thousands of Euros)				
Shareholders' equity at January 1	**8,034**	**11,288**	**285**	**191**
Profit (loss) for the period	(7,663)	(3,238)	21	94
Capital increase				
Foreign exchange differences				
Statement of comprehensive income	2	(16)		
Shareholders' equity at December 31	**373**	**8,034**	**306**	**285**
% held	**22.75%**	**22.75%**	**33.33%**	**33.33%**
Value of equity investment	**0**	**0**	**102**	**95**

On 28 March 2018, Reno De Medici S.p.A. sold its investment in Manucor S.p.A. Since the investment in question had been fully written down in previous years, the gain resulting from its sale was immaterial.

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 and semi-finished goods used in the production process of the investee company.

There are no contingent liabilities related to the Group's investment in 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, 2017	December 31, 2016	December 31, 2017	December 31, 2016
(thousands of Euros)				
Current assets				
Cash and cash equivalents	2,719	273	53	5
Current assets	11,432	10,884	10,391	10,334
Total current assets	**14,151**	**11,157**	**10,444**	**10,339**
Current liabilities				
Bank debts	1,398	716	511	903
Current liabilities	5,144	4,670	8,619	8,249
Total current liabilities	**6,542**	**5,386**	**9,130**	**9,152**
Non-current assets				
Non-current assets	**3,237**	**2,742**	**654**	**528**
Non-current liabilities				
Loans	1,553	729	427	167
Non-current liabilities	726	761	428	392
Shareholders' equity	**8,567**	**7,023**	**1,113**	**1,156**

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, 2017	December 31, 2016	December 31, 2017	December 31, 2016
(thousands of Euros)				
Revenues	22,237	20,508	16,406	16,459
Operating costs	(20,199)	(18,586)	(15,808)	(15,730)
Gross operating profit	**2,038**	**1,922**	**598**	**729**
Depreciation, amortization and write-downs	(133)	(177)	(39)	(31)
Operating profit	**1,905**	**1,745**	**559**	**698**
Financial income (expense)	224	193	(41)	(45)
Profit (loss) before tax	**2,129**	**1,938**	**518**	**653**
Taxes	(584)	(602)	(211)	(291)
Net profit (loss)	**1,545**	**1,336**	**307**	**362**

	PAC SERVICE S.p.A.		Emmaus Pack S.r.l.	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
(thousands of Euros)				
Shareholders' equity at January 1	**7,023**	**6,496**	**1,156**	**940**
Profit (loss) for the period	1,545	1,336	307	362
Dividends distributed		(810)	(350)	
Shareholders' equity at December 31	**8,567**	**7,023**	**1,113**	**1,156**
Adjusted shareholders' equity (*)	**5,929**	**5,400**	**1,073**	**1,116**
% held	**33.33%**	**33.33%**	**34.39%**	**34.39%**
Dividends distributed during the year		**(270)**	**(120)**	
Value of equity investment	**1,976**	**1,530**	**370**	**384**

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

15. Deferred tax assets

The item "Deferred tax assets" under non-current assets refers to the deductible temporary differences of the Italian subsidiaries: R.D.M. Ovaro S.p.A. (€369 thousand), R.D.M. Marketing S.r.l. (€564 thousand) and Cartiera Alto Milanese S.r.l. in liquidation (€54 thousand).

Please see Note 23 for a detailed description of this item and its changes during the year.

16. Trade receivables and receivables from associates and joint ventures

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Trade receivables	63,736	60,786	2,950
Receivables from associates and joint ventures	7,126	6,619	507
Current trade receivables	**70,862**	**67,405**	**3,457**

The Company uses non-recourse factoring; trade receivables disposed of with due dates after December 31, 2017 totaled €26.3 million (€24.2 million at December 31, 2016).

"Trade receivables" are stated net of €3 million of provisions for bad and doubtful receivables.

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

	12.31.2016	Allocation	Use	12.31.2017
(thousands of Euros)				
Bad debts provision	2,729	341	(50)	3,020
Total	**2,729**	**341**	**(50)**	**3,020**

Moreover, the current portion of trade receivables includes €0.4 million of receivables from related parties (in line with the figure at December 31, 2016); more information can be found in Note 30.

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

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

	12.31.2017	12.31.2016	Change	%
(thousands of Euros)				
Italy	51,137	45,614	5,523	12.1%
EU	10,648	13,881	(3,233)	(23.3)%
Rest of the world	9,077	7,910	1,167	14.8%
Total	**70,862**	**67,405**	**3,457**	**5.1%**

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

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

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Guarantee deposits	1,155	1,126	29
Miscellaneous receivables	16,609	2,554	14,055
Total	**17,764**	**3,680**	**14,084**

The item “Guarantee deposits” essentially includes receivables attributable to deposits in favor of a factoring company (€462 thousand) in accordance with the provisions of agreements signed by the parent company Reno de Medici 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 €474 thousand.

As at December 31, 2017, the item “Miscellaneous receivables” totaled €16.6 million and comprised mainly:

- €10 million relating to the acquisition concluded on December 19, 2017 by the parent company Reno De Medici S.p.A. of the remaining 66.67% of PAC SERVICE S.p.A. The acquisition took effect on January 1, 2018, which means that as at December 31, 2017 the RDM Group’s investment was 33.33%.

- €2.6 million relating to the deposit made by the subsidiary R.D.M. Arnsberg GmbH for the Logo Fee” tax dispute. The subsidiary has prudently decided to transfer the full amount of taxes, plus interest, to the German National and Local Tax Offices, the full amount of taxes, plus interest, which were taken over during the 2011- 2013 assessment in relation to the charge of the so-called “Logo Fee”, even in the presence of the MAP (Mutual Agreed Procedure), which is launched at the end of December 2016. The final amount due in Germany, where appropriate, will be known only at the conclusion of the MAP procedure. Any difference paid in excess will be reimbursed plus interest calculated using an annual rate of 6%. It is expected that the final amount due in Germany will then be substantially recovered in Italy in consideration of the MAP procedure;

- €1.8 million relating to the competitiveness and employment tax credit (CICE) awarded by the French government to the subsidiaries R.D.M. La Rochette S.A.S. (formerly Cascades S.A.S.), in the amount of €1.6 million, and RDM Blendecques S.A.S., in the amount of €0.2 million.

The information required by IFRS 3, sections 59 and 61 is given below:

As highlighted above, on December 19, 2017, Reno De Medici S.p.A., exercising the right of first refusal provided by law acquired the residual 66.67% (it already owned 33.33%) of PAC SERVICE S.p.A., for a total consideration of €10,050,000. The acquisition will be effective starting from January 1st, 2018. The acquisition costs associated to the transaction amount to €394 thousand, and mainly consist of legal and advisory costs.

The Company, based in Perarolo di Vigonza (Padua), has been operating since 1979 in the cardboard processing and sheeting sector, particularly for packaging, publishing, cosmetics and for the food industry. Its products are sold to both domestic and international clients. Its staff is of 23 employees.

In the fiscal year 2017 the Company recorded (Italian Accounting Principles) Revenues for €22.1 million, an EBITDA of €2 million, and a Net Profit of €1.5 million.

PAC SERVICE S.p.A. stands out for its ability to customize products through a rapid processing, also of minimal quantities, and for the production of special sizes, and it will hence strengthen the RDM Group's commitment to be a 'Partner of Choice' for its customers, in an increasingly regulated and demanding industry, characterized by the "just in time" need.

The Statement of Financial Position of Service S.p.A. as at December 31, 2017 is give below:

	NOTES	PAC SERVICE S.p.A.
STATEMENT OF FINANCIAL POSITION (*)		**December 31, 2017**
(thousands of Euros)		
Non-current assets		
Tangible fixed assets	1	2,753
Intangible fixed assets		11
Equity investments		4
Deferred tax assets		44
Other receivables		425
Total non-current assets		**3,237**
Current assets		
Inventories	2	3,988
Trade receivables	3	7,124
Other receivables		320
Cash and cash equivalents		2,719
Total current assets		**14,151**
TOTAL ASSETS		**17,388**

(thousands of Euros)	NOTES	December 31, 2017
Shareholders' equity		**8,567**
Non-current liabilities		
Payables to banks and other lenders		1,553
Deferred taxes		3
Employee benefits		576
Long-term provisions for risks and charges		147
Total non-current liabilities		**2,279**
Current liabilities		
Payables to banks and other lenders		1,398
Trade payables	4	4,769
Other payables		375
Total current liabilities		**6,542**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**17,388**

1) Intangible assets mainly relate to land and buildings.

2) Inventories consist of raw materials, such as paper and cardboard reels, ancillary materials and consumables.

3) Trade receivables are stated net of a provision for bad and doubtful debts, which amounted to €229 thousand as at 31 December 2017. The receivables are all due in less than 12 months.

4) The trade payables are all due in less than 12 months.

INCOME STATEMENT (*)	December 31, 2017
(thousands of Euros)	
Revenues from sales	22,081
Other revenues and income	156
Cost of raw materials and services	18,860
Personnel costs	1,299
Other operating costs	40
EBITDA	**2,038**
Amortization and depreciation	133
Operating profit	**1,905**
Net financial income (expense)i	224
Taxes	584
Profit (Loss) for the period	**1,545**

(*) The Statement of Financial Position of PAC SERVICE S.p.A. was prepared in accordance with Italian accounting standards

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

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Tax receivables	5,768	6,111	(343)
Other receivables	4,702	6,231	(1,529)
Accrued and deferred assets	734	520	214
Total	**11,204**	**12,862**	**(1,658)**
Other receivables from associates and joint ventures	0	4	(4)
Total	**11,204**	**12,866**	**(1,662)**

The current portion of "Tax receivables", consisting primarily of tax credits, totaled €5.8 million, down slightly from €6.1 million a year earlier. The item consists mainly of €4.7 million in VAT credit and €0.9 million in the current portion of the CICE.

The item "Miscellaneous receivables" as at December 31, 2017 essentially includes:

- the current portion of guarantee deposits, equal to €1.8 million (in line with the previous year), in favor of a factoring company in accordance with the provisions of agreements signed by the Parent company Reno De Medici S.p.A. and the subsidiary RDM Blendecques S.A.S.;

- the current credit of €685 thousand, down by €654 thousand compared with the previous year, arising from the sale of CO_2 quotas belonging to the German subsidiary R.D.M. Arnsberg GmbH;

- a financial receivable of €600 thousand from Arpafino S.L.U. for the sale of the Spanish business Reno De Medici Ibérica S.L.U., increased by €300 thousand compared with the previous year. This increase was due to the fact that, following the partial rescheduling of the receivable, the portion classified as non-current at December 31, 2016 was reclassified under the current portion at December 31, 2017.

The item "Other receivables from associates and joint ventures" was equal to zero at December 31, 2017.

18. Inventories

The table below provides a breakdown of inventories at December 31, 2017 and December 31, 2016:

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Raw and ancillary materials and consumables	50,069	46,799	3,270
Obsolescence provision	(7,565)	(8,992)	1,427
Finished products and goods	41,188	45,293	(4,105)
Obsolescence provision	(33)	(650)	617
Total	**83,659**	**82,450**	**1,209**

The increase in inventories of raw materials and finished goods was due to the combined effect of more physical stocks and higher unit prices.

The provisions for obsolescence of raw and ancillary materials and consumables refer mainly to the French mills at Blendecques and La Rochette, and in 2017 there was a drawdown of €1.6 million by the subsidiary R.D.M. La Rochette (formerly Cascades S.A.S.).

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

19. Net financial position

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Cash	13	12	1
Funds available from banks	19,115	29,319	(10,204)
A. Cash and cash equivalents	**19,128**	**29,331**	(10,203)
Other receivables from associates and joint ventures	0	4	(4)
Other financial receivables	858	342	516
B. Current financial receivables	**858**	**346**	512
1. Current bank debts	*2,000*	*0*	*2,000*
2. Current portion of medium and long-term loans	*17,447*	*16,081*	*1,366*
3. Debts to other financing entities	*65*	*93*	*(28)*
Debts to banks and other financing lenders (1+2+3)	19,512	16,174	3,338
Other debts to other companies		153	(153)
Derivatives - current financial liabilities	133	154	(21)
C. Current financial debt	**19,645**	**16,481**	**3,164**
D. Net current financial debt (C-A-B)	**(341)**	**(13,196)**	**12,855**
Non-current financial receivables		300	(300)
E. Non-current financial receivables		**300**	(300)
Debts to banks and other financing lenders	44,277	57,627	(13,350)
Derivatives - non-current financial liabilities	138	268	(130)
F. Non-current financial debt	44,415	57,895	(13,480)
G. Net non-current financial debt (F-E)	**44,415**	**57,595**	(13,180)
H. Net financial debt (D+G)	**44,074**	**44,399**	(325)

Consolidated net financial debt as at December 31, 2017 was €44.1 million, compared with €44.4 a year earlier. Operating cash flow generated in 2017, equal to €17.3 million, was in fact offset by extraordinary transactions completed during the year totaling €17 million, which mainly included:

- payment of the purchase price and ancillary costs for the acquisition of the remaining 66.67% of PAC SERVICE S.p.A. for a total of €10.4 million. As mentioned previously, this transaction took effect on January 1, 2018 for accounting purposes;

- Dividends paid and acquisition of treasury shares for a total of €1.3 million;

- Increase in the minority interest in the consortium Paper Interconnector S.c.r.l. for a total of €1.7 million;

- Expenses incurred following the sales restructuring for a total of €1 million;

- Payment made by the subsidiary R.D.M. Arnsberg GmbH for the logo fee tax dispute for a total of €2.6 million.

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

	over 12 months	within 12 months	within 60 months	Total
(thousands of Euros)				
Banco Popolare	2,509	1,262		3,771
FRIE 1	414	1,655		2,069
Friulia (Ovaro Transaction)	638	1,274		1,912
FRIE 2	813	2,438		3,251
FRIE 3	113	453	227	793
Banca Popolare Milano	2,857	11,429		14,286
Banca Intesa (Reno De Medici S.p.A.)	4,000	6,000		10,000
Banca Intesa (RDM Blendecque S.A.S.)	1,667	6,667	1,666	10,000
Banca Intesa (R.D.M. La Rochette S.A.S.)	1,667	6,667	1,666	10,000
Cariparma	1,750	875		2,625
Credem	997	1,754		2,751
AGENCE DE L'EAU	58	228		286
Encelpa	84	172		256
Total nominal debt	**17,567**	**40,874**	**3,559**	**62,000**
Amortized cost effect	(121)	(155)		(276)
Total debt using amortized cost method	**17,446**	**40,719**	**3,559**	**61,724**

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.

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

– Net financial position/Shareholders’ equity

– Net financial position/Gross operating profit

– Gross operating profit/Net financial expenses

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, 2017 there was compliance with the financial covenants.

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

In 2015, 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 2017, there were principal repayments of €15.5 million, and new loans were disbursed for a total amount of €3.4 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.

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 half-yearly starting January 1, 2014.

On June 4, 2015, a loan of €20 million was made by Intesa San Paolo S.p.A.; the loan agreement was executed on June 4, 2015. The loan agreement calls for a floating rate and a maturity of June 4, 2020. Installments are paid half-yearly starting December 4, 2015. This loan requires compliance with several financial parameters subject to annual review. At December 31, 2017, 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 were paid quarterly starting October 1, 2015. The loan was repaid in advance on August 2, 2017.

On July 31, 2015, a loan of €7 million was signed and supplied by Cariparma S.p.A. The loan agreement calls for a floating rate and a maturity of June 30, 2019. Installments are paid half-yearly starting December 31, 2015. This loan requires compliance with several financial parameters subject to annual review. At December 31, 2017, 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 half-yearly starting June 30, 2016. This loan requires compliance with several financial parameters subject to annual and half-yearly review. At December 31, 2017, 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 were paid quarterly starting September 30, 2016.

On November 15, 2016, two loans of €10 million each were made by Intesa San Paolo Parigi in favor of the subsidiaries RDM Blendecques S.A.S. and R.D.M. La Rochette S.A.S. (formerly Cascades S.A.S.). The loan agreements, which were signed on October 31, 2016, call for a floating rate and a maturity of November 15, 2023. Installments are paid half-yearly starting May 15, 2018. This loan provided to the subsidiary R.D.M. La

Rochette S.A.S. requires compliance with several financial parameters subject to annual review. At December 31, 2017, 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 half-yearly starting January 1, 2017.

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

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at December 31, 2017. More information on the derivative instruments outstanding at December 31, 2017 can be found in Note 21.

20. Shareholders' equity

Changes in shareholders' equity during 2017 are set out in the following table:

		Changes during the year									
Description	**Shareholders' equity at 12.31. 2016**	**Purchase of Treasury shares**	**Voluntary capital reduction pursuant to Article 2445**	**Dividends**	**Allocation of profit (loss) for the year**	**Stock grant reserve**	**Profit (loss) on translation of financial statements of foreign investee companies**	**Actuarial gain (loss)**	**Hedge accounting**	**Profit (loss) for the year**	**Shareholders' equity at 12.31. 2017**
(thousands of Euros)											
Share capital	140,000										140,000
Legal reserve	619				340						959
Other reserves:											0
- Change in consolidation scope reserve	2,758										2,758
- Foreign-currency translation reserve	20						34				54
- Treasury share reserve	(182)	(301)									(483)
- Available reserve	17,947				5,446						23,393
' Hedging reserve	(313)								112		(201)
- Reserve for actuarial gains (losses)	(6,956)							(562)			(7,518)
- Stock grant reserve						401					401
Retained earnings (losses)	(1,809)				(3,657)						(5,466)
Profit (loss) for the year	3,132			(1,003)	(2,129)					14,568	14,568
Total	**155,216**	**(301)**	**0**	**(1,003)**	**0**	**401**	**34**	**(562)**	**112**	**14,568**	**168,465**

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.

The Company launched the plan to purchase treasury shares in June 2016. By December 31 of that year, the treasury shares purchased numbered 581,600 for a total of €182 thousand, and by December 31, 2017 these figures had risen to 1,434,519 and €483 thousand respectively.

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 2017, 1,550 savings shares were converted to ordinary shares. As a result of this, the share capital at December 31, 2017, fully subscribed and paid-up, could be broken down as follows:

	Number	Total value
Ordinary shares	377,531,909	139,900,286.40
Savings shares	269,085	99,713.60
Total	**377,800,994**	**140,000,000.00**

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

During the period February 1-28, 2018, 5,588 savings shares were converted to ordinary shares with dividend entitlement as of January 1, 2018.

The table below shows the number of outstanding shares as at December 31, 2017 and December 31, 2016:

	12.31.2017	12.31.2016	Change
Shares issued	377,800,994	377,800,994	
Treasury Shares	1,434,519	581,600	852,919
Total shares outstanding	**376,366,475**	**377,219,394**	**(852,919)**

With reference to the savings shares, the By-Laws of the Parent company Reno De Medici S.p.A. require that if a dividend of less than 5% of the value €0.49 is assigned to the savings shares in a financial year, the difference is calculated as an increase in the privileged dividend in the next two financial years. Dividends totaling €7 thousand were distributed in 2017 to holders of savings shares.

In addition, dividends totaling €996 thousand were distributed to holders of ordinary shares.

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

	12.31.2017			12.31.2016		
	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	*148*	*(36)*	*112*	*(237)*	*59*	*(178)*
Actuarial gain (loss) on employee benefits	*(886)*	*324*	*(562)*	*(724)*	*153*	*(571)*
Profit (loss) on translation of financial statements of foreign investee companies	*34*		*34*	*20*		*20*

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

21. Derivative Instruments

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at December 31, 2017.

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Derivative instruments (hedge accounting)	138	268	(130)
Derivative instruments (no hedge accounting)	0	0	0
Non-current liabilities	**138**	**268**	**(130)**
Derivative instruments (hedge accounting)	133	154	(21)
Derivative instruments (no hedge accounting)	0	0	0
Current liabilities	**133**	**154**	**(21)**
Total	**271**	**422**	**(151)**

As at December 31, 2017, the derivative instruments in the form of interest rates swaps (IRS) had a negative fair value of €271 thousand.

The Group did not enter into any new derivate contracts in 2017.

The table below shows the main features of the derivative instruments outstanding as at December 31, 2017:

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	7,500	0.42% fixed	Half-yearly	(54)
					Euribor 6m		
Reno De Medici S.p.A.	Banca Popolare di Milano	EUR	12.30.2022	14,286	0.45% fixed	Half-yearly	(115)
					Euribor 6m		
Cascades S.A.S	Intesa San Paolo S.p.A.	EUR	11.15.2023	10,000	0.245% fixed	Half-yearly	(102)
					Euribor 6m		
				31,786			**(271)**

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

The table below shows a breakdown of other payables:

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Deferred income	26	78	(52)
Other non-current payables	**26**	**78**	**(52)**
Payables to personnel	7,728	7,014	714
Payables to social security institutions	5,993	6,260	(267)
Tax payables	5,381	4,841	540
Other payables	1,137	1,942	(805)
Corporate Boards	486	434	52
Accrued and deferred liabilities	52	52	0
Other current payables	**20,777**	**20,543**	**234**
Other payables to associates and joint ventures	0	0	0
Total other payables	**20,777**	**20,543**	**234**

The non-current portion of “Deferred income” relates to a grant under Law 488 for the Villa Santa Lucia mill.

The item “Payables to employees” mainly comprises payables relating 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 2018, 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 withholding tax due on remuneration paid to employees in December, and to VAT payables.

The item “Miscellaneous payables” stood at €1.1 million as at December 31, 2017. The change of €0.8 million compared with a year earlier was due essentially to a reduction in the payable for water rates (€0.4 million) and the reduction in advances on invoices issued to non-EU customers by the Parent company (€0.6 million).

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

23. Deferred taxes

The table below provides a summary of the calculation of deferred tax assets and liabilities from temporary differences as at December 31, 2017:

	2017			2016		
	Temporary differences	Average tax rate %	Tax effect	Temporary differences	Average tax rate %	Tax effect
(thousands of Euros)						
Recognized deferred tax assets	**26,629**		**6,864**	**39,802**		**9,900**
Tax losses to carry forward	3,932	24%	944	17,604	24%	4,226
Inventory write-downs	507	27.9%	141	359	27.9%	100
Provision for future charges (IRES)	1,812	24%	435	2,222	24%	533
Other temporary differences	10,586	27.6%	2,919	9,708	27%	2,622
Other temporary differences (IRAP)	2,130	3.9%	83	2,204	3.9%	86
Effect of discounting employee benefits	6,367	31.9%	2,031	6,117	31.9%	1,951
Valuation of derivatives with hedge accounting	178	24%	43	323	24%	78
Deferred tax assets consolidation entries	1,117	24%	268	1,265	24%	304
Recognized deferred tax liabilities	**47,304**		**14,532**	**51,296**		**15,858**
Amortization/depreciation in excess of amount allowed for tax purposes	16,979	27.9%	4,737	17,283	27.9%	4,822
Other temporary differences	56	25%	14	94	27.8%	27
Effect of discounting TFR	1,547	24%	371	1,606	24%	385
Deferred tax liabilities consolidation entries	28,722	32.8%	9,410	32,313	32.9%	10,624
Net recognized deferred tax (assets) liabilities			**7,668**			**5,958**
- of which deferred tax liabilities			*8,924*			*7,493*
- (of which deferred tax assets)			*(1,256)*			*(1,535)*
Unrecognized deferred tax assets	**58,378**		**16,778**	**48,797**		**14,480**
Write-downs for extended impairment	2,687	27.9%	750	2,713	27.9%	757
Write-downs for bad and doubtful receivables	1,137	24%	273	1,041	24%	250
Reportable ROL (reduced working hours)	26,021	24%	6,245	16,516	24%	3,964
Effect of discounting employee benefits	677	33.3%	226	694	33.3%	231
Tax losses to carry forward	26,082	33.3%	8,693	25,543	33.3%	8,513
Deferred tax assets on differences in accounting standards	1,774	33.3%	591	2,290	33.3%	763

As at December 31, 2017, deferred tax liabilities were offset by deferred tax assets where conditions specified in IAS 12 were met, notably where the two items relate to income taxes levied by the same tax authority and where there is a legally enforceable right to offset in this manner.

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

The 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 €185.2 million:

	2017
(thousands of Euros)	
Reno De Medici S.p.A.	3,932
RDM Blendecques S.A.S.	26,082
R.D.M La Rochette S.A.S.	155,221
Total tax losses	**185,235**

24. Employee benefits

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

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Employee benefits	18,434	16,649	1,785
Employee benefits - TFR	15,516	17,229	(1,713)
Non-current employee benefits	**33,950**	**33,878**	**72**
Employee benefits - TFR	141	12	129
Current employee benefits	**141**	**12**	**129**
Total	**34,091**	**33,890**	**201**

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	0.88%	1.6%	1.3%
Annual inflation rate	1.50%	1.8%	1.75%
Annual rate of increase in TFR	2.625%	1.75%	2%

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

	12.31.2017
(thousands of Euros)	
Actuarial assessment of “Employee benefits “at 12.31.2016	**33,878**
Service cost	721
Interest cost	514
Benefits paid	(1,955)
Actuarial Gains/Losses	886
Other changes	(94)
Actuarial value of employee benefits at 12.31.2017	**33,950**

Sensitivity analysis of the discount rate

The following table shows the balance that the item “Employee Benefits” would have as at December 31, 2017 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%	8,881	+0.25%	17,756	+0.25%	6,380
Non-current employee benefits as of 31 December 2017	0.88%	9,035	1.6%	18,435	1.3%	6,572
Reduction of discount rate	-0.25%	9,192	-0.25%	19,155	-0.25%	6,770

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

The balance at December 31, 2017 was as follows:

	12.31.2016	Increases	Use	Other changes	12.31.2017
(thousands of Euros)					
Customer supplementary indemnity for agents	2,053	98	(117)	(52)	1,982
Provisions for future charges	4,171	515	(1,803)	(164)	2,719
Total non-current provisions for risks and charges	**6,224**	**613**	**(1,920)**	**(216)**	**4,701**
Provisions for future charges	840	359	(142)	0	1,057
Total current provisions for risks and charges	**840**	**359**	**(142)**	**0**	**1,057**
Total	**7,064**	**972**	**(2,062)**	**(216)**	**5,758**

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

With regard to the long-term portion of the "Provision for future charges", utilization during the period of €1.9 million was mainly due use of the provision for layoffs (€0.9 million) and use of the provision for expenses to cover landfill at the Santa Giustina mill (€0.6 million).

Accruals during the year (€0.6 million) refer mainly to the allocation of a provision for layoffs (€0.2 million) and for legal expenses (€0.3 million).

The short-term portion of the "Provision for future charges" was for charges to dismantle several buildings of the Magenta mill, two pending tax disputes regarding local taxes for which it was deemed appropriate to prudentially set aside a provision to cover future charges totaling €398 thousand, and employee disputes totaling €504 thousand.

26. Trade payables and payables to associates and joint ventures

The balance at December 31, 2017 was as follows:

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Trade payables	105,027	103,075	1,952
Payables to associates and joint ventures	952	610	342
Total	**105,979**	**103,685**	**2,294**

“Trade payables” recorded in the financial statements were €106 million (€104 million as at December 31, 2016) 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.

“Payables to associates and joint ventures”, amounting to €1 million (€0.6 million as at December 31, 2016), related mainly to trade payables to ZAR S.r.l. (€532 thousand) and PAC SERVICE S.p.A. (€420 thousand).

27. Current taxes

As at December 31, 2017 this item consists of the amount payable to tax authorities for current taxes incurred during the year.

It is recalled that the German subsidiary **R.D.M. Arnsberg GmbH** was the subject of a routine tax audit for the period 2011-2013 in the course of 2016. In this context, the German Tax Administration questioned the deductibility of the ‘Logo Fee’ charged to the controlled company by the parent company Reno De Medici S.p.A., for an annual amount equal to 1.9% of revenue.

The Reno de Medici Group did not agree with the position of the competent German Tax Administration, and it had presented an instance requesting the opening of a ‘Mutual Agreement Procedure’ (“MAP”) in Germany on 22 December 2016, on the basis of the European Arbitration Convention and on treaty against double taxation between Germany and Italy. At the same time, a case for the opening of a procedure of ‘Advance Pricing Agreement’ (“APA”), for the years 2016 and the following years was presented to the Revenue Agency in Italy.

It is pointed out that in the month of January 2017 its German subsidiary has decided prudently to pay the entire amount of taxes, plus interest, which were taken up in the course of the investigation, to the German tax offices (national and local).

The final amount that will actually be due in Germany, if appropriate, will only be known at the conclusion of the MAP procedure and the amount that will be paid in excess will be repaid with interest calculated by applying an annual rate of 6%. It is expected that the final amount possibly due in Germany may be substantially recovered in Italy in view of the MAP procedure. Consequently, the consolidated net economic and financial impact should be limited to the existing difference between the tax rates and the rates of interest applied in the two countries.

28. 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 2017 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.

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

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

Commitments and guarantees given to third parties include:

- sureties of €6.6 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;

- sureties of €2.8 million issued to the Comieco consortium;
- sureties of €67 thousand issued in favor of the customs authorities;
- a surety of €90 thousand issued in favor of the Province of Milan;
- a surety of €400 thousand issued in favor of the Cassa Conguaglio;
- a surety of €88 thousand issued in connection with property leases;
- a surety of €177 thousand issued in favor of Stogit S.p.A.;
- sureties of €228 thousand issued in favor of Terna S.p.A.;
- a surety of €607 thousand issued in favor of the revenue agency for Cartiera Alto Milanese in liquidation S.r.l.;
- 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.

In June, **Reno De Medici S.p.A. and Friulia S.p.A. redefined the shareholders' agreement** that had been signed on June 27, 2012, in the ambit of the acquisition by Friulia of a 20% stake in R.D.M. Ovaro S.p.A. at a price of €2.5 Million. Such agreements granted inter alia to Friulia S.p.A. the right to resell its investment in R.D.M. Ovaro S.p.A. to Reno De Medici S.p.A. at certain terms and conditions, through the exercise of a 'put option' by no later than June 27, 2017.

The Parties appreciated the success of the partnership and, in view of the further investments necessary to increase the value of R.D.M. Ovaro S.p.A., and of its possible plans of expansion, agreed that an extension of the partnership is beneficial to the Subsidiary.

Consequently, the Parties signed a new agreement whereby Reno De Medici S.p.A. will acquire Friulia's 20% investment in R.D.M. Ovaro S.p.A., for a total price of € 2,497,010.95, in four equal tranches, the first of which has already been acquired on June 15, 2017; the other three tranches will be acquired on June 30 of 2018, 2019 and 2020. Reno De Medici S.p.A. will be free to exercise a call option at any earlier time.

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.

30. 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.;

– sales of cartonboard and raw materials to R.D.M. Ovaro S.p.A.

- general services provided to R.D.M. Ovaro S.p.A., R.D.M. Magenta S.r.l., R.D.M. Marketing S.r.l., RDM Blendecques S.A.S., R.D.M. La Rochette S.A.S., R.D.M. Arnsberg GmbH and Emmaus Pack S.r.l. (Emmaus);

- purchases of manufacturing scrap from R.D.M. La Rochette S.A.S.

- interest expense and/or income in relation to cash pooling and loan arrangements with R.D.M. Marketing Srl, RDM Blendecques S.A.S., R.D.M. Arnsberg GmbH, R.D.M. Ovaro S.p.A., R.D.M. La Rochette S.A.S. and R.D.M. Magenta S.r.l.;

- sales of cartonboard to PAC SERVICE S.p.A. and 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 of R.D.M. Ovaro S.p.A., R.D.M. Marketing S.r.l. and R.D.M. Magenta S.r.l.;

- The tax consolidation agreement under which RDM Blendecques S.A.S. is the consolidating company of R.D.M. Marketing France S.A.S.

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

- Other related parties

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

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

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

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

Related-party transactions include:

- commercial relations with PAC SERVICE S.p.A., a company of which Reno De Medici owns 33.33%, in connection with sales of cartonboard. Sales made in 2017 totaled €5,115 thousand, while trade payables at December 31, 2017 amounted to €420 thousand. During the year, Reno De Medici S.p.A. 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 Reno De Medici S.p.A. owns 33.33%, in connection with purchase of waste paper. Purchases made in 2017 totaled €4,432 thousand, while trade payables as at December 31, 2017 amounted to €532 thousand;

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.

	2017		2016	
	Directors	Statutory auditors	Directors	Statutory auditors
(thousands of Euros)				
Short-term benefits	769	166	531	166
Post-employment benefits	6		13	
Total	**755**	**166**	**544**	**166**

The compensation not paid yet to directors and auditors amounts to €319 thousand and €166 thousand respectively at December 31, 2017.

Receivables and payables with related parties

The table below provides a breakdown of receivables and payables with related parties as at December 31, 2017 and at December 31, 2016:

December 31, 2017	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+				3		
Cascades Inc.	348			24		
Cascades Rollpack	2					
Cascades Groupe Produits				1		
Emmaus Pack S.r.l.		7,126				
PAC SERVICE S.p.A.					420	
ZAR S.r.l.					532	
Total	**350**	**7,126**		**28**	**952**	
Impact on item total	**0.5%**	**100%**		**0%**	**100%**	

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**	
Impact on item total	**0.7%**	**100%**	**100%**	**0%**	**100%**	

Revenues and costs deriving from related-party transactions

The tables below provide a breakdown of revenues and costs with related parties during 2017 and 2016:

December 31, 2017	**Revenues from sales**	**Other revenues**	**Financial income**
(thousands of Euros)			
Cascades Asia Ltd	3,347	67	
Cascades Inc.		348	
Emmaus Pack S.r.l.	12,843	95	
PAC SERVICE S.p.A.	5,115		
Cascades Rollpack		5	
Total	**21,305**	**515**	
Impact on item total	**3.7%**	**5.8%**	

December 31, 2017	**Cost of raw materials and services**	**Financial expense**
(thousands of Euros)		
Cascades Canada ULC	32	
Cascades Inc.	1	
ZAR S.r.l.	4,432	
Red. Imm. S.r.l.	20	
Cascades Rollpack	2	
Cascades CS+	15	
Total	**4,502**	
Impact on item total	**1%**	

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.		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**
Impact on item total	**3.7%**	**5.2%**	**24%**

December 2016	Cost of raw materials and services	Financial expense
(thousands of Euros)		
Careo S.A.S.	12	
R.D.M. Marketing 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**
Impact on item total	**2%**	**0.2%**

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, 2017 with the situation as at December 31, 2016, and it refers to the RDM Group's consolidated financial statements.

All figures are stated in thousands of Euros.

The section below provides information about the impact of financial instruments on the statement of financial position and on the income statement.

Impact of Financial Instruments on the Statement of Financial Position

The table below shows the carrying amount of each type of financial asset and liability in the consolidated statement of financial position.

	12.31.2017		12.31.2016	
	Book value	Fair value	Book value	Fair value
(thousands of Euros)				
Cash and cash equivalents	**19,128**	**19,128**	**29,331**	**29,331**
Loans and receivables	**89,780**	**89,780**	**83,951**	**83,951**
Trade receivables	70,862	70,862	67,405	67,405
Other receivables from associates and joint ventures	-	-	4	4
Other receivables	18,918	18,918	16,541	16,541
Available-for-sale financial assets	**-**	**-**		
Financial liabilities at amortized cost	**(190,571)**	**(191,541)**	**(198,107)**	**(195,503)**
Unsecured medium- and long-term bank loans at amortized cost	(39,641)	(38,234)	(46,991)	(48,752)
Secured medium- and long-term bank loans at amortized cost	(22,148)	(24,526)	(26,808)	(22,442)
Short-term loans from banks for use of commercial facilities	(2,000)	(2,000)	(2)	(2)
Trade payables	(105,979)	(105,979)	(103,685)	(103,685)
Other payables to associates and joint ventures	-	-		
Other payables	(20,803)	(20,803)	(20,621)	(20,621)
Financial liabilities at fair value through profit and loss	-	-		
Hedging derivatives	(271)	(271)	(423)	(423)
	(81,934)	**(82,904)**	**(85,248)**	**(82,644)**
Unrecognized profits (losses)	**(970)**		**2,604**	

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 non-existent for the asset or liability subject to measurement, the inputs are non-observable.

	Classification	**12.31.2017**	**Fair value as at the date of the financial statements based on:**		
			Level 1	**Level 2**	**Level 3**
(thousands of Euros)					
Derivative instruments on interest rates	Non-current derivative instruments	**138**		**138**	
Derivative instruments on interest rates	Current derivative instruments	**133**		**133**	

As at December 31, 2017, 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, 2017 and December 31, 2016.

Future flows were discounted on the basis of the same Euro yield curve as at December 31, 2017 and December 31, 2016.

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 12.31.2017	Book value	Nominal value at 12.31.2016	Book value
(thousands of Euros)							
Secured medium- and long-term bank loans at amortized cost				**22,309**	**22,120**	**27,034**	**26,778**
Frie 1	Euro	Eur6m	2022	2,069	2,069	2,483	2,483
Frie 2	Euro	Eur6m	2021	3,250	3,250	4,063	4,063
Frie 3	Euro	Eur6m	2024	793	793	906	906
Friulia S.p.A.	Euro	Eur6m+spread		1,911	1,911	2,439	2,439
Banca Popolare di Milano	Euro	Eur6m+spread	2022	14,286	14,096	17,143	16,887
Unsecured medium- and long-term bank loans at amortized cost				**39,689**	**39,602**	**47,093**	**46,930**
Minindustria 11172	Euro	Fixed	2017	-	-	165	165
Banco Popolare	Euro	Eur3m+spread	2019	3,771	3,771	6,262	6,262
Banca Intesa Sanpaolo	Euro	Eur6m+spread	2020	10,000	9,930	14,000	13,877
Credem	Euro	Eur3m+spread	2018	-	-	1,763	1,763
Credem	Euro	Eur3m+spread	2020	2,751	2,751		
Cariparma	Euro	Eur6m+spread	2019	2,625	2,608	4,375	4,335
Intesa Sanpaolo	Euro	Eur6m+spread	2023	10,000	10,000	10,000	10,000
Intesa Sanpaolo	Euro	Eur6m+spread	2023	10,000	10,000	10,000	10,000
Agence de l’eau (Blendecques)	Euro		2026	286	286	138	138
Encelpa	Euro		2020	256	256	340	340
GE Capital (Leasing)	Euro	Fixed	2017	-	-	51	51
Total medium- and long-term loans				**61,998**	**61,722**	**74,126**	**73,708**
Short-term loans from banks for use of commercial facilities				**2,000**	**2,000**	**-**	**-**
Export loans	Euro	Euribor+spread	n/a	2,000	2,000		
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**			**2,000**	**2,000**	**-**	**-**
Total interest-bearing liabilities	**Euro**			**63,998**	**63,722**	**74,126**	**73,708**

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 12.31.2016	**312**
Fair value adjustment of cash flow hedge derivatives	(148)
Tax effect of fair value adjustment of cash flow hedge derivatives	36
Transfers to the income statement	
Tax effect of transfers to the income statement	
Reserve 12.31.2017	**200**

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:

	12.31.2017	**12.31.2016**
(thousands of Euros)		
Gross trade receivables	73,882	70,134
- provisions for bad and doubtful receivables	(3,020)	(2,729)
Total	**70,862**	**67,405**

Overdue or Impaired Financial Assets

The table below provides a breakdown of the seniority of trade receivables, net of individual write-downs, as at the reporting date:

	Overdue receivables				
December 31, 2017	**more than 60 days**	**from 31 to 60 days**	**from 0 to 30 days**	**Non-overdue receivables**	**Total**
(thousands of Euros)					
Italy	588	13	3,833	46,703	51,137
EU	212	221	3,725	6,489	10,647
Rest of world	179	12	675	8,212	9,078
Total	**979**	**246**	**8,233**	**61,405**	**70,862**

	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**

The Group's overdue receivables as at December 31, 2017 decreased in absolute terms from €10.8 million to €9.5 million. They represent 13% of the total portfolio compared with 16% reported in the previous year.

How Credit Risk is Managed

As a general rule, the Group's commercial risk management policy is to insure all client receivables, excluding those of the Parent company's Italian customers, with leading insurance companies. Any uninsured or non-insurable positions, in particular those with Italian customers, are constantly monitored by the appropriate Corporate Functions.

The Parent company and French 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, commodity prices, and stock prices.

The market risk to which the Group was exposed during the year may be broken down as follows:

- currency risk;
- interest rate risk;
- commodity risk.

The scale of these risks and the way in which they are managed is described below.

Currency risk

The Group's exposure to currency risk derives from:

- trade receivables/payables denominated in currencies other than the functional currency of the financial statements;
- cash and cash equivalents held in foreign-currency current accounts;

Other than the Euro, which is the functional currency, the main currencies in which the Group carries out its commercial activities are the United States dollar and the British pound. Exposure to other currencies is negligible.

In terms of exposure to currency risk, in 2017 the Group managed the marginal imbalance between investments and funds in the same currency by using a natural-hedging approach and by carefully and continually monitoring market conditions; as a result, it was not deemed necessary to resort to hedging derivatives.

The Group's exposure in euros, based on the official ECB exchange rates as at December 31, 2017 and December 31, 2016, is reported in the following table:

ECB exchange rates	12.31.2017	12.31.2016
(per Euro)		
USD	1.1993	1.0541
GBP	0.8872	0.8562
CHF	1.1702	1.0739
CAD	1.5039	1.4188
CZK	25.535	27.021
HUF	310.33	309.83
PLN	4.177	4.4103

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.

	12.31.2017						
	USD	GBP	CHF	CAD	CZK	HUF	PLN
(thousands of Euros)							
Trade receivables	4,524	1,898					156
Trade payables	(3,024)	(417)					(148)
Cash and cash equivalents	3,274	1,595	2	1	36	239	243
Exposure	**4,774**	**3,076**	**2**	**1**	**36**	**239**	**251**

	12.31.2016						
	USD	GBP	CHF	CAD	CZK	HUF	PLN
(thousands of Euros)							
Trade receivables	4,881	1,961	-	-			
Trade payables	(2,253)	(172)	(1)	(6)			
Cash and cash equivalents	1,073	640	2	1	33	125	190
	3,701	**2,429**	**1**	**(5)**	**33**	**125**	**190**

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, 2017 and December 31, 2016) as to variations in the value of the Euro against the major foreign currencies.

Specifically, two scenarios were used: a 10% appreciation and a 10% depreciation of the Euro against the other currencies. For each of the two scenarios, the gain or loss arising from transactions outstanding as at December 31, 2017 and December 31, 2016 was then calculated. In this way, it was possible to determine the effect on the income statement and on shareholders' equity had the market exchange rates been subject to the assumed changes.

The tables below provide a summary of the results of this analysis, indicating the additional effect on the actual figures recognized at the reporting date. These re-measurements based on changes in the exchange rate affect profit or loss for the year.

10% appreciation of the Euro		**10% depreciation of the Euro**	
(thousands of Euros)	**Profit or loss**	**(thousands of Euros)**	**Profit or loss**
December 31, 2017		**December 31, 2017**	
USD	(477)	USD	477
GBP	(308)	GBP	308
CHF	0	CHF	0
CAD	0	CAD	0
CZK	(4)	CZK	4
HUF	(24)	HUF	24
PLN	(25)	PLN	25
Total	**(838)**	**Total**	**838**

December 31, 2016		**Saturday, December 31, 2016**	
USD	(370)	USD	370
GBP	(243)	GBP	243
CHF	0	CHF	0
CAD	0	CAD	0
CZK	(3)	CZK	3
HUF	(13)	HUF	13
PLN	(19)	PLN	19
Total	**(648)**	**Total**	**648**

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.

	12.31.2017	%	12.31.2016	%
(thousands of Euros)				
Floating-rate medium- and long-term loans	(18,497)	30.8%	(24,101)	33.6%
Floating-rate medium- and long-term loans hedged by IRS	(24,262)	40.4%	(30,119)	42.0%
Fixed-rate medium- and long-term loans	(399)	0.7%	(337)	0.5%
Total non-current liabilities	**(43,158)**	**71.8%**	**(54,557)**	**76.1%**
Floating-rate medium- and long-term loans	(9,263)	15.4%	(9,250)	12.9%
Floating-rate medium- and long-term loans hedged by IRS	(7,524)	12.5%	(7,524)	10.5%
Fixed-rate medium- and long-term loans	(142)	0.2%	(357)	0.5%
Floating-rate short-term bank loans for use of commercial facilities				
Total current liabilities	**(16,929)**	**28.2%**	**(17,130)**	**23.9%**
Total (floating rate)	*(27,759)*	46.2%	*(33,351)*	46.5%
Total (fixed rate or hedged floating rate)	*(32,328)*	53.8%	*(38,336)*	53.5%
Total	**(60,087)**	**100.0%**	**(71,687)**	**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 as at the date on which the financial statements were prepared.

		Profit (loss)		Shareholders' equity	
		Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
(thousands of Euros)					
December 31, 2016					
Cash flows during the year		**(91)**	**72**		
	Cash flows from derivatives	*182*	*(182)*		
	Floating-rate loans	*(273)*	*254*		
Effectiveness of hedges				339	(339)
Net sensitivity of financial flows		**(91)**	**72**	**339**	**(339)**
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)**

An analysis of these scenarios demonstrated that changes in interest rates had little impact on the income statement and shareholders' equity. Cash flow hedges considerably restrict the impact on financial expense recognized in the income statement.

How Interest Rate Risk is Managed

The Group uses various debt instruments according to the nature of its financial requirements. In particular, it uses short-term debt to fund working capital requirements and medium- and long-term financing to cover investments in the core business.

The techniques used most often are:

- advances for short-term requirements;

- loans for medium- and long-term requirements. These instruments, which are arranged with leading banks, are mainly indexed to floating rates that are subject to revision every three or six months.

The Group’s current risk management policy aims to reduce the variability of the financial expense incurred on its debt and of the related effects on the profit or loss. The practical objectives in terms of risk management therefore involve stabilizing the cash flows linked to the cost of servicing debt in line with budget forecasts.

From an operating standpoint, the Group sets about achieving this goal by using derivatives in the form of interest rate swaps (IRS).

In line with the features of the transactions carried out and its risk management objectives, the Group has decided to structure its hedging relations using a cash flow hedge approach.

Specifically, the hedging relations involve converting floating-rate loan payments to fixed-rate payments. This is carried out by using interest rate swaps (IRS), under which the Group receives a flow of payments from the counterparty bank at the same floating rate as its debt, less the spread. In exchange, the Group makes a payment flow at a fixed rate. The consolidated position (debt + IRS) is therefore a fixed-rate liability of which the amount of financial expense is certain (the aim of cash flow hedging).

The present hedging policy excludes the recourse to transactions involving complex derivatives.

As at the reporting date, the risk of variability in cash flows linked to floating-rate debt was mainly hedged by derivative financial instruments.

Commodity risk

In terms of the nature of the business carried out by RDM Group, commodity risk is the risk that the profit for the year will be reduced by incurring higher costs to purchase raw materials for the mills. This risk is part of the broader category of market risk, specifically where the cost of the raw materials is dependent on changes in a quoted index.

In 2016, the Group signed contracts for the supply of natural gas also for 2017, operating mainly on a quarterly and annual basis, negotiating fixed unit prices for each of the individual quarters of supply. This allowed for a significant reduction in “commodity risk” for the first part of the year and a partial reduction for the last quarter. The quotas relating the last quarter were negotiated and confirmed over the year in order to meet the mills’ requirements, while benefiting from the decreasing prices for energy commodities. All prices are expressed in Euros per volume unit, with subsequent adjustments to the content of primary energy contained in it.

At the end of November 2016, the Group signed contracts for the supply of electricity at a price indexed according to the prices of certain continental energy markets, in some cases by providing fixing operations following the conclusion of contracts by utilizing appropriate clauses in their contracts. Supply quotas at a price indexed relating to reference markets are negotiated with spreads fixed with respect to these prices. The price fixing of supply quotas aimed to contain “commodity risk” as described above. The negotiated prices are expressed in Euros per unit of electricity.

As of December 31, 2017 there were no specific derivative hedging instruments for the commodity risk.

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

How Commodity Risk is Managed

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

Supply contracts that relate to natural gas are normally concluded at a fixed price and are negotiated at least three months before the supply period. Electricity is purchased at a fixed price, and partially indexed according to the values of continental electricity markets as published by the bodies responsible for these markets.

In order to contain possible price pressure on raw materials, the Group aims to diversify its suppliers and its supply markets.

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, 2017 and December 31, 2016.

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, 2017	**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	**19,128**	**19,128**	19,128				
Trade receivables	**70,862**	**70,862**	70,862				
Other receivables	**18,918**	**18,918**	11,204		7,714		
Medium- and long-term bank loans	**(63,789)**	**(64,759)**	(10,861)	(8,839)	(16,310)	(24,899)	(3,850)
Other payables	**(20,803)**	**(20,803)**	(20,725)	(52)	(26)		
Hedging derivative instruments	**(271)**	**(271)**	(120)	(95)	(117)	(50)	(11)
Trade payables	**(105,979)**	**(105,979)**	(105,979)				
Total	**(81,934)**	**(82,904)**	**(36,491)**	**(8,986)**	**(8,739)**	**(24,849)**	**(3,839)**

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)**

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, 2017 (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 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%

R.D.M. Ovaro S.p.A.

Milan - Italy

Direct ownership percentage: 85%

R.D.M. Arnsberg GmbH

Arnsberg – Germany

Direct ownership percentage: 94%

Indirect ownership 6% (through Cascades Grundstück GmbH & Co.KG).

R.D.M. Magenta S.r.l.

Milan - Italy

Direct ownership percentage: 100%

R.D.M. La Rochette 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.

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.)

LIST OF EQUITY-ACCOUNTED INVESTMENTS

Cartonboard sector and other industrial production

Emmaus Pack S.r.l.

Milan - Italy

Direct ownership percentage: 34.39%

Manucor S.p.A.

Caserta - 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%

LIST OF INVESTMENTS IN OTHER COMPANIES

Cartonboard sector

Cartonnerie Tunisienne S.A.

Les Berges Du Lac – Tunis

Direct ownership percentage: 5.274%

Consortiums

Gas Intensive S.c.r.l.

Milan - Italy

Consortium share

Comieco

Milan - Italy

Consortium share

Conai

Milan - Italy

Consortium share

Consorzio Filiera Carta

Frosinone – Italy

Consortium share

C.I.A.C. S.c.r.l.

Valpenga (TO) – Italy

Consortium share

Idroenergia S.c.r.l.

Aosta – Italy

Consortium share

Paper Interconnector

Milan - Italy

Consortium share

Università Carlo Cattaneo

Castellanza (VA) – Italy

Consortium share

SUBSEQUENT EVENTS

With reference to subsequent events after the 2017 year end, see the Directors' Report.

CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS

at December 31, 2017, 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 the Financial Reporting Executive of Reno De Medici S.p.A., certify, considering the provisions of Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998:

- the suitability for the characteristics of the business and
- the effective implementation

of the administrative and accounting procedures pertaining to the preparation of the year-end consolidated financial statements for the period from January 1 to December 31, 2017.

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) provide a true and fair view of the financial position, the results and the cash flows of the issuer and of the companies whose accounts have been consolidated.

3.2. The Directors' Report comprises a reliable analysis of operating performance and results, as well as of the situation of the issuer and of the companies whose accounts have been consolidated, together with a description of the major risks and uncertainties to which they are exposed.

Milan, March 16, 2018

Chief Executive Officer	Chief Financial Officer
/signed/	/signed/
Michele Bianchi	Stefano Moccagatta

Notes to the separate finacial statements

at December 31, 2017

[DOPPIA PAGINA D'APERTURA]

Reno De Medici S.p.A.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

AT DECEMBER 31, 2017

STATEMENT OF INCOME

	Note	12.31.2017	12.31.2016
Revenues from sales	1	236,195,898	213,669,172
- of which related parties		*19,873,340*	*19,111,231*
Other revenues and income	2	10,237,310	8,106,602
- of which related parties		*5,351,306*	*4,382,707*
Change in inventories of finished goods	3	(3,340,516)	(1,494,607)
Cost of raw materials and services	4	(190,807,748)	(175,613,352)
- of which related parties		*13,741,497*	*(7,282,737)*
Personnel costs	5	(23,928,086)	(26,147,619)
Other operating costs	6	(1,081,866)	(2,827,430)
Gross operating profit		**27,274,992**	**15,692,766**
Depreciation and amortization	7	(11,478,462)	(11,390,155)
Operating profit		**15,796,530**	**4,302,611**
Financial expense		(1,606,832)	(2,336,109)
Gains (losses) on foreign exchange		(334,822)	106,853
Financial income		353,760	361,098
Net financial income (expense)	8	(1,587,894)	(1,868,158)
Gains (losses) from investments	9	408,596	5,431,236
Taxes	10	(4,254,979)	(1,076,977)
Profit (loss) for the year		**10,362,253**	**6,788,712**

STATEMENT OF COMPREHENSIVE INCOME

	Note	12.31.2017	12.31.2016
Profit (loss) for the year		**10,362,253**	**6,788,712**
Other components of comprehensive profit (loss)			
Other components that may be transferred to the income statement in subsequent financial periods:		**109,971**	**(111,018)**
Change in fair value of cash flow hedges	*21*	*109,971*	*(111,018)*
Other components that will not be transferred to the income statement in subsequent financial periods:		**23,522**	**(161,708)**
Actuarial gain/(loss) on employee benefits	*21*	*23,522*	*(161,708)*
Total other components of comprehensive profit (loss)		**133,493**	**(272,726)**
Total comprehensive profit (loss)		**10,495,746**	**6,515,986**

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

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	12.31.2017	12.31.2016
Non-current assets			
Tangible assets	11	109,527,291	114,531,623
Other intangible assets	12	3,956,483	1,728,643
Investments in Subsidiaries	13	84,925,234	81,089,094
Investments in Associates, Joint Ventures and Other Companies	14	2,344,078	707,417
Other receivables	15	11,024,521	1,011,834
Total non-current assets		**211,777,607**	**199,068,611**
Current assets			
Inventories	16	31,155,111	32,723,750
Trade receivables	17	32,857,383	30,277,653
Receivables from Group companies	18	9,062,719	9,018,891
Other receivables	15	3,288,670	2,913,987
Other receivables from Group companies	19	6,417,532	255,670
Cash and cash equivalents	20	17,550,312	28,101,370
Total current assets		**100,331,727**	**103,291,321**
TOTAL ASSETS		**312,109,334**	**302,359,932**

LIABILITIES AND SHAREHOLDERS’ EQUITY		12.31.2017	12.31.2016
Shareholders’ equity			
Share capital		140,000,000	140,000,000
Other reserves		25,438,661	19,419,809
Profit (loss) for the year		10,362,253	6,788,712
Total shareholders’ equity		**175,800,914**	**166,208,521**
Non-current liabilities			
Payables to banks and other lenders	20	21,164,406	31,178,190
Derivative instruments		60,273	187,421
Other payables		26,051	78,154
Deferred taxes liabilities		3,447,349	193,725
Employee benefits		5,486,018	5,881,376
Non-current provisions for risks and charges		2,218,944	3,428,068
Total non-current liabilities		**32,403,041**	**40,946,934**
Current liabilities			
Payables to banks and other lenders	20	14,006,480	12,147,218
Derivative instruments		108,326	129,447
Trade payables		55,159,799	54,713,900
Payables to Group companies		3,796,480	4,028,635
Other payables		5,020,842	5,472,090
Other payables to Group companies		24,081,598	18,268,860
Current taxes		954,429	3,404
Employee benefits		7,121	
Current provisions for risks and charges		770,304	440,923
Total current liabilities		103,905,379	95,204,477
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES		**312,109,334**	**302,359,932**

STATEMENT OF CASH FLOWS

	Note	12.31.2017	12.31.2016
(thousands of Euros)			
Profit (loss) for the year before taxes		14,617	7,866
Depreciation, amortization		11,478	11,390
Losses (gains) from equity investments		(409)	(5,431)
Financial income (expense)		1,253	1,975
Capital losses (gains) on sale of fixed assets		(37)	(59)
Change in provisions for employee benefits and in other provisions, including the provision for bad and doubtful receivables		(533)	317
Change in inventories		1,421	2,181
Change in trade receivables		(4,130)	846
- of which related parties		*(231)*	*(1,797)*
Change in trade payables		180	4,219
- of which related parties		*(365)*	*1,073*
Change in total working capital		(2,529)	7,246
Gross cash flows		23,840	**23,304**
Interest paid in the year		(1,030)	(1,900)
- of which related parties		*(112)*	*(320)*
Interest received in the year		120	361
- of which related parties		*94*	*126*
Taxes paid in the year		(696)	(1,332)
Cash flow from operating activities		22,234	**20,433**
Investment in other companies		(1,758)	(34)
Investment net of disinvestment in tangible and intangible assets		(8,663)	(6,264)
Investment net of disinvestment in subsidiaries, joint venture and related parties		(627)	(3,935)
Other investment		(10,050)	
Disinvestment in assets held for sale			800
Dividends received		120	4,985
Cash flow from investing activities		**(20,978)**	**(4,448)**
Change in other financial assets and liabilities and short-term payables to banks		(230)	5,997
- of which related parties		*(1,926)*	*6,575*
Change in medium- and long-term loans		(10,273)	(14,517)
Dividends paid		(1,003)	(1,983)
Treasury shares		(301)	(182)
Cash flow from financing activities		**(11,807)**	**(10,685)**
Change in unrestricted cash and cash equivalents		**(10,551)**	**5,300**
Unrestricted cash and cash equivalents at the beginning of the year		**28,101**	**22,801**
Unrestricted cash and cash equivalents at end of the year		**17,550**	**28,101**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Legal reserve	Profit (loss) for the period	Hedging reserve	Reserve for actuarial gains (losses)	Other reserves	Total Shareholders' Equity
(thousands of Euros)							
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) of the year			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**
Dividend distribution			(1,003)				(1,003)
Allocation of 2016 profit		340	(5,786)			5,446	
Stock Grant reserve						401	401
Purchase of treasury shares						(301)	(301)
Round						(1)	(1)
Profit (loss) of the year			10,362				10,362
Other components of comprehensive profit (loss)				110	24		134
Total comprehensive profit (loss)			**10,362**	**110**	**24**		**10,496**
Shareholders' equity as at 12.31.17	**140,000**	**959**	**10,362**	**(135)**	**(1,800)**	**26,415**	**175,801**

(*) This amount refers to the residual profit after the partial use of the annual result to cover the past losses in accordance with the decision of the meeting of shareholders of Reno De Medici S.p.A. of November 2, 2015.

NOTES TO THE FINANCIAL STATEMENTS

Structure and content

Reno De Medici S.p.A. is a company established as a legal entity under Italian law, which operates mainly in Italy. The business of the Company is the production and distribution of cartonboard for packaging made mainly from recycled fibers. Distribution and sale operations are carried out through a network of agents under the subsidiary R.D.M. Marketing S.r.l..

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

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

Reno De Medici S.p.A.'s draft separate financial statements were approved and authorized for publication by its Board of Directors on March 16, 2018.

Reno De Medici S.p.A., as Parent company, also prepared the consolidated financial statements of the RDM Group at December 31, 2017.

The 2017 separate financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and approved by the European Union, and on the basis of provisions issued to implement Article 9 of Legislative Decree 38/2005. IFRS also includes all revised international accounting standards ("IAS"), all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee ("SIC").

RDM applied the same accounting principles as for the Annual Financial Report at December 31, 2016.

Accounting principles, amendments and interpretations effective from January 1, 2017, specifying any impact that each of these may have on these consolidated financial statements:

- Disclosure Initiative - Amendment to IAS 7. The document aims to clarify certain issues with a view to improving disclosure on financial liabilities;

- Recognition of Deferred Tax Assets for Unrealized Losses - Amendment to IAS 12. The document aims to clarify certain issues on the recognition of deferred tax assets for unrealized losses for the measurement of available-for-sale financial assets upon the confirmation of certain circumstances, as well as on the estimation of taxable income for future years.

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

- 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. The key steps for revenue recognition under the new model are:
    - identify the contract with the customer;
    - identify the performance obligations in the contract;
    - determine the transaction price;
    - allocate the transaction price to the performance obligations in the contract;
    - recognize revenue when the entity satisfies each performance obligation.
    - The standard is applicable from January 1 2018. Based on the analyses performed, the directors do not expect the application of IFRS 15 to have a significant impact on the amounts of the revenues recorded or on the disclosures provided in the consolidated financial statements of the Group.
- IFRS 9 - Financial Instruments. This principle introduces new criteria for classifying and measuring financial assets and liabilities.
- IFRS 16 - Leases. This principle is intended to replace IAS 17 – Leases as well as IFRIC 4 - Determining Whether an Arrangement Contains a Lease, SIC-15 - Operating Leases - Incentives and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new principle redefines the lease and introduces a control (right-of-use) criterion to distinguish leases from service agreements. The standard is applicable from January 2019, but early application is permitted for companies that have already applied IFRS 15.

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

- IFRS 17 – Insurance Contracts, which is intended to replace IFRS 4 – Insurance Contracts;
- Amendment to IFRS 2;
- IFRIC 22 – "Foreign Currency Transactions and Advance Consideration";
- Transfers of Investment Property - Amendment to IAS 40;
- IFRIC 23 – Uncertainty over Income Tax Treatments. This document clarifies the accounting for uncertainties in income taxes;
- Prepayment Features with Negative Compensation - Amendment to IFRS 9;
- Long-term Interests in Associates and Joint Ventures - Amendment to IAS 28;
- Sales or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28;
- The document "Annual Improvements to IFRSs: 2014-2016 Cycle", which partially integrates existing standards.
- The document "Annual Improvements to IFRSs: 2015-2016 Cycle", which includes the changes to some principles under the scope of the annual improvement process.

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 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 specific estimates and valuations, as well as management's reasonable judgment in applying accounting policies. More complex matters and/or those that require greater use of assumptions and estimates are discussed in the section "Estimates and Valuations".

The Parent company 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.

ACCOUNTING PRINCIPLES

Tangible fixed assets

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

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

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

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

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

The table below shows a breakdown by category of useful life for depreciation 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 fixed assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss, as described in the section "Impairment" 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 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.

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 cannot be classified in any of the preceding categories, and which are included in non-current assets unless it is management's intention to sell them in the 12 months following the reporting date.

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

Derivative instruments

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

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

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

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

- for a fair-value hedge (e.g. where a derivative 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 financial 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, 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-related 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 equity investments to assess whether there are any impairment indicators. If any such indicators exist, the recoverable amount of such assets is estimated to determine the write-down amount.

No goodwill has been allocated to the Reno de Medici CGUs, however the Company identified some impairment indicators due to economic and financial trend or the non-operating status of some CGUs, and generally the current global economic and financial uncertainty, although the first signs of recovery are starting to be seen, the test appears to be worthwhile.

The Parent company Reno De Medici S.p.A. 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 impairment test relating to the Cash Generating Units (CGU) is carried out from the Asset Side perspective, estimating the operating value or the enterprise value of the CGUs. It should be noted that for the purposes of the impairment test of the assets for the financial statement, the scope of the CGUs corresponds to a complete legal entity/investment, as in the case of the companies R.D.M. Arnsberg GmbH, R.D.M. Ovaro S.p.A., R.D.M. Magenta S.r.l., Cartiera Alto Milanese S.r.l. in liquidation, or to the parent company Reno De Medici S.p.A.'s Mills, in the case of the production plants of Santa Giustina (BL) and Villa Santa Lucia (FR). The investments in RDM Blendecques also includes the investment in R.D.M. La Rochette S.A.S.

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

a) estimates of future operating cash flows;

b) the discount rate;

c) the final growth rate.

In making these forecasts, the Parent company used assumptions based on the following key variables: the estimate of future sales volumes, the trend in sales prices, the variable costs of fibrous and chemical materials, margins, investments and macroeconomic variables.

The Parent company has used the same net discount rate, 6.02%, 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 test performed, approved by Board of Directors, with the exception of the investment in R.D.M. Magenta S.r.l. where, in order to determine the recoverable amount of the production units, fair value less costs to sell (current market value) had to be used rather than value in use, and this was calculated on the basis of expert independent appraisals. A similar approach has been used for the non-operating part of the Magenta mill.

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.

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

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

1. Revenues from sales

These revenues arise essentially from sales of cartonboard:

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Revenues from sales	236,196	213,669	22,527
Total revenues from sales	**236,196**	**213,669**	**22,527**

Revenues increased by +10.5% in 2017 to €22.5 million, due mainly to higher sales volumes and prices.

The geographical breakdown of revenues from sales given below highlights a diverse mix of reference geographical areas. Specifically, the increase in the European market (+10.5% for Italy and +60.6% for others) is due to the strong demand of a market that characterized all of 2017.

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Italy	127,680	115,590	12,090
EU	61,898	38,544	23,354
No EU	46,618	59,535	(12,917)
Total revenues from sales	**236,196**	**213,669**	**22,527**

2. Other revenues and income

Other revenues and income may be analyzed as follows:

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Grants	183	185	(2)
Indemnities	37	48	(11)
Ordinary capital gains	37	59	(22)
Rental income	453	445	8
Revenues for services	5,128	4,856	272
Revenues from sales of energy	3,985	2,194	1,791
Other revenues	414	320	94
Total	**10,237**	**8,107**	**2,130**

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

"Revenue for services" refers to fees for the general services provided to Group companies, and its increase is due mainly to the inclusion of R.D.M. La Rochette S.A.S.

"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, a sub-item which rose by €1.2 million.

"Other revenues" consist mainly of extraordinary income, in the form of collections from creditors' arrangement procedures and revenues from non-cartonboard sales.

3. Change in inventories of finished goods

Change in inventories is equal to -€3.3 million with a negative variation of €1.5 million compared to December 31, 2016. This reduction is attributable to lower physical stock because of higher sale volumes exchanged in 2017.

4. Cost of raw materials and services

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Cost of raw materials	**115,172**	**101,526**	**13,646**
Purchase of raw materials	116,944	100,939	16,005
Change in inventories of raw materials	(1,772)	587	(2,359)
Commercial services	**24,844**	**23,319**	**1,525**
Shipping	19,441	18,495	946
Commission and agents' costs	5,403	4,824	579
Industrial services	**41,977**	**42,457**	**(480)**
Energy	20,753	23,414	(2,661)
Maintenance	2,359	2,854	(495)
Waste disposal	5,898	6,939	(1,041)
Other industrial services	12,967	9,250	3,717
General services	**8,051**	**7,541**	**510**
Insurance	758	733	25
Legal, notarial, administrative and contractual services	3,472	3,257	215
Board of directors	514	343	171
Board of statutory auditors	166	166	0
Postal and telecommunications	511	554	(43)
Other	2,630	2,488	142
Costs for use of third-party assets	**764**	**770**	**(6)**
Rental and leasing	764	770	(6)
Total	**190,808**	**175,613**	**15,195**

The increase of costs of raw materials and services was proportionally lower than the increase of profit from sales: in fact, the incidence on the value of production ('Earnings from sales' plus the 'Change of inventory of finished products') dropped by 1%.

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 regards the trends of the main factors of production, in 2017 the cost of the raw materials of the slurry was higher compared to the previous year. In particular, until August prices of recycled fibers showed a rising trend for the combination of exports toward the Far East and the increase of the demand in some sectors of contiguous business. This trend was reversed from September 2017 because of the announcement of the Chinese Government to proceed with the restrictions on import on the scrap paper. This dynamic of prices has meant that the overall impact of the costs for raw materials on the value of production as defined above has presented an increase del 2%.

The "Costs of services" increased (€74.9 million at December 31, 2017 versus €73.3 million at December 31, 2016), while their impact on the production value, equal to 32.2% compared to 34.6% in the previous year, decreased. In particular, energy costs dropped by €2.7 million, despite the increase in the quantities produced for the greater energy efficiency of the mills. Likewise, the costs for waste disposal also dropped, thanks to the production efficiencies realized that have permitted not only to contain but also to reduce the total expenditure.

The decrease of this item was more than offset by higher coverage of transport costs, as a result of the increase of volumes sold, and other industrial services, mainly the cutting services performed at the Centro Taglio Magenta, resulting from the spin-off of this branch starting from September 1, 2016.

As at December 31, 2017, "Costs for use of third-party assets" were in line with the figure reported as of December 31, 2016.

5. Personnel costs

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Salaries and wages	16,893	17,897	(1,004)
Social security contributions	5,511	6,009	(498)
Allowance for defined-contribution plans	1,054	1,160	(106)
Other costs	470	1,082	(612)
Total	**23,928**	**26,148**	**(2,220)**

The cost of labor fell by €2.2 million because of the reduction in the workforce following the transfer of the Centro Taglio Magenta business unit to R.D.M. Magenta S.r.l. in September 2016 and non-accruals to the layoff fund (-€1 million), partially offset by provisions for the CEO's 2017-19 Stock Grant Plan.

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	12.31.2017	12.31.2016	Change
Executives	11	11	0
White-collars	137	135	2
Blue-collars	257	271	(14)
Total	**405**	**417**	**(12)**

Average employees by category	12.31.2017	12.31.2016	Change
Executives	11	11	0
White-collars	135	145	(10)
Blue-collars	267	304	(37)
Total	**413**	**460**	**(47)**

The average workforce of the Company in 2016 also included employees at the Centro Taglio Magenta business unit, which was transferred in September 2016.

6. Other operating costs

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Write-downs of current receivables	239	287	(48)
Miscellaneous operating costs	843	2,540	(1,697)
Total	**1,082**	**2,827**	**(1,745)**

“Other operating costs” dropped by 61.7% compared with the previous year following the reversal of the provision for the renewables surcharge, which was set up in 2015 on the assumption that the surcharge should also be applied to self-generated energy. The reversal of the provision comes pursuant to the Italian Energy Authority’s Resolution no. 276 of April 21, 2017, which definitively clarified the cancellation of this specific type of surcharge.

“Miscellaneous operating costs” consists mainly of various taxes incurred by the Company, and membership subscriptions to various industrial and trade associations.

7. Depreciation and amortization

The table below breaks this item down into amortization of intangible assets and depreciation of tangible fixed assets:

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Amortization of intangible assets	129	138	(9)
Depreciation of tangible assets	11,349	11,252	97
Total	**11,478**	**11,390**	**88**

This item is in line with the previous year because the completion of the amortization/depreciation of some assets was offset by the beginning of amortization/depreciation of assets entering into service during the last few years.

8. Net financial income (expense)

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Financial income	**354**	**361**	**(7)**
Income from subsidiaries and associates	275	343	(68)
Other income	79	18	61
Financial expense	**(1,607)**	**(2,336)**	**729**
Interest paid to subsidiaries and associates	(95)	(149)	54
Interest paid to banks	(683)	(1,253)	570
Losses on derivative financial instruments	(177)	(165)	(12)
Financial expense on defined-benefit plans	(49)	(94)	45
Expenses, commission and other financial charges	(603)	(675)	72
Gains (losses) on foreign exchange	**(335)**	**107**	**(442)**
Realized gains (losses) on foreign exchange:			
Realized gains on foreign exchange	519	552	(33)
Realized (losses) on foreign exchange	(813)	(557)	(256)
Unrealized gains (losses) on foreign exchange:			
Unrealized gains on foreign exchange	44	112	(68)
Unrealized (losses) on foreign exchange	(85)	0	(85)
Total	**(1,588)**	**(1,868)**	**280**

The reduction in net financial expense of €280 was due to a sharp fall in interest on loans and lower other financial costs on total net debt (which itself increased from €32.9 million to €34.7 million). This reduction was partially offset by the increase in losses on foreign exchange, which were due to the depreciation of the US dollar.

The item “Financial expense on defined-benefit plans” refers to the interest cost relating to the provision at the start of the period and the changes during the year; this element is conceptually similar to the net revaluation of the TFR fund.

9. Gains (losses) from investments

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Income from equity investments in subsidiaries	**0**	**4,640**	**(4,640)**
Dividends from R.D.M. Arnsberg GmbH		4,000	(4,000)
Dividends from R.D.M. Ovaro S.p.A.		640	(640)
Income from equity investments in associates	**121**	**1,009**	**(888)**
Dividends from PAC SERVICE S.p.A.		270	(270)
Dividends from Emmaus Pack S.r.l.	121	75	46
Income from the sale of a stake in Emmaus Pack S.r.l.		664	(664)
Write-ups (write-downs) of investments in subsidiaries and others	**288**	**(218)**	**506**
Write-down of R.D.M. Marketing S.r.l.	409	(197)	606
Write-down of other companies	(121)		(121)
Impairment of other company securities		(21)	21
Total	**409**	**5,431**	**(5,022)**

Income from equity investments amounted to €409 thousand, compared with €5.4 million in the previous year. The change was due mainly to the decline in dividends received (-€5.5 million) and the write-down of a minor investee company, offset partially by the write-up of the investment in the subsidiary R.D.M. Marketing S.r.l.

10. Taxes

Taxes amounted to €4.3 million compared with €1.1 million in the previous year and break down as follows:

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Current taxes	**(1,037)**	**538**	**(1,575)**
IRAP for the year	(837)	(340)	(497)
IRES for the year	(752)	(234)	(518)
Adjustment from previous years	46	213	(167)
Income from tax consolidation (IRES)	506	899	(393)
Deferred tax liabilities	**(3,218)**	**(1,615)**	**(1,603)**
IRES	(3,236)	(1,609)	(1,627)
IRAP	18	(6)	24
Total	**(4,255)**	**(1,077)**	**(3,178)**

The item "Deferred taxes (IRES)" incorporates the utilization of deferred tax assets in the amount of €3.3 million and deferred tax liabilities in the amount of €0.1 million. For further information, see Note 24.

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

"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 current period, Reno De Medici reported positive taxable income at the individual company level and at the level of tax consolidation.

IRES	Taxable amount	% IRES	12.31.2017
(thousands of Euros)			
Profit (loss) before taxes	14,617		
Theoretical tax burden		**24.0%**	**3,508**
Reversal of temporary differences from previous years	(1,346)		
Temporary differences which will be reversed in the futures years	2,511		
Permanent differences which will not be reversed in the futures years	(123)		
Total differences	1,042		
Use of the previous tax losses	(12,527)		
Actual tax burden	**3,132**	**24.0%**	**752**

Reconciliation between the theoretical and actual tax burden (IRAP)

IRAP	Taxable amount	% IRAP	12.31.2017
(thousands of Euros)			
Difference between value and cost of production (excluding B9, B10 c), d) and B12 and B13)	40,099		
New 2015 Stability Law labor cost deduction	(23,137)		
Total	16,962		
Theoretical tax burden		**3.90%**	**662**
Permanent differences due to higher regional tax rates	1,728		
Reversal of temporary differences from previous years	1,318		
Permanent differences which will not be reversed in the futures years	1,453		
Total differences	4,499		
Actual tax burden	21,461	**3.90%**	**837**
Effective tax rate		**4.24%**	

“Permanent differences due to higher regional tax rates” refers to the application of the higher rate of 4.82% to the net value of production in the Lazio region.

11. Tangible assets

The changes in tangible assets during 2017 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	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)	
Centro Taglio Magenta transfer cost	(936)	(11,947)	(8,803)				(21,686)
Depreciation for the year		(2,173)	(9,019)	(37)	(23)		(11,252)
Use of acc. depr./write-downs [1]			1,456		21		1,477
Centro Taglio Magenta transfer of acc. depr.		8,031	7,777				15,808
Value 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 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.

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
(thousands of Euros)							
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)		(286,246)
Net book value at 12.31.2016	**19,187**	**22,006**	**70,694**	**57**	**118**	**2,470**	**114,532**
Increases		367	1,747		12	4,251	6,377
Decreases [1]	(50)		(1,716)		(15)		(1,781)
Reclassification of cost		167	1,721			(1,888)	
Depreciation for the year		(2,118)	(9,179)	(28)	(24)		(11,349)
Use of acc. depr./write-downs [1]	28		1,705		15		1,748
Value at 12.31.2017							
Historical cost	19,165	67,119	305,073	1,229	7,955	4,833	405,374
Accumulated depreciation/write-downs		(46,697)	(240,101)	(1,200)	(7,849)		(295,847)
Net book value at 12.31.2017	**19,165**	**20,422**	**64,972**	**29**	**106**	**4,833**	**109,527**

[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 fixed assets from the mill were transferred to R.D.M. Ovaro S.p.A. with the exception of land and buildings, which continue to be owned by RDM.

With the effective date of September 1, 2016 the company conferred the branch consisting of the Centro Taglio Magenta to the R.D.M. Magenta S.r.l. subsidiary, transferring a net value of 5.9 million euros.

“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.

Investments in tangible fixed assets incurred in 2017 amounted to €6.4 million (€6.1 million in 2016).

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

- Santa Giustina mill: a new steam turbine was installed, which aims to reduce energy consumption and increase productive capacity;

- Villa Santa Lucia mill: interventions to improve and modernize plant and machinery, in particular the project to install a rewinder was started.

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

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

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

Property rights (mortgages) 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, 2017 amounted to €22.1 million.

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

12. Intangible assets

Changes in intangible assets during 2017 and 2016 were as follows:

Other intangible assets	Concessions, licenses, trademarks and similar rights	Assets under development	Total
(thousands of Euros)			
Net book value at 12.31.2015	**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**

Other intangible assets	Concessions, licenses, trademarks and similar rights	Assets under development	Total
(thousands of Euros)			
Net book value at 12.31.2016	**272**	**1,457**	**1,729**
Increases	84	2,272	2,356
Reclassification of cost	41	(41)	
Amortization for the year	(129)		(129)
Net book value at 12.31.2017	**268**	**3,688**	**3,956**

"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 increase of intangible assets in progress is due to the advancement of the project to implement the new ERP, which started in 2016.

13. Investments in subsidiaries

Investments in subsidiaries came to €84.9 million, compared to €81.1 million in the previous year, and were characterized by the following changes:

	Historical cost 12.31.2016	Provision for losses on investment 12.31.2016	Net book value 12.31.2016	Increase (decrease) in investments	Historical cost 12.31.2017	Increase (decrease) in impairment provision	Provision for losses on investment 12.31.2017	Net book value 12.31.2017
	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
R.D.M. Arnsberg GmbH	54,113		54,113		54,113			54,113
Cascades Grundstuck GmbH	3,473		3,473	3	3,476			3,476
R.D.M. Ovaro S.p.A.	10,000		10,000	624	10,624			10,624
RDM Blendecques S.A.S.	16,165	(7,509)	8,656	2,800	18,965		(7,509)	11,456
R.D.M. Magenta S.r.l.	3,695		3,695		3,695			3,695
R.D.M. Marketing S.r.l.	782	(582)	200		782	409	(173)	609
Total	**91,092**	**(10,003)**	**81,089**	**3,427**	**94,519**	**409**	**(9,594)**	**84,925**

The figures for the equity investment held, share capital, shareholders' equity and profit (loss) in 2017 for subsidiaries are reported on the basis of IFRS, with the exception of Cartiera Alto Milanese S.r.l. in liquidation, R.D.M. Ovaro S.p.A. and R.D.M. Marketing S.r.l., which were reported in accordance with national accounting standards and shown in the following table:

	Head office	Direct equity investment share	Share capital as at 12.31.2017	Shareholders' equity at 12.31.2017	Result for the year
(thousands of Euros)					
Cartiera Alto Milanese S.r.l. in liquidation	Milan (IT)	100%	12	963	(8)
R.D.M. Arnsberg GmbH	Arnsberg (DE)	94%	5,113	44,995	492
Cascades Grundstuck GmbH	Arnsberg (DE)	100%	19	307	(5)
R.D.M. Ovaro S.p.A.	Milan (IT)	85%	12,500	18,263	2,445
RDM Blendecques S.A.S.	Blendecques (FR)	100%	5,037	4,350	(1,562)
R.D.M. La Rochette S.A.S.	La Rochette (FR)	100%	4,000	17,988	3,212
R.D.M. Magenta S.r.l.	Milan (IT)	100%	3,700	2,988	(630)
R.D.M. Marketing S.r.l.	Milan (IT)	100%	200	644	490

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

During the year, the Company waived part of the trade and financial receivables (€1.2 and €1.6 million, respectively) due from RDM Blendecques S.A.S..

The investment held in R.D.M. Marketing S.r.l. was written up by €409 thousand because of the condition for the write-downs accounted in the previous years are no longer valid.

14. 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 12.31.2016	Increases (decreases)	Book value 12.31.2017
(thousands of Euros)					
Emmaus Pack S.r.l.	Milan (IT)	34.39%	73		73
Manucor S.p.A.	Milan (IT)	22.75%			0
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			**490**		**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	5.27%	121	(121)	0
Comieco	Milan - Italy	Consortium share	25	(2)	23
Conai	Milan - Italy	Consortium share	23		23
Consorzio Filiera Carta	Isola del Liri (Fr) – Italy	Consortium share	7		7
Gas Intensive S.c.r.l.	Milan - Italy	Consortium share	1		1
Idroenergia S.c.r.l.	Aosta – Italy	Consortium share	1		1
Paper Interconnector S.c.r.l.	Milan – Italy	Consortium share	13	1,760	1,773
Industria e Università S.r.l.	Varese – Italy	0.19%	25		25
Total investments in other companies			**217**	**1,637**	**1,854**
Total investments			**707**	**1,637**	**2,344**

The table below summarizes the key figures from the statement of financial position and the income statement of Emmaus Pack S.r.l., Manucor S.p.A., PAC SERVICE S.p.A. and ZAR S.r.l. as at December 31, 2017:

	Emmaus Pack S.r.l.	Manucor S.p.A.	PAC SERVICE S.p.A.	Zar S.r.l.
(thousands of Euros)				
Total assets	11,098	83,374	17,388	1,501
Shareholders' equity	1,113	373	8,567	306
Other liabilities	9,985	83,001	8,821	1,195
Value of production	16,406	141,173	22,237	18,324
Profit (loss) of the year	307	(7,663)	1,545	21

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

Investments in other companies, which mainly consist in €1.7 million investment in Paper Interconnector S.c.r.l., and other minor items relating primarily to investment in consortia, are accounted at cost adjusted for any impairment, as their fair value cannot be reliably measured.

The Company subscribed to the capital increase carried out during the year by Paper Interconnector S.c.r.l. The investment in Cartonnerie Tunisienne S.A. was written down following the losses of the company.

15. Other current and non-current receivables

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

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Guarantee deposits	959	646	313
Financial receivables	0	300	(300)
Miscellaneous receivables	10,066	66	10,000
Non-current receivables	**11,025**	**1,012**	10,013
Tax receivables	834	814	20
Miscellaneous receivables	1,144	1,664	(520)
Accrued income	545	94	451
Financial receivables	766	342	424
Current receivables	**3,289**	**2,914**	**375**
Total	**14,314**	**3,926**	10,388

The non-current portion of “Receivables” mainly related to the price of €10 million for the purchase on 19 December 2017 of the remaining of 66.67% in PAC SERVICE S.p.A. The effects of the purchase are applicable from January 1, 2018. Accordingly, the RDM Group’s interest as at 31 December 2017 was 33.33%.

The non-current portion of receivables also includes receivables from companies in liquidation as well as a deposit in favor of a factoring company (€0.3 million as at December 31, 2017 compared with €0.2 million as at December 31, 2016) and other guarantee deposits. The item also includes the guarantee fund set up at Terna (the network operator) totaling €0.5 million (€0.2 million a year earlier).

The current portion of “Tax receivables” remained in line with the previous year’s figure, and consisted mainly of the VAT receivable of €0.7 million.

The current portion of “Miscellaneous receivables” mainly comprises the monetary credit pertaining to the classification of “new entrant” in the ETS/2 emissions trading system (€0.7 million at December 31, 2016), which was collected during the year. It also included €1.1 million deposit paid to a factoring company, which was higher than the previous year’s figure owing to larger volumes.

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

"Financial receivables" included the receivable from Arpafino S.L.U. for the sale of the Spanish unit Reno De Medici Ibérica S.L.U, on January 27, 2016. The current portion totaled €600 thousand after the reclassification of €300 thousand from the non-current portion. The remainder of the current item consisted of the receivable from factoring agreements currently in place (€170 thousand as at December 31, 2017 compared with €40 thousand as at December 31, 2016).

16. Inventories

The table below provides a breakdown of inventories at December 31, 2017:

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Raw and ancillary materials and consumables	15,262	13,342	1,920
Provisions for obsolescence	(507)	(359)	(148)
Finished goods and goods for resale	16,400	19,741	(3,341)
Total	**31,155**	**32,724**	(1,569)

The balance of "Raw and ancillary materials and consumables" increased by 14.4% from the previous year due to increased stocks, in particular of waste paper.

With regard to "finished goods and goods for resale", note that the decrease in stocks (-16.9%) is mainly due to the greater volumes sold compared with those produced.

17. Trade receivables

The table below shows the changes in trade receivables from third parties, which amounted to €32.9 million as at December 31, 2017:

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Trade receivables	32,857	30,278	2,579
Current trade receivables	**32,857**	**30,278**	2,579

The increase in receivables compared with the previous year is due mainly to the increase in turnover.

The company applies non-recourse factoring, which went from €18.8 million at December 31, 2016 to €21.1 million as at December 31, 2017.

The item is stated net of €1.9 million of provisions for bad and doubtful receivables. The table below sets out the changes for the year in those provisions:

	12.31.2016	Accruals	Uses	12.31.2017
(thousands of Euros)				
Provisions for bad and doubtful receivables	1,673	239	(24)	1,888
Total	**1,673**	**239**	**(24)**	**1,888**

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

	12.31.2017	12.31.2016
(thousands of Euros)		
Italy	26,878	22,938
European Union	659	2,010
Rest of the world	5,320	5,330
Total	**32,857**	**30,278**

18. Receivables from Group companies

“Receivables from Group companies”, equal to €9.1 million, break down as follows:

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Receivables from subsidiaries	2,360	3,030	(670)
Total receivables from subsidiaries	**2,360**	**3,030**	**(670)**
Receivables from associates and joint ventures	6,703	5,989	714
Total receivables from associates and joint ventures	**6,703**	**5,989**	**714**
Total receivables from Group companies	**9,063**	**9,019**	**44**

The change in the various components of this item is due to the normal dynamic of inflows and outflows.

"Receivables from subsidiaries", equal to €2.4 million, break down as follows:

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
R.D.M. Magenta S.r.l.	178	170	8
R.D.M. La Rochette S.A.S.	140	10	130
R.D.M. Ovaro S.p.A.	882	1,174	(292)
R.D.M. Arnsberg Gmbh	538	1,238	(700)
RDM Blendecques S.a.s.	361	329	32
R.D.M. Marketing S.r.l.	261	109	152
Total	**2,360**	**3,030**	**(670)**

The reduction in this item is due to changes associated with the normal dynamic of inflows and outflows at the reporting date.

Note that receivables from subsidiaries include the sum of €624 thousand (€724 thousand at the end of the previous year) arising from participation in the tax consolidation scheme, of which €524 thousand pertains to R.D.M. Ovaro S.p.A. and €100 thousand to R.D.M. Marketing S.r.l.

"Receivables from associates and joint ventures" amount to €6.7 million and break down as follows:

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Emmaus Pack S.r.l.	6,703	5,989	714
Total receivables from associates and joint ventures	**6,703**	**5,989**	**714**

These receivables, which result from commercial relations and relations connected to the provision of services by the Company to its subsidiaries and associates, are settled under normal market conditions.

19. Other receivables from Group companies

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

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
RDM Blendecques S.A.S.	5,928	251	5,677
R.D.M. Magenta S.r.l.	489		489
Total receivables from subsidiaries	**6,417**	**251**	**6,166**
ZAR S.r.l.		5	(5)
Total receivables from joint ventures	**0**	**5**	**(5)**
Total receivables from Group companies	**6,417**	**256**	**6,161**

The increase of €6.2 million in this item mainly reflects the operating performance of the French subsidiary RDM. Blendecques S.A.S.

20. Net financial position

The table below provides a breakdown of the net financial position at December 31, 2017 and 2016:

	12.31.2017	12.31.2016	Change
(thousands of euro)			
Cash	9	9	0
Funds available from banks	17,541	28,092	(10,551)
A. Cash and cash equivalents	**17,550**	**28,101**	**(10,551)**
Other receivables from Group companies	6,418	256	6,162
Other financial receivables	766	342	424
B. Current financial receivables	**7,184**	**598**	**6,586**
1. Current bank debts	*2,014*	*37*	*1,977*
2. Current portion of medium and long-term loans	*11,992*	*12,110*	*(118)*
3. Debts to other financing entities			
Debts to banks and other financing lenders (1+2+3)	14,006	12,147	1,859
Other debts to Group companies	24,082	18,269	5,813
Derivatives – current financial liabilities	108	129	(21)
C. Current financial debt	**38,196**	**30,545**	**7,651**
D. Net current financial debt (C - A - B)	**13,462**	**1,846**	**11,616**
Non-current financial receivables	0	300	(300)
E. Non-current financial receivables	**0**	**300**	**(300)**
Debts to banks and other financing lenders	21,164	31,178	(10,014)
Derivatives – non-current financial liabilities	60	187	(127)
F. Non-current financial debt	**21,224**	**31,365**	**(10,141)**
G. Net non-current financial debt (F -E)	**21,224**	**31,065**	**(9,841)**
			0
H. Net financial debt (D+G)	**34,686**	**32,911**	**1,775**

Net financial debt was €34.7 million as at December 31, 2017, representing a slight increase (€1.8 million) compared with December 31, 2016. The operating net cash flow of €12.2 million was in fact offset by some specific outgoings totaling €14 million and including: the price and ancillary costs of acquiring 66.67% of PAC SERVICE S.p.A., (€10.4 million); dividend payments and treasury share purchases (€1.3 million); the investment in Paper Interconnector S.c.r.l. (€1.7 million); the repurchase of a portion of the interest held by Friulia S.p.A. in R.D.M. Ovaro S.p.A. (€0.6 million).

“Other receivables from Group companies” and “Other payables to Group companies” consist of financial balances resulting from cash-pooling transactions carried out as part of the Group’s centralized financial management.

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

	within 12 months	more than 12 months	more than 60 months	total
(thousands of Euros)				
Banco Popolare	2,509	1,262		3,771
Banca Popolare Milano	2,857	11,428		14,285
Banca Intesa	4,000	6,000		10,000
Cariparma	1,750	875		2,625
Credem	997	1,754		2,751
Total nominal debt	**12,113**	**21,319**		**33,432**
Amortized cost effect	(121)	(155)		(276)
Total debt using the amortized cost method	**11,992**	**21,164**		**33,156**

The Company’s financial debt is currently based on long-term loans, which guarantee the stability for the financial sources which is needed to adequately support operations, and specifically capital expenditure, as well as possible projects to take advantage of strategic investment opportunities.

These 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, 2017 there was compliance with the financial covenants.

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

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

During 2017, there were principal repayments of €22 million, and new loans were disbursed for a total amount of €7.5 million.

In terms of collateral, the Parent company loan agreement requires, inter alia, RDM to provide mortgages on mills, in the total amount of €40 million.

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 half-yearly 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 were paid quarterly starting October 1, 2015. The loan was repaid in advance on August 2, 2017.

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 half-yearly 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 half-yearly starting June 30, 2016. This loan requires compliance with several financial parameters subject to annual and half-yearly review. At Saturday, 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 August 2, 2017, a loan of €3 million was made by Credito Emiliano S.p.A.; the loan agreement was executed on August 2, 2017. The loan agreement calls for a floating rate and a maturity of August 2, 2020. Installments are paid quarterly starting November 2, 2017.

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as of December 31, 2017. More information on outstanding derivative instruments can be found in Note 22.

21. Shareholders' equity

Changes in shareholders' equity during 2017 are set out in the following table:

		Changes during the year								
Description	**Shareholders' equity at 12.31. 2016**	**Allocation of the profit**	**Dividend distribution**	**Treasury shares**	**Stock grant**	**Actuarial gain (loss)**	**Hedge accounting**	**Rounding**	**Profit (loss) for the year**	**Shareholders' equity at 12.31. 2017**
(thousands of Euros)										
Share capital	140,000									140,000
Treasury share reserve	(182)			(301)						(483)
Legal reserve	619		340							959
Other reserves:										
- Available reserve	17,947		5,446					(1)		23,392
- Stock grant reserve					401					401
- Hedging reserve	(245)						110			(135)
- Ovaro sale reserve	3,105									3,105
- Reserve for actuarial gains (losses)	(1,824)					24				(1,800)
Retained earnings (losses)										
Profit (loss) for the year	6,789	(1,003)	(5,786)						10,362	10,362
Total	**166,209**	**(1,003)**		**(301)**	**401**	**24**	**110**	**(1)**	**10,362**	**175,801**

The Shareholders' Meeting of April 28, 2017 resolved to allocate the Company's 2016 profit of €6,788,711.70 as follows:

- €339,435.59 to the legal reserve pursuant to Article 2430 of the Italian Civil Code;

- €6,605.89 as a dividend to be distributed for the 270,635 savings shares;

- €996,657.59 as a dividend to be distributed for the 377,530,359 ordinary shares;

- €5,446,012.63 to the "Available reserve".

In accordance with Article 5 of the Company's By-Laws, holders of savings shares may convert such shares to ordinary shares in February and September each year. In 2017, 3,293 savings shares were converted to ordinary shares. As a result of this, the share capital at December 31, 2017, fully subscribed and paid-up, could be broken down as follows:

	Number	Total value
Ordinary shares	377,531,909	139,900,286.39
Savings shares	269,085	99,713.61
Total	**377,800,994**	**140,000,000.00**

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

During the period February 1-28, 2018, 5,588 savings shares were converted into ordinary shares with dividend entitlement as of January 1, 2017.

The table below shows the number of outstanding shares as at December 31, 2017 and December 31, 2016:

	12.31.2017	12.31.2016	Change
Shares issued	377,800,994	377,800,994	0
Treasury shares	1,434,519	581,600	852,919
Total shares outstanding	**376,366,475**	**377,219,394**	**(852,919)**

With reference to the savings shares, the Reno De Medici S.p.A. By-Laws require that if a dividend of less than 5% of the value €0.49 is assigned to the savings shares in a financial year, the difference is calculated as an increase in the privileged dividend in the next two financial years. Dividends totaling €6,605.89 were distributed in 2017 to holders of savings shares.

In addition, dividends totaling €996,657.59 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 12.31.2017	Possibilities of use (*)	Available portion	Summary of uses 2016 – 2015 – 2014 to cover losses	for other reasons
(thousands of Euros)					
Share capital	140,000			(34,723)	(10,399)
Of which treasury shares					
Legal reserve	959	B		(614)	
Other reserves:					
- Available reserve	23,393	A,B,C	23,393	(1,150)	10,399
- Treasury share reserve	(483)				
- Hedging reserve	(135)				
- Reserve for sale of Ovaro bussines unit	3,105				
- Reserve for actuarial gain/(loss)	(1,800)				
- Stock Grant Reserve	401				
Previous retained profits (losses)				36,487	
Total	**165,439**				

(*) 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:

	12.31.2017			12.31.2016		
	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	*145*	*(35)*	*110*	*(138)*	*27*	*(111)*
Actuarial gain (loss) on employee benefits	*24*		*24*	*(162)*		*(162)*

22. Derivative instruments

In order to reduce the variability of borrowing charges, interest rate swaps have been taken out on the loans outstanding as at December 31, 2017.

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Derivative instruments (hedge accounting)	60	187	(127)
Non-current liabilities	**60**	**187**	**(127)**
Derivative instruments (hedge accounting)	108	129	(21)
Current liabilities	**108**	**129**	**(21)**
Total	**168**	**316**	(148)

As at December 31, 2017, the derivative instruments in the form of interest rates swaps had a negative fair value of €168 thousand.

The table below shows the main features of the derivative instruments outstanding as at December 31, 2017:

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	7,500	0.42% fixed	Half-yearly	(54)
					Euribor 6m		
Reno De Medici S.p.A.	Banca Popolare di Milano	EUR	12.30.2022	14,286	0.45% fixed	Half-yearly	(114)
					Euribor 6m		
				21,786			**(168)**

23. Other current and non-current payables

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

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Deferred income	26	78	(52)
Other non-current payables	**26**	**78**	**(52)**
Payables to personnel	1,728	1,158	570
Payables to social security authorities	1,885	1,786	99
Tax payables	631	738	(107)
Miscellaneous payables	319	1,367	(1,048)
Company bodies	405	371	34
Accrued expenses and deferred income	52	52	0
Other current payables	**5,020**	**5,472**	**(452)**
Total other payables	**5,046**	**5,550**	**(504)**

As at December 31, 2017, the non-current portion of the item “Other payables” totaled €26 thousand 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 €5.0 million as at December 31, 2017 and were lower than in the previous year. The increase in payables to personnel and social security authorities, due to the revision of variable remuneration and agreements relating to production bonuses, was more than offset by the reduction in miscellaneous payables.

“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 2018, and to provisions for social security contributions due on deferred compensation (employee leave, additional months’ salaries paid as a bonus, and overtime). This item increased as a result of higher contributions due on deferred compensation.

“Tax payables” relate 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, 2016.

The current portion of “Miscellaneous payables” included €286 thousand for the payable of the water rates for use in typical Company activities, which was down on the previous year. This item also included the balancing entry of pro-forma invoices issued to non-EU customers totaling €20 thousand compared with €700 thousand as at December 31, 2016.

“Accrued expenses” refers to the contribution under Law 488 relating to the Villa Santa Lucia mill, pertaining to the next financial year.

24. Deferred taxes

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

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Non-current liabilities	3,447	194	3,253
Total deferred tax liabilities	**3,447**	**194**	3,253

The table below provides a summary of the calculation of deferred tax assets and liabilities from temporary differences as at December 31, 2017:

Taxes	**12.31.2017** Temporary difference	Tax %	Tax effect	**12.31.2016** Temporary difference	Tax %	Tax effect
(thousands of Euros)						
Recognized deferred tax assets	**6,923**		**1,673**	**20,912**		**5,025**
Tax losses to carry forward	3,932	24.0%	944	17,604	24.0%	4,225
Inventory write-downs	507	27.9%	141	359	27.9%	100
Provisions for future charges (IRES)	1,722	24.0%	413	1,946	24.0%	467
Other temporary differences - IRAP	42	3.9%	2	42	3.9%	2
Other temporary differences - IRES	542	24.0%	130	638	24.0%	153
Valuation of derivatives with hedge accounting	178	24.0%	43	323	24.0%	78
Recognized deferred taxes	**18,575**		**5,120**	**18,938**		**5,219**
Amortization / depreciation in excess of amount allowed for tax purposes	16,979	27.9%	4,737	17,283	27.9%	4,822
Other temporary differences IRES	49	24.0%	12	49	24.0%	12
Misalignment of TFR for IFRS application	1,547	24.0%	371	1,606	24.0%	385
Net recognized deferred tax (assets) liabilities			**3,447**			**194**
Unrecognized deferred tax assets	**22,282**		**5,453**	**14,428**		**3,569**
Write-downs for extended impairment	2,687	27.9%	750	2,713	27.9%	757
Reportable ROL (reduced working hours)	18,458	24.0%	4,430	10,674	24.0%	2,562
Bad and doubtful receivables	1,137	24.0%	273	1,041	24.0%	250
Unrecognized deferred tax assets						**3,569**

The IRES tax rate effective January 1, 2017 dropped from 27.5% to 24% due to the entry into force of the “Legge di Stabilità 2016”. The deferred taxes pertaining to 2017 reflect the new rate.

Tax assets and liabilities for deferred taxes are offset when permitted by law. Following the release of both IRES deferred tax assets (€3.3 million) and IRES deferred tax liabilities (€0.1 million), a payable for net deferred IRES and IRAP tax liabilities of €3.4 million was in 2017, compared with €0.2 million as at December 31, 2016. The increase in this item is attributable to the release of deferred IRES tax assets (€3.4 million), of which €3.3 million comes from the use of previous tax losses by the Parent company (€12.5 million) and to a lesser extent by other companies which are part of the national tax consolidation regime.

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.

25. Employee benefits

The following table compares balances as at December 31, 2017 and December 31, 2016:

Employee benefits	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Employee benefits - TFR	5,486	5,881	(395)
Non-current employee benefits	**5,486**	**5,881**	**(395)**
Employee benefits - TFR	7	0	7
Current employee benefits	**7**	**0**	7
Total	**5,493**	**5,881**	**(388)**

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 pertaining to 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, 2017.

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	0.88%
Annual inflation rate	1.50%
Annual rate of increase in TFR	2.625%

Changes in the actuarial value of employee benefits are provided below:

	Employee benefits
(thousands of Euros)	
Actuarial value of employee benefits at 12.31.2016	**5,881**
Interest cost	49
Benefits paid	(413)
Actuarial gains (losses)	(24)
Actuarial value of employee benefits at 12.31.2017	**5,493**

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

The balance at December 31, 2017 was as follows:

	12.31.2016	Accruals	Uses	12.31.2017
(thousands of Euros)				
Provision for future charges	3,428	302	(1,511)	2,219
Non-current provision for risks and charges	**3,428**	**302**	**(1,511)**	**2,219**
Provision for future charges	441	329		770
Current provision for risks and charges	**441**	**329**		**770**
Total	**3,869**	**631**	**(1,511)**	**2,989**

With regard to the long-term portion of the “Provision for future charges”, utilization during the period of €1.5 million was due to use of the provision for “Procedura mobilità” (€0.6 million) and payment of expenses to cover the third landfill site at the Santa Giustina mill (€0.6 million). The accrual, on the other hand, relates mainly to money set aside for disputes (€0.3 million).

The short-term portion of the “Provision for future charges” includes 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 €400 thousand.

27. Trade payables

“Trade payables” to third parties accounted in the financial statements were €55.2 million (€54.7 million as at December 31, 2016) and are due within 12 months. They are stated net of trade discounts and adjusted for any returns or rebates agreed with the counterparties.

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Trade payables	55,160	54,714	446
Current trade payables	**55,160**	**54,714**	**446**

The increase in payables is mainly due to the operating activities.

28. Payables to Group companies

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

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Payables to subsidiaries	2,931	3,590	(659)
Total payables to subsidiaries	**2,931**	**3,590**	**(659)**
Payables to associates and joint ventures	866	439	427
Total payables to associates and joint ventures	**866**	**439**	**427**
Total payables to Group companies	**3,797**	**4,029**	**(232)**

The item decreased slightly during the year following the decline in the payable to the subsidiary R.D.M. Ovaro S.p.A. recorded at the end of the previous year following 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. This reduction was partially offset by the increase in the payable to associate PAC SERVICE S.p.A. and joint venture ZAR S.r.l. as a result of normal inflows and outflows.

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

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
R.D.M. Marketing S.r.l.	2,181	1,999	182
R.D.M. Magenta S.r.l.	467	521	(54)
R.D.M. La Rochette S.A.S.	265		265
R.D.M. Ovaro S.p.A.	18	1,070	(1,052)
Total payables to subsidiaries	**2,931**	**3,590**	**(659)**

"Payables to associates and joint ventures" include the payable to PAC SERVICE S.p.A. representing the accrued premium:

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
PAC SERVICE S.p.A.	420	233	187
Emmaus Pack S.r.l.	0	6	(6)
Total payables to associates	**420**	**239**	181
ZAR S.r.l.	446	200	246
Total payables to joint ventures	**446**	**200**	246
Total payables to associates and joint ventures	**866**	**439**	427

29. 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:

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Cartiera Alto Milanese S.r.l. in liquidation	911	908	3
R.D.M. Arnsberg GmbH	10,871	5,493	5,378
R.D.M. Marketing S.r.l.	2,036	2,245	(209)
R.D.M. Ovaro S.p.A.	7,978	5,715	2,263
R.D.M. Magenta S.r.l.		52	(52)
R.D.M. La Rochette S.A.S.	2,286	3,856	(1,570)
Total other current payables to Group companies	**24,082**	**18,269**	**5,813**

Other payables to Group companies increased following the rise in the payable to R.D.M. Arnsberg GmbH and R.D.M. Ovaro S.p.A. These increases were only partially offset by the reduction in the payable to the French subsidiary R.D.M. La Rochette S.A.S.

30. 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 reduction is due to the higher taxable income of companies involved in the national tax consolidation scheme, primarily the Parent company Reno De Medici S.p.A.

	12.31.2017	12.31.2016	Change
(thousands of Euros)			
Payables to tax authorities for IRES	954	3	951
Total deferred tax liabilities	**954**	**3**	951

31. 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 2017, 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.

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

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

Commitments and guarantees given to third parties include:

- sureties of €6.6 million issued in favor of the Province of Belluno regarding the landfill site at the Santa Giustina (BL) mill;
- sureties of €2.8 million issued to the Comieco consortium;
- sureties of €67 thousand issued in favor of the customs authorities;
- a surety of €90 thousand issued in favor of the Province of Milan;
- a surety of €400 thousand issued in favor of the Cassa Conguaglio;
- a surety of €88 thousand issued in connection with property leases;
- a surety of €177 thousand issued in favor of Stogit S.p.A.;
- sureties of €228 thousand issued in favor of Terna S.p.A.;
- a surety of €607 thousand issued in favor of the revenue agency for Cartiera Alto Milanese in liquidation S.r.l.;
- a surety of €2.3 million issued in favor of Cariparma.

There are mortgages on the Ovaro (UD) mill properties for a total of €12 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. (€7.5 million), whose residual value at December 31, 2017 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.

In June, Reno De Medici S.p.A. and Friulia S.p.A. redefined the shareholders' agreements signed on June 27, 2012, in the context of the acquisition by Friulia of a 20% share of R.D.M. Ovaro S.p.A. at the price of €2.5 million. Among other things, these agreements gave Friulia S.p.A. the right to resell its equity investment in R.D.M. Ovaro S.p.A. to Reno De Medici S.p.A. under certain conditions, through the exercise of a put option to be implemented by June 27, 2017.

The Parties, recognizing the success of the partnership, in view of the new investment necessary to increase the value of R.D.M. Ovaro S.p.A. and its possible expansion plans, agreed that the extension of the partnership is advantageous for the subsidiary.

Therefore, the Parties signed new agreements, in application of which Reno De Medici S.p.A. shall reacquire its 20% stake in R.D.M. Ovaro S.p.A. owned by Friulia, at a total price of €2,497,010.95, in four tranches of equal amount, the first of which was already repurchased on June 15, 2017. The three remaining amounts will be repurchased on June 30 of the years 2018, 2019 and 2020. Reno De Medici S.p.A. can still exercise the purchase option in advance.

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.

Reno De Medici approved Manucor's capital increase, but resolved not to fund it in order to concentrate its resources on core businesses.

On 28 March 2018, Reno De Medici S.p.A. sold its investment in Manucor S.p.A. Since the investment in question had been fully written down in previous years, the gain resulting from its sale was immaterial.

33. Related-Party Transactions

For details on the transaction, see the section "Main transactions of the Reno De Medici Group in 2017" 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, 2017" 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, 2017 with the situation as at December 31, 2016, and it refers to the Parent company's separate financial statements.

All figures are stated in thousands of Euros.

The section below provides information about the impact of financial instruments on the statement of financial position and on the income statement.

Impact of Financial Instruments on the Statement of Financial Position

The table below shows the book value of each type of financial asset and liability in the separate statement of financial position.

	12.31.2017		12.31.2016	
	Book value	Fair value	Book value	Fair value
(thousands of Euros)				
Cash and cash equivalents	**17,550**	**17,550**	**28,101**	**28,101**
Loans and receivables	**52,601**	**52,601**	**43,478**	**43,478**
Trade receivables	41,295	41,295	38,573	38,573
Other receivables from Group companies	7,042	7,042	979	979
Other receivables	4,264	4,264	3,926	3,926
Financial liabilities at amortized cost	**(123,243)**	**(124,599)**	**(125,809)**	**(125,392)**
Unsecured medium- and long-term bank loans at amortized cost	(19,060)	(16,643)	(26,438)	(27,736)
Secured medium- and long-term bank loans at amortized cost	(14,098)	(17,871)	(16,887)	(15,173)
Short-term loans from banks for use of commercial facilities	(2,000)	(2,000)	0	0
Trade payables	(58,956)	(58,956)	(58,743)	(58,743)
Other payables to Group companies	(24,082)	(24,082)	(18,269)	(18,269)
Other payables	(5,047)	(5,047)	(5,472)	(5,472)
Hedging derivatives	**(168)**	**(168)**	**(317)**	**(317)**
	(53,260)	**(54,616)**	**(54,547)**	**(54,130)**
Unrecognized profits (losses)	**(1,356)**		**417**	

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 non-existent for the asset or liability subject to measurement, the inputs are non-observable.

	Classification	12.31.2017	Fair value as at the date of the financial statements based on:		
			Level 1	Level 2	Level 3
(thousands of Euros)					
Derivative instruments on interest rates	Non-current derivative instruments	**60**		**60**	
Derivative instruments on interest rates	Current derivative instruments	**108**		**108**	

As at December 31, 2017, 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, 2017 and December 31, 2016.

Future flows were discounted on the basis of the same Euro yield curve as at December 31, 2017 and December 31, 2016.

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 12.31.2017	Book value	Nominal value at 12.31.2016	Book value
(thousands of Euros)							
Secured medium- and long-term bank loans at amortized cost				**14,286**	**14,096**	**17,143**	**16,887**
Banca Popolare di Milano	Euro	Eur6m+spread	2022	14,286	14,096	17,143	16,887
Unsecured bank loans at amortized cost				**19,147**	**19,060**	**26,564**	**26,401**
Minindustria 11172	Euro	Fixed	2017			165	165
Banco Popolare	Euro	Eur3m+spread	2019	3,771	3,771	6,262	6,262
Banca Intesa Sanpaolo	Euro	Eur6m+spread	2020	10,000	9,930	14,000	13,877
Credem	Euro	Eur3m+spread	2018			1,763	1,763
Credem	Euro	Eur3m+spread	2020	2,751	2,751		
Cariparma	Euro	Eur6m+spread	2019	2,625	2,608	4,375	4,335
Total medium- and long-term loans	Euro			**33,433**	**33,156**	**43,707**	**43,288**
Short-term loans from banks for use of commercial facilities				**2,000**	**2,000**	-	-
Used portfolio	Euro	Euribor+spread	n/a	2,000	2,000	-	-
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**			**2,000**	**2,000**	**-**	**-**
Total interest-bearing liabilities	**Euro**			**35,433**	**35,156**	**43,707**	**43,288**

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 12.31.2016	**245**
Fair value adjustment of cash flow hedge derivatives	(145)
Tax effect of fair value adjustment of cash flow hedge derivatives	35
Transfers to the income statement	
Tax effect of transfers to the income statement	
Reserve 12.31.2017	**135**

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:

	12.31.2017	12.31.2016
(thousands of Euros)		
Gross trade receivables	43,183	40,246
- provisions for bad and doubtful receivables	(1,888)	(1,673)
Total	**41,295**	**38,573**

Overdue or Impaired Financial Assets

The table below provides a breakdown of the seniority of trade receivables, net of individual write-downs, as at the reporting date:

	Overdue receivables				
December 31, 2017	**more than 60 days**	**from 31 to 60 days**	**from 0 to 30 days**	**Non-overdue receivables**	**Total**
(thousands of Euros)					
Italy	494	16	1,552	32,250	34,312
EU	190	15	1,407	34	1,646
Rest of world	79		231	5,027	5,337
Total	**763**	**31**	**3,190**	**37,311**	**41,295**

	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	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**

The Parent company's overdue receivables as at December 31, 2017 increased in absolute terms from €3.5 million to €4 million. They represent 9.6% of the total portfolio compared with 9.2% reported in the previous year.

How Credit Risk is Managed

As a general rule, the commercial risk management policy is to insure all client receivables, excluding those of Italian customers, with leading insurance companies. Any uninsured or non-insurable positions, in particular those with Italian customers, are constantly monitored by the appropriate Corporate Functions.

In addition, non-recourse receivable assignment agreements have been entered into.

The internal procedures for carrying out a creditworthiness assessment involve collecting and analyzing qualitative and quantitative information, and the use of external databases and commercial information. To date, the policies used have made it possible to limit receivable-related losses, which in 2017 were zero.

Market Risk

Market risk is defined as the risk that the fair value or the cash flows associated with a financial instrument will fluctuate because of changes in market variables such as exchange rates, interest rates, commodity prices, and stock prices.

The market risk to which the Parent company was exposed during the year may be broken down as follows:

- currency risk;
- interest rate risk;
- commodity risk.

The scale of these risks and the way in which they are managed is described below.

Currency risk

The Parent company's exposure to currency risk derives from:

- trade receivables/payables denominated in currencies other than the functional currency of the financial statements;
- cash and cash equivalents held in foreign-currency current accounts;

Other than the Euro, which is the functional currency, the main currencies in which the Parent company carries out its commercial activities are the United States dollar and the British pound. Exposure to other currencies is negligible.

In terms of exposure to currency risk, in 2017 the Parent company managed the marginal imbalance between investments and funds in the same currency by using a natural-hedging approach and by carefully and continually monitoring market conditions; as a result, it was not deemed necessary to resort to hedging derivatives.

The Parent company's exposure in euros, based on the official ECB exchange rates as at December 31, 2017 and December 31, 2016, is reported in the following table.

ECB exchange rates	**12.31.2017**	**12.31.2016**
(per Euro)		
USD	**1.1993**	**1.0541**
GBP	**0.8872**	**0.8562**
CHF	**1.1702**	**1.0739**
CAD	**1.5039**	**1.4188**

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.

	12.31.2017				**12.31.2016**			
	USD	**GBP**	**CHF**	**CAD**	**USD**	**GBP**	**CHF**	**CAD**
(thousands of Euros)								
Trade receivables	3,116	23			3,412			
Trade payables	(1,106)	(45)			(1,325)	(11)	(1)	
Cash pooling with subsidiaries	(377)	(389)			(270)	(235)		
Cash and cash equivalents	2,897	540	2	1	1,073	241	2	
Net exposure	**4,530**	**129**	**2**	**1**	**2,890**	**(5)**	**1**	**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, 2017 and December 31, 2016) as to variations in the value of the Euro against the major foreign currencies.

Specifically, two scenarios were used: a 10% appreciation and a 10% depreciation of the Euro against the other currencies. For each of the two scenarios, the gain or loss arising from transactions outstanding as at December 31, 2017 and December 31, 2016 was then calculated. In this way, it was possible to determine the effect on the income statement and on shareholders' equity had the market exchange rates been subject to the assumed changes.

The tables below provide a summary of the results of this analysis, indicating the additional effect on the actual figures recognized at the reporting date. These re-measurements based on changes in the exchange rate affect profit or loss for the year.

10% appreciation of the Euro		**10% depreciation of the Euro**	
(thousands of Euros)	**Profit or loss**	**(thousands of Euros)**	**Profit or loss**
December 31, 2017		**December 31, 2017**	
USD	(453)	USD	453
GBP	(13)	GBP	13
CHF		CHF	
CAD		CAD	
Total	**(466)**	**Total**	**466**

December 31, 2016		**Saturday, December 31, 2016**	
USD	(194)	USD	194
GBP	2	GBP	(2)
CHF		CHF	
CAD		CAD	
Total	**(192)**	**Total**	**192**

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.

	12.31.2017	%	12.31.2016	%
(thousands of Euros)				
Floating-rate medium- and long-term loans	(5,391)	9.4%	(9,655)	15.6%
Floating-rate medium- and long-term loans hedged by IRS	(15,929)	27.7%	(21,786)	35.2%
Fixed-rate medium- and long-term loans				
Fixed-rate medium- and long-term loans - subsidiaries				
Total non-current liabilities	**(21,320)**	**37.1%**	**(31,441)**	**50.7%**
Floating-rate medium- and long-term loans	(6,256)	10.9%	(6,244)	10.1%
Floating-rate medium- and long-term loans hedged by IRS	(5,857)	10.2%	(5,857)	9.5%
Fixed-rate medium- and long-term loans			(165)	0.3%
Floating-rate short-term bank loans for use of commercial facilities			-	
Fixed-rate medium- and long-term loans - subsidiaries			-	
Floating-rate cash pooling with subsidiaries and joint ventures	(24,082)	41.9%	(18,269)	29.5%
Total current liabilities	**(36,195)**	**62.9%**	**(30,535)**	**49.3%**
Total (floating rate)	(11,647)	*20.3%*	(15,899)	*25.7%*
Total (fixed rate or hedged floating rate)	(45,867)	*79.7%*	(46,077)	*74.3%*
Total	**(57,515)**	**100%**	**(61,976)**	**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 as at the date on which the financial statements were prepared.

		Profit (loss)		Shareholders' equity	
		Increase of 50 bps	Decrease of 50 bps	Increase of 50 bps	Decrease of 50 bps
(thousands of Euros)					
December 31, 2017					
Cash flows during the year		**(177)**	**157**		
	Cash flows from derivatives	*83*	*(83)*		
	Intercompany current account	*(88)*	*88*		
	Floating-rate loans	*(172)*	*152*		
Effectiveness of hedges				199	(199)
Net sensitivity of financial flows		**(177)**	**157**	**199**	**(199)**
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)**

An analysis of these scenarios demonstrated that changes in interest rates had little impact on the income statement and shareholders' equity. Cash flow hedges considerably restrict the impact on financial expense recognized in the income statement.

How Interest Rate Risk is Managed

The Parent company uses various debt instruments according to the nature of its financial requirements. In particular, it uses short-term debt to fund working capital requirements and medium- and long-term financing to cover investments in the core business.

The techniques used most often are:

- advances for short-term requirements;

- loans for medium- and long-term requirements. These instruments, which are arranged with leading banks, are mainly indexed to floating rates that are subject to revision every three or six months.

The Parent company's current risk management policy aims to reduce the variability of the financial expense incurred on its debt and of the related effects on profit or loss. The practical objectives in terms of risk management therefore involve stabilizing the cash flows linked to the cost of servicing debt in line with budget forecasts.

From an operating standpoint, the Parent company sets about achieving this goal by using derivatives in the form of interest rate swaps (IRS).

In line with the features of the transactions carried out and its risk management objectives, the Parent company has decided to structure its hedging relations using a cash flow hedge approach.

Specifically, the hedging relations involve converting floating-rate loan payments to fixed-rate payments. This is carried out by using interest rate swaps (IRS), under which the Parent company receives a flow of payments from the counterparty bank at the same floating rate as its debt, less the spread. In exchange, the Parent company makes a payment flow at a fixed rate. The position (debt + IRS) in the separate financial statements is therefore a fixed-rate liability of which the amount of financial expense is certain (the aim of cash flow hedging).

The present hedging policy excludes the recourse to transactions involving complex derivatives.

As at the reporting date, the risk of variability in cash flows linked to floating-rate debt was mainly hedged by derivative financial instruments.

Commodity risk

In terms of the nature of the business carried out by RDM, commodity risk is the risk that the profit for the year will be reduced by incurring higher costs to purchase raw materials for the mills. This risk is part of the broader category of market risk, specifically where the cost of the raw materials is dependent on changes in a quoted index.

In 2016, the Group signed contracts for the supply of natural gas also for 2017, operating mainly on a quarterly and annual basis, negotiating fixed unit prices for each of the individual quarters of supply. This allowed for a significant reduction in "commodity risk" for the first part of the year and a partial reduction for the last quarter. The quotas relating the last quarter were negotiated and confirmed over the year in order to meet the mills' requirements, while benefiting from the decreasing prices for energy commodities. All prices are expressed in Euros per volume unit, with subsequent adjustments to the content of primary energy contained in it.

At the end of November 2016, the Group signed contracts for the supply of electricity at a price indexed according to the prices of certain continental energy markets, in some cases by providing fixing operations following the conclusion of contracts by utilizing appropriate clauses in their contracts. Supply quotas at a price indexed relating to reference markets are negotiated with spreads fixed with respect to these prices. The price fixing of supply quotas aimed to contain "commodity risk" as described above. The negotiated prices are expressed in Euros per unit of electricity.

As of December 31, 2017 there were no specific derivative hedging instruments for the commodity risk.

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

How Commodity Risk is Managed

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

Supply contracts that relate to natural gas are normally concluded at a fixed price and are negotiated at least three months before the supply period. Electricity is purchased at a fixed price, and partially indexed according to the values of continental electricity markets as published by the bodies responsible for these markets.

In order to contain possible price pressure on raw materials, the Group aims to diversify its suppliers and its supply markets.

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, 2017 and December 31, 2016.

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, 2017	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	**17,550**	**17,550**	17,550				
Trade receivables	**41,295**	**41,295**	41,295				
Other receivables from Group companies	**7,042**	**7,042**	7,042				
Other receivables	**4,264**	**4,264**	3,289		975		
Medium- and long-term bank loans	**(33,170)**	**(34,514)**	(6,266)	(6,238)	(10,290)	(11,720)	
Short-term loans from banks for use of commercial facilities	**(2,000)**	**(2,000)**	(2,000)				
Other payables to Group companies	**(24,082)**	**(24,082)**	(24,082)				
Financial payables to subsidiaries	**-**	**-**					
Hedging derivatives	**(168)**	**(168)**	(64)	(50)	(61)	7	
Non-hedging derivatives							
Trade payables	**(58,956)**	**(58,956)**	(58,956)				
Other payables	**(5,047)**	**(5,047)**	(4,969)	(52)	(26)		
Total	**(53,272)**	**(54,616)**	**(27,161)**	**(6,340)**	**(9,402)**	**(11,713)**	

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 associates and joint ventures	**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)**	
Short-term loans from banks for use of commercial facilities	**-**	**-**	-				
Other payables to Group companies	**(18,269)**	**(18,269)**	(18,269)				
Financial payables to subsidiaries	**-**	**-**					
Hedging derivatives	**(317)**	**(317)**	(59)	(71)	(114)	(80)	7
Non-hedging derivatives	**-**						
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**

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

The appendices contain the following information, which constitute an integral part of the explanatory notes

Appendix A: Details of related-party and intragroup transactions as at 31 December 2017

Appendix B: Information pursuant to Article 149-duodecies of the Consob Issuers' Regulations

APPENDIX A – DETAILS OF RELATED-PARTY AND INTRAGROUP TRANSACTIONS AS AT 31 DECEMBER 2017

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

RECEIVABLES, PAYABLES, COSTS AND REVENUES WITH GROUP COMPANIES

The table below lists the details of the transactions carried out during 2017 and 2016 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	
December 31, 2017	**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.	261				2,181	2,036		
Cartiera Alto Milanese S.r.l. in liquidation						911		
Emmaus Pack S.r.l.			6,703					
PAC SERVICE S.p.A.					420			
RDM Blendecques S.A.S.	361	5,928						
RDM Ovaro S.p.A.	882				18	7,978		
R.D.M. Arnsberg Gmbh	538					10,871		
R.D.M. La Rochette S.A.S.	140				264	2,286		
R.D.M. Magenta S.r.l.	178	489			467			
ZAR S.r.l.					446			
Total	**2,360**	**6,417**	**6,703**	**-**	**3,796**	**24,082**	**-**	**-**

December 31, 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)								
R.D.M. Marketing S.r.l. (formerly Careo S.r.l.)	109				1,999	2,245		
Cartiera Alto Milanese S.r.l. in liquidation						908		
Emmaus Pack S.r.l.			5,989				6	
PAC SERVICE S.p.A.							233	
RDM Blendecques S.A.S.	329	251						
R.D.M. Ovaro S.p.A.	1,174				1,070	5,715		
Reno De Medici Arnsberg GmbH	1,238					5,493		
Cascades S.A.S.	10					3,856		
R.D.M. Magenta S.r.l.	170				521	52		
ZAR S.r.l.				5			200	
Total	**3,030**	**251**	**5,989**	**5**	**3,590**	**18,269**	**439**	

(1) See the Statement of Financial Position – total for the item "Receivables from Group companies" classified among "Current assets"
(2) See the Statement of Financial Position – total for the item "Other receivables from Group companies" classified among "Current assets"
(3) See the Statement of Financial Position – total for the item "Other payables to Group companies" classified among "Non-current liabilities"
(4) See the Statement of Financial Position – total for the item "Payables to Group companies" classified among "Current liabilities"

Intragroup revenues

December 31, 2017	Revenues from sales (1)	Other revenues (2)	Financial income
(thousands of Euros)			
R.D.M. Marketing S.r.l.		408	
Emmaus Pack S.r.l.	11,509	95	
PAC SERVICE S.p.A.	5,115		
RDM Blendecques S.A.S.		1,203	192
R.D.M. Ovaro S.p.A.	268	728	
R.D.M. Arnsberg Gmbh		2,644	
R.D.M. Magenta S.r.l.		133	2
R.D.M. La Rochette S.A.S.		140	81
Total	**16,892**	**5,351**	**275**

December 31, 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
R.D.M. Ovaro S.p.A.	383	61	
Reno De Medici Arnsberg GmbH		2,541	
Reno De Medici Ibérica S.l.U.		7	
R.D.M. Magenta S.r.l.		31	
Cascades S.A.S.			10
Zar S.r.l.			5
Total	**15,518**	**4,383**	**343**

(1) See the income statement – the item "Revenues from sales – of which related parties" includes intragroup "Revenues from sales" and "Revenues from sales" with other related parties

(2) See the income statement – the item "Other revenues and income – of which related-parties" includes intragroup "Other revenues and income" and "Other revenues and income" with other related parties

Intragroup costs

	Cost of raw materials and services [1]		Financial expenses
December 31, 2017	raw materials	services	
(thousands of Euros)			
R.D.M. Marketing S.r.l.		5,407	2
RDM Blendecques S.A.S.			1
RDM Ovaro S.p.A.	12		65
R.D.M. Arnsberg Gmbh			12
R.D.M. Magenta S.r.l.		5,574	
ZAR S.r.l.	2,322		
R.D.M. La Rochette S.A.S.	419		15
Total	**2,753**	**10,981**	**95**

December 31, 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 liquidation			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.		2,009	
ZAR S.r.l.	381		
Cascades S.A.S.			1
Total	**421**	**6,821**	**149**

(1) See the income statement – the item "Cost of raw materials and services – of which related parties" includes the intragroup "Cost of raw materials and services" and the "Cost of raw materials and services" with other related parties

RECEIVABLES, PAYABLES, COSTS AND REVENUES WITH OTHER RELATED PARTIES

Receivables and payables with other related parties

The table below lists the payables and receivables as at December 31, 2016 and as at December 31, 2015 with related parties:

December 31, 2017	Current liabilities Payables to third-party suppliers
(thousands of Euros)	
Cascades Groupe Produits Spec.	1
Total	**1**
Impact on item total	**0.0%**

December 31, 2016	Current assets Receivables from third-party clients	Current liabilities 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%**

(1) See the Statement of Financial Position – total of item "Other payables" classified in "Non-current liabilities"

Revenues and Costs with Other Related Parties

The table below details costs and revenues with related parties during 2016 and 2015:

December 31, 2017	Revenues from sales [1]
(thousands of Euros)	
Cascades Asia Ltd	2,982
Total	**2,982**
Impact on item total	**1.3%**

December 31, 2016	Revenues from sales [1]
(thousands of Euros)	
Cascades Asia Ltd	3,593
Total	**3,593**
Impact on item total	**1.7%**

(1) See the income statement – the item "Revenues from sales – of which related parties" includes intragroup "Revenues from sales" and "Revenues from sales" with other related parties

December 31. 2017	Cost of raw materials and services [1]
(thousands of Euros)	
Cascades Canada Ulc	6
Cascades Inc.	1
Total	**7**
Impact on item total	**0.0%**

December 31, 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%**

(1) See the income statement – the item "Cost of raw materials and services – of which related parties" includes the intragroup "Cost of raw materials and services" and the "Cost of raw materials and services" with other related parties

APPENDIX B: INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB ISSUER REGULATIONS

The table below, prepared pursuant to Article 149-duodecies of the Consob Issuer's Regulation, reports the fees charged in 2017 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 2017
			(thousands of Euros)
Statutory Audits of Accounts	*Deloitte & Touche S.p.A*	*Parent company Reno De Medici S.p.A.*	*197*
	Deloitte & Touche S.p.A	*Subsidiary*	*32*
	Network Deloitte & Touche S.p.A.	*Subsidiary*	*84*
Other auditing services	*Deloitte & Touche S.p.A*	*Parent company Reno De Medici S.p.A.*	*58*
	Network Deloitte & Touche S.p.A.	*Subsidiary*	*24*
Total			***395***

CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

at December 31, 2017, 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 the Financial Reporting Executive of Reno De Medici S.p.A., certify, considering the provisions of Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998:

- the suitability for the characteristics of the business and
- the effective implementation

of the administrative and accounting procedures pertaining to the preparation of the year-end financial statements for the period from January 1 to December 31, 2017.

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) provide a true and fair view of the financial position, the results and the cash flows of the issuer and of the companies whose accounts have been consolidated.

3.2. The Directors' Report comprises a reliable analysis of operating performance and results, as well as of the situation of the issuer and of the companies whose accounts have been consolidated, together with a description of the major risks and uncertainties to which they are exposed.

Milan, March 16, 2018

Chief Executive Officer	Chief Financial Officer
/signed/	/signed/
Michele Bianchi	Stefano Moccagatta

BOARD OF STATUTORY AUDITOR’S REPORT

INDEPENDENT AUDITOR’S REPORT

PROPOSED RESOLUTIONS

Dear Shareholders,

The separate financial statements as at December 31, 2017, which we submit for your approval, report a net profit of € 10.362.253,37.

The Board of Directors requests that you adopt the following resolutions:

First resolution

“The Ordinary Shareholders’ Meeting of Reno De Medici S.p.A.:

- having examined the report of the Board of Directors on operations;
- having examined the reports of the Board of Statutory Auditors and the Independent Auditors, Deloitte & Touche S.p.A.

resolves

- to approve the reports of the Board of Directors on Operations and the separate financial statements of Reno de Medici S.p.A. as at December 31, 2017, in all parts and respects.

Second resolution

“The Ordinary Shareholders’ Meeting of Reno De Medici S.p.A.:

- having examined the proposal of the Board of Directors;

resolves

- to allocate net profit for the year ended December 31, 2017 totaling €10.362.253,37 as follows:
- €518.112,67 to be allocated to the legal reserve pursuant to article 2430 of the Italian Civil Code;
- €0.0245 as a preferred dividend in accordance with article 22 of the Articles of Association for each savings share outstanding as at the dividend record date as specified below;

- €0.0031 which represents a dividend for each ordinary share outstanding as at the dividend record date, as specified below; we note that this is lower than the maximum dividend of 3% of €0.49 provided by article 22, paragraph 2.a) of the articles of association, as the dividend payable on the ordinary shares once the preferred dividend for the savings shares has been paid;

- the remaining profit, less the allocation to the legal reserve and the dividend distributions indicated above, is to be allocated to the "Available reserve";

- to establish that the payment of the dividend shall take place on May 16, 2018, for each ordinary share with rights and for each savings share with rights, with the ex-coupon date of May 14, 2018 and the record date on May 15, 2018.

Milan, March 16, 2018

On behalf of the Board of Directors

The Chairman

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, 2017, 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.

R.D.M. Ovaro S.p.A.

R.D.M. Arnsberg GmbH

R.D.M. Magenta S.r.l.

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

R.D.M. Marketing 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

Headquarters in Milan - Viale Isonzo, 25

Share capital €12,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets	54	54
Current assets	922	917
TOTAL ASSETS	**976**	**971**
Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	963	971
Provisions for risks and charges		
Payables	13	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**976**	**971**

Income statement

(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	4	12
Cost of production	(12)	(46)
Operating profit	**(8)**	**(34)**
Financial income (expense)		5
Profit (loss) before tax	**(8)**	**(29)**
Taxes for the year		(41)
Profit (loss) for the year	**(8)**	**(70)**

Cascades Grundstück Gmbh & Co.KG

Headquarters in Arnsberg - Hellefelder Street, 51

Share Capital €19,000

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets	307	307
Current assets	3	2
TOTAL ASSETS	**310**	**309**
Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	306	307
Provisions for risks and charges		
TFR		
Payables	4	2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**310**	**309**

Income statement		
(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production		
Cost of production	(5)	(6)
Operating profit	**(5)**	**(6)**
Financial income (expense)		
Profit (loss) before tax	**(5)**	**(6)**
Taxes for the year		
Profit (loss) for the year	**(5)**	**(6)**

RDM Blendecques S.A.S.

Registered office in Blendecques – Rue de L'Hermitage B.P. 53006

Share Capital €5,037,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets	22,832	19,639
Current assets	13,579	10,352
TOTAL ASSETS	**36,411**	**29,991**

Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	4,350	3,094
Provisions for risks and charges		106
TFR	2,548	2,604
Payables	29,513	24,187
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**36,411**	**29,991**

Income statement

(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	52,940	55,275
Cost of production	(56,205)	(58,181)
Operating profit	**(3,265)**	**(2,906)**
Financial income (expense)	(485)	(431)
Gains (losses) from investments	2,000	
Profit (loss) before tax	**(1,750)**	**(3,337)**
Taxes for the year	188	(167)
Discontinued operations		
Profit (loss) for the year	**(1,562)**	**(3,504)**

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

Registered office in La Rochette – Av. Maurice Franck 23

Share capital €4,000,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets	19,132	14,340
Current assets	35,948	37,664
TOTAL ASSETS	**55,080**	**52,004**
Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	17,988	16,673
Provisions for risks and charges	115	150
TFR	3,659	3,750
Payables	33,318	31,431
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**55,080**	**52,004**

Income statement

(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	114,356	55,289
Cost of production	(110,404)	(52,598)
Operating profit	**3,952**	**2,691**
Financial income (expense)	(407)	(206)
Gains (losses) from investments	15	(145)
Profit (loss) before tax	**3,560**	**2,340**
Taxes for the year	(348)	194
Discontinued operations		
Profit (loss) for the year	**3,212**	**2,534**

R.D.M. Arnsberg GmbH

Headquarters in Arnsberg - Hellefelder Street, 51

Share capital €5,112,919

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets	50,553	53,492
Current assets	36,473	33,206
TOTAL ASSETS	**87,026**	**86,698**

Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	44,995	45,199
TFR	18,435	17,229
Payables	23,596	24,270
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**87,026**	**86,698**

Income statement		
(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	123,985	112,978
Cost of production	(122,830)	(112,881)
Operating profit	**1,155**	**97**
Financial income (expense)	(423)	(274)
Profit (loss) before tax	**732**	**(177)**
Taxes for the year	(239)	51
Profit (loss) for the year	**493**	**(126)**

R.D.M. Magenta S.r.l.

Headquarters in Milan - Viale Isonzo, 25

Share capital €3,700,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets	5,405	5,792
Current assets	695	658
TOTAL ASSETS	**6,100**	**6,450**

Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	2,988	3,629
TFR	1,176	1,256
Provisions for risks and charges	84	
Payables	1,852	1,565
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,100**	**6,450**

Income statement

(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	5,581	2,030
Cost of production	(6,368)	(1,964)
Operating profit	**(787)**	**(66)**
Financial income (expense)	(14)	(3)
Profit (loss) before tax	**(801)**	**(69)**
Taxes for the year	171	(47)
Profit (loss) for the year	**(630)**	**(116)**

R.D.M. Ovaro S.p.A.

Headquarters in Milan - Viale Isonzo, 25

Share capital €12,500,000

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets	11,850	11,896
Current assets	26,903	25,643
TOTAL ASSETS	**38,753**	**37,539**
Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	18,320	15,002
Provisions for risks and charges	90	276
TFR	1,925	2,262
Payables	18,418	19,999
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**38,753**	**37,539**

Income statement		
(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	46,200	43,673
Cost of production	(41,782)	(39,552)
Operating profit	**4,418**	**4,121**
Financial income (expense)	(50)	(85)
Profit (loss) before tax	**4,368**	**4,036**
Taxes for the year	(1,057)	(1,185)
Profit (loss) for the year	**3,311**	**2,851**

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

Headquarters in Milan - Viale Isonzo, 25

Share capital €200,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets	1,780	1,782
Current assets	7,005	6,694
TOTAL ASSETS	**8,785**	**8,476**
Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	644	154
Provisions for risks and charges	2,617	2,698
TFR	412	393
Payables	5,112	5,231
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**8,785**	**8,476**

Income statement

(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	12,513	11,632
Cost of production	(11,849)	(12,007)
Operating profit	**664**	**(375)**
Financial income (expense)	(20)	(102)
Gains (losses) from investments	8	3
Profit (loss) before tax	**652**	**(474)**
Taxes for the year	(162)	57
Profit (loss) for the year	**490**	**(417)**

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	**12.31.2017**	**12.31.2016**
Non-current assets	16	57
Current assets	1,884	2,708
TOTAL ASSETS	**1,900**	**2,765**
Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	498	648
TFR	271	462
Payables	1,131	1,655
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,900**	**2,765**

Income statement

(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	2,929	3,711
Cost of production	(2,738)	(3,514)
Operating profit	**191**	**197**
Financial income (expense)	1	12
Profit (loss) before tax	**192**	**209**
Taxes for the year	(333)	(459)
Profit (loss) for the year	**(141)**	**(250)**

R.D.M. Marketing Germany GmbH

Registered office in Uerdinger Strasse - Krefeld

Share capital €210,000

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets		2
Current assets	791	551
TOTAL ASSETS	**791**	**553**

Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	649	477
Payables	142	76
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**791**	**553**

Income statement		
(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	945	847
Cost of production	(702)	(902)
Operating profit	**243**	**(55)**
Financial income (expense)		2
Profit (loss) before tax	**243**	**(53)**
Taxes for the year	(70)	8
Profit (loss) for the year	**173**	**(45)**

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	**12.31.2017**	**12.31.2016**
Non-current assets	8	4
Current assets	705	462
TOTAL ASSETS	**713**	**466**

Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	456	268
Payables	257	197
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**713**	**465**

Income statement		
(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	1,013	931
Cost of production	(824)	(880)
Operating profit	**189**	**51**
Financial income (expense)	(1)	1
Profit (loss) before tax	**188**	**52**
Taxes for the year		
Profit (loss) for the year	**188**	**52**

R.D.M. Marketing Czech Republic s.r.o.

Registered office in Jinonickà

Share capital €19,600

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets		
Current assets	295	222
TOTAL ASSETS	**295**	**222**

Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	193	155
Payables	102	67
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**295**	**222**

Income statement		
(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	514	280
Cost of production	(475)	(269)
Operating profit	**39**	**11**
Financial income (expense)	(13)	(9)
Profit (loss) before tax	**26**	**(2)**
Taxes for the year	(7)	
Profit (loss) for the year	**19**	**(2)**

R.D.M. Marketing Poland SP z.o.o.

Registered office in Altowa – Warsaw

Share capital €11,970

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets		
Current assets	544	351
TOTAL ASSETS	**544**	**351**
Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	351	172
Payables	193	179
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**544**	**351**

Income statement		
(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	618	526
Cost of production	(433)	(462)
Operating profit	**185**	**64**
Financial income (expense)	(13)	(1)
Profit (loss) before tax	**172**	**63**
Taxes for the year	(27)	(30)
Profit (loss) for the year	**145**	**33**

R.D.M. Marketing Hungaria KFT

Registered office in Otvos Janos - Budapest

Share capital €19,200

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets	2	5
Current assets	318	243
TOTAL ASSETS	**320**	**248**
Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	246	163
Payables	74	85
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**320**	**248**

Income statement		
(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	319	320
Cost of production	(242)	(266)
Operating profit	**77**	**54**
Financial income (expense)	(7)	(12)
Profit (loss) before tax	**70**	**42**
Taxes for the year	(12)	(12)
Profit (loss) for the year	**58**	**30**

R.D.M. Marketing UK Ltd

Registered office in West Bromwich – Wednesbury

Share capital €1

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets	16	43
Current assets	478	167
TOTAL ASSETS	**494**	**210**

Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	(196)	(512)
TFR	3	5
Payables	687	717
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**494**	**210**

Income statement		
(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	608	557
Cost of production	(359)	(592)
Operating profit	**249**	**(35)**
Financial income (expense)	(15)	(20)
Profit (loss) before tax	**234**	**(55)**
Taxes for the year		
Profit (loss) for the year	**234**	**(55)**

Manucor S.p.A.

Headquarters in Milan – Via Durini, 16/18

Share capital €10,000,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets	45,092	51,735
Current assets	38,282	42,493
TOTAL ASSETS	**83,374**	**94,228**
Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	373	8,034
Non-current liabilities	31,156	36,768
Current liabilities	51,845	49,426
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**83,374**	**94,228**

Income statement

(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	141,173	147,680
Cost of production	(147,364)	(149,010)
Operating profit	**(6,191)**	**(1,330)**
Financial income (expense)	(1,853)	(2,392)
Profit (loss) before tax	**(8,044)**	**(3,722)**
Taxes for the year	381	485
Profit (loss) for the year	**(7,663)**	**(3,237)**

PAC SERVICE S.p.A.

Headquarters in Vigonza (PD) – Via Julia, 47

Share capital €1,000,000

Statement of Financial Position

(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets	3,237	2,742
Current assets	14,151	11,157
TOTAL ASSETS	**17,388**	**13,899**

Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	8,567	7,022
Provisions for risks and charges	147	204
TFR	576	557
Payables	8,098	6,116
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**17,388**	**13,899**

Income statement

(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	22,237	20,508
Cost of production	(20,332)	(18,763)
Operating profit	**1,905**	**1,745**
Financial income (expense)	224	193
Profit (loss) before tax	**2,129**	**1,938**
Taxes for the year	(584)	(602)
Profit (loss) for the year	**1,545**	**1,336**

Emmaus Pack S.r.l.

Headquarters in Milan - Viale Isonzo, 25

Share capital €200,000

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets	654	528
Current assets	10,444	10,339
TOTAL ASSETS	**11,098**	**10,867**

Liabilities and shareholders' equity	12.31.2017	12.31.2016
Shareholders' equity	1,113	1,156
Provisions for risks and charges	109	104
TFR	319	288
Payables	9,557	9,319
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11,098**	**10,867**

Income statement		
(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	16,406	16,459
Cost of production	(15,847)	(15,761)
Operating profit	**559**	**698**
Financial income (expense)	(41)	(45)
Profit (loss) before tax	**518**	**653**
Taxes for the year	(211)	(291)
Profit (loss) for the year	**307**	**362**

Zar S.r.l.

Headquarters in Milan

Share capital €90,000

Statement of Financial Position		
(thousands of Euros)		
Assets	**12.31.2017**	**12.31.2016**
Non-current assets		4
Current assets	1,501	3,820
TOTAL ASSETS	**1,501**	**3,824**

Liabilities and shareholders' equity	**12.31.2017**	**12.31.2016**
Shareholders' equity	306	285
Payables	1,195	3,539
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,501**	**3,824**

Income statement		
(thousands of Euros)		
	12.31.2017	**12.31.2016**
Value of production	18,324	20,799
Cost of production	(18,294)	(20,664)
Operating profit	**30**	**135**
Financial income (expense)		(41)
Profit (loss) before tax	**30**	**94**
Taxes for the year	(9)	
Profit (loss) for the year	**21**	**94**